



SAFETY
DELIVERY
PROTECTION



labour

Department:
Labour
REPUBLIC OF SOUTH AFRICA

**SASSETA
DIDTETA
POSLEC SETA
ANNUAL REPORTS
1 APRIL 2005 – 31 MARCH 2006**



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Education and training authority that ensures quality provision of skills development and qualifications for South African citizens in the safety and security environment through effective and efficient partnerships

MISSION

VISION

Leader in skills development for safety and security

Chairperson's foreword

When I look back on the year in review, it is with much pride. Given the sizeable challenges of bringing together two organisations into a single, focused unit, the performance of the Sassetta team in the day-to-day facilitation of training and development and the realisation of its National Skills Development Strategy (NSDS) targets has been commendable.

With 7 200 registered organisations employing some 606 000 people, Sassetta's economic sector may not be the biggest, but it is arguably the most crucial, given its role in ensuring the health of South Africa's society and the protection of its citizens. It is also growing rapidly – private security, for example, is experiencing an average yearly growth of 13,6% and the South African Police Service (SAPS) intends to increase its staff complement by about 7 000 by March 2007.

There is no doubt that our sector has a key role to play in the realisation of the Accelerated and Shared Growth Initiative of South Africa (Asgisa) launched by the president last year with the objectives of 6% economic growth by 2010 and halved unemployment by 2014. Only in a secure environment can the economy truly prosper, so the significance of the services we provide is obvious.

Furthermore, the growth we are experiencing in our sector means we have opportunities aplenty to attract youngsters seeking a rewarding career. Many projects have been planned with the recruitment and development of new talent in mind. These are active in the paralegal, corrections and policing industries, among others.

It is clear from the level of training activity in the sector that stakeholders are becoming more committed to skills development, and participation will only increase with the influence of the new Seta. The support during the

amalgamation of constituents across the board and their contribution and input along the way were most encouraging and made the job easier.

Our chief executive officer Vuyelwa Penxa brought her considerable management experience to bear to a task that was ambitious to say the least. For someone involved with the Seta for many years, it would have been a mammoth job, but for Vuyelwa, who joined the Seta two months before the labour minister announced that Poslec Seta and Didteta would become one, it was even more daunting.



To say she rose to the occasion is an understatement. She dived in boots and all and, with the support of her management team, achieved more than many would have. She tackled problems and hurdles with a level head, thought out every decision thoroughly, taking into account stakeholder views and concerns, and brought all her female intuition to the table to ensure the best

outcome at each stage of the process.

As a representative of the policing chamber, I am extremely pleased that my organisations, Popcru and SAPS, are part of an efficient Seta that will truly show its mettle in the months and years to come. As chairperson of the Seta, I am proud to preside over a dynamic organisation that will mean so much to so many South Africans and to the transformation of the safety and security sector.

A handwritten signature in blue ink, which appears to read 'Vuyelwa Penxa'.

Pretty Shuping

Chairperson

Chief executive officer's report

At the last annual general meeting of Poslec Seta and Didteta in October 2005, guest speaker Samuel Isaacs of the South African Qualifications Authority (SAQA) told guests: "Our Setas have had five short years to do what other countries have taken 20 years to do and, in many cases, are still struggling to do. We must acknowledge what we have achieved."

At the outset, I would like to acknowledge the Poslec and Didteta teams for what has been accomplished this past year. So frenetic was the pace and rapid the decision-making process, that it felt almost as though 20 years' progress was squeezed into 12 months.

The three months from end-March to beginning-July 2005, the period given by the Minister of Labour for us to combine our processes, teams, systems and approaches into a cohesive whole, were among the most challenging of my work life. I am sure this sentiment is shared by my Didteta counterpart Ostenwald Louw and many of the members of our teams.

Any merger brings some uncertainty and insecurity, and ours generated its fair share, as we strived to create an environment where personal and professional aspirations would be satisfied. It is a testament to the quality of leadership and guidance given to us by the board and to the staff's tenacity and commitment to seeing the Seta succeed that we lost only three staff members as a direct result of the merger.

The amalgamation, its hurdles and lighter moments, is a thing of the past and with nine Sassetas months under our belt, we are all wiser and professionally richer for the experience. More importantly, we are sure of our ability to make a marked difference to the professionalism and performance of South Africa's safety and security sector.

We have a team and a structure that will take us well into the future. There are six fully functioning chambers, with defence having been added to the former Poslec chambers of policing, private security, justice, legal and correctional services. Plans have been made and discussions held to establish a chamber for the National Intelligence Agency (NIA) and South African Secret Service (SASS), and this will be finalised early in July.

Delivery

Our focus now is strongly on delivery in terms of our NSDS and business plan targets and on ensuring that provision, particularly of learnerships, is of the required standard.

Several exciting initiatives are in the pipeline, including those aimed at developing scarce skills; small, medium and micro enterprises (SMMEs) and community-based organisations (CBOs). One undertaking will upskill 160 disabled learners in the corrections, private security, policing and defence sub-sectors.

A number of learnerships are being implemented, including the National Certificate in General Security Practices on NQF level 3, which will benefit 3 500 learners throughout the country. A R56-million project is underway to develop the skills of 3

400 military veterans and place them in permanent positions. This is a project close to my heart, since those who fought long and hard for the democracy we enjoy today should also be privy to the benefits. Given basic skills, they could contribute meaningfully to the economy and put bread on the family table.

Adult basic education and training (Abet) remains a national priority and we have appointed a dedicated Abet officer to coordinate adult literacy efforts across all our chambers. To date, we have taken more than 1 000 people through Abet and we recently started a new initiative that will benefit an additional 650 learners. Sassetas is also providing quality assurance, project management and day-to-day operational



Chief executive officer's report

support to the Department of Defence (DoD), which is making a large investment in Abet for the special forces, airforce, navy and army.

At present, 58 special forces and 500 airforce personnel are benefiting from this initiative, which is being rolled out rapidly. We acknowledge the directors of the department for their total support of this intervention, which we believe will yield tremendous results.

Our efforts to promote awareness of HIV/Aids and assist stakeholders to implement effective programmes to address the pandemic gained momentum towards the end of the year, when we commissioned the Human Sciences Research Council (HSRC) to launch a research project involving the private security and legal services industries, which represent just under 4% of the South African labour force. Some 7 000 individuals in four provinces will be interviewed on HIV/Aids and tested voluntarily. The outcomes will stimulate the development of HIV/Aids policy and effective management, with specific focus on informing Sassetta on the support required for training and education interventions.

To enable us to maintain a high profile in the sector and ensure stakeholders are aware of our activities, we appointed a client liaison officer to the marketing and communications function. Much was achieved in this area during 2005/6, particularly in terms of introducing the new Seta's name and identity to stakeholders, providers, the media and the greater community.

As in the previous year, certification has been a key Sassetta function, especially in the light of the demands of the Firearms Control Act (FCA), in terms of which we accredit training providers and certificate those declared competent against the requirements of firearms-related unit standards.

An 11-venue imbizo in November 2005 proved highly successful, attracting more than 1 700 training providers, firearms dealers, hunting associations and interested citizens. Planned in partnership with SAPS and the Private Security Industry Regulatory Authority (Psira), the sessions introduced the new Seta, explained its accreditation

procedures, and heightened awareness of the training requirements of the FCA and the challenges of its implementation.

The initiative, which gave us a platform to reach stakeholders in the more far-flung areas, was endorsed by the Minister of Safety and Security Charles Nqakula, who, as guest of honour at the Cape Town imbizo, reinforced the significance of the FCA and stressed the need for all stakeholders to work together to combat crime.

Comment on qualification

It is important that I comment on the qualification that, unfortunately, appears in our Auditor-General's report for this year. As the audit report was finalised, there was a difference of R1,279 million between the reserves in the financial statements and in the trial balance. The variance was investigated and was found to be a result of adjustments effected to the opening balance of the discretionary reserve account. Transactions have been communicated to the Auditor-General and the corrections will be followed up only in the next interim audit.

Appreciation

The larger, much strengthened Sassetta team was called on to give of its best, working long hours in a spirit of cooperation and in the interests of creating a strong culture for the new organisation. I thank all staff members for their efforts – I couldn't have asked for greater support and stronger commitment.

A heartfelt thank you, too, to the board, whose members gave up a great deal of their time to discussions and deliberations on the issues related to the merger.

Together, we have created the strong, unified Seta Minister Membathisi Mdladlana envisaged when he announced the amalgamation at the NSDS conference in March 2005.

We have a bright future ahead, of that I am sure.



Vuyelwa Penxa

Chief executive officer

Skills planning

SKILLS PLANNING

A great deal of the energy expended by the skills planning department in 2005/6 is embodied in the 116-page sector skills plan (SSP) for 2005 – 10. The document is the most comprehensive of its kind for the sector, examining not only existing skills and gaps, but two areas that are key to the success of the second NSDS, namely scarce and critical skills and small business entrepreneurial opportunities.

The FCA remained at the forefront of activities, with the department issuing 132 943 certificates by 31 March 2006.

Although not all NSDS 2005/6 targets were met, progress was commendable in view of the tremendous activity centred on the amalgamation and the bedding down of the new Seta and its structures.

Sasseta targets 2005/6 against NSDS objectives		
NSDS SUCCESS INDICATOR	SETA TARGET FOR 2005/6	SETA PERFORMANCE AGAINST TARGET
NSDS objective 1: prioritising and communicating critical skills for sustainable growth, development and equity		
1.1 Skills development supports national and sectoral growth, development and equity priorities.	<ul style="list-style-type: none"> Sector skills plan signed off by 30 November 2005 200 skills development facilitators (SDFs) trained 	<ul style="list-style-type: none"> SSP signed off 60
	for all in the workplace	
2.1 The employment equity targets of at least 80% of large firms and at least 60% of medium firms supported by skills development, and impact on overall equity profile assessed.	<ul style="list-style-type: none"> 117 of 146 large firms (80% of large firms) 116 of 193 (60% of medium firms) 	<ul style="list-style-type: none"> 132 (90% of 146) 102 (53% of 193)
2.2 Skills development in at least 40% of small levy-paying firms supported and the impact of the support measured.	<ul style="list-style-type: none"> 1 716 (40% of 4 290 - all small companies in the sector) 757 (40% of 1 893 levy paying companies) 	<ul style="list-style-type: none"> 1 108 (26% of all small companies) 1 108 (59% of 1 893)
<p><i>The original target of 1 716 was calculated as 40% of the total of 4 290 small companies in the sector. The achievement of 1 108 is, therefore, 26%. After the new levy threshold of R500 000 came into effect in August 2005 the number of small levy paying companies was calculated at 1 893, 40% of which is 757. The achievement of 1 108 should, thus, be measured against a target of 757, which is 59%.</i></p>		
2.7 At least 70 000 workers to have achieved at least Abet level 4.	800	816 enrolments; 691 achieved
2.8 At least 125 000 workers assisted to enter programmes and at least 50% to have successfully completed. Programmes include learnerships and apprenticeships leading to basic entry, intermediate and high-level scarce skills. Impact of assistance measured.	2 531	1 812 enrolments. At year end, learning programmes were still in progress.
	opportunities through skills development	
3.2 At least 2 000 non-levy-paying enterprises, non-governmental organisations (NGOs), CBOs and community-based cooperatives supported by skills development. Impact of support on sustainability measured, showing a 75% success rate.	2	153 assisted (impact not yet assessed).

Skills planning

continued

Sasseta targets 2005/6 against NSDS objectives <i>continued</i>		
NSDS SUCCESS INDICATOR	SETA TARGET FOR 2005/6 AGAINST TARGET	SETA PERFORMANCE
NSDS objective 4: assisting designated groups, including new entrants, to participate in accredited work, integrated learning and work-based programmes to acquire critical skills to enter the labour market and self employment		
4.1 At least 125 000 unemployed people assisted to enter and at least 50% to successfully complete programmes, including learnerships and apprenticeships, leading to basic entry, intermediate and high level scarce skills.	3 941	4 761 enrolments. At year end, learning programmes were still in progress.
4.2 100% of learners in critical skills programmes covered by sector agreements from further education and training (FET) and higher education and training (HET) institutions assisted to gain work experience locally or abroad, and at least 70% to find placement in employment or self employment	75	45 supported and 13 employed.
4.3 At least 10 000 young people trained and mentored to form sustainable new ventures and at least 70% of new ventures operating 12 months after completion of programme.	133	–
5.1 Each Seta recognises and supports at least five institutes of sectoral or occupational excellence (ISOE) with public and private institutions through public private partnerships (PPP), where appropriate, spread as widely as possible geographically for the development of people to attain identified critical occupational skills. Excellence is measured by the number of learners successfully placed in the sector and employer satisfaction ratings of their training.	2	2

Learnerships and projects

Learnerships were again the backbone of the project portfolio. Sasseta now has 12 registered learnerships, namely:

- National Certificate in Resolving Crime – NQF 5
- National Certificate in Paralegal Practice – NQF 5
- National Diploma in South African Special Forces Operations – NQF 5
- National Diploma in Statutory Intelligence: Collection – NQF 6
- National Diploma in Statutory Intelligence: Analysis – NQF 6
- National Diploma in Statutory Intelligence Practice: Counter Intelligence – NQF 6
- National Diploma in Paralegal Practice for Commercial Sector – NQF 5
- National Diploma in Paralegal Practice for Private Sector – NQF 5
- National Diploma in Paralegal Practice for Public Sector – NQF 5
- National Diploma in Paralegal Practice for Non-governmental Sector – NQF 5
- National Diploma in Paralegal Practice for Community-based Sector – NQF 5
- National Diploma in Legal Interpreting – NQF 5

Learnerships and projects

continued

Projects 2005/6						
NSDS success indicator	Project	NQF	Learner number and profile	Start	Completion	Status
Policing						
2.8, 4.1	Forensic science learnership	5	100	Apr 05	Jun 06	Scope clarification undertaken and project progressing
2.8, 4.1	Driving skills programme		246	Jun 05	Jun 06	Project underway with 335 learners
	Crime resolution learnership	5		Oct 05	Sep 06	Curriculum agreed on
2.8	Helicopter piloting		5 18.2	May 05	Jun 06	Six learners on training
Legal services						
2.8	Candidate attorney learnership	7	100	2001	Continuous	Twenty-five learners completed. Project ongoing
2.8, 4.1	Commercial law training programme		14 18.1 and 15 18.2	Jan 05	Mar 06	Training completed for 2005/6
2.8, 4.1	Bookkeeping training programme		33 18.1 and 33 18.2	Jan 05	2006	Training completed
2.8, 4.1	Numeracy skills programme			Feb 05	Dec 05	Application made for assistance for 2006/7
2.8, 4.1	Trademark practice learnership	5	100	May 05	Jun 06	Curriculum completed. Unit standard to be developed. Qualification still in process of development
2.8, 4.1	Paralegals learnership	5	150	May 05	May 07	Information sessions held countrywide early in 2006. Service provider contracted
2.8, 4.1	Sherrifs' learnership	5	100	Mar 05	Mar 07	Service provider contracted
Corrections						
4.1	Correctional science learnership	4	1 400	Aug 04	Sep 06	Preparations underway for certification of learners
4.1	Correctional science learnership	5		Jul 05	Mar 06	Additional elective unit standard to be developed. Standards generating body (SGB) to be re-established
4.1	Department of Correctional Services skills audit		19 123 18.1	Apr 05	Apr 06	Still in planning phase
Justice						
2.8, 4.1	Court services management learnership	5	100	Sep 04	Dec 06	Learning material to be developed
2.8, 4.1	Family law learnership	5		Apr 05	Jul 06	Unit standards and qualification approval pending
2.8, 4.1	Court interpreting learnership	5	100	Apr 05	Jul 06	Qualification registered and material developed
	People with disabilities	3		Jul 05	Mar 06	Proposal for Gauteng learners to be reviewed
Private security						
2.8	General security officer practices learnership (pilot)	3	341 18.1 and 90 18.2	Aug 04	Apr 06	A total of 508 learners involved. Fundamentals finalised

Learnerships and projects

continued

Projects 2005/6 continued						
NSDS success indicator	Project	NQF	Learner number and profile	Start	Completion	Status
Private security continued						
2.8	General security officer practices learnership (national rollout)	3	1 250 18.1 and 1 250 18.2	Apr 05	Dec 06	Underway – 330 learners in addition to the target 2 500 allocated to priority areas
4.1	Electronic security technician learnership	4	40	Apr 05	Apr 06	Forty learners in training
4.1	National keypoint selection			Jul 05	Mar 06	Unit standards and qualification in development
2.8	Security specialist learnership	4	100	Jun 05	Mar 06	MoU signed with Western Cape education department. Learning programmes to be developed
2.8	Commercial and marketing			Apr 05	Mar 06	Fifty learners targeted.
2.8, 4.1	Locksmiths learnership		50	Apr 05	Mar 06	Qualification in development
Defence						
2.8, 4.1	Defensive mission control learnership	5	100	Oct 05	Dec 07	Qualification registered and submitted for registration as learnership
2.8	National certificate: navigation learnership	5	100	Oct 05	Dec 07	Qualification registered and submitted for registration as learnership
2.8, 4.1	National certificate: applied military intelligence learnership	5	100	Oct 05	Dec 07	Qualification registered and submitted for registration as learnership
2.8, 4.1	National certificate: multi-national safety and security operations management	6	100	Oct 05	Dec 07	Qualification registered and submitted for registration as learnership
2.8, 4.1	Military veterans project	5	3 400 18.2	Dec 04	Jul 07	Project management company appointed
Cross-cutting/other projects						
	OD-ETD	4 and 5	500 18.1	Jul 05	Dec 06	508 learners involved
	SMME		1 716	Sep 04	Sep 05	Service providers' contracts renewed
	Investors in People		27	Jul 04	Mar 06	27 companies committed to achieving the standard
	Abet		644	Jul 05	Apr 06	Training underway, with each provider having been allocated 200 learners
	Information technology learnership	4		Aug 05	Apr 06	Preparation for rollout underway
	SDF training		210	Jul 05	Jul 06	Learner target exceeded by 10 individuals. Training underway.
	ISOE			Jul 05	Mar 06	Planning still in progress
	Internships			Jul 05	Mar 06	Grants to be provided
	Bursary schemes		39	Jun 05	Mar 06	Contract forms completed

Note: Sasseta NSDS targets 2005/6, as indicated on pages 4 and 5, are addressed through these projects.

