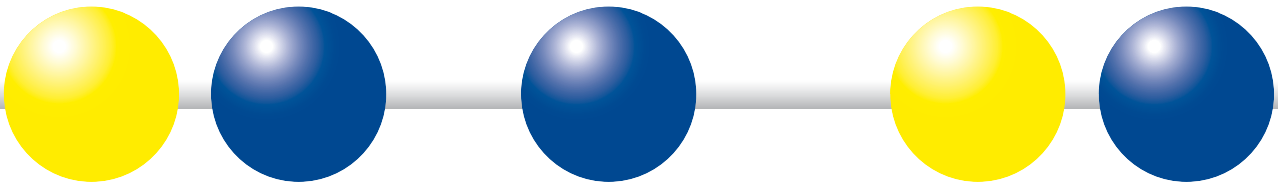




ANNUAL REPORT  
1 APRIL 2006 TO 31 MARCH 2007



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



**labour**

Department:  
Labour  
REPUBLIC OF SOUTH AFRICA



## 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 lifelong 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 (EEA) of 1998
- To enhance access to learning opportunities in the sector
- To position the sector as “the sector of career choice” for prospective learners and entrants into the labour market

## VISION

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

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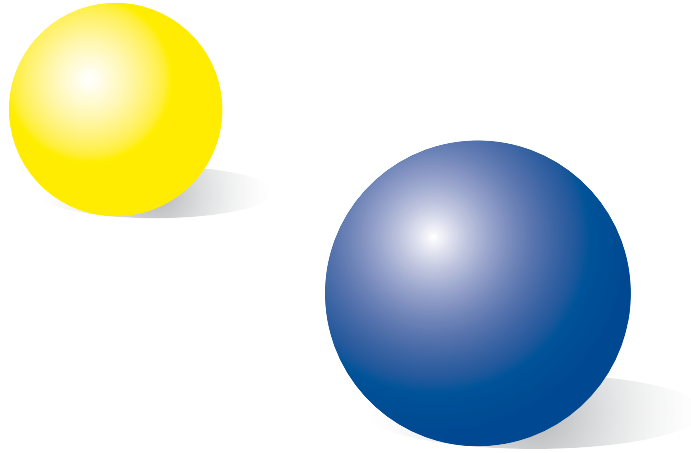
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## CHAIRMAN'S FOREWORD

*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 2006 to 31 March 2007.*



## INTRODUCTION

The year under review was our seventh year of operation (Year 7) and the second year of Fasset's functioning in terms of the second phase of the Department of Labour's (DoL's) National Skills Development Strategy (NSDS II), which came into effect on 1 April 2005 and will run to 31 March 2010. An overview of Fasset's functioning and performance against NSDS II is provided in Appendix A on page 68 of this report.

Fasset remains firmly committed to meeting NSDS II targets, and our achievements during the year under review confirm that the Seta is on track to meet these targets.

## FINANCIAL INFORMATION

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, i.e.:

- 20% of funds (paid to the South African Revenue Services (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 three grants during the period:

- Mandatory Grants
  - Workplace Skills Plan (WSP) and Annual Training Report (ATR) 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 unclaimed funds, amounting to, R50 727 505 for the period under review, have been allocated to strategic projects identified by the Management Board. All budgeted income for Year 7 has been either 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 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 confirms Fasset's ever-increasing ability 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 (PFMA). This is a positive development.

We would like to point out to our stakeholders that the quality of levy information received is beyond the control of the Accounting Authority, and we are making every effort to compensate for this.

Full financial details are provided later in this Report (see pages 26 to 66).

## GOVERNANCE

As the Management Board, we have a fiduciary duty to ensure that as custodians of public funds we invest and manage those funds appropriately to meet the aims of skills development. In line with this policy, Fasset, having obtained an unqualified Audit Report for the last seven years will not rest on its laurels; we will continue to strive to be the leader in terms of corporate governance systems and structures within the public sector environment. In line with this philosophy, we have always had a conservative investment approach, both with regards to cash on hand and the projects that we invest our funding in. Two major developments in this area during the last year include the introduction of comprehensive supply chain management processes, and a Fasset Fraud Hotline.

## FOCUS AND ACHIEVEMENTS

The year under review has been a very good year for Fasset. The Fasset brand is now firmly established, enabling Fasset to build on its strong track record for delivery.

The NSDS II places a heavy emphasis on improving access for unemployed learners into the mainstream economy. We have made excellent headway in this regard, particularly with respect to Fasset's Work Readiness Programmes, which provide unemployed graduates with the requisite workplace and life skills to "hit the ground running" once in the workplace. We have achieved excellent placement rates, confirming a real need for such projects within our sector.

Lifelong learning, previously called Continuous Professional Education (CPE), has always been a flagship initiative. Strongly supported in the past, lifelong learning has really taken off in the sector, with attendance increasing significantly during the year under review. It is both comforting and humbling to see that a number of these interventions are now over-subscribed.

Our Small Practices Project has also made an indelible mark within the sector. While the impact may be small within the broader economy, the project is, nevertheless, making a sustainable difference to the high levels of unemployment within the country. Project beneficiaries may very well become employers themselves in the future, and having benefited from the project personally, we believe they have a vested interest in taking on such learners themselves. I am very confident that this project will assist Fasset to achieve the new venture creation objectives of the NSDS II.

As a Management Board we find that we are now asking ourselves tougher questions. Whereas the emphasis was on learner numbers when the Seta was first established, we currently ask questions about the quality of learners, programmes, and providers. Quality is something which is not negotiable. Our Management Board has taken a strategic decision that going forward we will fund fewer projects, with an emphasis on quality.

There is a dire need for the transformation of women within our sector, as relatively few women currently occupy senior positions in management, including Board positions. This is ironic, given the fact that women outnumber men in the workplace. This poses a challenge for us as a Management Board. As a Seta, should we not initiate programmes that will enable organisations within our sector to fast track women?

Our challenge, as a Seta, is that we are using stakeholder levies to fund skills upliftment. Consequently, unless our stakeholders provide Fasset with information pertaining to the need to fast track women within the sector, this will not happen. Capturing this information in the WSP is undoubtedly the starting point.

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 second year of our second five-year term, which has ensured Fasset's ongoing success.

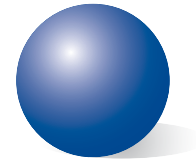
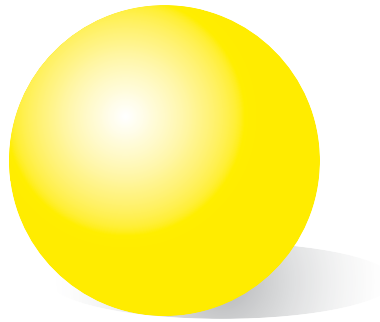


**MPUSENG TLHABANE**  
Chairman



## CHIEF EXECUTIVE OFFICER'S REPORT

*Report to the Executive Authority and Parliament of the  
Republic of South Africa*



## INTRODUCTION

The year under review, 2006/07, was the second year of the NSDS II strategy. Coming out of the first year of the NSDS II strategy, our stakeholders were concerned that there would be a slow-down in delivery during the transition from NSDS I to NSDS II. This has not happened; the transition required very few changes and Fasset did not lose any momentum in delivery during the transition.

Fasset has always been very strongly aligned to skills development needs within the sector and has endeavoured at all times to ensure that we have our finger on the pulse of skills development needs. Fasset's ability to do this has ensured that more and more stakeholders are participating in skills development and also, voluntarily providing us with the necessary information to drive skills development.

The Fasset brand is firmly established and our stakeholders know that their levy is directly linked to achieving skills development objectives. Therefore, if systems change, if the NSDS changes, and if strategies such as the Joint Initiative on Priority Skills Acquisition (JIPSA) are promulgated, Fasset is so closely aligned to the needs of its sector, that the needs arising from these strategic interventions are being initiated by Fasset anyway.

Having established the Fasset brand and the best practice benchmark, this automatically leads to increased commitment

and participation by the sector. Because Fasset is meeting skills needs, our stakeholders are voluntarily participating more and more in Fasset initiatives. This in turn means that whatever skills development interventions Fasset implements, these are inevitably achieving more and more success. Our lifelong learning interventions are a case in point: these interventions have gone from strength to strength, and we now find that our stakeholders are consciously looking out for what we are offering next in terms of skills development. This is also evident in Development Projects such as the Bonani and the Thusanani Work Readiness Programmes. Although relatively small when they started, our sector is supporting these projects fully, to the extent that learner intake on the Bonani Work Readiness Programme has increased twenty-fold and our stakeholders would like to see many more learners placed on the project.

Fasset has always been a leader in the area of corporate governance within the public sector, and we have attempted to raise the benchmark for corporate governance year-on-year. As custodians of public money we recognise that we need to ensure, at all times, that we look after the public interest as best we can. Constantly striving to raise the bar in terms of corporate governance, during the year under review, a Fasset Fraud Hotline was introduced, and a mechanism was put in place enabling our Working Committees to conduct a self-evaluation of their performance.

## LEARNERSHIPS

The concept of training with a combination of theory and workplace learning has been practiced in the Fasset sector for many years and was in existence long before Setas were established. Consequently, when Setas were established and learnerships first introduced, Fasset had a head-start in terms of being able to register learnerships; employers and learners came on board very early in the process, enabling Fasset to achieve high registration numbers on learnerships very quickly. Learnerships are needs-driven and each year Fasset undergoes a process to ascertain whether any additional learnerships are required. During the period under review no new learnerships were identified and as at 31 March 2007, 18 Fasset learnerships have been registered.

Of the 27 022 learners registered on Fasset learnerships to date:

- 3 372 learners were signed on during the year under review
- 12 926 are 18.1 learners (previously employed)
- 11 876 are 18.2 learners (previously unemployed)
- 2 220 have cancelled their learnership agreement
- 12 022 learners have already completed their learnership
- 12 780 are currently registered

Transformation is a huge driver within the sector and Fasset learnerships play an important role in assisting the sector to fast track transformation. The percentage of black learners (African, Indian and Coloured) is increasing steadily. In Year 2, 29% of registered learners were black. This increased to some 45% of learners in Year 7.

For the past seven years Fasset has consistently incentivised employers to take on black learners and learners with disabilities by way of the LCG. In Year 7, employers were able to claim for an unlimited number of learners and 218 applications were received in respect of 612 learners. The increase in the number of black learners on Fasset learnerships over the past year cannot be attributed solely to the LCG, as the grant has never been fully subscribed. A survey has been commissioned to ascertain the reasons

for this, and telephonic and face-to-face interviews will be conducted in April and June 2007.

Now in the mature phase of the learnership cycle, Fasset has placed a heavy emphasis on monitoring. A sample of 20% of employers who availed themselves of the LCG were visited. The purpose of these visits was to check on the success of the intervention and to establish how well the learners had been integrated into the workplace. These visits are not mandated by DoL so they serve as yet another example of innovation on Fasset's part, in its quest for good corporate governance and the implementation of a best practice quality assurance model within the sector.

Fasset has concluded 22 Memoranda of Understanding (MoUs) with other Setas. These MoUs facilitate the implementation of learnerships across sectors and there are currently 244 learners from other sectors on Fasset learnerships.

Fasset is at the end of a learnership cycle with many learners now completing their learnerships. The next phase entails tracking the impact of the learnerships on the learner, as well as on the employer. Fasset would like to establish whether learners are still employed and whether learners have been promoted. We would also like to investigate whether these learners have contributed to closing the skills gap within organisations. This impact analysis will be conducted during the next financial year.

## QUALITY ASSURANCE

The Skills Development Act, 1998 (SDA) (Act No 97 of 1998), as amended stipulates that Setas have to be accredited by the South African Qualifications Authority (SAQA) as Education and Training Quality Assurance bodies (ETQAs). During the year under review, all qualifications and unit standards due to expire in Year 7 were re-registered.

Similar to the learnership cycle, the Quality Assurance (QA) cycle has also reached its mature phase, where the focus has shifted towards the monitoring and support of training providers and the verification of assessments. The implementation of the quality assurance accreditation criteria is demonstrated by accredited training providers at their annual monitoring visits. The visits are conducted by Fasset or our Quality Assurance Partners (QAPs). In the

period under review, all providers who were visited had adhered to the SAQA minimum requirements.

The full cycle of QA was demonstrated in the year under review as the verification of assessment visits were conducted at four of our accredited training providers. These visits resulted in the endorsement of learner results and the certification of learners.

Short course providers are fulfilling an important role, specifically where employers want the transfer of knowledge to occur within a relatively short period of time. We have seen a much greater demand for short courses than in the past, and employers have expressed interest in training needs in this area, not only at high skills levels, but also at entry-level. There has been a shift away from concentrating only on long-term interventions.

The QAP model continues to work well. During the year under review, UK-based Association of Accounting Technicians (AAT) was accredited as a QAP, bringing the number of QAPs to four. Professional bodies, ACCA and IIA SA are in the process of obtaining accreditation.

Over and above performing the general QA role, in November 2006, the Learnerships/ETQA department hosted its first annual networking event for accredited training providers, assessors and moderators. This initiative

aims to support these stakeholders and keep them abreast of topical QA issues.

Fasset commissioned a best practice research project to review, compare and improve its QA processes for learnerships and other learning programmes in the sector. The research was conducted between April and November 2006. The objective was to identify improvements, and to implement changes based on the sector's needs.

The research entailed an analysis of the current QA processes and current areas for improvement as experienced by the sector, and ran parallel with DoL and SAQA initiatives in the field of QA.

The best practice research confirmed that our systems and processes for QA are in line with DoL and SAQA's minimum requirements and that our approach to QA in the sector is adding value to the learning chain. Implementation of the recommendations from the report will commence in the new financial year.

## SKILLS PLANNING

The SSP was updated and submitted to DoL before the prescribed deadline. It identified a number of scarce and critical skills within the Fasset sector and a list was formulated. Table 1 below lists the top ten occupations in

**Table 1: Occupations with Highest Numbers of Scarce Skills**

| Ranking | Occupation  | Need for 2006/07 | Percentage of Total Need |
|---------|---|------------------|--------------------------|
| 1       | Accountants   | 616              | 35                       |
| 2       | Corporate (Administration and Business) Services Managers | 228              | 13                       |
| 3       | Contract, Programme and Project Administrators            | 157              | 9                        |
| 4       | Finance Managers  | 133              | 8                        |
| 5       | General Clerks  | 114              | 6                        |
| 6       | Secretaries   | 94               | 5                        |
| 7       | Other Project Managers not classified elsewhere           | 47               | 3                        |
| 8       | Economists  | 40               | 2                        |
| 9       | Bookkeepers   | 36               | 2                        |
| 10      | Financial Investment Advisers and Managers                | 31               | 2                        |

*From the Sector Skills Plan 2005 to 2010. Updated for the 2006/07 Financial Year.*

the sector with the highest number of scarce skills. This list informed the Management Board's decision-making process in terms of the skills development interventions that Fasset would focus on in the financial year. The list also informed the SCG criteria, requiring firms to align interventions they were applying for under the SCG, to support scarce and critical skills. As a special skills initiative grant, the SCG allows levy employers to claim back a maximum of 20% of their levy paid to SARS for education and training interventions undertaken in specific skills priority areas.

Scarce skills are defined as those occupations characterised by a scarcity of qualified and experienced people (current and anticipated, i.e. 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*). A Scarce Skills brochure was developed and distributed in the financial year, and an analysis of the grant applications received in respect of Year 5 was also undertaken.

During the year under review, 1 822 WSPs were submitted. This represents a 33% decline in the number of WSP submissions compared to the past financial year and can be attributed directly to the increase in the threshold for Skills Development Levies (SDL) payments to R500 000. (Table 2 below provides statistics on WSP submissions for the past two years). To ensure ongoing participation with Fasset, Fasset Skills Advisors (FSAs) were encouraged to bring non-levy payers on board by registering them as non-levy payers - a status which enables them to participate

in the majority of Fasset initiatives. Over 730 non-levy payer registrations were approved by Fasset. A substantial number of non-levy payers have, nevertheless, fallen out of the Fasset skills development loop as a result of businesses with a payroll of under R500 000 per annum being exempted from SDL payments, and not registering with the Seta as non-levy payers. In future, non-levy payers who do not register on Fasset's database will not be informed of Fasset interventions, such as free lifelong learning.

