



National Economic  
Development &  
Labour Council

# Annual Report

**2014-2015**



National Economic  
Development and  
Labour Council

Annual Report  
2014-2015

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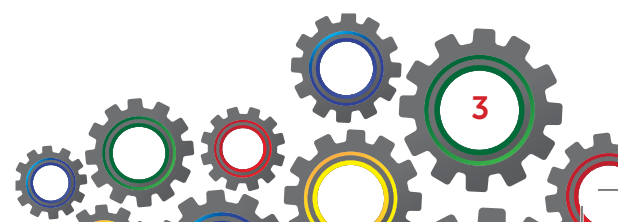




National Economic  
Development &  
Labour Council

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A large wind turbine stands in a green field under a cloudy sky, with many birds flying around it. The turbine is a three-bladed model, and the field is a vibrant green. The sky is filled with numerous birds in flight, creating a sense of movement and nature. The overall scene is a blend of renewable energy and natural environment.

# Part A

Strategic  
Information

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# FOUNDING DECLARATION

## Growth, equity and participation

1. The democratic election of 1994 opened a new era for South Africa. It was the decisive step in the transition to democracy. Now our country must meet the challenges of social development and economic growth.
2. South Africa is a land rich in resources, with a strong and diversified economy. It has a people eager to make the democracy work. It has a well-developed physical and financial infrastructure, such as transport, telecommunications and the banking system.
3. South Africa is also characterised by severe inequality in incomes, skills, economic power, ownership, and a skewed pattern of social development. This, together with large-scale unemployment and inadequate economic performance, has created major problems in our society.
4. Government, organised labour, organised business and community-based organisations need to develop and strengthen cooperative mechanisms to address the challenges facing our new democracy. Our three defining challenges are:

**Sustainable economic growth** - to facilitate wealth creation; as a means of financing social programmes; as a spur to attracting investment; and as the key way of absorbing many more people into well-paying jobs.

**Greater social equity** - both at the workplace and in the communities - to ensure that the large-scale inequalities are adequately addressed, and that society provides, at least, for all the basic needs of its people.

**Increased participation** - by all major stakeholders, in economic decision-making, at national, company and shopfloor level - to foster cooperation in the production of wealth, and its equitable distribution.

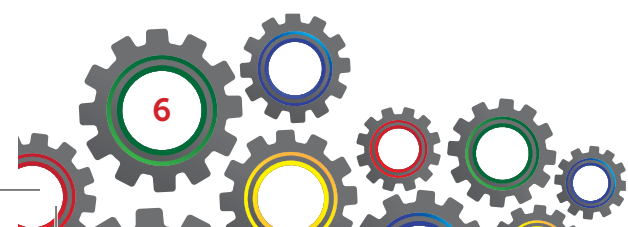
Meeting these challenges is critical to the success of the Reconstruction and Development Programme.

The National Economic Development and Labour Council (Nedlac) is the vehicle by which government, labour, business and community organisations will seek to cooperate, through problem-solving and negotiation, on economic, labour and development issues, and related challenges facing the country.

Nedlac will conduct its work in four broad areas, covering:

- Public finance and monetary policy.
- Labour market policy.
- Trade and industrial policy.
- Development policy.

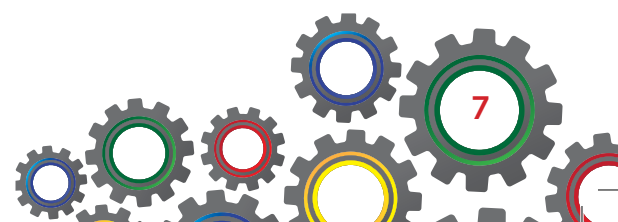
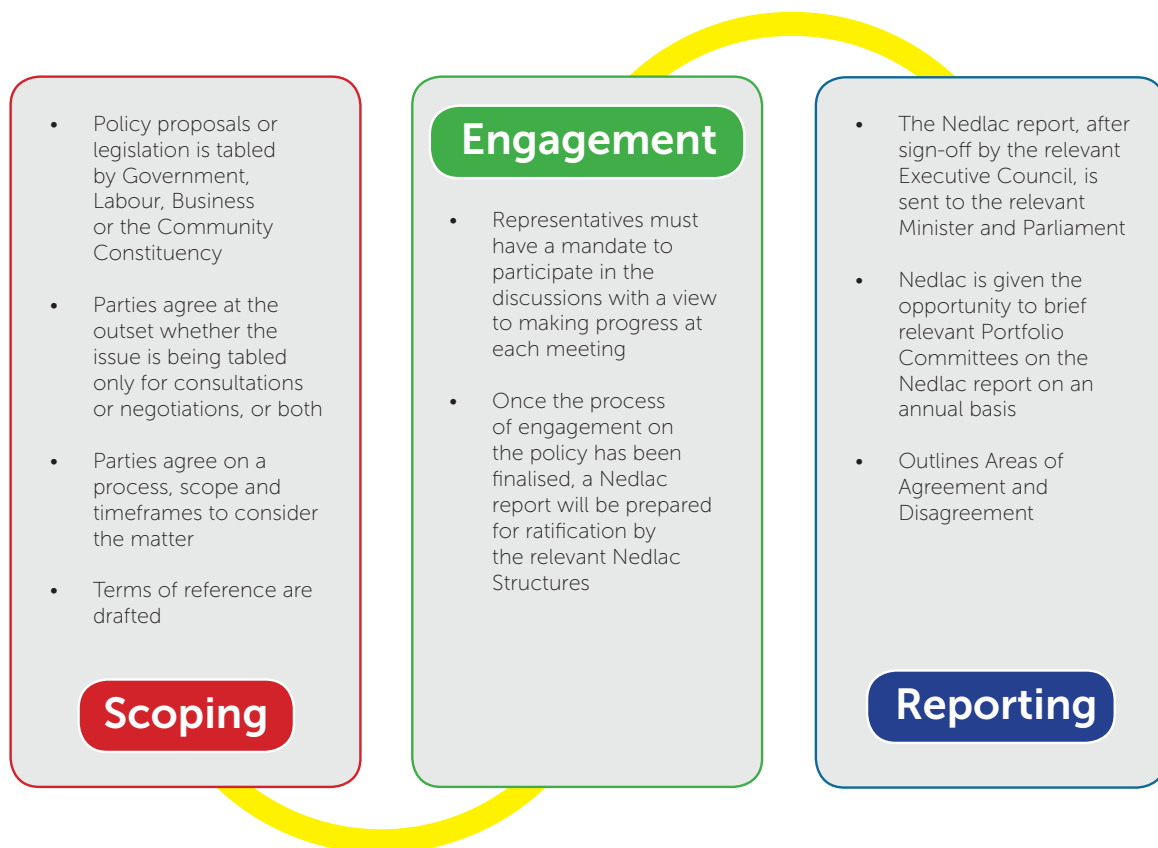
Nedlac is established in law through the National Economic Development and Labour Council Act, Act 35 of 1994, and will operate in terms of its own constitution.



# OUR MANDATE

Nedlac implements its mandate on the basis of the following:

- The Nedlac Constitution, which provides the framework for Nedlac's composition, governance and engagement structures.
- The Nedlac Protocol, which details the Nedlac engagement process including categorizing these processes and allocating time-frames for each category.
- The Section 77 Protocol which guides the Nedlac process by addressing notices that are lodged at Nedlac in terms of Section 77 of the Labour Relations Act.





# STRATEGIC OVERVIEW

This section provides a synopsis of the strategic framework of the organisation.

## Vision

To promote growth, equity and participation through social dialogue.

## Mission

To give effect to the Nedlac Act by ensuring effective public participation in labour-market and socio-economic policy and legislation and to facilitate consensus and cooperation between Government, Labour, Business and the Community in dealing with South Africa's socio-economic challenges.

## Values

We respect and promote:

- Accountability
- Transparency
- Integrity and ethical conduct
- A spirit of partnership
- Problem solving and consensus seeking.

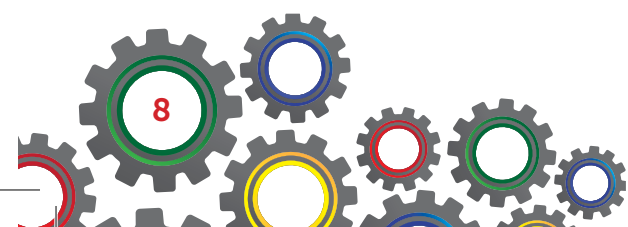
## LEGISLATIVE AND OTHER MANDATES

Nedlac is a statutory body which is governed and mandated by the National Economic Development and Labour Council Act, Act 35 of 1994.

Nedlac's work programme is largely determined by the legislative and policy programme of government as well as issues tabled by constituencies. These issues can be tabled at a Chamber, Management Committee (Manco) or the Executive Council (Exco).

Issues that are tabled at the Manco or Exco are referred to the appropriate Chambers for negotiation or consultation: Trade and Industry; Public Finance and Monetary Policy; Labour Market; and Development. Issues of a cross cutting nature are dealt with by the Manco and/or Exco usually through special task teams.

There have been no changes in the legislative mandate of Nedlac.



## MESSAGE FROM THE ACTING EXECUTIVE DIRECTOR

The 2014 -15 financial year has been a year of change at the management level of Nedlac. The Chief Financial Officer, Ms Ronell Maartens, resigned on 22 May 2015, and served on a part-time basis from 01 July until 31 July 2015. An Acting Chief Financial Officer, Ms Michelle Govender, was appointed on a contractual basis from 10 July – 30 November 2014. Mr Mfanufikile Daza was subsequently appointed as the Chief Financial Officer on 15 December 2014. The Executive Director, Mr Alistair Smith also resigned from the organisation on 08 January 2015. A process is currently underway to appoint a new Executive Director. I therefore write this message in my capacity as the Acting Executive Director.

Despite these changes, Nedlac has strengthened its performance and governance in a number of respects. These include the following:

- Compliance with the requirements of the Nedlac Protocol has been further strengthened with an increasing number of policy and legislative matters, tabled for engagement at Nedlac Chambers, being addressed with the required maximum period of six months.
- An amended Nedlac Constitution has been adopted by the Executive Council. This amended Constitution facilitates compliance with National Treasury's legislation and regulations with regard to organisational governance and financial management.
- The organisation's financial policies have been updated and approved by the Executive Council, together with the information technology policies.

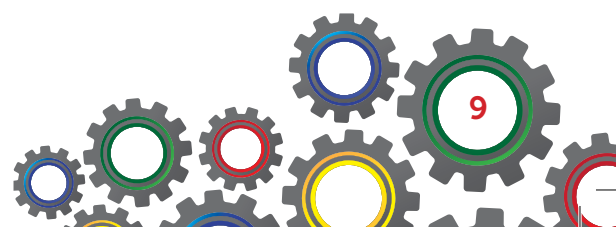


**Mahandra Naidoo**

- A Risk Management Committee has been established, which will assist with the early identification and amelioration of risks.

The social partners have embarked on a series of engagements to address the challenges in our labour market, particularly the ongoing crisis of unemployment. These engagements emanated from President Zuma's State of the Nation Address (SoNA) of 17 June 2014 where the President announced that Deputy President Cyril Ramaphosa would convene a social partner dialogue, under the ambit of Nedlac, on wage inequality and labour relations.

A Labour Relations Indaba was subsequently held on 04 November 2014, under the leadership of Deputy President Ramaphosa. This Indaba focused on initiating the Nedlac process on wage inequality and labour relations. Arising from the Indaba, two Nedlac technical task teams have been engaging on labour relations and wage inequality respectively. These task teams report to a Committee of Principals which comprises senior leadership of all four constituencies and is chaired by the Deputy President. Both task teams are expected to conclude their work in the 2015 – 16 financial year.





Despite the strides we have made in our internal policy and governance practises, the qualified audit from the Auditor-General South Africa shows that there is still work to be done in the organisation, particularly on strengthening the financial management systems.

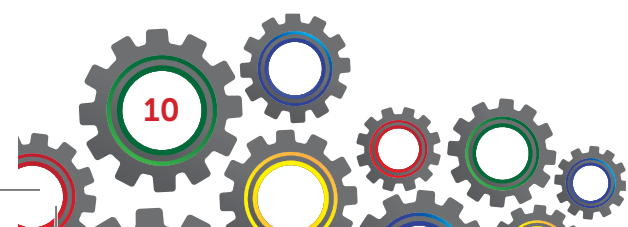
The findings of the Auditor-General will form a critical focus for Nedlac in the 2015 – 16 financial year. Priorities in this regard will include monitoring of the implementation of all finance policies; enhanced oversight of the Supply Chain Management Unit, including further training initiatives; and compliance with National Treasury regulations. This is particularly evident in the labour relations and wage inequality engagements, where social partners have engaged constructively to achieve a mutually acceptable outcome.

Nedlac continues to play a key role in bringing together the social partners to address the pressing challenges facing this country. The labour relations and wage inequality engagements have proved that there is political will in this country for social partnership and joint initiatives to address the challenges of inequality, unemployment and poverty in South Africa.

Although my role as Acting Executive Director commenced towards the end of the 2014 – 15 financial year, I would wish to thank the Overall Convenors, members of Nedlac's governance structures and the staff of the Nedlac Secretariat for the assistance and support that I received during this period.

**Mahandra Naidoo**

Acting Executive Director



## MESSAGE FROM THE OVERALL CONVENOR BUSINESS

As we move towards realising the National Development Plan's Vision 2030, we need to reflect on our progress towards more radical socio-economic transformation which will be needed to address the triple challenges of poverty, unemployment and inequality. To overcome these challenges we need robust social dialogue, which in turn needs a strong Nedlac.

Despite the heavy load of policy and legislation tabled last year, Nedlac concluded a number of agreements on legislation and policy. These include the Public Administration Management Bill, Expropriation Bill, the Restitution of Land Rights Amendment Bill, Promotion and Protection of Investment Bill, The code of Good practice and the Administrative Adjudication of Road Traffic Offences (Aarto) regulations on Equal pay for work of equal value and the Administrative Adjudication of Road Traffic Offences (Aarto) regulations. I am confident that all of this legislation was improved by the robust Nedlac engagements. Completion of these tasks within the timeframe set in the Nedlac Protocol is testament to the dedication of not only constituency representatives but also the Nedlac secretariat.

There is no doubt that when all stakeholders are committed to achieving consensus, greater social cohesion can be built, which in turn leads to policy which is likely to be more successfully implemented than when there significant stakeholder resistance. Nedlac remains seized with a number of important tasks not the least of which is the implementation of the Labour Indaba, which is being pursued through a Committee of Principals supported by two technical task teams. Business has responded to the leadership of the process by the Deputy President be fielding prominent business leaders to the process. Good progress is being made towards the development of an approach to a national minimum wage and increased stability in the Labour Market. The process is receiving priority attention by the organisation.

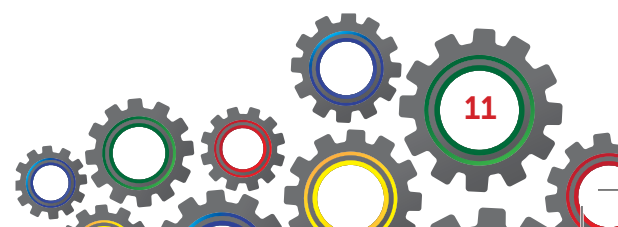
Business continues to ensure that business plays a constructive role in the country's economic growth, development and transformation and to create an



environment in which businesses of all sizes and in all sectors can thrive, expand and be competitive. These overall objectives form the benchmark against which Business engagement is measured. The annual strategic engagement with the Minister of Trade and Industry reflects the importance of practical implementation of IPAP as a key element of the two imperatives of job creation and economic growth.

I wish to thank the Business representatives in the various structures of Nedlac, particularly the chamber convenors for their ongoing commitment to social dialogue and consequently contributing to the successful completion of a number of agreements during the year.

**Laurraine Lotter**  
Overall Convenor  
Business





## MESSAGE FROM THE OVERALL CONVENOR COMMUNITY

Nedlac as the primary institution for social dialogue and has played a pivotal role since its inception in making sure that consensus is reached in negotiations on socio-economic policy matters. Since inception, Nedlac has promulgated various and important pieces of policies and amendments; Basic Conditions of Employment Equity Act, Special Economic Zones Bill, legislative changes proposed by Nedlac relate to the Customs Duty Bill and Customs Control Bill, etc. Currently Nedlac is at the forefront and spearheading minimum wage negotiations.

On the minimum wage, Community Constituency feels very strongly that labour laws should be strengthened, and the state should not stand in the way of any community that wants to create a higher minimum wage or decrease the number of hours required to be considered full-time. With increasing automation, menial jobs will be going away, leading to more unemployment, and we need to be proactive in finding ways to allow people to have a decent lifestyle even with less employment available. Creating a higher minimum wage is a part of that.

Accords that were promulgated via Economic Development Department in consultation with Nedlac social partners should be turned into policy. At the moment, they are pieces of work that do not bind actors within the socio-economic platform. All accords should be turned into policy via Nedlac. That will assist in the implementation, monitoring and evaluation.

There are few points for discussion in terms of issues concerning communities at large which these accords should be supported with. Here with the points below.

1. The social grants programs – The government should put into legislation that every social grant government beneficiary should be allocated a role in the society to play in ensuring that they contribute to the country and the societal developmental needs, such as agriculture and environmental clean society. From these view Woman in Agriculture can be uplifted from the social grant program. The One Home One Garden, One Street One Garden and farming programs can be revitalised from the social grant program. That is why legislation should play a role in this instance.



**Dumisani Mthlane**

2. Black Industrialisation – Youth development and woman in business should be strengthened through the involvement of Contralesa. It can address the need of youth unemployment and Poverty in the main society base. Construction of factories which can create employment in the community base at municipality level can boost the local business and the local people. Contralesa should be at the helm of economic growth and development. Factories such as shoe factory, clothing and Automotive mobile electronics services can create more than 2 000 000 jobs.

3. Social, Youth and Community Development can be strengthened through the employment of Social Workers in strengthening service in the community level in assisting ward counsellors and the municipalities as a whole. The role of social workers is key in community development and in restorative justice. The community need one nether to FastTrack service delivery. The involvement of the social workers will ease the work load in municipal wards through better understanding of societal issues. More than 1 000 000 jobs can be created in this program.

The labour council can assist in ensuring that all this can be generated into a policy which will mean that there will be an increase in economic growth mission and vision in ensuring that it becomes a reality.

**Dumisani Mthlane**

Overall Convenor  
Community

## MESSAGE FROM THE OVERALL CONVENOR GOVERNMENT

Once again we conclude the Nedlac Annual Report in an atmosphere of enormous challenges in the country, particularly in the labour market.

We came through a bruising five month labour dispute in the platinum sector last year – the longest industrial dispute in South Africa's history. We are now reading reports of retrenchments in the mining industry and still seeing no sign of significant dents to the employment figures.

We are therefore very pleased that Nedlac is managing the engagements arising from the Labour Relations Indaba in November 2014. The Indaba gave rise to two streams of work dealing with: labour relations and; introduction of a national minimum wage. We applaud the secretariat for taking on this extra workload which has involved research, legal opinions, workshops and an international conference which was hailed by delegates from across the sectors as extremely successful. We firmly believe the introduction of a national minimum wage will play a significant role in closing the wage gap and alleviating poverty in this country – these are very important particularly given the high levels of unemployment in South Africa.

Nedlac has done a great deal of work over the past while regarding Governance and has developed a number of policies and procedures to ensure the organization runs smoothly and efficiently. We are seeing the fruits of a strengthened secretariat and are pleased that Nedlac has, despite the difficulties of working with four social partners, managed to keep within the six month turn-around time prescribed by the Protocol for Tabling Issues at Nedlac.