Quality assurance

Following the amalgamation of Poslec and Diddeta, Sassetta was awarded full accreditation by the South African Qualifications Authority (SAQA).

FCA implementation resulted in the ETQA department almost doubling the number of accredited providers, from 249 to 478. Of the 198 providers awarded full accreditation, 194 were accredited in terms of the FCA. Similarly, 23 FCA providers were among the 46 provisionally accredited companies.

The FCA continued to present sizeable challenges, not least the control of unscrupulous providers and fraudsters who misrepresented themselves to unsuspecting members of the public.

Capacity building exercises continued this year, with more than R6-million being spent to capacitate 1 000 assessors (R2,8-million), 400 moderators (R1,1-million) and 1 000 mentors (R2,4-million). During the year, 703 assessors received full registration, whilst 477 were provisionally registered, bringing the overall totals of registered practitioners to 1 156 and 500 respectively. FCA registered

assessors numbered 747, 287 of whom were awarded full registration.

Some 169 moderators were fully registered, adding to the 35 already on the books, and 127 gained provisional registration, bringing the total to 134. Thirty-four verifiers were registered.

The merger of the Setas necessitated a review and rationalisation of policies and procedures. By year end, the provider accreditation toolkit had been updated and approved. A review had started of manuals for recognition of prior learning (RPL); quality assurance of learner results; management of assessment and moderation; training, registration and deployment of Sassetta verifiers, and monitoring and evaluation.

The development of learning material and assessor guides started for learnerships in court services management, forensic science, crime resolution, family law, paralegal practice and court interpreting.

Human resources

Staff complement more than doubled from 35 to 76 in keeping with the birth of a larger, more diversified organisation.

A new human resources policies manual was approved by the board in December 2005.

Two allegations of unfair labour practice were taken to the Commission for Conciliation, Mediation and Arbitration (CCMA). In one case, the CCMA ruled in favour of Sassetta, and in the second, the dismissal was deemed fair, but the procedures not.

A labour court case, dating back to 2003, remains unresolved.

Marketing and communications

Sasseta maintained the high public profile established in previous years by Poslec, combining publications and press material with exhibition participation and involvement in sector events and conferences to reach stakeholders countrywide.

The marketing team spearheaded the drive for a name and corporate identity for the new Seta, extending the branding through to promotional material and the website.

Publication of the bimonthly newsletter Montwedi Thutong continued, and regular editorials and supporting advertisements were placed in specialist publications aimed

at Sasseta sub-sectors, and in the general press where appropriate.

Sasseta maintained relationships with a number of key organisations, including the National Key Points Association and the Security Association of South Africa. It took part in several exhibitions and conferences during the year, including HRD Africa, the Fire and Safety Exhibition and the SABC careers shows.

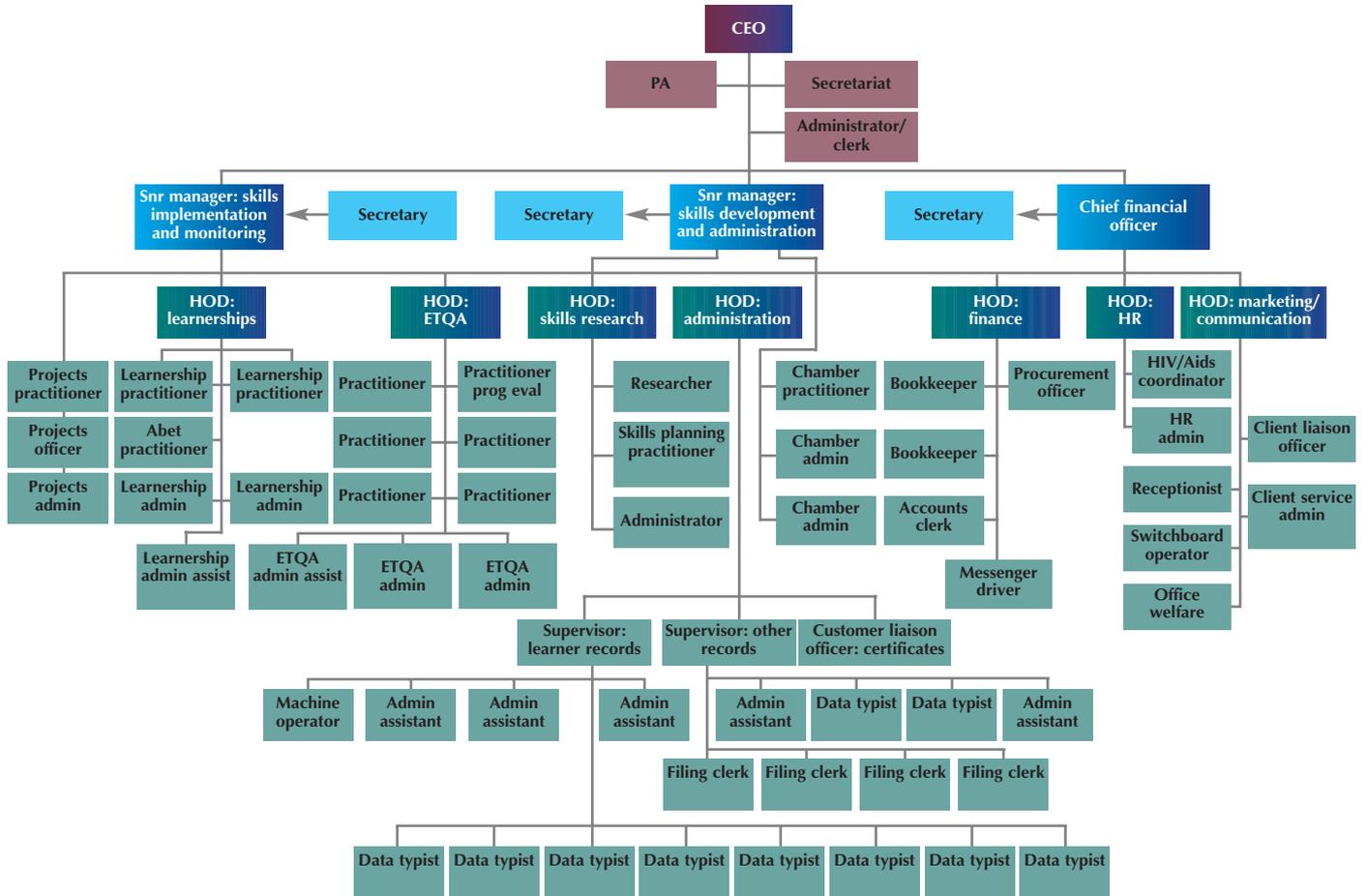
Towards the end of the year, the call centre, previously run externally from KwaZulu-Natal, was brought inhouse to enhance its efficiency and speed in dealing with customer queries.



The Sasseta board (back, from left): Hannelli van Niekerk, Bheki Ntshangase, Alfred Tsetsane, Emil Boshoff, Vuyelwa Penxa, Nick Nkuna, Pretty Shuping, Tony Proudfoot, David Masekela, Brig Gen Sehurutshi, Abram Smit, Nalini Maharaj and Maj Gen Makabongwe Ntshinga. (Front): Petrus Mawuku, Dumisani Peter, Andrew Lebese, Dir Nobubele Mbekela, Nosipho Matanzima and Motlai Mashiloane.

Governance and staffing

Organisational structure



Governance and staffing

Staff breakdown 2005/6

LEVEL	OCCUPATIONAL CATEGORY	TOTAL	FEMALE				MALE				GRADED BY SALARY BAND PER MONTH	
			African	Coloured	Indian	White	African	Coloured	Indian	White	Min	Max
1	General office worker, junior clerk	1	1									59 596
2	Clerk, senior clerk, junior administrator	9	6				2		1			82 729 - 123 030
3	Administrator, senior administrator, secretary, personal assistant	6	5				1					122 402 - 173 788
4	Specialist, practitioner, professional, officer, bookkeeper	11	5	1		1	3		1			173 788 - 293 492
5	Senior specialist, senior practitioner, senior professional, heads of departments	7	1		1	1	2			2		256 279 - 445 656
	Consultant, adviser, manager	1								1		365 330 - 452 296
	Senior consultant, senior manager, general manager, deputy CEO, CEO	4	1				2			1		452 296 - 601 316
	Total	39	19	1	1	2	10		2	4		

Committee members and attendance

Board attendance

MEMBER	CHAMBER	RACE	GENDER	20-05-05	01-07-05	14-07-05	22-07-05	23-08-05	01-09-05	09-12-05	24-02-06	28-02-06	23-03-06
Pretty Shuping (chair)	Policing	A	F	*	*	*	*				*	*	*
Alfred Tsetsane (deputy)	Corrections	A	M		*		*		*		*		*
Tony Proudfoot	Private security	W	M			*	*	*	*	*	*	*	*
Brig Gen Daniel Sehurutshi	Private security	A	M		*	*	*	*	*			*	*
Petrus Mawuku	Private security	A	M					*	*		*	*	*
David Masekela	Private security	A	M	*	*	*	*	*	*	*	*	*	*
Tlabani Dlamuka	Private security	A	M	*	*		*	*	*				
Thobeka Saki	Corrections	A	F	*	*	*		*	*				*
Irma Swart	Corrections	W	F			*		*				*	
Abram Smit	Corrections	W	M		*	*	*	*	*	*	*	*	*
Ephufrus Kgofelo	Corrections	A	M										
Div Com Gary Kruser	Policing	C	M	*			*	*	*		*	*	
Dir Nobulele Mbekela	Policing	A	F	*	*	*	*	*	*	*			*
Noel Truter	Policing	W	M		*	*	*	*					
Nalini Maharaj	Legal	I	F	*	*		*	*	*	*	*	*	*
Motlai Mashiloane	Legal	A	M	*	*	*	*	*	*	*	*	*	*
Veliswa Baduza	Legal	A	F		*	*	R						
Emil Boshoff	Legal	W	M	*	*	*	*	*		*	*	*	*
Nosipho Matanzima	Legal	A	F								*	*	*
Hazel Lebaka	Justice	A	F	*	*		*	*	*	*			*
Bheki Ntshangase	Justice	A	M	*	*	*		*	*	*	*	*	*
Andrew Lebeso	Justice	A	M		*	*	*	*	*	*			*
Nick Nkuna	Justice	A	M		*	*	*	*	*	*			*
Maj Gen Makabongwe Ntshinga	Defence	A	M									*	*
Abbey Seate	Defence	A	M					*	*	*		*	*
Dumisani Peter	Defence	A	M		*		*	*	*	*	*	*	*
Henry Molefe	Intelligence	A	M		*	*	*	*					
Ben Botha	Intelligence	W	M										
Linda Grootboom	Intelligence	A	M										
Jaco Nel	Intelligence	W	M			*			*				

R: Resigned

* Board members who are not public sector employees receive R1 500 per council meeting attended.

Committee members and attendance

continued

Exco attendance

NAME	REPRE- SENTING	RACE	GENDER	07-06-05	28-07-05	29-09-05	21-10-05	04-11-05	24-11-05	09-12-05	27-01-06	13-03-06	26-03-06
Pretty Shuping (chair)	Policing	A	F		*	*						*	*
Alfred Tsetsane (deputy)	Corrections	A	M	*				*	*		*		
Div Com Gary Kruser	Policing	C	M	*	*	*		*	*	*	*		
Noel Truter	Policing	W	M	*									
Tony Proudfoot	Private security	W	M	*	*	*	*	*	*	*	*	*	
Petrus Mawuku	Private security	A	M			*	*	*	*	*	*	*	
David Masekela	Private security	A	M	*	*	*	*	*	*	*	*	*	*
Thabani Dlamuka	Private security	A	M	*									
Thobeka Saki	Corrections	A	F		*			*					
Nalini Maharaj	Legal	I	F	*	*	*	*	*	*	*	*	*	*
Motlai Mashiloane	Legal	A	M	*	*	*	*	*	*	*	*	*	
Hazel Lebaka	Justice	A	F	*					*	*			
Andrew Lebese	Justice	A	M										
Nick Nkuna	Justice	A	M						*	*		*	
Brig Gen Daniel Sehurutshi	Defence	A	M		*	*					*		
Dumisani Peter	Defence	A	M		*	*	*		*		*		
Henry Molefe	Intelligence	A	M										

* Exco members who are not public sector employees receive R1 000 per exco meeting attended.

Committee members and attendance

continued

Legal services chamber committee

NAME	DEPARTMENT/ ORGANISATION	REPRESENT- ING	RACE/ GENDER	MEETINGS			
				24-04-05	25-07-05	21-11-05	18-01-06
Nalini Maharaj	Law Society of South Africa	Employer	Indian female	*	*	*	*
Motlai Mashiloane	National Community Based Paralegal Association	Labour	Black male	*	*	*	*
Lesego Manala	National Community Based Paralegal Association	Employer	Black male	*	*		*
Emil Boshoff	Law Society of South Africa	Employer	White male	*		*	*
Nic Swart	Law Society of South Africa	Labour	White male	*		*	*
Dineo Matheba	Law Society of South Africa	Employer	Black female	*	*	*	*
Nosipho Matanzima	Law Society of South Africa	Employer	Black female			*	*
Anthony Makwetu	Board for Sheriffs	Employer	Black male			*	*
Vincent Nel	Board for Sheriffs	Employer	Black male			*	*
Aubrey Mali	Board for Sheriffs	Labour	Black male				
Veliswa Baduza	Board For Sheriffs	Employer	Black female				
Jansie Syfert	Legal Aid Board	Employer	White female				

Private security chamber committee

NAME	DEPARTMENT/ ORGANISATION	REPRESENTING	RACE/ GENDER	MEETINGS			
				28-04-05	04-08-05	16-11-05	23-01-06
Tony Proudfoot	Security Services Employers Organisation	Employer	White male	*	*	*	*
Mpopolo Masekela	Northern Province Security Association	Employer	Black male	*	*	*	*
Thabani Dlamuka	National Security and Unqualified Workers Union	Labour	Black male		*		*
Jackson Erickson	SA Intruder Detection Services Association	Employer	White male	*			*
Judah Mamabolo	Security Industry Association of SA	Employer	Black male	*		*	*
Dietla Lichaba	SA Black Security Employers Association	Labour	Black female		*	*	*
Robin Acutt	SA National Security Employers Association	Employer	White Male	*	*	*	*
Johan du Preez	Locksmith Association of SA	Employer	White male		*	*	
Gabi Morokong	SA Cleaners, Security and Allied Workers Union	Labour	Black male	*	*	*	*
Anna Mashigo	SA National Security Officers Forum	Employer	Black female		*	*	*
Daniel Zondani	Professional Transport Workers Union of SA	Labour	Black male		*	*	
George Ntshengi	Security Officers Civil Rights Union	Labour	Black male	*	*	*	*
Simon Mothobi	United Private Sector Workers Union	Labour	Black male		*		
Cavis Tshabiso	South African Private Security Workers Union	Labour	Black male	*	*	*	*
Palu Nephawe	SA Transport and Allied Workers Union	Labour	Black male		*		
Petrus Mawuku	National Union of Mineworkers	Labour	Black male		*	*	*

Committee members and attendance

continued

Corrections chamber committee

NAME	DEPARTMENT/ ORGANISATION	REPRESENTING	RACE/ GENDER	MEETINGS			
				06-05-05	29-07-05	25-11-05	30-01-06
Alfred Tsetsane	Department of Correctional Services	Employer	Black male	*		*	*
Louis Mphahlele	Department of Correctional Services	Employer	Black male		*		
Joey Coetzee	Department of Correctional Services	Employer	White male		*		
David Baloyi	Department of Correctional Services	Employer	Black male		*	*	*
Irma Swart	Global Solutions	Employer	White female	*	*		*
Tebogo Mohajane	Global Solutions	Employer	Black male	*		*	*
Khensani Mabale	South African Custodial Management	Employer	Black female			*	
Abram Smit	Public Services Association	Labour	White male	*		*	
Ephufrus Kgofelo	Police and Prisons Civil Rights Union	Labour	Black male	*	*		*

Justice chamber committee

NAME	DEPARTMENT/ ORGANISATION	REPRESENT- ING	RACE/ GENDER	MEETINGS			
				26-04-05	02-08-05	29-11-05	07-02-06
Hazel Lebaka	National Health Allied Workers Union	Labour	Black female	*	*	*	*
Nick Nkuna	National Prosecuting Authority	Employer	Black male	*			
Sammy Mtshweni	Department of Justice	Employer	Black male	*	*	*	*
Hannelli van Niekerk	Department of Justice	Employer	White female		*	*	*
Tshidi Modise	Department of Justice	Employer	Black female	*	*		
Pulane Mambo	Department of Justice	Employer	Black female	*		*	*
Mpho Sejanamane	Department of Justice	Employer	Black male		*	*	*
Paul Mthimunye	Department of Justice	Employer	Black male	*	*	*	*
Bheki Ntshangase	Department of Justice	Employer	Black male	*	*	*	*
Julian Marsh	Department of Justice	Employer	Coloured male			*	*
Thami Sapula	South African State Allied Workers Union	Labour	Black female	*	*	*	*
Zukiswa Yekanye	South African State Allied Workers Union	Labour	Black female	*		*	*
Andrew Lebeso	National Union of Public Servants Allied Union	Labour	Black male	*	*		
John Ganger	Public Service Association	Labour	Coloured male	*	*		

Committee members and attendance

continued

Policing chamber committee

NAME	DEPARTMENT/ ORGANISATION	REPRESENTING	RACE/ GENDER	MEETINGS			
				04-05-05	27-07-05	23-11-05	17-01-06
Pretty Shuping	Police and Prisons Civil Rights Union	Labour	Black female	*	*	*	*
Edith Mogotsi	Police and Prisons Civil Rights Union	Labour	Black female	*			*
Johannes Motshekga	Police and Prisons Civil Rights Union	Labour	Black male		*	*	*
Divisional Commissioner Gary Kruser	South African Police Service	Employer	Coloured male	*	*	*	*
Director Nobubele Mbekela	South African Police Service	Employer	Black female	*	*	*	*
Commissioner Johannes Phahlane	South African Police Service	Employer	Black male		*	*	
Assistant Commissioner Joyce Mingard	South African Police Service	Employer	White female	*			
Director Pieter Arlow	South African Police Service	Employer	White male	*	*	*	*
Noel Truter	South African Police Union	Labour	White male	*	*	*	*
Amos Rivele	South African Police Union	Labour	Black male		*	*	*
Commissioner Lesetja Joel Mothiba	South African Police Service	Employer	Black male	*	*		*

Defence chamber committee

NAME	DEPARTMENT/ ORGANISATION	REPRESENTING	RACE/ GENDER	MEETINGS		
				22-08-05	31-10-05	01-02-06
Dumisani Peter	Department of Defence	Labour	Black male	*	*	*
Colonel S Mogale	Department of Defence	Employer	Black male	*	*	*
Brigadier General Daniel Sehurutshi	Department of Defence	Employer	Black male	*	*	
Colonel M Mari	Department of Defence	Employer	Black male	*	*	
Colonel PJansen van Rensburg	Department of Defence	Employer	White male			*
Colonel N Madlala Msimango	Department of Defence	Employer	Black female		*	*
Colonel S Immelman	Department of Defence	Employer	White male		*	*
Colonel B Mathebe	Department of Defence	Employer	Black male		*	
Nomshato Mavuso	South African Security Forces Union	Labour	Black female	*	*	*
Major L Nkoko	South African Security Forces Union	Labour	Black female	*		
R Mpahlwa	South African Security Forces Union	Labour	Black male		*	*
Abbey Seate	South African Security Forces Union	Labour	Black male		*	*

Sasseta

Audit and risk committee report

Overview

The audit and risk committee consists of four independent members, who advise the board directly, not through the office of the chief executive officer, on audit matters, and who assume on the board's behalf certain functions, such as the detailed study of the financial statements and the formulation of audit policies.

