

annual report
2005-2006



labour

Department:
Labour
REPUBLIC OF SOUTH AFRICA

Our Vision:

The Isett Seta seeks to develop South Africa into an ICT knowledge-based society by encouraging more people to develop skills in this sector as a means of contributing to economic growth.

Our Mission:

The Isett Seta will generate, facilitate and accelerate the processes of skills development for workers at all levels in the ICT sector by linking future technology trends with new skills development programs.



Table of Contents

Our Vision:	
Our Mission:	
1. Chairperson's Report	2
2. Chief Executive Officer's Report	3
2.1. Operational Performance	4
2.2. Business Units Highlights and Achievements	5
2.2.1 Sector Skills Planning (SSP) and Research	5
2.2.2 Learnerships	5
2.2.3 Special Projects	6
2.2.4 Educations and Training Quality Assurance (ETQA)	7
2.2.5 Quality Management System (QMS)	9
2.2.6 Corporate Governance and Accountability	10
3. Chief Financial Officer's Report	13
Financial Performance	13
3.1. Income	13
3.2. Administration Expenditure	13
3.3. Employer Grants Payments	13
3.4. Project Expenses (Discretionary)	13
4. Audit Committee Report	14
5. Auditor-General's Report	16
6. Annual Financial Statements	18
Income Statement (Statement of Financial Performance)	21
Balance Sheet (Statement of Financial Position)	22
Statement of Changes in Net Assets	23
Cash Flow Statement	24
Accounting Policies to the Annual Financial Statements	25
Notes to the Annual Financial Statements	31
Annexure for the year end 31 March 2006	47
Contact Details	48



I. Chairperson's Report

The information and Communications Technologies Sector is expected to assume a pivotal role in contributing towards the economic growth of South Africa.

The Isett Seta recognises its role as a "holding centre" in the development of skills across a broad spectrum in the ICT Sector.

The need for skilled personnel particularly in the ICT Sector can not be overemphasized. Converging technologies, automated production lines, that are underpinned by intellectual capital are the strongest links in nations that have occupied leading roles and assumed centre stage in research and development; leading to the efficient production of ICT products and services. Through this, globally competitive nations have transformed themselves from passive consumers of ICT products and services to become world class producers.

It is for these reasons that the Isett Seta overwhelmingly embraced the National Skills Development Strategy 2 and mobilized its resources to ensure that set objectives are achieved to respond to the skills needs of the business fraternity whilst also creating

opportunities for workers and unemployed people to access skills that would enable them to contribute positively toward the economic growth of the country.

In the year under review, the Isett Seta has performed satisfactorily in achieving set objectives with the Department of Labour. However, more effort will be placed in the implementation of Adult Basic Education and Training (ABET).

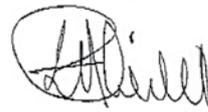
The financial performance of the Isett Seta has improved, however certain findings by the Auditor General in the previous report (2004/2005) can only be progressively addressed over a period of two years. To this end, suitable personnel were employed and accounting systems will be continuously improved to ensure satisfactory audit results in the future.

Conclusion

My sincere gratitude goes to the Isett Seta Board members who provided unqualified support to the CEO and me as the chairman of the Isett Seta Board in the year under review.

I would also like to express my appreciation for the sterling work done by the CEO and staff; despite a number of challenges they are frequently confronted with as they work towards achieving the broader objectives of the ICT Sector.

I thank you all.



Lesaiye Chiloane

Chairperson
Isett Seta Board
July 2006



2. Chief Executive Officer's Report

Introduction

The year 2005 has provided valuable insight into the purpose of the National Skills Development Strategy as a vehicle to train, develop and skill workers and unemployed people in our country to become productive citizens so that their lives change for the better.

This period also, provided an opportunity to comprehend the complexities around a mission to skill people and a goal to minimise profits as an economic rationale.

The Isett Seta, as a purpose driven skills development agency in the ICT Sector is often called to do a balancing act between industry stakeholders with diverse expectations and perceptions with regard to sector skills objectives and the role each stakeholder needs to play.

Achievements

In the year under review, the Isett Seta has posted satisfactory performance results in view of the National Skills Development Strategy objectives as per agreement with the Department of Labour. The Isett Seta has performed extremely well in the implementation of learnership programmes and the flagship Graduate Internship Programme for unemployed graduates.

Further to this, partnerships have been formed with provincial governments and municipalities to roll-out skills programmes particularly in far rural areas.

Memoranda of Understanding signed with the Department of Communications and Education to train the trainers in FET colleges, to create sustainable capabilities to train more learners in ICT.

A partnership was also formed with Umsobomvu Youth Fund to create more training opportunities for unemployed youth.

Challenges

The Isett Seta is confronted with a challenge in providing experiential training through constituent companies, to Technikon Graduates who need this exposure to secure employment and in some cases to finally graduate.

In addressing this challenge, a number of ICT companies were solicited to participate in the Isett Seta Graduate internship Programme for deserving graduates. The response was overwhelming. The major constraint in implementing this programme is the lack of funds and inability to secure further funding from the National Skills Fund. Should this be resolved, there are 3000 Internship opportunities in various ICT companies that are available immediately.

Whilst acknowledging the disclaimer by the Auditor-General there has been less findings compared to the previous financial year. In view of progress made to date, I foresee a better audit report in the current financial year.

Conclusion

I am grateful to the Chairman and members of the Isett SETA Board, members of standing committees and the Isett Seta staff members for their support and the realisation that the primary purpose of the Isett Seta "is to serve".



Oupa Mopaki

Chief Executive Officer
Isett Seta



2.1. Operational Performance

Assessment of achievements to March 2006

NSDS Objective 1: Prioritising and communicating critical skills for sustainable growth, development and equity	
Outcomes	Success Indicators
1.1 Sector Skills Plan submitted to DOL on time.	Sector Skills Plan was submitted on time (31 October 2005).
1.2 Annual guide developed or updated and distributed.	Information on critical skills was widely available to learners from a research document posted on the Isett Seta website.

NSDS Objective 2: Promoting and accelerating quality training for all in the workplace	
Outcomes	Success Indicators
2.1 The target number of large firms to receive WSP/ATR Grants for the year was 91.	Actual number of different large firms that received WSP/ATR Grants is 114. The total number of large firms in the sector as at 1 April 2005 was 114.
2.1 The target number of medium firms to receive WSP / ATR Grants for the year was 149.	Actual number of different medium firms that received WSP / ATR Grants is 158. The total number of medium firms in the sector as at 1 April 2005 was 249.
2.2 The target number of small levy paying firms to receive skills development support for the year was 845.	Actual number of different small levy paying firms that received skills development support (e.g. WSP Grants or provision of free courses) is 745. The total number of small levy paying firms in the sector as at 1 August 2005 was 2 112.
2.7 The target number of workers to achieve at least ABET level 4 for the year was 7 077.	The actual number of workers that have been registered for ABET level 1 - 4 is 9 460. The actual number that achieved at least ABET level 1 - 4 is to be determined after the legislated WSP / ATR deadline date of 30 June 2006.
2.8 The target number of workers entering learning programmes during the year was 1 000.	No workers were supported from discretionary grants and 1 13 286 workers were supported from mandatory grants.

NSDS Objective 3: Promoting employability and sustainable livelihoods through skills development	
Outcomes	Success Indicators
3.2 Implementation by the Isett Seta to commence by 1 April 2006 and will only be assessed by the Department of Labour (DoL) after 1 April 2007.	

NSDS Objective 4: Assisting designated groups, including new entrants to participate in accredited work, integrated learning and work-based programmes to acquire critical skills to enter the labour market and self-employment	
Outcomes	Success Indicators
4.1 The target number of learners to enter programmes during the year was 1 100.	Actual number of learners that entered learning programmes during the year was 1 994.
4.2 The target number of learners in critical skills programmes to be assisted to gain work experience during the year was 100.	Actual number of learners in critical skills programmes assisted to gain work experience and to find placement in employment or self-employment is 100.
4.2 The target number of learners in critical skills programmes to find placement in employment or self-employment during the year was 100.	
4.3 The target number of young people to be trained and mentored during the year was 90.	Actual number of young people trained and mentored is 82. No new ventures were put in operation during the year.
4.3 The target number of new ventures to be in operation 12 months after completion of programme was 63.	

NSDS Objective 5: Improving the quality and relevance of provision	
Outcomes	Success Indicators
5.2 The target number of accredited institutions that the SETA has an agreement with, to manage the delivery of the new venture creation qualification during the year was 4.	Actual number of accredited institutions that the SETA has an agreement with, to manage the delivery of the New Venture Creation Qualification is 4.

Table 2.1: 2005 – 2006 NSDS Targets & Achievements

2.2. Business Units Highlights and Achievements

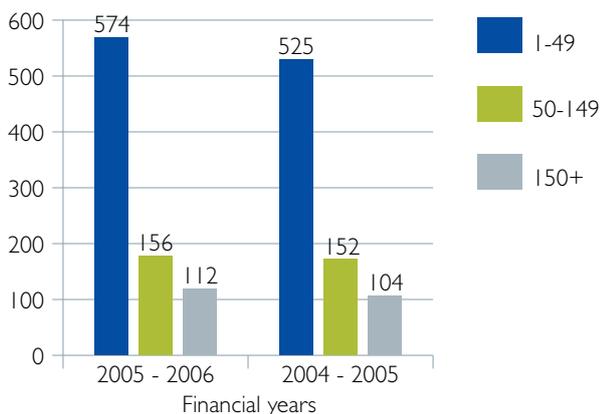
2.2.1. Sector Skills Planning (SSP) and Research

The Sector Skills Planning & Research Division is responsible for:

- Mandatory Grant Assessments and Approvals.
- Promoting skills development participation of Small, Medium and Micro Enterprises (SMMEs), in the sector.
- Developing and updating the Isett Seta Sector Skills Plan.
- Provide ICT skills development research information to internal and external stakeholders.

The Isett Seta's attempts to improve its stakeholders' participation have paid off, with achievement of 100% participation of large companies in skills development initiatives. The next step is to sustain this achievement while striving to increase SMME participation over the next five years.

Improvement in our levy grant financials indicates active participation as well as greater awareness amongst our stakeholders.



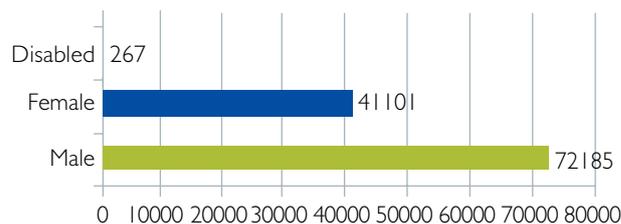
Source: Isett Seta Online Grant System
 Figure 2.1: Number of Companies who submitted WSP as per Company sizes during 2004-2005 and 2005-2006

The next table depicts beneficiaries from training, categorised by gender and people with disabilities.