The Annual Report has shown a strong management leadership in ensuring the targets of the Annual Performance Plan have been met. This is despite the resignation of the former Executive Director and pays testimony to the hard work of the secretariat in keeping the organization moving smoothly even during the most challenging of times. We also want to thank Mahandra Naidoo for stepping up and agreeing to manage the organization while we search for a



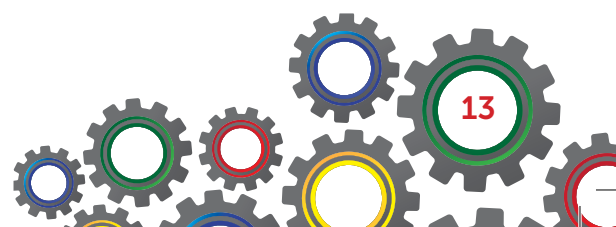
**Thembinkosi Mkalipi**

new Executive Director. He has done a very good job in difficult circumstances.

As Government we continue to give our full support to the work of this important institution. 20 years of social dialogue have delivered much – particularly in the form of progressive labour legislation. But our struggle is far from over. We hope the Labour Relations process will bring in a new way of social interaction and we encourage all the social partners to prioritise this institution for the value it adds.

### **Thembinkosi Mkalipi**

Overall Convenor  
Government





## MESSAGE FROM THE OVERALL CONVENOR LABOUR

2014 painted a gloomy picture of a global economic crisis and the impact of such on our domestic situation. It was clear to us then as it is now that unemployment, poverty and inequality would be our challenge for the foreseeable future. We echoed then the wise words of Joseph Stiglitz when he warned that the road towards sustainable recovery and development requires proactive employment-centred, inclusive growth strategies and coherent policy framework. These are needed at global and national levels in industrialised and developing economies alike.

It is worth repeating that Nedlac as an institution is doing everything possible to engage on all socio-economic policy paradigms. However, the challenges of unemployment, poverty and inequality have not improved and in fact the situation has worsened. The public in the midst of these challenges and the faith in social dialogue currently has raised the issues of Nedlac contribution. This may not be a fair question as its scope is limited only to policy formulation that feeds to cabinet process and/or to legislation drafting that goes to Parliament for consideration. The public is right to raise concerns about the contribution of Nedlac in resolving these challenges as they would have expected Nedlac through social dialogue to resolve them.

In our 2013 assessment, Nedlac social partners concluded that many people were not familiar and/or aware of the role and impact Nedlac plays and its impact in addressing the socio-economic challenges that our country faces. In that regard we conceded that we might not have communicating well with the public thus we established the communication unit. Whether or not the public perception on Nedlac has changed need further assessment. In addition, we further accepted that there were many in government who thought that Nedlac was taking too long to respond to policy formulation including the fact that negotiators were too junior. Again, we resolved to send senior representatives to all structures be it chambers, the management committee or the Executive Council. Organised labour holds the view that Nedlac has turned the corner and has made major improvements on how it operates.



Some of the many issues that Nedlac considered during the period under review include:

- The Mines Health and Safety Bill which seeks to improve health and safety conditions in the mines and to ensure that both the mining houses and their contractors are held responsible for the safety of the mineworkers.
- The National Scholars Transport policy which seeks to ensure safe transport for scholars to and from school in the rural and disadvantaged areas in response to the many horrific accidents that have claimed the lives of learners.
- The National Land Transport Act which will help to ensure a more integrated approach to transport between the different spheres of government.
- The White Paper on mainstreaming the Rights of Persons with Disability to Equality and Dignity which it is hoped will help to integrate the needs and rights of persons with disabilities throughout our society.

In this regard it is important to emphasise the need for government to ensure that Bills and policy proposals are tabled promptly to Parliament and Cabinet respectively after they have left Nedlac.

The world economy continues to expand at rates well below the trends that preceded the beginning of the global crisis in 2008 and is unable to close the significant employment and social gaps that have emerged. The challenges of bringing unemployment and underemployment back to the pre crisis levels now appears as daunting a task as ever, with considerable societal and economic risks associated with the situation.

The global report finds that global employment gap caused by the crisis continues to widen and that the outlook would continue to deteriorate in the coming years. Over 202 million people were unemployed in 2014 around the world, over 31 million more than before the start of the global crisis. And global unemployment is expected to increase by 3 million in 2015 and by a further 8 million in the following four years. If new labour market entrants over the next five years are taken into account, an additional 280 million jobs are needed by 2019 to close the global employment gap caused by the crisis.

The employment situation is showing signs of improving in some advanced economies, while remaining difficult in much of Europe and is deteriorating in emerging and developing economies. Income inequalities have widened, delaying global economic and job recovery.

This global picture resembles the situation in our country - our unemployment level of 35% is too ghastly to contemplate and needs urgent attention by Nedlac social partners as many believe that employment and social outlook can be boosted. This can be changed provided the main underlying weaknesses are tackled. We have in place the NGP and IPAP, among other policy levers. It is clear that aggregate demand and enterprise investment need to be bolstered, including through well-designed employment, incomes, enterprise and social policies. Credit systems should be reoriented to support the real economy, notably small businesses which include solidarity and township economies - and needs to be addressed with conviction. And mounting inequalities must be addressed through carefully designed labour market and tax policies.

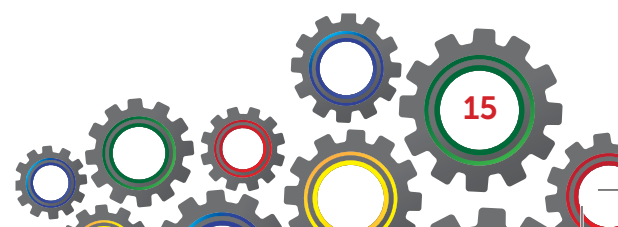
We are now in a position to tackle the crises in our country - we understand the problems and how they are to be addressed. What may be lacking

in some instances is the urgency in addressing the challenges - for example on issues of local procurement, a legislated national minimum wage and a comprehensive social security policy.

For Organised Labour the 2014-2015 financial year had both exciting and depressing moments. The South Africa labour force is growing but at a slower pace than can absorb new entrants, which has resulted in an increase of unemployment. On the other hand the national minimum wage as espoused in the Freedom Charter is eventually being addressed by social partners. Our country, through the Department of Labour, has committed us to ratifying all the ILO Conventions and Recommendations relevant to our situation. We are looking forward to the 2015 Nedlac Summit. Finally we thank Nedlac management and staff for their dedication and commitment to advancing social dialogue.

**Bheki Ntshalintshali**

Overall Convenor  
Labour





# PUBLIC ENTITY'S GENERAL INFORMATION



National Economic  
Development &  
Labour Council

**Registered name of the public entity**

National Economic Development and Labour Council (Nedlac)

**Registered office address**

14a Jellicoe Avenue, Rosebank, 2196

**Postal address**

PO Box 1775, Saxonwold, 2132

**Contact telephone numbers**

011 328 4200

**Email address**

kim@Nedlac.org.za

**Website address**

www.Nedlac.org.za

**Auditor-General of South Africa**

Contact telephone number: 012 426 8000

**Banker's information**

First National Bank, Rosebank Branch

Contact person: Liz Makgalemele: 087 311 7350

matshere.makgalemele@fnb.co.za

**Company Secretary**

Mr Mahandra Naidoo - Acting Executive Director



# Part B

Performance  
Information



# OVERVIEW OF PUBLIC ENTITY'S PERFORMANCE

## 1.1. Service Delivery Environment

Nedlac's fundamental role is to facilitate consensus between social partners, on social and economic policy and legislation, through social dialogue and engagement. The organisation has made progress in this respect. Legislation and policy that is tabled at Nedlac is has been refined and improved through the Nedlac engagement processes. There has also been increasing levels of consensus achieved, between social partners, in such legislative engagement processes.

In addition, Chambers have generally concluded their respective engagements on policy and legislation within the stipulated maximum timeframe of six months. Significant progress has therefore been made in addressing criticisms that Nedlac's engagement processes are extremely lengthy.

Nedlac's activities over the 2014 – 15 financial year were however undertaken within an environment that was influenced by external factors that included the following:

- Given that Nedlac's effectiveness is largely determined by the social partners that comprise the organisation, it is clear that internal challenges being experienced by these social partners have an impact on Nedlac's ability to implement its role. In this regard, the fact that Numsa is no longer within the Cosatu fold impacted on Nedlac structures, given that Numsa members served on many Nedlac structures, including task teams engaging on policy and legislative matters. There was therefore a consequent impact on timeframes for concluding particular engagement processes.
- The declining national growth rate, together with lower rates of employment has also led to media commentary regarding Nedlac's role in addressing economic challenges being faced by the country. This commentary has largely been negative. Nedlac's important role in engaging on key social and economic challenges has however been acknowledged by all social partners.

In this regard, and arising from President Zuma's State of the Nation Address of 17 June 2014, social partners have been engaging on the critical issues of labour relations and wage inequality. This engagement process, given its complexity and the limited timeframes, has been characterised by robust, yet constructive engagement between all social partners.

- The increasingly complex nature of the legislative matters tabled for engagement. This has an impact on constituency members participating in such engagement processes, given the additional time and capacity commitments that are required.

## 1.2. Organisational Environment

Progress has been made with regard to Nedlac's performance, through improvements that have been achieved in respect of the quality of engagements on legislation that passes through Nedlac, the time taken to conclude engagements on legislative matters and the operational efficiency of the Nedlac Secretariat.

The Nedlac Secretariat has strengthened its capacity to more efficiently support Nedlac's engagement processes, particularly through improvements in logistical and administrative processes.

Particular measures to improve compliance and efficiency that have been put in place are as follows:

- Finance policies have been updated and adopted by the Executive Council.
- Policies to improve the management and efficiency of information technology services have been developed and adopted by the Executive Council.
- Nedlac House has been renovated, in order to accommodate a larger number of concurrent meetings.
- Staff performance assessments have been undertaken on a quarterly basis.

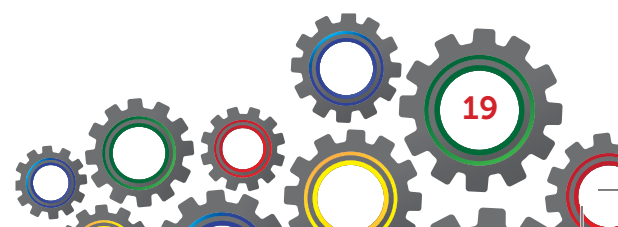
Nedlac was however required to address the following organisational challenges in the 2014 -15 financial year:

- A comparatively small budget, particularly given the additional operational and logistical requirements that have emanated from the engagement processes on labour relations and wage inequality.
- Changes at a management level, with the resignation of the Chief Financial Officer and the appointment of an Acting Chief Executive Officer on a contractual basis. A chief Financial Officer was subsequently appointed in December 2015.

This however negatively impacted on the rigorous implementation and monitoring of finance policies and procedures.

- Staff capacity within the finance section, which the Audit and Risk Committee has identified as being limited and requiring supplementation.

These issues will receive focused attention in the 2015 – 16 financial year.

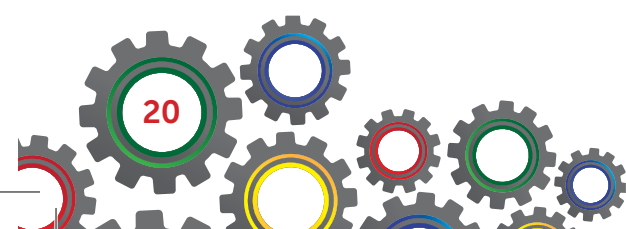


# STRATEGIC OUTCOME ORIENTED GOALS AND OBJECTIVES

This section provides performance information in respect of each of the strategic outcome oriented goals.

These goals are as follows:

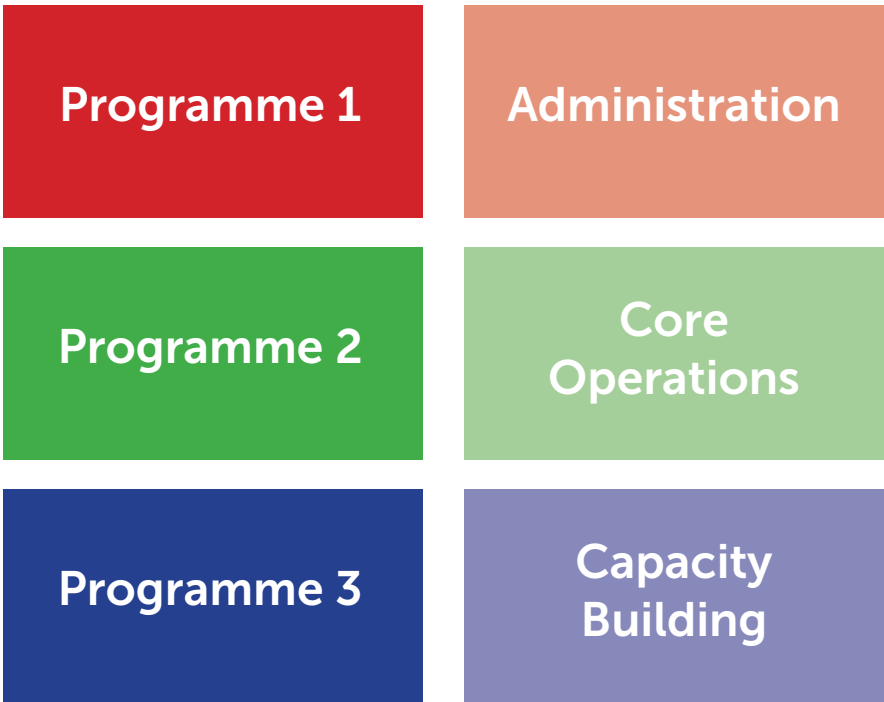
Strategic Outcome - Oriented Goal 1	Promote economic growth, social equity and decent work
Goal Statement	Contribute to the achievement of decent work and the economic growth targets, as set out in the National Development Plan and the New Growth Path, and contribute to the reduction of social inequity, as measured by the GINI coefficient.
Strategic Outcome - Oriented Goal 2	Promoting and embedding a culture of effective social dialogue and engagement
Goal Statement	Contribute to the promotion of sound labour relations, consensus and greater cooperation between Social Partners
Strategic Outcome - Oriented Goal 3	Promote effective participation in socio-economic policymaking and legislation
Goal Statement	Contribute to the policymaking and legislative process through the enhancement of the Nedlac work programme, in compliance with the Nedlac Protocol
Strategic Outcome - Oriented Goal 4	An effective and efficient organisation
Goal Statement	Improved governance, leadership and secretariate performance as measured by audit reports, compliance with the Nedlac Protocol and stakeholder satisfaction levels



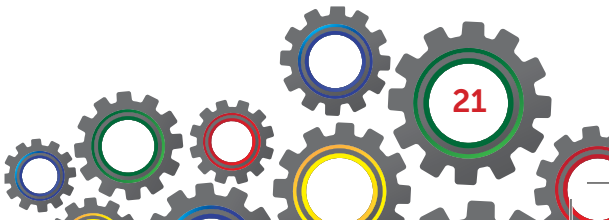


# PERFORMANCE INFORMATION BY PROGRAMME

Nedlac’s activities in the 2014-15 financial year focused on the following three core programmes:



The performance information in respect of each of these programmes are set-out in the following pages.



## PART B: PROGRAMME AND SUB-PROGRAMME PLANS

### Summary of Performance

Programmes	Total number of Annual Targets	Number of Annual Targets Achieved	Number of Targets Not Achieved	Overall Performance %
1: Administration	31	31	0	100
2: Core Operations	103	100	3*	97
3: Constituency Capacity Building Funds	12	12	0	100
Summary of Performance	146	143	3	98

\*Three Bills were tabled in the Labour Market Chamber during the last quarter of 2014-15. The Nedlac Protocol provides for a period of 6 months from date of tabling to conclude engagements. The engagements on these matters are therefore expected to be concluded in quarter 1 of the 2014-2015 financial year.

### Key

●	Output <b>not achieved</b>
●	Output <b>partially achieved</b>
●	Output <b>achieved</b>

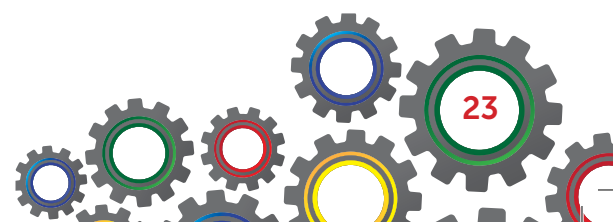
## 4. Programme 1: Administration

The purpose of this programme is to enhance organisational efficiency and effectiveness.

### 4.1. Sub-Programme 1.1: Entity Management

The purpose of this sub-programme is to enhance strategic oversight and governance of the entity.

Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
1.1. Effective governance and strategic leadership	Nedlac Summit held as per the Nedlac Act.	Annual Nedlac Summit convened.	Annual	Annual Summit held in September 2013.	The Summit took place on 5 September 2014.	●	Not applicable
		Summit participant's satisfaction rate on the annual Nedlac Summit.	Annual		The survey has been undertaken. The satisfaction rate baseline was determined as being "4. Satisfied".	●	Not applicable
	EXCO meetings held as per the Nedlac Constitution.	Number of EXCO meetings held.	Annual	4 EXCO meetings held.	The Exco meeting scheduled for 30 May 2014 was postponed due to The ILO's International Labour Conference. The Exco met on 29 July 2014, 04 December 2014, 27 February 2015 and 20 March 2015.	●	Not applicable
	Annual Report submitted to the Minister of Labour.	Date by which the Nedlac Annual Report is submitted to the Minister of Labour.	Annual	Annual Report submitted to the Minister of Labour by 31 August 2013.	The Annual Report 2013-14 was submitted as required.	●	Not applicable
	Stakeholder satisfaction survey conducted on quality of meeting preparations and logistical arrangements.	Number of stakeholder satisfaction surveys conducted.	Annual	2 x stakeholder satisfaction surveys conducted.	The satisfaction survey for Q2 is being undertaken.	●	Not applicable





#### 4.2. Sub-Programme 1.2: Corporate Services

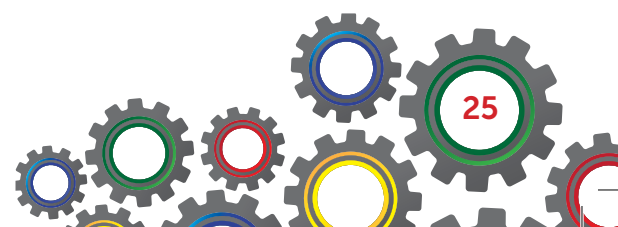
The purpose of this sub-programme is to ensure the provision of the reliable back-office support services.

Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
1.2. Provision of efficient and reliable back office support services.	Upgraded voice and data infrastructure.	Date by which voice and data infrastructure is upgraded.	Annual	Voice and data infrastructure is upgraded by March 2015.	This has been put in place through the implementation of a VOIP system, with Neotel as the service provider.	●	Not applicable
		Date by which ICT master plan and governance framework is in place.	Annual	ICT master plan and governance framework is in place by March 2015.	The ICT master plan and governance framework has been developed.	●	Not applicable

#### 4.3. Sub-Programme 1.3: Finance Administration

The purpose of this sub-programme is to ensure strong and compliant financial management of the Nedlac budget allocations.

Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status	Reasons for non-achievement (if applicable)
1.3.  Improved risk management and financial oversight.	Unqualified audit opinion obtained.	Unqualified audit opinion by the Auditor-General for the 2013-14 financial year.	Annual	Unqualified audit opinion obtained.	The 2013-14 audit by the Auditor-General has been concluded and an unqualified audit opinion has been obtained.	● Not applicable
	Internal Risk Management Committee established.	Date by which internal Risk Management Committee is established.		Risk Management Committee established by March 2015.	This Committee has been established.	● Not applicable
	Review of Risk Register	Risk Register reviewed quarterly.	Annual	4 x Risk Register reviews.	The risk register has been updated for quarters 1, 2, 3 and 4.	● Not applicable
	Financial Reports.	Quarterly financial reports submitted to governance structures.	Annual	4 x financial reports submitted.	The first quarter report for the 2014-15 financial report was tabled for Exco consideration at its meeting on 29 July 2014. The second quarter report was tabled for consideration by Manco at its meeting on 23 October 2014, and by Exco at its meeting on 14 November 2014. The third quarter report was considered by Exco at its meeting of 27 February 2015. The fourth quarter report has been submitted for consideration by Manco at its meeting on 21 May 2015.	● Not applicable



#### 4.4. Sub-Programme 1.4: Office Accommodation

The purpose of this sub-programme is to ensure the management and maintenance of Nedlac House.

Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
1.4. Improved facilities management	Renovation of Nedlac House.	Date by which the renovation of Nedlac House will be completed.	Annual		Arising from a tender process, ABE Contracting Services has been appointed as the contractor to undertake the renovations. The site was formally handed over to ABE Contracting Services on 01 August 2014. The contractor completed their work in December 2014.	●	Not applicable
	Maintenance plan concluded.	Date by which maintenance plan is developed.	Annual	Maintenance plan concluded by 30 September 2014.	A maintenance plan has been developed.	●	Not applicable

#### 4.5. Sub-Programme 1.5: General Office Administration

The purpose of this sub-programme is to ensure the adequate effective and efficient general office administration.

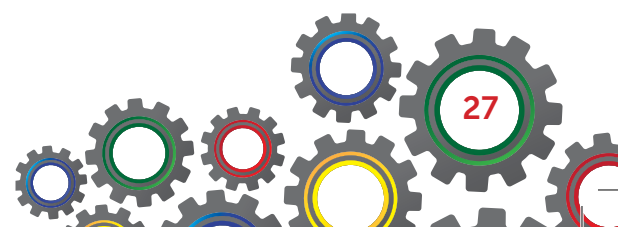
Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
1.5. Office administration systems enhanced and monitored.	Staff satisfaction surveys on office administration services.	Staff satisfaction rate on office administration services.	Annual		This has been completed.	●	Not applicable
	Document management system implemented.	Date by which a document management system is implemented.	Annual	Document management system is implemented by 30 September 2014.	I-Cabinet has been procured and has being rolled-out across the organisation.	●	Not applicable
	Document management system reviewed.	Date by which document management system is reviewed.	Annual	Document management system is reviewed by 31 March 2015.	This review has been undertaken.	●	Not applicable



#### 4.6. Sub-Programme 1.6: Human Resource Management

The purpose of this sub-programme is to build a strong and performing Secretariat.

Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
1.6. Strengthening organisational culture and performance	Staff performance assessments conducted.	Quarterly appraisals conducted.	Annual	4 x appraisals conducted.	Appraisals have been conducted for quarters 1, 2, 3 and 4.	●	Not applicable
	Staff satisfaction survey.	Annual staff satisfaction survey is conducted.	Annual	Staff satisfaction survey is conducted annually.	The staff satisfaction survey has been concluded.	●	Not applicable
	Performance improvement plans	Annual Performance improvement plans developed.	Annual	Performance improvement plans developed annually.	These plans were not required given the outcomes of the performance assessments.	●	Not applicable



## 5. Programme 2: Core Operations

The purpose of this programme is to consider and engage on policy and legislation.

### 5.1. Sub-Programme 2.1: Development Chamber

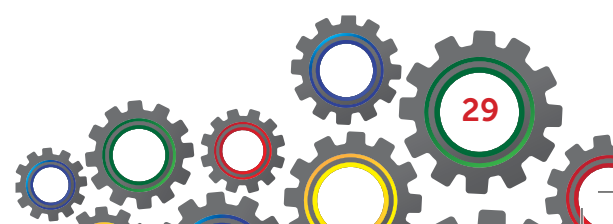
The purpose of this sub-programme is to consider and engage on policy and legislation pertaining to urban and rural development, youth, gender and people with disabilities and the associated institutions of delivery.

Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
2.1. Effective engagement on draft policy and legislation within the framework of the Nedlac Act, Constitution and Protocols.	Chamber sessions on the implementation of the Expanded Public Works Programme (EPWP).	Number of Chamber sessions on the implementation of the EPWP.	Annual	2 x sessions on the EPWP.	The first Chamber session was held on 11 June 2014. The second session took place on 03 February 2015.	●	Not applicable
	Research reports developed.	Number of research reports developed.	Annual	2 x research reports developed.	The research reports have been concluded.	●	Not applicable
	Strategic Session of the Chamber	Number of Chamber strategic sessions	Annual	1 x Chamber strategic session	The session took place on 09 September 2014.	●	Not applicable
	Finalised Nedlac Reports on draft legislation.	Time taken to conclude a Nedlac Report.	Annual	Finalise Nedlac Reports on draft legislation within 6 months of being tabled at Nedlac.	The National Land Transport Amendment Bill was tabled on 16 July 2014. The task team has concluded engagement on this matter. The Nedlac Report was signed-off by the Chamber on 19 November 2014, and by Exco on 04 December 2014.	●	Not applicable
	Chamber satisfaction survey on quality of meeting preparations and logistical arrangements conducted.	Number of satisfaction surveys conducted.	Annual	4 x Chamber satisfaction surveys conducted.	The surveys have been concluded.	●	For noting

## 5.2. Sub-Programme 2.2: Public Finance and Monetary Policy Chamber

The purpose of this sub-programme is to consider and engage on policy and legislation pertaining to financial, fiscal, monetary and exchange rate policies, the coordination of fiscal and monetary policy, the related elements of macroeconomic policy and the associated institutions of delivery.

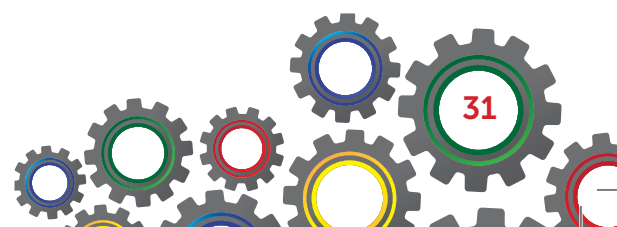
Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
2.2. Effective engagement on draft policy and legislation within the framework of the Nedlac Act, Constitution and Protocols.	Reports to Chamber on the National Budget and the Medium Term Budget Policy Statement.	Number of special sessions on the National Budget and the Medium Term Budget Policy Statement.	Annual	1 x special session.	The first session took place on 09 July 2014. The second session took place on 27 February 2015.	●	Not applicable
		Number of briefing reports to Chamber arising from the special session.	Annual	2 x reports to Chamber arising from the special sessions.	The Chamber briefing report arising from the first session was signed-off by the Chamber on 06 August 2014. The second report was signed-off by the Convenors on 26 March 2015.	●	Not applicable
	Report to Chamber on measures to encourage household savings.	Number of special sessions on household savings.	Annual	1 x special session.	A session took place on 04 June 2014.	●	Not applicable
		Number of briefing reports to Chamber arising from the special session.	Annual	1 x report to Chamber arising from the special session.	The Chamber signed-off on the report on 09 July 2014.	●	Not applicable





Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
2.2. Effective engagement on draft policy and legislation within the framework of the Nedlac Act, Constitution and Protocols.	Capacity building of chamber constituency representatives.	Number of training sessions.	Annual	2 x training sessions.	The first session took place on 22 and 23 May 2014. The second session took place on 31 March 2015.	●	Not applicable
	Report to Chamber on the Financial Sector Charter and Scorecard.	Number of special sessions on the Financial Sector Charter and Scorecard.	Annual	1 x special session.	The session took place on 06 August 2014.	●	Not applicable
		Number of briefing reports to Chamber arising from the special session.	Annual	1 x report to Chamber arising from the special session.	The report arising from the session was considered by the Chamber on 12 September 2014.	●	Not applicable
	Report to Chamber on household access to finance.	Number of special sessions on household access to finance.	Annual	1 x special session.	The session took place on 25 November 2014.	●	Not applicable
		Number of briefing reports to Chamber arising from the special session.	Annual	1 x report arising from the special session.	A report is being finalised and was considered by the Chamber on 18 February 2015.	●	Not applicable
	Briefing Report to Chamber on the tax review	Number of special sessions on the tax review	Annual	1 x special session.	An engagement with the DTC took place on 23 July 2014. An additional session took place on 30 September 2014.	●	Not applicable
		Number of briefing reports to Chamber arising from the special session	Annual	1 x report to Chamber arising from the special session.	The report arising from this session was considered by the Chamber on 23 September 2014. The report arising from the additional sessions was concluded by the Chamber 25 November 2014.	●	Not applicable

Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
2.2. Effective engagement on draft policy and legislation within the framework of the Nedlac Act, Constitution and Protocols.	Briefing Report to Chamber on currency volatility	Number of special sessions on currency volatility	Annual	1 x special session.	This session took place on 02 April 2014.	●	Not applicable
		Number of briefing reports to Chamber arising from the special session	Annual	1 x report to Chamber arising from the special session.	The briefing report was considered at the Chamber meeting of 06 May 2014.	●	Not applicable
	Briefing Report to Chamber on SMME financing	Number of special sessions SMME financing	Annual	1 x special session.	This took place on 25 November 2014.	●	Not applicable
		Number of briefing reports to Chamber arising from the special session	Annual	1 x report to Chamber arising from the special session.	A report is being finalised and was considered by the Chamber on 18 February 2015.	●	Not applicable
	Strategic Session of the Chamber	Number of Chamber strategic sessions	Annual	1 x Chamber strategic session	This session took place on 23 August 2014.	●	Not applicable
	Research reports developed.	Number of research reports developed.	Annual	2 x research reports developed.	The research reports have been concluded.	●	Not applicable
	Finalised Nedlac Reports on draft legislation.	Time taken to conclude a Nedlac Report.	Annual	Finalise Nedlac Reports on draft legislation within 6 months of being tabled at Nedlac.	No new legislative matters have been tabled during the 2014-15 financial year.	●	Not applicable
	Chamber satisfaction survey on quality of meeting preparations and logistical arrangements conducted.	Number of satisfaction surveys conducted.	Annual	4 x Chamber satisfaction surveys conducted.	The surveys have been concluded.	●	Not applicable



### 5.3. Sub-Programme 2.3: Trade and Industry Chamber

The purpose of this sub-programme is to consider and engage on policy and legislation pertaining to the economic and social dimensions of trade, industrial, mining, agricultural, and services policies and the associated institutions of delivery.

Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
2.3.  Effective engagement on draft policy and legislation within the framework of the Nedlac Act, Constitution and Protocols.	Report to Chamber arising from the strategic session with the Minister of Trade and Industry	Number of strategic sessions with the Minister of Trade and Industry.	Annual	1 x strategic session.	The strategic session took place on 22 September 2014.	●	Not applicable
		Number of briefing reports to Chamber.	Annual	1 x report to Chamber.	A report was finalised by the Chamber Convenors on 20 February 2015.	●	Not applicable
	Research reports developed.	Number of research reports developed.	Annual	2 x research reports developed.	The research reports have been concluded.	●	Not applicable
		Time taken to conclude a Nedlac Report.	Annual	Finalise Nedlac Reports on draft legislation within 6 months of being tabled at Nedlac.	Government formally tabled the Promotion and Protection of Investment Bill on 25 July 2014. The Nedlac Report was approved by Exco on 04 December 2014.	●	Not applicable
	Chamber satisfaction survey on quality of meeting preparations and logistical arrangements conducted.	Number of satisfaction surveys conducted.	Annual	4 x Chamber satisfaction surveys conducted.	The surveys have been conducted.	●	Not applicable

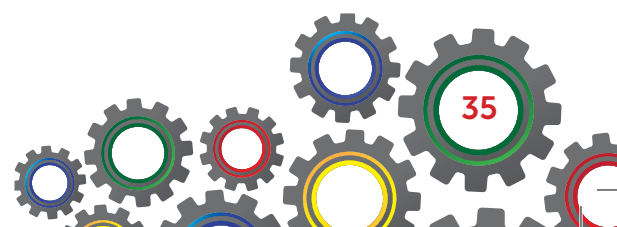
The purpose of this sub-programme is to consider and engage on policy and legislation pertaining to world of work and the associated institutions of delivery.

Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
2.4.  Effective engagement on draft policy and legislation within the framework of the Nedlac Act, Constitution and Protocols.	Progress reports to MANCO on the Decent Work Country Programme.	Number of progress reports to MANCO.	Annual	4 x progress reports to MANCO.	A DWCP Q1 progress report was signed-off by Manco on 30 June 2014. The Q2 report was to have been considered by Manco at its meeting on 23 October 2014. This meeting however did not however take place. The 29 January 2015 meeting of Manco also did not take place. The reports for quarters two and three were therefore signed-off by the Manco meeting on 06 February 2015. The Quarter 4 report was submitted to Manco for consideration at its meeting on 21 May 2015	●	Not applicable
	Resolution of bargaining council demarcation disputes and applications referred by the CCMA.	Time taken to resolve demarcation disputes.	Annual	Bargaining Council demarcation disputes are resolved within 21 days of being referred by the CCMA.	34 demarcation disputes have been considered within 21 days.	●	Not applicable
		Time taken to conclude consideration of demarcation applications.	Annual	Consideration of demarcation applications are concluded within 90 days of receipt.	1 demarcation application has been received.	●	Not applicable



Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
	Briefing reports to Chamber on engagements the institutions that fall within the labour market ambit.	Number of briefing reports to Chamber.	Annual	2 x briefing reports to Chamber.	The first session, with the CCMA, took place on 26 June 2014. A briefing report arising from this session was considered by the Chamber on 11 September 2014. A session with the Judge President took place on 03 September 2014. This report was considered by the Chamber on 11 September 2014. A session with Productivity South Africa was convened on 11 September 2014. This report was considered by the Chamber on 13 November 2014.	●	Not applicable
	Research reports on labour market trends developed.	Number of research reports on labour markets trends developed.	Annual	2 x research reports on labour market trends developed.	The research reports have been concluded.	●	Not applicable

Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
	Finalised Nedlac reports on draft legislation	Time taken to conclude a Nedlac Report.	Annual	Finalise Nedlac Reports on draft legislation within 6 months of being tabled at Nedlac.	<p>Government formally tabled the Occupational Health and Safety Amendment Bill (without public comment) on 02 July 2014. The task team has requested a legal opinion to be obtained. A task team is continuing to engage on this matter.</p> <p>The six month engagement period has been exceeded. The Nedlac Protocol does however allow for an extended engagement process on respect of issues requiring extensive engagement, and further research.</p>	<div></div>	Not applicable
					<p>The Code of Good Practice on Equal Pay for Work of Equal Value was tabled in October 2014. A task team is finalising the Nedlac Report.</p> <p>The 6 month engagement period will terminate in April 2015, which will fall within Quarter 1 of the 2015 – 16 financial year.</p>	<div></div>	Not applicable
					<p>The Mine Health and Safety Amendment Bill was tabled on 24 November 2014. A task team is engaging on this matter.</p> <p>The 6 month engagement period will terminate in May 2015, which will fall within Quarter 1 of the 2015 – 16 financial year.</p>	<div></div>	Not applicable



Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
	Chamber satisfaction survey on quality of meeting preparations and logistical arrangements conducted.	Number of satisfaction surveys conducted.	Annual	4 x Chamber satisfaction surveys conducted.	The surveys have been undertaken.	●	Not applicable

### 5.5. Sub-Programme 2.5: Manco Task Teams

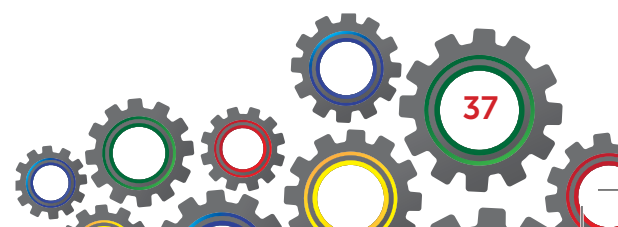
The purpose of this sub-programme is to consider and engage on policy and legislation that cuts across all of the Chambers.

Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
2.5. Conclude matters under consideration within the framework of the Nedlac Protocol.	Finalised Nedlac Reports on draft legislation.	Time taken to conclude a Nedlac Report.	Annual	Finalise Nedlac Reports on draft legislation within 6 months of being tabled at Nedlac.	No new legislative matters have been tabled, this far, during the 2014-15 financial year.	●	Not applicable

## 5.6. Sub-Programme 2.6: Section 77

The purpose of this sub-programme is to consider and engage on applications made in terms of Section 77 of the Labour Relations Act.

Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
2.6. Conclude matters under consideration within the framework of the Section 77 Protocol.	Resolution of Section 77 Notices as and when these may arise in terms of the Section 77 Protocol.	Compliance with the Section 77 Protocol.	Annual	All Section 77 Notices addressed and concluded in terms of the Section 77 Protocol.	On 03 February 2015, Numsa lodged a Section 77 1(b) notice, demanding a universal unemployment benefit of R4,500 per month. The Section 77 Standing Committee has concluded its consideration of this matter on 17 February 2015.	●	Not applicable
Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
					<p>Cosatu submitted a notice on the lack of transformation in the agricultural sector. A facilitated process has been underway to address this notice.</p> <p>The Section 77 Code of Good Practice allows for a Section 77 notice to be deemed as having been considered where a facilitator has been appointed, and where a period of 45 days has elapsed since the notice was submitted to Nedlac, and where a report has been produced</p>	●	Not applicable
					A notice was received from Cosatu, dated 24 February 2014, regarding Non-trading Public Holidays. This notice has been finalised.	●	Not applicable



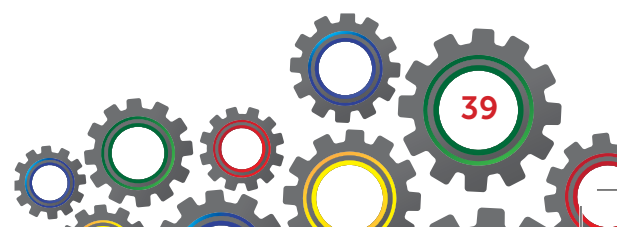


### 5.7. Sub-Programme 2.7: Communications and Outreach

The purpose of this sub-programme is to promote social dialogue and capacity building, awareness of Nedlac activities and enhance the perception of Nedlac among stakeholders.

Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
2.7.  Promote social dialogue through communication, information and capacity building.	Press briefings, interviews, opinion pieces and news articles.	Number of media interactions.	Annual	At least 1 press briefing/ interview/ opinion piece/ news article per quarter.	<ul style="list-style-type: none"> <li>Press statements: <ul style="list-style-type: none"> <li>- 17 May 2014 (Platinum strike)</li> <li>- 30 May 2014 (Platinum strike)</li> <li>- 3 July 2014 – op-ed piece on post platinum strike (published in Independent Newspapers)</li> <li>- 11 July 2014 – press statement on withdrawal of Wege bill.</li> <li>- Press statement on xenophobia issued on 18 April 2015.</li> </ul> </li> </ul>	●	Not applicable
					<ul style="list-style-type: none"> <li>Interviews: <ul style="list-style-type: none"> <li>- 4 April 2014 (Regenesys Business School)</li> <li>- 19 May 2014 (Risefm)</li> <li>- 19 May 2014 (Jacarandafm)</li> <li>- 19 May 2014 (Northwest fm)</li> <li>- 30 May 2014 (702)</li> <li>- 31 May 2014 (Fin24)</li> <li>- 3 June 2014 (People's Assembly)</li> <li>- 19 June 2014 – Interview on 702</li> <li>- 09 July 2014 – interview with the University of Witwatersrand Centre of Sustainability in Mining and Industry</li> </ul> </li> </ul>	●	

Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
					<div><div></div><div><div><div>- 11 July 2014 (Wege Bill withdrawal)</div><div>- Op-ed 18 July 2014 (Platinum crisis)</div><div>- 3 September 2014 Media invite to Nedlac Summit</div><div>- 3 September 2014 (interview with City Press)</div><div>- 11 September 2014 (Raymond Parsons opinion piece The New Age)</div><div>- 23 September 2014 (TIC policy session)</div><div>- 31 October 2014 (Labour Relations Indaba)</div><div>- Interviews 4 November (ANN7, ENCA, SABC, Powerfm)</div><div>- 5 December 2014 (Exco)</div></div></div></div>	<div><div></div><div></div></div>	
	Discussion fora.	Number of discussion fora.	Annual	4 discussion fora convened	<div><div></div><div><div><div><div></div><div>A joint Nedlac-SPII-FES session was held on 30 July 2014.</div></div><div><div></div><div>A joint Nedlac-Tips-Fes seminar was held 9 September 2014.</div></div><div><div></div><div>Labour Relations Indaba convened on 4 November 2014.</div></div><div><div></div><div>A ILO Wage Inequality workshop was convened on 24 March 2015.</div></div></div></div></div>	<div><div></div><div></div></div>	Not applicable
	Website updated and monitored.	Number of website updates.	Annual	12 updates.	Updates have been undertaken.	<div><div></div><div></div></div>	Not applicable
		Number of reports on website visits.	Annual	12 reports.	The number of website visits have been tracked and reported.	<div><div></div><div></div></div>	Not applicable



Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
	Media and communications strategy developed.	Date by which the media and communications strategy is developed.	Annual	Media and communications strategy developed by 30 June 2014.	The strategy is has been developed.	●	Not applicable
		Annual stakeholder perception survey conducted.	Annual	Annual stakeholder perception survey conducted.	This survey has been concluded.	●	Not applicable

## 6. Programme 3: Capacity Building Funds

The purpose of this programme is to consider and engage on policy and legislation.