The authority and the mandate of the audit and risk committee, its duties and functions, its composition and its modus operandi have been approved by the board in the form of a detailed charter. The external and internal audit service providers have unrestricted access to all organisational activities, records, assets and personnel as well as to the audit and risk committee and its chairperson.

The audit and risk committee consists of the members listed hereunder and meets four times a year as per its approved terms of reference. During the current year five meetings were held.

Member	No of meetings attended	% attendance	Remuneration for the year
FK Buthelezi (Chairperson)	5	100%	20 000
H Buthelezi	5	100%	15 000
T Chikane	4	80%	12 000
R Mathura	1	20%	*0

* *The member is employed by South African National Defence Force (SANDF) and is therefore not eligible to receive fees for services rendered.*

The CEO and CFO are ex-officio members of the committee. The Office of the Auditor-General and internal auditors are permanent invitees to these meetings. Members of the audit and risk committee are remunerated per meeting attended at R4 000 (chairperson) and R3 000 for other members.

In the conduct of its duties, the audit and risk committee has, inter alia, reviewed the following:

- effectiveness of the internal control systems;
- effectiveness of internal audit function (IAF);
- risk areas of the entity's operations covered in the scope of internal and external audits;

- adequacy, reliability and accuracy of financial and operational information provided by management and other users of such information;
- accounting and auditing matters identified as a result of internal and external audits;
- the entity's compliance with legal and regulatory provisions;
- the activities of IAF, including its annual work schedule, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations; and
- the independence and objectivity of the external auditors.

The audit and risk committee is of the opinion, based on the information and explanations given by management and internal audit function, that internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the annual financial statements, and accountability for assets and liabilities is maintained.

Nothing significant has come to the attention of the audit and risk committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The audit and risk committee has evaluated the annual financial statements of Sasseta for the year ended 31 March 2006 and, based on the information provided to the committee, it is of the opinion that the annual financial statements comply, in all material respects, with the requirements of the Public Finance Management Act 1 of 1999, as amended, Generally Accepted Accounting Practice (GAAP) and Generally Recognised Accounting Practice (GRAP) as determined by National Treasury for the financial year 2005/6. The audit and risk committee concurs that the adoption of the going concern premise in the preparation of the annual financial statements is appropriate. At its meeting of 29 May 2006, the audit and risk committee recommended the adoption of the annual financial statements by the board.



FK Buthelezi
Chairperson

Sasseta
Auditor-General's report

**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF
THE SAFETY AND SECURITY SECTOR EDUCATION AND TRAINING AUTHORITY
FOR THE YEAR ENDED 31 MARCH 2006**

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 20 to 47, for the year ended 31 March 2006 have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 14(6)(a) of the Skills Development Act, 1998 (Act No. 97 of 1998). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 544 of 2006, issued in Government Gazette No. 28723 dated 10 April 2006 and General Notice 808 of 2006, issued in Government Gazette No. 28954 dated 23 June 2006. Those standards require that the audit be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

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

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

3. BASIS OF ACCOUNTING

The entity's policy is to prepare financial statements on the basis of accounting determined by National Treasury, as described in note 1 to the financial statements.

4. QUALIFICATION

4.1 Other income and reserves

Due to inadequate monitoring and independent reconciliations, there is a difference of R1,279 million between the reserves per the financial statements and the trial balance due to inconsistencies in the accounting treatment of other income. The result is that the closing balances of the reserve accounts from Poslec Seta do not agree with the opening balance of the financial statements.

5. AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the Safety and Security Sector Education and Training Authority (Sasseta) at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the basis of accounting determined by National Treasury of South Africa, as described in note 1 to the financial statements, and in the manner required in terms of the Public Finance Management Act (Act No. 1 of 1999) (PFMA).

6. EMPHASIS OF MATTER

Without further qualifying the audit opinion, attention is drawn to the following matters:

6.1 Inadequate policy framework

Related parties - due to an inadequate policy

Sasseta
Auditor-General's report

framework there is no mechanism in place to record and keep track of related party transactions and relationships. According to Statements of Generally Accepted Accounting Practice (GAAP), all related parties and related party transactions for the period must be disclosed in the annual financial statements. This also constitutes non-compliance with section 50(3)(a) of the PFMA and treasury regulation 16A8.4.

6.2 Inadequate monitoring

Financial statements - section 55(1) of the PFMA and treasury regulation 28.1.6 - the financial statements submitted on 31 May 2006 for audit purposes did not comply with Statements of GAAP and approved Generally Recognised Accounting Practice (GRAP) standards. This was evident from a material number of audit adjustments and disclosure changes.

7. APPRECIATION

The assistance rendered by the staff of the Safety and Security Sector Education and Training Authority during the audit is sincerely appreciated.



AH Muller for Auditor General

Pretoria

31 July 2006



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

Sasseta
Report of the accounting authority

for the nine months ended 31 March 2006

MERGER

The Minister of Labour merged Poslec Seta and Diddteta from 1 July 2005 as per the rationalisation process that reduced the number of Setas from 25 to 23 to enhance skills delivery for the NSDS II strategy.

COMPOSITION OF THE SASSETA BOARD

The Sasseta board is made up as follows:

Representatives of labour

Employee organisation	Principal member
Policing	Shuping Pretty (chairperson)
Policing	Truter Noel
Private security	Mawuku Petrus
Private security	Dlamuka Thabani
Justice	Lebaka Hazel
Justice	Lebese Andrew
Legal	Mashiloane Motlai
Legal	Matanzima Nosipho
Corrections	Kgofela Ephufus
Corrections	Smith Abram
Defence	Peter Dumisani
Defence	Seate Abbey

Representatives of employer

Employer organisation	Principal member
Defence	Brigadier General Sehurutshi (deputy chairperson)
Defence	Major General Ntshinga
Corrections	Tsetsane Alfred
Corrections	Swart Irma
Policing	Divisional Commissioner Kruser Gary
Policing	Mbekela Nobulele
Legal	Maharaj Nalini
Legal	Boshoff Emil
Private security	Proudfoot Tony
Private security	Masekela David
Justice	Nkuna Nick
Justice	Ntshangase Bheki
National Intelligence Agency	Molefe Hendrick
National Intelligence Agency	Nel Jaco

PERFORMANCE INFORMATION

Sasseta's performance is measured by the Department of Labour (DoL) against the National Skills Development Strategy II according to the memorandum of understanding (MoU) signed between the Seta and the department. Sasseta has a massive infrastructure, which it uses for recordkeeping and updating purposes, quality assurance requirements as well as reporting to DoL.

CORPORATE GOVERNANCE

Sasseta is committed to sound and transparent governance that will enhance its relationship with all its stakeholders, build a productive culture of good corporate governance and leadership and embrace corporate practices based on values, integrity, excellence and equity within the organisation. Sasseta endorses the code of corporate practices and conduct contained in the King II Report.

A structured approach is followed for delegation, reporting and accountability, which includes reliance on board committees. The board has approved a constitution that provides guidance to the members in discharging their duties and responsibilities.

Sasseta has five board and seven chamber committees, which assist the board in discharging its responsibilities. Each committee operates within the ambit of its defined terms of reference and delegated responsibilities. The board committees are:

Sasseta

Report of the accounting authority

for the nine months ended 31 March 2006

Audit committee

The Sasseta audit committee has been established and is chaired by an independent member. The committee has had several meetings and looks at the audit plan, audit charter, audit committee charter and risk assessment results, and oversees the system of internal controls over financial reporting and other relevant financial aspects within the organisation. Sasseta appointed Sizwe Ntsaluba VSP to provide internal audit services.

Finance committee

The finance committee consists of seven members appointed from each chamber, the chief executive officer and the finance manager. It is chaired by a member representing one of the chambers. It is responsible for:

- the consideration and recommendation of the annual budget to the board;
- dealing with such financial matters as referred by the committee from time to time;
- scrutinising policies with financial implications and making the appropriate recommendation to the board;
- considering the cash flow and financial statements;
- determining the financial impact of any change to the current structure, and
- considering changes to the business plan and budget and making recommendations to the board.

Executive committee

The executive committee consists of 14 members appointed by the board, one representing the employer and one representing labour, and the chief executive officer. This committee is responsible for transacting business between board meetings and reporting to the board.

Quality assurance committee

This committee is also made up of seven members appointed from each chamber. It is responsible for all matters relating to quality.

Learnerships committee

The learnerships committee is made up of 14 members and is responsible for the development, implementation and monitoring of learnerships in the sector.

CHAMBERS

Sasseta comprises seven chambers, namely policing, correctional services, justice, legal services, private security, defence and intelligence. These chambers represent all stakeholders in the sector.

RISKS ASSESSMENT AND INTERNAL CONTROLS

Sasseta endeavours to minimise risk by maintaining appropriate systems, policies, personnel and controls throughout the organisation. A risk assessment exercise was performed during the 2005/6 financial period to identify areas of risk and to map appropriate controls over the past financial period. The process was facilitated to determine the material risks to which Sasseta was exposed and to evaluate the strategy for managing these risks. The Seta relied on the outsourced internal audit function and external auditors for independent appraisal of the adequacy and effectiveness of the internal controls. The audit committee, with extensive input by the internal and external auditors, played a major role in assisting management to assess the adequacy and effectiveness of the accounting system, records and internal controls.

INTERNAL AUDIT

In line with PFMA and King II Report requirements, the internal audit function is outsourced to Sizwe Ntsaluba VSP and it provides the audit committee and management with assurance that internal controls are appropriate and effective.

Sasseta
Report of the accounting authority

for the nine months ended 31 March 2006

MATERIALITY FRAMEWORK

Sasseta has, in line with the PFMA, developed a materiality framework that was approved by the board and then submitted to the Minister of Labour for his approval. No instances occurred that required an application of the policy developed in the materiality framework.

RECORD OF MEETINGS

1 July 2005 to 31 March 2006

Sasseta structure	Board committee	Audit committee	Finance committee	Chamber committee	Executive committee	Learnerships	Quality assurance committee
No of meetings	10	5	7	11	8	5	4

REMUNERATION PAID TO BOARD MEMBERS

Members of the Sasseta board are remunerated as follows:

A board member is paid an honourarium of R1 500 per board meeting attended and an executive committee member R1 000 per meeting. The following table outlines honourarium and travel claims paid to members of Sasseta only:

Name	Council		Exco		Others		Travel	Total
	No	Amount	No	Amount	No	Amount	Amount	R'000
Baduza V	2	3	–	–	1	1	–	4
Boshoff E	9	14	–	–	10	8	6	28
Dlamuka T	4	6	–	–	4	3	3	12
Lebese A*	7	–	–	–	6	–	6	6
Maharaj N	9	14	8	8	10	8	11	41
Masekela M	10	15	–	–	1	8	34	57
Mashiloane M	10	15	8	8	5	4	–	27
Mawuku P	6	9	7	7	1	1	16	33
Ntshangase B*	9	–	–	–	3	–	18	18
Peter D*	8	12	5	5	9	7	5	29
Proudfoot T	9	–	7	–	2	–	–	–
Saki B*	6	9	2	2	2	2	4	17
Seate A*	6	9	–	–	6	5	2	16
Sehurutshi CD*	9	–	3	–	4	–	–	–
Shuping P*	10	–	3	–	4	–	26	26
Smit A	10	15	–	–	–	–	7	22
Swart I	4	–	–	–	2	–	–	–
Truter N	4	6	–	–	4	3	1	10
Kruser C*	6	–	3	–	1	–	–	–
Manchu J	1	2	–	–	–	–	–	2
Matanzima N	3	5	–	–	1	1	–	6
Mbekela N*	8	–	4	–	6	–	–	–
Molefe MH*	4	6	–	–	1	1	1	8
Tsetsane A*	8	–	3	–	–	–	–	–
Lebaka H*	6	–	3	–	3	–	–	–
Nel J	3	–	–	–	1	–	–	–
Nkuna N*	7	–	4	–	2	–	1	1
Ntshinga A*	4	–	–	–	–	–	–	–
Zondani ZD	1	2	–	–	–	–	1	3
TOTAL		142		30		52	142	366

* These members receive no meeting allowances because they are public sector employees.

Sasseta
Report of the accounting authority

for the nine months ended 31 March 2006

EXECUTIVE MANAGEMENT

During the financial period (2005/6), the Seta's executive management comprised chief executive officer Vuyelwa Penxa, programmes manager Solly Ngoasheng, senior manager: skills development and administration Ostenwald Louw and chief financial officer Thabiso Mageza. The executive management team is compensated as follows:

	Salary package R'000	Salary R'000	Travel allowance R'000	Entertainment R'000	Medical R'000
CEO	450	360	90	–	–
Programmes manager	389	342	45	2	–
Chief financial officer	389	342	45	2	–
Senior manager: skills development and administration	338	250	85	–	3

Sasseta
Statement of financial performance

for the nine months ended 31 March 2006

	Note	2005/06 R'000
REVENUE		
Non-exchange revenue		94 346
Skills development levy: income	2	87 586
Skills development levy: penalties and interest		661
National Skills Fund income	13	5 396
Donations for special projects	14	703
Exchange revenue		9 223
Investment Income	3	6 690
Other income	4	2 533
Total revenue		103 569
EXPENSES		
Employer grant and project expenses	5	(81 844)
Administration expenses	6	(19 979)
National Skills Fund expenses	13	(5 396)
Special projects expenditure	14	(703)
Total expenses		(107 922)
DEFICIT FOR THE PERIOD	1	(4 353)

Sasseta
Statement of financial position

as at 31 March 2006

	Note	2005/06 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	7	3 399
Intangible assets	8	1 496
		<u>4 895</u>
Current assets		
Accounts receivable – exchange	9	587
Accounts receivable – non-exchange	9	15 855
Cash and cash equivalents	10	136 817
		<u>153 259</u>
TOTAL ASSETS		<u><u>158 154</u></u>
EQUITY AND LIABILITIES		
Funds and reserves		
Administration reserve		4 895
Employer grant reserve		–
Discretionary reserve		137 222
		<u>142 117</u>
Non-current liabilities		
Finance lease obligations	11	195
		<u>195</u>
Current liabilities		
Accounts payable – exchange	12	2 561
Accounts payable – non-exchange	12	11 908
National Skills Fund received in advance	13	616
Current portion of finance lease obligations	11	192
Provisions	15	565
		<u>15 842</u>
TOTAL NET FUNDS AND LIABILITIES		<u><u>158 154</u></u>

Sasseta
Statement of changes in net assets

for the nine months ended 31 March 2006i

Notes	Administration reserve R'000	Employer reserve R'000	Discretionary reserve R'000	Unappropriated surplus R'000	Total R'000
Take-on balance at 1 July 2005	5 051	27 935	114 763	–	147 749
Net surplus/(deficit) per statement of financial performance	–	–	–	(4 353)	(4 353)
Allocation of unappropriated surplus	14 572	4 670	(23 595)	4 353	–
Firearm income adjustment	(1 279)	–	–	–	(1 279)
Excess reserves transferred to discretionary reserve	(13 449)	(32 605)	46 054	–	–
Balance at 31 March 2006	4 895	–	137 222	–	142 117

Sasseta
Cash flow statement

for the nine months ended 31 March 2006

	Note	2005/06 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating activities		
Cash receipts from stakeholders		89 278
Levies, interest and penalties received		75 124
Other cash receipts from stakeholders		14 154
Cash paid to stakeholders, suppliers and employees		(102 308)
Grants and project payments		(81 591)
Special projects		(6 099)
Compensation of employees		(7 881)
Unappropriated surplus paid to National Treasury		–
Payments to suppliers and other		(5 005)
Vat paid		(1 732)
Cash utilised in operations	16	(13 030)
Investment income	3	6 690
Net cash outflow from operating activities		<u>(6 340)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	7 and 8	(1 241)
Net cash outflow from investing activities		<u>(1 241)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Grants, transfers and funds received	13	4 044
Net cash outflow from financing activities		<u>4 044</u>
Net decrease in cash and cash equivalents		(3 537)
Cash and cash equivalents take-on balance	10	140 354
Cash and cash equivalents at end of period	10	<u>136 817</u>

Accounting policies to the annual financial statements

for the nine months ended 31 March 2006

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 period, except as otherwise indicated.

1 Basis of preparation

The financial statements have been prepared on the historical cost basis and in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board, replacing the equivalent GAAP statement as follows:

Standard of GRAP replaced statement of GAAP

GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statements	AC118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimates and errors

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

1.1 Terminology differences:

Standard of GRAP replaced statement of GAAP

Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit for the period	Profit/loss for the period
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends
Reporting date	Balance sheet date

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

1.3 Specific information such as:

- (a) receivables from non-exchange transactions, including taxes and transfers;
 - (b) taxes and transfers payable;
 - (c) trade and other payables from non-exchange transactions;
- must be presented separately on the statement of financial position.

