



National Economic Development
and Labour Council

Annual Report
2012-2013

TILLING THE SOIL

STRENGTHENING SOCIAL DIALOGUE TO ADDRESS
UNEMPLOYMENT, POVERTY AND INEQUALITY

**"THE STRATEGIC THRUST
OVER THE NEXT PERIOD
IS TO UPGRADE AND
STRENGTHEN THE CAPACITY
OF THE INSTITUTION...
WHILE PROMOTING MORE
EFFECTIVE FORMS OF
ENGAGEMENT BETWEEN THE
SOCIAL PARTNERS."**

~ Minister Mildred Oliphant

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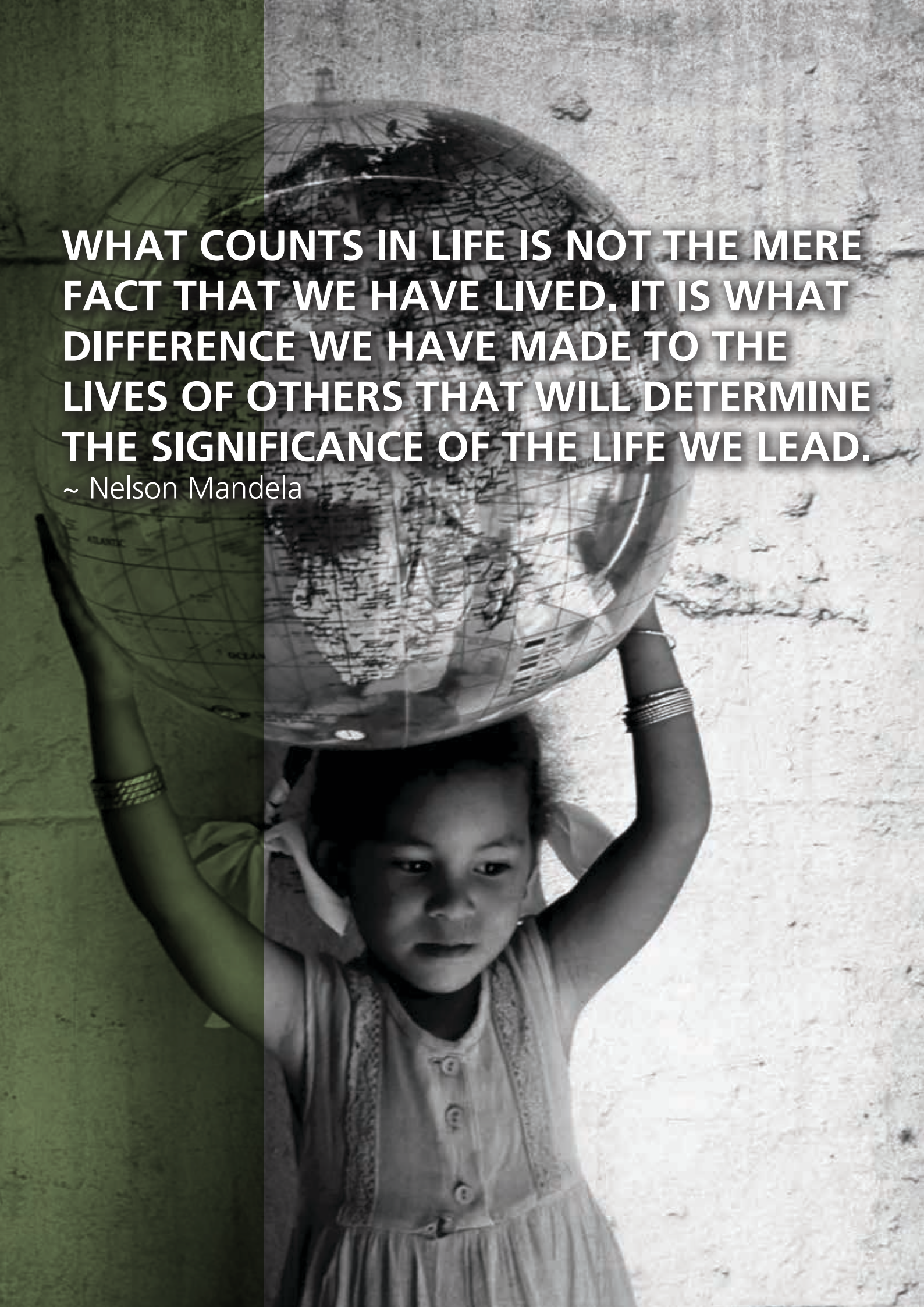
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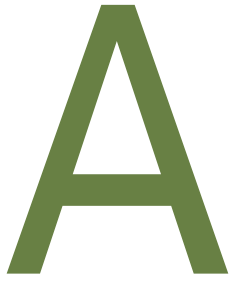
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A black and white photograph of a young girl with her arms raised, holding a large globe on her head. The globe is positioned such that it covers the upper half of the frame. The girl is looking directly at the camera with a neutral expression. She is wearing a light-colored, sleeveless dress with a buttoned placket. Her left arm is adorned with several thin bangles. The background is a textured, light-colored wall. The image is split vertically: the left side is tinted with a dark green color, while the right side is in grayscale. The text is overlaid on the left, green-tinted portion.

**WHAT COUNTS IN LIFE IS NOT THE MERE
FACT THAT WE HAVE LIVED. IT IS WHAT
DIFFERENCE WE HAVE MADE TO THE
LIVES OF OTHERS THAT WILL DETERMINE
THE SIGNIFICANCE OF THE LIFE WE LEAD.**

~ Nelson Mandela



PART A STRATEGIC INFORMATION

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 a 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:
 - 4.1 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.
 - 4.2 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.
 - 4.3 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.
 - a) Meeting these challenges is critical to the success of the Reconstruction and Development Programme.
 - b) 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.
 - c) Nedlac will conduct its work in four broad areas, covering:
 - (i) Public finance and monetary policy
 - (ii) Labour market policy
 - (iii) Trade and industrial policy
 - (iv) Development policy.
5. 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.

Minister Tito Mboweni
ON BEHALF OF
GOVERNMENT

Mr John Gomomo
ON BEHALF OF COSATU,
NACTU AND FEDSAL

Mr David Brink
ON BEHALF OF
ORGANISED BUSINESS

Saturday, 18 February 1995
Midrand, Gauteng

Our mandate

In terms of the Nedlac Act, Section 5.1, the Council shall:

- 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.
- Consider all significant changes to social and economic policy before it is implemented or introduced in Parliament.
- Consider socioeconomic disputes in terms of Section 77 of the Labour Relations Act.

From the above purpose, the council:

- May make such investigations as it may consider necessary;
- Will continually survey and analyse social and economic affairs;
- Will keep abreast of international developments in social and economic policy;
- Will continually evaluate the effectiveness of legislation and policy affecting social and economic policy;
- May conduct research into social and economic policy;
- Will work in close co-operation with departments of State, statutory bodies, programmes and other forums and non-governmental agencies engaged in the formulation and implementation of social and economic policy.

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

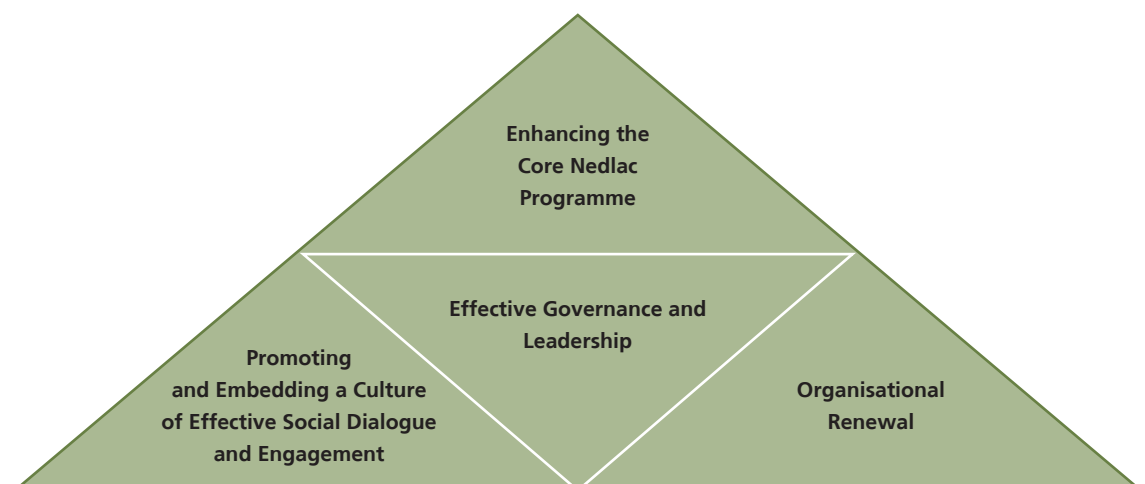
To give effect to the Nedlac Act by ensuring effective public participation in labour market and socioeconomic policy and legislation, and to facilitate consensus and cooperation between Government, labour, business and the community in dealing with South Africa's socioeconomic challenges.

Values

We respect and promote:

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

Strategic Goals and Priorities



OVERVIEW FROM THE EXECUTIVE DIRECTOR

A

General Information

When we celebrated the dawn of democracy in 1994, we understood that our democratic journey had only just begun. We understood that we faced the socioeconomic equivalent of a Mount Everest ahead of us. We also understood that our dream of a prosperous nation was under threat unless we dealt with the structural problems in our economy and society. Our constitution thus embodied a road map for the transformation of the socioeconomic system of Apartheid through democratic means.

This was the context of the Nedlac Act 35 of 1994 which introduced a unique model of social dialogue – bringing together the functions of the National Manpower Commission, and the National Economic Development Forum. The core mandate of Nedlac was inspired by a commitment to involve the social partners in the making of socioeconomic policy and legislation. It was also inspired by a sense of optimism and vision (guided by the RDP) that a democratic government in partnership with organised labour, organised business and community organisations, would cooperate to ensure growth and equity and thus break down the socioeconomic foundations of the Apartheid system.

Fast forward 19 years and we find a society still mired in unemployment, poverty and inequality. Corruption is a scourge and social service delivery remains highly problematic.

For South Africa this is a time of immense challenge, not just economically but also socially and politically. We have seen rising instability in the labour market and heightened levels of polarisation between social partners and increased community-based protests. This points to the underlying fault lines in post-Apartheid South African society and the fragility of its institutions, especially within the broader labour market.

The prospects for rapid economic growth remain poor as the Reserve Bank Governor recently warned



Alistair Smith

of the risk of stagflation. This is likely to further fuel the tensions in the labour market as workers struggle to maintain living standards and firms struggle to remain competitive in difficult markets conditions.

It is understandable that in such a challenging context Nedlac, as South Africa's primary institution of social dialogue, will come under closer scrutiny. Indeed, over the past year it has become somewhat fashionable for some commentators to harshly criticise Nedlac in the media. We should not shy away from robust criticism. There is no doubt that Nedlac, as the apex institution of social dialogue, needs to respond to the challenges that were so tragically reflected at Marikana.

However, the underlying issues are of a deeply structural and societal nature. There is no quick fix and certainly throwing the baby out with the bath water will not help. However as social partners, we have an obligation to contribute more effectively to policy coordination, and to constructively engage in the bigger conversations that are required, if as a nation we are to effectively respond to the socioeconomic challenges and promote social stability.

The ground for this type of social dialogue is unfortunately fallow. This is a function of a number

of factors including issues of leadership, political dynamics, capacity and fragmentation within the constituencies and the lack of a unifying vision for the nation. The recent debates on the National Development Plan underline the blurred nature of our national vision as a platform for coherence and cooperation on key policy areas. It also reflects the on-going macro-economic policy stalemate that has existed over the last decade or so.

Notwithstanding the progress on the recent Accords and the High Level Presidential Dialogue initiative, the social partners are still polarised and entrenched in their positions as much of the economic policy debate and discussion on the labour market are dominated by rhetoric and remains adversarial.

Under these conditions it is unlikely that calls for an economic Codesa or other grand intervention will result in a significant breakthrough. A more gradual process of tilling the soil for social dialogue is perhaps more realistic. While the overall environment remains challenging from a social dialogue perspective, it also provides a unique opportunity for social partners to work together to confront the structural challenges in our economy. In this regard the debates on the National Minimum Wage and the NDP, if approached differently, could provide an entry point for a bigger conversation and hopefully greater consensus on the tough choices that are required to stimulate growth, employment and incomes.

It therefore remains incumbent on the leadership of all constituencies to strive to break through the current levels of polarisation and urgently find ways to ensure greater stability and cooperation in order to rapidly grow the SA economy and reduce unemployment and inequality

Despite some of the negative perceptions, it is encouraging to note that Nedlac has made important progress at the operational level during the course of the 2012-13 financial year. This is especially so at the chamber level, in the number of issues that have been considered and equally importantly, in the turnaround times of these engagements. This has been achieved within the context of a constantly increasing workload and a difficult operating environment.