### 6.1. Sub-Programme 3.1.: Business Constituency

The purpose of this sub-programme is to ensure that the Business Constituency Capacity Funds are spent in compliance with the Nedlac Policy on Constituency Capacity Building Budgeting and Expense.

Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
3.1. Compliance with the Nedlac Policy on Constituency Capacity Building Budgeting and Expense.	Financial reports to FINCOM.	Number of financial reports prepared for FINCOM.	Annual	4 x financial reports prepared.	4 x reports have been provided to FINCOM.	●	Not applicable

## 6.2. Sub-Programme 3.2.: Community Constituency

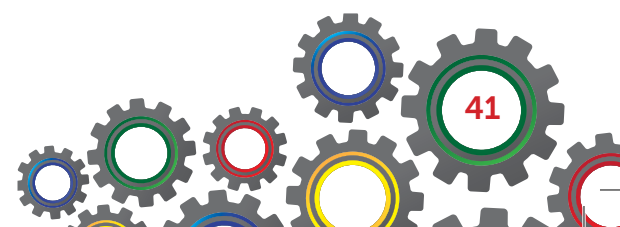
The purpose of this sub-programme is to ensure that the Community Constituency Capacity Funds are spent in compliance with the Nedlac Policy on Constituency Capacity Building Budgeting and Expense.

Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
3.2. Compliance with the Nedlac Policy on Constituency Capacity Building Budgeting and Expense.	Financial reports to FINCOM.	Number of financial reports prepared for FINCOM.	Annual	4 x financial reports prepared.	4 x reports have been provided to FINCOM.	●	Not applicable

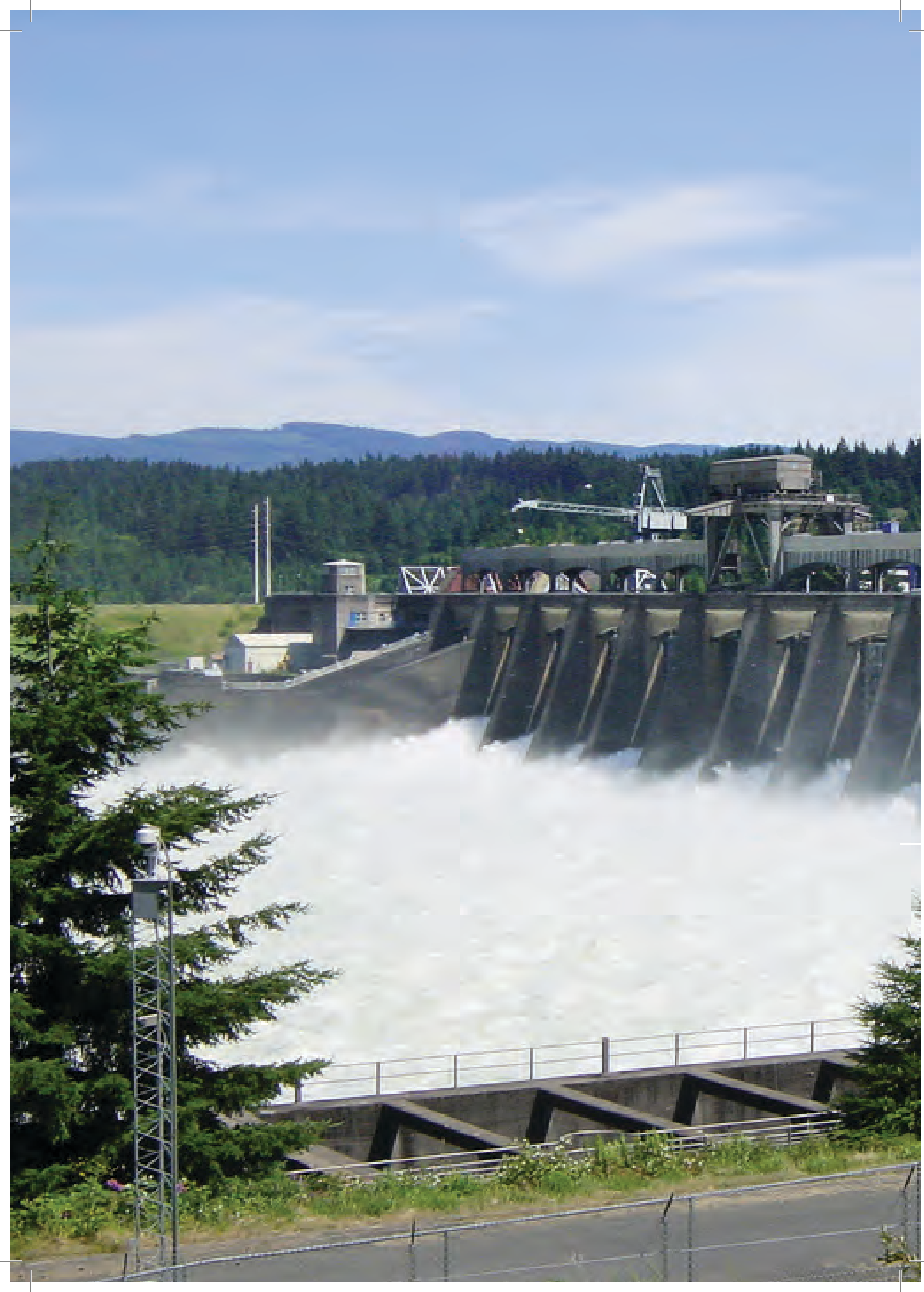
## 6.3. Sub-Programme 3.3.: Labour Constituency

The purpose of this sub-programme is to ensure that the Labour Constituency Capacity Funds are spent in compliance with the Nedlac Policy on Constituency Capacity Building Budgeting and Expense.

Strategic objective	Output	Performance indicator	Reporting period	Annual target	Annual Status		Reasons for non-achievement (if applicable)
3.3. Compliance with the Nedlac Policy on Constituency Capacity Building Budgeting and Expense.	Financial reports to FINCOM.	Number of financial reports prepared for FINCOM.	Annual	4 x financial reports prepared.	4 x reports have been provided to FINCOM.	●	Not applicable







# Part C

## Governance and Representation



## LEGISLATIVE AND OTHER MANDATES

Nedlac is a statutory body which is governed and mandated by The National Economic Development and Labour Council Act, Act 35 of 1994.

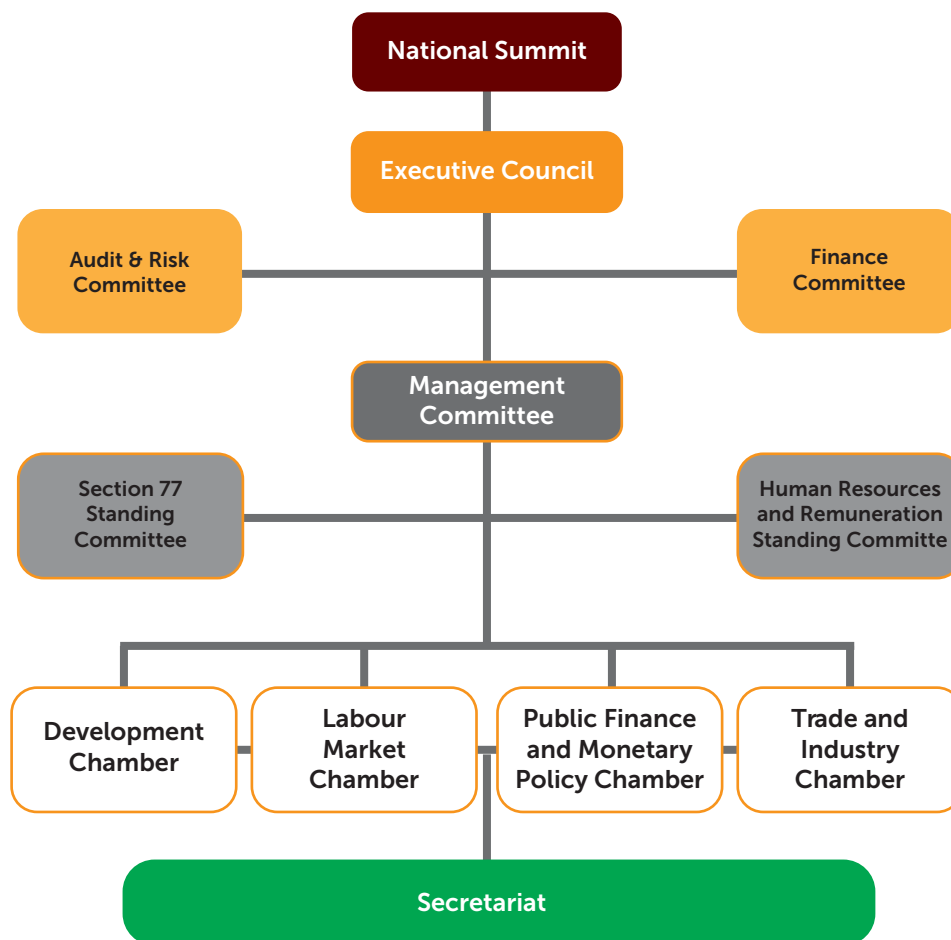
Nedlac's work programme is largely determined by the legislative and policy programme of government as well as issues tabled by constituencies. These issues can be tabled at a Chamber, Management Committee (Manco) or the Executive Council (Exco).

Issues that are tabled at the Manco or Exco are referred to the appropriate Chambers for negotiation or consultation: Trade and Industry; Public Finance and Monetary Policy; Labour Market; and Development. Issues of a cross cutting nature are dealt with by the Manco and/or Exco usually through special task teams.

There have been no changes in the legislative mandate of Nedlac.

## ORGANISATIONAL STRUCTURE

The structure of Nedlac is provided below.

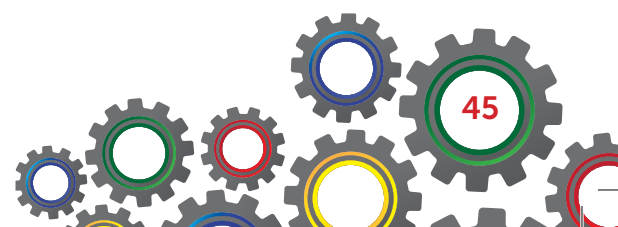


## EXECUTIVE COUNCIL

Meetings Held	Members			
	Community	Business	Government	Labour
4	D Mthlane L Kganyago M Rakgosi I Frye K Naidoo L Bale D Moreotsenye C Matlakala T Mabuza T Tshafuta A Madella D Poane D McLaren Z Matsela R Masambo S Mpanza T Josopu	M Kingston L Lotter J Maree J Mabuza C Van Der Rhee C Mancini V Mabena T Cohen S Subramoney T Setiloane A Dick M Mdwebwa K Kweyama G Balim K Lings A Kamp J Gable D Dykes X Khubheka S Gounden E Monage G Mofokeng T Matlala P Mokoena B Day D Kruger J Molony J Purchase K Morgan N Opperman D Long	M Oliphant N Nene R Davies T Nxesi J Schreiner W Bernard R Masoga T Mkalipi C Mavi F Adams J Magoro L Ndelu F Groepe W O Barnard T Magwaza S Rathai A Mthombeni L Ndelu L Fuzile O Serrao M Sagib V Mbethe B Sibeko B van Vrede A Moilola B Maduna N Nkateko A Tuela O Makhubela G Ballin T Moyane I Momoniat J Magoro B I van Verda A Ngatshane T Mabandla L Mkhumane	S Dlamini B Ntshali J Mosia M Parks M Lepaku T Ehrenreich S Khumalo J Tyotyo J Maqhekeni K Bezuidenhout Z Losi G Selematsela F Oosthuizen T Steele J Mahlangu T Khumalo Z Vavi D George B K M Nhlapho P Phelane

## MANAGEMENT COMMITTEE

Meetings Held	Members			
	Community	Business	Government	Labour
4	D Mthlane (Overall Convenor)	L Lotter (Overall Convenor) M Lawrence D Dykes F Xaba K Moyane	T Mkalipi (Overall Convenor) F Adams N Mamashela A Mthombeni R Masoga J Magoro (Alternate) I Goodspeed (Alternate) C. Mavi (Alternate)	B Ntshali (Overall Convenor) T Ehrenreich M Parks M Mbongwe J Mosia J Mahlangu L P Grobler N Moloto J Maqhekeni D George



## DEVELOPMENT CHAMBER

### DEVELOPMENT CHAMBER CONVENORS



**Lawrance Bale**  
Community Convenor



**Fani Xaba**  
Business Convenor



**Adam Mthombeni**  
Government Convenor



**Matthew Parks**  
Labour Convenor

Meetings Held	24 Members			
	Community	Business	Government	Labour
9 Chamber Meetings,	M Ramashala	F Xaba	N Thokwana	J Barrett
1 Strategic Session,	L Qakaza	T Maseko	C Mavi	M Kutumela
5 Extension of Security and Tenure Amendment Bill Task Team,	L Bale	M Myataza	A Mthombeni	K Mabasa
	L Kganyago	T Skenjana		L Brukwe
	ZNdaba	Z Mgolodela		R Ramokgopa
	H Tsebe	K Cowley		L Matanzima
		V Phala		M Parks
4 National Land Transport Amendment Bill Task Team,				
7 Expanded Public Works Programme / Community Works Programme Task Team				



# LABOUR MARKET CHAMBER

## LABOUR MARKET CONVENORS



**Kaizer Moyane**  
Business Convenor

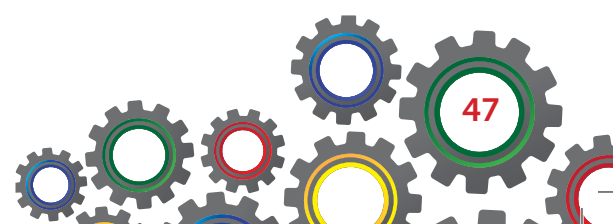


**Thembinkosi Mkalipi**  
Government Convenor



**Mduduzi Mbongwe**  
Labour Convenor

Meetings Held	30 Members		
	Business	Government	Labour
8 Chamber Meetings	K Moyane V Phala	T Mkalipi N Mamashela	M Mbongwe P Govender
4 Decent Work Steering Committee	E van der Westhuizen J Goldberg L Trentini	I Macun S Rathai D Khumalo	N Craven L Grobler P Phelane
3 EE Regulations	T Cohen C Gardner	O Serrao M Magula	B K M Nhlapo M Mphahlele
3 Mine, Health and Safety	M Motlhamme	S Molapo M Lefika	Z Mpendu T Modise G Conradie
6 Occupational Health and Safety			J Wilimiec J van Niekerk
3 Code of Good Practice on Equal Pay			



# PUBLIC FINANCE AND MONETARY POLICY CHAMBER

## PUBLIC FINANCE AND MONETARY POLICY CHAMBER CONVENORS



**Dennis Dykes**  
Business Convenor



**Raymond Masoga**  
Government Convenor



**Jan Mahlangu**  
Labour Convenor (Acting)

Meetings Held	23 Members		
	Business	Government	Labour
11 Chamber meetings,	P Drodskie	J van den Heever	I Ramputa
2 Capacity Building	T Skenjana	V Mamba	G Strauss
Workshops	D Dykes	RMasoga	D Macatha
1 Chamber Strategic	LStroubel	I Goodspeed	M ka Plaatjie
Session.	K Ngoasheng	O Makhubela	E Hlongwane
	P Bondi	B Maseko	G Humphries
	P Maseko		M Parks
			J Mahlangu
			K Van Rensburg
			S Kgara

# TRADE AND INDUSTRY CHAMBER

## TRADE AND INDUSTRY CONVENORS



**Michael Lawrence**  
Business Convenor

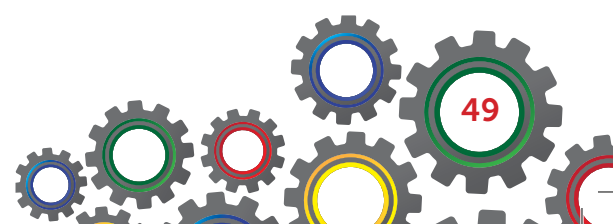


**Faried Adams**  
Government Convenor



**Tony Ehrenreich**  
Labour Convenor

Meetings Held	28 Members		
	Business	Government	Labour
Nine Chamber meetings (9) meetings held,	M Lawrence J Pienaar N Vermeulen D Jordaan	F Adams T Ramulongu J Magoro N Kruger	T Ehrenreich A Benjamin J Mosia M Lepaku
One strategic Session, Six Task team meetings (6) held	T Skenjana P Maseko H Langehoven K Ngoasheng	N Ngozwana O Serrao	T Franks T Khumalo T Zulu
(Promotion and Protection of Investment Bill) Five task team meetings (5) held	T Maseko J Vymetal P Theron K Mojela		
(Gas Amendment Bill)			



## COMMITTEES OF EXCO AND MANCO

### Non-Agricultural Market Access (NAMA) & Non-Trade Barrier (NTB) Sub-Committee

Meetings Held	15 Members		
	Business	Government	Labour
Eight (8) meetings held.	D Jordaan B Brink N Lampretch K Mojela J Vymetal P Theron	T Mlangeni R Brits P Mahosi N Kutta F Muremi K Nkuna	S Eppel A Daniels A Benjamin M Lepaku

### Fund for Research into Industrial Development, Growth and Equity (FRIDGE) Sub-Committee

Meetings Held	10 Members		
	Business	Government	Labour
Seven (7) meetings held	T Maseko T Skanjana M Lawrence K Mojela	N Ngozwana M Molefinyane J Magoro V Mmutle	J Mosia A Benjamin M Lepake

### Technical Sectoral Liaison Committee (Teselico) Sub-Committee

Meetings Held	25 Members		
	Business	Government	Labour
Ten (10) meetings held	M Lawrence D Jordaan N Lampretch B Brink P Corbin J Pienaar J Vymetal T Maseko T Skenjana N Vermeulen H Langenhoven P Theron	F Adams J Magoro N Kruger T Mangeni E Mphahlele J Sibuyi N Kutta P Mahosi K Nkuna	A Benjamin S Eppel A Daniels J Mosia M Lepaku T Franks