1.4 The amount and nature of any restrictions on cash balances must be disclosed.

Paragraphs 11 – 15 of GRAP 1 have not been implemented as the budget reporting standard is being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

Accounting policies to the annual financial statements

for the nine months ended 31 March 2006

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

3.1 Levy income

In terms of sections 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No. 9 of 1999), registered member companies of the Seta pay a skills development levy of 1% of the total payroll cost to the South African Revenue Services (SARS).

80% of skills development levies are paid over to the Seta (net of the 20% contribution to the National Skills Fund).

Levy income is recognised on the accrual basis.

A net receivable/payable is recognised for levies accrued as well as estimated SARS adjustments. An estimate due to retrospective adjustments by SARS and outstanding levies due at period-end is based on grant overpayments to employers. Changes to prior period estimates are accounted for in revenue in the current period.

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 equal to the amount of such grant overpayment, net of bad debts and provision for irrecoverable amounts.

Revenue is adjusted for inter-Seta transfers due to employers changing Setas. Such adjustments are separately disclosed as inter-Seta transfers. The amount of the inter-Seta adjustment is calculated according to the standard operating procedure issued by the Department of Labour in June 2001.

When a new employer is transferred to the Seta, the levies transferred by the former Seta are recognised as revenue and allocated to the respective category to maintain its original identity.

3.2 Interest and penalties

Interest and penalties on the skills development levy are recognised 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. At such time, the liability is extinguished and the revenue recognised.

Property, plant and equipment acquired for NSF special projects are capitalised in the financial statements of the Seta, as the Seta controls such assets for the duration of the project. Such assets could however be disposed of only in terms of an agreement and specific written instructions by the NSF.

Accounting policies to the annual financial statements

for the nine months ended 31 March 2006

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 on a systematic basis over the period necessary to match the grants with the related costs which they are intended to compensate. Unconditional grants received are recognised when the amounts have been received.

3.5 Investment income

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

Dividend income from investments is recognised when the right to receive payment has been established.

4. Grants and project expenditure

A registered company may recover a maximum of 70% of its total levy payment by complying with the grant criteria in accordance with the skills development regulations issued in terms of the Skills Development Levies Act 1999 (Act No. 9 of 1999).

Mandatory grants

The grant payable and the related expenditure are recognised when the employer has submitted an application for a grant in the prescribed form within the agreed cut-off period. The grant is equivalent to 50% of the total levies paid by the employer during the corresponding financial period for the skills planning grant (2004/5: 15% and 45% of the total levies paid by the employer during the corresponding financial period for the skills planning grant and the skills implementation grant respectively).

Discretionary grants

A Seta may, out of any surplus monies, determine and allocate discretionary grants to employers, education and training providers and workers of the employers who have submitted an application for a discretionary grant in the prescribed form within the agreed upon cut-off period. The grant payable and the related expenditure are recognised when the application has been approved.

Project expenditure

Project expenditure comprises:

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

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

Project costs are recognised as expenses in the period in which they are incurred. A receivable is recognised net of a provision for irrecoverable amounts for incentive and other payments made to the extent of expenses not yet incurred in terms of the contract.

Accounting policies to the annual financial statements

for the nine months ended 31 March 2006

5. Irregular, fruitless and wasteful expenditure

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

- the PFMA,
- the Skills Development Act,

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

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

6. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Costs include all costs directly attributable to bringing the asset to working condition for its intended use. Depreciation of property, plant and equipment is calculated to write off the cost of the asset to its residual value, on the straight-line basis, over its expected useful life as follows:

Computer equipment	3 years
Servers	5 years
Computer software/intangible	2 years
Furniture and fittings	5 years
Vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the organisation and the cost of the item can be measured reliably.

Repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred. Borrowing costs are not capitalised in accordance with the organisation's policy.

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the fair value of the sales proceeds and the carrying amount of the asset, and is included in operating profit.

7. Investment property

Investment property is initially measured at cost, which includes transaction costs. Thereafter, it is measured at cost less accumulated depreciation and accumulated impairment losses at the same methods and assumptions for owner occupied.

8. Inventory

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business, less any costs of completion and costs to be incurred in marketing, selling and distribution.

Accounting policies to the annual financial statements

for the nine months ended 31 March 2006

9. Borrowings and borrowing costs

In terms of section 66(3) of the Public Finance Management Act, 1999, a public entity may only through the Minister of Finance borrow money or, in the case of the issue of a guarantee, indemnity or security, only through the Minister of Labour, acting with the concurrence of the Minister of Finance.

In terms of section 32.1.1 of the treasury regulations, a public entity may borrow money for bridging purposes with the approval of the Minister of Finance, subject to certain conditions.

Borrowing costs are recognised as an expense in the period that they have been incurred.

10. Leasing

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

The Seta as a lessor

Amount due from lessees under finance leases are recorded as receivables at the amount of the Seta's net investment in the leases. Finance lease income is allocated to accounting period so as to reflect a constant periodic rate of return to the Seta's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Seta as a lessee

Assets held under finance leases and the corresponding liability are recognised at their present value of the minimum lease payments at the date of acquisition. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the estimated present value of the assets acquired, are charged to the statement of financial performance over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each accounting period.

11. Retirement benefit costs

The entity operates a defined contribution benefit plan, the assets of which are generally held in separate trustee-administered funds. The plan is generally funded by payments from the entity and employees, taking account of the recommendations of independent qualified actuaries.

The Seta carries no financial obligations after retirement of the employee.

12. 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.

12.1 Provision for employee entitlements

The cost of other employee benefits (not recognised as retirement benefits – see note 8 above) 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 as

Accounting policies to the annual financial statements

for the nine months ended 31 March 2006

at the reporting date. Provisions included in the statement of financial position are provisions for leave (based on the current salary rates), bonuses and termination benefits.

12.2 Provisions for grants

Grant payments

A provision is recognised for grant payments once the specific criteria set out in the regulations to the Skills Development Act, 97 of 1998 have been complied with by member companies and it is probable that the Seta will approve the payment. The measurement of the obligation involves an estimate, based on the established pattern of past practice of approval for each type of grant.

Projects

No provision is made for projects approved at period-end, unless the service in terms of the contract has been delivered or the contract is of an onerous nature. Where a project has been approved, but has not been accrued for or provided for, it is disclosed as commitments in the notes to the financial statements.

13. Financial instruments

Recognition

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

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

Measurement

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

Financial assets

The Seta's principal financial assets are accounts and other receivables, and cash and cash equivalents.

Investments and loans

The following categories of investments are measured at subsequent reporting dates at amortised cost by using the effective interest rate method if they have a fixed maturity, or at cost if there is no fixed maturity:

- Loans and receivables originated by the organisation;
- Held-to-maturity investments;
- An investment that does not have a quoted market price in an active market and whose fair value cannot be measured reliably.

Cost and amortised cost are inclusive of any impairment loss recognised to reflect irrecoverable amounts. The financial assets are subject to review for impairment at each reporting date.

Investments other than those listed above are classified as available-for-sale investments or investments held for trading and are measured at subsequent reporting dates at fair value without any deduction for transaction costs that may be incurred on sale or other disposal.

Accounting policies to the annual financial statements

for the nine months ended 31 March 2006

Accounts and other receivables

Accounts and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Financial liabilities

The Seta's principal financial liabilities are interest bearing borrowings, accounts and other payables, and bank overdrafts.

All financial liabilities are measured at amortised cost, comprising original debts less principal payments and amortisations, except for financial liabilities held for trading and derivative liabilities, which are subsequently measured at fair value.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments, other than available-for-sale financial assets, are recognised in equity, until the investment is disposed of or is determined to be impaired, at which time the net profit or loss is included in the net profit or loss for the period.

Derecognition

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

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

Fair value considerations

The fair values at which financial instruments are carried at the statement of financial position date have been determined using available market values. Where market values are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values have been estimated using available market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the Seta could realise in the normal course of business. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair value due to the short-term trading cycle of these items.

Offsetting

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

14. Comparative figures

There are no comparative figures because this is the initial year of operations for Sasseta.

Sasseta
Notes to the annual financial statements

for the nine months ended 31 March 2006

1. ALLOCATION OF NET SURPLUS FOR THE PERIOD TO RESERVES:

	Total per statement of financial performance	Administration reserve	Employer grants reserve			Discretionary reserve			Total discretionary
			Mandatory skills planning grant	Mandatory skills implementation grant	Total	Discretionary grants	Special projects	Seta projects	
Total revenue	103 569	34 551	9 965	29 895	39 860	15 708	6 099	7 351	29 158
Skills development levy: income									
Admin levy income (10%)	32 018	32 018	–	–	–	–	–	–	–
Grant levy income (70%)	55 568	–	9 965	29 895	39 860	15 708	–	–	15 708
Skills development levy: penalties and interest	661	–	–	–	–	–	–	661	661
National Skills Fund income	5 396	–	–	–	–	–	5 396	–	5 396
Donations for special projects	703	–	–	–	–	–	703	–	703
Investment income	6 690	–	–	–	–	–	–	6 690	6 690
Other income	2 533	2 533	–	–	–	–	–	–	–
Total expenses	107 922	19 979	–	35 190	35 190	–	6 099	46 654	52 753
Administration expenses	19 979	19 979	–	–	–	–	–	–	–
Finance costs	703	–	–	–	–	–	703	–	703
National Skills Fund	5 396	–	–	–	–	–	5 396	–	5 396
Employer grants and project expenses	81 844	–	–	35 190	35 190	–	–	46 654	46 654
	(4 353)	14 572	9 965	(5 295)	4 670	15 708	–	(39 303)	(23 595)

Sasseta
Notes to the annual financial statements

for the nine months ended 31 March 2006

2005/06
R'000

2. SKILLS DEVELOPMENT LEVY INCOME

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

Levy income: administration	32 018
Levies received	31 010
Levies received from SARS	7 000
Government levies received	23 871
inter-Seta transfers in	159
inter-Seta transfers out	(20)
Levies accrued	1 008
Levy income: employer grants	39 860
Levies received	29 770
Levies received from SARS	28 948
inter-Seta transfers in	953
inter-Seta transfers out	(131)
Levies accrued	10 090
Levy income: discretionary grants	15 708
Levies received from SARS	13 683
Levies received	13 544
inter-Seta transfers in	161
inter-Seta transfers out	(22)
Levies accrued	2 025
	87 586

3. INVESTMENT INCOME

Investments	6 690
	6 690

4. OTHER INCOME

Other income comprises:

Revenue from supporting services rendered by the Seta	2 514
Profit on disposal of property, plant and equipment	19
	2 533

Sasseta
Notes to the annual financial statements

for the nine months ended 31 March 2006

	Note	2005/06 R'000
5. EMPLOYER GRANT AND PROJECT EXPENSES		
Mandatory grants		35 190
– Disbursed		35 190
Discretionary grants		668
– Disbursed		668
Project expenditure	5.1	45 986
– Disbursed		45 986
		<u>81 844</u>
5.1 Project expenditure consists of:		
Direct project costs		45 986
		<u>45 986</u>
6. ADMINISTRATION EXPENSES		
Depreciation		685
Loss on disposal of property, plant and equipment		–
Operating lease rental (minimum lease payments)		1 614
Buildings		1 561
Plant, machinery and equipment		53
Maintenance, repairs and running costs		1 016
Property and buildings		230
Machinery and equipment		757
Other		29
Advertising, marketing and promotions, communication		1 203
Entertainment expenses		14
Consultancy and service provider fees		799
Legal fees		694
Cost of employment	6.1	8 063
Travel and subsistence		1 151
Staff training and development		108
Remuneration to members of the accounting authority		142
Remuneration to members of the audit committee		83
External auditor's remuneration		537
Audit fees		537

Sasseta
Notes to the annual financial statements

for the nine months ended 31 March 2006

	Note	2005/06 R'000
Other		3 870
Other expenses		1 563
Telephone and fax		452
Insurance		81
Meetings and workshops		396
Postage		50
Recruitment		59
Stationery and printing		637
Subscriptions and publications		29
Secretarial fees		361
Audit fees: internal audit		242
Less: amounts allocated to project expenditure		-
		19 979
 6.1 Cost of employment		
Salaries and wages		7 399
Basic salaries		7 086
Leave payments		256
Overtime payments		57
Social contributions		664
Medical aid contributions		274
Pension contributions: defined contribution plans		353
UIF		37
		8 063
Allocation of cost of employment		
Administration expenses	6	8 063
		8 063
Average number of employees		41

Refer to the report of the accounting authority for full disclosure concerning the emoluments of members of the accounting authority, the chief executive officer and senior managers.

Sasseta
Notes to the annual financial statements

for the nine months ended 31 March 2006

	Cost R'000	Accumulated depreciation/ impairment R'000	Closing carrying amount R'000
7. PROPERTY, PLANT AND EQUIPMENT			
Computer equipment	3 780	(1 854)	1 926
Office furniture and fittings	1 623	(590)	1 034
Office equipment	448	(82)	366
Motor vehicles	200	(127)	73
Balance at end of period	6 051	(2 652)	3 399
Made up as follows:			
– Owned assets	5 603	(2 570)	3 033
– Leased assets	448	(82)	366

	Take-on balance 2005 R'000	Additions R'000	Adjust- ments R'000	Disposals R'000	Depreciation/ amortisation charge R'000	Accumulated depreciation on disposals R'000	Carrying amount 2005 R'000
Movement summary March 2006							
Computer equipment	2 008	421	–	(93)	(492)	82	1 926
Office furniture and fittings	817	344	–	(14)	(124)	11	1 034
Office equipment	–	–	448	–	(82)	–	366
Motor vehicles	60	–	–	–	13	–	73
Balance at end of period	2 885	765	448	(107)	(685)	93	3 399

	Cost R'000	Accumulated depreciation/ impairment R'000	Closing carrying amount R'000
8 INTANGIBLE ASSETS			
Computer software	2 458	(962)	1 496
Balance at end of period	2 458	(962)	1 496
Made up as follows:			
– Owned assets	2 458	(962)	1 496

	Take-on balance 2005 R'000	Additions R'000	Disposals R'000	Depreciation/ amortisation charge R'000	Accumulated depreciation on disposals R'000	Carrying amount 2005 R'000
Movement summary March 2006						
Computer software	1 024	472	–	–	–	1 496
Balance at end of period	1 024	472	–	–	–	1 496

Sasseta
Notes to the annual financial statements

for the nine months ended 31 March 2006

	Note	2005/06 R'000
9. ACCOUNTS RECEIVABLE		
Skills development levy debtors		15 350
Admin levy debtors		2 017
Employer grant levy debtors		9 355
Discretionary grant debtors		3 978
Employer receivables	9.1	505
Interest receivable		587
		16 442
		16 442
9.1 Retrospective amendments by SARS		
Included in skills development levy debtors is:		
SARS (receivable)		
Take-on balance		(104)
Estimated adjustments included in levies received		3 323
Provision for exempted employers		(1 222)
Net effect of SARS adjustments for the current year		3 139
Closing carrying amount		5 136
		5 136
9.2 Employer receivable		
Employer receivable		
Overpayment to employers		505
Net effect of SARS retrospective adjustments on affected employers		505
		505

During the year under review, SARS advised the Seta of erroneously designated skills development levies received in prior periods, resulting in a retrospective adjustment of R3,139 million that was set-off against a take-on balance of (R104 000). R505 000 was recognised as a receivable relating to the overpayment to the employer in earlier periods, and is based on the amount of such grant overpayments. No provision was raised for doubtful debt. An estimated amount of (R1,222 million), relates to levies incorrectly contributed by employers, and paid out by SARS and DoL after being exempted from contributing skill development levies due to new legislation that came into effect from 1 August 2005.

10. CASH AND CASH EQUIVALENTS

Cash at bank and in hand		40 422
Cash at bank		40 421
Cash on hand (petty cash)		1
Short term investments/instruments		96 395
Cash and cash equivalents at end of period		136 817
		136 817

* Refer to note 19

Sasseta

Notes to the annual financial statements

for the nine months ended 31 March 2006

10.1 Amalgamation of Seta

On 1 July 2005 Sasseta acquired, through the amalgamation of Poslec Seta and Didteta, all outstanding assets, rights, liabilities and obligations that developed upon and vested in those entities.

The net assets acquired in the amalgamation are as follows:

	Poslec	Didteta	Total
Property, plant and equipment	3 616	293	3 909
Amounts per financial statements	1 712	213	1 925
IAS 16 adjustment	1 904	80	1 984
Accounts receivable	14 084	874	14 958
Vat receivable/(payable)	(1 795)	63	(1 732)
Cash and cash equivalents	134 318	6 036	140 354
Accounts payable	(5 940)	(381)	(6 321)
National Skills Fund received in advance	–	(1 968)	(1 968)
Government grants and donor funding received in advance	(703)	–	(703)
Provisions	(606)	(142)	(748)
	142 974	4 775	147 749
Net equity reserves arising on amalgamation:			
Employer grant reserve	27 636	299	27 935
Discretionary reserve	112 454	2 309	114 763
Administration reserve	2 884	2 167	5 051
Amount per financial statements	980	2 087	3 067
IAS 16 adjustment	1 904	80	1 984
	142 974	4 775	147 749
Net cash flow arising on amalgamation			140 354

As required in treasury regulation 31.2 National Treasury approved financial institutions where the bank accounts are held. The weighted average interest rate on short-term bank deposits was 5,5% (2005: 6%).