We are continuing to make steady progress in improving the overall capacity and functioning of the Nedlac Secretariat. In this regard, the Nedlac Secretariat is now more streamlined and strengthened. The social partners have also worked hard, in each of the chambers, to ensure that the various pieces of policy and legislation on their agendas are dealt with more effectively. The Nedlac protocol, which provides a framework for engagement at Nedlac, was updated and approved by the Nedlac Management Committee during the year under review. The organisation will now be more rigorous in the implementation of this Protocol, and this has certainly also contributed to improved turnaround times on issues that have been brought to Nedlac for engagement.

The legislation that was considered during the year under review, included the labour market policy review, and a large number of matters tabled in Nedlac's Trade and Industry Chamber, by the Department of Trade and Industry. These matters included the Special Economic Zone Bill, Broad-Based Black Economic Empowerment Amendment Bill, Electricity Regulation Act and the National Electricity Regulator Act.

The overall financial health of Nedlac has also improved due to ongoing efforts to strengthen the reporting and internal control environment. Nedlac has achieved an unqualified audit opinion but much work still needs to be done to ensure more effective oversight and governance.

A special mention must go to Les Kettledas who has been with Nedlac from the beginning. Les has gifted us with his wisdom, his insight, his political acumen and his wry sense of humor. He has made a large and lasting contribution to building this organisation.

I wish to thank all of the Nedlac staff for supporting my role as Executive Director and for their commitment to Nedlac. I also want to express my gratitude to the Nedlac Overall Convenors and all the members of the constituencies for their cooperation and effort to ensure that Nedlac remains a cherished democratic space.

MESSAGE FROM THE OVERALL CONVENOR – BUSINESS

A

As the global economy continues its lacklustre performance, the South African economy faces significant challenges. Pursuit of the national imperatives of inclusive growth, increased employment and eradication of poverty requires even greater commitment to social dialogue than ever before.

During the year the initiatives to strengthen the secretariat, which commenced in the previous year, were pursued and a range of policies to guide the operation of the organisation were concluded.

High-level engagements with the Governor of the Reserve Bank continued to provide a number of areas where Nedlac could play a role in promoting convergence on a number of issues of common concern.

Nedlac concluded a number of agreements on legislation. These agreements included the finalisation of negotiations on the Employment Equity and Employment Services Bills, with a higher degree of consensus than achieved with the other amendments to labour legislation. These bills are now in parliament.

Agreements with a high degree of consensus were also concluded on the Spatial Planning and Land Use Management Bill and the Special Economic Zone Bill were concluded. The Spatial Development Planning and Land Use Management Act has recently been gazetted. The parliamentary deliberations on the Special Economic Zone Bill are expected to be concluded in the next few months. Following the conclusion of an agreement on the Independent System and Marketing Operator Bill for electricity, agreements on the consequential amendments required for the NERSA Act and the Electricity Regulation Act were also concluded.

Engagement on the review of customs legislation, which resulted in two new bills on customs control and customs duty respectively, were concluded. Collaboration among social partners to address the ongoing scourge of illegal imports continues in a



Laurraine Lotter

Nedlac Task Team. These engagements continue to form a key element of the implementation of Industrial Policy Action Plan. The regular strategic sessions with the Minister of Trade and Industry continue to provide a useful opportunity to deal with a range of challenges relating to trade and industrial policy to be addressed at a high level. Collaboration among stakeholders in the implementation of the Industrial Policy Action Plan is recognised as a key element of success. Steep rises in administered prices continue to place significant pressure on input costs, particularly in manufacturing. A series of briefings to inform debate on various administered prices, like electricity and water tariffs, have commenced.

Government continues to use Nedlac as the forum for engagement on negotiation and implementation of trade agreements and in the year under review, the focus was on the proposed preferential trade agreement between SACU and India. The wide range of issues under discussion in Nedlac requires a strong complement of committed representatives and I'd like to take this opportunity to thank the business representatives, particularly the chamber convenors who have dedicated time to this institution, without whom the commitment of constituency representatives could not survive.

MESSAGE FROM THE OVERALL CONVENOR – COMMUNITY

National Economic Development and Labour Council (Nedlac) has been a critical platform for social dialogue for social partners, and 2013 is the 18th year of Nedlac's existence. It seems the challenges have not stopped emerging within our society. Rural development, youth unemployment and unemployment in general, inconclusive negotiations on policy matters, poor service delivery, poverty and inequality, skills development, etc are some of the monumental challenges before us. Our social partners have a daunting task of making sure that social dialogue is optimised for the betterment of society.

Social dialogue philanthropy promotes empowerment of communities through access to knowledge, ideas, and decision making so as to arrest challenges of social and economic systems that perpetuate poverty and inequality. Our society is confronted by the complexity of developmental challenges; one of our biggest failings is a lack of trust, common purpose and collaborative leadership between the various sectors and stakeholders in the social dialogue space. South Africa remains a polarised society, in which the fault lines of race, class and sector run deep.

After nearly 18 years of social dialogue, a "silo mentality" remains widespread, where cross-sector collaboration is subverted by underlying patterns of mutual hostility, arrogance or indifference among social partners at Nedlac. In this climate of fragmentation, many anti-poverty interventions fail to bring all the relevant players to the table to find solutions to this uncouth phenomenon. For example, anti-poverty strategy and youth wage subsidy negotiations got stalled because of divergent views from social partners.

Community-based organisations, NGOs and social movements, play a vital role in giving voice to the poor, mobilising resources and collective action, and putting forward agendas for pro-poor change. They



Dumisani Mthalande

perform a public service by ensuring independent monitoring of both Government and business performance in relation to poverty and social justice objectives. Civil society participation at Nedlac is in itself not a sufficient strategy for poverty reduction; but it is a necessary strategy for the achievement of more effective and inclusive collaboration to shift the systems that entrench poverty.

Social dialogue cannot, in its current form, be as a consultation with community and a thorough engagement between business, labour and Government at Nedlac as if community constituency is to be inclusive in social dialogue content and form. Community constituted by civil society broadly must form part of thorough discussions at Nedlac and work on strengthening participation and capacity on policy engagement and in mobilising society on common issues. The impact of every aspect of policy formulation and that implementation of policy should be felt strongly by communities at local level, both urban and the rural divide.

MESSAGE FROM THE OVERALL CONVENOR – GOVERNMENT



The last year has been a challenging year for South African labour relations. Industrial action, slow growth and low levels of job creation have created a difficult context for social dialogue. To respond to this context, the President brought together leaders in government, business, labour and community organisations to consider a package of issues to respond to the economic and industrial relations challenges facing the country. Through this high-level dialogue, the Nedlac parties committed themselves to take steps to build public and investor confidence in the economy and in social stability. In the early part of 2013, further framework agreements were entered into between the Nedlac parties to work towards stability in the mining industry where industrial action has led to instability and conflict.

Not all these initiatives have taken place in the corridors of Nedlac. All have, however, involved the Nedlac social partners in social dialogue processes to address socioeconomic challenges. A challenge for Government will be to coordinate the different social dialogue initiatives and bring them under the umbrella of Nedlac.

Within Nedlac itself, the last year has seen significant engagement on a number of legislative and policy proposals put forward by Government. These included the National Disability Policy, the Merchant Shipping Amendment Bill, the Special Economic Zone Bill, BBBEE Amendment Bill and an updated and amended Code of Good Practice on HIV and AIDS and the World of Work. Nedlac has continued to provide a platform for briefings of social partners on government engagement in the G20 meetings as well as the International Labour Conference.

Under the Executive Director, Mr Alistair Smith, Nedlac has taken important steps to strengthen the



Les Kettledas

institution and its operations, both internally and in relation to the Nedlac constituencies. The protocol for tabling matters in Nedlac has been reviewed and updated by the Management Committee. A new protocol covering the interaction with Parliament has also been drafted. In relation to internal operations, an organisational development process has been completed, leading to the implementation of a performance management system. Government welcomes these steps to improve the functioning of social dialogue and the operation of Nedlac itself.

At a time when labour relations are under stress in certain sectors, strengthened national tripartite social dialogue will be particularly relevant to generate cooperation and enhance social cohesion. Government will continue to support and work with Nedlac and the constituencies represented in Nedlac in the coming year.

MESSAGE FROM THE OVERALL CONVENOR – LABOUR

2013 reminds me of 1913, a year in which Africans woke up to find that they were wanderers, labourers and pariahs in their own land, a year in which the notorious Natives Land Act was promulgated, a year which Africans remember as the time in which they were still called such names as servants, natives and Bantus. Indeed, a year in which one of the worst crimes was committed against the people of South Africa.

This Natives Land Act laid the foundations of racial segregation and apartheid. It was a traumatic experience for those affected. At the stroke of a pen the majority of the population was cruelly robbed of their land, the source of their food and the site of their families' homes for generations.

Thousands were forcefully removed, evicted and many died in resistance. This changed the status of most African people from being independent producers to wage labourers, especially in the rapid expansion of the mining industry. Others became domestic servants or were forced to work for white masters, for almost no pay, even on the very land that used to be theirs.

The capitalists forced the African into wage slavery in order to maximise their profits from the mines, factories and farms. The forced removals from the agricultural land left the Africans with no choice but to work as cheap labour for the colonial masters. It is therefore not surprising to note the similarities between the working conditions of the farm workers, farm dwellers and the mine workers.

In my previous messages I stated that we were not convinced that the economic crisis was over, or was coming to an end, as others wanted us to believe. In fact we suspected a double-dip recession. We



Bheki Ntshalintshali

rejected then, as we do now, that we would accept an economic recovery that does not create jobs.

I stressed then that if employment and social protection problems were not addressed adequately, if financial regulation was not imposed, with real constraints on speculative market activities, and changes in the trade in food and other commodities were not implemented, deprivation, poverty and global inequality would escalate, and global social unrest would grow.

This would result in working people paying for the crisis, through higher unemployment, lower wages or declining wage share, social expenditure cuts, fewer public services and increased consumption taxes like VAT.

We were told that South Africa would not be gravely affected by the global crisis. What we were not told

was that we were already in an economic crisis anyway. Unemployment, poverty and inequality have stubbornly persisted.

As I am writing, today's unemployment figures are hovering above 36%. Young men and women are disproportionately hit by unemployment; many of them will never find a job in their lives – running the risk of demoralisation, loss of self-esteem and mental health problems. And when they find a new job, it is often precarious and not matching their skills. Sometimes they fall prey to labour brokers.

Many job seekers find it difficult to find employment and have been without a job for over a year. The labour market has been so depressed for so long that many unemployed people are getting discouraged from looking for a job and are leaving the labour market for good.

Organised Labour in Nedlac insists that the situation needs urgent attention. The call for the second phase of the transition, committing us to radical economic transformation to deal with unemployment, poverty and unemployment is welcomed and it resides well within the social dialogue agenda.

It needs extraordinary commitment to engage to the extent of the Growth and Development Summit or the South African Response to the Global Crisis.

In order to be ready to meet the challenge of the second phase of transition for radical transformation, social partners have to be prepared for a different form of engagement. Let me reiterate the generally accepted principle that people affected by decisions should be able to express their needs, participate in decision-making processes and influence the final decision so that a proper balance of interest is struck by relevant decision makers.

I would like to stress the importance of real commitment to social dialogue and collective bargaining. Social dialogue is both a means to achieve social and economic progress and an objective in itself. It gives people a voice and stake in their societies and workplaces. Employers and governments alike should not just sit at the table for the sake of it, but should genuinely try to find an agreement and commit to implement such an agreement.

This understanding should therefore dictate the involvement of workers, employers and Government in decision making on employment and workplace issues. It includes all type of negotiations, consultations and the exchange of information among representatives of groups on matters of common interests in economic, labour and social policy.

The millions of vulnerable workers who have no retirement cover, who are earning so little that they cannot afford any savings, the farm workers and farm dwellers who are still experiencing the legacy of the 1913 Land Act, the thousands of mine workers whose are still experiencing the migrant labour systems and still separated from their families and exposed to all sorts of exploitation, the millions of unemployed people – are all looking to us for a lasting solution.

Let us rise to the occasion and in a true social dialogue, attempt to address these challenges of unemployment, poverty and inequality.