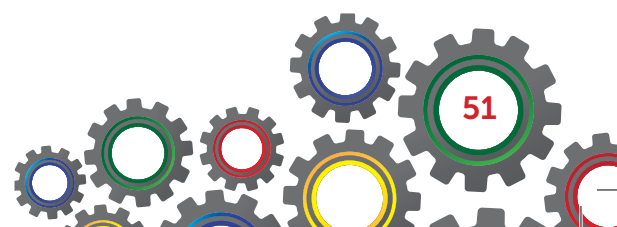
## GOVERNANCE COMMITTEES

Section 77 Standing Committee	
Name	Constituency
K Moyane	Business
M Rakgosi	Community
T Mkalipi	Government
M Mbongwe	Labour
A Smith (resigned January 2015)	Nedlac Secretariat

Human Resources and Remuneration Committee	
Name	Constituency
F Marupen	Business
Z Ndaba	Community
N Mamashela	Government
N Craven	Labour
A Smith (resigned January 2015)	Nedlac Secretariat
N Koopedi	Nedlac Secretariat

Finance Committee	
Name	Constituency
N Vermeulen	Business
K Naidoo	Community
V Pretorius	Government
C Kloppers	Labour
A Smith (resigned January 2015)	Nedlac Secretariat
R Maartens (resigned May 2014)	Nedlac Secretariat
M Naidoo	Nedlac Secretariat

Audit and Risk Committee	
Name	Constituency
Adv. S Kholong	Independent Chairperson
N Vermeulen	Business
K Naidoo	Community
F Peterson	Government
C Kloppers	Labour
A Smith (resigned January 2015)	Nedlac Secretariat
R Maartens (resigned May 2014)	Nedlac Secretariat
M Naidoo	Nedlac Secretariat







# Part D

## SECRETARIAT AND HUMAN RESOURCES



## STAFF COMPLEMENT



## Expenditure

Total expenditure for entity	Personnel expenditure	Personnel expenditure as % of total expenditure	No. of employees	Average personnel cost per employee (annual)
R28,679,272	R12,081,200	42%	26	R464,662

## Training costs

Personnel expenditure	Training expenditure	Training expenditure as a % of personnel cost	No. of employees	Average training cost per employee
R12,081,200	R57,390	0.48%	26	R2,207

## Employment and vacancies

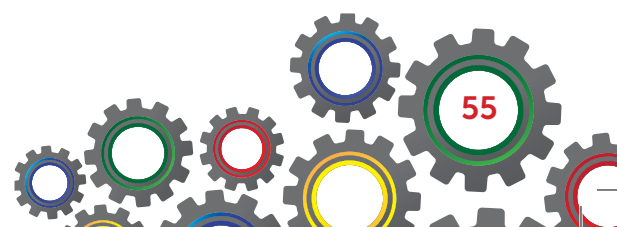
2014/2015 approved posts	2014/2015 vacancies	% of vacancies
30	4	13.33%

## Reasons for staff leaving

Reason	Number
Death	
Resignation	3
Dismissal	
Retirement	
Ill health	
Expiry of contract	
Other	1
<b>Total</b>	<b>4</b>

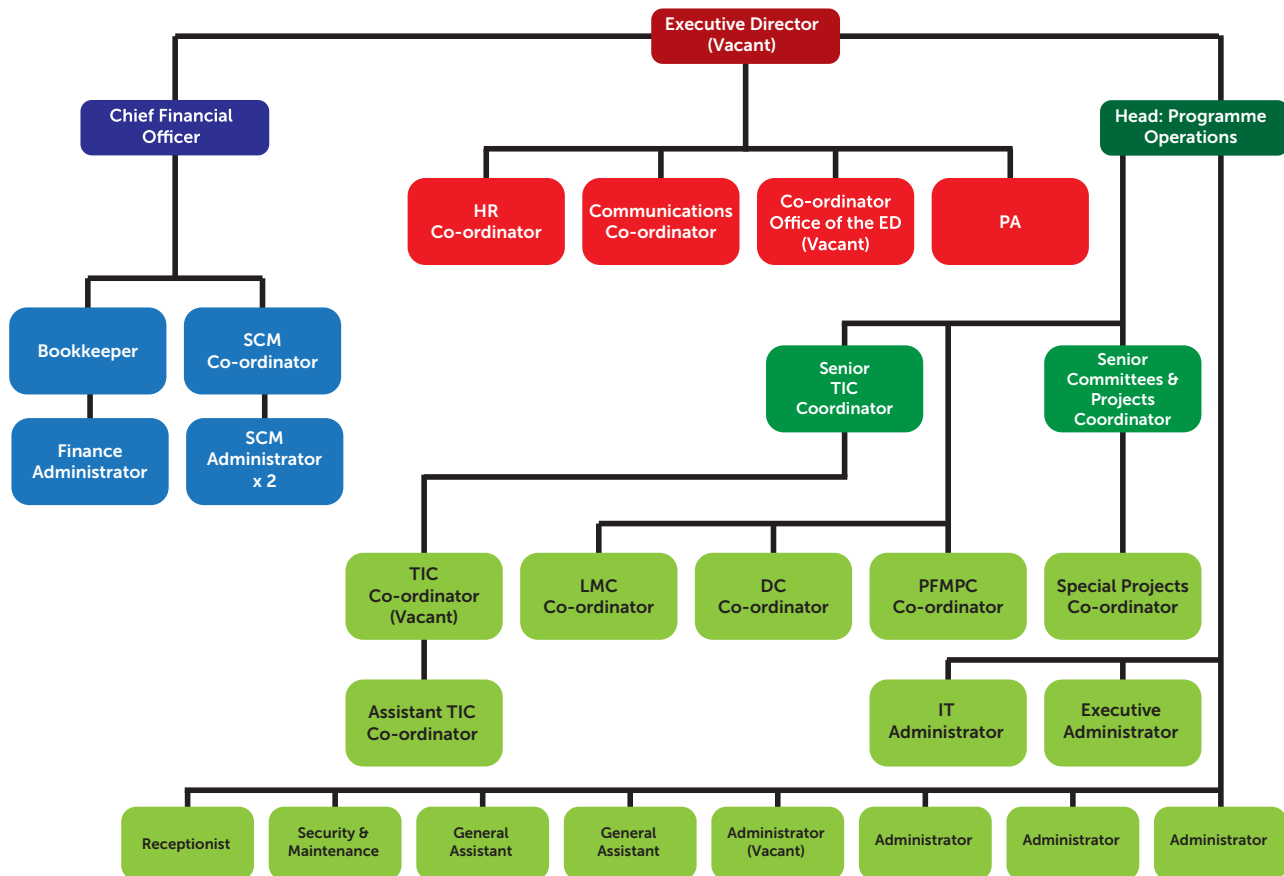
## Equity target and employment equity status

Levels	African		Coloured		Indian		White	
	F	M	F	M	F	M	F	M
Top management		1				1		
Professional	8	2	1				1	
Semi-skilled	8						1	
Unskilled	2	1						
<b>TOTAL</b>	<b>18</b>	<b>4</b>	<b>1</b>			<b>1</b>	<b>2</b>	



## SECRETARIAT STRUCTURE

The Secretariat comprises 30 positions.





## SECRETARIAT



**Anna Monare**  
Administrator



**Benedict Mokgothu**  
Information and  
Technology  
Administrator



**Busisiwe Milisi**  
Coordinator:  
Special Projects and  
Committees



**Doris Tshabalala**  
General Office  
Assistant



**Fiona Nchabeleng**  
Administrator



**Frieda Garvie**  
Personal Assistant  
to the Executive  
Director



**Joyce Segooa**  
Supply Chain  
Management  
Administrator



**Kgomotso Mokone**  
Bookkeeper



**Khanyisile Mthembu**  
Supply Chain  
Management  
Coordinator



**Kim Jurgensen**  
Communications  
Coordinator



**Mahandra Naidoo**  
Acting Executive  
Director



**Matshidiso Tshabalala**  
General Office  
Assistant



**Mfanufikile Daza**  
Chief Financial  
Officer



**Nobuntu Sibisi**  
Senior Coordinator:  
Special Projects



**Nonhlanhla Ngubane**  
Receptionist



**Nozipho Ngema**  
Assistant Coordinator:  
Trade and Industry Chamber



**Nthabiseng Koopedi**  
Human Resources  
Coordinator



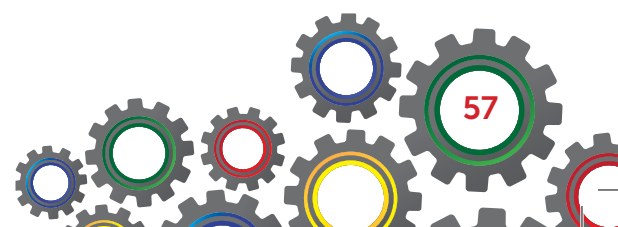
**Priscilla Mashabane**  
Coordinator:  
Development Chamber



**Ruth Mofokeng**  
Administrator



**Sharlotte Kopano van  
Rooyen**  
Executive Administrator





**Sharon Lerumo**  
Financial Administrator



**Sibongile Pheeha**  
Supply Chain  
Management  
Administrator



**Sharna Johardien**  
Senior Coordinator:  
Trade and Industry  
Chamber



**Samuel Mulwela**  
General Assistant:  
Security and Maintenance



**Tsholofelo Lelaka**  
Coordinator:  
Labour Market Chamber



**Vuyisa Tafa**  
Coordinator: Public Finance  
and Monetary Policy

## CONSTITUENCY SUPPORT STAFF



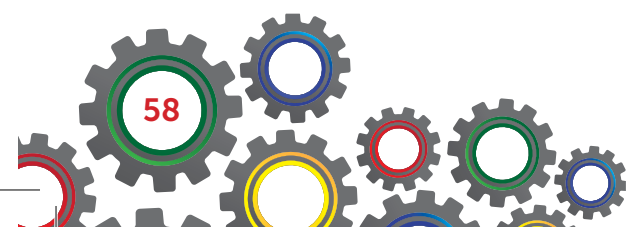
**Shannon Stanbul**  
Coordinator  
Labour



**Takwana Makaya**  
Coordinator  
Community



**Rejoice Mudzanani**  
Coordinator  
Community







# Part E

FINANCIAL  
INFORMATION

# Report of the Auditor-General to Parliament on the Financial Statements of National Economic Development and Labour Council

## Introduction

1. I have audited the financial statements of the National Economic Development and Labour Council set out on pages 74 to 113, which comprise statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

## Accounting Authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

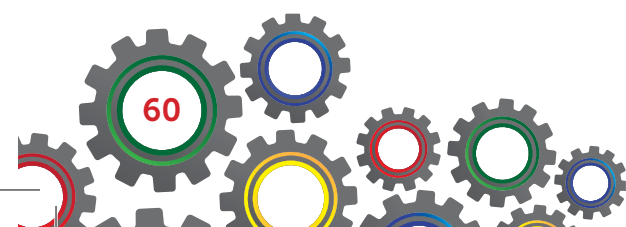
## Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

## Basis of qualified opinion

### Receivables from non-exchange transactions

6. The entity did not recognise all the receivables meeting the definition of an asset in accordance with GRAP 1 *Presentation of financial statements*. Consequently, receivables from non-exchange transactions are understated by R1,778 million (2014: R1,778 million). Additionally, there was a consequential impact on the accumulated surplus.



### Property, plant and equipment

7. I was unable to obtain sufficient appropriate audit evidence to substantiate the amount disclosed as property, plant and equipment, as the entity did not review and assess the residual values and useful lives of assets at each reporting date in accordance with GRAP 17 *Property, plant and equipment*. I was unable to confirm the amount disclosed as property, plant and equipment even by alternative means. Consequently, I was unable to determine whether any adjustments to property, plant and equipment stated at R19,226 million (2014: R7,359 million) in the financial statements was necessary.

### Aggregation of immaterial uncorrected misstatements

8. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in amongst others, the following elements making up the statement of financial position, the statement of financial performance and the notes to the financial statements:

- Provision is overstated by R87 692

In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm the following items by alternative means:

- Receivables from exchange transactions of gross amount of R157 056 as included in the disclosed in the gross amount of R293 906.
- Payables from exchange transaction of R229 114 as included in the disclosed balance of R1 300 263.

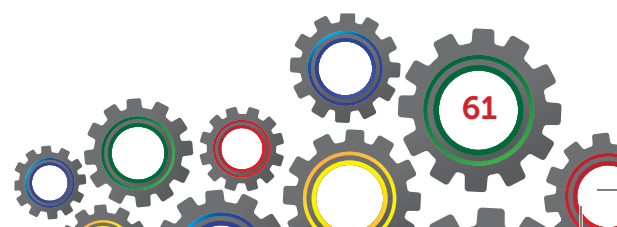
Consequently, I was unable to determine whether any further adjustment to these items was necessary.

### Qualified opinion

9. In my opinion, except for the effects for limitations and effects for disagreements, and possible effects, of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the National Economic Development and Labour Council as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

### Report on other legal and regulatory requirements

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.



### **Predetermined objectives**

11. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2015:
  - Programme 2: Core operations on pages x to x
  - Programme 3: Capacity building funds on pages x to x
12. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
13. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPi).
14. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
15. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:
  - Programme 2: Core operations
  - Programme 3: Capacity building funds

### **Compliance with legislation**

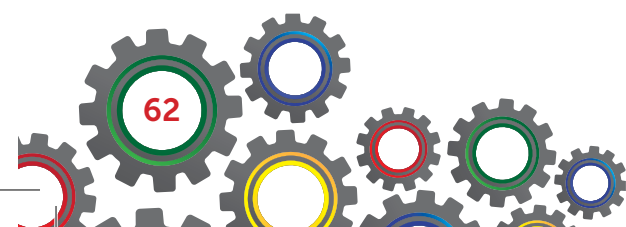
16. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### **Annual financial statements**

17. The financial statements submitted for auditing were not prepared in accordance with the requirement of sections 55(1)(a) and (b) of the PFMA and SA Standards of GRAP. Material misstatements of irregular expenditure, provisions, payables from exchange transactions, property plant and equipment, commitments and fruitless and wasteful expenditure identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

### **Expenditure management**

18. The accounting authority did not take effective steps to prevent irregular expenditure and fruitless expenditure, as required by section 51(1)(b)(ii) of the PFMA.





### **Revenue management**

19. Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the PFMA and Treasury Regulations 31.1.2(a) and (e).

### **Procurement and contract management**

20. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.
21. Quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury Regulation 16A8.3.

### **Consequent management**

22. Effective and appropriate disciplinary steps were not taken against officials who incurred and permitted irregular expenditure, as required by section 51(1)(e)(iii) of the Public Finance Management Act. This is because instances of Irregular expenditure were not investigated.

### **Internal control**

23. I considered internal control relevant to my audit of the financial statements, annual performance report, and compliance with legislation. The matters reported below are limited to the significant deficiencies that resulted in the basis for qualified of opinion and the findings on non-compliance with legislation included in this report.

### **Leadership**

24. Leadership did not adequately exercise appropriate oversight over financial and performance reporting and related internal controls. Policies and procedures did not adequately guide financial and performance activities and compliance with laws and regulations.

### **Financial and performance management**

25. Management's internal controls and processes over the preparation and presentation of financial statements and performance information were not adequate to ensure that the financials were free from material misstatements resulting in material corrections that had to be made during the audit. Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored and control measures implemented.

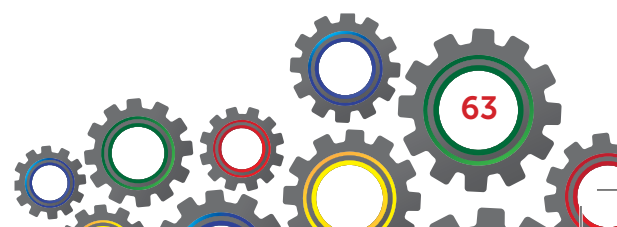
### **Governance**

26. Even though the risk assessment was performed, no risks relating to procurement and contract management were assessed. Management did not adequately monitor further risks identified during the risk assessment process relating to financial and performance reporting and compliance with laws and regulations. This resulted in the internal control environment weaknesses which resulted in the findings on financial statements, annual performance report and non-compliance with laws and regulations.

*Auditor - General*



*Auditing to build public confidence*



## Nedlac Financial Statements

for the year ended 31 March 2015

### General Information

#### Country of incorporation and domicile

South Africa

#### Nature of business and principal activities

Nedlac is a statutory body which is governed and mandated as per The National Economic Development and Labour Council Act, Act 35 of 1994.

Nedlac's work programme is largely determined by the legislative and policy programme of Government as well as issues tabled by constituencies. These issues can be tabled at a Chamber, Management Committee or the Executive Council. Issues that are tabled at the Management Committee or Executive Council are referred to the appropriate Chambers for negotiation or consultation: Trade and Industry; Public Finance and Monetary Policy ; Labour Market; and Development. Issues of a cross-cutting nature are dealt with by the Manco and-or Exco, usually through special task teams.

There have been no changes in the legislative mandate of Nedlac.

#### Overall Convenors

L Lotter (Business)  
B Ntshalintshali (Labour)  
D Mthlane (Community)  
T Mkalipi (Government)  
M Naidoo (Acting Executive Director)

#### Registered office

Nedlac House  
14A Jellicoe Avenue  
Rosebank  
2196

#### Business address

Erf 205, Rosebank Township, 14A Jellicoe Avenue

Rosebank  
Johannesburg  
South Africa  
2196

#### Postal address

PO Box 1775  
Saxonwold  
2132

#### Secretary / Executive Director

M Naidoo

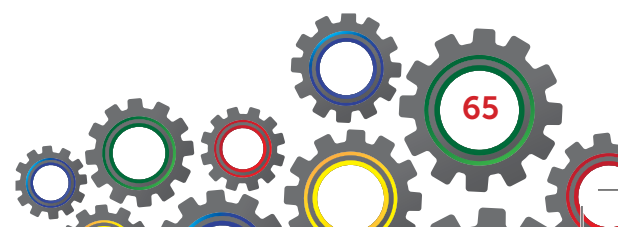
## Nedlac Financial Statements

for the year ended 31 March 2015

### Index

The reports and statements set out below comprise the audited annual financial statements presented to the parliament:

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Report of the Auditor General	60
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Statement of Financial Performance	75
Statement of Changes in Net Assets	76
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## Nedlac Financial Statements

for the year ended 31 March 2015

### Accounting Authority's Responsibilities and Approval

The members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the audited annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the audited annual financial statements and was given unrestricted access to all financial records and related data.

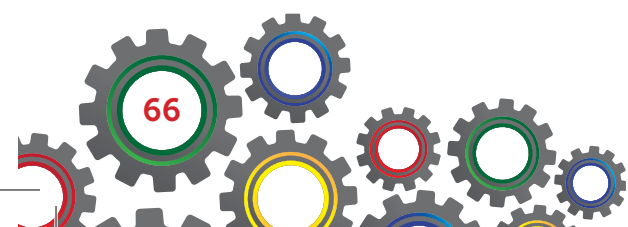
The audited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The audited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The members have reviewed the entity's cash flow forecast for the year to 31 March 2016 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.



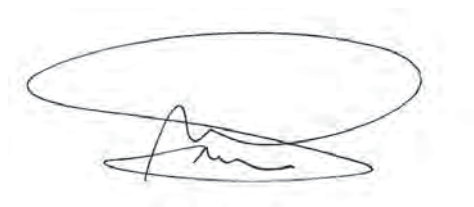
## Nedlac Financial Statements

for the year ended 31 March 2015

The entity is wholly dependent on the Department of Labour for continued funding of operations. The audited annual financial statements are prepared on the basis that the entity is a going concern and that the Department of Labour has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the accounting authority are primarily responsible for the financial affairs of the entity, they are audited by the entity's external auditors.

The audited annual financial statements set out on pages 74 to 113, which have been prepared on the going concern basis, were recommended by the Audit and Risk Committee on 29 May 2015 and were signed on its behalf by:

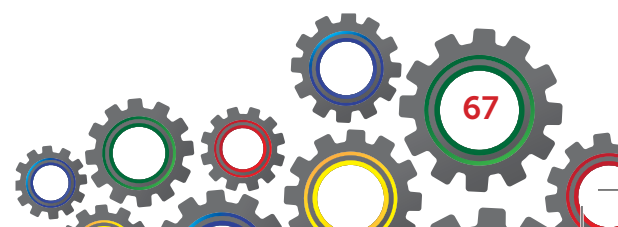


**M Naidoo**

Acting Executive Director

Johannesburg

17 July 2015



## Nedlac Financial Statements

for the year ended 31 March 2015

# Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2015.