Some 523 Skills Development Facilitators (SDFs) were registered during the period, bringing the total number of registered SDFs to 3 433. (See Table 2 below). During the period under review, Fasset hosted a series of SDF training events (Toxic Management and Leadership, Values, Culture, Behavior and Ethics in an Organisation) and a one-day introductory training session for SDFs. (Table 3 on page 11 provides attendance figures for each event).

Lifelong learning has always been a very important area of focus for Fasset and to date more than 24 307 stakeholders have attended this training. Lifelong learning has created considerable value for employers in terms of the benefits that they are able to derive from us. Three lifelong learning interventions of relevance to the broader sector were offered: Budget and Tax Update (2007), Survive and Thrive in the New World of Work and Labour Law for Non-Lawyers (offered in partnership with Bankseta).

Attendance at our lifelong learning interventions has increased markedly over the past year, with a number of events being over-subscribed. Increased stakeholder participation may be attributed in part to the fact that these events are now advertised using a raft of communication

**Table 2: WSP Submissions and SDF Registrations**

|                     | Year 6 | Year 7 | Percentage Change from Year 6 to Year 7 |
|---------------------|--------|--------|---|
| WSPs Submitted      | 2 708  | 1 822  | -33%                                    |
| WSP Grants Paid     | 2 236  | 1 096  | -51%                                    |
| Registered SDFs     | 2 910  | 3 433  | 18%                                     |
| Employers with SDFs | 3 706  | 4 221  | 14%                                     |

*This includes mandatory grants submitted, approved, in query and rejected. Of the mandatory grants submitted 1 412 were SDL payers and therefore eligible for a grant payment.*

**Table 3: Attendance at Year 7 Lifelong Learning Interventions**

| Start Date    | Title   | Number Attended | Number of Fasset Delegates |
|---------------|---|-----------------|----------------------------|
| April 2006    | Budget and Tax Update 2006*                             | 159             | 148                        |
| May 2006      | Toxic Management and Leadership                         | 142             | 129                        |
| May 2006      | Survive and Thrive in the New World of Work             | 966             | 954                        |
| July 2006     | SDF One-day Introductory Course                         | 96              | 87                         |
| August 2006   | Labour Law for Non-Lawyers                              | 1 369           | 1 188                      |
| February 2007 | Values, Culture, Behavior and Ethics in an Organisation | 231             | 203                        |
| March 2007    | Budget and Tax Update 2007*                             | 3 564           | 2 886                      |
|               |   | <b>6 527</b>    | <b>5 595</b>               |

\* These events run across financial years and the figures are not inclusive of the total delegates that attended.

media. A combination of fax, e-mail, and paper-based invitations has been introduced and invitations are now not only sent to SDFs, but to other contact people within the organisation.

The event administration system was introduced in January 2006 and has enhanced service delivery as it allows Fasset to monitor numbers on a real time basis. Where venues are over-subscribed, delegates are now provided with options for alternative venues. Service delivery has also been enhanced as the call centre is able to capture faxes within a much shorter period of time.

Although only 3% of employees require Adult Basic Education and Training (ABET), Fasset continues to offer ABET to the sector. Table 4 below provides details pertaining to the number of employees who have benefited from ABET nationally. Fasset is experiencing some difficulty in meeting certain ABET targets, specifically in terms of learners with disabilities, as well as targets for learners on ABET levels 3

and 4. These levels are more difficult for learners, specifically in the area of numeracy.

### MARKETING COMMUNICATION

The goal of marketing and communication is to position the sector not only as a sector of choice, but as a brand capable of competing for “share of mind” in an increasingly cluttered media environment.

A professional marketing approach continues to play an important role in increasing sector participation, improving learner registration figures, cementing the concept of lifelong learning, driving transformation within the sector, and ensuring that the sector is not only aware of, but supports Fasset and its skills development activities.

Recognising the important role that the media plays in South Africa, Fasset has worked very hard at strengthening relationships with the media. These efforts are bearing fruit

**Table 4: Employee Participation in ABET**

|         | Registered | Achieved |
|---------|------------|----------|
| Level 1 | 31         | 40       |
| Level 2 | 85         | 62       |
| Level 3 | 81         | 53       |
| Level 4 | 58         | 6        |

A number of learners from the previous financial year continued with ABET 1 resulting in higher than registered achievement figures.

and an ever-increasing number of journalists acknowledge the importance of obtaining input from Fasset in terms of any developments within the Seta, the sector and skills development arena.

The media are one of our main avenues of communication with the public. In the year under review, Fasset participated in various media surveys commissioned by the various newspapers, including Business Day, Sunday Times, City Press and Independent newspapers, enabling us to increase our public profile. Our stakeholders were kept abreast of successes and challenges faced by Fasset.

The media is monitored on an ongoing basis and fair and equitable media coverage was obtained during the year under review. During Year 7, free publicity to the value of R2 063 502 was obtained, which is a significant increase on the R1 541 179 achieved during the previous financial year. Particularly gratifying, is the fact that Fasset's media profile in KwaZulu-Natal has been raised markedly over the course of the past year. Fasset has managed to position itself as a partner-of-choice. This can be attributed to the funding received from the National Skills Fund (NSF).

The Fasset website and call centre are also major mechanisms for ongoing communication. During the year under review, an average of 60 000 hits were recorded on the website with more than 20 000 visitors visiting Fasset's website. The overwhelming majority of calls to our call centre were related to learnerships and lifelong learning training interventions.

In order to facilitate communication with stakeholders and partners, Fasset produces various publications, including the quarterly *Facts* newsletter, monthly e-zine, *e-Facts*, bi-annual e-zine for learners, *L-facts* and the 2005/06 Annual Report.

Committed to service excellence, Fasset plans to commission a customer satisfaction survey during the 2007/08 financial year.

## DEVELOPMENT PROJECTS

Unclaimed grant monies are used to fund strategic projects, including Development Projects. The sole purpose of these projects is to meet the high skills needs within the

sector, identified through Fasset's SSP. The Business Plan conceptualises, on an annual basis, those areas of high priority that Fasset will concentrate on in the year ahead.

Three new projects were identified and approved for funding during the period, bringing the total number of approved projects as at 31 March 2007 to 48. Of those, 38 have already run to closure. Four projects will be completed during 2007 and 2008, and the balance will be completed in 2010.

All new projects are approved by the Executive Committee (EXCO) and during the year under review, R33 502 900 was allocated to Development Projects in pursuance of NSDS target 4.2 (Details of projects funded in Year 6 and Year 7 appear in Table 5 on page 13). As at 31 March 2007, R144 503 223 has been allocated to these projects in total.

The year under review was characterised by further enhancement and control measures. Each project was monitored on an ongoing basis and measured more stringently against the agreed objectives and deliverables.

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

- 85% black
- 54% women
- 4% people with disabilities

With Fasset's brand now well-established, there has been a definite increase in stakeholder participation in Development Projects. The Thuthuka Small Practices Project in particular is strongly supported. Thirty small practitioners are currently participating in the project, and as at 31 March 2007, all of the learners on the project had already been placed in employment. The Bonani and Thusanani Work Readiness Programmes also continue to enjoy strong stakeholder support. Employers have indicated that they are very pleased with the calibre of Fasset learners. An increased drive by our stakeholders to improve the demographic profile of employees, coupled with efforts to meet black Economic Empowerment (BEE) targets, has

resulted in a far greater willingness to take on black learners. In fact, the demand for learners currently exceeds supply.

Fasset has historically funded many projects with large learner numbers. However, coming out of the year under review, Fasset identified the need to step back and evaluate the impact of these projects as well as their return on investment (ROI). In the year ahead, research will be undertaken to fully ascertain the ROI.

Going forward, it is envisaged that Fasset will fund fewer, more sustainable projects, with the emphasis on learner quality, rather than learner quantity. Our Management Board has decided that Fasset will only fund Work Readiness Programmes (WRP) for Professional and Associate Professional level Accounting learners in the sector. Previously,

Fasset funded Matric re-writes and projects that produced learners in critical skills areas as well.

It is also envisaged that in future, projects will be of a longer duration; typically 6 to 9 month work readiness interventions. More money will be invested in learners to better equip them with the requisite workplace skills. Ideally learners will be tracked for the duration of their three-year learnership period thereafter.

The Thuthuka Education Upliftment Project in the Eastern Cape, KwaZulu-Natal and Limpopo, funded by the NSF, ended in December 2006. Hailed by Minister of Labour, Membathisi Mdladlana, as "a Seta success story," the project has made an incredible difference to the skills levels of learners, educators, principals, schools and governing

**Table 5: Development Projects Funded by Fasset (Year 6 and 7)**

| Project                            | Fasset Funding (R'000) | Beneficiaries (Number)                                    | Status     | Race |   |   |    | Gender |     |
|------------------------------------|------------------------|---|------------|------|---|---|----|--------|-----|
|                                    |                        |   |            | A    | I | W | C  | M      | F   |
| <b>Year 6</b>                      |                        |   |            |      |   |   |    |        |     |
| Scimathus Phase 3                  | 727                    | 18  | Completed  | 3    |   |   | 15 | 8      | 10  |
| GTH Bonani NQF5 WRP                | 13 692                 | 400   | Completed  | 390  | 4 |   | 6  | 162    | 238 |
| Thuthuka Camps 2006                | 1 113                  | 325   | Completed  | 325  |   |   |    | 182    | 143 |
| Thuthuka UFH Post Graduate 2006/07 | 4 409                  | 32  | Current    | 32   |   |   |    | 13     | 19  |
| Thuthuka Small Practices CTA WRP   | 6 148                  | 50  | Current    | 50   |   |   |    | 22     | 28  |
| SHA Thusanani NQF6 WRP             | 6 037                  | 140   | Completed  | 135  | 3 |   | 2  | 62     | 78  |
| Thuthuka CTA/QE 06/07              | 4 003                  | 128   | Current    | 128  |   |   |    | 67     | 61  |
| <b>Year 7</b>                      |                        |   |            |      |   |   |    |        |     |
| Bonani 2 NQF 5 WRP (Group 1: 250)  | 16 516                 | 500<br>Group 2:<br>250 to be<br>recruited in<br>July 2007 | Current    | 240  | 7 | 0 | 3  | 95     | 155 |
| Thusanani 2 NQF 6 WRP              | 15 739                 | 400   | Recruiting |      |   |   |    |        |     |
| Itukisa NQF 6 WRP                  | 1 248                  | 30  | Recruiting |      |   |   |    |        |     |

Key: A - African I - Indian W - White C - Coloured M - Male F - Female

bodies in participating provinces. Some 56 226 individuals in total benefited from this project (see Table 6 below). In the year ahead, a case study will be undertaken on the impact of this funding.

During the period under review the NSF requested Setas to propose projects that were already in existence for consideration for NSF funding to extend these projects. Fasset identified the Bonani Work Readiness Programme and the Thuthuka Small Practices Programme as suitable interventions and service providers submitted proposals as to how these programmes could be extended. It was proposed that a virtual office element be added to the Bonani Work Readiness Programme. Learners will be provided with an additional five months training in a simulated workplace. They will compile the accounts of three companies and this could see them through their first year of the SAIPA (South African Institute of Professional Accountants) learnership. Fasset will be in a position to monitor learners throughout their 3-year learnership period with a SAIPA practitioner. Additional funding will also enable the Thuthuka Small Practices Programme to place an additional 45 learners on the programme and will enable the project to recruit applicants across all provinces. In order to achieve this, the NSF has approved an additional R22.5m in funding for the Bonani Work Readiness Programme and R8.1m for the Thuthuka Small Practices Programme.

## INVESTORS IN PEOPLE

Fasset is a recognised Investor in People (IIP) organisation. We remain firmly committed to the Standard as an

international benchmark for good practice in people development. Confirmation from the Minister of Labour, Membathisi Mdladlana as to whether the IIP standard will be an approved national standard for people development is still awaited, however, Fasset has taken a strategic decision to terminate the project for new employers in the sector. Fasset will, however, still assist organisations that have already expressed their commitment, to achieve the IIP standard.

## THE 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 detailed on in the Accounting Authority Report on page 30. 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

**Table 6: NSF Funded Thuthuka Education Upliftment Project Summary**

| Activities                        | Eastern Cape       |          | KwaZulu-Natal/Limpopo |          |
|-----------------------------------|--------------------|----------|-----------------------|----------|
|                                   | Planned            | Achieved | Planned               | Achieved |
| Accounting, English & Mathematics | 26 700             | 27 099   | 12 800                | 11 455   |
| Educators                         | 3 200              | 5 393    | 2 400                 | 6 584    |
| Street Finance                    | 1 940              | 2 468    | 2 000                 | 2 512    |
| Universities                      | 150                | 472      | 250                   | 243      |
| <b>Total Budget Allocated</b>     | <b>R62 608 829</b> |          | <b>R 76 881 997</b>   |          |

*The figures given are the aggregate targets for 2002 to 2006 for the Eastern Cape and 2004 to 2006 for KwaZulu-Natal/Limpopo*

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:

- 26 May 2006
- 20 September 2006
- 24 November 2006
- 8 March 2007

In accordance with Fasset's Constitution, Management Board members serve for a two-year period. Appendix B on page 72 provides details on the composition of the Board, which took office on 26 May 2006, with Mpuseng Tlhabane elected as Chairman. There were two changes in employer representatives and two changes in employee representatives. The number of meetings attended by Board Members is also detailed on page 72.

The Board is supported by six Working Committees, as detailed in Appendix C on page 73 and 74. 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 (May 2004). The Board also approved a remuneration rate, as per the Auditor-General rate of R1 321 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 two ad hoc meetings during the period under review. There were two resignations and one new appointment to the Audit Committee during the period under review. Details of the Audit Committee members, the number of meetings attended, resignations, new appointments and the remuneration received appears in Table 10 on page 21 and Table 11 on page 23.

Both an Audit Committee and an internal audit function operate at Fasset. The Audit Committee has confirmed that Fasset 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 year under review, Fasset's Management Team consisted of the CEO, the Chief Operating Officer (COO) and four 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 its inception, outsourced non-core activities. IT and financial functions are outsourced to Deloitte until 31 March 2010. OMA will serve as Fasset's internal auditors until 31 March 2010.

### Staffing

On 31 March 2007 Fasset had a staff complement of 18. There were two new appointments during Year 7. One temporary position was converted to a permanent position, one permanent position was converted into a part-time position, and four staff members left the organisation. As an established brand Fasset has become an employer of choice, where there is excellent scope for career progression and development. The promotion of three employees during the course of the year, attests to this fact: Nawaal Patel was promoted from Learnerships/ETQA Manager to COO

and Director of Learnerships/ETQA, Lauren Derman from Skills Planning Manager to Director of Skills Planning and Yogini Sigamoney from Learnerships/ETQA Officer to Senior Learnerships/ETQA Officer. A breakdown of the demographic profile and staffing positions is provided in Table 7 below and the organisation structure is provided in Appendix D on page 75.

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 our 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 8 on page 17, 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.