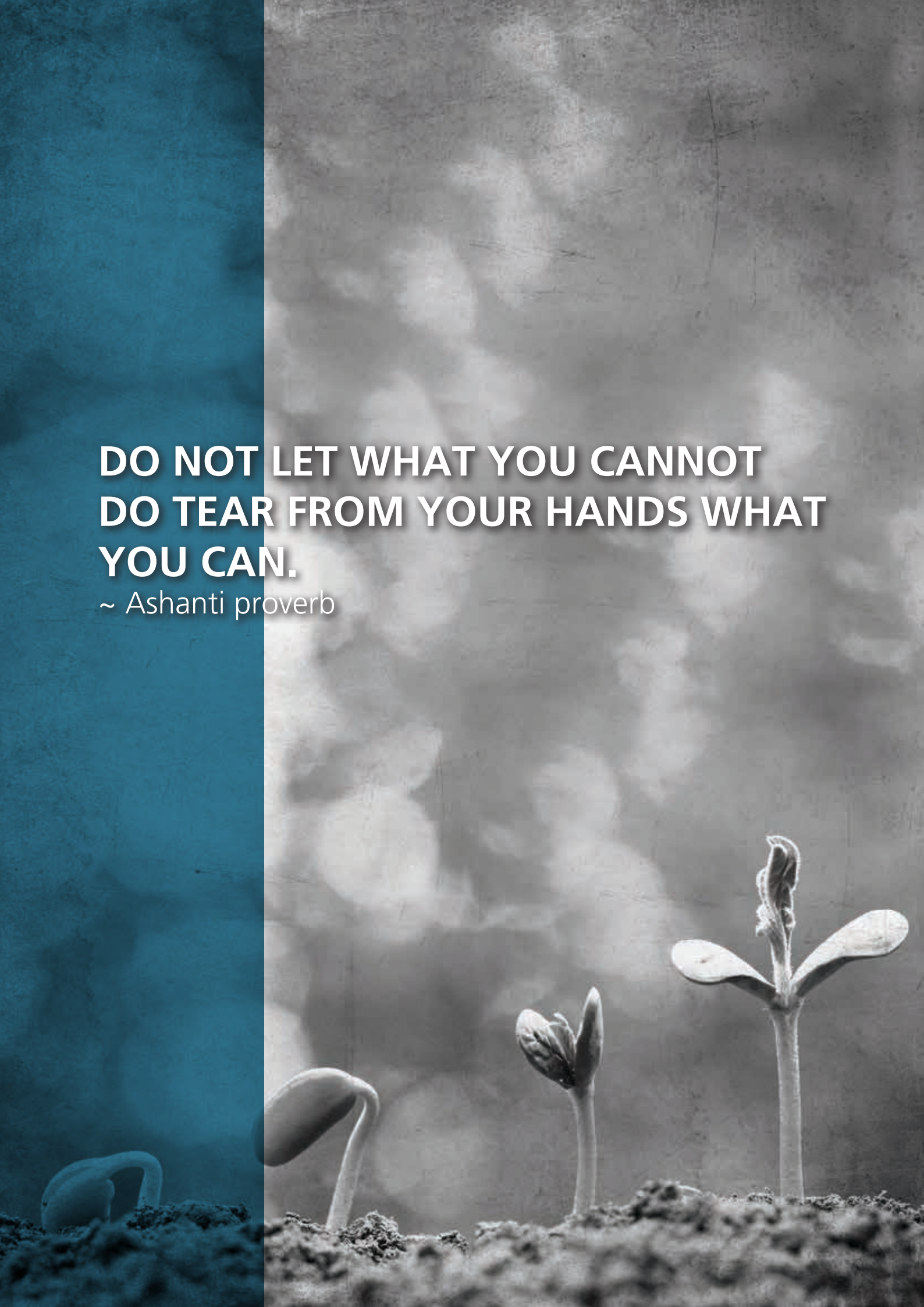
Finally, let me pay tribute to the Government Overall Convenor, Mr Les Kettledas, for the wonderful contribution that he gave to Nedlac. Nedlac will not be the same without you Les, but we hope whoever takes over from you will always seek advice from you, especially at difficult moments. Adios amigo!

Public entity's general information

- 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
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- Website address
www.Nedlac.org.za
- Auditor-General of South Africa
Contact telephone: 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 Alistair Smith – Executive Director

**DO NOT LET WHAT YOU CANNOT
DO TEAR FROM YOUR HANDS WHAT
YOU CAN.**

~ Ashanti proverb



PART B

PERFORMANCE INFORMATION

Overview of public entity's performance

This section provides an overview of the context within which Nedlac operated in the 2012-13 financial year.

Service delivery environment

The past year has been immensely challenging for social dialogue in general and for Nedlac in particular. The unique nature of Nedlac places it at the epicenter of the contestation that is naturally part of participatory socioeconomic policy making and legislative development. It is therefore to be expected that the organisation will come under more pressure during periods of acute economic and political uncertainty.

In this context, it is especially important to acknowledge the initiatives that Nedlac has already undertaken in responding to the jobs crisis. The social partners have, as part of the New Growth Path/Nedlac process, made various commitments that have been consolidated in the form of Accords. In this regard, substantial effort has been made to conclude a Youth Employment Accord.

A complex engagement to review the country's labour laws was finalised, including amendments to the Labour Relations Act, Basic Conditions of Employment Act, Employment Equity Act and the Employment Services Bill. In addition, Nedlac engagements on a wide variety of complex issues were conducted in the various Chambers and task teams. These include the Special Economic Zone Bill, Spatial Development Planning and Land Use Management Act, the Nersa Act and the Electricity Regulation Act.

Organisational environment

The audited Annual Performance Report for the year ending March 2013, reflects a significant improvement in the overall achievement of Predetermined Objectives. In this regard, Nedlac has achieved over 75% of the predetermined objectives that were included in its Annual Performance Plan for 2012-13. This is evidence of a much more efficient and effective organisation, particularly given that less than 30% of targets were achieved during the previous year.

In addition to the above, Nedlac concluded consideration for all 38 of the demarcation applications that arose during the 2012-13 financial year. These were not included in the 2012-13 Annual Performance Plan as they arose during the course of the 2012-13 financial year.

In order to ensure a sustained improvement in performance, we are making steady progress in implementing a new performance driven environment. A new staff performance management system has been developed during the course of 2012-13 financial year. Efforts to ensure improved alignment with the Treasury Performance Framework are ongoing, as are efforts to ensure that appropriate performance measures and indicators are in place.

Strategy to overcome areas of underperformance

There has been no significant underperformance in respect of the implementation of the targets in the 2012-13 Annual Performance Plan. The organisation will however continue to implement measures to enhance its overall performance.

In this regard, key measures will include the:

- ongoing strengthening of financial and procurement processes. In particular, establishment of a Supply Chain Management function
- implementation of a performance management system
- implementation of an electronic tracking system
- revision and implementation of the Nedlac Protocol to promote adherence to specific time frames for engagement on different categories of matters
- revision and implementation of the Section 77 Protocol to enhance the addressing of Section 77 notices
- implementation of staff capacity-building interventions

Changes to planned targets

An internal audit also raised a concern with the Performance Objectives and Measures that are applied in the Nedlac environment. A particular problem is that performance objectives were based on the anticipated policy and legislative programme of government. If, for whatever reason these issues are not tabled, they reflect poorly on Nedlac's overall performance as an entity.

This concern has been partially addressed in the 2013–14 Strategic and Annual Performance Plans. It has also been brought to the attention of the Executive Authority which has acknowledged that further interaction is required between the entity and the Executive Authority to develop objectives and measures that are more appropriately suited to the uniqueness of the Nedlac environment.

Key policy developments and legislative changes

There were no key policy developments or legislative changes of Nedlac.

Performance information by strategic objective

The work of Nedlac is structured in terms of the following strategic objectives

Strategic objective 1	The Nedlac Exco and Manco meetings and Annual Summit are held in terms of the constitution and provide high quality leadership and strategic direction to Nedlac
Strategic objective 2.1	The social partner engagement on policy and legislative issues related to the Development Chamber is effective and complies with the Nedlac Protocol
Strategic objective 2.2	The social partner engagement on policy and legislative issues related to the Public Finance and Monetary Policy Chamber is effective and complies with the Nedlac Protocol
Strategic objective 2.3	The social partner engagement on policy and legislative issues related to the Trade and Industry Chamber is effective and complies with the Nedlac Protocol
Strategic objective 2.4	The social partner engagement on policy and legislative issues related to the Labour Market Chamber is effective and complies with the Nedlac Protocol
Strategic objective 2.5	The Manco Task Teams promote effective engagement on issues that cut across the Chambers and comply with the Nedlac Protocol
Strategic objective 2.6	The Section 77 task teams effectively resolve socioeconomic disputes as per the requirements of the LRA and the Nedlac Section 77 Protocol document
Strategic objective 3.1	Nedlac enjoys a positive public image and is perceived as the premier institution for social dialogue in South Africa and the preferred source of information and comment on social dialogue, socioeconomic and labour market trends, updates and related issues in South Africa
Strategic objective 3.2	Nedlac enjoys a positive relationship with Parliamentary Portfolio Committees and provincial social dialogue structures
Strategic objective 4.1	Nedlac is appropriately resourced with an effective structure and highly competent and motivated personnel
Strategic objective 4.2	The Nedlac operations (systems and processes) have been upgraded to enable an effective and efficient administration of all Nedlac structures

Strategic Objective 1

The Nedlac Exco and Manco meetings and Annual Summit are held in terms of the constitutions and provide high quality leadership and strategic direction to Nedlac

Objectives	Performance indicator	Actual achievement	Deviation from planned target to actual achievement 2012-13	Comment for deviations
The Nedlac Exco and Manco meetings and Annual Summit are held in terms of the constitutions and provide high quality leadership and strategic direction to Nedlac	4 Exco meetings	Achieved. 3 Exco's Briefing session on the MTBPS was provided by the Minister of Finance on 2 November 2012 Briefing session on monetary policy was provided by the Governor of the South African Reserve Bank on 4 December 2012		
	7 Manco meetings	Achieved. 8 Manco meetings An additional Manco meeting was held on 7 March 2013 to address outstanding issues		
	Annual Summit	Achieved. Convened on 7 September 2012		

Strategic Objective 2.1

The social partner engagement on policy and legislative issues related to the Development Chamber is effective and complies with the Nedlac protocol

Objectives	Performance indicator	Actual achievement	Deviation from planned target to actual achievement 2012-13	Comment for deviations
The social partner engagement on policy and legislative issues related to the Development Chamber is effective and complies with the Nedlac protocol	To engage on the Housing Amendment Bill	Not achieved	Government has withdrawn the Housing Amendment Bill from its programme	Government did not table this matter at Nedlac
	To produce a Nedlac Report on Immigration Policy	Not achieved	Government did not table immigration policy at Nedlac	Policy not available for engagement
	To produce a Nedlac Report on the National Disability Policy	Achieved. Report concluded		
	To produce a Nedlac Report on Adult Education and Training	Not achieved	Government did not table this matter at Nedlac.	Review Report not available for engagement
	To produce a Nedlac Report on the NEEDU Bill	Achieved. Report concluded		
	To produce a Nedlac Report on the NEEDU Bill	Achieved. Report concluded		

Strategic Objective 2.2

The social partner engagement on policy and legislative issues related to the Public Finance and Monetary Policy Chamber is effective and complies with the Nedlac protocol

Objectives	Performance indicator	Actual achievement	Deviation from planned target to actual achievement 2012-13	Comment for deviations
The social partner engagement on policy and legislative issues related to the Public Finance and Monetary Policy Chamber is effective and complies with the Nedlac protocol	Budget process: To develop a Nedlac Report on key issues identified	Achieved. Report concluded		
	Review tax policy: To produce a Nedlac Report on tax	Achieved. Report concluded		
	To produce a Nedlac Report on Comprehensive Social Security and Retirement Reform	Not achieved	Government did not table the comprehensive policy at Nedlac, only a technical discussion paper	Government did not table the comprehensive policy at Nedlac, only a technical discussion paper
	Updates from the Financial Sector Charter Council (FSCC): To engage on key issues identified	Achieved. Report concluded		
	To produce a Nedlac Report on savings	Achieved. Report concluded		
	To produce a Nedlac Report on development finance institutions	Achieved. Report concluded		
	Devise recommendations on rising food prices	Achieved. Report concluded		
	To produce recommendations on the use of tenders to achieve better tax compliance	Achieved. Report concluded		
	Engagement with the National Credit Regulator (NCR): To produce a Nedlac Report	Achieved. Report concluded		

Strategic Objective 2.3

The social partner engagement on policy and legislative issues related to the Trade and Industry Chamber is effective and complies with the Nedlac protocol

Objectives	Performance indicator	Actual achievement	Deviation from planned target to actual achievement 2012-13	Comment for deviations
The social partner engagement on policy and legislative issues related to the Trade and Industry Chamber is effective and complies with the Nedlac protocol	To finalise a Nedlac Report on the Customs Control Bill	Achieved. Report concluded		
	To finalise a Nedlac Report on the Customs Duty Bill	Achieved. Report concluded		
	To produce a Nedlac Report on Customs fraud and illegal imports	Achieved. Report concluded		
	Standards Quality Accreditation and Metrology (SQAM) Task Team: A finalised Nedlac Report on the Legal Metrology Bill, the Industrial Energy Efficiency Framework and the necessary amendments to curb the influx of sub-standard products into the country, as well as to set standards for particular products	Not achieved. Report not concluded. Government tabled the Legal Metrology Bill in February 2013. The report is being finalised	Engagement on the Legal Metrology Bill is being concluded and a report is being finalised	Government tabled the Legal Metrology Bill in February 2013. The report is being finalised
	To produce a Nedlac Report on the Draft Tourism Bill	Achieved. Report concluded		
	Review of the Preferential Procurement Act: To engage on the comprehensive review of the Act	Not achieved. Report not developed	Government did not table this matter at Nedlac	Government did not tabled this matter at Nedlac
	To produce a Nedlac Report on the Broad-Based BEE Amendment Bill	Achieved. Report concluded		