### Audit and Risk Committee members and attendance

The Audit and Risk Committee consists of the members listed hereunder and should meet quarterly as per the approved terms of reference. During the current year, four meetings were held as follows:

22 May 2014

22 July 2014

13 November 2014

30 January 2014

Name of member	Number of meetings attended
Adv. Shami Kholong (Independent Chairperson)	4
Mr. Nico Vermuelen (Business)	4
Mr. Kugesh Naidoo (Community)	3
Mr. Freddie Pietersen (Government)	4
Mr. Chris Klopper (Labour)	4

### Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 55(1)(a) of the Public Finance Management Act and Treasury Regulation 27.1.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter. It has during the year under review regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein and the related accounting policies and practices.

### Stakeholder Engagement/s

The Committee has been able to engage with the following stakeholders:

- Executive Council (EXCO)
- Management Committee (MANCO)
- Management
- Internal Audit Unit
- Auditor-General of South Africa

### The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in Nedlac revealed some control weaknesses, which were raised with Manco and Exco.

The following internal audit work was completed during the year under review:



## Nedlac Financial Statements

for the year ended 31 March 2015

No.	Audit Project
1	Supply Chain Management
2	Human Capital Management
3	Follow up reviews – internal audit findings
4	Performance Information
5	Financial Discipline Review
6	Follow up reviews – Auditor General findings
7	Financial Statement Compliance Review

### The following were areas of concern:

Management did not always fully implement with required rigour numerous material control weaknesses identified by Internal Audit and the Auditor-General. Most of which had been raised before but were not resolved hundred percent. As a result, the Audit and Risk Committee has recommended to both Manco and Exco that the Auditor General and Internal Audit action plan should be strictly monitored for implementation in 2015/16 financial year to address all unresolved findings.

The Committee acknowledges efforts underway by management to address areas of concern raised by combined assurers.

### Risk Management

Nedlac continues to mature in risk management.

There is a risk register in place. The risk management committee has also been established by management. The top ten (10) risks are monitored by the Audit and Risk Committee and Exco on a quarterly basis. Special attention is paid to remedial actions and residual risk exposures. This is over and above the efforts of the risk management committee.

### In-Year Management and Quarterly Report

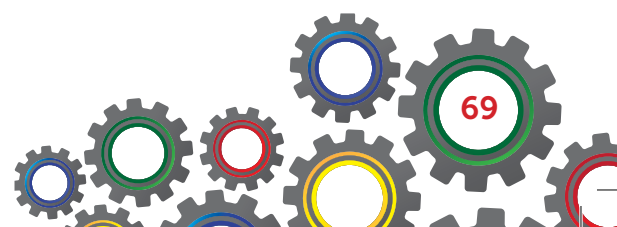
Management has reported quarterly as required by the PFMA. In addition at all Audit and Risk Committee meetings management has presented quarterly reports for review and or consideration by the committee.

### Evaluation of Financial Statements

We reviewed the Annual Financial Statements prepared by management and recommended them for audit after further recommended refinement by management. Of note would be that the previous Chief Financial Officer resigned on 22 May 2015, and served on a part-time basis from 01 July until 31 July 2015. An Acting Chief Financial Officer was appointed on a contractual basis from 10 July to 30 November 2014. A new CFO was appointed in 15 December 2014, just before Nedlac closed for the festive period. The new CFO was thus faced with major challenges in the sense that he had to gain institutional knowledge and prepare for the year-end closure, hence the qualified audit finding.

### Evaluation of Performance Information

At the same audit committee meeting we evaluated performance tables and recommended them for audit after further recommended refinement by management.



### Auditor General's Report

The three exceptions which are a basis of a qualification are inter alia as a consequence of receivables relating to investigations not included in the financial statements. The committee had upon receipt of allegations of irregular activities at Nedlac in previous years, purportedly by two senior former staff members, commissioned a forensic investigation.

Based on the outcome of the forensic investigation, the Nedlac Audit Committee resolved that the following steps should be taken:

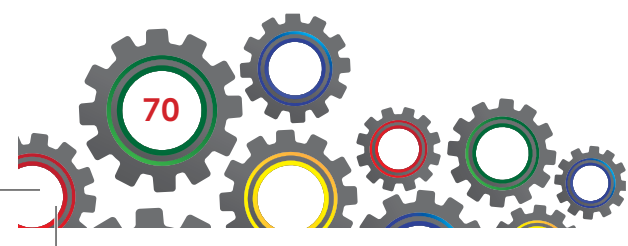
- i). Recover, where economically viable, losses as a result of such expenditure, criminal conduct or non-compliance with the operational policies of the entity, through civil actions
- ii). Reporting possible criminal conduct to SAPS
- iii). Institute the correct governance processes, systems and policies to prevent the future recurrence of unauthorised, irregular or fruitless and wasteful expenditure.

The following adjustments to the Annual Financial Statements for 2014 -15, taking account of prior year's financial implications in respect of "receivables from non-exchange transactions", relating specifically to the forensic investigation are necessary:

- i). With regard to the amount of R 1, 778 million of irregular and wasteful expenditure identified in the forensic report, EXCO and MANCO had resolved that it would not be economical for Nedlac to pursue civil claims in respect of this amount, and that any monies owing to Nedlac should be recovered through the criminal process.
- ii). However, management, in consultation with the Auditor-General, has reinstated this debt as the Auditor-General is of the view that the criminal process has not yet been concluded, and the monies therefore remain recoverable.

In addition, it has been noted that the irregular expenditure of R 4, 255, 937 for the 2014 -15 financial year is in respect of the rental of temporary office accommodation, to accommodate Nedlac while Nedlac House was being renovated. Quotations were sourced from different office accommodation service providers. A bid process was not undertaken as it was expected that:

- The renovations would take 6 months, and the lease period would not exceed six months.
- The total amount to be spent on rentals would not exceed R500,000.00, inclusive of VAT.
- The securing of temporary office accommodation was also regarded as an emergency, given the need to address the areas of regulatory non-compliance, listed in the Contravention Notice that had been issued by the Department of Labour. This Contravention Notice resulted in Nedlac having to vacate its premises earlier than had been planned, resulting in the amount of R500,000 being exceeded.



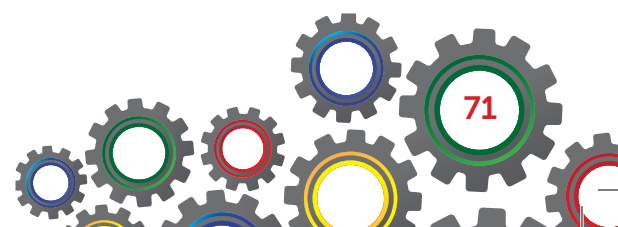
The Minister of Labour has condoned this irregular expenditure. The Minister's condonation letter was however signed after 31 March 2015. As a result, it could not be treated as having been condoned at year-end.

We had further requested an implementation plan for audit issues for the year under review. This plan has been developed, and implementation will be closely monitored by the Audit and Risk Committee.

Finally, the Audit and Risk Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General. The Committee has also reviewed the performance information as included in the Auditor General report together with the management letter, and is of the opinion that the Accounting Officer should develop a strategy to address all findings contained therein.



**Shami Kholong**  
**Chairperson of the Audit and Risk Committee**  
**Nedlac**  
**Date 17 July 2015**



## Nedlac Financial Statements

for the year ended 31 March 2015

### Accounting Authority's Report

The members submit their report for the year ended 31 March 2015.

#### 1. Review of activities

##### Main business and operations

##### LEGISLATIVE AND OPERATIONAL OVERVIEW

Nedlac's work programme is driven by the legal imperative for social dialogue and participatory policymaking in terms of the Nedlac Act, Act 35 of 1994. In this regard, the Nedlac act requires the institution to:

- Strive to promote the goals of economic growth, participation in economic decision- making and social equity
- Seek to reach consensus and conclude agreements on matters pertaining to social and economic policy
- Consider all proposed labour legislation relating to labour market policy before it is introduced in Parliament
- Encourage and promote the formulation of coordinated policy on social and economic matters; and
- Consider all significant changes to social and economic policy before it is implemented or introduced in Parliament
- Consider socio-economic Disputes in terms of Section 77 of the Labour Relations Act.

The Nedlac work programme is therefore largely shaped by the policy and legislative agenda as determined by the government of the day. The Nedlac work programme is furthermore significantly influenced by global economic conditions and the socio-economic challenges confronting South Africa. In addition, the social partners also have the right to table issues for consideration. Nedlac is thus confronted with a host of issues on which it is required to engage.

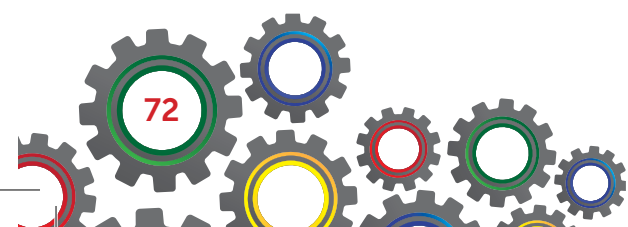
This engagement process is undertaken in compliance with the Nedlac Constitution and the Protocol for Tabling Issues at Nedlac. The engine-rooms for engagement are as follows:

##### ***Public Finance and Monetary Policy Chamber***

The Public Finance and Monetary Policy Chamber shall seek to reach consensus and make agreements for placing before the executive council on all matters pertaining to financial, fiscal, monetary and exchange rate policies, the coordination of fiscal and monetary policy, related elements of macroeconomic policy and the associated institutions of delivery.

##### ***Trade and Industry Chamber***

The Trade and Industry Chamber shall seek to reach consensus and make arrangements for placing before the executive council on all matters pertaining to the economic and social dimensions of trade, industrial, mining, agricultural and services policies and the associated institutions of delivery.



## Nedlac Financial Statements

for the year ended 31 March 2015

### ***Labour Market Chamber***

The Labour Market Chamber shall seek to reach consensus and make arrangements for placing before the executive council on all matters pertaining to the world of work and the associated institutions of delivery.

### ***Development Chamber***

The Development Chamber shall seek to reach consensus and make agreements for placing before the executive council on all matters pertaining to development, both urban and rural, implementation strategies, financing of development programmes, campaigns to mobilise the nation behind government programmes and the associated institutions of delivery.

Net surplus of the entity was R265,038 (2014: surplus R 351,716).

## **2. Going concern**

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next twelve months.

## **3. Subsequent events**

The members are not aware of any matter or circumstance arising since the end of the financial year.  
Nedlac is not aware of any matter or circumstance arising since the end of the financial year.

## **4. Accounting Authority**

The Overall Convenors members of the entity during the year and to the date of this report are as follows:

### **Name**

L Lotter (Business)  
D Mthlane (Community)  
T Mkalipi (Government)  
B Ntshalintshali (Labour)

## **5. Secretary / Executive Director**

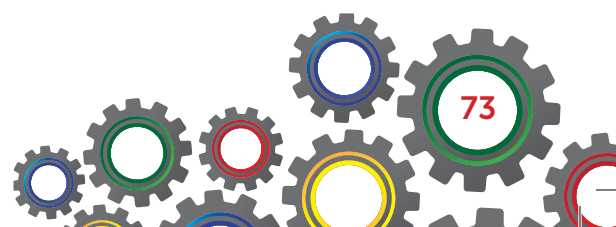
The secretary of the entity is M Naidoo (Acting).

## **6. Key managers emoluments**

Details for key managers' emoluments are disclosed in the employee related costs note 13.

## **7. Auditors**

Internal: O.M.A. Chartered Accountants  
External: Auditor-General of SA



## Statement of Financial Position as at 31 March 2015

Figures in Rand	Note(s)	2015	2014
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	7 544 572	19 337 383
Receivables from exchange transactions	4	138 116	284 815
		<b>7 682 688</b>	<b>19 622 198</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	5	19 226 659	7 359 085
Intangible assets	6	53 408	99 735
		<b>19 280 067</b>	<b>7 458 820</b>
<b>Total Assets</b>		<b>26 962 755</b>	<b>27 081 018</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	7	1 300 263	1 977 082
Finance lease obligation	8	-	47 751
Provisions	9	766 986	606 829
Other payables		168 172	-
Bank overdraft	3	12 940	-
		<b>2 248 361</b>	<b>2 631 662</b>
<b>Total Liabilities</b>		<b>2 248 361</b>	<b>2 631 662</b>
<b>Net Assets</b>		<b>24 714 394</b>	<b>24 449 356</b>

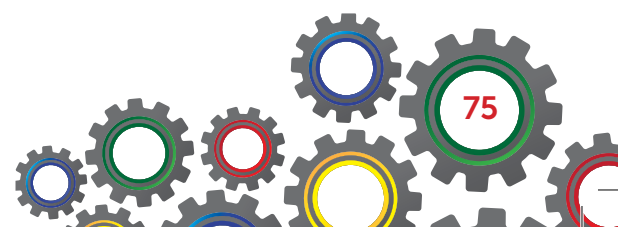


## Nedlac Financial Statements

for the year ended 31 March 2015

### Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rental of facilities and equipment		-	244 892
Interest received		765 952	549 124
Transfers from other government entities		14 955	26 005
Other revenue		48 068	54 008
<b>Total revenue from exchange transactions</b>		<b>828 975</b>	<b>874 029</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Transfers from other government entities	12	27 447 000	25 933 693
<b>Total revenue</b>	11	<b>28 275 975</b>	<b>26 807 722</b>
<b>Expenses</b>			
Personnel	13	-12 095 142	-10 281 465
Depreciation and amortisation expenses		-1 172 051	-983 604
Finance costs	16	-68 350	-14 611
Debt Impairment	15	-	-310 853
Miscellaneous	17	-14 675 394	-14 826 119
<b>Total expenses</b>		<b>-28 010 937</b>	<b>-26 416 652</b>
<b>Operating surplus</b>	18	<b>265 038</b>	<b>391 070</b>
Loss on disposal of assets and liabilities	20	-	-39 354
<b>Surplus for the period</b>		<b>265 038</b>	<b>351 716</b>



## Nedlac Financial Statements

for the year ended 31 March 2015

### Statement of Changes in Net Assets

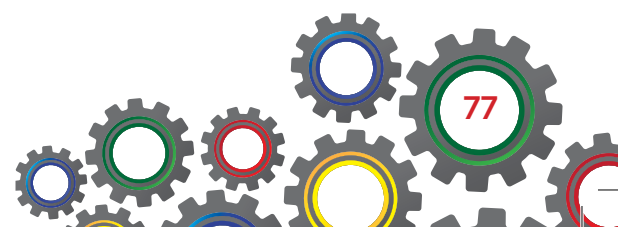
Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	23 662 749	23 662 749
Adjustments		
Prior year adjustments	434 893	434 893
<b>Balance as at 31 March 2013 as restated*</b>	<b>24 097 642</b>	<b>24 097 642</b>
Surplus for the period	351 714	351 714
Total changes	351 714	351 714
<b>Balance as at 31 March 2014</b>	<b>24 449 356</b>	<b>24 449 356</b>
Surplus for the period	265 038	265 038
Total changes	265 038	265 038
<b>Balance as at 31 March 2015</b>	<b>24 714 394</b>	<b>24 714 394</b>

## Nedlac Financial Statements

for the year ended 31 March 2015

### Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		27 447 000	25 933 693
Rent received		-	244 892
Interest received		765 952	549 124
Other receipts		63 024	80 012
		<u>28 275 976</u>	<u>26 807 721</u>
<b>Payments</b>			
Employee costs		-12 095 142	-10 281 465
Suppliers		-15 045 359	-14 216 486
		<u>-27 140 501</u>	<u>-24 497 951</u>
Total receipts		28 275 976	26 807 721
Total payments		-27 140 501	-24 497 951
<b>Net cash flows from operating activities</b>	22	<b>1 135 475</b>	<b>2 309 770</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	5	-12 996 774	-347 451
Proceeds from sale of plant and equipment	5	21 255	-5 555
Purchase of other intangible assets	6	-17 778	-109 338
<b>Net cash flows from investing activities</b>		<b>-12 993 297</b>	<b>-462 344</b>
<b>Cash flows from financing activities</b>			
Repayment of other payables		168 172	-
Finance lease payments		-116 100	33 140
<b>Net cash flows from financing activities</b>		<b>52 072</b>	<b>33 140</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-11 805 750</b>	<b>1 880 566</b>
Cash and cash equivalents at the beginning of the period		19 337 383	17 456 815
<b>Cash and cash equivalents at the end of the period</b>	3	<b>7 531 633</b>	<b>19 337 381</b>



## Nedlac Financial Statements

for the year ended 31 March 2015

### Statement of Comparison of Budget and Actual Amounts

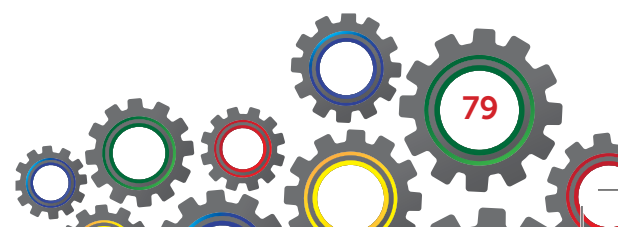
Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Interest received	380 000	-	380 000	765 952	385 952	A1
SETA Refund	-	-	-	14 955	14 955	A2
Miscellaneous other revenue	112 000	-	112 000	48 068	-63 932	A3
<b>Total revenue from exchange transactions</b>	<b>492 000</b>	<b>-</b>	<b>492 000</b>	<b>828 975</b>	<b>336 975</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	27 447 000	-	27 447 000	27 447 000	-	
'Total revenue from non-exchange transactions'	27 447 000	-	27 447 000	27 447 000	-	
<b>Total revenue</b>	<b>27 939 000</b>	<b>-</b>	<b>27 939 000</b>	<b>28 275 975</b>	<b>336 975</b>	
<b>Expenditure</b>						
Personnel	-11 507 050	-	-11 507 050	-12 095 142	-588 092	A4
Depreciation and amortisation	-	-	-	-990 279	-990 279	A5
Finance costs	-	-	-	-68 350	-68 350	A6
Lease rentals on operating lease	-	-	-	-1 867 470	-1 867 470	A7
General Expenses	-16 431 950	-	-16 431 950	-12 842 476	3 589 474	A8
<b>Total expenditure</b>	<b>-27 939 000</b>	<b>-</b>	<b>-27 939 000</b>	<b>-27 863 717</b>	<b>75 283</b>	

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Surplus before taxation</b>	-	-	-	<b>412 258</b>	<b>412 258</b>	
Surplus before taxation	-	-	-	412 258	412 258	
Taxation	-	-	-	-	-	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	-	-	-	<b>412 258</b>	<b>412 258</b>	
<b>Reconciliation</b>	<hr/>					



## Nedlac Financial Statements

for the year ended 31 March 2015

### Statement of Comparison of Budget and Actual Amounts

The approved budget for 2014/2015 was prepared on a cash basis and the financial statements were presented on an accrual basis. The approved budget was for the period 01 April 2014 to 31 March 2015.

#### Variance explanations:

**A1** - The amount invested on the call account increased during the current financial year due to the increase in the grant received from the department of labour. The other reason for the increase in interest received was due to the fact that there was a R13 000 000 retained surplus which was budgeted for capital expenditure to be utilised in the beginning of the current financial year however the major portion of these funds were only utilised during the end of quarter 3 and quarter 4, hence more interest was generated.

**A2** - Nedlac did not budget to receive a refund from SETA at the beginning of the year due to the fact that it is a very insignificant amount and the actual payment is determined by SETA during the financial year. However during the year Nedlac did receive a refund from SETA.