Isett Seta Registered Learnerships

No	Learnership Title	NQF Level	SAQA ID	DoL Registration No.
1	GUI-Based Applications For End-User Computing	3	49077	12 Q12002040130 3
2	Technical Support	4	24293	12 Q00001645175 4
3	Systems Development	4	24294	12 Q00001737181 4
4	Systems Development (Procedural Programming)	5	48872	12 Q12002124131 5
5	Systems Development (Multi-Media Development)	5	48872	12 Q12002228131 5
6	Systems Development (Website Development)	5	48872	12 Q12002325131 5
7	Systems Development (Fourth Generation Language Programming)	5	48872	12 Q12002424131 5
8	Systems Development (Commerce Development)	5	48872	12 Q12002525131 5

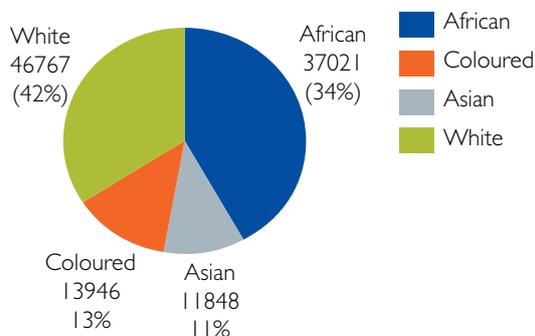
Beneficiaries by Gender and Disability Status



Source: Isett Seta Online Grant System
 Figure 2.2: Number of planned beneficiaries by gender and disability status

The following table reflects the Employment Equity percentages of planned beneficiaries during the financial year 2005-2006.

Training Beneficiaries by Race



Source: Isett Seta Online Grant System
 Figure 2.3: Number of planned beneficiaries' race

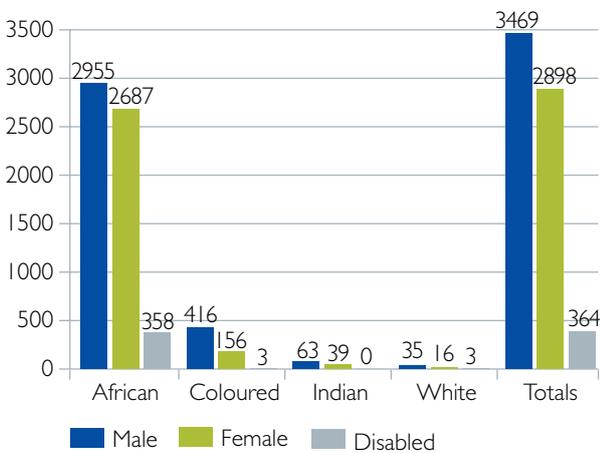
2.2.2. Learnerships

Learnerships Implementation

With 1 994 unemployed learners trained through Learnerships in the period from April 2005 to March 2006, the Isett Seta has once more exceeded its March 2006 Skills Development target by 81%. As at 31st March 2006, 14 new Learnership programmes registered with the Department of Labour and are as follows:

No	Learnership Title	NQF Level	SAQA ID	DoL Registration No.
9	Systems Development (Object Oriented Programming)	5	48872	12 Q12002624131 5
10	Solutions Development/Programming	5	48573	12 Q12001500120 5
11	Systems Support (Desktop)	5	48573	12 Q12001400120 5
12	Systems Support (Engineer)	5	48573	12 Q12001100120 5
13	Masters in Information Engineering	7	49530	12 Q12001800180 7
14	Masters in Telecommunications Engineering	7	49530	12 Q12001900180 7

The 14 new revised Learnership programmes have strongly attracted attention of our stakeholders due to their relevance to the sector's needs; as a result the Isett Seta has invested more than R80 million towards implementation.



Data Source: Isett Seta Information Management System
Figure 2.4: Isett Seta Learnership Beneficiaries for 2000-2006

As from March 2003, 6 219 completed their studies, 90 was not successful. Of those who completed, 1 155 are permanently placed or self-employed, while 2 224 are studying further.

Approach

In pursuing a multipronged approach to skills development, the Isett Seta implemented programmes ranging from Masters Level Learnership programmes with University of Witwatersrand, to graduate internships including Learnership programmes that are pitched at entry-level (NQF level4) in the ICT sector.

Learners who have successfully completed NQF level 4 learnerships will be funded to further progress to NQF level 5 to increase the possibility of employment after the learnership programme.

Venture Creation initiatives were started with the CSIR and the Department of Public Works to prepare graduate learners to become entrepreneurs. This will be done in a structured, incubator environment until learners are able to run the business (es) on their own. Fifty learners are currently involved in this initiative.

2.2.3 Special Projects

Project Performance in Terms of Objectives

We have two projects through the national skills funds; the current project, is, for 405 learners and is still in progress. It will be concluded march 2007. The Initial project which is reported below is a total of 850 unemployed learners, including 100 learners with disabilities, were registered and trained through two of the information technology NQF level 4 Learnerships, namely Technical Support and Systems Development.

This project has made it possible for previously unemployed learners to be employable, while at the same time has created a reasonable amount in the skills-pool to be recruited as entry-level technicians and programmers, and for further development of high-level skills in the ICT sector. These learners will not only be employees, but will also play a role in development of SME in the ICT sector; as some of them (learners) are also considering to venture into their own private operations, and in turn, creating a room for more learners to be trained through Learnership projects.

Target Beneficiaries and Objectives

The National Skills Development Strategy (NSDS) target of 85% blacks, 54% females and 4% of people with disabilities has been considered for this project. Through strategic partnerships with our project partners and alliance, we managed to meet and exceed some of set targets out of 850 beneficiaries recruited. Of those who completed the project, 99.5% were black, 41.7% female, 14.1% were people with disabilities and 54 were unsuccessful.

	African	Coloured	Indian	White	Total
Male	39.5%	3.8%	0.5%	0.5%	44.3%
Female	37.2%	4.4%	0.1%	0.0%	41.7%
Disabled	13.9%	0.1%	0.0%	0.0%	14.0%
Total	90.6%	8.3%	0.6%	0.5%	100.0%

Source: Isett Seta Database
Figure 2.5: Learners' / Beneficiaries' Gender and Racial Spread

Project Summary Data NSF I

Sub-Component	Details
1. Project Amount	<ul style="list-style-type: none"> · R21.250m – NSF Contribution (VAT inclusive). · R8, 272m – Isett Seta Contribution (Allowances). <p>Total = R29,522m</p>
2. Project Duration	Actual: 18 months (1st April 2004 – 30th September 2005)
3. Start and End dates	Start: 1st April 2004 End Date: 30th September 2005
4. Number of beneficiaries targeted	850 learners
5. Project Locations (Site name & province)	<ul style="list-style-type: none"> · Careers-IT (74 learners): Midrand, Gauteng · CS Holdings (80 learners): Midrand, Gauteng · CS Holdings (40 learners): Polokwane, Limpopo · CS Holdings (40 learners): Durban, KwaZulu Natal · Esselenpark (16 learners): Kempton Park, Gauteng · Knowledge Worx (200 learners): Johannesburg, Gauteng · Boston City College (150 learners): Orange Groove, Gauteng · SEG Management (100 learners): Upington & Kimberley, Northern Cape · SEG Management (50 learners): Johannesburg, Gauteng. · SPL Communications (100 learners): Durban, KwaZulu Natal.
6. Planned Deliverables (Interventions)	<ul style="list-style-type: none"> · Project Proposal - Submitted by Isett Seta and Approved by NSF · Project Staffing - Project Manager was assigned and assistant hired · Project Communications - Project communications plan was developed and shared will all stakeholders in the project.

Sub-Component	Details
	<ul style="list-style-type: none"> · Project Steering Committee – Each project site had its own steering committee consisting of representatives from the Isett Seta contractors, Training Providers and Learners Representative Committee (LRC). · Learnerships Implementation – Learners were recruited, trained in theory and at the workplace. The project implementation was monitored quarterly, with reports submitted to NSF.
7. Achievements	Out of 850 beneficiaries:
7.1 Completion rate	813 (95.6%)
7.2 Unsuccessful	37(4.4%)
7.3 Permanent placement and further learning	771 (90.8%)

Table 2.2: NSF Learnership Project Learners' Provincial Distribution

Impact of the Project

The strategic focus of this project has not been only to develop sector demand-driven Learnership programmes, but also to train unemployed youth below the age of 30, in such programmes, with the objective of addressing skills shortage in the ICT sector. This in turn will prepare more people to advance further into high-level skills currently needed by the sector.

Project Sustainability

As previously indicated, the purpose of this project was to train unemployed youth to facilitate employability, self employment and further training. Priority was given to employers that guaranteed employment of learners on successful completion of level 5 programmes.

2.2.4 Educations and Training Quality Assurance (ETQA)

In terms of the South African Qualifications Authority (SAQA) Act the Isett Seta was given a renewed mandate to act as an Education and Training Quality Assurance (ETQA) body in the ICT Sector. This will further assist Isett Seta to continue working towards the achievement of the National Skills Development Strategy (NSDS) 2 targets.

Qualifications and Unit Standards Registered

Below is a list of qualifications for which Isett Seta is accredited.

Type of Qualification	Title of Qualification	NQF Level	NLRD Number	Status	Number of Credits
National Certificate	Certificate:Telecommunications for Customer Premises Equipment	2	21798	Unit Standards based	120
National Certificate	National Certificate: Information Technology: End User Computing	3	49077	Unit Standards based	127
National Certificate	Certificate in Telecommunications for Customer Premises Equipment	3	21799	Outcomes based	135
National Certificate	Certificate:Telecommunications for Customer Premises Equipment	4	21797	Outcomes based	152
National Certificate	National Certificate:Information Technology: Technical Support	4	24293	Unit Standards based	163
National Certificate	National Certificate: Information Technology: Systems Development	4	24294	Unit Standards based	178
National Certificate	National Certificate: Information Technology: Systems Support	5	48573	Unit Standards based	147
National Certificate	National Certificate: Information Technology: Systems Development	5	48872	Unit Standards based	131
National Certificate	National Certificate: Computer Science	5	22711	Outcomes based	120

Accreditation and Programme Approvals of Constituent Providers

The Isett Seta has taken a decision to discontinue the approval status previously given to Isett Seta education and training providers in line with the SAQA legal requirements defined in the ETQA regulations No.1127 of 1998 which only make provision for 'accredited' and 'provisional accreditation' in terms of status to be given to accredited providers. All previously approved education and training providers were requested to re-apply for the conversion of their status to accreditation.