Strategic Objective 2.3

The social partner engagement on policy and legislative issues related to the Trade and Industry Chamber is effective and complies with the Nedlac protocol

Objectives	Performance indicator	Actual achievement	Deviation from planned target to actual achievement 2012-13	Comment for deviations
The social partner engagement on policy and legislative issues related to the Trade and Industry Chamber is effective and complies with the Nedlac protocol	To produce a Nedlac Report on the Energy Regulator Amendment Bill – renamed to Electricity Regulation Act (ERA)	Achieved. Report concluded		
	Oversight of IPAP 2: Social partner proposals and recommendations to support the successful implementation of IPAP 2	Achieved. Report concluded social partner inputs were made at the Strategic Session with the Minister of Trade and Industry held on 02 August 2012		
	To produce a Nedlac Report on the Electrify Regulation Second Amendment Bill – renamed to National Electricity Regulator Act (NERA)	Achieved. Report concluded		
	To produce a Nedlac Report on the Business Registration Reform Act	Not achieved. Report not developed	Government did not table this act at Nedlac	Act not available for engagement
	To produce a Nedlac Report on the Special Economic Zone Bill	Achieved. Report concluded		
	WTO: To influence the South African Country position such that it is supported by all social partners	Achieved. Report concluded		
	SACU-MERCOSUR: To produce a Nedlac Report	Achieved. Report concluded		
	SACU EFTA: To produce a Nedlac Report	Achieved. Report concluded		

Strategic Objective 2.3

The social partner engagement on policy and legislative issues related to the Trade and Industry Chamber is effective and complies with the Nedlac protocol

Objectives	Performance indicator	Actual achievement	Deviation from planned target to actual achievement 2012-13	Comment for deviations
The social partner engagement on policy and legislative issues related to the Trade and Industry Chamber is effective and complies with the Nedlac protocol	SACU-India: To produce a Nedlac Report	Not achieved. Draft report prepared and requires sign-off	Draft report has been developed	Report is awaiting sign-off
	Bilateral Investment Treaties: Meaningful engagement to influence the South African Country position such that it is supported by all social partners	Achieved. Report concluded		
	SACU Trade Protocol Review: Meaningful engagement to influence the South African Country position such that it is supported by all social partners	Achieved. Report concluded		
	SADC-EAC-COMESA Tripartite FTA: To produce a Nedlac Report	Achieved. Report concluded		
	SADC-EC EPA: To produce a Nedlac Report	Achieved. Report concluded		
	Trade Policy Strategic Framework – List of Priorities: To produce a Nedlac Report	Achieved. Report concluded		
	Future Trade Negotiations: To produce a Nedlac Report	Achieved. Report concluded		

Strategic Objective 2.3

The social partner engagement on policy and legislative issues related to the Trade and Industry Chamber is effective and complies with the Nedlac protocol

Objectives	Performance indicator	Actual achievement	Deviation from planned target to actual achievement 2012-13	Comment for deviations
The social partner engagement on policy and legislative issues related to the Trade and Industry Chamber is effective and complies with the Nedlac protocol	Trade in Services: To produce a Nedlac Report	Achieved. Report concluded		
	NAMA: To produce a Nedlac Report	Achieved. Report concluded		
	Trade and Environment: To produce a Nedlac Report on paragraph 31(i) of the Doha Ministerial Declaration	Achieved. Report concluded		
	NTB: To produce a Nedlac Report	Achieved. Report concluded		
Regional Investment Study	Regional Investment Study: To produce a Nedlac Report	Achieved. A research report has been concluded		
Appliance Energy Efficiency	Appliance Energy Efficiency: To produce a Nedlac Report	Achieved. A research report has been concluded		
	National Phase-out Plan for Ozone Depleting Substances (HCF141B) in South Africa: To produce a research report	Achieved. A research report has been concluded	This was a matter that arose during the course of the 2012-13 financial year, and therefore did not appear on the APP for the 2012-13 financial year	This was a matter that arose during the course of the 2012-13 financial year, and therefore did not appear on the APP for the 2012-13 financial year

Strategic Objective 2.4

The social partner engagement on policy and legislative issues related to the Labour Market Chamber is effective and complies with the Nedlac protocol

Objectives	Performance indicator	Actual achievement	Deviation from planned target to actual achievement 2012-13	Comment for deviations
The social partner engagement on policy and legislative issues related to the Labour Market Chamber is effective and complies with the Nedlac protocol	To produce a Nedlac Report on the Decent Work Country Programme	Achieved. This is a multi-year project. Progress reports have been provided to Manco at each of its meetings		
	Labour Market Policy Review: Basic Conditions of Employment Amendment Bill, Employment Equity Amendment Bill, Labour Relations Amendment Bill and Employment Services Bill: To produce a Nedlac Report on the various Bills	Achieved. Report concluded		
	To produce a Nedlac Report on the National Disability Policy	Achieved. Nedlac Report concluded		
	Labour Court Rules: To engage on the rules and protocols	Not achieved. Government did not table this matter at Nedlac	Government did not table this matter at Nedlac	Social partner engagement on this matter was not possible given that it was not tabled at Nedlac

Strategic Objective 2.4

The social partner engagement on policy and legislative issues related to the Labour Market Chamber is effective and complies with the Nedlac protocol

Objectives	Performance indicator	Actual achievement	Deviation from planned target to actual achievement 2012-13	Comment for deviations
The social partner engagement on policy and legislative issues related to the Labour Market Chamber is effective and complies with the Nedlac protocol	To produce a Nedlac Report on the Immigration Amendment Bill	Not achieved. Government did not table the matter at Nedlac	Government did not table the matter at Nedlac	Bill not available for engagement
	To produce a Nedlac Report on the Merchant Shipping Act	Achieved. Report concluded		
	To produce a Nedlac Report Insolvency Bill	Not achieved. Government did not table this matter at Nedlac	Government tabled a Policy on the Appointment of Insolvency Practitioners for engagement	Social partner engagement was on the Policy on the Appointment of Insolvency Practitioners
	To produce a Nedlac Report on HIV/AIDS and the World of Work	Achieved. Report concluded		
	Demarcation Awards: Consideration of arbitration awards by the Demarcations Standing Committee	Achieved. A total of 38 demarcation awards have been concluded		

Strategic Objective 2.5

The Manco Task Teams promote effective engagement on issues that cut across the Chambers and comply with the Nedlac protocol

Objectives	Performance indicator	Actual achievement	Deviation from planned target to actual achievement 2012-13	Comment for deviations
The Manco Task Teams promote effective engagement on issues that cut across the Chambers and comply with the Nedlac protocol	AARTO Regulations: To produce a Nedlac Report	Not achieved. The Road Traffic Infringement Agency has tabled Regulations for consideration on 09 April 2013. The task team is engaging on these regulations	Regulations were tabled on 09 April 2013	Regulations were tabled on 09 April 2013. A task team is engaging on the Regulations
	Energy: Agreed proposals to be referred to the Executive Authority	Not achieved	The task team has met and its work is ongoing as it will focus on each of the annual Multi-Year Price Determinations	The task team has met and its work is ongoing as it will focus on each of the annual Multi-Year Price Determinations
	G20: Agreements to feed into the development of a country position	Achieved. Report concluded		
	Land Reform: To produce a Nedlac Report	Not achieved. Government has not tabled the White Paper on this matter at Nedlac	Government did not table this matter at Nedlac	Social partners were unable to engage on this matters as the White Paper was not tabled at Nedlac
	National Health Insurance: To produce a Nedlac Report	Not achieved. Report not developed	Government did not table this matter at Nedlac	Government did not table the White Paper at Nedlac, but started the pilot projects on implementation and committed to presenting the results of these projects in the next financial year (2013-14)

Strategic Objective 2.5

The Manco Task Teams promote effective engagement on issues that cut across the Chambers and comply with the Nedlac protocol

Objectives	Performance indicator	Actual achievement	Deviation from planned target to actual achievement 2012-13	Comment for deviations
The Manco Task Teams promote effective engagement on issues that cut across the Chambers and comply with the Nedlac protocol	National Project to reduce Poverty and Inequality in South Africa: An agreed strategy framework to be referred to the Executive Authority	Not achieved. Government has not tabled the Anti-Poverty White Paper at Nedlac	Government has not tabled this matter at Nedlac	Government has not develop a White Paper on this issue
	National Transport Master Plan: Agreement reached to be referred to the Executive Authority	Not achieved. Government has not engaged on this matter	Government did not table this matter at Nedlac	Social partners were unable to engage on this matter as the National Transport Master Plan had not been tabled for engagement at Nedlac
	New Growth Path: To complete social accords that outline commitments made by each Constituency	Achieved. 4 Accords have been concluded		
	To produce a Nedlac Report on the Spatial Planning and Land Use Management Bill	Achieved. A Nedlac Report has been concluded		
	Confronting Youth Unemployment: Agreed proposals to be referred to the Executive Authority and to ensure that the proposals feed into the policy framework	Achieved. A Youth Employment Accord has been concluded		

Strategic Objective 2.6

The Section 77 Task Teams effectively resolve socioeconomic disputes as per the requirements of the LRA and the Nedlac Section 77 protocol document

Objectives	Performance indicator	Actual achievement	Deviation from planned target to actual achievement 2012-13	Comment for deviations
The Section 77 Task Teams effectively resolve socioeconomic disputes as per the requirements of the LRA and the Nedlac Section 77 protocol document	01 April 2012 (Electricity Tariff Hikes) Organised Labour: To engage on the tariff increases and particularly on the workers and the poor in the country This matter is resolved in terms of Section 77 of the LRA and the S77 Protocol	Achieved. This matter is deemed as having been considered		
	25 August 2010: (Water Quality) Original application filed by Fedusa. Cosatu has subsequently joined the notice as joint Applicant. Water Quality: To engage on the concerns regarding the deterioration in the quality of water and to explore positive measures for the restoration and security of water This matter is resolved in terms of Section 77 of the LRA and the S77 Protocol	Achieved. This matter is resolved		

Strategic Objective 2.6

The Section 77 Task Teams effectively resolve socioeconomic disputes as per the requirements of the LRA and the Nedlac Section 77 protocol document

Objectives	Performance indicator	Actual achievement	Deviation from planned target to actual achievement 2012-13	Comment for deviations
The Section 77 Task Teams effectively resolve socioeconomic disputes as per the requirements of the LRA and the Nedlac Section 77 protocol document	28 April 2010: Solidarity (Crime). Inability of SAPS to combat crime efficiently: To engage on the concerns regarding the inability of the SAPS to combat crime efficiently This matter is resolved in terms of Section 77 of the LRA and the S77 Protocol	Achieved. The Applicant has been advised that the matter has been deemed considered		
	13 May 2011: Cosatu (Open Road Tolling System): To engage on the concerns regarding the proposed Gauteng Open Road Tolling System This matter is resolved in terms of Section 77 of the LRA and the S77 Protocol	Achieved. The matter has been deemed considered. On 14 November 2012, Cosatu submitted a Notice of Intention to Proceed with Protest Action		
	08 April 2011: (Poor Service Delivery by the Eastern Cape Provincial Government): To engage on the concerns regarding poor service delivery by the Eastern Cape government This matter is resolved in terms of Section 77 of the LRA and the S77 Protocol	Not achieved. A facilitated process is underway to address	The parties have not concluded the process of engagement. This process of engagement is still underway	Parties have continued to engage in order to address the Applicant's concerns

Strategic Objective 3.1

Nedlac enjoys a positive public image and is perceived as the premier institution for social dialogue in South Africa and the preferred source of information and comment on social dialogue, socioeconomic and labour market trends, updates and related issues in South Africa

Objectives	Performance indicator	Actual achievement	Deviation from planned target to actual achievement 2012-13	Comment for deviations
Nedlac enjoys a positive public image and is perceived as the premier institution for social dialogue in South Africa and the preferred source of information and comment on social dialogue, socioeconomic and labour market trends, updates and related issues in South Africa	A Nedlac Information and Communications Strategy in place by September 2012	Achieved. Strategy developed		
	To develop a Protocol on the Working Relationship between Nedlac and Parliament	Achieved. Protocol drafted		

Strategic Objective 4.1


Nedlac is appropriately resourced with an effective structure and highly competent and motivated personnel

Objectives	Performance indicator	Actual achievement	Deviation from planned target to actual achievement 2012-13	Comment for deviations
Strengthening organisational culture and performance	A revised structure is in place and all critical vacancies have been filled by July 2013	Achieved. A revised organogram was approved by Manco and a Head: Programme Operations and Human Resources Coordinator commenced duties in July 2012. A Communications Coordinator assumed duties in February 2013		
	All HR policies have been reviewed, staff have been inducted and a performance management system is in place by end-March 2013	Achieved. Revised HR policies have been drafted and performance contracts have been developed		
	All staff have undergone at least five days' training by end-March 2013	Achieved. Training has been provided on: <ul style="list-style-type: none"> • Role of a Secretariat (delivered by the ILO) (two days) • Computer skills (one day) • Basic writing skills (one day) • Basic economics (two days) 		
	A staff wellness policy and programme is in place by end-March 2013	Achieved. ISAC has been contracted to provide the Secretariat staff with wellness support		
	All finance policies have been reviewed and Nedlac's finances are well managed with an unqualified audit	Not achieved	A comprehensive set of finance policies has been developed. The outcome of the external audit is awaited	The outcome of the external audit is awaited

Strategic Objective 4.2

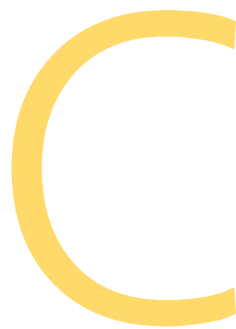
The Nedlac operations (systems and processes) have been upgraded to enable an effective and efficient administration of all Nedlac structures

Objectives	Performance indicator	Actual achievement	Deviation from planned target to actual achievement 2012-13	Comment for deviations
Improved resources management	The ICT systems have been reviewed and an ICT master plan is in place	Not achieved. An ICT coordinator has been appointed and is developing the ICT master plan	An ICT master plan will be concluded in the third quarter of the current financial year	An ICT master plan will be concluded in the third quarter of the current financial year
	The Nedlac server and network infrastructure have been upgraded	Achieved. Upgrade completed		
	The Nedlac website has been upgraded	Achieved. Upgrade completed		
	All Nedlac business processes have been reviewed and documented	Achieved		



**WE DESIRE TO
BEQUEST TWO THINGS
TO OUR CHILDREN
– THE FIRST ONE IS
ROOTS; THE OTHER
ONE IS WINGS.**

~ Sudanese proverb



PART C

GOVERNANCE

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 and the Nedlac Constitution.