**A3** - The decrease is due to the fact that amongst other revenue there was a portion that was expected to be received from the insurance pay out, however a lesser amount was actually received from the insurance.

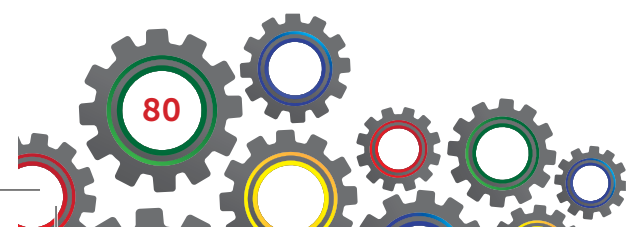
**A4** - The increase on the personnel cost is due to the fact that in the current financial year the performance bonus provision is already included and that would not have been part of the budget amount. There were also salaries paid to temporary staff during the current financial year, however those payments were immaterial.

**A5** - There was no amount budgeted for the depreciation and amortisation at the beginning of the current financial year. However during the current financial year depreciation was determined for all assets owned by Nedlac.

**A6** - The variance is due to the fact that there was no budgeted amount for finance costs as Nedlac does not carry any interest bearing loan. However during the current financial year Nedlac discovered that there was outstanding employee taxation which attracted interest and penalties dating back from 2007 and this interest was then recognised and paid over to the South African Revenue Service. The other portion of finance cost relate to the finance charges calculated on the finance lease entered between Nedlac and MWEB for the PABX telephone system and this was also not budgeted for at the beginning of the current financial year.

**A7** - The variance on the lease rentals was mainly caused by the operating lease rentals that was incurred for the offices that were occupied by Nedlac during the current financial year, during building renovations that were undertaken at Nedlac House and this expense was not budgeted for as it was not anticipated at the time the budget was finalised. After the budget was finalised just before the beginning of the current financial year it was established that Nedlac will not be able to occupy Nedlac House during the renovation period due to safety reasons, hence new offices had to be leased for the duration of the renovations.

**A8** - The variance on general expenses is due to savings that were realised during the current financial year, some of these were realised due to the implementation of cost containment measures specifically on travel and accommodation costs. Some other saving were realised from other activities relating to printing, photocopying, subscriptions, website and internet expenses, public relation activities, publications and general maintenance.





## Nedlac Financial Statements

for the year ended 31 March 2015

### Accounting Policies

#### 1. Presentation of Audited Annual Financial Statements

The audited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These audited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these audited annual financial statements, are disclosed below.

##### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the audited annual financial statements. Significant judgements include:

##### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

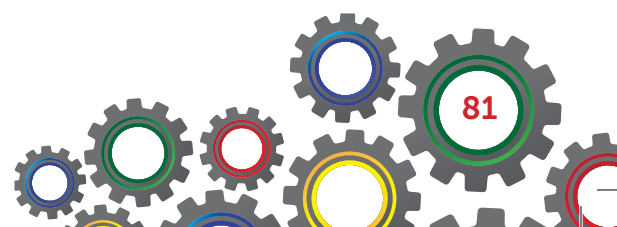
The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 9 - Provisions.

##### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.



## Nedlac Financial Statements

for the year ended 31 March 2015

### Accounting Policies

#### 1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	20 years
Furniture and fixtures	12 years
Motor vehicles	5 years
Office equipment	3 years
IT equipment	3 years

## Nedlac Financial Statements

for the year ended 31 March 2015

### Accounting Policies

#### 1.3 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

#### 1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

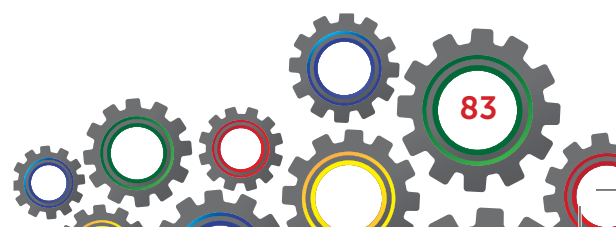
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.



## Nedlac Financial Statements

for the year ended 31 March 2015

### Accounting Policies

#### 1.4 Financial instruments (continued)

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

## Nedlac Financial Statements

for the year ended 31 March 2015

### Accounting Policies

#### 1.4 Financial instruments (continued)

##### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

##### Class

Trade and other receivables

Cash and cash equivalents

##### Category

Financial asset measured at amortised cost

Financial asset measured at cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

##### Class

Other receivables

##### Category

Financial liability measured at amortised cost

##### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

##### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

##### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

##### Reclassification

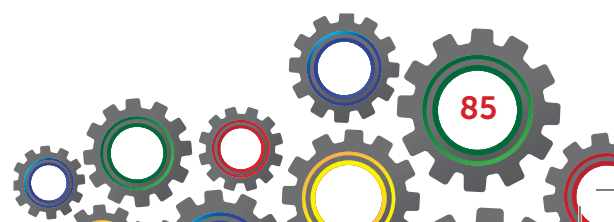
The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

#### 1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.



## Nedlac Financial Statements

for the year ended 31 March 2015

### Accounting Policies

#### 1.5 Leases (continued)

##### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

##### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Income for leases is disclosed under revenue in statement of financial performance.

##### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

The current operating leases do not have escalations and therefore have not been straight lined.

#### 1.6 Impairment of cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

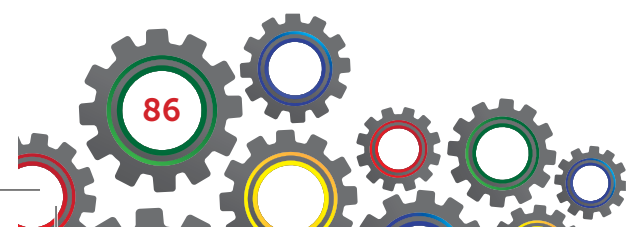
Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the entity; or

(b) the number of production or similar units expected to be obtained from the asset by the entity.



## Nedlac Financial Statements

for the year ended 31 March 2015

### Accounting Policies

#### 1.6 Impairment of cash-generating assets

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### 1.7 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

#### 1.8 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

##### Short-term employee benefits

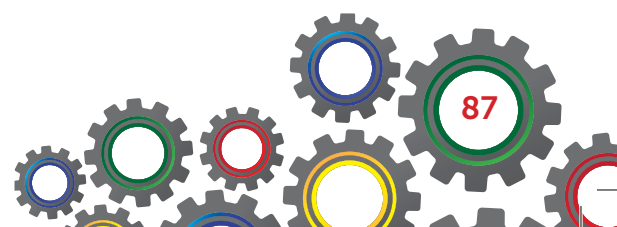
Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.





## Nedlac Financial Statements

for the year ended 31 March 2015

### Accounting Policies

#### 1.8 Employee benefits (continued)

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### 1.9 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

## Nedlac Financial Statements

for the year ended 31 March 2015

### Accounting Policies

#### 1.9 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

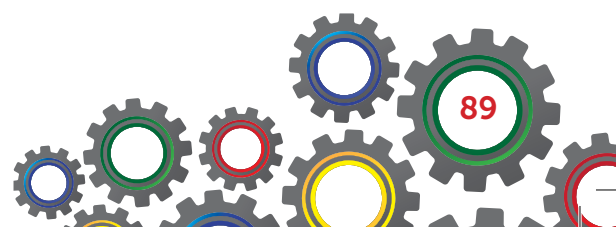
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.



## Nedlac Financial Statements

for the year ended 31 March 2015

### Accounting Policies

#### 1.9 Provisions and contingencies (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

#### 1.10 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

##### Measurement

Revenue is measured at the fair value of the consideration received or receivable.

##### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;

it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;

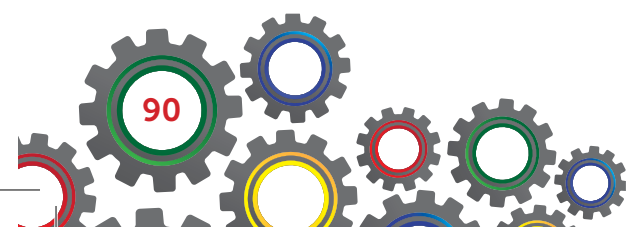
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

#### 1.11 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.



## Nedlac Financial Statements

for the year ended 31 March 2015

### Accounting Policies

#### 1.11 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

##### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

##### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### 1.12 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

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

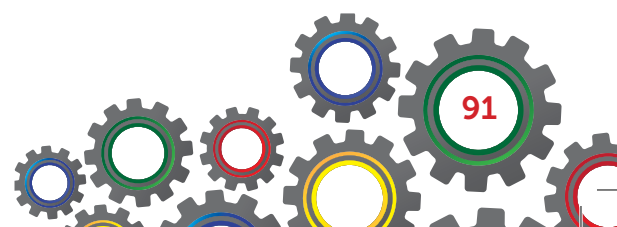
#### 1.13 Comparative figures

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

#### 1.14 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.



## Nedlac Financial Statements

for the year ended 31 March 2015

### Accounting Policies

#### 1.15 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

#### 1.15 Irregular expenditure (continued)

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

#### 1.16 Budget information

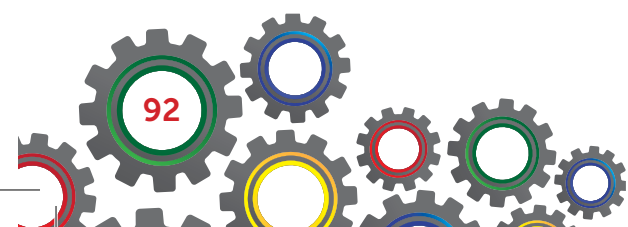
Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01-Apr-14 to 31-Mar-15.

The budget for the economic entity includes all the entities approved budgets under its control.

The audited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.



## **Notes to the Audited Annual Financial Statements**

### **2. New standards and interpretations**

#### **2.1 Standards and interpretations effective and adopted in the current year**

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### **GRAP 105: Transfers of functions between entities under common control**

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The entity expects to adopt the standard for the first time in the 2015 audited annual financial statements.

It is unlikely that the amendment will have a material impact on the entity's audited annual financial statements.

#### **2.2 Standards and interpretations issued, but not yet effective**

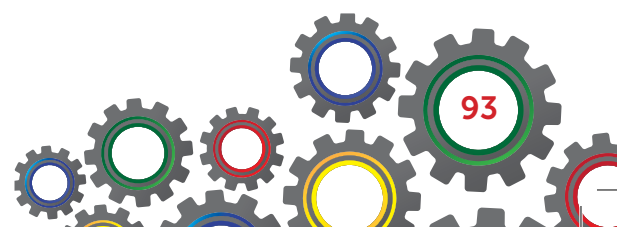
The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2015 or later periods:

##### **GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.



## Nedlac Financial Statements

for the year ended 31 March 2015

# Notes to the Audited Annual Financial Statements

### 2. New standards and interpretations (continued)

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2015.

The entity expects to adopt the standard for the first time in the 2015 audited annual financial statements.

It is unlikely that the standard will have a material impact on the entity's audited annual financial statements.

### GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

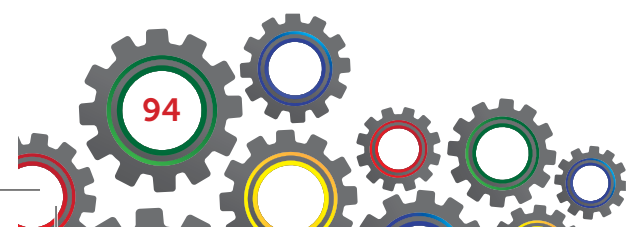
The effective date of the standard is for years beginning on or after 01 April 2015.

The entity expects to adopt the standard for the first time in the 2015 audited annual financial statements.

It is unlikely that the amendment will have a material impact on the entity's audited annual financial statements.

### GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.





## Notes to the Audited Annual Financial Statements

### 2. New standards and interpretations (continued)

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The entity expects to adopt the standard for the first time in the 2015 audited annual financial statements.

It is unlikely that the amendment will have a material impact on the entity's audited annual financial statements.

### GRAP 20: Related parties

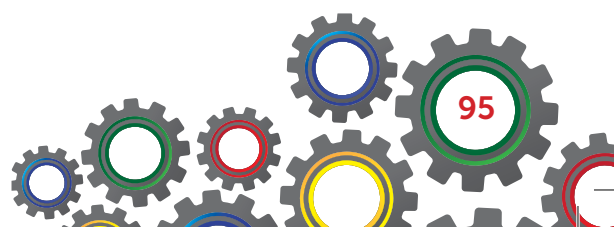
The objective of this standard is to ensure that a reporting entity's audited annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual audited annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.



## Notes to the Audited Annual Financial Statements

### 2. New standards and interpretations (continued)

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

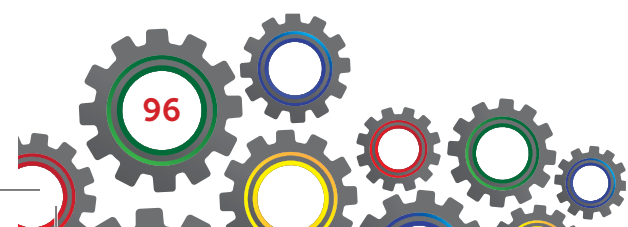
The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2016.

The entity expects to adopt the standard for the first time in the 2016 audited annual financial statements.

It is unlikely that the standard will have a material impact on the entity's audited annual financial statements.



## Notes to the Audited Annual Financial Statements

### 2. New standards and interpretations (continued)

#### **DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP**

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2016.

The entity expects to adopt the standard for the first time in the 2016 audited annual financial statements.

It is unlikely that the standard will have a material impact on the entity's audited annual financial statements.

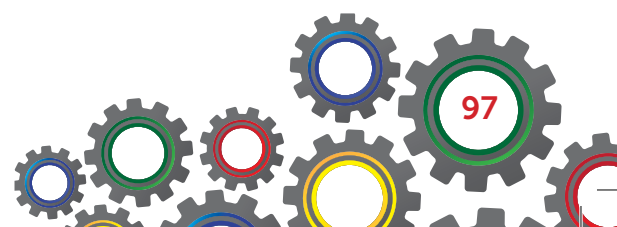
#### **GRAP108: Statutory Receivables**

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister set the effective date for the standard.



## Nedlac Financial Statements

for the year ended 31 March 2015

### Notes to the Audited Annual Financial Statements

Figures in Rand	Note(s)	2015	2014
<b>3. Cash and cash equivalents</b>			
Cash and cash equivalents consist of:			
Cash on hand		2 366	5 000
Bank balances		-	3 943 223
Short-term deposits		7 542 206	15 389 160
Bank overdraft		-12 940	-
		<b>7 531 632</b>	<b>19 337 383</b>
Current assets		7 544 572	19 337 383
Current liabilities		-12 940	-
		<b>7 531 632</b>	<b>19 337 383</b>

#### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

#### Credit rating

AA	-	19 332 383
----	---	------------

#### Bank Overdraft

The bank overdraft is due to debit orders transactions which were not included on the total amount of transfer from call account to current account.

Nedlac does not have approved overdraft facilities and accordingly there are no any unused bank overdraft facilities.

None of Nedlac's assets have been pledged as collateral of any kind.

#### 4. Receivables from exchange transactions

Provision for impairment of trade and other receivables	-155 790	-400 682
Prepayments	-	257 980
Rent receivable from PSA	-	244 892
Other receivable	293 906	182 625
	<b>138 116</b>	<b>284 815</b>

#### Trade and other receivables impaired

As of 31 March 2015, trade and other receivables of R 155,790 (2014: R 400,682) were impaired and provided for. The ageing of these loans is as follows:

Over 6 months	-	400 682
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An amount of R155 790 is linked to the forensic investigation.

#### Reconciliation of provision for impairment of trade and other receivables

Opening balance	400 682	89 829
Movement of provision for impairment during the year	-244 892	310 853
	<b>155 790</b>	<b>400 682</b>

## Nedlac Financial Statements

for the year ended 31 March 2015

### Notes to the Audited Annual Financial Statements

#### Figures in Rand

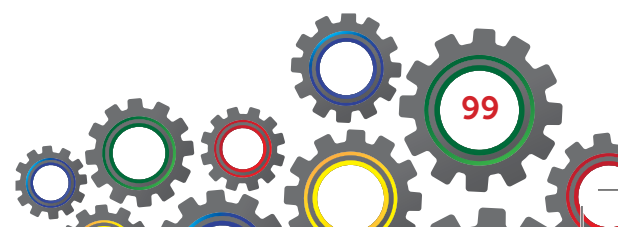
#### 4. Receivables from exchange transactions (continued)

##### 2015 Receivables age analysis

	Current	30 Days	60 Days	90 Days	120+ Days	Total
Gross trade receivables	138 116	-	-	-	155 790	293 906
Impairment	-	-	-	-	-155 790	-155 790
<b>Net trade receivables</b>	<b>138 116</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>138 116</b>

##### 2014 Receivables age analysis

	Current	30 days	60 Days	90 Days	120 + Days	Total
Gross trade receivables	-	-	-	-	685 497	685 497
Impairment	-	-	-	-	-400 682	-400 682
<b>Net trade receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>284 815</b>	<b>284 815</b>



## Nedlac Financial Statements

for the year ended 31 March 2015

### Notes to the Audited Annual Financial Statements

#### 5. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Land	1 500 000	-	1 500 000	1 500 000	-	1 500 000
Buildings	23 368 986	-6 354 711	17 014 275	10 670 208	-5 821 201	4 849 007
Furniture and fixtures	1 433 447	-1 135 235	298 212	1 418 954	-1 083 777	335 177
Motor vehicles	169 688	-169 688	-	169 688	-161 204	8 484
Office equipment	1 025 164	-704 396	320 768	867 313	-503 922	363 391
IT equipment	750 503	-657 099	93 404	779 934	-476 908	303 026
<b>Total</b>	<b>28 247 788</b>	<b>-9 021 129</b>	<b>19 226 659</b>	<b>15 406 097</b>	<b>-8 047 012</b>	<b>7 359 085</b>

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Land	1 500 000	-	-	-	1 500 000
Buildings	4 849 007	12 698 778	-	-533 510	17 014 275
Furniture and fixtures	335 178	18 569	-	-55 535	298 212
Motor vehicles	8 484	-	-	-8 484	-
Office equipment	363 391	250 141	-21 255	-271 508	320 768
IT equipment	303 026	29 286	-	-238 908	93 404
	<b>7 359 086</b>	<b>12 996 774</b>	<b>-21 255</b>	<b>-1 107 945</b>	<b>19 226 659</b>

#### Reconciliation of property, plant and equipment - 2014

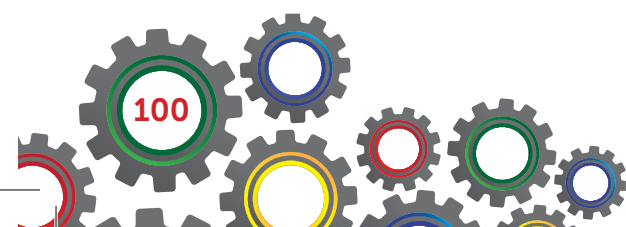
	Opening balance	Additions	Disposals	Depreciation	Total
Land	1 500 000	-	-	-	1 500 000
Buildings	5 329 167	-	-	-480 160	4 849 007
Furniture and fixtures	422 682	20 218	-5 448	-102 275	335 178
Motor vehicles	8 484	-	-	-	8 484
Office equipment	328 988	204 237	-4 024	-165 810	363 391
IT equipment	400 999	122 996	-24 327	-196 642	303 026
	<b>7 990 320</b>	<b>347 451</b>	<b>-33 799</b>	<b>-944 887</b>	<b>7 359 086</b>

#### Details of properties

##### Property 1

- Purchase price: 26 July 2002
- Additions since purchase or valuation
- Building renovations

2015	2014
10 000 000	10 000 000
670 208	670 208
12 698 778	-
<b>23 368 986</b>	<b>10 670 208</b>



## Nedlac Financial Statements

for the year ended 31 March 2015

### Notes to the Audited Annual Financial Statements

#### 6. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	183 254	-129 846	53 408	165 476	-65 741	99 735

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	99 735	17 778	-64 105	53 408

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	29 114	109 338	-38 717	99 735

#### 7. Payables from exchange transactions

	2015	2014
Trade payables	944 149	1 232 382
Other payables	-	462 000
Accrued leave pay	354 614	281 200
Payroll accruals	1 500	1 500
	<b>1 300 263</b>	<b>1 977 082</b>

#### Accrued leave pay

The current leave pay accrual is based on the liability for the current leave cycle not utilised.