Approved Training Providers

Significant progress has been made as the number of approved providers has decreased.

Provider Approval	Total (Approved Providers as at March 2006)
Approved Training Providers	103

Accreditation Status of Education and Training Providers

The Isett Seta has come up with a new strategy aimed at fast tracking the accreditation of education and training providers within the ISETT sector. Part of the strategy was to conduct site visits to all providers who had previously applied for accreditation, to evaluate on-site compliance with all the SAQA national criteria for the accreditation of providers. This move would enable providers to be awarded the provisional

accreditation status. Secondly the strategy aimed at using internal and external consultants, to evaluate a number of learning programmes previously submitted to Isett Seta, by providers for primary focus and non-primary focus qualifications and/or unit standards. The latter exercise together with areas for development discovered during the site visits would enable the providers to be fully accredited.

The strategy also involved decentralisation of all ETQA activities to Isett Seta's 3 regional offices (Western Cape, Eastern Cape and KZN). This was meant to enable the head office staff to concentrate on all other provinces to ensure speedy accreditation and programme evaluations. This decentralisation was preceded by the necessary capacity building of regional offices in this regard.

This decentralisation and its concomitant capacity building is meant to be finalized within 2006/7 financial year. The results of the new strategy have been astronomical and fundamental as reflected by figures on the table that follows. This applies to large, medium, SMME's, BEE and non-BEE providers.

Training Provider Accreditation Status

	2005-2006	2004-2005
Full Accreditation	25	19
Provisional Accreditation	101	9
Totals	126	28

Training Provider Profile

A significant number of Small, Medium and Micro Enterprise (SMME) providers make up the accreditation list with 125 accredited.

Category	Description	Number of Accredited Training Providers			Bee Status	
		Full Accreditation	Provisional Accreditation	Grand Total	Bee	Non Bee
I - 49	Small & Micro	22	89	111	52	59
50 -149	Medium	2	12	14	7	7
150+	Large	1	0	1		1
Total		25	101	126	59	67

Geographic Representation of registered Assessors and Moderators

	Number of Registered Assessors & Moderators									
	Assessors				Total	Moderators				Total
	A	I	C	W		A	I	C	W	
Eastern Cape	4	0	2	0	6	0	0	0	0	0
Free State	2	1	5	0	8	0	1	0	0	1
Gauteng	15	3	3	25	46	2	1	0	3	6
Limpopo	3	0	0	3	6	0	0	0	1	1
Mpumalanga	3	0	0	2	5	1	0	0	0	1
N Cape	0	0	1	0	1	0	0	0	0	0
North West	0	0	1	0	1	0	0	0	0	0
W Cape	4	3	6	2	15	2	0	1	2	5
KZ- Natal	0	6	5	4	15	0	1	0	1	2
TOTAL	31	13	23	36	103	5	3	1	7	16

3.1 Provincial Status of Assessors and Moderators

Geographic Representation of Accredited Training Providers

Province	2005/6	2004/5
Eastern Cape	7	0
Free State	7	1
Gauteng	67	17
Limpopo	18	4
Mpumalanga	6	4
N Cape	2	0
North West	2	0
W Cape	7	0
KZ- Natal	10	2
TOTAL	126	28

Assessor/Moderator Training Project

In a bid to alleviate the scarcity of assessors and moderators who can assess all primary focus qualifications and their associated unit standards. An assessor/moderator training project has

been started, targeting personnel from all our accredited and prospective education and training providers as well as from our levy-paying companies.

By 31 March 2006 assessor/moderator training had started and will be completed by the 31 May 2006. The project targeted 300 Assessors/moderators in total, to be trained across all provinces.

2.2.5 Quality Management System (QMS)

The Quality Management Systems Unit facilitates implementation of all the Isett Seta's Quality Management Systems, to support quality assurance of skills development by its stakeholders.

QMS Achievement

The ISO 9001 Registration by an independent Registrar, Alpha Certification Services, has been upheld as confirmed after surveillance auditing.



2.2.6. Corporate Governance and Accountability

Race	Black		White	
	Male	Female	Male	Female
Board	18	1	2	1
Executive Committee	7			
Audit Committee	5		2	1
Remuneration Committee	5			1

Table 2.6: Isett Seta constitutional bodies

For the Year under review, the Isett Seta Board comprised the following:

Organised Labour Representatives

Name	Stakeholder	Sub sector
Mr. Joe Chauke	Communications Workers Union (CWU)	Telecommunications
Ms. Them bani Maheneza		
Mr. Richard Poulton		
Mr. Lesaiye Chiloane		
Mr. Mike Seroba		
Mr. Abraham Tebeila	National Union of Metal Workers of South Africa (NUMSA)	Electronics
Mr. Mlungisi Cele		
Ms. Malebo Mogopodi		

Special Interest Group Representatives

Name	Stakeholder	Group
Mr. Neville Naidoo	Black Information Technology Forum (BITF)	Telecommunications
Ms. Mabore Thosago	South African Communications Forum (SACF)	
Mr. Harry Mathabathe	Department of Communications (DoC)	Government
Mr. Mxolisi Matshamba	Department of Trade and Industry (dti)	
Mr. Ramon Thomas	Computer Society of South Africa (CSSA)	Information Technology

Organised Employer Representatives

Name	Stakeholder	Sub sector
Ms. Portia Mkhabela	Telecommunications Skills Development Forum (TSDF)	Telecommunications
Ms. Nomsa Ntsoane		
Mr. Frans Kutumela		
Mr. Lucky Masilela	Electronics Industry Federation of South Africa (EIF)	Electronics
Ms. Beverley Young		
Mr. Roger Dawes		
Mr. Tanto Rachidi	Information Technology Association (ITA)	Information Technology
Mr. Vhelaphi Mabunda		
Mr. Danny Naidoo		

Secretariat

Designation	Name
Chief Executive Officer	Mr. Oupa Mopaki
Chief Financial Officer (Acting)	Mr. Peter Mongwenyana
Executive Assistant: Secretary	Ms. Ivy Tloubatla

The following are payments made to Board members during the year under review.

Transaction Description	Name of Payee	Amount Paid
Traveling and Meetings	Mr. Lesaiye Chiloane	R 27 482.16
Traveling and Meetings	Mr. Abraham Tebeila	R 23 286.14
Traveling and Meetings	Mr. Mike Seroba	R 7 668.76
Traveling and Meetings	Ms. Ntombxolo Maheneza	R 13 939.37
Traveling and Meetings	Mr. Richard Poulton	R 11 661.52
Traveling and Meetings	Mr. Joe Chauke	R 13 194.70
Traveling and Meetings	Ms. Beverly Young	R 5 150.76
Traveling and Meetings	Mr. D Tlale	R 6 745.89
Traveling and Meetings	Mr. E Senza	R 17 428.95
Traveling and Meetings	Mr. J Thosago	R 2 960.76
Traveling and Meetings	Mr. K Pillay	R 7 779.76
Traveling and Meetings	Mr. L Nengwani	R 7 429.65
Traveling and Meetings	Mr. Lucky Masilela	R 9 778.19
Traveling and Meetings	Mr. M Stephen	R 7 000.76
Traveling and Meetings	Mr. D Naaidoo	R 6 710.76
Traveling and Meetings	Mr. N Naidoo	R 7 990.76
Traveling and Meetings	Mr. R Ntsoane	R 4 950.76
Traveling and Meetings	Mr. T Rachidi	R 54 219.33
Traveling and Meetings	Mr. Ramon Thomas	R 6 940.26

Transaction Description	Name of Payee	Amount Paid
Traveling and Meetings	Mr. Roger Dawes	R 3 076.22
Traveling and Meetings	Mr.T. Matsimela	R 16 126.24
Traveling and Meetings	Mr.V. Mabunda	R 2 268.76
Totals		R 263 790.46

The following are payments made to Audit Committee members during the year under review.

Transaction Description	Name of Payee	Amount Paid
Traveling and Meetings	Mr. Khaya Dlukulu	R 13 519.38
Traveling and Meetings	Mr. Bill Shellard	R 10 753.28
Traveling and Meetings	Mr. Chris Mgidini	R 13 019.38
Traveling and Meetings	Mr. Harry Mathabathe	R 0.00
Traveling and Meetings	Mr. Nicholas Ngwenya	R 15 648.42
Traveling and Meetings	Mr. Roger Dawes	R 13 886.96
Traveling and Meetings	Mr. Vhelaphi Mabunda	R 0.00
Traveling and Meetings	Ms. Judy Grobler	R 0.00
Totals		R 66 827.42

Isett Seta Board Structure

Executive Committee

This committee is responsible for overseeing the operational affairs of the Isett Seta, as well as monitoring the organisation's financial, budgetary, personnel and facilities affairs.

Name	Committee Status	Board Status
Mr. Lesaiye Chiloane	Chairperson	Board Member
Mr. Tanto Rachidi	Deputy Chairperson	Board Member
Mr. Abraham Tebeila	Member	Board Member
Mr. Frans Kutumela	Member	Board Member
Mr. Joe Chauke	Member	Board Member
Mr. Lucky Masilela	Member	Board Member
Mr. Danny Naidoo	Member	Board Member

Audit Committee

This committee is responsible for overseeing the financial affairs of the Isett Seta.

Name	Committee Status	Board Status
Mr. Khaya Dlukulu	Chairperson	External
Mr. Bill Shellard	Member	External
Mr. Chris Mgidini	Member	Board Member
Mr. Harry Mathabathe	Member	Board Member
Mr. Nicholas Ngwenya	Member	External
Mr. Roger Dawes	Member	Board Member
Mr. Vhelaphi Mabunda	Member	Board Member
Ms. Judy Grobler	Member	External

Remuneration Committee

This committee is responsible for issues relating to all personnel remuneration matters

Name	Committee Status	Board Status
Mr. Tanto Rachidi	Deputy Chairperson	Board Member
Mr. Abraham Tebeila	Member	Board Member
Mr. Lesaiye Chiloane	Member	Board Member
Mr. Raj Moodley	Member	Board Member
Mr. Vhelaphi Mabunda	Member	Board Member
Ms. Beverly Young	Member	Board Member

Isett Seta Staff Complement and Salary Bands

The following table provides a breakdown of the Isett Seta costs by race, gender and disability status, and range per salary band for year under review.