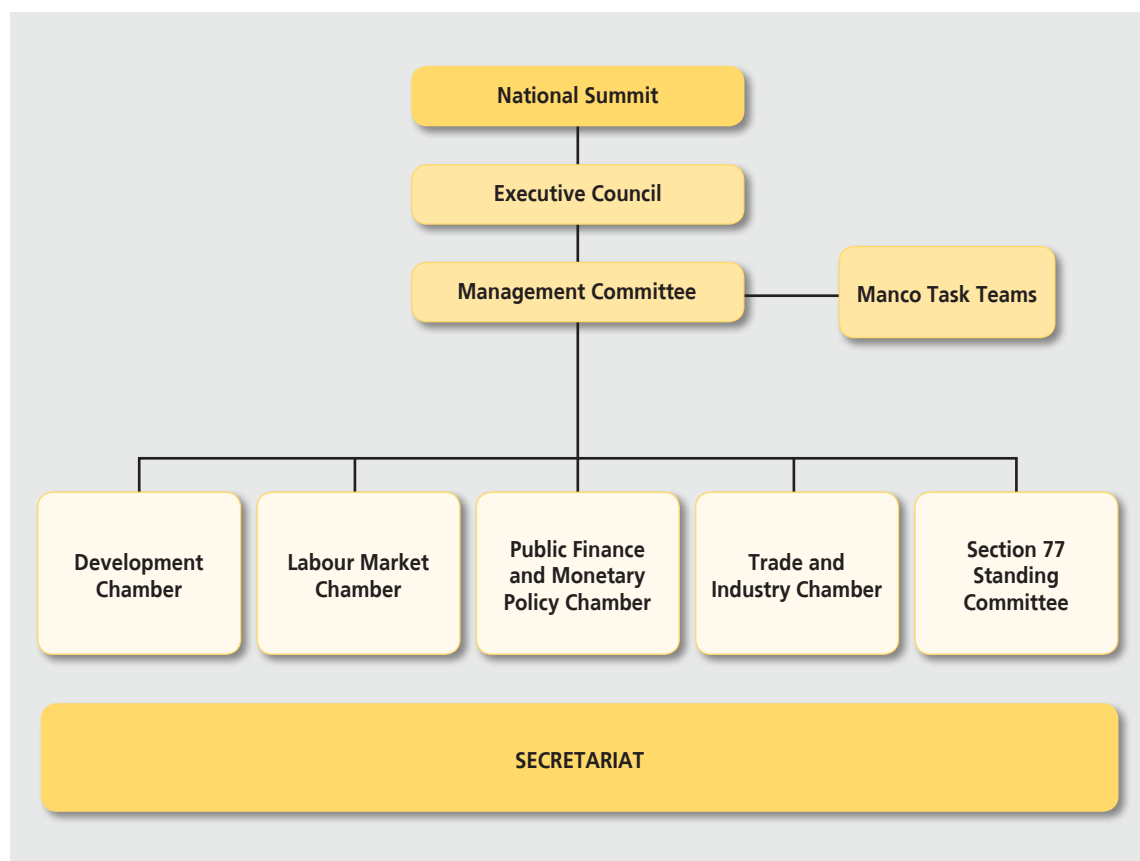
Nedlac's work programme is largely determined by the legislative and policy programme of Government as well as issues tabled by constituencies. These issues can be tabled at a Chamber, Management Committee (Manco) or the Executive Council (Exco).

Issues that are tabled at the Management Committee or Executive Council are referred to the appropriate Chambers for negotiation or consultation: 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.



Development Chamber

DEVELOPMENT CHAMBER CONVENORS



Lawrance Bale
Development Chamber
Convenor for Community

Tel: 012 323 5069
Cell: 082 744 8229
balel@webmail.co.za



Matthew Parks
Development Chamber
Convenor for Labour

Tel: 021 461 3835
Cell: 082 785 0687
matthew@cosatu.org.za



Fani Xaba
Development Chamber
Convenor for Business

Tel: 012 427 2920
Cell: 082 458 2274
fani.xaba@af.aurecongroup.com



Adam Mthombeni
Development Chamber
Convenor for Government

Tel: 012 406 1100
Cell: 082 378 2871
Adam.mthombeni@dpw.gov.za

No of meetings held	Name of members			
12	Business Avhaphani Tshifularo Fani Xaba Funiwe Njobe – Jiiyesimi Vanessa Phala Mpumalanga Myataza Nicole Bilap-Nsegbe Colleen Larsen Thami Skenjana Zinzi Mgolodela Kevin Cowley Krister J Van Rensburg Eddie De Klerk Thembi Bentswana Lumka Luzipho	Community Aubrey Mali Conti Matlakala Herman Tsebe Dinah Moseki Lucas Qakaza Emily Motaung Emily Tjale Joyce Siwane Lawrence Bale Laura Kganyago Sesedi Pelo Nkosikhulule Nyembezi Thulani Mabuza Trevor Hufke Victor Chepape Zama Ndaba	Labour Fezeka Loliwe Jane Barrett Mamaponya Makgoba Charles Zwane Sheila Barsel Matthew Parks Zack Mankge Malose Kutumela Lauren Kim Uppink Martle Keyter Norma Craven Bongani Dlamini	Government Adam Mthombeni Catherine Mavi Ngube Thokwana William Jiyana Solly Mafoko Ckarles Ledwaba Moribishane Ramafoko

Labour Market Chamber

LABOUR MARKET CONVENORS



Kaizer Moyane
Business Convenor

Tel: 011 491 7908,
kmoyane@edcon.co.za



Thembinkosi Mkalipi
Government Convenor

Tel: 012 309 4122
Thembinkosi.mkalipi@labour.
gov.za



Mduduzi Mbongwe
Labour Convenor

Tel: 011 403 8333
noel@saccawu.org.za

No of meetings held	Name of members		
7	<u>Business</u> Kaizer Moyane Aruna Ranchod Corinna Gardner Dave Carson Elize van der Westhuizen Gerrie Bezuidenhout Janette Cumming John Botha Lucio Trentini Tanya Cohen Mirriam Bareki Patricia Pillay Vanessa Phala	<u>Labour</u> Mduduzi Mbongwe Janek Wilimiec Johan van Niekerk Leon Grobler Norma Craven Patrick Phelane Prakashnee Govender Sibusiso Mimi Tumediso Modise	<u>Government</u> Thembinkosi Mkalipi Christa Rossouw David Khumalo Ian Macun Ntsoaki Mamashela Setsomi Molapo Stephen Rathai

Public Finance and Monetary Policy Chamber

PUBLIC FINANCE AND MONETARY POLICY CHAMBER CONVENORS



Raymond Masoga
PFMPC – Government
Convenor

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Isobel Frye
PFMPC – Community
Convenor

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Dennis Dykes
PFMPC – Business
Convenor

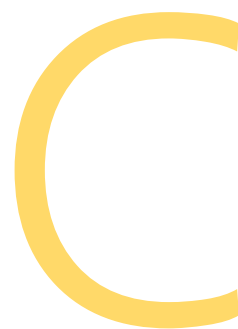
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Isaac Ramputa
PFMPC – Labour
Convenor

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isaacr@sasbo.org.za

No of meetings held	Name of members			
11	<u>Business</u> Peggy Drodskie Thami Skenjana Dennis Dykes Lindie Stroubel Joan Stott Kgatlaki Ngoasheng	<u>Government</u> Goolam Aboobaker Johan van den Heever Vukani Mamba Raymond Masoga Ingrid Goodspeed	<u>Labour</u> Isaac Ramputa Thobile Ntola Boniswa Ntshingila George Strauss Nkruma Kgagudi David Macatha Malinge ka Plaatjie Johnson Gumede Ernest Hlongwane	<u>Community</u> Isobel Frye Patson Ngwevela Kugesh Naidoo David Poane Thulane Mabuza



Trade and Industry Chamber

TRADE AND INDUSTRY CONVENORS



Faried Adams

Trade & Industry Chamber
– Government Convenor

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Michael Lawrence

Trade & Industry Chamber
– Business Convenor

Tel: 082 496 0126
Michaell@ncrfsa.org

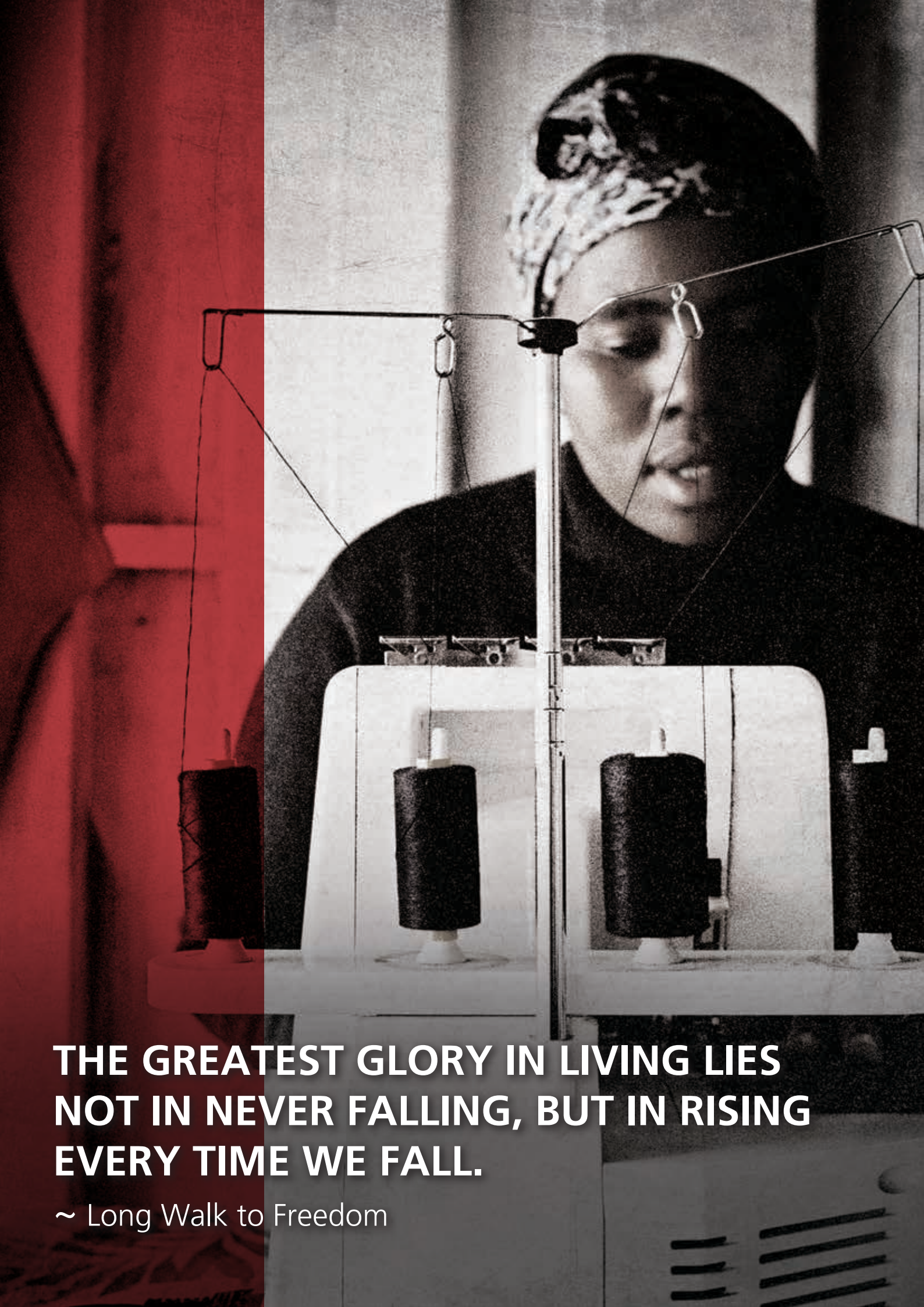


Tony Ehrenreich

Trade & Industry Chamber
– Labour Convenor

Tel: 021 448 0045
Tony@cosatu.org.za

No of meetings held	Name of members		
9	<u>Business</u> Johan Pienaar Nico Vermeulen Peggy Drodskie Danie Jordaan Michael Lawrence Laurraine Lotter Shibe Maruatona Guy Harris Thami Skenjana Henk Langehoven Coenrad Scheepers Kgatlaki Ngoasheng	<u>Labour</u> Tony Ehrenreich Derick Fredericks Ashley Benjamin Tengo Tengela Jonas Mosia Woodrajh Aroun Matome Jetty Selapisha Neo Bodibe Thulani Khumalo	<u>Government</u> Faried Adams Nkosiymzi Madula Thembekile Mlangeni Glen Goldstone Jan Magoro Niki Kruger Mpoifeng Molefinyane