2005/06
R'000

11. FINANCE LEASE OBLIGATIONS

Reconciliation between the total of the minimum lease payments and the present value

Up to 1 year	
Future minimum lease payments	216
Finance cost	(24)
Present value	192

Sasseta
Notes to the annual financial statements

for the nine months ended 31 March 2006

	2005/06 R'000
1 to 5 years	
Future minimum lease payments	417
Finance cost	(222)
Present value	195
Analysed for financial reporting purposes:	
Non-current finance lease liability (payable between 1 and 5 years)	195
Current finance lease liability (payable after 12 months)	192
Finance lease liability	387
12. ACCOUNTS PAYABLE	
Skills development grants payable – mandatory	11 908
Service provider fees outstanding	2 307
Operating lease payable	254
	14 469
13. NATIONAL SKILLS FUND: SPECIAL PROJECTS	
Opening balance	1 968
Received during the year	4 044
Utilised and recognised as revenue	(5 396)
Closing balance	616
<p>During the current year conditional funds of R4,044 million were received from the National Skills Fund for the purposes of NSF projects. This amount was recognised as a liability until the conditions attached were met. During the year, R5,396 million eligible project special expenses were incurred and a corresponding amount was recognised as revenue. At year end, R616 000 continues to be accounted for as a liability until the remaining conditions attached have been met.</p>	
14. GOVERNMENT GRANTS AND DONOR FUNDING RECEIVED IN ADVANCE	
Opening balance	703
Utilised and recognised as income – conditions met	(703)
Learnership registration project	(703)
Closing balance	–
<p>During the period no additional grants were received.</p>	

Sasseta
Notes to the annual financial statements

for the nine months ended 31 March 2006

15. PROVISIONS

	Employee leave provision	Employee bonus provision	2005/06 R'000
Opening carrying amount	–	–	748
Change in estimate	448	118	(182)
Closing carrying amount	448	118	566
Current	448	118	566
Total	448	118	566

16. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO NET SURPLUS

	2005/06 R'000
Net deficit as per statement of financial performance	(4 353)
Adjusted for non-cash items:	
Depreciation	685
Profit on disposal of property, plant and equipment	(19)
Less: straight lining of lease payments	365
Increase in provisions	71
Relating to employment	(182)
Relating to other	253
Special project income recognised	(6 099)
Adjusted for items separately disclosed	
Investment income	(6 690)
Adjusted for working capital changes:	
Increase in receivables	(1 484)
Increase in payables	6 226
Movement in Vat payable	(1 732)
Cash utilised in operations	(13 030)

17. CONTINGENCIES

The approval of retaining surplus funds was granted by National Treasury for Sasseta.

18. COMMITMENTS

18.1 Discretionary reserve

Of the balance of R139,3 million available in the discretionary reserve at the end of March 2006, R69,4 million has been approved and allocated for future projects and skills priorities as set out below. Amounts for expenses that have already been contracted or incurred, and therefore included in grant expenses in the statement of financial performance, are also indicated. A request for the accumulation of these funds has been submitted to National Treasury. At the time of compiling the financial statements, no feedback had been received.

Sasseta
Notes to the annual financial statements

for the nine months ended 31 March 2006

	Approved by accounting authority R'000	Utilised R'000	Total R'000
18.2 Projects			
Commitments approved and contracted			
Driving skills programme	2 000	(351)	1 649
Helicopter pilots	6 000	(1 608)	4 392
Candidate attorney NQF 7	2 000	(151)	1 849
Commercial law training programme	540	(410)	130
Numeracy skills training programme	241	(43)	198
Paralegals NQF 5	1 495	(130)	1 365
Skills audit: Department of Correctional Services	9 393	(9 372)	21
Court services management learnership NQF 5	2 500	(684)	1 816
Family law NQF5	972	(225)	747
Court interpreting NQF 5	516	(395)	121
General security officer practices NQF 3 (pilot programme)	6 300	(4 694)	1 606
General security officer practices NQF 3 (national rollout)	50 000	(20 882)	29 118
OD-ETD NQF 4 and 5	6 730	(2 968)	3 762
SMME	800	(442)	358
Abet	2 800	(1 271)	1 529
Assessor training	2 900	(886)	2 014
Moderator training	1 200	(142)	1 058
Mentorship training	2 500	(52)	2 448
SDF training	900	(173)	727
HIV/Aids prevalence study	5 000	(1 000)	4 000
Internal audit	270	(77)	193
Forensic science NQF 5	559	–	559
Crime resolution NQF 5	485	–	485
Sheriff's learnership NQF 5	2 500	–	2 500
Correctional science learnership NQF 4 and 5	1 000	–	1 000
Investors in People	100	–	100
Seta ISOE	100	–	100
Internships	3 600	–	3 600
Bookkeeping training programme	960	–	960
Trademark practices	1 000	–	1 000
TOTAL	115 361	(45 956)	69 405

Sasseta

Notes to the annual financial statements

for the nine months ended 31 March 2006

18.3 Operating leases

	2005/06 R'000
Total of future minimum lease payments under non-cancellable leases:	
Not later than one year	844
Later than one period and not later than five years	757
	1 601

Sasseta has three leases in operation:

a) The first operating lease relates to premises used for office accommodation.

The lease agreement was entered into effective 1 October 2005 and will be operational for four years, expiring on 31 March 2010. Provision was made for an option to renew the lease for a further two periods on expiry. The rental escalates annually on 1 June with 8%.

b) The second lease relates to the PABX system. It was entered into on 1 December 2005. The contract is valid for four years, expiring on 30 November 2009, with zero escalation.

c) The third lease is for a photocopier. It was entered into on 15 June 2005 and will be operational for three years, expiring on 30 June 2008, escalating annually with 10%.

19. FINANCIAL INSTRUMENTS

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

Interest rate risk

The Seta manages its interest rate risk by effectively investing Seta surplus cash in term deposits with different financial institutions according to the Seta's investment policy.

The Seta's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:

	Floating rate		Non-interest bearing		Amount
	Amount R'000	Effective interest rate	Amount R'000	Effective interest rate	
For the nine months ended 31 March 2006					
Assets					
Cash	136 817	6%	–		136 817
Accounts receivable			16 442	10,5%	16 442
Total financial assets	136 817	8%	16 442	10,5%	153 260
Liabilities					
Accounts payable	14 469	11%	–		14 469
Total financial liabilities	14 469	11%	–		14 469

Credit risk

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

Sasseta

Notes to the annual financial statements

for the nine months ended 31 March 2006

The Seta limits its treasury counterparty exposure by dealing only with well-established financial institutions that are rated no lower than AAA and approved by National Treasury through the approval of their investment policy in terms of treasury regulation 31.3. The Seta's exposure is continuously monitored by the chief financial officer.

Credit risk with respect to levy paying employers is limited due to the nature of the income received. The Seta does not have any material exposure to any individual or counterparty. The Seta's concentration of credit risk is limited to the sector (policing, private security, legal, corrections, justice, intelligence and defence) in which the Seta operates. No event occurred in the sector during the financial period that may have an impact on the accounts receivable that has not been adequately provided for. Accounts receivable are presented net of allowance for doubtful debt.

Liquidity risk

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

In case of liquidity problems funding resources are available in terms of DoL and National Treasury approval for borrowing requirements in the open market.

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 period of which the Seta is aware.

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 their fair value.

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

Cash and cash equivalents

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

Accounts receivable

The carrying amount of accounts receivable, net of allowance for bad debt, approximates fair value due to the relatively short-term maturity of these financial assets.

Accounts payable

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

20. CHANGE IN ACCOUNTING POLICY

There was no change in accounting policy.

21. RELATED PARTY TRANSACTIONS

Transactions with other Setas

inter-Seta transactions and balances arise due to the movement of employers from one Seta to another. No other transactions occurred during the period with related parties.

Sasseta
Notes to the annual financial statements

for the nine months ended 31 March 2006

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

	Notes	2005/6	
		Transfers in/(out) during the period	Amount receivable/(payable)
RECEIVABLES	9	1 295	1 295
Isett Seta		76	76
Services Seta		1 056	1 056
Fasset		138	138
HWSeta		17	17
CETA		8	8
PAYABLES	12	(176)	(176)
Services Seta		(176)	(176)
TOTAL		(1 119)	(1 119)

Transactions with other related parties

During the year members of the accounting authority and employees were required to disclose their interest in any contracts that the Seta is entering into with an outside party. As a result the Seta entered into the following transactions with related parties:

	Names	Nature of relationship	Transaction type	2005/6	
				Amount of the transaction	Amount receivable/(payable)
RECEIVABLES					
National Skills Fund		DoL	Projects	4 044	–
PAYABLES					
National Skills Fund		DoL		(5 396)	(616)
Gremick Security	Tony Proudfoot	Board member	Discretionary grant	–	(1 532)
South African Police Service	G Kruser and N Mbekela	Board members	Discretionary grant	–	(1 959)
Department of Correctional Services	A Tsetsane and I Swart	Board members	Discretionary grant	–	(9 372)
Department of Justice	N Nkuna and B Ntshangase	Board members	Discretionary grant		(1 410)
TOTAL				(1 352)	(14 889)

The above transactions occurred under terms that were no less favourable than those available in similar arm's length dealings.

Didteta
Annual report

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Didteta
Auditor General's report

**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS
OF THE DIPLOMACY, INTELLIGENCE, DEFENCE AND TRADE EDUCATION AND TRAINING AUTHORITY
FOR THE THREE MONTHS ENDED 30 JUNE 2005**

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 50 to 72, for the three months ended 30 June 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

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

An audit includes:

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

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

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

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

3. AUDIT OPINION

The financial statements fairly present, in all material respects, the financial position of the Diplomacy, Intelligence, Defence and Trade Education and Training Authority at 30 June 2005 and the results of its operations and cash flows for the period then ended, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act (Act No. 1 of 1999) as amended.

4. APPRECIATION

The assistance rendered by the staff of the Diplomacy, Intelligence, Defence and Trade Education and Training Authority during the audit is sincerely appreciated.



A Muller for Auditor-General

Pretoria

31 October 2005



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

Didteta
Report of the accounting authority

for the three months ended 30 June 2005

INTRODUCTION

The Diplomacy, Intelligence, Defence and Trade Education and Training Authority (Didteta) completed the last three months of its term on 30 June 2005.

The Minister of Labour announced that Didteta was not a financially viable Seta and should be amalgamated with Poslec Seta.

GENERAL REVIEW OF THE STATE OF AFFAIRS OF DIDTETA

The financial statements as at 30 June 2005 reflect a total income of R3,1 million for the three months, compared to R7,8 million for the previous financial period.

The total expenditure for the three months ending 30 June 2005 was R3,3 million compared to R7,2 million for 2004/5.

NATIONAL SKILLS FUND: MILITARY VETERANS PROJECT

In December 2004, the National Skills Fund (NSF) approved R56m for the military veterans project. The project is appointing a transactional manager and a project management team to manage the project. The project plan makes provision for the skilling of 4 350 military veterans, as well as the placing of these trained veterans in sustainable jobs. The lifespan of this phase of the project is two periods and six months. This project will be transferred to the new Seta.

REMUNERATION

Name	Designation	Basic salary	Travel allowance	Housing	Provident fund	13th cheque	UIF	Leave	Total
O Louw	Senior manager: skills development	67 647	28 186		9 483	5 637	265		111 219
T Mhlambo	Senior manager: learnerships	67 647	28 186		9 483	5 637	265		111 219
J Roets	Chef financial officer	54 602	22 751		7 655	4 550	265		89 823
K Buthelezi	Chair: audit committee								0
S Dlangalala	Chair: accounting authority		10 959						10 959
MH Molefe	Member: accounting authority		5 058						5 058
		189 896	95 140	0	26 621	15 825	795	0	328 277

* Members of the accounting authority are not remunerated for meetings attended. Members who are in the employment of trade unions, are reimbursed only for travelling expenses incurred to attend official meetings, at the official Didteta rate.

EVENTS AFTER THE BALANCE SHEET DATE

The Minister of Labour authorised the amalgamation of Didteta and Poslec Seta together with an extension of their current certification periods for another three months, ie 1 April 2005 to 30 June 2005. All Didteta assets, liabilities and reserves will be combined with those of Poslec Seta, together with all of its operational functions, into a new Seta. The Department of Foreign Affairs and the Department of Trade and Industry are excluded from this amalgamation process, and will reside with Pseta, when that Seta is established.



EFOE LOUW

Acting executive officer: Didteta

Income statement (statement of financial performance)

for the three months ended 30 June 2005

	Notes	30 June 2005 R'000	2004/5 R'000
REVENUE			
Skills development levy: income	2	2 196	7 314
Skills development levy: penalties and interest		1	1
National Skills Fund income	13	900	7
Investment income	3	65	245
Other income	4	–	224
Total revenue		3 162	7 791
EXPENSES			
Employer grant and project expenses	5	(690)	(913)
Administration expenses	6	(1 717)	(6 269)
National Skills Fund expenses	13	(900)	(7)
Total expenses		(3 307)	(7 189)
NET SURPLUS/(DEFICIT) FOR THE PERIOD	1	(145)	602

Diddeta

Balance sheet (statement of financial position)

as at 30 June 2005

	Notes	30 June 2005 R'000	2004/5 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	213	278
		<u>213</u>	<u>278</u>
Current assets			
Prepayments and advances	8	–	1
Accounts receivable	9	874	406
Vat receivable		63	–
Cash and cash equivalents	10	6 036	8 168
		<u>6 973</u>	<u>8 575</u>
TOTAL ASSETS		<u><u>7 186</u></u>	<u><u>8 853</u></u>
EQUITY AND LIABILITIES			
Funds and reserves			
Administration reserve		2 087	1 842
Employer grant reserve		299	768
Discretionary reserve		2 309	2 230
		<u>4 695</u>	<u>4 840</u>
Current liabilities			
Accounts payable	12	381	901
Vat payable		–	153
National Skills Fund received in advance	13	1 968	2 868
Provisions	14	142	91
		<u>2 491</u>	<u>4 013</u>
TOTAL NET FUNDS AND LIABILITIES		<u><u>7 186</u></u>	<u><u>8 853</u></u>

Statement of changes in equities

for the three months ended 30 June 2005

	Notes	Administration reserve R'000	Employer reserve R'000	Discretionary reserve R'000	Unappropriated surplus R'000	Total R'000
Balance at 1 April 2004		2 332	151	1 590	–	4 073
Net surplus/(deficit) per income statement		–	–	–	602	602
Allocation of unappropriated surplus		510	651	(559)	(602)	–
Excess reserves transferred to discretionary reserve		(1 000)	(157)	1 157	–	–
Balance at 1 April 2005		1 842	645	2 188	–	4 675
Fundamental errors	19	–	123	42	–	165
Restated balance		1 842	768	2 230	–	4 840
Net surplus/(deficit) per income statement		–	–	–	(145)	(145)
Allocation of unappropriated surplus	1	245	(469)	79	145	–
Balance at 30 June 2005		2 087	299	2 309	–	4 695

Diddeta
Cash flow statement

for the three months ended 30 June 2005

	Notes	30 June 2005 R'000	2004/5 R'000
Operating activities			
Cash receipts from stakeholders		1 730	8 059
Levies, interest and penalties received	2	1 441	7 141
Other cash receipts from stakeholders		289	778
Vat received		–	140
Cash paid to stakeholders, suppliers and employees		(3 927)	(7 770)
Grants and project payments		(690)	(913)
Special projects		(900)	(7)
Compensation of employees		(711)	(3 533)
Payments to suppliers and other		(1 410)	(3 470)
Vat paid		(216)	153
Cash generated from/(utilised in) operations	15	(2 197)	289
Investment income	3	65	245
Net cash inflow/(outflow) from operating activities		<u>(2 132)</u>	<u>534</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and investment properties	7	–	(100)
Net cash inflow/(outflow) from investing activities		<u>–</u>	<u>(100)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Grants, transfers and funds received	12	–	2 875
Increase/(decrease) in reserves			165
Net cash inflow/(outflow) from financing activities		<u>–</u>	<u>3 040</u>
Net increase/(decrease) in cash and cash equivalents		(2 132)	3 474
Cash and cash equivalents at beginning of period	10	8 168	4 694
Cash and cash equivalents at end of period	10	<u>6 036</u>	<u>8 168</u>

Didteta

Accounting policies to the financial statements

for the three months ended 30 June 2005

The three month financial statements have been prepared in accordance with Statements of General Accepted Accounting Practice (GAAP) and the Public Finance Management Act (PFMA), Act 1 of 1999 as amended.

The principal accounting policies adopted in the preparation of these financial statements are set out below and are, in all material respects, consistent with those of the previous period, except as otherwise indicated.

1. Basis of preparation

The financial statements have been prepared on the historical cost basis.

2. Currency

These financial statements are presented in South African rands since that is the currency in which the majority of the entity transactions are denominated.

3. Revenue recognition

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

3.1 Levy income

Levy income is recognised on the accrual basis.

A net receivable/payable is recognised for levies accrued as well as estimated SARS adjustments. An estimate due to retrospective adjustments by SARS and outstanding levies due at period-end is based on historical data, eg the actual last two levy payments received subsequent to period end and one month's calculated levy). Changes to prior period estimates are accounted for in revenue in the current period.

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.

In terms of section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No. 9 of 1999), registered member companies of the Seta pay a skills development levy of 1% of the total payroll cost to SARS.

80% of skills development levies are paid over to the Seta net of the 20% contribution to the National Skills Fund.

Revenue is adjusted for inter-Seta transfers due to employers changing Setas. Such adjustments are separately disclosed as inter-Seta transfers. The amount of the inter-Seta adjustment is calculated according to the standard operating procedure issued by the Department of Labour in June 2001.

When a new employer is transferred to the Seta, the levies transferred by the former Seta are recognised as revenue and allocated to the respective category to maintain its original identity.

3.2 Interest and penalties

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

Diteta

Accounting policies to the financial statements

for the three months ended 30 June 2005

3.3 Funds allocated by the National Skills Fund for special projects

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

3.4 Government grants and other donor income

Conditional government grants and other conditional donor funding received are recorded as deferred income when they become receivable and are then recognised as income on a systematic basis over the period necessary to match the grants with the related costs which they are intended to compensate. Unconditional grants received are recognised when the amounts have been received.

3.5 Investment income

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

4. Grants and project expenditure

A registered company may recover a maximum of 70% of its total levy payment by complying with the grant criteria in accordance with the skills development regulations issued in terms of the Skills Development Act 1999 (Act No. 9 of 1999).

Mandatory grants

The grant payable and the related expenditure are recognised when the employer has submitted an application for a grant in the prescribed form within the agreed upon cut-off period and the application has been approved as the payment then becomes probable. The grant is equivalent to 15% and 45% (2003: 15% and 45%) of the total levies paid by the employer during the corresponding financial period for the skills planning grant and skills implementation grant respectively.

Discretionary grants

A Seta may, out of any surplus monies, determine and allocate discretionary grants to employers, education and training providers and workers of the employers who have submitted an application for a discretionary grant in the prescribed form within the agreed upon cut-off period. The grant payable and the related expenditure are recognised when the application has been approved.

Project expenditure

Project expenditure comprises:

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

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

Project costs are recognised as expenses in the period in which they are incurred. A receivable is recognised net of a provision for irrecoverable amounts for incentive and other payments made to the extent of expenses not yet incurred in terms of the contract.