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Salary Bands (R'000)	Black		White	
	Male	Female	Male	Female
001-100	1	1	0	0
101-200	3	10	0	0
201-300	4	4	0	1
301-400	7	2	1	0
401-500	4	1	1	0
501-600	1	0	0	0
600-700	2	0	1	0
701-800	0	0	0	0
801-900	0	0	0	0
901-1000	1	0	0	0
Totals	23	18	3	1
Grand Total	45			

Data Source: Isett Seta Information Management System
Table 2.7: Staff Complement and Salary Bands

Consultants and Outsourcing Services Engaged During the Year under Review

Deloitte & Touché

Deloitte & Touché provided the following services to the Isett Seta during the year under review:

- Implementation and management of the Seta Management System
- Development and management of the Isett Seta website.

Set-A-Skill

- Development of the Isett Seta Intranet integrated with the document management system (share-point portal).
- Implementation of the Customer Relation Management (CRM) System.
- Development and implementation of the Isett Seta project management system.
- Management and maintenance of the Isett Seta Databases.
- Management and maintenance of Isett Seta Financial Management systems.

MGX Business Continuity Services

- Information Technology Disaster Recovery Services.

Schalk & Ngwenya and De Jongh Attorneys

- Provision of general legal professional services.

Nomsa Mbeleni & Joyce Tlohang, Mthombeni & Associates and Gerhard Papenfus & MM De Jongh (Attorneys)

- Provision of legal employee relations professional services.

Nalane Manaka Attorneys

- Provision of legal professional services regarding the classification of Land and Buildings.

3. Chief Financial Officer's Report

Financial Performance

3.1. Income

- Levy Income - In the financial year under review Isett Seta received total levy income of R223 m in relation to previous year total of R210 m. This is an increase of R13 m (6%) over the previous financial year. This increase can be attributed to the increase in stakeholders within the Isett sector as well as salary increases.
- Investment income - mainly comprising of interest income, is consistent with the previous year at R16 m.
- Penalties and Interest - these have increased from R1.4m in the previous financial year to R2.2m in the financial year under review.

3.2. Administration Expenditure

There has been an increase in administration expenditure from the previous year due to capacity building in line with the increase in stakeholders and stakeholder expectations within the ICT sector as well as an increase in salaries. However Isett has managed to stay within the legislative provision of 10% of levy income received.

3.3. Employer Grants Payments

As the number of companies participating in skills development were increasing annually, we had to ensure that our systems and processes are also efficiently and effectively improving to offer better service delivery in levy grants disbursements, as result there has been an improvement in the handling of the grant payments. In the current year Isett managed to pay 76% of mandatory grants in relation to total levy income to large and medium firms. With regards to small firms Isett disbursed 55% mandatory grants in relation to total revenue.

3.4. Project Expenses (Discretionary)

In the financial year under review project expenses were R91.300m which is 11.51% more than last year. The increase is due to an accelerated delivery program undertaken by the Isett Seta.

Peter Mongwenyana
Chief Financial Officer (Acting)



4. Audit Committee Report

Report of the Audit Committee to the Isett Seta Board for the year ended March 31, 2006

Introduction

The Audit Committee was appointed in July, 2004, for a term of two years, and at March 31, 2006, was comprised of the following members:

1. Khaya Dlukulu (Chairman)
2. Nicholas Ngwenya
3. Judy Grobler
4. Bill Shellard
5. Chris Mgidini
6. Roger Dawes

The following members resigned during the year under review, and were not replaced:

1. Harry Mathabathe
2. Vhelaphi Mabunda

Background

The Audit Committee derives its mandate from the Constitution of ISETT SETA and the Charter of the Audit Committee, as well as in terms of the Public Finance Management Act and other Regulations and Policies, promulgated from time to time by the responsible authorities.

The Audit Committee performs its functions as a sub-committee of, and is responsible to the Board, and has an oversight function on behalf of the Board which includes:

- All financial management and other reporting practices
- All aspects of internal control and risk management
- Compliance with laws, regulations and other ethical practices
- And ISETT SETA's in-house Internal Audit function.

In discharging this function, the Committee is required to meet at least four times in a year; to review and consider all these matters, and report its findings and recommendations to the Board.

Review of the activities of the Audit Committee

The Audit Committee had four meetings during the 2005/2006 financial year. The more important aspects which the Audit Committee attended to during the financial year were:

1. Reviewing the continued compliance of the Audit Committee and the Internal Audit Charters, as approved by the Board in February, 2005;
2. Reviewing the appointment of the new Internal Auditors and all matters related to this appointment as per the Audit Committee Charter;
3. Reviewing the preliminary Risk Analysis report tabled by the Internal Auditors during the period under review;
4. Reviewing progress on the 3 year rolling Internal Audit Plan;
5. Reviewing all Internal Audit Reports tabled by the Internal Auditor;
6. Reviewing a report from the Parliamentary Select Committee with regard to the qualified audit report on ISETT SETA for the 2004/2005 financial year;
7. Reviewing all Management Letters prepared by the Auditor General to address this and other matters;
8. Reviewing all relevant corrective plans tabled by ISETT SETA management to address this and other matters;
9. Reviewing the Auditor General's Audit Plan for the year; and
10. Reviewing the Annual Financial Statements for the year ended March 31, 2006, as per Treasury Regulation 3.1.10. In assessing these Annual Financial Statements, the Audit Committee:
 - a) Reviewed the Auditor-General and other auditor's Management Letters related to the Statements, and management's response thereto; and
 - b) Reviewed the compliance of the accounting policies and practises of ISETT SETA with the applicable laws, regulations and practises.

The Audit Committee wishes to report that:

1. It is the opinion of the Committee, that the respective charters of the Audit Committee and Internal Audit have been aligned to Treasury regulations and corporate governance practices in force during the period under review. The Committee is therefore satisfied that these charters permit effective oversight on risk management, governance and control within the ISETT SETA.

The Committee also studied the requirements of the amended Treasury regulations promulgated in May 2002, and considered formal and informal reports from management and Internal Audit, in assessing the degree to which ISETT is in compliance therewith.

2. The full time Internal Auditor resigned during the year, and as a result, no Internal Audit function at ISETT SETA was available, for most of the period under review, to discharge the compliance and risk assessment activities required by the Act and Treasury regulations. This situation was eventually corrected when a new Internal Auditor was appointed, and such appointment subsequently ratified by the Board, in February, 2006.
3. The Committee reviewed the report of the Parliamentary Select Committee, as well as Management Letters tabled by the Auditor General, with regard to the previous year's audit report, and is now satisfied that significant progress has been made by management of ISETT SETA to correct the weaknesses identified in the previous year's audit.
4. The Committee reviewed the three year Internal Audit plan, and was unfortunately not satisfied on the progress made in implementing it.

This lack of progress was mainly due to the fact that there was no Internal Audit function to discharge this responsibility, for most of the year under review.

In light of these developments, the Committee has recommended that the reports tabled so far by Internal Auditing during the period under review, be translated into a set of high impact process re-engineering projects, to be implemented throughout ISETT SETA, in order to achieve progress and address many of the systemic weaknesses that have been identified within the organisation.

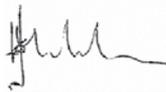
5. The Committee reviewed the Annual Financial Statements of ISETT SETA for the year ending March 31, 2006, as well as the Auditor General's report thereof.

The Committee wishes to report that, while corrective action has been taken to significantly improve the standard and quality of financial reporting, as well as accounting practices in ISETT SETA, there are still weaknesses in the

financial reporting system, which can only be corrected by the end of the next financial year ending March 31, 2007.

The Committee wishes to alert the Board to the fact that it should therefore anticipate another qualified audit for the period under review.

6. Notwithstanding all of the issues reported, the Committee has nevertheless satisfied itself that, in all other material respects, the Annual Financial Statements of ISETT SETA for the year ending March 31, 2006, are a fair reflection of the present financial position of the organisation.
7. Finally, as we come to the end of our term in office, the Committee wishes to express our appreciation for the support we received from the Board in discharging our mandate.



Khaya Dlukulu

Chairman

On behalf of the ISETT SETA's Audit Committee
July, 2006



5. Auditor-General's Report

Report of the Auditor-General to parliament on the financial statements of the Information Systems, Electronics and Telecommunications Technologies Sector Education and Training Authority for the year ended 31 March 2006

1. Audit Assignment

The financial statements as set out on pages 18 to 45, for the year ended 31 March 2006 have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 14(6)(a) of the Skills Development Act, 1998 (Act No. 97 of 1998). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2. Scope

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

An audit includes:

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

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

3. Basis of Accounting

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

4. Qualification

4.1 Limitation of scope

Due to inadequate monitoring and independent reconciliations and checks by management :

- *National Skills Fund (NSF) income and expenditure* – adequate supporting documentation could not be provided by management to audit the NSF income and expenditure of R 20,279 million.

The difference of R 1,183 million between the opening balance of NSF income received in advance and the prior year's closing balance could not be explained. Furthermore, amounts recorded in the NSF general ledger account do not agree to supporting documentation. As a result of the above, differences between the NSF trial balance and the financial statements could not be reconciled.

- *Completeness of levy income* - the completeness of levy income and receivables could not be determined because management did not make any estimate for levies that will be received in 2006/07 relating to previous years. Subsequent downloads from DoL confirmed this trend. As a result, the completeness of the receivables (refer Note 10 in the Annual Financial Statements) can also not be concluded upon.
- *Opening balances* - an opinion was not expressed on the 2004/05 annual financial statements. As such, the 2005/06 opening balances cannot be relied upon. However, the movements and closing balances for 2005/06 were subjected to audit and material findings are included in this report.
- *Non-compliance with accounting framework* – the financial statements contain disclosure errors. The most material is note 16 where the reconciliation of net cash flow from operating activities to net surplus/(deficit) note does not balance to the cash flow statement by R 4,348 million.

Related disclosure notes in the annual financial statements do not agree with one another:

5. Disclaimer of Audit Opinion

Due to the significance of the matters referred to in the above paragraphs, I do not express an opinion on the financial statements.

6. Emphasis of Matter

Attention is also drawn to the following matters:

6.1 Internal audit

Due to inadequate compliance monitoring the internal audit function has not been in place and functioning for the entire period. This constitutes a non-compliance with Treasury Regulations 27.2.7.

6.2 Inadequate monitoring

Section 50(3)(a) of the PFMA and Treasury regulation 16A8.4 – Isett has no mechanism in place to record or keep track of related party transactions and relationships and no disclosure has been made in the financial statements as required by South African Statements of Generally Accepted Accounting Practice (GAAP).