**THE GREATEST GLORY IN LIVING LIES
NOT IN NEVER FALLING, BUT IN RISING
EVERY TIME WE FALL.**

~ Long Walk to Freedom

PART D

SECRETARIAT AND HUMAN RESOURCES

In order to partially address capacity constraints, key staff appointments were made, including a Head of Programme Operations, Chief Financial Officer, Senior Coordinator for the Trade and Industry Chamber, Communication Coordinator, IT Coordinator, Manco and Special Projects Coordinator and a Human Resources Coordinator. In addition, substantial improvements have been made to Nedlac's financial systems and processes. This has included ensuring better segregation of duties, and the strengthening of financial and procurement controls.

Expenditure

Total expenditure for the entity	Personnel expenditure	Personnel expenditure as % of total expenditure	No. of employees	Average personnel cost per employee (annual)
19 299 213	7 415 799	38.5%	24	308 992

Training costs

Personnel expenditure	Training expenditure	Training expenditure as a % of personnel cost	No. of employees	Average training cost per employee
7 415 799	133 697	2%	24	5 571

Employment and vacancies

2011-12 no. of employees	2012-13 approved posts	2012-13 no. of employees	2012-13 vacancies	% of vacancies
21	30	24	6	20%

Reasons for staff leaving

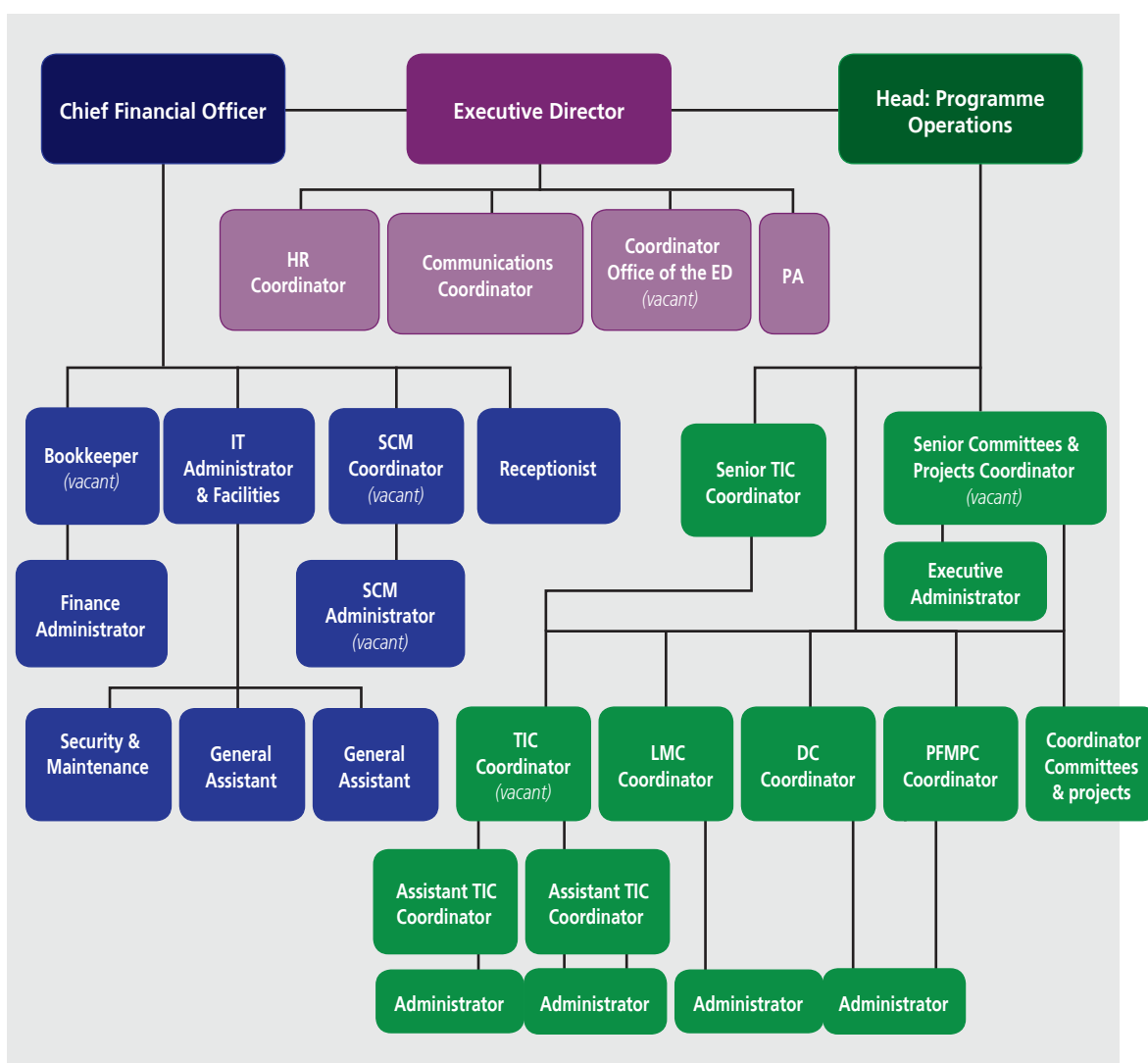
Reason	Number
Death	-
Resignation	2
Dismissal	2
Retirement	-
Ill health	-
Expiry of contract	2
Other	-
Total	6

Equity target and employment equity status

Level	African		Coloured		Indian		White		Total
	F	M	F	M	F	M	F	M	
Top management	0	0	0	1	0	1	1	0	3
Professional	6	1	1	0	0	0	1	1	10
Semi-skilled	7	0	0	0	0	0	1	0	8
Unskilled	2	1	0	0	0	0	0	0	3
Total	15	2	1	1	0	1	3	1	24

Secretariat structure

The Secretariat comprises 30 positions



SECRETARIAT



Alistair Smith
Executive Director



Anna Monare
TIC



Benedict Mokgothu
IT



Fiona Nchabeleng
DC - PFMP



Frieda Garvie
EDPA



Joyce Segooa
TIC



Joey Nhlapo
Reception



Kgomotso Mokone
Finance



Kim Jurgensen
Communications



Mahandra Naidoo
Programme Operations



Mam Doris
Tshabalala
Support



Matshidiso
Tshabalala
Support



Nozipho Ngema
TIC



Nthabiseng Koopedi
HR



Olivier Serrao
TIC



Priscilla Mashabane
DC



Ronell Maartens
Finance



Ruth Mofokeng
LMC



Samuel Mulwela
Support



Sharlotte van Rooyen
Manco/Exco



Sharna Johardien
Committees and
Projects



Sharon Lerumo
Finance



Sibongile Pheeha
PFMPC



Tsholo Lelaka
LMC



Rejoyce Mudzanani
Coordinator
Community



Takwana Makaya
Coordinator
Community



Shannon Stanbul
Coordinator Labour



**IF YOU WANT TO GO QUICKLY,
GO ALONE. IF YOU WANT TO GO FAR,
GO TOGETHER.**

~ African proverb

PART E

FINANCIAL INFORMATION

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON NATIONAL ECONOMIC DEVELOPMENT AND LABOUR COUNCIL

Report on the Financial Statements

Introduction

1. I have audited the financial statements of the National Economic Development and Labour Council (Nedlac) set out on pages 57 to 75 which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and 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 the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and 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 audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Economic Development and Labour Council as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the PFMA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 21 to the financial statements, the corresponding figures for 2011 -12 have been restated as a result of various errors discovered by management during 2012-13 in the financial statements of Nedlac at, and for, the year ended 31 March 2012. The net effect is a decrease of R373 093 in the accumulated surplus at 31 March 2012.

Additional matter

9. I draw attention to the matter below. My opinion is not modified in respect of these matters.

Prior year audit conducted by a predecessor auditor

10. The financial statements of the prior year were audited by a predecessor auditor in terms of section 4(3) of the PAA on 31 July 2012. A qualified opinion was expressed due to the following:
- No supporting documents were provided for recorded expenditure to the value of R836 332. The validity of the expenses could also not be confirmed by performing alternative procedures.

Report on other legal and regulatory requirements

11. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the information in the report on predetermined objectives as set out on pages 17 to 34 of the annual report.
13. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the report on predetermined objectives relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's Framework for Managing Programme Performance Information (*FMPPi*). The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
14. The material finding concerning the reliability of the information is as follows:

Reliability of information

15. The National Treasury's FMPPi requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets.
- Significantly important targets with respect to whether Nedlac is appropriately resourced, with an effective structure and highly competent and motivated personnel, in accordance with strategic objective 4.1, were materially misstated by 40% when compared to source information provided. This was due to policies and procedures not being approved timeously to provide standard operating guidance for recording actual achievements.
 - Significantly important targets with respect to whether Nedlac's operations have been upgraded to enable an effective and efficient administration of all Nedlac's functions, in accordance with strategic objective 4.2, were materially misstated by 25% when compared to the source information provided. This was due to policies and procedures not being approved timeously to provide standard operating guidance for recording actual achievements.

Additional matter

16. I draw attention to the matter below. This matter does not have an impact on the audit findings on predetermined objective reported above.

Achievement of planned targets

17. Of the total number of 82 targets planned for the year, 20 were not achieved during the year under review as reported in page 17 to 34 of the annual report. This represents 24% (>20%) of total planned targets that were not achieved during the year under review. This was as a result of indicators and targets that were not suitably developed during the finalisation of the annual performance plan.

Compliance with laws and regulations

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

Strategic planning and performance management

19. Nedlac's strategic plan did not include the key performance measures and indicators for assessing the entity's performance in delivering the desired outcomes and objectives, as required by Treasury Regulation 30.1.3(d).

Annual financial statements, performance and annual reports

20. Nedlac did not comply with section 55 (1)(a) and (b) of the PFMA as it did not keep full and proper records of the financial affairs of the entity and prepare financial statements in accordance with Generally Recognised Accounting Practices (GRAP). As a result, material misstatements were identified during the audit and subsequently corrected by management.
21. The accounting authority of Nedlac did not ensure that Nedlac has and maintains effective, efficient and transparent system of financial and risk management, and internal controls as required by section 51(1)(a)(i) of the PFMA. As a result, a significant number of findings were raised in relation to each component on the financial statement submitted for audit.

Financial misconduct

22. The executive authority and accounting authority have not, to date, instituted criminal charges against individuals who were implicated in a forensic investigation report which allowed for financial, administrative and governance irregularities at Nedlac, as required by section 84, 85 and 86 of the PFMA.

Expenditure management

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

Asset management

24. The entity did not implement a proper control system to ensure that an accurate fixed asset register was in place and was updated with all movements that took place within a financial period and agreed to the amounts in the financial statements, as required by sections 50(1)(a) and 51 (1) (c) of the PFMA.

Internal audit

25. Internal audit did not operate with reference to an approved internal audit charter, as required by Treasury Regulation 27.2.5.

Internal control

26. I considered internal control relevant to my audit of the financial statements, report on predetermined objectives and compliance with laws and regulations. The matters reported below, under the fundamentals of internal control, are limited to the significant deficiencies that constituted the basis for the findings on compliance with laws and regulations included in this report.

Leadership

27. The accounting authority did not approve policies and procedures to ensure the achievement of control objectives, good governance and compliance with laws and regulations. Furthermore, the accounting authority did not ensure adequate review of the financial statements and annual performance information by programme report prior to submission for audit as material misstatements and non compliance with GRAP standards were noted.

