

National Economic Development and Labour Council



PART 3

HUMAN RESOURCES

PART THREE: HUMAN RESOURCES

The NEDLAC Secretariat comprised 22 staff members as at 31 March 2011. The Secretariat is comprised of the following personnel:

- 20 African staff (15 Female and 5 male)
- 1 Asian staff member (Male)
- 1 Coloured staff member (Male)

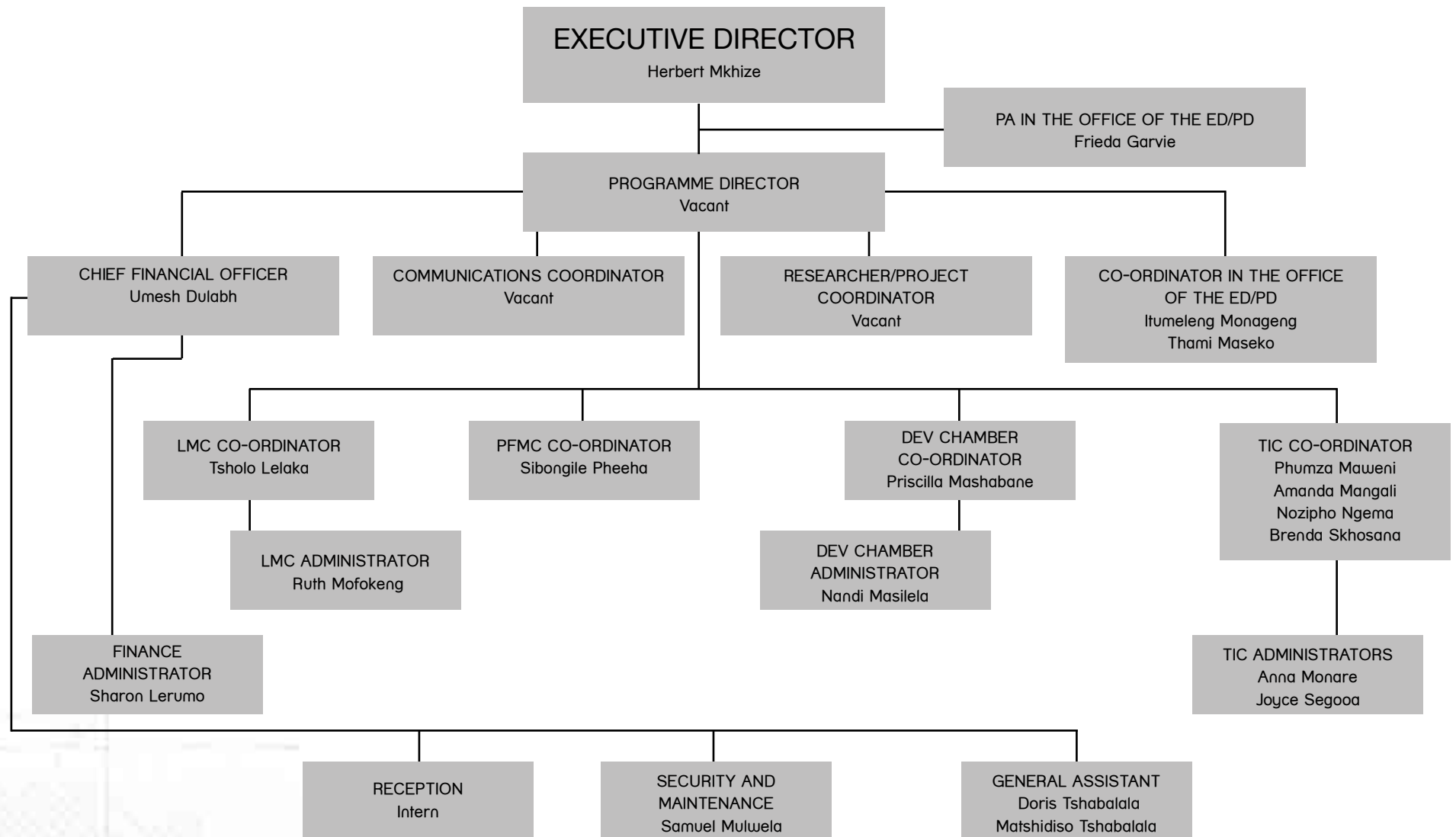
During the year, the Secretariat did not hire any new staff members. Two staff members left the employ of the Secretariat viz. Matshidiso Lithebe (Development Chamber Coordinator) and Tshegofatso Mokone (Trade and Industry Chamber Administrator). The Development Chamber Coordinator was dismissed due to various charges against her. She has decided to appeal against her dismissal with the CCMA. The case has currently reached the arbitration process. The Trade and Industry Administrator left the employ of the Secretariat to explore other opportunities.

The staff turnover rate at the Secretariat is still low compared to the earlier years of NEDLAC's inception. The Executive Director's employment contract is due to expire in August 2011. Processes are underway to find a suitable candidate to fill the position.

There are currently two (2) vacancies in the Secretariat viz. Programmes Director and a Researcher. These positions will be filled after the conclusion of the Organisational Development Project that is currently being undertaken.

The Organisational Development Consultants are currently concluding their interview process and their findings and recommendations will be concluded during the 2011/12 financial year.