Fasset has always benchmarked itself against best practice: in line with this philosophy, Human Resources (HR) policies not only meet, but exceed the stipulations of the Basic

**Table 7: Staff Profile for the period 1 April 2006 - 31 March 2007**

| Staff Member        | Position  | Female   |          |          |          | Male |   |          |          |
|---------------------|---|----------|----------|----------|----------|------|---|----------|----------|
|                     |   | A        | C        | I        | W        | A    | C | I        | W        |
| Aboo Amod           | Learnerships/ETQA Officer                                 |          |          |          |          |      |   |          | 1        |
| Angi Mills-Johnson  | Marketing Assistant                                       |          |          |          | 1        |      |   |          |          |
| Annah Maseko        | Office Attendant  | 1        |          |          |          |      |   |          |          |
| Caroline Pulford    | Communications Officer                                    |          |          |          | 1        |      |   |          |          |
| Cheryl James        | Chief Executive Officer                                   |          |          |          | 1        |      |   |          |          |
| Dombolo Masilela    | Marketing and Communications Manager                      | 1        |          |          |          |      |   |          |          |
| Desireé Rikhotso    | Receptionist  | 1        |          |          |          |      |   |          |          |
| Gugu Moetanalo      | Operations Manager  | 1        |          |          |          |      |   |          |          |
| Itumeleng Msibi     | Operations Officer  | 1        |          |          |          |      |   |          |          |
| Lauren Derman       | Director of Skills Planning                               |          |          |          | 1        |      |   |          |          |
| Marietjie Smit      | Skills Planning Officer                                   |          |          |          | 1        |      |   |          |          |
| Melanie Smith       | Skills Planning Assistant                                 |          | 1        |          |          |      |   |          |          |
| Naamochenee Pillay  | Skills Planning Officer                                   |          |          | 1        |          |      |   |          |          |
| Nandipha Dlova      | Events Officer  | 1        |          |          |          |      |   |          |          |
| Nawaal Patel        | Chief Operating Officer and Director of Learnerships/ETQA |          | 1        |          |          |      |   |          |          |
| Nomadlozi Buthelezi | Learnerships/ETQA Assistant                               | 1        |          |          |          |      |   |          |          |
| Pearl Thomo         | Office Attendant  | 1        |          |          |          |      |   |          |          |
| Rael Super          | Skills Planning Officer                                   |          |          |          |          |      |   |          | 1        |
| Shirley Thorne      | Learnerships/ETQA Assistant                               |          | 1        |          |          |      |   |          |          |
| Tania Lee           | Projects Manager  |          | 1        |          |          |      |   |          |          |
| Thabiso Sebashe*    | Marketing and Communications Assistant                    | 1        |          |          |          |      |   |          |          |
| Yogini Sigamoney    | Learnerships/ETQA Senior Officer                          |          |          | 1        |          |      |   |          |          |
| <b>Sub-Total</b>    |   | <b>9</b> | <b>4</b> | <b>2</b> | <b>5</b> |      |   | <b>1</b> | <b>1</b> |

\*One disabled African female

Key: A - African C - Coloured I - Indian W - White

Conditions of Employment Act. Human Resource policies and procedures were revised during the year and appropriate best practice procedures and policies were put 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 staff attend many of the lifelong learning training interventions that Fasset hosts. In addition, private training providers are used to train our staff externally and many of our staff members are furthering their education via degrees, diplomas and certificates.

Fasset is proud of its achievements in terms of its commitment to staff development and education and training. All 18 staff members attended at least one training intervention during the period. Twenty-five training interventions, covering seven areas, were attended during the year with life skills training being the most popular. In total, approximately 913 hours were spent on training, compared with 687 hours in Year 6.

## CORPORATE GOVERNANCE

This item is addressed in the Accounting Authority Report on page 30, but we can add that Fasset 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. These contribute to the effectiveness of corporate governance strategies and are in accordance with the PFMA.

During the year under review, Fasset's Management Board agreed that Deloitte would assist with the development of a Supply Chain Management Policy (SCM) for Fasset. The policy was approved and implemented as from 1 December

2006. Fasset has always adhered to the supply chain management regulations as required for public entities and so the policy document simply formalised mechanisms already in place. Fasset's Management Board received training from Deloitte on the Supply Chain Management Policy and training sessions were also held for the Management Team and staff members.

## 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 Annual Financial Statements and accountability of Fasset's assets. These systems are monitored continuously throughout the year by both Management and Internal Audit. 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 and their report can be found on page 27.

## Risk Management

A risk management process is in place to enable Management to effectively identify, evaluate and assess risk. It is the internal auditor's responsibility to monitor adherence to the prescribed procedures and no unmitigated high risk areas have been identified.

**Table 8: Occupational Levels and Grades**

| Occupational Category | Job Title                        | Grade (Patterson) | Guaranteed Cost to Company Salary Band     |
|-----------------------|----------------------------------|-------------------|--|
| Senior Managers       | CEO / COO                        | E3                | R575 000 - R837 000                        |
| Professionals         | Functional Directors<br>Managers | DU<br>DL          | R458 000 - R581 000<br>R265 000 - R522 000 |
| Skilled Technical     | Senior Officers<br>Officers      | CU<br>CL          | R194 000 - R278 000<br>R113 000 - R202 000 |
| Clerks                | Assistants Junior<br>Assistants  | BU<br>BL          | R 90 000 - R127 000<br>R 61 000 - R112 000 |
| Elementary workers    | Attendants                       | AU                | R 24 000 - R 29 000                        |

In compliance with Treasury Regulation requirements, the Internal Auditors have direct access to the CEO, the Audit Committee and the Management Board.

Fasset's Code of Conduct ensures that ethical standards are adhered to at all times. The Seta also adheres to a comprehensive suite of policies and procedures (see Table 9) 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 30. 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 where applicable. Fasset therefore, complies with best practice and with all legislation in terms of 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.

In addition, it is a requirement that the Annual Financial Statements of public entities be audited by the Auditor-General and this has indeed been done and the Auditor-General has completed the audit and issued the final report, which can be viewed on page 27 of this Report.

An innovation during the year under review was the introduction of a toll-free Fasset Fraud Tip-offs Hotline.

## CHALLENGES

The challenges that Fasset faces have not changed. Although our Development Projects are starting to address the transformation issue, this remains a huge challenge for our sector. Here, it is important to recognise that there is very little that Fasset can actually do in terms of bringing about mainstream change in education and training specifically, or within organisations. Fasset is, but one of many players in the transformation process. Learners who have completed Fasset learnerships are finding employment, and this is changing the demographic profile within our sector.

**Table 9: Fasset Policies**

|   |
|---|
| Appraisal and Succession of the Management Board and CEO Policy |
| Audit Committee Charter   |
| Business Continuity Plan  |
| Code of Conduct   |
| Discretionary Funding Policy                                    |
| Financial Policy  |
| Fraud Prevention Plan   |
| Fraud Response Plan   |
| Grant Disbursement Policy                                       |
| HR Manual   |
| Information Systems Policy                                      |
| Management Board and Committee Terms of Reference               |
| Management Board Election Process                               |
| Materiality Framework 2007/08                                   |
| Proatia Manuals (English, Afrikaans and Xhosa)                  |
| Risk Management Framework                                       |
| Supply Chain Management Policy                                  |

However, in terms of the bigger picture, the numbers are small. Fasset cannot influence the schooling system or the number of learners matriculating with mathematics on the higher grade. This blockage is unfortunately impacting very negatively on Fasset's ability to fast track transformation.

A huge challenge also emanates from the fact that the Fasset sector is viewed increasingly as a training ground for other sectors. We are training people, providing them with world-class skills, and placing them in employment. Our sector, however, is unable to retain these individuals. The skills retention challenge is not only at qualifying level: small practices often lose their learners even before they qualify. The challenge when learners enter the profession is to get them to stay in the sector for the length of time that it takes to train a professional. The skills retention challenge is a new challenge facing our sector, going forward. There is already a skills shortage in our sector, and this will be exacerbated by economic growth, which will further fuel the demand for these skills elsewhere or in other sectors.

Another ongoing challenge is that of attracting young people, including learners of all races, into a profession, for which it takes a long time to qualify. This is extremely difficult in an environment where young people are looking to earn good money very quickly.

Transformation remains critically important in our sector. When Fasset first started to drive transformation within the sector, there was a lot of resistance, particularly from small, family-owned practitioners. Now that Fasset is well-established, with a strong track record for delivery, smaller practitioners are more willingly participating in our transformation initiatives.

## CONCLUSION

The Fasset brand is firmly established, and support for Fasset's skills development initiatives is growing daily. Deputy President, Phumzile Mlambo-Ngcuka, the Fasset sector has heeded your call to do more to address skills shortages. We endorse the sentiment that for every skilled person that the company needs, five people should be trained. In spite of very real constraints such as a dire shortage of learners with mathematics on the higher grade, Fasset, in partnership with its stakeholders and professional bodies in its sector, will continue to pull out the stops to produce the Finance,

Accounting, Management Consulting and Other Financial Skills that our growing economy requires.



**CHERYL JAMES**  
Chief Executive Officer

## 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 (e.g. 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
- Cognizance 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

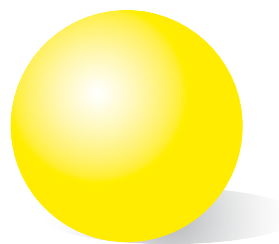
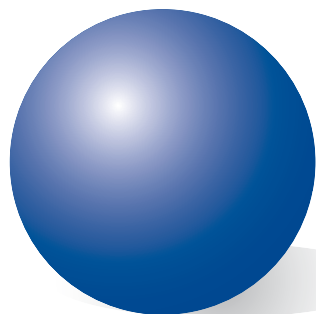
- We react swiftly and appropriately when a crime is uncovered



## AUDIT COMMITTEE REPORT

*Report of the Audit Committee in terms of  
National Treasury Regulation 27 (1) (10) (b) and (c).*

*We are pleased to present our Report for the  
Financial Year ended 31 March 2007.*



## 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.

Table 10: Audit Committee

| Member                       | Meetings Attended |
|------------------------------|-------------------|
| <b>Independent Members</b>   |                   |
| Marianne Brown               | 6 of 6            |
| Judy Grobler                 | 3 of 6            |
| Kobie Kleynhans <sup>1</sup> | 1 of 3            |
| Mandi Olivier <sup>3</sup>   | 3 of 3            |
| Sakhi Simelane (Chairman)    | 5 of 6            |
| <b>Board Members</b>         |                   |
| Kariem Hoosain <sup>2</sup>  | 3 of 5            |
| Witness Magoswana            | 6 of 6            |
| Mandi Olivier <sup>4</sup>   | 1 of 1            |

(1) Resigned with effect from July 2006

(2) Joined with effect from July 2006

(3) Re-Joined with effect from September 2006

(4) Resigned with effect from May 2006

### Remuneration Rate:

Formal meetings = R5 000 per meeting

Ad hoc meeting = R1 321 per hour (rate reviewed annually based on Auditor-General rate for Audit Partners)

## AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee has adopted appropriate terms of reference as its Audit Committee Charter. The Charter is regularly updated and complies with principles of good governance and with the requirements of the PFMA. The Audit Committee is accountable to the Management Board and has an oversight function with regard to:

- Financial management
- Risk management
- Compliance with laws, regulations and good ethics
- Reporting practices, and
- 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
- 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 to be included in the Annual Report
- Reviewed the external auditors' management letter and Management's response thereto
- Reviewed significant adjustments resulting from the audit
- Deliberated on the completeness of revenue matter and trusts that the revised National Treasury Policy referred to in Accounting Policy note 3.1 will clarify this matter in future years.

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



**AS SIMELANE**  
Chairman of the Audit Committee

Table 11: Audit Committee Meeting attendance and remuneration

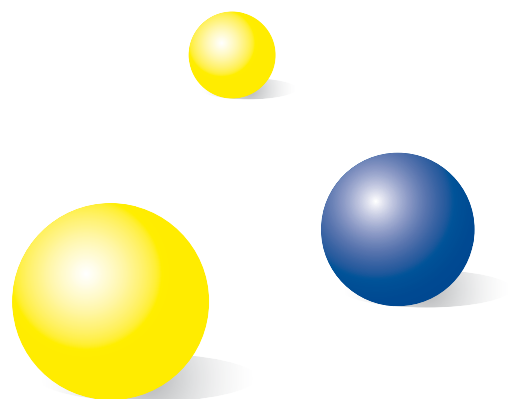
| Member  | Marianne Brown     | Mandi Olivier      | Kobie Kleyhans     | Judy Grobler       | Sakhi Simelane       | Winess Magoswana        | Kariem Hoosain             | Mandi Olivier           |
|---|--------------------|--------------------|--------------------|--------------------|----------------------|-------------------------|----------------------------|-------------------------|
| Position  | Independent Member | Independent Member | Independent Member | Independent Member | Independent Chairman | Management Board Member | Management Board Member    | Management Board Member |
| Meetings attended and remunerated during financial year               | 6                  | 3                  | 1                  | 3                  | 5                    | 6                       | 3                          | 1                       |
| Total number of meetings attended (during financial year)             | 6                  | 3                  | 1                  | 3                  | 5                    | 6                       | 3                          | 1                       |
| <b>Formal meetings</b>  |                    |                    |                    |                    |                      |                         |                            |                         |
| 24 May 2006   | ✓                  | N/A                | -                  | -                  | ✓                    | ✓                       | N/A                        | ✓                       |
| 19 July 2006  | ✓                  | N/A                | -                  | ✓                  | ✓                    | ✓                       | ✓                          | N/A                     |
| 14 November 2006  | ✓                  | ✓                  | N/A                | -                  | ✓                    | ✓                       | -                          | N/A                     |
| 22 February 2007  | ✓                  | ✓                  | N/A                | ✓                  | ✓                    | ✓                       | ✓                          | N/A                     |
| <b>Meetings attended</b>  | 4                  | 2                  | 0                  | 2                  | 4                    | 4                       | 2                          | 1                       |
| <b>Ad-hoc meetings</b>  |                    |                    |                    |                    |                      |                         |                            |                         |
| 21 June 2006  | ✓                  | N/A                | ✓                  | -                  | ✓                    | ✓                       | -                          | N/A                     |
| 30 March 2007   | ✓                  | ✓                  | N/A                | ✓                  | -                    | ✓                       | ✓                          | N/A                     |
| <b>Meetings attended</b>  | 2                  | 1                  | 1                  | 1                  | 1                    | 2                       | 1                          | N/A                     |
| <b>Total remuneration for the financial year ending 31 March 2007</b> | <b>R30 467</b>     | <b>R14 239</b>     | <b>R4 954</b>      | <b>R13 303</b>     | <b>R25 203</b>       | <b>R28 989</b>          | <b>R13 303<sup>1</sup></b> | <b>R5 156</b>           |

<sup>1</sup>Remuneration is paid directly to the IRBA





BONANI GRADUATION 2007





## ANNUAL FINANCIAL STATEMENTS

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# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE SETA FOR FINANCE, ACCOUNTING, MANAGEMENT CONSULTING AND OTHER FINANCIAL SERVICES FOR THE YEAR ENDED 31 MARCH 2007

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the accompanying financial statements of the Sector Education and Training Authority for Finance, Accounting, Management Consulting and Other Financial Services (Fasset) which comprise the statement of financial position as at 31 March 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 66

### Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements 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, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

### Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 14(6) (a) of the Skills Development Act, 1998 (Act No. 97 of 1998), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing and General Notice 647 of 2007, issued in Government Gazette No. 29919 of 25 May 2007. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.
6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Basis of accounting

8. 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.

### Opinion

9. In my opinion the financial statements present fairly, in all material respects, the financial position of the Sector Education and Training Authority for Finance,

Accounting, Management Consulting and Other Financial Services as at 31 March 2007 and its financial performance and 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, 1999 (Act No.1 of 1999).

### Emphasis of matters

Without qualifying my audit opinion, I draw attention to the following matter:

Highlight of a matter affecting the financial statements included in the notes.

### Skills development levies

10. I draw attention to accounting policy note 3 to the financial statements. The Seta does not have a legislative mandate to obtain and maintain source documentation to support revenue. As a result the Seta experienced difficulties in ensuring that revenue was recorded on a complete and accurate basis. The National Treasury has amended the accounting policy on revenue recognition to take legislative constraints into account and the new accounting policy will be effective from 1 April 2007. The financial statements for the year under review were prepared on a basis consistent with the previous year.

## OTHER REPORTING RESPONSIBILITIES

### Reporting on performance information

11. I have audited the performance information as set out on pages 68 to 71.

### Responsibility of the accounting authority

12. The accounting authority has additional responsibilities as required by section 55 (2) (a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

### Responsibility of the Auditor-General

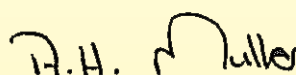
13. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007.
14. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
15. I believe that the evidence I have obtained is sufficient and appropriate.

### Audit findings

16. I have not observed any matters that require inclusion in my report.

## APPRECIATION

17. The assistance rendered by the staff of the Sector Education and Training Authority for Finance, Accounting, Management Consulting and Other Financial Services during the audit is sincerely appreciated.

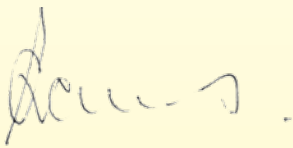


AH Muller for Auditor-General  
Pretoria  
20 August 2007



ANNUAL FINANCIAL STATEMENTS  
**FOR THE YEAR ENDED 31 MARCH 2007**

The Annual Financial Statements for the year ended 31 March 2007, set out on pages 30 to 66, have been approved by the Accounting Authority on 24 May 2007 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



MPUSENG TLHABANE  
Chairman

## ANNUAL FINANCIAL STATEMENTS

### REPORT OF THE ACCOUNTING AUTHORITY FOR THE YEAR ENDED 31 MARCH 2007

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 2006 to 31 March 2007.