Financial and performance management

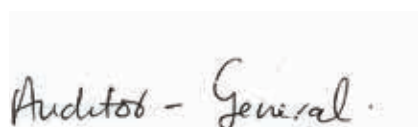
28. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information, which are free from material misstatements and in compliance with the GRAP and PFMA requirements.

Governance

29. The entity conducted an inadequate risk assessment and action plans were not developed to mitigate the risks identified. Consequently a number of internal control deficiencies were noted during the audit.

Other reports**Investigations**

30. One investigation was conducted and finalised by an independent forensic consulting firm based on the allegations of financial, compliance and governance misconduct raised in the prior financial year. A number of individuals were implicated. Further actions and possible legal steps are still under consideration by the Executive and Accounting Authority against those individuals. As a result of the outcome of the investigation, irregular expenditure was raised and disclosed in the financial statements of Nedlac.



Pretoria

31 July 2013



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 Kettledas (Govenment)
L Lotter (Business)
B Ntshalintshali (Labour)
D Mthlane (Community)

Registered office

Nedlac House
14A Jellicoe Avenue
Rosebank

Business address

2196
Nedlac House
14A Jellicoe Avenue
Rosebank
2196

Postal address

PO Box 1775
Saxonwold
2132

Secretariat Management

A G Smith (Executive Director)

Index

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

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Statement of Responsibility and Approval

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

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

The Accounting Authority 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 Accounting Authority to meet these responsibilities, the Accounting Authority is required to set standards for internal control aimed at reducing the risk of error or loss, 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 Accounting Authority is 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

NEDLAC FINANCIAL STATEMENTS
for the year end 31 March 2013

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2013 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.

The entity is wholly dependent on the Department of Labour for continued funding of operations. The 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 is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's financial statements. The financial statements have been examined by the entity's external auditors and their report is presented on page 52.

The financial statements set out on pages 61 to 96, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2013 and were signed on its behalf by:



AG Smith
EXECUTIVE DIRECTOR

Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2013.

Audit and risk committee members and attendance

The audit and risk committee consists of the members listed hereunder and should meet four times per annum as per its approved terms of reference. During the current year, four meetings were held on the following dates:

17 April 2012

24 July 2012

15 October 2012

17 January 2013

Name of member	Number of meetings attended
Mr M Burger (Organised Labour) (resigned 31/12/2012)	3
Mr F Petersen (Government)	4
Ms L Nare (Community) (resigned 30/09/2012)	1
Mr N Vermeulen (Organised Business)	4
Mr K Naidoo (Community) (appointed 01/12/2012)	1
Mr D Mthlane (Community) (appointed 01/10/2012)	2

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 PFMA and Treasury Regulation 27.1.

The audit and risk committee also reports that it has adopted appropriate formal terms of reference as per its audit and risk committee charter.

For the year under review, the committee functioned without an Independent Chairperson. Mr M Burger from the Labour Constituency acted as Chairperson for the financial year. This matter has been resolved with the appointment of an Independent Chairperson, Advocate Shami Kholong, with effect from 01/05/2013.

Risk and Governance

A review of governance structures and requirements will be undertaken during the next financial year.

The effectiveness of internal control

The system of internal control was significantly improved during the financial year under review with particular emphasis on segregation of duties, the implementation of an electronic payments system and improved financial and performance reporting.

The audit and risk committee commissioned a forensic investigation at the beginning of the 2012-13 financial year and an internal audit function was procured after the preliminary findings of the forensic audit were presented in December 2012.

A comprehensive review of policies has been undertaken by the audit and risk committee and a risk management strategy has been developed. However some gaps remain as not all matters reported previously could be adequately addressed.

Deficiencies in the Supply Chain Management have been highlighted by the internal auditors including the need to establish a separate SCM unit.

These additional financial and administrative compliance requirements, including the establishment of an SCM unit, will be implemented early in the new financial year.

The audit and risk committee is satisfied with the content and quality of monthly and quarterly financial and performance management reports prepared and issued by the Accounting Authority of the entity during the year under review.

Evaluation of financial statements

The audit and risk committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-General and the Accounting Authority;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit;
- reviewed the Strategic Plan and outputs as contained in the Annual Performance Plan to ensure that such outputs are measurable.

The audit and risk committee concur with and accept the Auditor-General of South Africa's report of the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

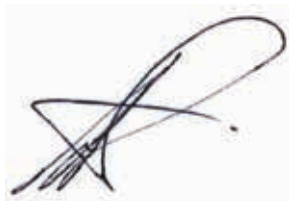
Internal audit

The audit and risk committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity.

The audit and risk committee appointed internal auditors with effect from 01 December 2012 as an earlier appointment would have overlapped with the forensic audit, which would have constituted a duplication of effort and financial resources.

Auditor-General of South Africa

The audit and risk committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

A handwritten signature in dark ink, appearing to be 'S. Kholong', with a large, stylized loop at the end.

Advocate Shami Kholong
Chairperson of the Audit and Risk Committee

Date: 31 July 2013



Statement of Financial Position as at 31 March 2013

Rand	Note(s)	2013	Restated 2012
Assets			
Current assets			
Receivables from exchange transactions	5	311 862	289 128
Cash and cash equivalents	6	17 456 815	10 733 361
		17 768 677	11 022 489
Non-current assets			
Property, plant and equipment	3	7 521 739	8 060 022
Intangible assets	4	83 562	64 251
		7 605 301	8 124 273
Total Assets		25 373 978	19 146 762
Liabilities			
Current liabilities			
Payables from exchange transactions	8	1 711 229	1 602 185
Provisions	7	-	215 780
		1 711 229	1 817 965
Total Liabilities		1 711 229	1 817 965
Net Assets		23 662 749	17 328 797
Accumulated surplus		23 662 749	17 328 797

Statement of Financial Performance

Rand	Note(s)	2013	Restated 2012
Revenue	10	25 583 231	24 957 500
Other income	11	49 935	-
Operating expenses		(19 299 213)	(20 605 404)
Employee and related costs	14	(7 415 799)	(7 384 005)
Depreciation and amortisation	3	(1 009 895)	(871 982)
General expenses	12	(10 849 200)	(12 283 907)
Provision for impairment	5	(24 319)	(65 510)
Operating surplus (deficit)	13	6 333 953	4 352 096
Surplus (deficit) for the year		6 333 953	4 352 096
Attributable to:			
Owners of the controlling entity		6 333 953	4 352 096



Statement of Changes in Net Assets For the Year End 31 March 2013

Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	13 039 533	13 039 533
Adjustments		
Correction of errors (Note 21)	(373 093)	(373 093)
Balance at 01 April 2011 as restated	12 666 440	12 666 440
Changes in net assets		
Transfer of Constituency Funds	310 261	310 261
Net income (losses) recognised directly in net assets	310 261	310 261
Surplus (deficit) for the year	4 352 096	4 352 096
Total recognised income and expenses for the year	4 662 357	4 662 357
Total changes	4 662 357	4 662 357
Opening balance as previously reported	17 591 980	17 591 980
Adjustments		
Correction of errors (Note 21)	109 909	109 909
Correction of errors in prior periods (Note 21)	(373 093)	(373 093)
Balance at 01 April 2012 as restated	17 328 796	17 328 796
Changes in net assets		
Surplus (deficit) for the year	6 333 953	6 333 953
Total changes	6 333 953	6 333 953
Balance at 31 March 2013	23 662 749	23 662 749

Cash Flow Statement

Rand	Note(s)	2013	Restated 2012
Cash flows from operating activities			
Receipts			
Grants		24 259 000	23 915 000
Interest income		434 224	281 692
Rent received		656 027	606 953
Sundry income		346 041	153 854
		<u>25 695 292</u>	<u>24 957 499</u>
Payments			
Employee costs		(7 337 812)	(6 675 948)
Suppliers		(11 197 836)	(12 374 583)
		<u>(18 535 648)</u>	<u>(19 050 531)</u>
Net cash flows from operating activities	17	<u>7 159 644</u>	<u>5 906 968</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(483 679)	(665 250)
Proceeds from sale of property, plant and equipment	3	75 000	-
Purchase of other intangible assets	4	(27 511)	(55 498)
Net cash flows from investing activities		<u>(436 190)</u>	<u>(720 748)</u>
Net increase/(decrease) in cash and cash equivalents		6 723 454	5 186 220
Cash and cash equivalents at the beginning of the year		<u>10 733 361</u>	<u>5 547 141</u>
Cash and cash equivalents at the end of the year	6	<u>17 456 815</u>	<u>10 733 361</u>



Statement of Comparison of Budget and Actual Amounts

Statement of Financial Performance

Budget on Cash Basis						
Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue						
Exchange transactions	1 021 000	7 000	1 028 000	1 374 166	346 166	There were refunds from the travel agent and claims from the insurance.
Non-exchange transaction	24 064 000	100 000	24 164 000	24 259 000	95 000	There were additional funds that were received from DoL.
Total revenue	25 085 000	107 000	25 192 000	25 633 166	441 166	
Expenses						
Compensation of employees	(8 975 500)	-	(8 975 500)	(7 415 799)	1 559 701	There was a late recruitment of staff and review of salary packages.
Use of goods and services	(15 006 500)	(3 687 752)	(18 694 252)	(10 873 519)	7 820 733	Revamping of building postponed and savings on operations.
Depreciation and amortisation	(1 103 000)	5 000	(1 098 000)	(1 009 895)	88 105	
Total expenditure	(25 085 000)	(3 682 752)	(28 767 752)	(19 299 213)	9 468 539	
Surplus (deficit) for the year	-	(3 575 752)	(3 575 752)	6 333 953	9 909 705	

Accounting Policies

1. Presentation of Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 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 going concern assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of 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. 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 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 7 – 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.

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 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 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 item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary 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.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- 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, assets or liability; or

- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate 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.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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.

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.

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

Trade and other payables

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 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:

- a 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.

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 non-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 service amount is the higher of a non-cash-generating asset's 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.

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service 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 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 whereby 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 12 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 12 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 12 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 recognises 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 recognises 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.

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 measures 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 recognises 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.

1.8 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. 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.



1.9 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.

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.

1.10 Comparative figures

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

1.11 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.

1.12 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.

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.

1.13 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 a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/04/01 to 2013/03/31.

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

The 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 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 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and financial statements on a comparable basis, it includes the comparison as an additional column in the primary financial statements. Where the budget and financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

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.

The effective date of the standard is for years beginning on or after 01 April 2012.

The entity has adopted the standard for the first time in the 2013 financial statements.

The adoption of this standard has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 21: Impairment of non-cash-generating assets

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

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

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

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- depreciated replacement cost approach
- restoration cost approach
- service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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.

The effective date of the standard is for years beginning on or after 01 April 2012.

The entity has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard is not material.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an entity to a portion of another entity's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an entity considers the substance of the contract and not just the legal form.



Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an entity subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An entity measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An entity is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably. Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an entity can however designate such an instrument to be measured at fair value. An entity can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an entity has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an entity has transferred control of the asset to another entity.

An entity derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an entity modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An entity cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an entity's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an entity is exposed to as a result of its financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

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.

The effective date of the standard is for years beginning on or after 01 April 2012.
The entity has adopted the standard for the first time in the 2013 financial statements.

The adoption of this amendment has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the 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 2013 or later periods:

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share-based payment transactions.

GRAP25 defines, among others, the following:

- Employee benefits as all forms of consideration given by an entity in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
 - pool the assets contributed by various entities that are not under common control; and
 - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within 12 months after the end of the period in which the employees render the related service;

- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an entity provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
 - All short-term employee benefits;
 - Short-term compensated absences;
 - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard also deals with entity combinations and curtailments and settlements.

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.

The effective date of the standard is for years beginning on or after 01 April 2013.

The entity expects to adopt the standard for the first time in the 2014 financial statements.

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

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's 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 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.

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 2013.

The entity expects to adopt the standard for the first time in the 2014 financial statements.

The adoption of this standard is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The entity expects to adopt the amendment for the first time in the 2013 financial statements.

The adoption of this amendment is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Changes in Accounting Policies.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The entity expects to adopt the amendment for the first time in the 2014 financial statements.

The adoption of this amendment is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

GRAP 13 (as revised 2012): Leases

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The entity expects to adopt the amendment for the first time in the 2014 financial statements.

The adoption of this amendment is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.
All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The entity expects to adopt the amendment for the first time in the 2014 financial statements.

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

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise three areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The entity expects to adopt the amendment for the first time in the 2014 financial statements.

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

IGRAP16: Intangible Assets Website Costs

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annual reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the e-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website's development can be described as follows:

- Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences
- Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing
- Graphic design development – includes designing the appearance of web pages
- Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphic design and content of the website.

When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:

- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

The effective date of the amendment is for years beginning on or after 01 April 2013.
The entity expects to adopt the amendment for the first time in the 2014 financial statements.