Accounting policies to the financial statements

for the three months ended 30 June 2005

5. Irregular and fruitless and wasteful expenditure

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

- the PFMA,
- the Skills Development Act.

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

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

6. Property, plant and equipment

Land is not depreciated as it is deemed to have an indefinite life. Property, plant and equipment (owned and leased) are stated at cost less any subsequent accumulated depreciation and adjusted for any impairments. Depreciation is calculated on the straight-line method to write off the cost of each asset to estimated residual value over its estimated useful life as follows:

– Improvement to leased premises	20%
– Computer equipment	33%
– Computer software	33%
– Office furniture and fittings	20%
– Office equipment	20%
– Motor vehicles	20%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (ie impairment losses are recognised).

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

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

The estimated useful life of the assets is limited to the remaining period of the licence issued to the Seta by the Minister of Labour. For the current period the remaining period is 3 months (2005: 1 period).

Change in estimate:

Depreciation on improvements to leased premises was adjusted to reflect the remainder of the period in which the improvements will be of value to Diteta. The improvements will be fully depreciated by 30 June 2005.

7. Borrowings and borrowing costs

In terms of section 66(3)(c) of the Public Finance Management Act, 1999, a public entity may only through the Minister of Finance borrow money or, in the case of the issue of a guarantee, indemnity or security, only through the Minister of Labour, acting with the concurrence of the Minister of Finance.

Diteta

Accounting policies to the financial statements

for the three months ended 30 June 2005

In terms of section 32.1.1 of the treasury regulations, a public entity may borrow money for bridging purposes with the approval of the Minister of Finance, subject to certain conditions.

Borrowing costs are recognised as an expense in the period in which they have been incurred.

8. Retirement benefit costs

The entity operates a defined contribution benefit plan, the assets of which are generally held in separate trustee-administered funds. The plan is generally funded by payments from the entity and employees, taking account of the recommendations of independent qualified actuaries.

Payments to defined contribution retirement benefit plans are charged to the income statement in the period to which they relate.

9. 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.

9.1 Provision for employee entitlements

The cost of other employee benefits (not recognised as retirement benefits - see note 8 above) is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date. Provisions included in the balance sheet are provisions for leave (based on the current salary rates), bonuses and termination benefits. Termination benefits are recognised and expensed only when the payment is made.

9.2 Provisions for grants

Grant payments

A provision is recognised for grant payments once the specific criteria set out in the regulations to the Skills Development Act, 97 of 1998 have been complied with by member companies and it is probable that the Seta will approve the payment. The measurement of the obligation involves an estimate, based on the established pattern of past practice of approval for each type of grant.

Projects

No provision is made for projects approved at period-end, unless the service in terms of the contract has been delivered or the contract is of an onerous nature. Where a project has been approved, but has not been accrued for or provided for, it is disclosed as commitments in the notes to the financial statements.

10. Financial instruments

Recognition

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

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

Diteta

Accounting policies to the financial statements

for the three months ended 30 June 2005

Measurement

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

Financial assets

The Seta's principal financial assets are accounts and other receivable and cash and cash equivalents.

Accounts and other receivables

Accounts and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Financial liabilities

The Seta's principal financial liabilities are interest bearing borrowings, accounts and other payables and bank overdraft.

All financial liabilities are measured at amortised cost, comprising original debts less principal payments and amortisations, except for financial liabilities held for trading and derivative liabilities, which are subsequently measured at fair value.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments, other than available-for-sale financial assets, are included in net profit or loss in the period in which they arise.

Derecognition

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

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

Fair value considerations

The fair values at which financial instruments are carried at the balance sheet date have been determined using available market values. Where market values are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values have been estimated using available market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the Seta could realise in the normal course of business. The carrying amounts of financial assets and financial liabilities with a maturity of less than one period are assumed to approximate their fair value due to the short-term trading cycle of these items.

Didteta

Accounting policies to the financial statements

for the three months ended 30 June 2005

Offsetting

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

11. Reserves

Equity is sub-classified in the balance sheet between the following funds and reserves:

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

This sub-classification is made based on the restrictions placed on the distribution of monies received in accordance with the regulations issued in terms of the Skills Development Act, 1998 (Act No. 97 of 1998).

Member employer company levy payments are set aside in terms of the Skills Development Act and the regulations issued in terms of the Act, for the purpose of:

	2005/06	2004/05
	%	%
Administration costs of the Seta	10	10
Employer grant fund levy	50	60
Mandatory workplace skills planning grant	50	15
Mandatory workplace skills implementation grant	-	45
Discretionary grants and projects	20	10
	<u>80</u>	<u>80</u>

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

Interest and penalties received from SARS, as well as interest received on investments, are used for discretionary grants and projects. Other income received is used in accordance with the original source of the income.

The net surplus/deficit is allocated to the administration reserve, the mandatory grant reserve and the discretionary fund reserve based on the above percentages. Surplus funds are moved to the discretionary fund reserve from the administration reserve at the end of the financial period. Mandatory grant surplus funds that are received from employers relating to the previous period (2005) are transferred to the discretionary fund at the end of the current financial period.

12. Comparative figures

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

Diteta

Accounting policies to the financial statements

for the three months ended 30 June 2005

13 Taxation

No provision has been made for taxation, as the Seta is exempted from income tax in terms of section 10 of the Income Tax Act, 1962 (Act 58 of 1962).

14. Value added taxation (Vat)

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

- skills development levy: administration (10% portion);
- surplus funds on employer grant levy (70% portion) used for discretionary projects.

The employer grant levy that was previously Vat neutral, become subject to Vat when the surplus is used for discretionary projects. Therefore the amount of revenue is reduced once the Vat liability is incurred.

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

The Revenue Laws Amendment Act, 2003 (Act No. 45 of 2003) commenced on 22 December 2003. Previously, the definition of enterprise placed Diteta listed in schedule 3A within the scope of Vat. The Amendment Act, however, has amended this definition of enterprise and effectively places the public entity outside the scope of Vat. The amended definition of enterprise came into operation with effect 1 April 2005.

Diteta
Notes to the financial statements

for the three months ended 30 June 2005

1. ALLOCATION OF NET SURPLUS FOR THE PERIOD TO RESERVES:

	Total per income statement	Administration reserve	Employer grants reserve			Discretionary reserve			Total discretionary
			Mandatory skills planning grant	Mandatory skills implementation grant	Total	Discretionary grants	Special projects	Other income	
Total revenue	3 162	1 962	43	128	171	64	900	65	1 029
Skills development levy: income									
Admin levy income	1 962	1 962	–	–	–	–	–	–	–
Grant levy income	234	–	43	128	171	63	–	–	63
Skills development levy: penalties and interest	1	–	–	–	–	1	–	–	1
National Skills Fund income	900	–	–	–	–	–	900	–	900
Investment income	65	–	–	–	–	–	–	65	65
Total expenses	(3 307)	(1 717)	(640)	–	(640)	(50)	(900)	–	(950)
Administration expenses	(1 717)	(1 717)	–	–	–	–	–	–	–
National Skills Fund expenses	(900)	–	–	–	–	–	(900)	–	(900)
Employer grants and project expenses	(690)	–	(640)	–	(640)	(50)	–	–	(50)
Net surplus/ (deficit) per statement of financial performance allocated	(145)	245	(597)	128	(469)	14	–	65	79

Didteta
Notes to the financial statements

for the three months ended 30 June 2005

	Note	30 June 2005	2004/5
		R'000	R'000
2. SKILLS DEVELOPMENT LEVY INCOME			
The total levy income per the income statement is as follows:			
Levy income: administration		1 962	6 537
Levies received		1 301	6 423
Levies received from SARS		20	78
Government levies received		1 281	6 345
Levies accrued		661	114
Levy income: employer grants		171	651
Levies received		103	453
Levies received from SARS		103	453
Levies accrued		68	198
Levy income: discretionary grants		63	126
Levies received from SARS		36	84
Levies received		36	84
Levies accrued		27	42
		2 196	7 314
3. INVESTMENT INCOME			
Interest income		65	245
Bank deposits		65	245
		65	245
4. OTHER INCOME			
Other income comprises:			
Other		–	224
Sale of application software		–	224
		–	224
5. EMPLOYER GRANT AND PROJECT EXPENSES			
Mandatory grants		(640)	–
Disbursed		(640)	–
Discretionary grants		(50)	(913)
Disbursed		(50)	(913)
		(690)	(913)

Diteta
Notes to the financial statements

for the three months ended 30 June 2005

	Note	30 June 2005 R'000	2004/5 R'000
6. ADMINISTRATION EXPENSES			
Depreciation		65	251
Operating lease rentals (minimum lease payments)		171	408
Buildings		165	380
Plant, machinery and equipment		6	28
Maintenance, repairs and running costs		3	12
Property and buildings		-	6
Other - vehicles		3	6
Advertising, marketing and promotions, communication		14	45
Consultancy and service provider fees		557	1 142
Cost of employment	6.1	711	3 342
Travel and subsistence		48	113
Staff training and development		19	50
External auditor's remuneration		31	79
Audit fees		31	79
Bad debts written off			480
Other		98	347
Other expenses		98	347
		<u>1 717</u>	<u>6 269</u>
6.1 Cost of employment			
Salaries and wages		485	2 520
Basic salaries		470	2 451
Other non-pensionable allowance		15	69
Social contributions		226	822
Medical aid contributions		24	106
Pension contributions: defined contribution plans		62	299
UIF		3	14
Other salary related costs		137	403
		<u>711</u>	<u>3 342</u>
Allocation of cost of employment			
Administration expenses	6	711	3 342
		<u>711</u>	<u>3 342</u>
Average number of employees		10	11

Refer to the report by the accounting authority for disclosure concerning the emoluments of members of the accounting authority, the chief executive officer, the chief financial officer and senior managers.

Diteta
Notes to the financial statements

for the three months ended 30 June 2005

7. PROPERTY, PLANT AND EQUIPMENT

	Cost R'000	Accumulated depreciation/ impairment R'000	Closing carrying amount/net book value R'000
Period ended 30 June 2005			
Land	–	–	–
Buildings	112	(111)	1
Computer equipment	712	(584)	128
Office furniture and fittings	209	(158)	51
Office equipment	113	(96)	17
Motor vehicles	79	(63)	16
Balance at end of period	1 225	(1 012)	213
Made up as follows:			
– Owned assets	1 225	(1 012)	213
Period ended 30 June 2005			
Land	–	–	–
Buildings	112	(89)	23
Computer equipment	712	(561)	151
Office furniture and fittings	209	(148)	61
Office equipment	113	(90)	23
Motor vehicles	79	(59)	20
Balance at end of period	1 225	(947)	278
Made up as follows:			
– Owned assets	1 225	(947)	278
Period ended 31 March 2004			
Buildings	89	(54)	35
Computer equipment	636	(425)	211
Office furniture and fittings	209	(106)	103
Office equipment	112	(68)	44
Motor vehicles	79	(43)	36
Balance at end of period	1 125	(696)	429
Made up as follows:			
– Owned assets	1 125	(696)	429

Notes to the financial statements

for the three months ended 30 June 2005

	Carrying amount 2004 R'000	Additions R'000	Depreciation/ amortisation charge R'000	Carrying amount 2005 R'000
Movement summary 30 June 2005				
Buildings	23	–	(22)	1
Computer equipment	151	–	(23)	128
Office furniture and fittings	61	–	(10)	51
Office equipment	23	–	(6)	17
Motor vehicles	20	–	(4)	16
Balance at end of period	278	–	(65)	213

	Carrying amount 2003 R'000	Additions R'000	Depreciation/ amortisation charge R'000	Carrying amount 2004 R'000
Movement summary 30 June 2004				
Buildings	35	23	(35)	23
Computer equipment	211	76	(136)	151
Office furniture and fittings	103	–	(42)	61
Office equipment	44	1	(22)	23
Motor vehicles	36	–	(16)	20
Balance at end of period	429	100	(251)	278

The Skills Development Act regulations state that a Seta may, if not otherwise specified by the Public Finance Management Act, invest the moneys in accordance with the investment policy approved by the relevant Seta.

Treasury regulation 31.3 requires that, unless exempted by 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 National Treasury from the requirement of treasury regulation 31.3 to invest surplus funds with the corporation for public deposits, surplus funds were invested in an institution with an investment grade rating and in line with an investment policy as required by treasury regulation 31.3.5.

	30 June 2005 R'000	2004/5 R'000
8. PREPAYMENTS AND ADVANCES		
Prepayments and advances		
Staff advances	–	1
Closing balance	–	1

Didteta
Notes to the financial statements

for the three months ended 30 June 2005

	30 June 2005	2004/5
	R'000	R'000
9. ACCOUNTS RECEIVABLE		
Skills development levy debtors	836	368
Admin levy debtors	661	128
Employer grant levy debtors	148	198
Discretionary grant debtors	27	42
Deposits	38	38
	<u>874</u>	<u>406</u>

10. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	6 036	8 168
Cash at bank	6 033	8 164
Cash on hand	3	4
Cash and cash equivalents at end of period	<u>6 036</u>	<u>8 168</u>

As required in treasury regulation 31.2, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short term bank deposits was 6,8% (2005: 6,8%).

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

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

11. BORROWINGS/LOANS

In terms of PFMA section 66(3)(c), public entities may only through the Minister of Finance borrow money or, in the case of the issue of a guarantee, indemnity or security, only through the Minister of Labour acting with the concurrence of the Minister of Finance.

In terms of treasury regulation 32.1.1, Setas as schedule 3A public entities may borrow money for bridging purposes with the approval of the Minister of Finance, subject to certain conditions.

No such borrowings were entered into during the period.

12. ACCOUNTS PAYABLE

Service provider fees outstanding	349	848
Sundry payables	32	53
Sundry payables	32	53
	<u>381</u>	<u>901</u>

Diteta
Notes to the financial statements

for the three months ended 30 June 2005

		30 June 2005	2004/5
		R'000	R'000
13. NATIONAL SKILLS FUND: SPECIAL PROJECTS			
Opening balance		2 868	–
Received during the period	(a)	–	2 875
Military veterans project		–	2 875
conditions met:	(b)	(900)	(7)
Closing balance	(d)	1 968	2 868

During the current period no funds were received from the National Skills Fund. During the period, R900 000 eligible special project expenses were incurred and a corresponding amount was recognised as revenue. At period end, R1,968-million continues to be accounted for as a liability until conditions have been met.

14. PROVISIONS

	Employee leave	Employee bonus	30 June 2005	2004/05
Open carrying amount	58	34	91	281
Amounts utilised	–	–	–	(114)
Change in estimate	13	38	51	(76)
Closing carrying amount	71	72	142	91
Non-current				
Current	71	72	142	91
Total	71	72	142	91

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

	30 June 2005	2004/5
	R'000	R'000
Net surplus/(deficit) as per income statement	(145)	602
Adjusted for non-cash items:		
Depreciation	65	251
Bad debts written off	–	480
Increase/(decrease) in provisions	51	(190)
Relating to other	51	(190)
Special project income recognised	(900)	(7)
Adjusted for items separately disclosed		
Investment income	(65)	(245)
(Increase)/decrease in receivables	(467)	(100)
Increase/(decrease) in payables	(520)	(795)
Movement in Vat receivable/payable	(216)	293
Cash generated from/(utilised in) operations	(2 197)	289

Notes to the financial statements

for the three months ended 30 June 2005

16. CONTINGENCIES

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

17. COMMITMENTS

17.1 Discretionary reserve

Of the balance of R2 309 000 available in the discretionary reserve at the end of June 2005, R0 has been approved and allocated for future projects and skills priorities as set out below. Amounts for expenses that have already been contracted or incurred, and therefore included in grant expenses in the income statement, 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 2004/5 R'000	Approved by accounting authority R'000	Utilised R'000	Opening balance 30 June 2005 R'000	Approved by accounting authority R'000	Utilised R'000	Total R'000
Learnership project	(91)	350	(300)	(41)	–	(51)	(92)
Quality assurance project	–	700	(613)	87	–	–	87
Skills development project	409	–	–	409	–	–	409
Total project expenditure	318	1 050	(913)	455	–	(51)	404

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 period ended 30 June 2005.

19. EVENTS AFTER BALANCE SHEET DATE

Subsequent to period end the Seta has been deregistered as a Vat vendor in terms of the amended Vat Act.

In accordance with the decision of the Minister of Labour regarding the restructuring of Setas, Didteta will be amalgamated with Poslec Seta from 1 July 2005.

Diteta
Notes to the financial statements

for the three months ended 30 June 2005

20. FINANCIAL INSTRUMENTS

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

Interest rate risk

The Seta manages its interest rate risk by obtaining competitive rates from approved financial institutions on a regular basis.

The Seta's exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date are as follows:

	Floating rate	Non-interest bearing	
	Amount	Amount	Total
	R'000	R'000	R'000
Period ended 30 June 2005			
Assets			
Cash	6 036	–	6 036
Accounts receivable	–	874	874
Total financial assets	6 036	874	6 910
Liabilities			
Accounts payable	–	381	381
Total financial liabilities	–	381	381
Period ended 30 June 2005			
Total financial assets	8 168	–	8 168
	8 168	–	8 168

Credit risk

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

The Seta limits its treasury counterparty exposure by dealing only with well-established financial institutions approved by National Treasury through the approval of their investment policy in terms of treasury regulation 31.3. The organisation's exposure is continuously monitored by the finance committee.

Credit risk with respect to levy paying employers is limited due to the nature of the income received. The Seta does not have any material exposure to any individual or counterparty. The Seta's concentration of credit risk is limited to the sector in which the Seta operates. No events occurred in the sector during the financial period that may have an impact on the accounts receivable that has not been adequately provided for. Accounts receivable are presented net of allowance for doubtful debt.

Liquidity risk

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

Notes to the financial statements

for the three months ended 30 June 2005

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 period of which the Seta is aware.

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 instrument was carried at an amount in excess of its fair value. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

Cash and cash equivalents

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

Accounts receivable

The carrying amount of accounts receivable, net of allowance for bad debt, approximates fair value due to the relatively short-term maturity of these financial assets.

Investments

The fair value of debt securities is determined using the discounted cash flow method. The fair value of publicly traded investments is based on quoted market prices for those investments.

Borrowings

The fair value of interest-bearing borrowings is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile and effective interest rate with similar cash flows. The fair value of interest-bearing borrowings with variable interest rates approximates their carrying amounts.