#### GOVERNANCE

As Fasset's Accounting Authority, it is the Management Board's responsibility to prepare Annual Financial Statements that fairly present Fasset's financial position at 31 March 2007, and also the Financial Performance and Summary Cash Flow Activities for the year ending 31 March 2007. Once again, the Management Board of Fasset is of the opinion that appropriate Accounting Policies, supported by reasonable and prudent judgment and estimates, have been applied on a consistent, going concern basis and the Annual 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).

With regard to systems and controls, these include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. Further, the management of these financial affairs has been undertaken in accordance with the Financial and Procurement Policies which have been put in place, and which comply with the King II Report on Corporate Governance where appropriate. 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 the functioning at the Seta.

Various additional responsibilities are incumbent on the Management Board, i.e. providing strategic direction to Fasset; determining strategies and policies; and managing performance against agreed strategies and business plans.

In order that the Board is able to successfully implement its mandate, new Management Board members are thoroughly capacity built into the skills development and Fasset environments via a comprehensive induction and on-going training programme. A process of self-assessment and discussion of performance by the Management Board has also been implemented and it is hoped that this will serve as an additional useful tool in ensuring effective functioning of the Board.

#### 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 achievements in terms of NSDS targets are reflected in Appendix A (page 68).

#### REMUNERATION

In terms of Fasset Policy, the Management Board is not remunerated. The remuneration of the CEO and COO who are full-time employees, is reflected on page 31.



**MPUSENG TLHABANE**  
Chairman

## CEO's Remuneration

| CEO Remuneration  | 2006/07         | 2005/06         |  |
|---|-----------------|-----------------|--|
| 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 and Subsistence                         | R48 000         | R48 000         | Included as part of structuring of package.  |
| Base Remuneration                                       | R741 981        | R690 300        |  |
| <b>Total Guaranteed Cost to Company</b>                 | <b>R789 981</b> | <b>R738 300</b> | Benchmarked annually   |
| Non-Guaranteed (at risk) Remuneration                   | R78 998         | R73 830         | 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>R868 979</b> | <b>R812 130</b> |  |

## COO's Remuneration

| COO Remuneration  | 2006/07         | 2005/06   |  |
|---|-----------------|-----------|--|
| 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 and Subsistence                        | R13 846         | R0        | Included as part of structuring of package.  |
| Base Remuneration                                       | R554 908        | R0        |  |
| <b>Total Guaranteed Cost to Company</b>                 | <b>R568 754</b> | <b>R0</b> | Benchmarked annually   |
| Non-Guaranteed (at risk) Remuneration                   | R56 875         | R0        | 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>R625 629</b> | <b>R0</b> |  |

**STATEMENT OF FINANCIAL PERFORMANCE**  
FOR THE YEAR ENDED 31 MARCH 2007

|   | Note | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|---|------|--------------------|--------------------|
| <b>REVENUE</b>  |      |                    |                    |
| Skills Development Levy income from non-exchange transactions                 | 2    | 138 609            | 122 942            |
| Skills Development Levy penalties and interest from non-exchange transactions |      | 1 024              | 706                |
| National Skills Fund income   | 12   | 27 762             | 35 240             |
| Donations for special projects  | 13   | 6                  | 11                 |
| Investment Income   | 3    | 7 839              | 7 145              |
| Other income  | 4    | 14                 | 5                  |
| <b>Total Revenue</b>  |      | <u>175 254</u>     | <u>166 049</u>     |
| <b>EXPENSES</b>   |      |                    |                    |
| Employer grant and project expenses   | 5    | (134 731)          | (121 831)          |
| Administration expenses   | 6    | (14 258)           | (12 858)           |
| National Skills Fund expenses   | 12   | (27 762)           | (35 240)           |
| Special project expenditure   | 13   | (6)                | (11)               |
| <b>Total Expenses</b>   |      | <u>(176 757)</u>   | <u>(169 940)</u>   |
| <b>NET DEFICIT FOR THE YEAR</b>   | 1    | <u>(1 503)</u>     | <u>(3 891)</u>     |

**STATEMENT OF FINANCIAL POSITION**  
AS AT 31 MARCH 2007

| ASSETS  | Note | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|---|------|--------------------|--------------------|
| <b>Non-Current Assets</b>                               |      |                    |                    |
| Property, plant and equipment                           | 7    | 831                | 874                |
| <b>Current Assets</b>                                   |      |                    |                    |
| Accounts receivable from non-exchange transactions      | 8    | 29 018             | 26 660             |
| Accounts receivable - Other                             | 9    | 566                | 611                |
| VAT receivable  |      | -                  | 448                |
| Cash and cash equivalents                               | 10   | 111 624            | 114 502            |
| <b>Total Assets</b>                                     |      | <u>142 039</u>     | <u>143 095</u>     |
| <b>LIABILITIES</b>                                      |      |                    |                    |
| <b>Current Liabilities</b>                              |      |                    |                    |
| Trade and other payables                                | 11   | 67 419             | 68 205             |
| National Skills Fund received in advance                | 12   | 3 533              | 2 290              |
| Government Grants and donor funding received in advance | 13   | -                  | 6                  |
| Provisions  | 14   | 193                | 197                |
| <b>Total Liabilities</b>                                |      | <u>71 145</u>      | <u>70 698</u>      |
| <b>NET ASSETS</b>                                       |      | <u>70 894</u>      | <u>72 397</u>      |
| <b>Funds and Reserves</b>                               |      |                    |                    |
| Administration reserve                                  |      | 831                | 874                |
| Employer grant reserve                                  |      | 274                | 89                 |
| Discretionary reserve                                   |      | 69 789             | 71 434             |
| <b>TOTAL FUNDS AND RESERVES</b>                         |      | <u>70 894</u>      | <u>72 397</u>      |

**STATEMENT OF CHANGES IN NET ASSETS**  
FOR THE YEAR ENDED 31 MARCH 2007

|   | Notes | Administra-<br>tion Reserve<br>(R'000) | Employer<br>Grant<br>Reserve<br>(R'000) | Discretionary<br>Reserve<br>(R'000) | Unappropri-<br>ated Surplus<br>(R'000) | Total<br>(R'000) |
|---|-------|--|---|-------------------------------------|--|------------------|
| <b>Balance at 1 April 2005 as previously reported</b> |       | -                                      | -                                       | 76 288                              | -                                      | 76 288           |
| Reclassification of reserve balances                  | 21    | 751                                    | -                                       | (751)                               | -                                      | -                |
| <b>Balance at 1 April 2005 as restated</b>            |       | 751                                    | -                                       | 75 537                              | -                                      | 76 288           |
| Net deficit per Statement of Financial Performance    |       | -                                      | -                                       | -                                   | (3 891)                                | (3 891)          |
| Allocation of unappropriated surplus                  |       | 2 763                                  | 19 163                                  | (25 817)                            | 3 891                                  | -                |
| Excess reserves transferred to Discretionary reserve  |       | (2 763)                                | (19 074)                                | 21 837                              | -                                      | -                |
| Reclassification of reserve balances                  | 21    | 123                                    | -                                       | (123)                               | -                                      | -                |
| <b>Balance at 31 March 2006 as restated</b>           |       | <b>874</b>                             | <b>89</b>                               | <b>71 434</b>                       | <b>-</b>                               | <b>72 397</b>    |
| Net deficit per Statement of Financial Performance    |       | -                                      | -                                       | -                                   | (1 503)                                | (1 503)          |
| Allocation of unappropriated surplus                  | 1     | 3 517                                  | 14 369                                  | (19 389)                            | 1 503                                  | -                |
| Excess reserves transferred to Discretionary reserve  |       | (3 560)                                | (14 184)                                | 17 744                              | -                                      | -                |
| <b>Balance at 31 March 2007</b>                       |       | <b>831</b>                             | <b>274</b>                              | <b>69 789</b>                       | <b>-</b>                               | <b>70 894</b>    |

An amount of R831 000 (2006:R874 000) is retained in the administration reserve equal to the carrying value of Property, plant and equipment.

A provision of R274 000 (2006: 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 2007

|   | Note    | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|---|---------|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |         |                    |                    |
| <b>Operating activities</b>                                 |         |                    |                    |
| Cash receipts from stakeholders                             |         | 137 449            | 117 050            |
| Levies, interest and penalties received                     | 2       | 136 808            | 119 190            |
| Other cash receipts from stakeholders                       |         | 641                | (2 140)            |
| Cash paid to stakeholders, suppliers and employees          |         | (176 819)          | (154 855)          |
| Grants and project payments                                 |         | (135 443)          | (106 518)          |
| Special projects  |         | (27 768)           | (35 251)           |
| Compensation of employees                                   |         | (4 854)            | (4 210)            |
| Payments to suppliers and other                             |         | (9 202)            | (8 854)            |
| VAT received  |         | 448                | ( 22)              |
| <b>Cash utilised in operations</b>                          | 15      | (39 370)           | (37 805)           |
| Interest received   | 3       | 7 708              | 7 059              |
| Special projects  | 12 & 13 | 29 005             | 36 097             |
| <b>Net cash (outflow)/inflow from operating activities</b>  |         | (2 657)            | 5 351              |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                  |         |                    |                    |
| Purchase of Property, plant and equipment                   | 7       | ( 221)             | ( 367)             |
| Proceeds from disposal of Property, plant and equipment     | 7 & 15  | -                  | 5                  |
| <b>Net cash outflow from investing activities</b>           |         | ( 221)             | ( 362)             |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |         | (2 878)            | 4 989              |
| <b>Cash and cash equivalents at beginning of year</b>       | 10      | 114 502            | 109 513            |
| <b>Cash and cash equivalents at end of year</b>             | 10      | 111 624            | 114 502            |

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

### 1. BASIS OF PREPARATION

The 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 effective 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

Currently 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 & 3 has resulted in the following 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
- Accumulated surplus/deficit
- Contributions from owners
- Distributions to owners

#### Replaced Statement of GAAP

- Income statement
- Balance sheet
- Statement of changes in equity
- Equity
- Profit/loss
- Retained earnings
- Share capital
- Dividends

The cash flow statement can only be prepared in accordance with the direct method.

Specific information has been presented separately on the statement of financial position 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

Amount and nature of any restrictions on cash balances is required.

Paragraph 11 – 15 of GRAP 1 have not been implemented due to the fact that the budget reporting standard has not been developed by the local standard setter and the international standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.

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 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 section 3(1) and 3(4) of the Skills Development Levies Act (the 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 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). 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 the Department of Labour.

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.

The accounting policy for the recognition and measurement of skills development levy income has been amended on the basis of a revised interpretation of the Skills Development Act, Act No 97 of 1998 and the Skills Development Levies Act, Act no 9 of 1999.

The new accounting policy allows Setas to recognise revenue on the receipt of the funds of the Department of Labour in the bank account of the Seta in line with international practice for revenue recognition on an accrual basis.

The revision was completed and issued by National Treasury on the 27th July 2007 and is effective from 1st April 2007.

The accounting policy for 2006-2007 is consistent with previous years policies and disclosures.

### 3.2 Interest and Penalties

Interest and penalties received on the skills development levy are recognised on the accrual basis.

### 3.3 Funds allocated by the National Skills Fund for Special Projects

Funds transferred by the National Skills Fund (NSF) are accounted for in the Financial Statements of the Seta as a liability until the related eligible special project expenses are incurred, then 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 amount 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 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; and

- such other costs as are specifically chargeable to the Seta under the terms of the contract.

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

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 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 Skills Development Act (the Act), 1998 (Act No 97 of 1998) 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 estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e. 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 are 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 Regulation has 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 Regulation and any additional criteria as approved by the Seta Board has 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 Annual 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.

### *Financial Assets*

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets can be classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All financial assets of the Seta were categorised as loans and receivables

### *Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans

and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each year end.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit.

### *Financial Liabilities*

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

## Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

All financial liabilities of the Seta were classified as other financial liabilities.

## Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

## 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 purpose of:

|  | 2006/07<br>% |
|--|--------------|
| Administration costs of the Seta         | 10           |
| Employer grant fund levy                 | 50           |
| Discretionary grants and projects        | 20           |
| Received by the Seta                     | 80           |
| Contribution to the National Skills Fund | 20           |
|  | 100          |

2005/06  
%

|  |     |
|--|-----|
| Administration costs of the Seta         | 10  |
| Employer grant fund levy                 | 50  |
| Discretionary grants and projects        | 20  |
| Received by the Seta                     | 80  |
| Contribution to the National Skills Fund | 20  |
|  | 100 |

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 unallocated funds in the employer grant reserves are moved to the discretionary fund reserve. Provision is made in the administration reserve equal to the net book value of depreciable assets. Provision is made in the employer 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. CONSUMABLE INVENTORY

Individual consumable purchases, in excess of R1 000, are recognised as an asset on the date of acquisition and it is measured at the cost of the acquisition. It is subsequently recognised in surplus or deficit as it is consumed.

1. ALLOCATION OF NET DEFICIT FOR THE YEAR TO RESERVES

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2007

|   | Total per Statement of Financial Performance |                 | Employer Grants Reserve        |                                |                              |                          | Discretionary Reserve |                             |                 |                 |                 |                 |
|---|--|-----------------|--------------------------------|--------------------------------|------------------------------|--------------------------|-----------------------|-----------------------------|-----------------|-----------------|-----------------|-----------------|
|   | 2005/06 (R'000)                              | 2006/07 (R'000) | Administration Reserve (R'000) | Mandatory Skills Grant (R'000) | Discretionary Grants (R'000) | Special Projects (R'000) | Projects (R'000)      | Total Discretionary (R'000) | 2005/06 (R'000) | 2006/07 (R'000) | 2005/06 (R'000) | 2006/07 (R'000) |
| <b>Total Revenue</b>  | <b>166 049</b>                               | <b>175 254</b>  | <b>17 775</b>                  | <b>86 085</b>                  | <b>34 763</b>                | <b>27 768</b>            | <b>8 863</b>          | <b>71 394</b>               |                 |                 |                 |                 |
| Skills Development Levy income from non-exchange transactions:                |  |                 |                                |                                |                              |                          |                       |                             |                 |                 |                 |                 |
| Admin levy income (10%)   | 15 616                                       | 17 761          | 17 761                         | -                              | -                            | -                        | -                     | -                           | -               | -               | -               | -               |
| Grant levy income (70%)   | 107 326                                      | 120 848         | -                              | 86 085                         | 34 763                       | -                        | -                     | 34 763                      | -               | -               | -               | 34 763          |
| Skills Development levy penalties and interest from non-exchange transactions | 706  | 1 024           | -                              | -                              | -                            | -                        | 1 024                 | 1 024                       | -               | -               | -               | 1 024           |
| National Skills Fund income   | 35 240                                       | 27 762          | -                              | -                              | -                            | 27 762                   | -                     | 27 762                      | -               | -               | -               | 27 762          |
| Donations for special projects  | 11   | 6               | -                              | -                              | -                            | 6                        | -                     | 6                           | -               | -               | -               | 6               |
| Investment income   | 7 145  | 7 839           | -                              | -                              | -                            | -                        | 7 839                 | 7 839                       | -               | -               | -               | 7 839           |
| Other income  | 5  | 14              | 14                             | -                              | -                            | -                        | -                     | -                           | -               | -               | -               | -               |
| <b>Total Expenses</b>   | <b>169 940</b>                               | <b>176 757</b>  | <b>14 258</b>                  | <b>71 716</b>                  | <b>10 785</b>                | <b>27 768</b>            | <b>52 230</b>         | <b>90 783</b>               |                 |                 |                 |                 |
| Administration expenses   | 12 858                                       | 14 258          | 14 258                         | -                              | -                            | -                        | -                     | -                           | -               | -               | -               | -               |
| Donations for special projects  | 11   | 6               | -                              | -                              | -                            | 6                        | -                     | 6                           | -               | -               | -               | 6               |
| National Skills Fund expenses   | 35 240                                       | 27 762          | -                              | -                              | -                            | 27 762                   | -                     | 27 762                      | -               | -               | -               | 27 762          |
| Employer grants and project expenses  | 121 831                                      | 134 731         | -                              | 71 716                         | 10 785                       | -                        | 52 230                | 63 015                      | -               | -               | -               | 63 015          |
| <b>Net deficit per Statement of Financial Performance allocated</b>           | <b>(3 891)</b>                               | <b>(1 503)</b>  | <b>3 517</b>                   | <b>14 369</b>                  | <b>23 978</b>                | <b>-</b>                 | <b>(43 367)</b>       | <b>(19 389)</b>             |                 |                 |                 |                 |