7. Appreciation

The assistance rendered by the staff of the Information Systems, Electronics and Telecommunications Technologies Sector Education Training Authority during the audit is sincerely appreciated.



N Manik for Auditor-General

Pretoria
31 July 2006



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6 Annual Financial Statements

Information Systems, Electronics and Telecommunications Technologies Training Authority

Annual Financial Statements

31 March 2006

Contents	Page
Report of the Accounting Authority	18
Income Statement (Statement of Financial Performance)	21
Balance Sheet (Statement of Financial Position)	22
Statement of Changes in Net Assets	23
Cash Flow Statement	24
Accounting Policies to the Annual Financial Statements	25
Notes to the Annual Financial Statements	31

Report of the Accounting Authority

Country of Incorporation

Registered in the Republic of South Africa

Entity Domicile & Legal Form

Block 2, Level 3 West
Gallagher House, Gallagher Estate
19 Richards Drive
Gallagher House Midrand
Gauteng

ISETT SETA is a Public Entity established and governed by:

1. Section 9 of the Skills Development Act 1998 (Act No 97 of 1998) as amended;
2. The South African Qualifications Act, 1995 (Act No 58 of 1995); and
3. The Skills Development Levies Act, 1999 (Act N0 09 of 1999)

Business Address and Registered Office

Block 2, Level 3 West
Gallagher House, Gallagher Estate
19 Richards Drive
Gallagher House Midrand
Gauteng

PO Box 5585
Halfway House
Midrand
1685

Nature of Entity's Operations & Principal Activities

Based on the Skill's Development Act (No 97 of 1998) as amended and the South African Qualifications Act, 1995, the main functions of the ISETT SETA are:

1. Develop a sector skills plan within the framework of the national skills development strategy;
2. Implement its sector skills plan by:
 - Establishing Learnerships
 - Approving workplace skills plan
 - Allocating grants in the prescribed manner to employers, education and training providers and workers, and
 - Monitoring education and training in the sector
3. Promote Learnerships by:
 - Identifying workplaces for practical work experiences
4. Exercise Quality Assurance responsibilities in accordance to the SAQA Act.

Composition of the ISETTSETA Board

The composition of the ISETT SETA Board is in line with the provisions of section 11 of the Skills Development Act, 1998 which requires that the SETAs should carry out their mandate in consultation and co-operation with stakeholders. The ISETT SETA Board, in compliance with the said provisions and as the Accounting Authority consists of the following members:

Corporate Governance

The ISETT SETA is committed to sound and transparent governance that will enhance its relationship with all stakeholders, build a productive culture of good corporate governance and leadership and embrace corporate practices based on values, integrity, excellent and equity within the organization. The ISETT SETA endorses the Code of Corporate Practises and Conduct as contained in the King II Report.

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

The ISETT SETA has four (4) board committees, which assist the Board in discharging its responsibilities. Each committee operates within the ambit of its defined terms of reference and delegated responsibilities. The board committees are:

Audit Committee

The ISETT Seta Audit Committee has been established and is chaired by an independent member. The Committee has had several meetings and has been looking at the Audit Plan, Audit Charter, Audit Committee Charter, Risk Assessment results and other relevant financial aspects within the organization. The ISETT Seta appointed Ngubane & Co to provide internal audit services.

Executive Committee

The Executive Committee consists of nine (9) members appointed by the Board one representing the employer and one representing labour and the Chief Executive Officer. This committee is responsible for transacting business in between the Board meetings and report to the Board

Remuneration Committee

The Remuneration Committee consists of four (4) members appointed by the Board one representing the employer and one representing labour and the Chief Executive Officer. This committee is responsible for remuneration of the organisation.

Learnership Committee

In the process of establishment.

Sub-sectors

The ISETT Seta is constituted by three (03) sub-sectors viz. IT, Electronics, Telecomms and Technology. These sub-sectors represent all the stakeholders that are in the sub-sectors.

Risks Assessment and Internal Controls

The ISETT Seta endeavours to minimize risk by ensuring that appropriate systems, policies, personnel and controls are in place throughout the organization. A risk assessment exercise was performed during the 2005/2006 financial year to indentify areas of risk and to map appropriate controls over the past financial year. The process was facilitated to determine the material risks to which the ISETT Seta was exposed and to evaluate the strategy for managing these risks. The SETA relied on the outsourced internal audit function and external auditors for independent appraisal of the adequacy and effectiveness of the internal controls. The Audit Committee, with extensive input by the internal and external auditors, played a role in assisting management to assess the adequacy and effectiveness of the accounting system, records and internal control.

Internal Audit

In line with the PFMA and the King II Report requirements, the internal audit function is outsourced to Ngubane & Co who provide the Audit Committee and Management with assurance that internal controls are appropriate and effective

Materiality Framework

The ISETT Seta has in line with the Public Finance Management Act developed the materiality framework which the Board recommended at its meeting dated 31 March 2004. The materiality framework was, subsequent to submission to the Minister reviewed and updated and no instances occurred that required an application of the policy.

Record of meetings

1st April 2005 to 31st March 2006

ISETT Seta Structure	Board	Audit Committee
No. of meetings	3	4

ISETT Seta Structure	Executive Committee	Remuneration Committee
No. of meetings	3	0

Remuneration paid to Board Members

Members of the ISETT Seta Board are remunerated as follows:

A Board member is paid an honorarium of R 1,000.00 per meeting for attending Board meetings. An Executive Committee member is paid an honorarium of R1,000 per meeting. Chairperson of the Board and Deputy Chairperson are paid an honorarium of R 1,200.00 per meeting.

Management Team

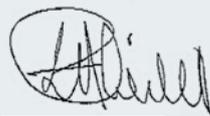
During the financial year (2005/2006), the Seta Executive Management comprises of the CEO and four senior managers. They are tasked with implementing strategies, policies, decisions and views of the board.

Position	Basic Salary	Allowance	Performance Bonuses	Annual Basic + Allowance	Annual Med.Aid	Provident	13th Cheque	Total Package
Chief Executive Officer	473 053.13	105 000.00	177 935.00	578 053.13	26 880.00	83 218.95	41 206.93	907 294.01
Chief Financial Officer	271 566.78	76 500.00	62 138.25	348 066.78	21 546.00	45 771.70	32 789.67	510 312.40
Senior Manager: Learnerships	334 042.22	78 000.00	85 503.42	412 042.22	54 637.75	28 332	27 979.04	608 494.43
Senior Manager: ETQA	336 768.70	80 035.44	85 503.42	416 804.14	23 343.00	54 637.67	28 322.78	608 611.01
Senior Manager: SSP	330 955.95	120 000.00	85 503.42	450 955.95	43 861.11	54 637.64	17 088.57	652 046.69
	1 746 386.78	459 535.44	496 583.51	2 205 922.22	170 267.86	266 597.96	147 386.99	3 286 758.54

The Annual Financial Statements for the year ended 31st March 2006, set out on pages 18 to 45, have been approved by the Accounting Authority in terms of section 51(1) (f) of the Public Finance Management Act (PFMA), No 1 of 1999 on 31 May 2006, and are signed on their behalf by:



Oupa Mopaki
CEO



Lesaiye Chiloane
Chairperson

Income Statement (Statement of Financial Performance)

For the year ended 31 March 2006

		2005/06	2004/05
	Note	R'000	R'000
Revenue			
Skills Development Levy: income	2	223 182	210 345
Skills Development Levy: penalties and interest		2 282	1 476
National Skills Fund income	13	20 279	37 566
Donations for special projects	14	-	60
Investment income	3	15 978	16 395
Other income	4	9	139
Total revenue		261 730	265 981
Expenses			
Employer grant and project expenses	5	(168 176)	(190 716)
Administration expenses	6	(34 643)	(24 778)
Finance costs		-	-
National Skills Fund expenses	13	(20 279)	(37 566)
Special project expenditure	14	-	(60)
Total expenses		(223 098)	(253 120)
Net Surplus for the year	1	38 632	12 861

Balance Sheet (Statement of Financial Position)

For the year ended 31 March 2006

			2005/06	2004/05
			Note	R'000
Assets				
Non-current assets	Property, plant and equipment	7+23.1	2 596	3 992
	Loans	8+23.2	2 040	2 040
			4 636	6 032
Current assets	Prepayments and advances	9	316	396
	Accounts receivable	10	53,242	33 065
	VAT receivable		-	4 347
	Cash and cash equivalents	11	135 205	168 615
			188 763	206 423
Total assets			193 399	212 455
Equity and Liabilities				
Funds and reserves	Administration reserve		2 600	709
	Employer grant reserve		-	58 231
	Discretionary reserve		123 229	31 909
	Capitalisation reserve		-	4 155
	Unappropriated surplus	23.3	-	(7 807)
			125 829	87 197
Non-current liabilities	Provisions	15	-	8 503
			-	8 503
Current liabilities	Accounts payable	12	60 954	109 214
	National Skills Fund received in advance	13	4 551	6 585
	Government Grants and donor funding received in advance	14	169	169
	Staff Provisions	15	1 896	787
			67 570	116 755
Total net funds and liabilities			193 399	212 455

Statement of Changes in Net Assets

For the year ended 31 March 2006

	Administration reserve	Employer grant reserve	Discretionary reserve	Capitalisation reserve	Unappropriated surplus	Total
Note	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 1 April 2004	9 663	17 077	43 441	4 155	-	74 336
Net surplus/(deficit) per Income Statement	-	-	-	-	12 761	12 761
Transfer to discretionary reserve	(9 663)	(17 077)	26 740	-	-	-
Allocation of unappropriated surplus	709	58 231	(38 272)	-	(20 668)	-
Balance at 31 March 2005	709	58 231	31 909	4 155	(7 907)	87 097
Errors (Fundamental Errors)	23.1 + 23.2	-	-	-	100	100
Restated balance	709	58 231	31 909	4 155	(7 807)	87 197
Net surplus/(deficit) per Income Statement	-	-	-	-	38 632	38 632
Transfer to discretionary	8 647	(120 912)	108 613	(4 155)	7 807	-
Allocation of unappropriated surplus	1	(6 756)	62 681	(17 293)	(38 632)	-
Balance at 31 March 2006	2 600	(0)	123 229	-	0	125 829

Cash Flow Statement

For the year ended 31 March 2006

		2005/06	2004/05
		Note	
		R'000	R'000
Cash Flows from operating activities			
Operating activities	Cash receipts from stakeholders		214 903
	Levies, interest and penalties received	2	197 526
	Other cash receipts from stakeholders		14 288
	VAT received		3 089
	Cash paid to stakeholders, suppliers and employees		(162 858)
	Grants and project payments		114 664
	Special projects		(37 626)
	Compensation of employees		(13 649)
	Payments to suppliers and other		(218 811)
	VAT paid		(7 436)
	Cash generated from/(utilised in) operations	16	52 045
	Investment income	3	16 395
Net cash inflow/(outflow) from operating activities			68 440
Cash Flow from investing activities			
	Purchase of property, plant and equipment and investment properties	7	(2 557)
	Proceeds from disposal of property, plant and equipment and investment properties	7	(1 060)
Net cash inflow/(outflow) from investing activities			(3 617)
Cash Flow from financing activities			
	Grants, transfers and funds received	13+14	31 359
	Increase/(decrease) in reserves		(80 251)
Net cash inflow/(outflow) from financing activities			(48 892)
Net (decrease)/ increase in cash and cash equivalents			15 931
	Cash and cash equivalents at beginning of year	11	152 684
	Cash and cash equivalents at end of year	11	168 615

Accounting Policies to the Annual Financial Statements

For the year ended 31 March 2006

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

The principal accounting policies adopted in the preparation of these financial statements are set out below and are, in all material respects, consistent with those of the previous year:

1. Basis of preparation

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

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

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

1.1 Terminology differences

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit for the period	Profit/loss for the period

Standard of GRAP	Replaced Statement of GAAP
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distribution to owners	Dividends
Reporting date	Balance sheet date

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

1.3 Specific information such as:

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

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

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

2. Currency

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

3. Revenue recognition

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

3.1 Levy income

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

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

Levy income is recognised on the accrual basis.