Accounts payable

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

Diteta
Notes to the financial statements

for the three months ended 30 June 2005

21. ERRORS

The following fundamental error occurred in the prior period and as a result the comparative figures have been restated:

1. Levy income was recognised on the transaction date in the prior period. It should have been recognised on the payroll date.

The adjustment had the following effect:

	Administration	Employer grant	Discretionary	Total
30 June 2005				
Effect on net surplus				
Levy income	18	123	24	165
	<u>18</u>	<u>123</u>	<u>24</u>	<u>165</u>
Effect on retained earnings				
Levy income	-	-	-	-
Prior periods				
Effect on retained earnings				
Levy income	18	123	24	165
	<u>18</u>	<u>123</u>	<u>24</u>	<u>165</u>

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Annual report

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Poslec Seta
Auditor General's report

**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE
FINANCIAL STATEMENTS OF THE POLICE, SECURITY, LEGAL, JUSTICE AND CORRECTIONAL SERVICES SECTOR EDUCATION AND
TRAINING AUTHORITY FOR THE THREE MONTHS ENDED 30 JUNE 2005**

1. AUDIT ASSIGNMENT

The financial statements set out on pages 75 to 102, for the three months ended 30 June 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

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

An audit includes:

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

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

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

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

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Police, Security, Legal, Justice and Correctional Services Sector Education and Training Authority at 30 June 2005 and the results of its operations and cash flows for the year then ended, in accordance with Statements of Generally Accepted Accounting Practice and in the manner required by Public Finance Management Act (Act No. 1 of 1999).

4. APPRECIATION

The assistance rendered by the staff of the Police, Security, Legal, Justice and Correctional Services Sector Education and Training Authority during the audit is sincerely appreciated.

A Muller for Auditor-General
Pretoria

31 October 2005



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

Poslec Seta
Report of the accounting authority

COMPOSITION OF THE POSLEC SETA COUNCIL

The composition of the Poslec Seta council is in line with the provision of section 11 of the Skills Development Act, 1998, which requires that Setas should carry out their mandate in consultation and cooperation with stakeholders. The Poslec Seta council, in compliance with the said provisions and as the accounting authority, consists of the following members:

Representatives of labour

Employee organisation	Principal member
Policing	Shuping Pretty (Deputy chairperson)
Policing	Truter Noel
Private security	Tshabiso Cavis
Private security	Dlamuka Thabani
Justice	Lebaka Hazel
Justice	Lebese Andrew
Legal	Mashiloane Motlai
Legal	Baduza Veliswa
Corrections	Saki Thobeka
Corrections	Smit Abram

Representatives of employer

Employee organisation	Principal member
Corrections	Tsetsane Alfred (Chairperson)
Corrections	Swart Irma
Policing	Kruser Gary
Policing	Mbekela Nobulele
Legal	Maharaj Nalini
Legal	Boshoff Emil
Private security	Proudfoot Tony
Private security	Masekela David
Justice	Nkuna Nick
Justice	Ntshangase Bheki

CORPORATE GOVERNANCE

Poslec Seta is committed to sound and transparent governance that will enhance its relationship with all its stakeholders, build a productive culture of good corporate governance and leadership and embrace corporate practices based on values, integrity, excellence and equity in the organisation. It endorses the code of corporate practices and conduct contained in the King II Report.

A structured approach is followed for delegation, reporting and accountability, which includes reliance on council committees. The council has approved a constitution that provides guidance to the members in discharging their duties and responsibilities.

The Seta has five council committees that assist the council in discharging its responsibilities. Each committee operates within the ambit of its defined terms of reference and delegated responsibilities. The committees are:

Audit committee

The audit committee has been established and is chaired by an independent member. The committee has had several meetings and looks at the audit plan, audit charter, audit committee charter and risk assessment results, and oversees the system of internal controls over financial reporting and other relevant financial aspects in the organisation. The Seta appointed Sizwe Ntsaluba VSP to provide internal audit services.

Finance committee

The committee consists of five members appointed from each chamber, the chief executive officer and the finance manager. It is chaired by a member representing one of the chambers. It is responsible for:

Poslec Seta

Report of the accounting authority



- the consideration of the annual budget and its recommendation to the council;
- dealing with such financial matters as referred by the committee from time to time;
- scrutinising policies with financial implications and making the appropriate recommendation to the council;
- considering the cash flow and financial statements;
- determining the financial impact of any change to the current structure, and
- considering changes to the business plan and budget and making recommendations to the council.

Executive committee

The executive committee consists of 10 members appointed by the council, one representing the employer and one representing labour, and the chief executive officer. This committee is responsible for transacting business between council meetings and reports to the council.

Quality assurance committee

This committee, comprising five members appointed from the chambers, is responsible for all matters relating to quality and accreditation.

Learnership committee

This committee has 10 members and is responsible for the development, implementation and monitoring of learnerships in the sector.

CHAMBERS

Poslec Seta has five chambers, namely policing, correctional services, justice, legal and private security, that represent all the stakeholders in the sector.

RISKS ASSESSMENT AND INTERNAL CONTROLS

The Seta endeavours to minimise risk by maintaining appropriate systems, policies, personnel and controls throughout the organisation. A risk assessment exercise was performed during the 2004/5 financial period to identify areas of risk and to map appropriate controls over the past financial period. The process was facilitated to determine the material risks to which the Seta was exposed and to evaluate the strategy for managing these risks. The Seta relied on the outsourced internal audit function and external auditors for independent appraisal of the adequacy and effectiveness of internal controls. The audit committee, with extensive input from the internal and external auditors, played a major role in assisting management to assess the adequacy and effectiveness of the accounting system, records and internal controls.

INTERNAL AUDIT

In line with PFMA and King II Report requirements, the internal audit function is outsourced to Sizwe Ntsaluba VSP and it provides the audit committee and management with assurance that internal controls are appropriate and effective.

MATERIALITY FRAMEWORK

In line with the PFMA, the Seta has developed a materiality framework, which the council approved at its meeting on 31 March 2004. The materiality framework was then submitted to the Minister of Labour for his approval. No instances occurred that required an application of the policy developed in the materiality framework.

Poslec Seta
Report of the accounting authority

RECORD OF MEETINGS

1 April 2005 to 30 June 2005

Poslec Seta structure	Council	Audit committee	Finance committee
No of meetings	1	1	1

Poslec Seta structure	Executive committee	Learnership committee	ETQA committee
No of meetings	1	2	2

REMUNERATION PAID TO COUNCIL MEMBERS

A council member is paid an honourarium of R1 500 per council meeting attended and an executive committee member R1 000 per exco meeting. The following table outlines honouraria and travel claims paid to members of Poslec Seta only.

Name	Council		Exco		Others		Travel Amount	Total R'000
	No	Amount	No	Amount	No	Amount		
Bakker F*					1			
Bezuidenhout P*					1			
Boshoff E					1	1		1
Buthelezi H					1	3		3
Buthelezi K					1	4		4
Dlamuka T			1	1			1	2
Ganger J*					1			
Hall S					2	2		2
Kgofelo L					2	2	1	3
Kruser G*			1					
Lebaka N*	1		1					
Lebese A*					1			
Maharaj N	1	2	1	1	2	2	1	6
Mali A					2	2		2
Mambo B					1	1		1
Mari M*					1			
Mashigo A					1	1		1
Mashile E*					1			
Mashiloane M			1	1	1	1		2
Mbekela N*					2			
Moraloge L*					1			
Mphahlele L*					1			
Nkuna N*					1		1	1
Ntshangase B*	1						2	2
Proudfoot T*			1		2			
Saki T	1	2			2	2	1	5
Sapula T					2	2	2	4
Shuping P	1	2			1	1	23	26
Swart I*	1							
Swart N*					2			
Truter N			1	1	2	2		3
Tsetsane A*			1					
TOTAL		6		4		26	32	68

* These members receive no meeting allowances because they are public sector employees.

Poslec Seta
Report of the accounting authority

EXECUTIVE MANAGEMENT

During the financial period (2005/6), Seta executive management comprised the chief executive officer Vuyelwa Penxa, who is the accounting officer; programmes manager Solly Ngoasheng and chief financial officer Thabiso Mageza. The executive management team is compensated as follows:

	Salary package R'000	Salary R'000	Travel allowance R'000	Entertainment R'000	Housing R'000
CEO	140	110	30		
Programmes manager	130	114	15	1	
Chief financial officer	130	114	15	1	

Income statement (statement of financial performance)

for the three months ended 30 June 2005

	Notes	Three months ended 30 June 2005 R'000	2004/5 R'000
REVENUE			
Skills development levy: income	2	22 891	86 385
Skills development levy: penalties and interest		249	1 025
Investment income	3	2 305	8 122
Other income	4	517	444
Total revenue		25 962	95 976
EXPENSES			
Employer grant and project expenses	5	(25 654)	(51 530)
Administration expenses	6	(5 066)	(16 261)
Total expenses		(30 720)	(67 791)
NET SURPLUS/(DEFICIT) FOR THE PERIOD	1	(4 758)	28 185

Poslec Seta
Balance sheet (statement of financial position)

as at 30 June 2005

	Notes	Three months ended 30 June 2005 R'000	2004/5 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	1 712	1 742
		<u>1 712</u>	<u>1 742</u>
Current assets			
Accounts receivable	8	14 084	12 365
Cash and cash equivalents	9	134 318	137 242
		<u>148 402</u>	<u>149 607</u>
TOTAL ASSETS		<u><u>150 114</u></u>	<u><u>151 349</u></u>
EQUITY AND LIABILITIES			
Funds and reserves			
Administration reserve		980	8 923
Employer grant reserve		27 636	60 974
Discretionary reserve		112 454	75 931
		<u>141 070</u>	<u>145 828</u>
Current liabilities			
Accounts payable	10	5 940	2 582
Vat payable		1 795	1 795
Government grants and donor funding received in advance	11	703	703
Provisions	12	606	441
		<u>9 044</u>	<u>5 521</u>
TOTAL NET FUNDS AND LIABILITIES		<u><u>150 114</u></u>	<u><u>151 349</u></u>

Poslec Seta
Statement of changes in equities

for the three months ended 30 June 2005

Notes	Administration reserve R'000	Employer reserve R'000	Discretionary reserve R'000	Unappropriated surplus R'000	Total R'000
Balance at 1 April 2004	1 507	67 413	48 723	–	117 643
Net surplus/(deficit) per income statement	–	–	–	28 185	28 185
Allocation of unappropriated surplus	8 923	22 686	(3 424)	(28 185)	–
Excess reserves transferred to discretionary reserve	(1 507)	(29 125)	30 632	–	–
Balance at 31 March 2005	8 923	60 974	75 931	–	145 828
Restated balance	8 923	60 974	75 931	–	145 828
Net surplus/(deficit) per income statement	–	–	–	(4 758)	(4 758)
Allocation of unappropriated surplus	1 980	(4 213)	(1 525)	4 758	–
Excess reserves transferred to discretionary reserve	(8 923)	(29 125)	38 048	–	–
Balance at 30 June 2005	980	27 636	112 454	–	141 070

Poslec Seta
Cash flow statement

for the three months ended 30 June 2005

	Notes	Three months ended 30 June 2005 R'000	2004/5 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating activities			
Cash receipts from stakeholders		23 734	95 273
Levies, interest and penalties received		21 670	90 525
Other cash receipts from stakeholders		268	2 952
Vat received		1 796	1 796
Cash paid to stakeholders, suppliers and employees		(28 744)	(70 085)
Grants and project payments		(25 654)	(51 530)
Special projects		-	-
Compensation of employees		(1 918)	(7 663)
Unappropriated surplus paid to National Treasury		-	-
Payments to suppliers and other		624	(10 588)
Vat paid		(1 796)	(305)
Cash generated from/(utilised in) operations	13	(5 009)	25 188
Investment income	3	2 305	8 122
Net cash inflow/(outflow) from operating activities		(2 704)	33 310
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and investment properties	7	(220)	(1 873)
Net cash inflow/(outflow) from investing activities		(220)	(1 873)
Net increase/(decrease) in cash and cash equivalents		(2 924)	31 437
Cash and cash equivalents at beginning of period	9	137 242	105 805
Cash and cash equivalents at end of period	9	134 318	137 242

Accounting policies to the annual financial statements

for the three months ended 30 June

The annual financial statements have been prepared in accordance with Statements of General Accepted Accounting Practice (GAAP) and the Public Finance Management Act (PFMA), Act 1 of 1999 as amended.

The principal accounting policies adopted in the preparation of these financial statements are set out below and are, in all material respects, consistent with those of the previous period, except as otherwise indicated.

1. Basis of preparation

The financial statements have been prepared on the historical cost basis.

2. Currency

These financial statements are presented in South African rands since that is the currency in which the majority of the entity transactions are denominated.

3. Revenue recognition

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

3.1 Levy income

In terms of section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No. 9 of 1999), registered member companies of the Seta pay a skills development levy of 1% of the total payroll cost to the South African Revenue Services (SARS).

80% of skills development levies are paid over to the Seta net of the 20% contribution to the National Skills Fund.

Levy income is recognised on the accrual basis.

A net receivable/payable is recognised for levies accrued as well as estimated SARS adjustments. An estimate due to retrospective adjustments by SARS and outstanding levies due at period-end is based on grant overpayments to employers. Changes to prior period estimates are accounted for in revenue in the current period.

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 equal to the amount of such grant overpayment, net of bad debts and provision for irrecoverable amounts.

Revenue is adjusted for inter-Seta transfers due to employers changing Setas. Such adjustments are separately disclosed as inter-Seta transfers. The amount of the inter-Seta adjustment is calculated according to the standard operating procedure issued by the Department of Labour in June 2001.

When a new employer is transferred to the Seta, the levies transferred by the former Seta are recognised as revenue and allocated to the respective category to maintain its original identity.

3.2 Interest and penalties

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

Accounting policies to the annual financial statements

for the three months ended 30 June

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, when the liability is extinguished and the revenue recognised.

Property, plant and equipment acquired for NSF special projects are capitalised in the financial statements of the Seta, as the Seta controls such assets for the duration of the project. Such assets could, however, be disposed of only in terms of an agreement and specific written instructions by the NSF.

3.4 Government grants and other donor income

Conditional government grants and other conditional donor funding received are recorded as deferred income when they become receivable and are then recognised as income on a systematic basis over the period necessary to match the grants with the related costs for which they are intended to compensate. Unconditional grants received are recognised when the amounts have been received.

3.5 Investment income

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

Dividend income from investments is recognised when the right to receive payment has been established.

3.6 Government employers' contribution

The Seta has six government employers that contribute 10% of the 1% of salary costs in terms of section 30 of the Skills Development Act of 1998 (Act No. 97 of 1998) to the administration costs of the Seta.

4. GRANTS AND PROJECT EXPENDITURE

A registered company may recover a maximum of 70% of its total levy payment by complying with the grant criteria in accordance with the skills development regulations issued in terms of the Skills Development Levies Act 1999 (Act No. 9 of 1999).

Mandatory grants

The grant payable and the related expenditure are recognised when the employer has submitted an application for a grant in the prescribed form within the agreed upon cut-off period and the application has been approved as the payment then becomes probable. The grant is equivalent to 50% of the total levies paid by the employer during the corresponding financial period for the skills planning grant (2004/5: 15% and 45% of the total levies paid by the employer during the corresponding financial period for the skills planning grant and the skills implementation grant respectively).

Discretionary grants

A Seta may, out of any surplus monies, determine and allocate discretionary grants to employers, education and training providers and workers of the employers who have submitted an application for a discretionary grant in the prescribed form within the agreed upon cut-off period. The grant payable and the related expenditure are recognised when the application has been approved.

Accounting policies to the annual financial statements

for the three months ended 30 June

Project expenditure

Project expenditure comprises:

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

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

Project costs are recognised as expenses in the period in which they are incurred. A receivable is recognised net of a provision for irrecoverable amounts for incentive and other payments made to the extent of expenses not yet incurred in terms of the contract.

5. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

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

- the PFMA,
- the Skills Development Act,

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

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

6. PROPERTY, PLANT AND EQUIPMENT

Land is not depreciated as it is deemed to have an indefinite life. Property, plant and equipment (owned and leased) are stated at cost less any accumulated depreciation and adjusted for any impairments. Depreciation is calculated on the straight-line method to write off the cost of each asset to estimated residual value over its estimated useful life as follows:

– Buildings	5%
– Computer equipment	33%
– Computer software	100%
– Office furniture and fittings	20%
– Office equipment	20%
– Motor vehicles	20%

The estimated useful life of the assets is limited to the remaining period of the licence issued to the Seta by the Minister of Labour. For the current period the remaining period is five periods within the new Seta (refer note 17: events after balance sheet date) (2004/05: 5 periods).

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

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

Accounting policies to the annual financial statements

for the three months ended 30 June

7. BORROWINGS AND BORROWING COSTS

In terms of section 66(3) of the Public Finance Management Act, 1999, a public entity may only through the Minister of Finance borrow money or, in the case of the issue of a guarantee, indemnity or security, only through the Minister of Labour acting with the concurrence of the Minister of Finance.

In terms of section 32.1.1 of the treasury regulations, a public entity may borrow money for bridging purposes with the approval of the Minister of Finance, subject to certain conditions.

Borrowing costs are recognised as an expense in the period in which they have been incurred.

8. RETIREMENT BENEFIT COSTS

The entity operates a defined contribution benefit plan, the assets of which are generally held in separate trustee-administered funds. The plan is generally funded by payments from the entity and employees, taking account of the recommendations of independent, qualified actuaries. Payments to defined contribution retirement benefit plans are charged to the income statement in the year to which they relate.

9. 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.

9.1 Provision for employee entitlements

The cost of other employee benefits (not recognised as retirement benefits – see note 8 above) 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 at the balance sheet date. Provisions included in the balance sheet are provisions for leave (based on the current salary rates), bonuses and termination benefits.

9.2 Provisions for grants

Grant payments

A provision is recognised for grant payments once the specific criteria set out in the regulations to the Skills Development Act, 97 of 1998 have been complied with by member companies and it is probable that the Seta will approve the payments. The measurement of the obligation involves an estimate, based on the established pattern of past practice of approval for each type of grant. No provision for year 6 grants has been made.