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

|   | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|---|--------------------|--------------------|
| The total levy income per the Statement of Financial Performance is as follows: |                    |                    |
| Levy income: Administration   | 17 761             | 15 616             |
| Levies received   | 17 351             | 15 328             |
| Levies received from SARS   | 16 986             | 14 804             |
| Government levies received  | 331                | 338                |
| Inter-seta transfers in   | 119                | 241                |
| Inter-seta transfers out  | ( 85)              | ( 55)              |
| Levies accrued  | 410                | 288                |
| Levy income: Employer grants  | 86 085             | 75 913             |
| Levies received   | 84 031             | 77 067             |
| Levies received from SARS   | 84 166             | 75 956             |
| Inter-seta transfers in   | 1 149              | 1 389              |
| Inter-seta transfers out  | (1 284)            | ( 278)             |
| Levies accrued  | 2 054              | (1 154)            |
| Levy income: Discretionary grants   | 34 763             | 31 413             |
| Levies received   | 33 942             | 28 246             |
| Levies received from SARS   | 33 816             | 28 093             |
| Inter-seta transfers in   | 405                | 262                |
| Inter-seta transfers out  | ( 279)             | ( 109)             |
| Levies accrued  | 821                | 3 167              |
|   | <u>138 609</u>     | <u>122 942</u>     |

## 3. INVESTMENT INCOME

|                           | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|---------------------------|--------------------|--------------------|
| Interest income           | 7 839              | 7 145              |
| Accruals on bank deposits | 131                | 86                 |
| Bank deposits             | 7 708              | 7 059              |
|                           | <u>7 839</u>       | <u>7 145</u>       |

#### 4. OTHER INCOME

Other income comprises:

Profit on disposal of Property, plant and equipment  
Insurance claim settlement

|  | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|--|--------------------|--------------------|
|  | -                  | 5                  |
|  | 14                 | -                  |
|  | <u>14</u>          | <u>5</u>           |

#### 5. EMPLOYER GRANT AND PROJECT EXPENSES

Mandatory grants  
Disbursed  
Movement in provisions and accruals  
Discretionary grants  
Disbursed  
Movement in provisions and accruals  
Project expenditure  
Disbursed  
Movement in provisions and accruals

|  | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|--|--------------------|--------------------|
|  | 71 716             | 56 750             |
|  | 75 409             | 60 580             |
|  | (3 693)            | (3 830)            |
|  | 10 785             | 6 928              |
|  | 8 900              | 2 823              |
|  | 1 885              | 4 105              |
|  | 52 230             | 58 153             |
|  | 51 134             | 45 639             |
|  | 1 096              | 12 514             |
|  | <u>134 731</u>     | <u>121 831</u>     |

## 6. ADMINISTRATION EXPENSES

|  |     | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|--|-----|--------------------|--------------------|
| Depreciation   |     | 264                | 244                |
| Operating lease rentals (minimum lease payments)     |     | 973                | 711                |
| Buildings  |     | 973                | 702                |
| Plant, machinery and equipment                       |     | -                  | 9                  |
| Maintenance, repairs and running costs               |     | 49                 | 122                |
| Advertising, marketing and promotions, communication |     | 418                | 641                |
| Entertainment expenses                               |     | 13                 | 12                 |
| Consultancy and service provider fees                | 6.1 | 4 419              | 4 215              |
| Legal fees   |     | 165                | 60                 |
| Cost of employment                                   | 6.2 | 4 850              | 4 210              |
| Travel and subsistence                               |     | 88                 | 177                |
| Staff training and development                       |     | 116                | 169                |
| Remuneration to members of the audit committee       |     | 150                | 162                |
| External auditor's remuneration                      |     | 373                | 206                |
| Bad debts written off                                |     | 197                | 41                 |
| Allowance for doubtful debts                         |     | 279                | 88                 |
| Other  |     | 1 904              | 1 800              |
| Other administration expenses                        |     | 752                | 904                |
| Policies and procedures                              |     | 402                | 100                |
| Internal audit fees                                  |     | 283                | 379                |
| Insurance  |     | 317                | 280                |
| Telephone  |     | 150                | 137                |
|  |     | <u>14 258</u>      | <u>12 858</u>      |

## 6.1 Consultancy and service provider fees

Consultancy and service provider fees relates to the expenses incurred in respect of the outsourced finance, information technology maintenance and support and supply chain management function of Fasset

## 6.2 Cost of employment

|                             | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|-----------------------------|--------------------|--------------------|
| Salaries and wages          | 4 828              | 4 191              |
| Basic salaries              | 4 353              | 3 767              |
| Performance awards          | 397                | 377                |
| Temporary staff             | 45                 | 36                 |
| Leave payments              | 33                 | 11                 |
| Social contributions        |                    |                    |
| UIF                         | 22                 | 19                 |
|                             | <u>4 850</u>       | <u>4 210</u>       |
| Average number of employees | 20                 | 18                 |

Refer to the report by the Accounting Authority for disclosure concerning the emoluments of the Chief Executive Officer and Chief Operating Officer.

## 7. PROPERTY, PLANT AND EQUIPMENT

### Year ended 31 March 2007

|                               | Cost<br>(R'000) | Accumulated<br>Depreciation<br>(R'000) | Closing<br>Carrying<br>Amount<br>(R'000) |
|-------------------------------|-----------------|--|--|
| Computer equipment            | 459             | ( 338)                                 | 121                                      |
| Computer software             | 71              | ( 51)                                  | 20                                       |
| Office furniture and fittings | 466             | ( 153)                                 | 313                                      |
| Office equipment              | 770             | ( 393)                                 | 377                                      |
| Balance at end of period      | <u>1 766</u>    | <u>( 935)</u>                          | <u>831</u>                               |
| Made up as follows:           |                 |  |  |
| Owned assets                  | 1 766           | ( 935)                                 | 831                                      |

### Year ended 31 March 2006

|                               | Cost<br>(R'000) | Accumulated<br>Depreciation<br>(R'000) | Closing<br>Carrying<br>Amount<br>(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                                      |

### Movement Summary 2007

|                               | Carrying<br>Amount<br>2006<br>(R'000) | Additions<br>(R'000) | Depreciation<br>Charge<br>(R'000) | Carrying<br>Amount<br>2007<br>(R'000) |
|-------------------------------|---------------------------------------|----------------------|-----------------------------------|---------------------------------------|
| Computer equipment            | 115                                   | 88                   | ( 82)                             | 121                                   |
| Computer software             | 5                                     | 24                   | ( 9)                              | 20                                    |
| Office furniture and fittings | 333                                   | 26                   | ( 46)                             | 313                                   |
| Office equipment              | 421                                   | 83                   | ( 127)                            | 377                                   |
| Balance at end of year        | <b>874</b>                            | <b>221</b>           | <b>( 264)</b>                     | <b>831</b>                            |

### Movement Summary 2006

|                               | Carrying<br>Amount<br>2005<br>(R'000) | Additions<br>(R'000) | Depreciation/<br>Amortisation<br>Charge<br>(R'000) | Carrying<br>Amount<br>2006<br>(R'000) |
|-------------------------------|---------------------------------------|----------------------|--|---------------------------------------|
| Computer equipment            | 198                                   | 7                    | ( 90)  | 115                                   |
| Computer software             | 10                                    | -                    | ( 5)   | 5                                     |
| Office furniture and fittings | 177                                   | 188                  | ( 32)  | 333                                   |
| Office equipment              | 366                                   | 172                  | ( 117)   | 421                                   |
| Balance at end of year        | <b>751</b>                            | <b>367</b>           | <b>( 244)</b>                                      | <b>874</b>                            |

### 8. ACCOUNTS RECEIVABLE FROM NON-EXCHANGE TRANSACTIONS

|                                 |      | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|---------------------------------|------|--------------------|--------------------|
|                                 | Note |                    |                    |
| Skills development levy debtors |      | 26 455             | 23 026             |
| Admin levy debtors              |      | 3 288              | 2 878              |
| Employer grant levy debtors     |      | 16 444             | 14 391             |
| Discretionary grant debtors     |      | 6 578              | 5 757              |
| Interest and penalties debtors  |      | 145                | -                  |
| Inter-seta debtors              | 24   | 1 552              | 1 505              |
| SARS receivable                 | 8.1  | -                  | 1 400              |
| Employer receivables            | 8.2  | 1 454              | 893                |
| Allowance for doubtful debts    | 8.2  | (443)              | (164)              |
|                                 |      | <b>29 018</b>      | <b>26 660</b>      |

### 8.1 SARS Receivable/SARS Payable 2006/07

|   | Opening<br>balance<br>(R'000) | Change in<br>estimate<br>(R'000) | Addition<br>(R'000) | Closing<br>balance<br>(R'000) |
|---|-------------------------------|----------------------------------|---------------------|-------------------------------|
| Provision for levies incorrectly received | (1 443)                       | (347)                            | (1 020)             | (2 810)                       |
| Future levy receivable                    | 1 589                         | (1 302)                          | 1 389               | 1 676                         |
| Levies identified from variance reports   | 1 254                         |                                  | (7 528)             | (6 274)                       |
|   | <u>1 400</u>                  | <u>(1 649)</u>                   | <u>(7 159)</u>      | <u>(7 408)</u>                |

### 2005/06

|   | Opening<br>balance<br>(R'000) | Change in<br>estimate<br>(R'000) | Addition<br>(R'000) | Closing<br>balance<br>(R'000) |
|---|-------------------------------|----------------------------------|---------------------|-------------------------------|
| Provision for levies incorrectly received | -                             | -                                | (1 443)             | (1 443)                       |
| Future levy receivable                    | -                             | (919)                            | 2 508               | 1 589                         |
| Levies identified from variance reports   | -                             | -                                | 1 254               | 1 254                         |
|   | <u>-</u>                      | <u>(919)</u>                     | <u>2 319</u>        | <u>1 400</u>                  |

An amount of R2 810 000 (2006:R1 443 000) 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 1 August 2005. It is estimated that additional levies of R1 676 000 (2006: R 1 589 000), relating to potential future levy corrections, will be received. An amount of R6 274 000 (2006: Nil) relates to levies incorrectly received by the Seta.

### 8.2 Employer Receivable

|  | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|--|--------------------|--------------------|
| Overpayment to employers                                       | 1 454              | 893                |
| Allowance for doubtful debt                                    | (443)              | (164)              |
| Effect of SARS retrospective adjustments on affected employers | <u>1 011</u>       | <u>729</u>         |

R1 454 000 (2006: R893 000) was recognised as a receivable relating to the overpayment to the employer in earlier periods, and is based on the amount of such grant over payments. An amount of R443 000 (2006: R164 000) was provided for as doubtful debts.

## 9. ACCOUNTS RECEIVABLE - OTHER

|                               | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|-------------------------------|--------------------|--------------------|
| Deposits                      | 119                | 115                |
| Interest receivable           | 127                | 86                 |
| Prepaid expenses              | 306                | 169                |
| Other receivables             | 14                 | 241                |
| SAICA                         | -                  | 241                |
| Santam - insurance settlement | 14                 | -                  |
|                               | <u>566</u>         | <u>611</u>         |

## 10. CASH AND CASH EQUIVALENTS

|  | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|--|--------------------|--------------------|
| Cash at bank and in hand                 | 3 816              | 9 003              |
| Cash at bank                             | 3 814              | 9 001              |
| Cash in hand                             | 2                  | 2                  |
| Short term investments/instruments       | 107 808            | 105 499            |
| Cash and cash equivalents at end of year | <u>111 624</u>     | <u>114 502</u>     |

As required in Treasury Regulation 31.2, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short term bank deposits was 7.9% (2006: 6.4%).

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.

In the current year an amount of R3 553 000 included in the cash at bank balance represents the excess NSF project funds which will be transferred to the Department of Labour due to the project coming to an end.

## 11. TRADE AND OTHER PAYMENTS

|   | Note | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|---|------|--------------------|--------------------|
| Skills development grants payable - mandatory     |      | 30 969             | 33 999             |
| Skills development grants payable - discretionary |      | 10 430             | 8 617              |
| Project creditors                                 |      | 15 834             | 14 738             |
| Inter-seta payables                               | 24   | 413                | 615                |
| Employer payables                                 |      | 754                | 686                |
| SARS payables                                     | 8.1  | 7 408              | -                  |
| Service provider fees outstanding                 |      | 594                | 988                |
| Sundry payables                                   |      | 1 017              | 8 562              |
| Trade payables                                    |      | 532                | 690                |
| Other accrued                                     |      | 485                | 7 872              |
|   |      | <u>67 419</u>      | <u>68 205</u>      |

## 12. NATIONAL SKILLS FUND: SPECIAL PROJECTS

|  |  | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|--|--|--------------------|--------------------|
| Opening balance                                    |  | 2 290              | 1 433              |
| Received during the year                           |  | 30 519             | 36 044             |
| EUPEC  |  | 13 116             | 13 653             |
| KZN / Limpopo                                      |  | 17 403             | 22 391             |
| Interest received                                  |  | 95                 | 53                 |
| Utilised and recognised as revenue conditions met: |  | (27 762)           | (35 240)           |
| EUPEC  |  | (8 383)            | (12 176)           |
| KZN / Limpopo                                      |  | (19 379)           | (23 064)           |
| Repaid to NSF (closure of projects)                |  | (1 609)            | -                  |
| Closing balance                                    |  | <u>3 533</u>       | <u>2 290</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 R30 519 000 (2006: R36 044 000) were received from the National Skills Fund for the purposes of the Thuthuka Education and Upliftment fund for EUPEC, KZN and Limpopo. This amount was recognised as a liability until the conditions attached were met. During the year, R27 762 000 (2006: R35 240 000) eligible project special expenses were incurred and a corresponding amount was recognised as revenue. An amount of R1 609 000, relating to phase one of the EUPEC was repaid to the NSF. Phase two of the EUPEC and the KZN/ Limpopo project was completed during the year. As at year end R3 553 000 represents the excess funds that will be transferred back to the NSF. For the period 2005/06, R2 290 000 was accounted for as a liability as the remaining conditions had not been met.

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

|   | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|---|--------------------|--------------------|
| Opening balance   | 6                  | 17                 |
| Utilised and recognised as income conditions met for<br>learnership development | (6)                | (11)               |
| Closing balance - current   | <u>-</u>           | <u>6</u>           |

### 14. PROVISIONS

|                         | Employee leave<br>provision | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|-------------------------|-----------------------------|--------------------|--------------------|
| Open carrying amount    | 197                         | 197                | 211                |
| Amounts utilised        | (33)                        | (33)               | (11)               |
| Change in estimate      | 29                          | 29                 | (3)                |
| Closing carrying amount | <u>193</u>                  | <u>193</u>         | <u>197</u>         |
| Current                 | <u>193</u>                  | <u>193</u>         | <u>197</u>         |

*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 FROM OPERATING ACTIVITIES TO NET DEFICIT/SURPLUS

|   | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|---|--------------------|--------------------|
| Net deficit as per Statement of Financial Performance | (1 503)            | (3 891)            |
| Adjusted for non-cash items:                          |                    |                    |
| Depreciation  | 264                | 244                |
| Profit on disposal of Property, plant and equipment   | -                  | ( 5)               |
| Bad debts written off                                 | 197                | 41                 |
| Allowance for doubtful debts                          | 279                | 88                 |
| Decrease in provisions - relating to employment       | ( 4)               | ( 14)              |
| Special project income recognised                     | (27 768)           | (35 251)           |
| Adjusted for items separately disclosed               |                    |                    |
| Investment Income                                     | (7 839)            | (7 145)            |
| Adjusted for working capital changes:                 |                    |                    |
| Decrease in receivables from non exchange transaction | (2 834)            | (3 855)            |
| Decrease in receivables - other                       | 176                | ( 237)             |
| (Decrease)/Increase in payables                       | (786)              | 12 242             |
| Movement in VAT receivable                            | 448                | ( 22)              |
| <i>Cash utilised in operations</i>                    | <u>(39 370)</u>    | <u>(37 805)</u>    |

## 16. CONTINGENCIES

In terms of the PFMA, all surplus funds as at year-end may be forfeited to National Treasury should an application for retention of surplus funds be denied. We have on the 31 May 2007 submitted an application to the Department of Labour for the retention of surplus funds. As in the previous year Fasset expects that National Treasury will approve the retention of surplus funds.