#### 8. Finance lease obligation

##### Minimum lease payments due

- within one year	-	71 683
	-	71 683
less: future finance charges	-	-23 932

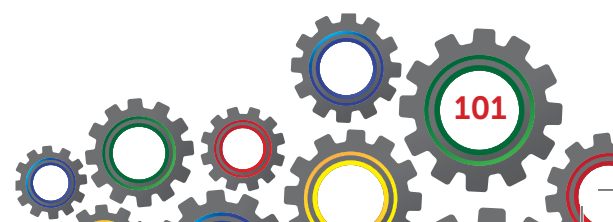
##### Present value of minimum lease payments

-	<b>47 751</b>
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##### Present value of minimum lease payments due

- within one year	-	47 751
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The entity acquired a PABX system by entering into a finance lease agreement with MWEB/Shoretel on the 16<sup>th</sup> January 2014. The lease was fully payable within 12 months and amounts to a total contract value of R168,073.47. The finance lease expired on 15 January 2015, as 31 March 2015 there is no finance lease obligation for future periods





## Nedlac Financial Statements

for the year ended 31 March 2015

### Notes to the Audited Annual Financial Statements

#### 9. Provisions

##### Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Change in Estimate	Total
Bonus provision	606 829	679 294	-562 112	42 975	766 986

A bonus provision was raised due to the implementation of a performance management system at Nedlac. The final bonus amount will be calculated on the individual staff members' performance scorecard and is expected to be paid after the release of the audited financial statements.

#### 10. Financial instruments disclosure

##### Categories of financial instruments

##### Financial Assets

In accordance with IAS 39.09 the Financial Assets of the entity are classified as follows:

Financial Assets    Classification

Receivables

Trade receivables	Loans and receivables
VAT receivable	Loans and receivables
Sundry debtors	Loans and receivables

Bank, Cash and Cash Equivalents

Bank Balances    Held for trading

##### Financial Liabilities

In accordance with IAS 39.09 the Financial Liabilities of the entity are classified as follows :

Financial Liabilities    Classification

Creditors

Trade payables	Financial liabilities at amortised cost
Accruals	Financial liabilities at amortised cost
Accrued leave pay	Financial liabilities at amortised cost
Finance lease liability	Financial liabilities at amortised cost
Bonus provision	Financial liabilities at amortised cost

## Nedlac Financial Statements

for the year ended 31 March 2015

### Notes to the Audited Annual Financial Statements

#### 10. Financial instruments disclosure (continued)

##### 2015

###### Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	138 116	138 116
Cash and cash equivalents	7 544 572	-	7 544 572
	<b>7 544 572</b>	<b>138 116</b>	<b>7 682 688</b>

###### Financial liabilities

	At fair value	At amortised cost	Total
Trade and other payables from exchange transactions	-	1 300 263	1 300 263
Provision for bonus	-	766 986	766 986
	<b>-</b>	<b>2 067 249</b>	<b>2 067 249</b>

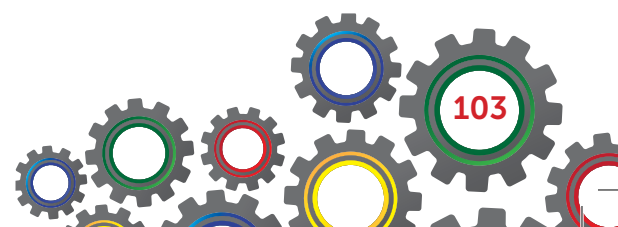
##### 2014

###### Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	284 815	284 815
Cash and cash equivalents	19 337 383	-	19 337 383
	<b>19 337 383</b>	<b>284 815</b>	<b>19 622 198</b>

###### Financial liabilities

	At fair value	At amortised cost	Total
Trade and other payables from exchange transactions	-	1 977 082	1 977 082
Finance lease obligation	-	47 751	47 751
Provisions	-	606 829	606 829
	<b>-</b>	<b>2 631 662</b>	<b>2 631 662</b>



## Nedlac Financial Statements

for the year ended 31 March 2015

### Notes to the Audited Annual Financial Statements

Figures in Rand	2015	2014
<b>11. Revenue</b>		
Rental of facilities and equipment	-	244 892
Interest received	765 952	549 124
Transfers from other government entities	14 955	26 005
Miscellaneous	48 068	54 008
Grants	27 447 000	25 933 693
	<b>28 275 975</b>	<b>26 807 722</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Rental of facilities and equipment	-	244 892
Interest received	765 952	549 124
Transfers from other government entities	14 955	26 005
Miscellaneous	48 068	54 008
	<b>828 975</b>	<b>874 029</b>

## Nedlac Financial Statements

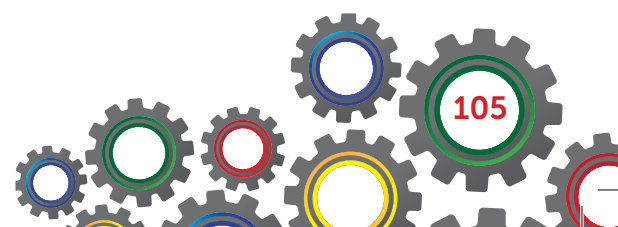
for the year ended 31 March 2015

### Notes to the Audited Annual Financial Statements

Figures in Rand	2015	2014
<b>11. Revenue (continued)</b>		
The amount included in revenue arising from non-exchange transactions is as follows:		
<b>Transfer revenue</b>		
Government grants & subsidies	27 447 000	25 933 693
<b>12. Government grants and subsidies</b>		
Department of Labour	27 447 000	25 828 000
Department of Trade and Industry	-	105 693
	<b>27 447 000</b>	<b>25 933 693</b>
<b>13. Employee costs</b>		
Basic	8 143 950	6 574 431
Bonus	679 296	606 829
Unemployment Insurance Fund	48 894	43 847
Workmens Compensation	124 732	-66 037
Skills Development Levies	115 664	95 538
Leave pay provision charge	298 493	95 769
	<b>9 411 029</b>	<b>7 350 377</b>
<b>Remuneration of key management, Chief Financial Officer - Mfanufikile Daza</b>		
<b>Appointed in position - 5 December 2014</b>		
Annual Remuneration	227 211	-
<b>Remuneration of key management, Chief Financial Officer - Ronell Maartens</b>		
<b>Resigned from position - 22 May 2014</b>		
Annual Remuneration	251 878	706 200
Other	23 537	18 000
	<b>275 415</b>	<b>724 200</b>
<b>Remuneration of key management, Executive Director – Alistar Graham Smith</b>		
Annual Remuneration	923 411	1 332 888
Other	95 000	-
	<b>1 018 411</b>	<b>1 332 888</b>
<b>Remuneration of key management, Head of Programme Operations - Mahandra Naidoo</b>		
Annual Remuneration	1 095 022	856 000
Other	91 592	18 000
	<b>1 186 614</b>	<b>874 000</b>
<b>Total employee related costs</b>	<b>12 095 142</b>	<b>10 281 465</b>

#### Remuneration of board members

Nedlac does not have a Board and is currently governed by an executive council in terms of the Nedlac Act, 1994. The members of the executive council are not remunerated for meeting attendance and preparation.



## Nedlac Financial Statements

for the year ended 31 March 2015

### Notes to the Audited Annual Financial Statements

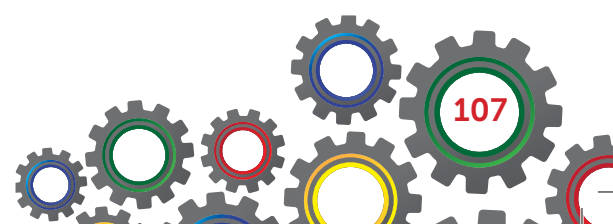
Figures in Rand	Notes	2015	2014
<b>14. Depreciation and Amortisation</b>			
<b>Depreciation</b>			
Buildings		533 510	480 159
Furniture and fixtures		55 535	102 275
Motor vehicles		8 484	-
Office equipment		271 508	165 810
IT equipment		238 908	196 643
<b>Amortisation</b>			
Computer software		64 106	38 717
		<b>1 172 051</b>	<b>983 604</b>
<b>15. Debt impairment</b>			
Debt impairment		-	310 853
<b>16. Finance costs</b>			
Finance leases	8	68 350	14 611

## Nedlac Financial Statements

for the year ended 31 March 2015

### Notes to the Audited Annual Financial Statements

Figures in Rand	Notes	2015	2014
<b>17. Miscellaneous</b>			
Accounting fees		37 742	26 427
Advertising		98 321	2 328
Audit committee remuneration		57 388	67 840
Auditors remuneration	19	1 272 454	1 805 440
Bank charges		12 613	11 490
Cleaning		37 218	57 687
Consulting and professional fees		2 389 369	2 830 243
Entertainment		516 174	734 293
Insurance		144 674	110 198
Conferences and seminars		1 315 682	1 251 026
IT expenses		381 956	425 902
Lease rentals on operating lease		1 867 470	1 206 040
Promotions and sponsorships		170 146	14 437
Levies		286 729	15 378
Motor vehicle expenses		11 032	5 270
Postage and courier		12 723	30 962
Printing and stationery		758 793	765 014
Security (Guarding of municipal property)		167 964	43 948
Staff welfare		158 413	56 780
Subscriptions and membership fees		16 489	121 790
Telephone and fax		566 017	387 083
Training		57 390	35 182
Travel - local		3 182 885	3 704 046
Travel - overseas		144 894	172 604
Electricity		329 419	510 351
Recruitment fees		523 473	310 444
Study grants		80 910	20 980
Maintenance and repairs		77 056	102 936
		<b>14 675 394</b>	<b>14 826 119</b>



## Nedlac Financial Statements

for the year ended 31 March 2015

### Notes to the Audited Annual Financial Statements

Figures in Rand	2015	2014
<b>18. Operating surplus (continued)</b>		
<b>Operating lease charges</b>		
Premises		
• Contractual amounts	769 469	855 842
Equipment		
• Contractual amounts	270 205	256 595
Lease rentals on operating lease - Other		
• Contractual amounts	748 257	93 603
	<b>1 787 931</b>	<b>1 206 040</b>
Loss on sale of property, plant and equipment	-	-39 354
Amortisation on intangible assets	64 106	38 717
Depreciation on property, plant and equipment	1 107 945	944 888
Employee costs	12 095 142	10 281 465
<b>19. Auditors' remuneration</b>		
External audit	751 601	1 508 599
Internal audit	520 853	296 841
	<b>1 272 454</b>	<b>1 805 440</b>
<b>20. (Loss) or Gain on disposal of assets</b>		
(Loss) or Gain on disposal of assets	-	-39 354
<b>21. Taxation</b>		
No provision for South African normal taxation has been made as the Council is exempted in terms of Section 10(1)(CA)(1) of the Income Tax Act.		
<b>22. Cash generated from operations</b>		
Surplus	265 038	351 714
<b>Adjustments for:</b>		
Depreciation and amortisation	1 172 051	983 604
(Loss) / gain on sale of assets	-	39 354
Finance costs - Finance leases	68 350	14 611
Movements in provisions	160 158	606 829
<b>Changes in working capital:</b>		
Receivables from exchange transactions	146 698	27 048
Payables from exchange transactions	-676 820	286 610
	<b>1 135 475</b>	<b>2 309 770</b>



## Nedlac Financial Statements

for the year ended 31 March 2015

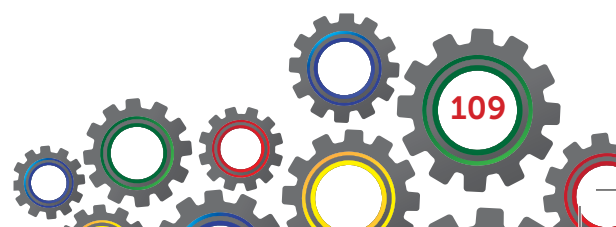
### Notes to the Audited Annual Financial Statements

Figures in Rand	2015	2014
<b>23.Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	-	151 211
• Project expenses	209 929	2 266 024
	<b>209 929</b>	<b>2 417 235</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	209 929	2 417 235
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Internal audit fees	3 985	801 495
• Cleaning services	141 904	-
• Meetings - Transcriptions	6 299	-
• Recruitment fees	88 966	-
• Employment agencies - Contracts	180 300	-
• Printing Cost	125 674	-
	<b>547 128</b>	<b>801 495</b>
<b>Total operational commitments</b>		
Already contracted for but not provided for	547 128	801 495
This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	-	756 636
- in second to fifth year inclusive	-	125 674
	<b>-</b>	<b>882 310</b>

Refer to note 33 on operating lease

#### 24.Contingencies

In accordance with section 53(3) of the PFMA, Of 1999, as amended, states that: a Schedule 3 public entity may not budget for a deficit and may not accumulate surpluses, unless the priorwritten approval of the National treasury has been obtained. Permission has been requested to retained the unused surplus for the year ended 31 March 2015 of R265,038 (2014: R351, 716) to fund some of the approved commitments as disclosed in note 23.



## Nedlac Financial Statements

for the year ended 31 March 2015

### Notes to the Audited Annual Financial Statements

Figures in Rand			2015	2014
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#### 25. Risk management

##### Financial risk management

Financial risk management

The entity's activities expose to the following financial risks:

Cash flow interest rate risk (Market risk)

Credit risk

Liquidity risk

The Accounting Authority and the Executive Director have overall responsibility for the establishment and oversight of the Nedlac's risk management framework. Nedlac's risk management policies are established to identify and analyse the risks faced by the Nedlac, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Nedlac's activities. Nedlac, through its training and management standards and procedures, aims to develop a disciplined and constructive environment in which all employees understand their roles and obligations.

##### Liquidity risk

Liquidity risk is the risk that Nedlac will encounter difficulty in raising funds to meet its commitments. Nedlac's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Nedlac's reputation. The bulk portion of the surplus is carried as cash or cash equivalents.

The ageing of trade payables from exchange transactions at the reporting date is per the table below. The amounts disclosed are contractual cash flows.

At 31 March 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	1 300 263	-	-	-

At 31 March 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	1 977 082	-	-	-

##### Credit risk

Credit risk is the risk that the counterparty to a financial instrument will default on its obligation to Nedlac, thereby causing financial loss. It is Nedlac's policy that all customers who wish to trade on credit terms are assessed for credit worthiness. In addition, receivable balances are monitored on an ongoing basis with the result that the exposure to bad debts is not significant. A provision is made for doubtful debts. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Cash and cash equivalents	7 544 572	19 337 383
Receivables from exchange transactions	138 116	284 815

## Nedlac Financial Statements

for the year ended 31 March 2015

### Notes to the Audited Annual Financial Statements

Figures in Rand	2015	2014
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#### 25. Risk management (continued)

##### Market risk

##### Interest rate risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

##### Cash flow interest rate risk

#### 26. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. Funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

#### 27. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

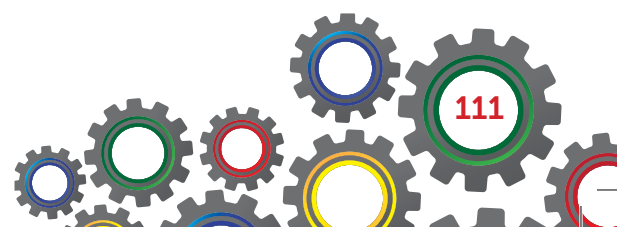
#### 28. Irregular expenditure

Opening balance	2 754 988	21 360 468
Add: Irregular Expenditure - current year	4 255 937	2 754 988
Less: Amounts condoned	-	-21 360 468
	<b>7 010 925</b>	<b>2 754 988</b>

#### Analysis of expenditure awaiting condonation per age classification

Current year	4 255 937	2 754 988
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The Accounting Authority requested the Executive Authority to condone the irregular expenditure. The major portion of the irregular expenditure relates to office rental where three quotations were used instead of going through the tender process. The Minister of Labour is the Executive Authority for Nedlac and has not yet condoned the irregular expenditure.



## Nedlac Financial Statements

for the year ended 31 March 2015

### Notes to the Audited Annual Financial Statements

Figures in Rand	2015	2014
<b>29. Reconciliation between budget and cash flow statement</b>		
Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:		
<b>Operating activities</b>		
Actual amount as presented in the budget statement	1 135 475	2 309 772
<b>Investing activities</b>		
Actual amount as presented in the budget statement	-12 993 297	-462 344
<b>Financing activities</b>		
Actual amount as presented in the budget statement	52 072	33 140
Operating activities	1 135 475	2 309 772
Investing activities	-12 993 297	-462 344
Financing activities	52 072	33 140
<b>Net cash generated from operating, investing and financing activities</b>	<b>-11 805 750</b>	<b>1 880 568</b>

### 30. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting authority and includes a note to the audited annual financial statements. Recruitment services procured during the financial year under review and the process followed in procuring this service deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and will be reported to the accounting authority on the 31 May 2015 for approval.

### 31. Related parties

Nedlac operates in an economic sector currently dominated by entities directly or indirectly owned by South African Government. As a consequence of constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those responsible for planning, directing and controlling the activities of the entity. All individuals from the level of managers up to the members of the accounting authority are considered management.

Close family members of key management are considered to be those family members who may be expected to influence, or be influenced by key management individuals or other parties related to the entity.

### Relationships

Public entity

Proudly South Africa

Department of Labour

Members of key management

M Naidoo

M Daza

### Related party balances

#### Amount included in trade and receivable (trade payable) regarding related parties

Proudly SA

-

244 892

## Nedlac Financial Statements

for the year ended 31 March 2015

### Notes to the Audited Annual Financial Statements

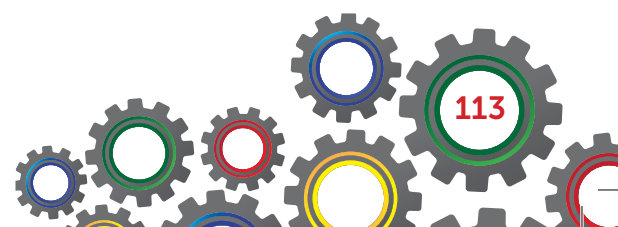
Figures in Rand	2015	2014
<b>31. Related parties (continued)</b>		
<b>Related party transactions</b>		
<b>Rent received from related party</b>		
Proudly SA	-	-244 892
The rental received from Proudly South Africa was in respect of them renting offices in the Nedlac building. The lease cancelled at the end of July 2013		
<b>Grant received from related parties</b>		
Department of Labour	-27 447 000	-25 828 000
<b>Transfers from other departments</b>		
Department of Trade and Industry	-	-105 693
<b>Compensation to members and other key management</b>		
(Refer to note 13)		
<b>32. Fruitless and wasteful expenditure</b>		
Fruitless and wasteful expenditure	682 283	9 465

Costs related to travel (e.g. air tickets) not utilised due to unforeseen circumstances and also to deviation from the supply chain management policy in terms of complying with three quotations.

#### 33. Operating lease

Temporary occupation of rented premises while Nedlac house is being refurbished for an initial seven month period from December 2013 to June 2014.

The equipment comprises of copiers that were leased over a three year period which ended in March 2015.





National Economic  
Development &  
Labour Council

14a Jellicoe Avenue, Rosebank, 2196  
PO Box 1775, Saxonwold, 2132  
Tel: +27 11 328 4200  
[www.nedlac.org.za](http://www.nedlac.org.za)