Projects

No provision is made for projects approved at period-end, unless the service in terms of the contract has been delivered or the contract is of an onerous nature. Where a project has been approved, but has not been accrued for or provided for, it is disclosed as commitments in the notes to the financial statements.

10. FINANCIAL INSTRUMENTS

Recognition

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

Accounting policies to the annual financial statements

for the three months ended 30 June

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

Measurement

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

Financial assets

The Seta's principal financial assets are accounts and other receivables and cash and cash equivalents.

Accounts and other receivables

Accounts and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Financial liabilities

The Seta's principal financial liabilities are interest bearing borrowings, accounts and other payables, and bank overdrafts.

All financial liabilities are measured at amortised cost, comprising original debts less principal payments and amortisations, except for financial liabilities held for trading and derivative liabilities, which are subsequently measured at fair value.

11. RESERVES

	Three months ended 30 June 2005 R'000	2004/5 R'000
Equity is sub-classified in the balance sheet between the following funds and reserves:		
— Administrative reserve	980	8 923
— Employer grant reserve	27 636	60 974
— Discretionary reserve	112 454	75 931
	<u>141 070</u>	<u>145 828</u>

This sub-classification is made based on the restrictions placed on the distribution of monies received in accordance with the regulations issued in terms of the Skills Development Act, 1998 (Act No. 97 of 1998).

Member 'employer company' levy payments are set aside in terms of the Skills Development Act and the regulations issued in terms of the Act, for the purpose of:

Accounting policies to the annual financial statements

for the three months ended 30 June

	Three months ended 30 June 2005	2004/5
	%	%
Administration costs of the Seta	10	10
Employer grant fund levy	50	60
Mandatory workplace skills planning grant	50	15
Mandatory workplace skills implementation grant	–	45
Discretionary grants and projects	20	10
	<u>80</u>	<u>80</u>

In addition, contributions received from public service employers in the national or provincial spheres of government may be used to pay for its administration costs. Interest and penalties received from SARS, as well as interest received on investments, are used for discretionary grants and projects. Other income received is used in accordance with the original source of the income.

The net surplus/deficit is allocated to the administration reserve, the mandatory grant reserve and the discretionary fund reserve based on the above percentages. Surplus funds are moved to the discretionary fund reserve from the administration reserve at the end of the financial period. Mandatory grant surplus funds that are received from employers relating to the previous period (2005) are transferred to the discretionary fund at the end of the current financial period.

12. COMPARATIVE FIGURES

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

Poslec Seta
Notes to the annual financial statements

for the three months ended 30 June

1. ALLOCATION OF NET SURPLUS FOR THE PERIOD TO RESERVES:

	Total per income statement	Administration reserve	Employer grants reserve			Discretionary reserve			Total discretionary
			Mandatory skills planning grant	Mandatory skills implementation grant	Total	Discretionary grants	Special projects	Seta projects	
Total revenue	25 962	6 046	3 115	9 344	12 459	4 904	–	2 554	7 457
Skills development levy: income									
Admin levy income (10%)	5 529	5 529	–	–	–	–	–	–	–
Grant levy income (70%)	17 362	–	3 115	9 344	12 459	4 904	–	–	4 904
Skills development levy: penalties and interest	249	–	–	–	–	–	–	249	249
Investment income	2 305	–	–	–	–	–	–	2 305	2 305
Other income	517	517	–	–	–	–	–	–	–
Total expenses	30 720	5 066	(34)	16 706	16 671	–	8 982	–	8 982
Administration expenses	5 066	5 066	–	–	–	–	–	–	–
Employer grants and project expenses	25 654	–	(34)	16 706	16 671	–	8 982	–	8 982
	(4 758)	980	3 149	(7 362)	(4 213)	4 904	(8 982)	2 554	(1 525)

Poslec Seta
Notes to the annual financial statements

for the three months ended 30 June

	Notes	Three months ended 30 June 2005 R'000	2004/5 R'000
5. EMPLOYER GRANT AND PROJECT EXPENSES			
Mandatory grants		16 671	29 829
– Disbursed		16 671	29 829
Discretionary grants		–	1 054
– Disbursed		–	1 054
Project expenditure	5.1	8 983	20 647
– Disbursed		8 983	20 647
		25 654	51 530
5.1 Project expenditure consists of:			
Direct project costs		8 983	20 647
		8 983	20 647
6. ADMINISTRATION EXPENSES			
Depreciation		249	955
Operating lease rentals (minimum lease payments)		251	849
Buildings		223	711
Plant, machinery and equipment		29	138
Maintenance, repairs and running costs		326	1 275
Property and buildings		32	375
Machinery and equipment		287	875
Other		6	25
Advertising, marketing and promotions, communication		244	820
Entertainment expenses		1	70
Consultancy and service provider fees		3	392
Legal fees		174	339
Cost of employment	6.1	2 083	7 811
Travel and subsistence		96	370
Staff training and development		1	102
Remuneration to members of the accounting authority		267	483
Remuneration to members of the audit committee		16	76
External auditor's remuneration		35	108
Audit fees		35	108

Poslec Seta
Notes to the annual financial statements

for the three months ended 30 June

	Notes	Three months ended 30 June 2005 R'000	2004/5 R'000
Other		1 320	2 611
Other expenses		764	410
Telephone and fax		108	273
Insurance		49	118
Meetings and workshops		46	304
Postage		95	156
Recruitment		–	223
Stationery and printing		117	331
Subscriptions and publications		53	168
Communications: mobile		22	87
Audit fees: internal		66	541
Less: amounts allocated to project expenditure		<u>5 066</u>	<u>16 261</u>
6.1 Cost of employment			
Salaries and wages		1 921	7 252
Basic salaries		1 903	7 122
Leave payments		4	76
Overtime payments		14	54
Social contributions		162	559
Medical aid contributions		87	291
Pension contributions: defined contribution plans		66	237
UIF		9	31
Allocation of cost of employment		<u>2 083</u>	<u>7 811</u>
Administration expenses	6	<u>2 083</u>	<u>7 811</u>
		<u>2 083</u>	<u>7 811</u>
Average number of employees		35	32

Refer to the report by the accounting authority for full disclosure concerning the emoluments of members of the accounting authority, the chief executive officer and the senior managers.

Poslec Seta
Notes to the annual financial statements

for the three months ended 30 June

	Cost R'000	Accumulated depreciation/ impairment R'000	Closing carrying amount R'000
7 PROPERTY, PLANT AND EQUIPMENT			
Period ended 30 June 2005			
Computer equipment	2 941	(1 693)	1 248
Computer software	1 786	(1 744)	42
Office furniture and fittings	974	(559)	415
Motor vehicles	121	(114)	7
Balance at end of period	5 822	(4 110)	1 712
Made up as follows:			
– Owned assets	5 822	(4 110)	1 712
Period ended 31 March 2005			
Computer equipment	2 757	(1 571)	1 186
Computer software	1 786	(1 671)	115
Office furniture and fittings	938	(512)	427
Motor vehicles	121	(107)	14
Balance at end of period	5 602	(3 860)	1 742
Made up as follows:			
– Owned assets	5 602	(3 860)	1 742
Period ended 31 March 2004			
Computer equipment	1 507	(984)	523
Computer software	1 487	(1 467)	20
Office furniture and fittings	613	(371)	242
Motor vehicles	121	(82)	39
Balance at end of period	3 728	(2 904)	824
Made up as follows:			
– Owned assets	3 728	(2 904)	824

Notes to the annual financial statements

for the three months ended 30 June

	Carrying amount 2004 R'000	Additions R'000	Depreciation/ amortisation charge R'000	Carrying amount 2005 R'000
Movement summary June 2005				
Computer equipment	1 186	185	(123)	1 248
Computer software	114	–	(71)	43
Office furniture and fittings	427	35	(48)	414
Motor vehicles	15	–	(8)	7
Balance at end of period	1 742	220	(250)	1 712

	Carrying amount 2003 R'000	Additions R'000	Depreciation/ amortisation charge R'000	Carrying amount 2004 R'000
Movement summary 2004				
Computer equipment	523	1 250	(587)	1 186
Computer software	20	298	(203)	115
Office furniture and fittings	242	325	(140)	427
Motor vehicles	39	–	(25)	14
Balance at end of period	824	1 873	(955)	1 742

8. ACCOUNTS RECEIVABLE

	Notes	Three months ended 30 June 2005 R'000	2004/5 R'000
Skills development levy debtors		13 366	11 895
Admin levy debtors		1 666	1 318
Employer grant levy debtors		8 325	9 128
Discretionary grant debtors		3 375	1 449
Employer receivables	8.2	104	87
Interest receivable		575	416
Other receivable		72	–
Insurance paid in advance		72	–
Allowance of doubtful debts	8.2	(33)	(33)
		14 084	12 365

Poslec Seta
Notes to the annual financial statements

for the three months ended 30 June

	Three months ended 30 June 2005 R'000	2004/5 R'000
8.1 Retrospective amendments by SARS		
Included in skills development levy debtors is:		
SARS receivable/(payable)		
Opening carrying amount	(87)	(130)
Net effect of SARS adjustments for the current period	(17)	43
Closing carrying amount	(104)	(87)

8.2 Employer receivable

Employer receivable		
Overpayment to employers	131	87
Provision for grants payable	(27)	-
	104	87
Allowance for doubtful debt	(33)	(33)

During the period under review, the Seta increases the provision for employer receivable by R17 000. The current period's R104 000 is recognised as a receivable relating to overpayment to the employer in earlier periods, and is based on the amount of such grant overpayments. An amount of (R32 500) was provided for as doubtful debt in the previous period (2004/5). No additional amount has been provided for in this current financial period.

9. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	40 396	44 780
Cash at bank	40 395	44 780
Cash on hand (petty cash)	1	-
Short term investments/instruments	93 922	92 462
Cash and cash equivalents at end of period	134 318	137 242

* Refer to note 21 for error adjustment

As required in treasury regulation 31.2, National Treasury approved financial institutions where the bank accounts are held. The weighted average interest rate on short term bank deposits was 6% (2004: 6%).

Poslec Seta
Notes to the annual financial statements

for the three months ended 30 June

	Three months ended 30 June 2005 R'000	2004/5 R'000
10. ACCOUNTS PAYABLE		
Service provider fees outstanding	5 940	2 582
	5 940	2 582
11. GOVERNMENT GRANTS AND DONOR FUNDING RECEIVED IN ADVANCE		
Opening balance	703	703
Closing balance	703	703

During the period no additional grants were received

12. PROVISIONS

	Employee leave provision	Employee bonus provision	Three months ended 30 June 2005	2004/05 R'000
Opening carrying amount	354	87	441	293
Amounts utilised	-	-	-	(102)
Change in estimate	153	12	165	250
Closing carrying amount	507	99	606	441
Current	507	99	606	441
Total	507	99	606	441

	Three months ended 30 June 2005 R'000	2004/5 R'000
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13. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO NET SURPLUS

Net surplus/(deficit) as per income statement	(4 758)	28 185
Adjusted for non-cash items:		
Depreciation	249	955
Increase/(decrease) in provisions	165	148
Relating to employment	165	148
Investment income	(2 305)	(8 122)
(Increase)/decrease in receivables	(1 719)	5 623
Increase/(decrease) in payables	3 358	(3 093)
Movement in Vat receivable/payable	-	1 491
Cash generated from/(utilised in) operations	(5 010)	25 187

Poslec Seta
Notes to the annual financial statements

for the three months ended 30 June

14. COMMITMENTS

14.1 Discretionary reserve

Of the balance of R112,4 million available in the discretionary reserve at the end of June 2005, R62,7 million has been approved and allocated for future projects and skills priorities as set out below. Amounts for expenses that have already been contracted or incurred, and therefore included in grant expenses in the income statement 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 feedback had been received.

	Opening balance 2004/5 R'000	Approved by accounting authority R'000	Utilised R'000	Opening balance 30 June 2005 R'000	Approved by accounting authority R'000	Utilised R'000	Total R'000
14.2 Projects							
Commitments approved and contracted							
Candidate attorney learnership	1 815	329	(1 174)	970	–	–	970
Learnership for people with disabilities	520	–	–	520	–	(4)	516
Basic corrections learnership NQF 4 and 5	500	530	(246)	784	–	(329)	455
General security officers learnership NQF3	3 600	46 499	(806)	49 293	–	(3 125)	46 168
OD-ETD NQF5 (South African Police Service [SAPS] learnership)	500	1 076	–	1 576	–	(245)	1 331
Family law learnership	2 000	(1 028)	–	972	–	(1)	971
Court services management NQF 5	2 000	445	(859)	1 586	–	(17)	1 569
Moderator training	1 000	1 732	(1 893)	839	–	(142)	697
Training of verifiers	500	517	(954)	63	–	(118)	(55)
Assessor training	500	2 859	(2 919)	440	–	(574)	(134)
SMME empowerment	709	107	(130)	686	–	(185)	501
Abet phase 2	3 236	2 544	(3 093)	2 687	–	(275)	2 412
Skills audit for corrections	2 500	5 347	(439)	7 408	–	(1 361)	6 047
Skills audit for SAPS	4 500	2 346	(6 481)	365	–	(2 487)	(2 122)
Rollout Firearms Control Act		320	(113)	207	–	–	207
SAPS internship		911	(255)	656	–	–	656
Investors in People		714	(112)	602	–	–	602
Court interpreting learnership		532	(132)	400	–	(72)	328
Establish call centre		446	(52)	394	–	(47)	347
Mentorship training		1 617	(954)	663	–	–	663
SSP 2005 – 2010		604	(35)	569	–	–	569
TOTAL	23 880	68 447	(20 647)	71 680	–	(8 982)	62 698

* Accounting authority had given authority for project overrun.

Poslec Seta
Notes to the annual financial statements

for the three months ended 30 June

Three months ended 30 June 2005 R'000	2004/5 R'000
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15. OPERATING LEASES

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

Not later than one period	789	138
Later than one period and not later than five periods	511	711
	1 300	849

Poslec Seta has three leases in operation viz:

- a) The first operating lease relates to premises used for office accommodation.
 The lease agreement was entered into effective 1 June 2003 and will be operational for a period of three periods, expiring on 31 May 2006. Provision was made for an option to renew the lease for a further two periods on expiry. The rental escalates annually on 1 June with 8%.

- b) The second lease relates to the PABX system. It was entered into on 1 August 2000 and renewed on 31 October 2004. The contract is valid for a period of five periods, expiring on 31 October 2009, escalating annual with 10%.

- c) The third operating lease is for a photocopier. It was entered into on 1 July 2005 and will be operational for three periods, expiring on 30 June 2008, escalating annually with 10%.

16 EVENTS AFTER BALANCE SHEET DATE

16.1 Amalgamation with another Seta

The Minister of Labour has decided to amalgamate Poslec Seta and Didteta with effect from 1 July 2005 to form one Seta as a going concern. This has been effected in terms of Regulation 4 of the regulations regarding the establishment of Setas, published in the Government Gazette No. R 106 of 4 February 2005.

17. FINANCIAL INSTRUMENTS

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

Interest rate risk

The Seta manages its interest rate risk by effectively investing Seta surplus cash in term deposits with different financial institutions according to the Seta's investment policy.

Poslec Seta
Notes to the annual financial statements

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The Seta's exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date are as follows:

	Floating rate	
	Amount	Effective interest rate
Period ended 30 June 2005		
Assets		
Cash	134 318	7%
Accounts receivable	14 084	11%
Total financial assets	148 402	
Liabilities		
Accounts payable	8 438	11%
Total financial liabilities	8 438	
Period ended 31 March 2005		
Total financial assets	149 607	6%
Total financial liabilities	5 080	11%
	154 687	

Credit risk

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

The Seta limits its treasury counterparty exposure by dealing only with well-established financial institutions that are rated no less than AAA and approved by National Treasury through the approval of their investment policy in terms of treasury regulation 31.3. The Seta's exposure is continuously monitored by the chief financial officer.

Credit risk with respect to levy paying employers is limited due to the nature of the income received. The Seta does not have any material exposure to any individual or counterparty. The Seta's concentration of credit risk is limited to the sector (policing, security, legal, corrections and justice) in which the Seta operates. No events occurred in the sector during the financial period that may have an impact on the accounts receivable that has not been adequately provided for. Accounts receivable are presented net of allowance for doubtful debt.

Liquidity risk

The Seta manages liquidity risk through proper management of working capital, capital expenditure and actual vs forecasted cash flows. Adequate reserves and liquid resources are also maintained. In case of liquidity problems funding resources are available in terms of the Department of Labour (DoL) and National Treasury.

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 period of which the Seta is aware.

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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 instrument was carried at an amount in excess of its fair value.

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

Cash and cash equivalents

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

Accounts receivable

The carrying amount of accounts receivable, net of allowance for bad debt, approximates fair value due to the relatively short-term maturity of these financial assets.

Accounts payable

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

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18. RELATED PARTY TRANSACTIONS

Transactions with other Setas

Inter-Seta transactions and balances arise from the movement of employers from one Seta to another. No other transactions occurred during the period with related parties.

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

		Three months ended 30 June 2005		2004/5 R'000	
		Transfers in/(out) during the period	Amount receivable/ (payable)	Transfers in/(out) during the period	Amount receivable/ (payable)
RECEIVABLES	9	-	-	1 185	1 185
Isett Seta		-	-	82	82
Services		-	-	691	691
Fasset		-	-	174	174
HWSeta		-	-	24	24
W&RSeta		-	-	137	137
MQA		-	-	77	77
PAYABLES	11	-	-	(1 272)	(1 272)
Services		-	-	(418)	(418)
Chieta		-	-	(774)	(774)
Merseta		-	-	(80)	(80)
TOTAL		-	-	(87)	(87)

19. CONTINGENCIES

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

19.2 A contingent liability of R115 000 is in respect of legal fees relating to outstanding cases at the end of the financial period.

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

There were no material losses through criminal conduct, irregular, fruitless and wasteful expenditure incurred during the nine months ended 30 June 2005.

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21. ERROR

Investments were not stated at the fair value on 31 March 2005. The financial statements of 31 March 2005 have been restated to correct this error. Due to the fact that the interest was recorded correctly in the financial statements, this error has no effect on the reserves. The effect of the restatement on those financial statements is as follows:

	31 March 05
	R'000
Increase in cash and cash equivalent	<u>2 462</u>
Decrease in accounts receivable	<u>(2 462)</u>
Net effect	<u><u>-</u></u>



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