## 17. COMMITMENTS

### 17.1 Discretionary reserve

Of the balance of R69 789 000 (2006: R71 434 000) available in the Discretionary reserve at the end of March 2007, R68 113 000 (2006: R70 719 000) has been approved and allocated for future projects and skills priorities as set out on pages 54 to 57 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 financial statements, no reply had been received.

|  | Opening balance 2005/06 (R'000) | Approved by Accounting Authority (R'000) | Utilised (R'000) | Opening balance 2006/07 (R'000) | Approved by Accounting Authority (R'000) | Utilised (R'000) | Total (R'000) |
|--|---------------------------------|--|------------------|---------------------------------|--|------------------|---------------|
| IPFA Public Finance Learnership (closed) | 716                             | 100                                      | (816)            | -                               | -  | -                | -             |
| <b>Sub-total year 1 Project Fund</b>     | <b>716</b>                      | <b>100</b>                               | <b>(816)</b>     | -                               | -  | -                | -             |
| Learnership - Entry Level (closed)       | 369                             | 52                                       | (376)            | 45                              | -  | (45)             | -             |
| <b>Sub-total year 2 Project Fund</b>     | <b>369</b>                      | <b>52</b>                                | <b>(376)</b>     | <b>45</b>                       | -  | <b>(45)</b>      | -             |
| Learnership Gap Analysis (closed)        | 126                             | (126)                                    | -                | -                               | -  | -                | -             |
| SDF capacity building (closed)           | 208                             | 30                                       | (80)             | 158                             | -  | (158)            | -             |
| Research                                 | 200                             | 27                                       | (53)             | 174                             | -  | (88)             | 86            |
| IIP                                      | 296                             | 41                                       | (73)             | 264                             | -  | (30)             | 234           |
| Transformation Strategy                  | 152                             | 20                                       | -                | 172                             | -  | (71)             | 101           |
| Thuthuka CTA/GE 2004 - 2005 (closed)     | 308                             | (297)                                    | 97               | 108                             | (108)                                    | -                | -             |
| Centralised Marketing function (closed)  | 26                              | 117                                      | (143)            | -                               | -  | -                | -             |
| ORT SA Phase 2 (closed)                  | 1 355                           | 185                                      | (1 540)          | -                               | -  | -                | -             |
| <b>Sub-total year 3 Project Fund</b>     | <b>2 671</b>                    | <b>(3)</b>                               | <b>(1 792)</b>   | <b>876</b>                      | <b>(108)</b>                             | <b>(347)</b>     | <b>421</b>    |

|   | Opening balance 2005/06 (R'000) | Approved by Accounting Authority (R'000) | Utilised (R'000) | Opening balance 2006/07 (R'000) | Approved by Accounting Authority (R'000) | Utilised (R'000) | Total (R'000) |
|---|---------------------------------|--|------------------|---------------------------------|--|------------------|---------------|
| ABET Training   | 1 316                           | (18)                                     | (415)            | 883                             | 202                                      | (717)            | 368           |
| HIV / AIDS (closed)   | 198                             | (174)                                    | (24)             | -                               | -  | -                | -             |
| SMME Intervention (closed)  | 5                               | (4)                                      | (1)              | -                               | -  | -                | -             |
| SDF capacity building (closed)  | 583                             | 82                                       | (547)            | 118                             | -  | (118)            | -             |
| CPEL's (closed)   | 734                             | 96                                       | (830)            | -                               | -  | -                | -             |
| Learnership Implementation Tools  | 844                             | 118                                      | (64)             | 898                             | (11)                                     | (520)            | 377           |
| Debt Collection Learnership   | 2 187                           | 307                                      | (493)            | 2 001                           | -  | 5                | 2 006         |
| Strategic Marketing (closed)  | 14                              | 2  | (16)             | -                               | -  | -                | -             |
| Project Management (closed)   | 11                              | (11)                                     | -                | -                               | -  | -                | -             |
| Thuthuka Workplace Readiness Programme University of Fort Hare (closed) | 21                              | (21)                                     | -                | -                               | -  | -                | -             |
| The Tirisano Learnership Project -CIMA (closed)                         | 398                             | 22                                       | (420)            | -                               | -  | -                | -             |
| The BDO Spencer Stewart Work Readiness Programme (closed)               | 1 128                           | (925)                                    | (197)            | 6                               | -  | (6)              | -             |
| Thuthuka RAU Undergraduate Programme (closed)                           | -                               | -  | 133              | 133                             | (133)                                    | -                | -             |
| <b>Sub-total year 4 Project Fund</b>                                    | <b>7 439</b>                    | <b>(526)</b>                             | <b>(2 874)</b>   | <b>4 039</b>                    | <b>68</b>                                | <b>(1 356)</b>   | <b>2 751</b>  |

|   | Opening balance 2005/06 (R'000) | Approved by Accounting Authority (R'000) | Utilised (R'000) | Opening balance 2006/07 (R'000) | Approved by Accounting Authority (R'000) | Utilised (R'000) | Total (R'000) |
|---|---------------------------------|--|------------------|---------------------------------|--|------------------|---------------|
| Strategic Cash Grant (closed)             | 3 509                           | (3 509)                                  | -                | -                               | -  | -                | -             |
| Learnership Grant (closed)                | 6 693                           | (5 168)                                  | (1 525)          | -                               | -  | -                | -             |
| ORT Siyaphambili (closed)                 | 2 151                           | ( 974)                                   | (1 177)          | -                               | -  | -                | -             |
| CPE (closed)                              | 5 634                           | 789                                      | (4 149)          | 2 274                           | 433                                      | (2 707)          | -             |
| Scimathus Phase 2 (closed)                | 414                             | 9  | ( 423)           | -                               | -  | -                | -             |
| Thuthuka CTA/QE Work                      |                                 |  |                  |                                 |  |                  |               |
| Readiness Programme                       | 2 991                           | 322                                      | (1 081)          | 2 232                           | (1 367)                                  | ( 736)           | 129           |
| Project Management (Y5) (closed)          | 1 373                           | 186                                      | (1 559)          | -                               | -  | -                | -             |
| SMME Intervention - Fasset Skills         |                                 |  |                  |                                 |  |                  |               |
| Advisors (05 -06) (closed)                | 3 037                           | 426                                      | (2 583)          | 880                             | -  | ( 880)           | -             |
| Strategic Marketing (closed)              | 1 316                           | 184                                      | (1 159)          | 341                             | -  | ( 341)           | -             |
| SH&A - NQF 5 WRP (closed)                 | 3 852                           | 539                                      | (4 343)          | 48                              | -  | ( 48)            | -             |
| PAAB - NQF 6 WRP (closed)                 | 446                             | 63                                       | ( 509)           | -                               | -  | -                | -             |
| The Skills Framework- NQF 5               |                                 |  |                  |                                 |  |                  |               |
| WRP (closed)                              | 3 321                           | 465                                      | (3 242)          | 544                             | -  | ( 544)           | -             |
| Thuthuka NQF 5 Leadership                 |                                 |  |                  |                                 |  |                  |               |
| WRP (closed)                              | 1 589                           | ( 83)                                    | (1 506)          | -                               | -  | -                | -             |
| Thuthuka - Jhb University CTA             |                                 |  |                  |                                 |  |                  |               |
| 2006 (closed)                             | 2 151                           | 301                                      | -                | 2 452                           | ( 534)                                   | (1 918)          | -             |
| CIMA - Tirisano Learnership               |                                 |  |                  |                                 |  |                  |               |
| Phase 2 (closed)                          | 1 093                           | 187                                      | ( 122)           | 1 158                           | (1 008)                                  | ( 150)           | -             |
| Learnership Grant per PDI (closed)        | 9 481                           | 34 983                                   | (15 855)         | 28 609                          | (32 409)                                 | 3 800            | -             |
| Centralised Marketing - Year 5            | 200                             | 486                                      | ( 158)           | 528                             | ( 35)                                    | ( 306)           | 187           |
| Guarantee Trust Holdings Phase 4 (closed) | 6 474                           | 907                                      | (7 381)          | -                               | -  | -                | -             |
| <b>Sub-total year 5 Project Fund</b>      | <b>55 725</b>                   | <b>30 113</b>                            | <b>(46 772)</b>  | <b>39 066</b>                   | <b>(34 920)</b>                          | <b>(3 830)</b>   | <b>316</b>    |

|  | Opening balance 2005/06 (R'000) | Approved by Accounting Authority (R'000) | Utilised (R'000) | Opening balance 2006/07 (R'000) | Approved by Accounting Authority (R'000) | Utilised (R'000) | Approved by Accounting Authority (R'000) | Utilised (R'000) | Total (R'000) |
|--|---------------------------------|--|------------------|---------------------------------|--|------------------|--|------------------|---------------|
| Bonani NQF 5 WRP (closed)                                | -                               | 13 692                                   | (3 491)          | 10 201                          | 15                                       | (10 216)         | -  | -                | -             |
| Thusanani NQF 6 WRP (closed)                             | -                               | 5 957                                    | (1 135)          | 4 822                           | 80                                       | (4 902)          | -  | -                | -             |
| Centralised Marketing (Y6): Social Development Projects. | -                               | 170                                      | -                | 170                             | (50)                                     | (17)             | 103                                      | 103              | 103           |
| Scimathus Phase 3 (closed)                               | -                               | 727                                      | (237)            | 490                             | (82)                                     | (408)            | -  | -                | -             |
| Thuthuka UFH Post Graduate 06-07                         | -                               | 4 409                                    | -                | 4 409                           | (2 043)                                  | (1 074)          | 1 292                                    | 1 292            | 1 292         |
| Thuthuka Small Practices CTA WRP                         | -                               | 6 148                                    | -                | 6 148                           | 5  | (3 186)          | 2 967                                    | 2 967            | 2 967         |
| Thuthuka WRP 2006 (closed)                               | -                               | 1 113                                    | (660)            | 453                             | (102)                                    | (351)            | -  | -                | -             |
| <b>Sub-total year 6 Project Fund</b>                     | -                               | <b>32 216</b>                            | <b>(5 523)</b>   | <b>26 693</b>                   | <b>(2 177)</b>                           | <b>(20 154)</b>  | <b>4 362</b>                             | <b>4 362</b>     | <b>4 362</b>  |
| Project Management (Y7) (closed)                         | -                               | -  | -                | -                               | 1 040                                    | (1 040)          | -  | -                | -             |
| Strategic Marketing Y7                                   | -                               | -  | -                | -                               | 1 450                                    | (483)            | 967                                      | 967              | 967           |
| SMME Intervention - FSA (06-07)                          | -                               | -  | -                | -                               | 1 100                                    | (802)            | 298                                      | 298              | 298           |
| Lifelong Learning - Year 7                               | -                               | -  | -                | -                               | 4 650                                    | (1 442)          | 3 208                                    | 3 208            | 3 208         |
| Strategic Quality Assurance Interventions                | -                               | -  | -                | -                               | 500                                      | (32)             | 468                                      | 468              | 468           |
| Learnership Cash Grant Y7                                | -                               | -  | -                | -                               | 44 418                                   | (15 310)         | 29 108                                   | 29 108           | 29 108        |
| SDF Upskilling   | -                               | -  | -                | -                               | 40                                       | (3)              | 37                                       | 37               | 37            |
| Bonani 2 WRP   | -                               | -  | -                | -                               | 16 516                                   | (5 765)          | 10 751                                   | 10 751           | 10 751        |
| Centralised marketing                                    | -                               | -  | -                | -                               | 60                                       | -                | 60                                       | 60               | 60            |
| Thusanani 2 WRP 2007-2009                                | -                               | -  | -                | -                               | 15 739                                   | (1 532)          | 14 207                                   | 14 207           | 14 207        |
| Itukisa WRP 2007   | -                               | -  | -                | -                               | 1 248                                    | (89)             | 1 159                                    | 1 159            | 1 159         |
| <b>Sub-total year 7 Project Fund</b>                     | -                               | -  | -                | -                               | <b>86 761</b>                            | <b>(26 498)</b>  | <b>60 263</b>                            | <b>60 263</b>    | <b>60 263</b> |
| <b>Total project expenditure</b>                         | <b>66 920</b>                   | <b>61 952</b>                            | <b>(58 153)</b>  | <b>70 719</b>                   | <b>49 624</b>                            | <b>(52 230)</b>  | <b>68 113</b>                            | <b>68 113</b>    | <b>68 113</b> |

## 17.2 Operating Leases

|   | 2006/07<br>(R'000) | 2005/06<br>(R'000) |
|---|--------------------|--------------------|
| Total of future minimum lease payments under non-cancelable leases: |                    |                    |
| Not later than one year   | 716                | 591                |
| Later than one year and not later than five years                   | <u>1 128</u>       | <u>2 494</u>       |
|   | <u>1 844</u>       | <u>3 085</u>       |

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 2007.

## 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 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:



### *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.

### *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. RECLASSIFICATION OF RESERVE BALANCES**

During the current year the interpretation of what constitutes surplus administration funds changed. Previously the Seta calculated the surplus administration reserve, which is transferred to the discretionary reserve, on the accrual basis. The surplus administration reserve calculation now includes an adjustment for the difference between the amount of capital expenditure incurred in a year and depreciation. This is consistent with the way the Seta prepares its budget. This change has been accounted for retrospectively and comparative information has been restated.

The opening reserve balance at 1 April 2005 has been adjusted by R751 000, which is the carrying value of Property, plant and equipment at that date.

## **22. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Seta's accounting policies management is required to make judgements, estimates

and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*Key sources of estimation uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at year end, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

*Useful lives of Property, plant and equipment*

The Seta reviews the estimated useful lives of Property, plant and equipment at the end of each annual reporting period, refer to note 7 for the carrying values of Property, plant and equipment. The Seta is currently established until 31 March 2010 and in terms of the Act read with Government Notice No. R.1082 of 7 September 1999 a Seta is required to apply to the Minister for a renewal of its certificate of establishment by 1 April 2009.

In the light of the requirement to apply for a renewal of a Seta's certificate of establishment, management was required to consider how it impacts the period over which assets are expected to be available for use by the Seta. Management determined, consistent with the prior year, that the useful life of assets should not be limited by the Seta's establishment until 31 March 2010. Managements determination of useful life also impacts the determination of the residual value of assets.

The following useful lives are used in the calculation of depreciation

|                               |          |
|-------------------------------|----------|
| Computer equipment            | 3 years  |
| 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.

**23. NEW ACCOUNTING PRONOUNCEMENTS**

At the date of authorisation of these financial statements, there are Standards and Interpretations in issue but not yet effective. These include the following Standards and Interpretations that are applicable to the Seta and may have an impact on future financial statements:

|                    |   | <b>Effective date,<br/>commencing on<br/>or after</b> |
|--------------------|---|---|
| IFRS 7<br>(AC 144) | Financial Instruments:<br>Disclosures                                 | 1-Jan-07  |
| GRAP 9             | Revenue from<br>Exchange Transactions                                 | *   |
| GRAP 12            | Inventories   | *   |
| GRAP 13            | Leases  | *   |
| GRAP 17            | Property Plant<br>and Equipment                                       | *   |
| GRAP 100           | Non-current Assets<br>held for Sale<br>and Discontinued<br>Operations | *   |
| GRAP 102           | Intangible Assets   | *   |

\*An entity shall apply Standards of GRAP for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the PFMA. This date has not yet been published as at the date of this set of financial statements.

### **IFRS 7 (AC 144)**

IFRS 7 (AC 144) – Financial Instruments: Disclosures. The Standard adds certain new disclosures about financial instruments to those currently required by IAS 32 – Financial Instruments: Disclosure and Presentation. The Standard replaces the disclosures currently required by IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions (IAS 30). The Standard therefore groups all financial instruments’ disclosures together in a new Standard.