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

The Seta refunds amounts to employers in the form of grants, based on information from SARS. Where SARS retrospectively amends the information on levies collected, it may result in grants that have been paid to certain employers that are in excess of the amount the Seta is permitted to have granted to employers. A receivable relating to the overpayment to the employer in earlier periods is raised at the amount of such grant over payment, net of bad debts and provision for irrecoverable amounts.

Revenue is adjusted for Interseta transfers due to employers changing Seta's. Such adjustments are separately disclosed as Interseta transfers. The amount of the Interseta adjustment is calculated according to the Standard Operating Procedure issued by the Department of Labour issued June 2001.

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

3.2 Interest and penalties

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

3.3 Funds allocated by the National Skills Fund for Special Projects

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

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

3.4 Government grants and other donor income

Conditional government grants and other conditional donor funding received are recorded as deferred income when they

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

3.5 Investment income

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

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

4. Grants and project expenditure

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

Mandatory grants

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

Discretionary grants

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

Project expenditure

Project expenditure comprise:

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

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

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

5. Irregular and fruitless and wasteful expenditure

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

- The PFMA,
- The Skills Development Act,

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

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

6. Property, plant and equipment

Property, plant and equipment owned are stated at cost less any subsequent accumulated depreciation and adjusted for any impairments. Depreciation is calculated on the straight-line method to write off the cost of each asset to estimated residual value over its estimated useful life as follows:

· Computer equipment	33%
· Computer software	33%
· Office furniture and fittings	10%
· Office equipment	20%
· Motor vehicles	20%

During the period Isett changed its accounting policies with regard to PPE to comply with the requirements of IAS16

- The reassessment of residual values in PPE: In calculating the depreciation charge Isett has reduced depreciable amounts of its assets in each period by their estimated residual values. In previous years, in terms of South African Generally Accepted Accounting Standards(GAAP), the estimated residual value was fixed on recognition of the asset and was not subject to reassessment. Isett now reassesses the residual value of its PPE at each balance sheet date. The continuous reassessment of the residual value typically leads to a change in depreciation charges annually. Depreciation ceases when the carrying value of an asset equals its residual value.
- Assessment of useful lives: Isett has reassessed the useful lives of all its PPE . In instances where items of PPE were fully depreciated, these assets have now been reinstated to reflect their appropriate carrying values

- Componentisation: Where significant components of an item of PPE have different useful lives or residual values those components are accounted for as a single unit and depreciated at the same rate.

The estimated useful life of the assets are limited to the remaining period of the licence issued to the Seta by the Minister of Labour: For the current year the remaining period is 4 years.

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

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

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

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

7. Provisions

Provisions are recognised when the Seta has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably. Long-term provisions are discounted to net present value.

7.1 Provision for employee entitlements

The cost of other employee benefits (not recognised as retirement benefits - see note 11 above) is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date. Provisions included in the balance sheet are provisions for leave (based on the current salary rates), bonuses and termination benefits.

7.2 Provisions for grants

Grant payments

A provision is recognised for grant payments once the specific criteria set out in the regulations to the Skills Development Act, 97 of 1998 has been complied with by member companies and it is probable that the Seta will approve the payment and when the Seta has no realistic alternative other than to settle the grant. The measurement of the obligation involves an estimate, based on the established pattern of past practice of approval for each type of grant.

Projects

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

8. Financial instruments

Recognition

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

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

Measurement

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

Financial assets

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

Investments and loans

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

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

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

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

Accounts and other receivables

Accounts and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Financial liabilities

The Seta's principal financial liabilities are account and other payables.

Account and other payables do not bear interest and are stated at their nominal value

Gains and losses on subsequent measurement

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

Derecognition

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

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

Fair value considerations

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

Offsetting

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

9. Reserves

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

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

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

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

	2005/06	2004/05
	%	%
Administration costs of the Seta	10	10
Employer Grant Fund Levy	50	60
Mandatory Workplace Skills Planning & Implementation Grant	50	15
Mandatory Workplace Skills Implementation Grant	0	45
Discretionary grants and projects	20	10
	80	80

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

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

The net surplus/deficit is allocated to the administration reserve, the mandatory grant reserve and the discretionary fund reserve based on the above.

Surplus funds is moved to the discretionary fund reserve from the administration reserve on board approval and from the mandatory grant reserves.

9.1 Unappropriated Surplus

Section 53(3) of the Public Finance Management Act, 1999 (Act No. 29 of 1999) as amended, requires that a Seta may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained. There is a time delay of approximately eighteen months to two years before the Seta has awarded grants to employers or entered into contractually binding agreements where grants become payable to employers, workers of employers and other education and other training providers. It is therefore impracticable to transfer the surplus of a specific year to National Treasury where these funds would be spent in the short to medium term. The following policies have been adopted in the preparation of the financial statements:

- While the balance of the unappropriated reserve will be nil, it is used to demonstrate the allocation of various surplus funds.
- Disclosure of contingent liability for all reserves
- National Treasury may request all surplus funds to be transferred in terms of section 53(3) of the Public Finance Management Act, 1999 (Act No. 29 of 1999) as amended. A contingent liability is disclosed in the financial statements equalling the total reserves, after the provision for the distribution of the surplus to National Treasury have been taken into account.

9.2 Skills Development Administrative Reserve

The Seta can use a maximum of 10% of the Skills Development Levies for administrative Levies for administration expenses. The excess of administration grant levies is transferred to the discretionary reserve to be utilised for Special Projects and skills priorities. The amount of the reserve represents administration levies not utilised to finance administrative expenses, which has been approved by the National Treasury to be accumulated for the next financial year.

9.3 Skills Development Employer Grants Reserve

70% of the Skills Development Levies is used for the payment of mandatory and discretionary grants to employers and others. Employer grant levies not utilised during the above period are transferred to the discretionary reserve at the end of each year. Unutilised amounts not transferred to the discretionary reserve are included in the amount provided to be transferred to National Treasury.

9.4 Discretionary Grants Reserve

In principle the Seta has one year after the end of the financial year in which the funds were transferred into the discretionary reserve, to effect payments. Funds transferred from other reserves gain a new discretionary identity when transferred to the discretionary reserve. The amount of the reserve includes funds where:

- Less than one year has expired after the end of the financial year in which the funds were transferred into the

discretionary reserve, or

- Approval has been obtained from National Treasury to accumulate funds to the next financial year.

The following types of discretionary funds are included in the reserve:

- Donor income or funds received by the Setas from the Department of Labour, or any contributor for the sole purpose of carrying out Special Projects;
- Surplus of administration levies not utilised to fund administration costs;
- Employer grants levies transferred from the employer grants reserve for discretionary projects;
- Losses recognised based on SARS retrospective amendments of skills levies;
- Investment income; and
- Other income generated by the Seta.

9.5 Capitalisation Reserve

The capitalisation Reserve represents an amount equal to the carrying value of assets and liabilities taken over from the former Industry Training Boards. In future reporting periods, this capitalisation reserve will be reduced by an amount equal to the annual depreciation charge of the assets taken over, until such time as the fund is depleted. On disposal, repayment or recovery, an amount equal to the net book value of disposed assets is transferred to the Administration Fund.

10. Leasing

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

The Seta as a lessor

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

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

The Seta as a lessee

Assets held under finance leases and the corresponding liability are recognised at their present value of the minimum lease payments at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance

lease obligation. Finance costs, which represent the difference between the total leasing commitments and the estimated present value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each accounting period.

11. Comparative figures

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

Notes to the Annual Financial Statements

For the year ended 31 March 2006

I. Allocation of net surplus for the year to reserves:

	Total per Income Statement	Employer grants reserve				Discretionary reserve				
		Administration reserve	Mandatory skills planning grant	Mandatory skills implementation grant	Total	Discretionary grants	Special projects	Learnerships	Other (specify material once separately)	Total discretionary
Total revenue	261 777	27 887	34 889	104 668	139 557	(28 800)	20 326	100 916	-	94 333
Skills development levy: income										
Admin levy income (10%)	27 878	27 878	-	-	-	-	-	-	-	-
Grant levy income (70%)	195 304	-	34 889	104 668	139 557	(28 800)	-	84 547	-	55 747
Skills development levy: penalties and interest	2 282	-	-	-	-	-	-	2 282	-	2 282
National Skills Fund income	20 326	-	-	-	-	-	20 326	-	-	20 326
Investment income	15 978	-	-	-	-	-	-	14 087	-	15 978
Other income	9	9	-	-	-	-	-	-	-	-
Total expenses	223 145	34 643	76 876	-	76 876	747	20 326	90 553	-	111 626
Administration expenses	34 643	34 643	-	-	-	-	-	-	-	-
National Skills Fund expenses	20 326	-	-	-	-	-	20 326	-	-	20 326
Employer grants and project expenses	168 176	-	76 876	-	76 876	747	-	90 553	-	91 300
Net surplus/(deficit) per Income Statement allocated	38 632	(6 756)	(41 987)	104 668	62 681	(29 547)	-	10 363	-	(17 293)

2. Skills development levy income

The total levy income per the Income Statement is as follows:

Levy income: Administration

Levies received

Levies received from SARS

Interseta transfers in

Interseta transfers out

Levies accrued

Levy income: Employer Grants

Levies received

Levies received from SARS

Interseta transfers in

Interseta transfers out

Levies accrued

Levy income: Discretionary Grants

Levies received from SARS

Levies received

Interseta transfers in

Interseta transfers out

Levies accrued

	2005/06	2004/05
	R'000	R'000
	27 878	25 448
	27 416	23 422
	27 393	23 624
	37	101
	(14)	(303)
	462	2 026
	139 557	158 569
	141 244	148 051
	141 132	149 081
	184	692
	(73)	(1 722)
	(1 687)	10 518
	55 747	28 567
	45 551	24 577
	45 506	24 849
	74	115
	(29)	(387)
	10 196	3 990
	223 182	212 584

3. Investment income

Interest income

Investments

Bank deposits

	2005/06	2004/05
	R'000	R'000
	15 978	16 395
	15 978	16 395
	15 978	16 395

4. Other income

Other income comprises:

Revenue from supporting services rendered by the SETA

Gifts, donations and sponsorships received

Profit on disposal of property, plant and equipment

	2005/06	2004/05
Note	R'000	R'000
	3	100
	6	-
	-	39
	9	139

5. Employer grant and project expenses

Mandatory grants

Disbursed

Movement in provisions and accruals

Discretionary grants

Disbursed

Movement in provisions and accruals

	2005/06	2004/05
Note	R'000	R'000
	76 876	108 839
	122 382	103 763
	(45 506)	5 076
	91 300	81 877
	87 695	81 877
	3 605	-
5.1	168 176	190 716

5.1 Project expenditure consist of:

Direct salaries and wages

Direct administration expenses

	-	295 627
	-	(295 627)
	-	-

6. Administration expenses

		2005/06	2004/05
	Note	R'000	R'000
Depreciation		1 497	1 833
Operating lease rentals (minimum lease payments)		2 152	1 675
Buildings		1 647	1 317
Plant, machinery and equipment		505	358
Maintenance, repairs and running costs		53	18
Property and buildings		53	18
Machinery and equipment			
Advertising, marketing and promotions, communication		359	1 147
Entertainment expenses		53	
Consultancy and service provider fees		868	1 956
Legal fees		1 784	148
Cost of employment	6.1	15 006	13 649
Travel and subsistence		517	637
Staff training and development		216	517
Remuneration to members of the accounting authority		268	-
Remuneration to members of the audit committee		451	358
External auditor's remuneration		411	200
Audit fees		411	200
Allowance for doubtful debts			
Other		11 008	3 310
Vat penalties and interest		6 564	56
General Expense		3 143	1 630
IT Support		1 301	1 624
		34 643	25 448

6.1 Cost of employment

		2005/06	2004/05
	Note	R'000	R'000
Salaries and wages		11 661	11 346
Basic salaries		10 534	10 954
Performance awards		1 106	301
Other non-pensionable allowance		-	-
Temporary staff		21	91
Leave payments			
Social contributions		2 073	2 023
Medical aid contributions		628	704
Pension contributions: defined contribution plans		1 363	1 296
UIF		82	23
Official unions and associations			
Other long-term employee benefits including long-service leave, profit sharing, deferred compensation		1 272	280
		15 006	13 649
Allocation of cost of employment			
Administration expenses	6	15 006	(281 978)
Project expenses	5	-	295 627
		15 006	13 649
Average number of employees		45	43

Refer to the report by the Accounting Authority for disclosure concerning the emoluments of members of the accounting authority, the Chief Executive Officer; the Chief Financial Officer and Senior Managers.

7. Property, plant and equipment

		Cost	Accumulated depreciation/ impairment	Closing carrying amount	Cost	Accumulated depreciation/ Writeoff	Net book value
	Note	R'000	R'000	R'000	R'000	R'000	R'000
Year ended 31 March 2006							
Buildings	23.1 + 23.2	-	-	-	-	-	-
Computer equipment		3 061	(2 727)	334	3 061	(2 727)	334
Computer software		1 666	(949)	717	1 666	(949)	717
Office furniture and fittings		1 515	(1 086)	429	1 515	(1 086)	429
Office equipment		375	(325)	50	375	(325)	50
Motor vehicles		1 971	(905)	1 066	1 971	(905)	1 066
Balance at end of period		8 588	(5 992)	2 596	8 588	(5 992)	2 596
Made up as follows:							
- Owned assets		8 588	(5 992)	2 596			
- Lease assets				-			
Year ended 31 March 2005							
Buildings	23.1 + 23.2	-	-	-	-	-	-
Computer equipment		3 061	(2 556)	505	3 061	(2 556)	505
Computer software		1 666	(429)	1 237	1 666	(429)	1 237
Office furniture and fittings		1 515	(439)	1 076	1 515	(439)	1 076
Office equipment		375	(199)	176	375	(199)	176
Motor vehicles		1 971	(973)	998	1 971	(973)	998
Balance at end of period		8 588	(4 596)	3 992	8 588	(4 596)	3 992
Made up as follows:							
- Owned assets		8 588	(4 596)	3 992			
- Lease assets				-			
Year ended 31 March 2004							
Buildings		2 000	(600)	1 400	2 000	(600)	1 400
Computer equipment		2 715	(1 691)	1 024	2 715	(1 691)	1 024
Computer software		900	-	900	900	-	900
Office furniture and fittings		1 345	(289)	1 056	1 345	(289)	1 056
Office equipment		311	(135)	176	311	(135)	176
Motor vehicles		2 167	(598)	1 569	2 167	(598)	1 569
Balance at end of period		9 438	(3 313)	6 125	9 438	(3 313)	6 125
Made up as follows:							
- Owned assets		9 438	(3 313)	6 125			
- Lease assets				-			

Movement summary 2006

	Carrying amount 2005	Realocation adjustments	Additions	Disposals	Depreciation/ Amortisation charge	Accumulated Depreciation on realocation	Carrying amount 2005
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Computer equipment	533	65	-	-	(236)	-	362
Computer software	1 075	40	-	-	(560)	-	555
Office furniture and fittings	1 090	(141)	-	-	(506)	-	443
Office equipment	173	(15)	-	-	(111)	-	47
Motor vehicles	1 121	152	-	-	(84)	-	1 189
Balance at end of period	3 992	101	-	-	(1 497)	-	2 596

Movement summary 2005

	Carrying amount 2005	Realocation adjustments	Additions	Disposals	Depreciation/ Amortisation charge	Accumulated Depreciation on realocation	Carrying amount 2005
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Computer equipment	1 024	(165)	539	-	(865)	-	533
Computer software	900	(267)	871	-	(429)	-	1 075
Office furniture and fittings	1 056	(81)	265	-	(150)	-	1 090
Office equipment	176	(27)	88	-	(64)	-	173
Motor vehicles	1 569	-	-	(73)	(325)	(50)	1 121
Balance at end of period	6 125	(1 940)	1 763	(73)	(1 833)	(50)	3 992

8. Loans

		2005/06	2004/05
	Note	R'000	R'000
Loans granted		2 040	2,040
Less: short term portion	23.2	-	-
		2 040	2,040

The loan relates to cash advanced to the ITA at the time of inception of the Seta. In the previous financial periods the loan was incorrectly classified as Land and Buildings. An independent legal opinion was obtained and the transaction was found to be a loan. The reclassification has resulted in a prior period error being recognised.

9. Prepayments and advances

		2005/06	2004/05
	Note	R'000	R'000
Prepayments and Advances			
Prepayments		316	396
Closing balance		316	396

10. Accounts Receivable

		2005/06	2004/05
	Note	R'000	R'000
Skills development levy debtors		40 900	31 929
Admin levy debtors		4 452	3 990
Employer grant levy debtors		22 262	23 949
Discretionary grant debtors		14 186	3 990
Intersetra debtors	24	192	1 060
National Skills Fund trade receivables		12 214	63
Staff advances		(59)	12
Prepaid expenses		(5)	
		53,242	33,064

10.1 Retrospective amendments by SARS

		2005/06	2004/05
	Note	R'000	R'000
Included in Skills Development Levy debtors is:			
SARS receivable/(payable)			
Opening carrying amount		44 054	-
Estimated adjustments included in levies received		-	31 929
Net effect of SARS adjustments for the current year		5 281	12 125
Closing carrying amount		49 335	44 054

The current year's estimated adjustment amounts to R 5 280 510.

11. Cash and Cash Equivalents

		2005/06	2004/05
	Note	R'000	R'000
Cash at bank and in hand		41 528	55 298
Cash at bank		41 520	55 290
Cash on hand		8	8
Short term investments/instruments		93 677	113 317
Cash and cash equivalents at end of year		135 205	168 615

As required in Treasury Regulation 31.2, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short term bank deposits was 7.40% (2004: 7.40%).

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

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

12. Accounts Payable

	2005/06	2004/05
Note	R'000	R'000
Skills development grants payable - mandatory	54 729	100 235
Skills development grants payable - discretionary	3 605	-
Interseta payables	26	26
Service provider fees outstanding	2 594	8 955
	60 954	109 216

13. National Skills Fund: Special Projects

	2005/06	2004/05
Note	R'000	R'000
Opening balance	7 748	13 974
Received during the year	17 082	30 648
ISSA \ Learnerships	17 082	30 648
Interest received	47	711
Utilised and recognised as revenue - conditions met:	(20 326)	(37 585)
ISSA \ Learnerships	(20 326)	(37 585)
Closing balance	4 551	7 748

14. Government Grants and Donor Funding

	2005/06	2004/05
Note	R'000	R'000
Opening balance	763	
Received during the year	(594)	823-
Utilised and recognised as income conditions met	-	(60)
Mobile Bus	-	(60)
Closing balance	169	763

15. Provisions

	Employee leave provision	Employee bonus provision	2005/06	2004/05
			R'000	R'000
Open carrying amount	625	162	787	458
Amounts utilised	(625)	(162)	(787)	(340)
Change in estimate	510	1 386	1 896	669
Closing carrying amount	510	1 386	1 896	787
Non-current				
Current	510	1 386	1 896	787
Total	510	1 386	1 896	787

Performance bonus depends on management discretion, 5% for non managers and 10% for managers.