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

3. Property, plant and equipment

	2013			Restated 2012		
	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	10 573 248	(5 795 003)	4 778 245	10 485 906	(5 252 791)	5 233 115
Furniture and fixtures	1 507 004	(1 029 226)	477 778	1 523 505	(969 778)	553 727
Motor vehicles	169 688	(161 204)	8 484	169 688	(31 326)	138 362
Office equipment	785 179	(485 129)	300 050	832 013	(664 443)	167 570
IT equipment	854 832	(397 650)	457 182	982 403	(515 155)	467 248
Total	15 389 951	(7 868 212)	7 521 739	15 493 515	(7 433 493)	8 060 022

Reconciliation of property, plant and equipment – 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Land	1 500 000	-	-	-	1 500 000
Buildings	5 233 115	87 342	-	(542 212)	4 778 245
Furniture and fixtures	553 727	2 145	(8 061)	(70 033)	477 778
Motor vehicles	138 362	-	-	(129 878)	8 484
Office equipment	167 570	260 114	(9 626)	(118 008)	300 050
IT equipment	467 248	134 078	(2 581)	(141 563)	457 182
	8 060 022	483 679	(20 268)	(1 001 694)	7 521 739

Reconciliation of property, plant and equipment – 2012 Restated

	Opening balance	Additions	Depreciation	Total
Land	1 500 000	-	-	1 500 000
Buildings	5 411 714	8 265	(186 864)	5 233 115
Furniture and fixtures	979 915	-	(426 188)	553 727
Motor vehicles	146 422	-	(8 060)	138 362
Office equipment	63 252	202 678	(98 360)	167 570
IT equipment	160 006	454 307	(147 065)	467 248
	8 261 309	665 250	(866 537)	8 060 022

Details of properties

Erf 205, Rosebank Township, 14A Jellicoe Avenue, Rosebank, Johannesburg

• Purchase price: 26 July 2002	10 000 000	10 000 000
• Additions since purchase	2 073 248	1 985 906
	12 073 248	11 985 906

4. Intangible assets

	2013			Restated 2012		
	Cost / valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	154 054	(70 492)	83 562	128 942	(64 691)	64 251

Reconciliation of intangible assets – 2013

	Opening balance	Additions	Amortisation	Total
Computer software	64 251	27 511	(8 200)	83 562

Reconciliation of intangible assets – 2012 Restated

	Opening balance	Additions	Amortisation	Total
Computer software	10 561	55 498	(1 808)	64 251

5. Receivables from exchange transactions

	2013	2012
Prepayments	157 890	48 275
Rent receivable from PSA	86 115	43 800
Other receivables	67 857	197 053
	311 862	289 128

Other receivables impaired

As of 31 March 2013, trade and other receivables of R 89 829

(2012: R 65 510) were impaired and provided for.

The ageing of these receivables is as follows:

Over 6 months	89 829	65 510
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Reconciliation of provision for impairment of trade and other receivables

Opening balance	65 510	-
Provision for impairment	24 319	65 510
	89 829	65 510

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2013	2012
Bank balances	424 642	411 442
Short-term deposits	17 032 173	10 321 919
	17 456 815	10 733 361

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	17 456 815	10 733 361
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7. Provisions

Reconciliation of provisions – 2013

	Opening Balance	Reversed during the year	Total
Provision for leave pay	215 780	(215 780)	-

Reconciliation of provisions – 2012 Restated

	Opening balance	Utilised during the year	Reversed during the year	Total
Provision for leave pay	535 663	(199 832)	(120 051)	215 780

The leave pay provision relates to the estimated liability as a result of services rendered by employees up to the reporting date.

It is calculated by apportioning the annual salary to a daily cost which is then multiplied by the number of leave days accumulated. The provision was reclassified to an accrual in the current year.

8. Payables from exchange transactions

	2013	2012
Trade payables	927 712	1 140 185
Other payables	462 000	462 000
Accrued leave pay	185 431	-
Payroll accruals	136 086	-
	1 711 229	1 602 185

9. Financial instruments disclosure

Categories of financial instruments
2013

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	311 862	311 862
Cash and cash equivalents	17 456 815	-	17 456 815
	17 456 815	311 862	17 768 677

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	1 711 229	1 711 229

2012 Restated

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	289 128	-	289 128
Cash and cash equivalents	-	10 733 361	10 733 361
	289 128	10 733 361	11 022 489

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	1 602 185	1 602 185

10. Revenue

	2013	2012
Rental of facilities	667 888	606 953
Interest received	434 224	281 694
SETA Refund	32 533	25 215
Miscellaneous other revenue	189 586	28 638
Government grants & subsidies	24 259 000	24 015 000
	25 583 231	24 957 500

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

	2013	2012
Rental of facilities	667 888	606 953
Interest received	434 224	281 694
SETA refund	32 533	25 215
Miscellaneous other revenue	189 586	28 638
	1 324 231	942 500

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue

Government grants & subsidies	24 259 000	24 015 000
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11. Other income

Profit/ (loss) on sale on asset	49 935	-
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Three printers were sold during the year for R25 000.00. There was also an incident where a laptop was lost during the year and claim from the insurance company was received

12. General expenses

	2013	2012
Accounting fees	29 928	30 181
Advertising	241 799	38 283
Auditors remuneration (Note 16)	1 205 841	491 051
Bank charges	13 037	31 418
Cleaning	49 834	-
Consulting and professional fees	1 780 047	2 978 281
Refreshments	662 907	913 359
Insurance	110 329	121 407
Conferences and seminars	981 978	1 611 951
IT expenses	232 364	179 602
Lease rentals on operating lease	295 694	-
Promotions and sponsorships	128 192	125 291
Levies	15 587	-
Motor vehicle expenses	16 863	-
Postage and courier	18 180	31 250
Printing and stationery	406 918	560 451
Security (guarding of municipal property)	-	12 024
Staff welfare	27 490	2 080
Subscriptions and membership fees	94 960	32 361
Telephone and fax	348 948	400 238
Training	106 032	145 187
Travel – local	2 969 088	3 796 428
Electricity	409 101	461 524
Recruitment fees	559 754	-
Study grants	27 665	15 930
Maintenance and repairs	116 665	305 610
	10 849 201	12 283 907



13. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Operating lease charges	2013	2012
Equipment		
• Contractual amounts	266 975	-
Lease rentals on operating lease – other		
• Contractual amounts	28 719	-
	295 694	-
Profit /(loss) on sale of property, plant and equipment	49 936	-
Depreciation on property, plant and equipment	1 009 894	871 982
Employee costs	7 415 799	7 384 005

14. Employee related costs

Basic	5 905 604	4 288 845
Bonus	161 711	30 835
Unemployment Insurance Fund	32 714	30 265
Workmens Compensation	66 037	-
Skills Development levies	71 737	70 951
Leave pay provision charge	37 996	941 109
	6 275 799	5 362 005

Remuneration of key management, Executive Director – HM Mkhize

Annual Remuneration	-	1 327 000
Bonus	-	125 000
	-	1 452 000

Remuneration of key management, Executive Directors – AG Smith

Annual Remuneration	1 140 000	570 000
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15. Taxation

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.

16. Auditors' remuneration

	2013	2012
External audit	39 380	296 051
Internal audit	412 899	35 000
Forensic audit	753 562	160 000
	1 205 841	491 051

17. Cash generated from operations

Surplus	6 333 953	4 352 096
Adjustments for:		
Depreciation and amortisation	1 009 894	871 982
(Profit)/loss on sale of assets and liabilities	(54 732)	-
Changes in working capital:		
Receivables from exchange transactions	(22 734)	(109 770)
Provisions	(215 780)	(319 883)
Payables from exchange transactions	109 043	1 112 543
	7 159 644	5 906 968

18. Commitments

Authorised capital expenditure

Not yet contracted for but approved before 31 March 2012

• Property, plant and equipment	-	489 252
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19. Contingencies

There is a contingent liability that comprises the surplus as at 31 March 2013. A request for the retention of the current year's surplus of R6 333 953 will be submitted to National Treasury.

20. Related parties

Relationships

Public entity	Proudly South Africa Telkom SA Department of Labour
Members of key management	AG Smith (Appointed 01 October 2011) HM Mkhize (Resigned 30 September 2011) R Maartens M Naidoo U Dulabh (23 November 2011)

Related party balances

**Amounts included in Trade Receivable (Trade Payable)
regarding related parties**

	2013	2012
Telkom SA	(23 960)	-
Proudly SA	55 657	43 800

Related party transactions

Purchases from (sales to) related parties

Telkom SA	154 470	275 799
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Rent paid to (received from) related parties

Proudly SA	(667 888)	(606 953)
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Grant paid to (received from) related parties

Department of labour	(24 159 000)	(23 915 000)
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Transfers from other departments

Department of Trade and Industry	(100 000)	(100 000)
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Compensation to members and other key management

AG Smith (Executive director)	1 140 000	570 000
R Maartens (Chief Financial Officer)	660 000	172 614
U Dulabh (Chief Financial Officer)	-	580 331
M Naidoo (Head of Programme Operation)	599 994	-
	2 399 994	1 322 945

21. Prior period errors

ERROR IN CLASSIFICATION OF LAND AND BUILDINGS

Land and Buildings were not split as required by GRAP 17.

ERROR IN DEPRECIATION FOR PRIOR YEARS

The value of land and buildings were split and resulted in incorrect depreciation in prior periods.

Property, plant and equipment were depreciated incorrectly in the prior year. The useful lives and residual values were not appropriately considered.

The useful life of the motor vehicle was estimated to be 20 years which management are aware is inappropriate. The prior year estimated useful life has since been rectified to the appropriate five years.

For other classes of transactions the depreciation was incorrectly calculated due to an error in the formulas in the fixed asset register.

ERROR IN TRADE PAYABLES

In the prior year, there were accruals that were incorrectly recorded as the trade payables in the 2012 financial year instead of 2013 financial year.

ERROR IN PROVISION FOR LEAVE PAY

In the 2012 financial year there was an overprovision of leave pay.
The correction of the error(s) results in adjustments as follows:

Statement of financial position

Property, plant and equipment	-	(497 527)
Trade and other payables	-	207 303
Provision for leave pay	-	27 044
Cumulative effect on Opening Accumulated Surplus	-	373 093

Statement of Financial Performance

Depreciation	-	124 434
Travel and accommodation	-	(207 303)
Salaries and wages	-	(27 044)

22. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.
The effects of the reclassification are as follows:

Statement of Financial Performance

Goods and services	-	1
Auditors remuneration	-	4 200
Computer expenses	-	(124 294)
Consulting and professional fees	-	(96 653)
Entertainment	-	913 359
Meetings and events	-	(165 239)
Website and internet	-	999
Promotions and sponsorships	-	125 291
Postage and courier	-	8 873
Printing and stationary	-	14 990
Subscriptions and membership fees	-	1 699
Staff welfare	-	(2)
Telephone and fax	-	28 070
Staff development and training	-	(2 941)
Travel and accommodation	-	(1 583 676)
Study grants	-	15 930
Maintenance and repairs	-	124 294
Employee Costs	-	1
Gross salaries	-	(735 101)

23. 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 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
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Trade and other payables	1 711 229	-	-	-
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At 31 March 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
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Trade and other payables	1 602 185	-	-	-
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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	2013	2012 Restated
Trade and other receivables	311 862	289 128
Cash and cash equivalents	17 456 815	10 733 361

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

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables – normal credit terms	- %	311 862	-	-	-	-
Cash in current banking institutions	- %	17 456 815	-	-	-	-
Trade and other payables – normal creditors	- %	(1 711 229)	-	-	-	-

24. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that 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.

25. 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.

26. Irregular expenditure

	2013	2012
Opening balance	17 045 248	-
Irregular expenditure estimate disclosed in 2012	-	979 542
Reverse 2012 estimate	-	(979 542)
Add: Material loss through financial misconduct	-	1 977 523
Add: Irregular Expenditure – current year	4 315 220	15 067 725
	21 360 468	17 045 248

Analysis of expenditure awaiting condonation per age classification

Current year	4 315 220	17 045 248
Prior years	17 045 248	-
	21 360 468	17 045 248

Details of irregular expenditure – current year

Corrective steps taken/criminal proceedings

The deviations in the Treasury Regulations occurred as there was no dedicated Supply Chain Unit in place	The positions of Supply Chain Manager and Supply Chain Officer/ Administrators have been approved by Manco and the entity is in the process of recruiting the individuals	4 315 220
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Details of irregular expenditure not recoverable (not condoned)

One written quotation not obtained	121 680
Three written quotes	1 794 848
No purchase order or requisition obtained	560 253
Competitive bidding not done	570 957
Non compliance with PPPFA	1 267 482
	4 315 220

27. Reconciliation between budget and cashflow statement

Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:

Operating Activities

Actual amount as presented in the budget statement	6 333 953	4 352 096
Basis differences	825 691	1 554 872
Net cash flows from operating activities	7 159 644	5 906 968

Investing activities

Actual amount as presented in the budget statement	(436 190)	(720 78)
Net cash generated from operating, investing and financing activities	6 723 454	5 186 220

28. 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 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 28 May 2013 for approval.

Design and layout by Blue Apple
www.blueapple.co.za

Printed by Fingerprint Co-operative Ltd
021 592 5194



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