### **GRAP 9**

GRAP 9 - Revenue from Exchange Transactions. The Standard provides additional South African public sector specific examples of revenue transactions however it does not significantly differ from IAS 29 (AC 111) - Revenue. It is not expected that this Standard will significantly impact future disclosure due to the limited nature and volume of exchange transactions for which a Seta is expected to account.

### **GRAP 12**

GRAP 12 - Inventories. The Standard provides additional guidance on the recognition and the initial measurement of inventories including recognising inventories acquired at no cost, or for nominal consideration, at fair value as at the date of acquisition. It is not expected that this Standard will significantly impact future disclosure due to the limited nature and volume of inventory for which a Seta is expected to account.

### **GRAP 13**

GRAP 13 - Leases. The Standard clarifies that the leases standard should still be applied even where legislation may prohibit and entity from entering into certain types of lease agreements. It further adds an additional requirement to disclose the depreciation and finance charge relating to the leased asset under accounted for as a finance lease by the lessee.

### **GRAP 17**

GRAP 17 - Property Plant and Equipment. On initial application the Standard requires that assets which were acquired at no cost, or for a nominal cost, is accounted for

at its fair value as at the date of acquisition. This treatment is different to the current treatment which accounts for such assets at cost. We do not expect this to significantly impact the carrying value of assets.

### **GRAP 100**

GRAP 100 - Non-current Assets held for Sale and Discontinued Operations. The Standard provides public sector specific examples and refer to non-cash-generating assets that are relevant to the public sector however it does not significantly differ from IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations. It is not expected that this Standard will significantly impact future disclosure due to the limited nature and volume of such transactions for which a Seta is expected to account.

### **GRAP 102**

GRAP 102 - Intangible Assets. This standard is drawn primarily from the International Accounting Standard on Intangible Assets (IAS 38). The Standard does provide additional public sector specific examples it also expands the identifiability criterion in the definition of an intangible asset to include contractual rights arising from binding arrangements, and to exclude rights granted by statute. The Standard will also require where an intangible asset is acquired at no cost or for a nominal consideration, that its cost is recorded as its fair value as at the date it is acquired.

Guidance on web site costs, together with an appendix to illustrate the relevant accounting principles, has been included in this Standard from SIC Interpretation 32 Intangible Assets – Web Site Costs.

## 24. RELATED PARTY TRANSACTIONS

### 24.1 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:

|                    | Note | 2006/07                           |                                    | 2005/06                           |                                    |
|--------------------|------|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
|                    |      | Amount of the Transaction (R'000) | Amount Receivable/ Payable (R'000) | Amount of the Transaction (R'000) | Amount Receivable/ Payable (R'000) |
| <b>Receivables</b> | 8    | 1 673                             | 1 552                              | 1 892                             | 1 505                              |
| BANKSETA           |      | 165                               | 165                                | 1                                 | 1                                  |
| CETA               |      | 5                                 | -                                  | -                                 | -                                  |
| CHIETA             |      | -                                 | -                                  | 1                                 | 1                                  |
| CTFL               |      | 37                                | 37                                 | -                                 | -                                  |
| ISETT              |      | -                                 | 2                                  | 2                                 | 2                                  |
| INSETA             |      | 7                                 | 7                                  | -                                 | -                                  |
| MAPP               |      | 4                                 | 4                                  | -                                 | -                                  |
| MQA                |      | 11                                | 11                                 | -                                 | -                                  |
| PSETA              |      | -                                 | 3                                  | 3                                 | 3                                  |
| SASSETA            |      | -                                 | 88                                 | 88                                | 88                                 |
| SERVICES           |      | 1 417                             | 1 235                              | 1 560                             | 1 410                              |
| TETA               |      | 27                                | -                                  | -                                 | -                                  |
| W&R SETA           |      | -                                 | -                                  | 237                               | -                                  |

|                 | Note | 2006/07                           |                                    | 2005/06                           |                                    |
|-----------------|------|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
|                 |      | Amount of the Transaction (R'000) | Amount Receivable/ Payable (R'000) | Amount of the Transaction (R'000) | Amount Receivable/ Payable (R'000) |
| <b>Payables</b> | 11   | (1 648)                           | ( 413)                             | ( 442)                            | ( 615)                             |
| AGRISETA        |      | 41                                | 33                                 | 152                               | 152                                |
| BANKSETA        |      | 18                                | 18                                 | ( 64)                             | 13                                 |
| CHIETA          |      | -                                 | -                                  | ( 2)                              | -                                  |
| CETA            |      | 5                                 | 4                                  | ( 25)                             | 1                                  |
| ETDP SETA       |      | -                                 | -                                  | ( 45)                             | -                                  |
| ESETA           |      | -                                 | -                                  | ( 11)                             | -                                  |
| FOODBEV         |      | 22                                | -                                  | ( 16)                             | -                                  |
| FIETA           |      | -                                 | -                                  | ( 7)                              | -                                  |
| HWSETA          |      | -                                 | -                                  | ( 41)                             | 4                                  |
| ISETT           |      | 102                               | 94                                 | 13                                | 44                                 |
| INSETA          |      | 63                                | 54                                 | 376                               | 13                                 |
| LGWSETA         |      | -                                 | -                                  | 2                                 | 3                                  |
| MAPP            |      | 15                                | 15                                 | ( 27)                             | -                                  |
| MQA             |      | 107                               | -                                  | ( 15)                             | -                                  |
| MERSETA         |      | 50                                | 5                                  | ( 60)                             | 21                                 |
| POSLEC SETA     |      | -                                 | -                                  | ( 85)                             | -                                  |
| PAETA           |      | -                                 | -                                  | ( 11)                             | -                                  |
| SASSETA         |      | 1                                 | 22                                 | 163                               | 24                                 |
| SETASA          |      | -                                 | -                                  | ( 10)                             | -                                  |
| SERVICES        |      | 1 216                             | 133                                | ( 46)                             | 18                                 |
| THETA           |      | ( 17)                             | 10                                 | 7                                 | 27                                 |
| TETA            |      | -                                 | -                                  | ( 2)                              | 29                                 |
| W&R SETA        |      | 25                                | 25                                 | 208                               | 266                                |
| Other           |      | -                                 | -                                  | ( 12)                             | -                                  |
| <b>Total</b>    |      | <b>25</b>                         | <b>1 139</b>                       | <b>1 450</b>                      | <b>890</b>                         |

## 24.2 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<br>Receivables                                      | Nature of<br>Relationship   | Transaction Type        | 2006/07                                    |   | 2005/06                                    |   |
|---|---|-------------------------|--|---|--|---|
|   |   |                         | Amount<br>of the<br>Transaction<br>(R'000) | Amount<br>Receivable<br>/Payable<br>(R'000) | Amount<br>of the<br>Transaction<br>(R'000) | Amount<br>Receivable<br>/Payable<br>(R'000) |
| NSF EUPEC &<br>KZN/Limpopo  | Related to DoL  | NSF income              | 27 762                                     |   | 35 240                                     | -   |
| <b>Payables</b>   |   |                         |  |   |  |   |
| NSF EUPEC &<br>KZN/Limpopo  | Related to DoL  | NSF expense             | 27 762                                     | (3 533)                                     | 35 240                                     | (2 290)                                     |
| Anglo Operations<br>Ltd   | Maryanne<br>Trollope<br>(Board Member)                            | Discretionary<br>grants | 2 299                                      | (2 345)                                     | 1 935                                      | (1 439)                                     |
| Association<br>of Chartered<br>Certified<br>Accountants<br>(ACCA) | Nirri Nair<br>(Board Member)                                      | Discretionary<br>grants | -  | -   | 3  | -   |
| Chartered Institute<br>of Management<br>Accountants<br>(CIMA)     | Samantha Louis<br>(Board Member)                                  | Discretionary<br>grants | -  | -   | 542  | -   |
| Deloitte  | Dorothy<br>Ndletyana<br>(Board Member)                            | Discretionary<br>grants | 1 179                                      | (1 530)                                     | 3 333                                      | (1 288)                                     |
|   |   | Other payments          | 5 179                                      | (594)                                       | 4 215                                      | (989)                                       |
| Industrial<br>Development<br>Corporation                          | MaRi Hersey/<br>Lucky Dladla/<br>Holger Fischer<br>(Board Member) | Discretionary<br>grants | 81   | ( 627)                                      | 545  | ( 545)                                      |
| Institute of Internal<br>Auditors (IIA SA)                        | Bill Shellard<br>(Board Member)                                   | Discretionary<br>grants | 121  | -   | 100  | -   |
| Institute for Public<br>Finance and<br>Auditing (IPFA)            | Zahra Cassim<br>(Board Member)                                    | Discretionary<br>grants | 58   | -   | 950  | ( 98)                                       |

| Related Party<br>Receivables   | Nature of<br>Relationship                    | Transaction Type                          | 2006/07                                    |   | 2005/06                                    |   |
|--|--|---|--|---|--|---|
|  |  |   | Amount<br>of the<br>Transaction<br>(R'000) | Amount<br>Receivable<br>/Payable<br>(R'000) | Amount<br>of the<br>Transaction<br>(R'000) | Amount<br>Receivable<br>/Payable<br>(R'000) |
| Independent<br>Regulatory Board<br>for Auditors                      | Kariem Hoosain<br>(Board Member)             | Discretionary<br>grants                   | 14   | ( 3)  | -  | -   |
| KPMG   | Richard Warren-<br>Tangney<br>(Board Member) | Discretionary<br>grants                   | 1 300                                      | (1 298)                                     | 1 873                                      | (1 102)                                     |
| MBS Business<br>Services CC  | Shirley Olsen<br>(Board Member)              | Discretionary<br>grants                   | 25   | -   | 50   | -   |
| Pricewaterhouse<br>Coopers   | Robert Capper<br>(Board Member)              | Discretionary<br>grants<br>Other payments | 457<br>-                                   | -<br>-                                      | 1 782<br>483                               | ( 788)<br>( 45)                             |
| Robin Dixie and<br>Associates  | Robin Dixie CFA<br>(Board Member)            | Discretionary<br>grants                   | -  | -   | 25   | (25)  |
| South African<br>Institute of<br>Chartered<br>Accountants<br>(SAICA) | Mandi Oliver<br>(Board Member)               | Discretionary<br>grants                   | -  | -   | 111  | -   |

The above transactions occurred under terms that were no more favorable than those available in similar arm's length dealings. Discretionary grants comprise of 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 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.



## APPENDICES

## APPENDIX A. NSDS II TARGETS AND ACHIEVEMENTS

### Notes

1. Targets are based on the definitions provided by DoL during the period.
2. Only the indicators that are applicable to Fasset (as per the DoL SLA) have been included.

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

| NSDS Indicator   | Fasset 2006–2007 Target  | Achievement   | Reason for Deviation From Target   |
|--|--|---|--|
| 1.1 Skills development supports national and sectoral growth, development and equity priorities.   | The SSP or annual update is signed off by the: <ul style="list-style-type: none"> <li>• Seta Board Chairperson.</li> <li>• Seta/DoL agreed growth, development and equity strategy driver/s.</li> <li>• DoL executive manager responsible for quality assurance of SSP.</li> </ul> | SSP signed off by all relevant parties.                           | No deviation.  |
| 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. | 1 250 SDFs or sector specialists trained in the use of the guide.  | 8 226 SDFs or sector specialists trained in the use of the guide. | The Seta identified additional opportunities to expose additional stakeholders to education and training on scarce skills. |

### NSDS Objective 2: Stimulating quality training for all in the workplace

| NSDS Indicator  | Fasset 2006–2007 Target           | Achievement                       | Reason for Deviation From Target   |
|---|-----------------------------------|-----------------------------------|--|
| 2.1 80% of large firms' and 60% of medium firms' EE targets supported by skills development. Impact on overall equity profile assessed. | 32 large firms<br>78 medium firms | 42 large firms<br>79 medium firms | Increase in the number of large firms in the sector and an increase in the participation rate from firms. Both the 80% and 60% indicators were achieved. |

| NSDS Indicator | Fasset 2006–2007 Target  | Achievement  | Reason for Deviation From Target  |  |
|----------------|--|--|---|--|
| 2.2            | Skills development in at least 40% of small levy-paying firms supported and the impact of the support measured.                | 400 small levy paying firms supported.   | 1 955 small levy paying firms supported.  | Baseline figure was underestimated due to the amendments to the SDL exemption threshold. The 40% target was achieved.  |
| 2.5            | Number of small BEE firms and BEE co-operatives supported by skills development. Impact of support measured.                   | 95 BEE firms supported.  | 1 18 BEE firms supported.   | Baseline figure was underestimated due to the amendments to the SDL exemption threshold.   |
| 2.7            | Number of workers have achieved ABET level 4.  | Learners registered<br>ABET level 1: 20<br>ABET level 2: 34<br>ABET level 3: 37<br>ABET level 4: 12<br><br>Learners achieved<br>ABET level 1: 20<br>ABET level 2: 34<br>ABET level 3: 37<br>ABET level 4: 12 | Learners registered<br>ABET level 1: 31<br>ABET level 2: 85<br>ABET level 3: 81<br>ABET level 4: 58<br><br>Learners achieved<br>ABET level 1: 40<br>ABET level 2: 62<br>ABET level 3: 53<br>ABET level 4: 6 | Increased participation and buy-in from employers led to the over-achievement against this target. Some ABET learners that achieved in this period were registered in previous periods. ABET learners registered in this period will complete in subsequent periods. |
| 2.8            | Number of workers assisted to enter and at least 50% successfully complete learning programmes. Impact of assistance measured. | Learners registered: 2 055<br>Learners completed: 2 000  | Learners registered: 5 031<br>Learners completed: 4 786   | Increased participation and buy-in from employers lead to the over-achievement against this target. The 50% completion target was achieved.  |

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

| NSDS Indicator | Fasset 2006–2007 Target  | Achievement  | Reason for Deviation From Target  |
|----------------|--|--|---|
| 3.2            | 2 000 non-levy paying enterprises, NGOs, CBOs, and community-based co-operatives supported by skills development. Impact of support on sustainability measured with a targeted 75% success rate. | 500 non-levy paying enterprises supported.<br>873 non-levy paying enterprises supported. | Baseline figure was underestimated due to the amendments to the SDL exemption threshold. The 75% success rate was achieved. |

### NSDS Objective 4: Assisting new entrants into the labour market and self-employment

| NSDS Indicator | Fasset 2006–2007 Target  | Achievement   | Reason for Deviation From Target                              |  |
|----------------|--|---|---|--|
| 4.1            | Number of unemployed people assisted to enter learning programmes and at least 50 % successfully completed. Impact of assistance measured.   | Learners registered: 2 000<br>Learners completed: 0           | Learners registered: 3 122<br>Learners completed: 0           | Sector growth and increased demand for learners was higher than anticipated. Due to the duration of the learnerships (3 years), the 50% completion rate can only be measured from 2009.                                  |
| 4.2            | Number of learners in critical skills programmes covered by sector agreements from FET and HET institutions assisted to gain work experience, of whom at least 70% successfully find placement in employment or self employment. | 350 learners assisted to gain work experience and 245 placed. | 414 learners assisted to gain work experience and 371 placed. | Increased discretionary funding budget enabled additional learners to be supported and the 70% placement rate was reached.   |
| 4.3            | Number of young people trained and mentored to form new ventures and at least 70% of new ventures in operation 12 months after completion of programme.  | 200 learners trained and mentored to form new ventures.       | 555 learners trained and mentored to form new ventures.       | Increased number of professionally qualified people that applied for practicing licenses was higher than anticipated. The 70% of new ventures still in operation after 12 months can only be measured from 2008 onwards. |

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

| NSDS Indicator | Fasset 2006–2007 Target  | Achievement  | Reason for Deviation From Target                      |   |
|----------------|--|--|---|---|
| 5.1            | The Seta recognises and supports Institutes of Sectoral or Occupational Excellence (ISOEs), within public and private institutions, 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. | 250 institutes supported.                                    | 384 institutes supported.                             | Increased participation, buy-in and support from workplace providers resulted in the positive deviation.  |
| 5.2            | Each province has at least two provider institutions accredited to manage the delivery of the New Venture Creation qualifications and 70% of new ventures still operating after 12 months.   | 6 provider institutes.                                       | 15 provider institutes.                               | Increased participation, buy-in and support from training providers resulted in the positive deviation across all 9 provinces. The 70% of new ventures still in operation after 12 months can only be measured from 2008 onwards. |
| 5.3            | There are measurable improvements in the quality of services delivered by skills development institutions and those institutions responsible for the implementation of the NQF in support of the NSDS.   | The Seta is to meet SAQA audit and NLRD upload requirements. | The SAQA audit and NLRD upload requirements were met. | No deviation.   |