16. Reconciliation of net cash flow from operating activities to net surplus/(deficit)

	2005/06	2004/05
Note	R'000	R'000
Net surplus/(deficit) as per Income Statement	38 632	12 861
Adjusted for non-cash items:		
Depreciation	1 497	1 833
(Profit)/loss on disposal of property, plant and equipment	-	(39)
Increase/(decrease) in provisions	1 109	329
Relating to grants	2 174	(4 677)
Relating to employment		
Relating to other	(1 065)	5 006
Special project income recognised	(20 279)	(37 626)
Adjusted for items separately disclosed		
Investment income	(15 978)	(16 395)
Adjusted for working capital changes:		
(Increase)/decrease in receivables	(20 177)	(2 346)
Increase/(decrease) in payables	(48 260)	91 188
Movement in VAT receivable/payable	4 347	(4 347)
<i>Cash generated from/(utilised in) operations</i>	(63 456)	49 805

17. Contingencies

17.1 Surplus funds

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

17.2 Pending Litigation

Staff Related

The CFO and Senior Manager ETQA have been put on suspension and subsequently dismissed for gross misconduct. Both these cases have been lodged at the High court and the outcome of these litigations is uncertain. The estimated contingent liabilities for both these cases is R150,000.

Service Providers

· Mega Masters	Breach of contract	75 000
· Moloko	Breach of contract	2 000 000
· People Integrated	Breach of contract	1 000 000
		<u>3 090 400</u>

17.3 Loan

There is a contingency in respect of the loan advanced to the ITA at the time of inception of the Seta. An independent legal opinion was obtained and the transaction was found to be a loan. Isett is in the process of instituting legal action for the recovery and variation of the terms of the loan and the outcome of this action is unknown.

18. Commitments

18.1 Discretionary reserve

ISETT SETA has committed all the reserves that were available at the beginning of 2006. Some commitments will be payable in the financial year 2006-2007.

	Opening balance 2004/05	Approved by Accounting Authority	Utilised	Opening balance 2005/06	Approved by Accounting Authority	Utilised	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Enterpreeship Training Programme	960		(214)	746		(746)	-
Software and Hardware Programme	4 683			4 683		(4 683)	-
Tertiary Leaners Busaries	-			-			-
Leanerships Implementation Project	1 800	82 257	(82 257)	1 800	58 000	(1 800)	58 000
Research Project	366			366		(366)	-
Total project expenditure	7 809	82 257	(82 471)	7 595	58 000	(7 595)	58 000

18.2 Operating Leases

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

Not later than one year

Later than one year and not later than five years

Later than five years

	2005/06	2004/05
Note	R'000	R'000
	69 484	503 773
	-	6 841
	-	-
	69 484	510 614

The operating lease relates to office rental. The lease agreement was entered into from 01/10/2002 and will be operational for a period of three years, expiring on 30/09/2005. New application has been submitted for the next five years. The rental escalates annually on the 01/10/2005 with 10%.

The other operating leases relate to photocopiers. It was entered into on 19/05/2002 and will operate for five years, expiring on 18/05/2007. This lease , escalates annually with 15%.

19. Material losses through criminal conduct, irregular, fruitless and wasteful expenditure

During the year an amount of R204,554.76 was paid to Continuity SA, which is a computer backup facility. The contract was originally signed in 2004 by the previous IT manager who did not have the proper mandate to commit Isett. A disciplinary hearing was held and he was subsequently dismissed. The facility has never been used for the purpose that it was intended .

20. Events after balance sheet date

The Isett Seta appointed a CFO with effect from 1 June 2006.

21. Financial instruments

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

Interest rate risk

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

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

	Floating rate		Fixed Rate		Non-interest bearing		TOTAL R'000
	Amount R'000	Effective interest rate	Amount R'000	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in years	Amount R'000	
Year ended 31 March 2006							
Assets							
Investments							-
Loans							-
Cash			135 205	7			135 212
Accounts receivable			53 242	-			53 242
Total financial assets	-	-	188 447	7	-	-	188 454
Liabilities							
Borrowings							-
Accounts payable			60 954				60 954
Bank overdraft							-
Total financial liabilities	-	-	60 954	-	-	-	60 954
Year ended 31 March 2005							
Total financial assets	-		188 447			-	188 447
Total financial liabilities	-		60 954			-	60 954
	-		249 401			-	249 401

Credit risk

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

The SETA manage limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of their investment policy in terms of Treasury Regulation TR 28. The SETA's exposure is continuously monitored by the executive committee.

Credit risk with respect to levy paying employers is limited due to the nature of the income received. The SETA does not have any material exposure to any individual or counter-party. The SETAs concentration of credit risk is limited to the industry (ICT and related industries) in which the SETA operates. No events occurred in the industry (ICT and related industries) during the financial year that may have an impact on the accounts receivable that has not been adequately provided for. Accounts receivable are presented net of allowance for doubtful debt.

Liquidity risk

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

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

Market risk

The SETA is exposed to fluctuations in the employment market for example sudden increases in unemployment and changes in the wage rates. No significant events occurred during the year that the SETA is aware of.

Fair values

The Seta's financial instruments consist mainly of cash and cash equivalents, account and other receivables, and account and other payables. No financial instruments were carried at an amount in excess of its fair value. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial instruments.

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

Cash and cash equivalents

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

Accounts receivable

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

Investments

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

Borrowings

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

Accounts payable

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

22. Changes in Accounting Policy

During the period Isett changed its accounting policies with regard to PPE to comply with the requirements of IAS 16

- The reassessment of residual values in PPE: In calculating the depreciation charge Isett has reduced depreciable amounts of its assets in each period by their estimated residual values. In previous years, in terms of South African Generally Accepted Accounting Standards(GAAP), the estimated residual value was fixed on recognition of the asset and was not subject to reassessment. Isett now reassesses the residual

Income Statement effect

- As previously stated
- Classification error
- Fixed Asset misstatement
- Closing Balance

Balance sheet effect

- Property, plant and equipment
- As previously stated
- Classification error
- Fixed Asset misstatement
- Closing Balance

value of its PPE at each balance sheet date. The continuous reassessment of the residual value typically leads to a change in depreciation charges annually. Depreciation ceases when the carrying value of an asset equals its residual value.

- Componentisation: Where significant components of an item of PPE have different useful lives or residual values those components are accounted for as a single unit and depreciated at the same rate.

23. Prior period errors

The following prior period errors occurred in the prior year and as a result the comparative figures have been restated. Periods prior to 2004/05 have not been adjusted because it would require undue effort.

1. A prior period error occurred in the prior year annual financial statements as a result of recognising and classifying a loan receivable as land and buildings. The land and building was depreciated by R640,000 resulting in an understatement of reserves.

2. A prior period error occurred in the prior annual financial statements as a result of the non-existence of a fixed assets register that reconciles to the general ledger. A complete reconstruction of the asset register was performed and reconciled to the general ledger. The reconciliation resulted in an adjustment of the fixed assets balances in the prior year.

3. Assessment of useful lives: Isett has reassessed the useful lives of all its PPE. In instances where items of PPE were fully depreciated, these assets have now been reinstated to reflect their appropriate carrying values.

The correction of these errors resulted in:

	2005/06	2004/05
Note	R'000	R'000
	30 123	20 668
	(640)	640
	540	(540)
	30 023	20 768

	2005/06	2004/05
Note	R'000	R'000
	3 992	5,932
	0	(1 400)
	0	(540)
	3 992	3 992

Loans

	2005/06	2004/05
Note	R'000	R'000
- As previously stated	2 040	0
Reclassification of depreciation previously expensed	0	640
Reclassification of land & building	0	1 400
- Closing Balance	2 040	2 040

4. A prior period error occurred in the prior annual financial statements as a result of an understatement of the mandatory grant accrual with R8,501,000

The correction of this error resulted in:

Income Statement effect

	2005/06	2004/05
Note	R'000	R'000
- As previously stated	30 123	20 668
Understatement	8 501	(8,501)
- Closing Balance	38 624	12 167

Balance sheet effect

	2005/06	2004/05
Note	R'000	R'000
Accounts payable		
- As previously stated	54 754	100 235
Understatement	0	8 501
- Closing Balance	54 754	108 736

5. A prior period error occurred in the prior annual financial statements as a result of DOL special donation in year 2002.

Income Statement effect

	2005/06	2004/05
Note	R'000	R'000
- As previously stated	30,123	20,668
Understatement	(594)	594
- Closing Balance	29 529	21 262

Balance sheet effect

	2005/06	2004/05
Note	R'000	R'000
Government Grants & Donor Funding		
- As previously stated	169	763
Understatement	0	(594)
- Closing Balance	169	169

24. Related Party Transactions

Transactions with other SETAs

Inter-seta transactions and balances arise due to the movement of employers from one SETA to another. No other transactions occurred during the year with other SETAs.

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

	Note	2005/06		2004/05	
		Transfers in/(out) during the year	Amount receivable/ (payable) R'000	Amount of the transaction R'000	Amount receivable/payable R'000
Receivables	10	192	192	1 060	1 060
W&RSETA				292	292
ServicesSETA		26	26	496	496
MERSETA		3	3	67	67
ESETA		1	1	24	24
HWSETA		29	29		
ETDPSETA				54	54
FASSET		132	132	45	45
INSETA				22	22
CETA		1	1	60	60
Payables	12	-	26	26	26
WholesaleSETA		-	26	26	26
Total		192	218	1 086	1 034

Annexure for the year end 31 March 2006

Report Index

Abbreviations	Full Name
AG	Auditor General
ATR	Annual Training Report
BITF	Black Information Technology Forum
CRM	Customer Relation Management System
CSSA	Computer Society of South Africa
CWU	Communications Workers Union
DoC	Department of Communication (Republic of South Africa)
DoL	Department of Labour (Republic of South Africa)
DTI	Department of Trade and Industry (Republic of South Africa)
EIF	Electronic Industries Federation
ESDLE	Employment Skills Development Lead Employer(s)
ETQA	Education and Training Quality Assurance
EU	European Union
ICT	Information Communications Technology
IIP	Investors in People
ISETT	Information Systems, Electronics and Telecommunications Technologies
ISSA	Institute for Satellite and Software Applications.
ITA	Information Technology Association
JIP	Joint Implementation Project
MoU	Memorandum of Understanding
NLRD	National Learner Record Database
NQF	National Qualifications Framework
NSF	National Skills Fund (Business Unit of Department of Labour)
NUMSA	National Union of Metal Workers of South Africa
SAQA	South African Qualifications Authority
SETA	Sector Education and Training Authority
SGB	Standard Generating Bodies
SMME	Small, Medium and Micro Enterprise
SMS	SETA Management System (Online IMS customised for the SETA)
SSP	Sector Skills Planning
TSDf	Telecommunications Skills Development Forum
UASA	United Association of South Africa
WSP	Workplace Skills Plan

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