## APPENDIX B. MANAGEMENT BOARD

| NAME                         | REPRESENTING | CONSTITUENCY                     | ORGANISATION                   | RACE     | GENDER | 26 MAY 2006 | 20 SEPTEMBER 2006 | 24 NOVEMBER 2006 | 8 MARCH 2007 | PARTICIPATION IN WORKING COMMITTEES |
|------------------------------|--------------|----------------------------------|--------------------------------|----------|--------|-------------|-------------------|------------------|--------------|-------------------------------------|
| Hannejie Boima               | Employees    | Trade Unions                     | PSA                            | White    | Female | ✓           | ✓                 | ✓                | ✓            | -                                   |
| Robert Capper                | Employers    | Large Accounting Firms           | PricewaterhouseCoopers         | White    | Male   | ✓           | ✓                 | ✓                | ✓            | Exco; Finco; Remco                  |
| Zahra Cassim                 | Employees    | Professional Bodies              | IPFA                           | Coloured | Female | ✓           | ✓                 | ✓                | ✓            | QA/ Learnerships                    |
| Lucky Dladla <sup>2</sup>    | Employers    | Development Corporations         | IDC                            | Black    | Male   | N/A         | ✓                 | -                | N/A          | -                                   |
| Holger Fischer <sup>3</sup>  | Employers    | Development Corporations         | IDC                            | White    | Male   | N/A         | N/A               | N/A              | ✓            | -                                   |
| MaRi Hersey <sup>1</sup>     | Employers    | Development Corporations         | IDC                            | White    | Female | ✓           | N/A               | N/A              | N/A          | -                                   |
| Karlem Hoosain               | Employees    | Professional Bodies              | IRBA                           | Indian   | Male   | ✓           | -                 | ✓                | -            | Audit                               |
| Cheryl James                 |              | Fasset CEO                       | Fasset                         | White    | Female | ✓           | ✓                 | ✓                | ✓            | -                                   |
| Pieter Lombard               | Employees    | Trade Unions                     | PSA                            | White    | Male   | ✓           | ✓                 | -                | ✓            | -                                   |
| Winess Magoswana             | Employees    | Trade Unions                     | NEHAWU                         | Black    | Male   | ✓           | -                 | ✓                | ✓            | Exco; Audit; Remco                  |
| Stadi Mngomezulu             | Employers    | The State                        | National Treasury              | Black    | Male   | ✓           | ✓                 | ✓                | ✓            | -                                   |
| Nirri Nair                   | Employees    | Professional Bodies              | ACCA                           | Indian   | Female | -           | ✓                 | -                | ✓            | Exco; QA/ Learnerships              |
| Dorothy Ndleiyana            | Employers    | Tax Services                     | Deloitte                       | Black    | Female | ✓           | ✓                 | ✓                | ✓            | -                                   |
| Shirley Olsen                | Employers    | Small Medium Micro Enterprises   | Master Business Services (MBS) | White    | Female | ✓           | ✓                 | ✓                | ✓            | QA/ Learnerships; Finco             |
| Simpahwe Selepe <sup>4</sup> | Employees    | Trade Unions                     | NEHAWU                         | Black    | Male   | -           | -                 | N/A              | N/A          | -                                   |
| Bill Shiellard               | Employees    | Professional Bodies              | IIA SA                         | White    | Male   | ✓           | ✓                 | ✓                | ✓            | Finco; QA/ Learnerships             |
| Mauseng Thabane              | Employers    | Securities & Stock Brokers       | JSE Limited                    | Black    | Female | -           | ✓                 | ✓                | ✓            | Chairman; Exco;                     |
| Maryanne Trollope            | Employers    | Investment Entities & Trusts     | Anglo Operations Ltd           | White    | Female | ✓           | ✓                 | ✓                | ✓            | Exco; ComCo                         |
| Richard Warren - Tangrey     | Employers    | Business Management & Consulting | KPMG                           | White    | Male   | -           | -                 | ✓                | -            | Deputy Chairman; Exco; Remco        |

<sup>1</sup> Resigned September 2006

<sup>2</sup> Joined August 2006/ Resigned November 2006

<sup>3</sup> Joined March 2007

<sup>4</sup> Removed September 2006

## APPENDIX C. WORKING COMMITTEES

### EXECUTIVE COMMITTEE (EXCO)

| Member                                   | Organisation           | Meetings Attended |
|--|------------------------|-------------------|
| Robert Capper                            | PricewaterhouseCoopers | 6 of 6            |
| Cheryl James                             | Fasset CEO             | 6 of 6            |
| Witness Magoswana                        | NEHAWU                 | 6 of 6            |
| Nirri Nair                               | ACCA                   | 4 of 5            |
| Mpuseng Tlhabane (Chairman)              | JSE Limited            | 3 of 6            |
| Maryanne Trollope                        | Anglo Operations Ltd   | 5 of 6            |
| Richard Warren-Tangney (Deputy Chairman) | KPMG                   | 2 of 5            |

### COMMUNICATIONS COMMITTEE

| Member                          | Organisation           | Meetings Attended |
|---------------------------------|------------------------|-------------------|
| Ingrid Nicolaus                 | IPFA                   | 3 of 4            |
| Jenny O' Connor                 | Anglo Operations Ltd   | 2 of 4            |
| Marna Enslin <sup>1</sup>       | SAIPA                  | 2 of 2            |
| Maryanne Trollope (Chairman)    | Anglo Operations Ltd   | 3 of 4            |
| Russell Fox <sup>2</sup>        | PricewaterhouseCoopers | 1 of 1            |
| Tsholofelo Dihutso <sup>2</sup> | CIMA                   | 1 of 1            |

<sup>1</sup> Joined November 2006

<sup>2</sup> Joined February 2007

### FINANCE COMMITTEE

| Member                     | Organisation                 | Meetings Attended |
|----------------------------|------------------------------|-------------------|
| Robert Capper (Chairman)   | PricewaterhouseCoopers       | 9 of 11           |
| Bill Shellard              | Shellard and Associates      | 9 of 11           |
| Susan Vasconcelos          | Nexus Management Consultants | 10 of 11          |
| Shirley Olsen <sup>1</sup> | Master Business Services CC  | 5 of 5            |
| Cheryl James               | Fasset CEO                   | 11 of 11          |
| Nawaal Patel <sup>2</sup>  | Fasset COO                   | 7 of 7            |

<sup>1</sup> Joined October 2006

<sup>2</sup> Joined August 2006

## SKILLS PLANNING COMMITTEE

| Member                    | Organisation   | Meetings Attended |
|---------------------------|--|-------------------|
| Zahra Cassim (Chairman)   | IPFA   | 3 of 3            |
| Eva Cruz                  | Silica Financial Administration Solutions                    | 4 of 4            |
| Audrey Longwe             | Deloitte   | 4 of 4            |
| Dudu Maphanga-Mashapa     | Ramathe Fivaz Forensic and Investigating Accounting Services | 2 of 2            |
| Neo Mndebele              | JSE Limited  | 3 of 4            |
| Stuart Noble              | Financial Training Corporation                               | 2 of 4            |
| Charlene Verzmoter        | Accenture  | 3 of 4            |
| Monoko Matlala            | KPMG   | 3 of 4            |
| Richard Warren-Tangney    | KPMG   | 1 of 1            |
| Cindy Mather <sup>1</sup> | PricewaterhouseCoopers                                       | 2 of 2            |
| Veld Cooper               | Veld Cooper & Associates                                     | 4 of 4            |
| Marna Enslin <sup>2</sup> | SAIPA  | 2 of 2            |

<sup>1</sup> Joined August 2006

<sup>2</sup> Joined November 2006

## QUALITY ASSURANCE AND LEARNERSHIPS COMMITTEE

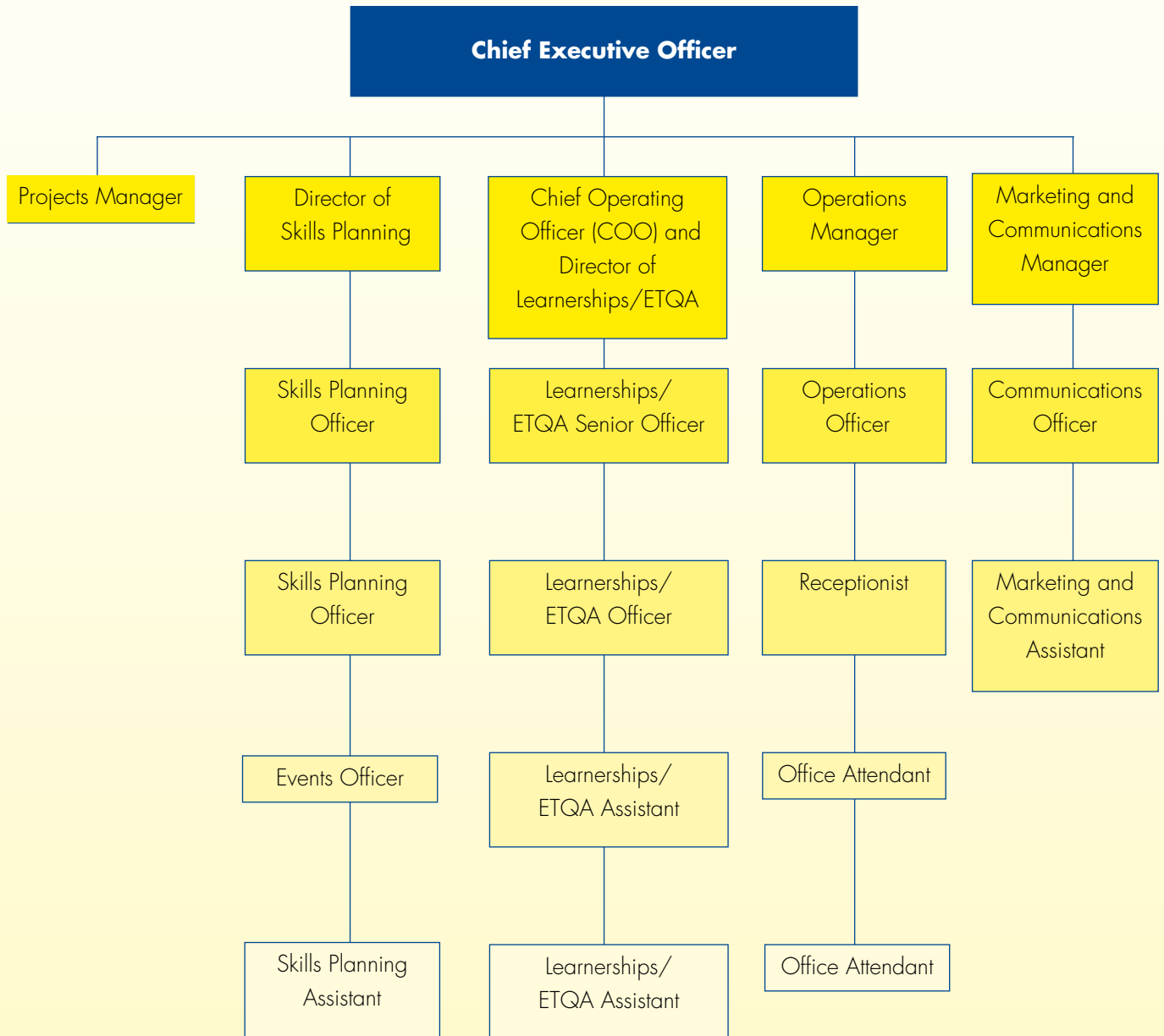
| Member                             | Organisation                | Meetings Attended |
|------------------------------------|-----------------------------|-------------------|
| Andrew Carlsson                    | ICB                         | 3 of 4            |
| Bill Shellard (Chairman)           | IIA SA                      | 4 of 4            |
| Charlene Verzmoter <sup>1</sup>    | Accenture                   | 3 of 4            |
| Geoffrey Ngonyama                  | SAICA                       | 4 of 4            |
| John Blignaut                      | Definitive Solutions        | 3 of 4            |
| Moin Khan                          | SAIPA                       | 3 of 4            |
| Lawrence Chetty                    | IIA SA                      | 3 of 4            |
| Natercia Faustino                  | CIMA                        | 3 of 4            |
| Rishard Mahomed-Habib <sup>1</sup> | SAIPA                       | 2 of 4            |
| Samantha Louis                     | CIMA                        | 1 of 4            |
| Tonia Valis                        | ACCA                        | 4 of 4            |
| Vashna Rawjee                      | ATCOR                       | 4 of 4            |
| Nirri Nair                         | ACCA                        | 4 of 4            |
| Karen Prinsloo                     | IPFA                        | 3 of 4            |
| Shirley Olsen                      | Master Business Services CC | 1 of 4            |

<sup>1</sup> Resigned October 2006

## REMUNERATION COMMITTEE

| Member                            | Organisation           | Meetings Attended |
|-----------------------------------|------------------------|-------------------|
| Robert Capper                     | PricewaterhouseCoopers | 2 of 2            |
| Witness Magoswana                 | NEHAWU                 | 1 of 2            |
| Richard Warren-Tangney (Chairman) | KPMG                   | 2 of 2            |

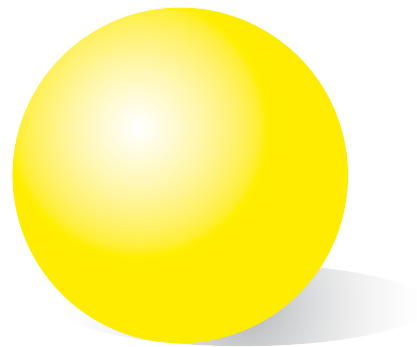
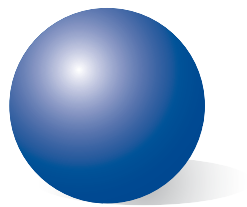
APPENDIX D. ORGANISATION STRUCTURE



## ACRONYMS

|        |  |
|--------|--|
| AAT    | Association of Accounting Technicians  |
| ABASA  | Association for the Advancement of Black Accountants of Southern Africa          |
| ABET   | Adult Basic Education and Training   |
| ACCA   | Association of Chartered Certified Accountants                                   |
| AsgiSA | Accelerated and Shared Growth Initiative for South Africa                        |
| ATR    | Annual Training Report   |
| BEE    | Black Economic Empowerment   |
| CBO    | Community-Based Organisation   |
| CEO    | Chief Executive Officer  |
| COO    | Chief Operating 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 Programme - Eastern Cape                                    |
| EUPKZN | Education Upliftment Programme - KwaZulu-Natal                                   |
| EUPLIM | Education Upliftment Programme - 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 SA | 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                                  |
| LCG    | Learnership Cash Grant   |
| MoU    | Memorandum of Understanding  |
| NEHAWU | National Education Health and Allied Workers Union                               |
| NGO    | Non-Governmental Organisation  |
| NLRD   | National Learners Records Database   |
| NQF    | National Qualifications Framework  |

|         |   |
|---------|---|
| NSA     | National Skills Authority   |
| NSDS 1  | National Skills Development Strategy (1 April 2000 to 31 March 2005)                |
| NSDS 11 | National Skills Development Strategy (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   |
| QAP     | Quality Assurance Partner   |
| SAICA   | South African Institute of Chartered Accountants                                    |
| SAIPA   | South African Institute of Professional Accountants                                 |
| SAQA    | South African Qualifications Authority  |
| SARS    | South African Revenue Services  |
| SCG     | Strategic Cash Grant  |
| SDA     | Skills Development Act, 1998 (Act no 97 of 1998), as amended: the Act               |
| SDF     | Skills Development Facilitator  |
| SDL     | Skills Development Levy   |
| SDLA    | Skills Development Levies Act, 1999 (Act no 9, of 1999), as amended: the Levies Act |
| 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 1  | 1 April 2000 to 31 March 2001   |
| Year 2  | 1 April 2001 to 31 March 2002   |
| Year 3  | 1 April 2002 to 31 March 2003   |
| Year 4  | 1 April 2003 to 31 March 2004   |
| 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 8  | 1 April 2007 to 31 March 2008   |



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