NEDLAC ESTABLISHMENT



Employment Diversity

Groupings	African		Asian		Coloured		Disabled		White		Staff Total
	M	F	M	F	M	F	M	F	M	F	
Executive Team	1										1
Management Team			1								1
Staff	4	15			1						20
NEDLAC Total	5	15	1		1						22
NEDLAC % Rep.	23%	67%	5%		5%						100%

NEDLAC is an affirmative action employer and has a recruitment evaluation system that allocates points accordingly. NEDLAC is currently fully compliant with the affirmative action guidelines.

Groupings	African		Asian		Coloured		Disabled		White		Staff Total
	M	F	M	F	M	F	M	F	M	F	
Number of employees recruited in 2010/2011											-
Number of employees promoted in 2010/2011											-
Number of employees' services terminated in 2010/2011	1	1									2

There are no foreign employees.

As Nedlac is a relatively small organisation, upward mobility is restricted within posts (except for annual increases determined by the average CPI). If posts become vacant however, employees have the opportunity to apply internally prior to the post being advertised externally.

HUMAN RESOURCES

Remuneration and Job Evaluation

Personnel Costs	African		Asian		Coloured		Disabled		White		Staff Total
	M	F	M	F	M	F	M	F	M	F	
40 – 70 000	1	2									3
70 – 100 000	1	2									3
100 – 150 000		1									1
150 – 200 000	1	2									3
200 – 250 000		4									4
250 – 300 000	1	3									4
300 – 400 000		1			1						2
400 – 700 000			1								1
700 – 1 000 000	1										1
TOTAL	5	15	1		1						22

Injury, Illness and Death / Sick Leave / Ill Health

Incident	No. of Days
The number and nature of incidents of injury, illness and death resulting from official duty or the work environment	0
The average number of days sick leave taken by employees	3
The total number of days sick leave taken by employees	33
The number of employees who took more than 15 continuous days sick leave	0
The number of employees discharged due to ill health	0

Disciplinary Steps

Disciplinary Steps	No. of Staff
Disciplinary steps taken against employees for, <i>inter alia</i> , unauthorised, irregular and fruitless and wasteful expenditure	0

*M = Male; F = Female

National Economic Development and Labour Council



PART 4

COMMUNICATIONS

PART FOUR: COMMUNICATIONS

Terms of Reference

To provide support and strategic communication services to NEDLAC, while raising awareness of the role of NEDLAC in the transformation of South Africa's socio-economic landscape.

Programme Performance

Publications

In this reporting period, NEDLAC produced 1 000 copies of the *NEDLAC Annual Report* and printed 1 000 copies of the *Quarterly Bulletin*, which presents a quarterly review of socio-economic trends. The publications are distributed to target audiences including Parliament, academic institutions, professional organisations and the general public. The publications are also distributed through the annual NEDLAC Summit.

The following publications were distributed in the period under review:

- *Quarterly Bulletin*
- *NEDLAC Booklet*, which includes Protocol for tabling issues at NEDLAC, NEDLAC Declaration and the NEDLAC Act
- *NEDLAC Annual Report*

Public Information

The Legal Deposit Act of 1997 was promulgated to provide for the preservation of the national documentary heritage through the legal deposit of published documents. NEDLAC has complied with

this legislative requirement by distributing copies of NEDLAC publications to institutions such as the Library of Parliament and the Government Publications Library at the University of the Witwatersrand.

In the period under review, we aimed to improve our turnaround times to public queries for information on NEDLAC and the issues dealt with in the Institution, and the majority of queries received were responded to within 24 hours from the time of receipt. Queries were received from, amongst others, academic institutions, research organisations, other social dialogue establishments and the media.

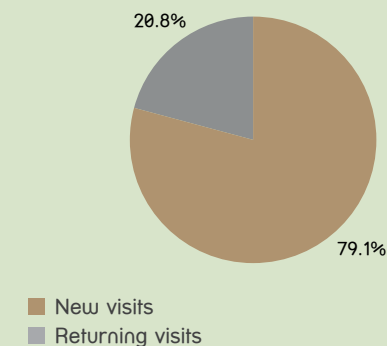
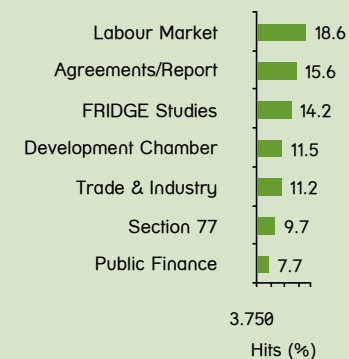
Media Coverage

NEDLAC activities continue to receive broad coverage in the media. Issues that have received media coverage in this reporting period include the Decent Work Country Programme, Section 77 notices on electricity tariff increases and the water crisis, the Labour Market Policy Review, the NEDLAC Annual Summit, the New Growth Path and the National Stakeholder Advisory Council on Electricity.

Website

The website continues to be a popular portal of information about NEDLAC, its people and work. Through the website, stakeholders and the public can access information on the workings of NEDLAC, agreements reached in NEDLAC, a research database and information on various projects undertaken by the institution. The website also links the public to relevant Social partner websites.

We recorded 161 797 total hits in the period under review, an increase of 19 303 when compared to the previous reporting period. The Labour Market Chamber was the most popular section accounting for 18.6% of the number of hits, while the Public Finance and Monetary Policy Chamber was the least visited section with 7.7% of the number of hits. The majority of hits were from new visits to the website, which were recorded at 79.1% of total hits.



National Economic Development and Labour Council



PART 5

CHALLENGES AND INTERVENTIONS

PART FIVE: CHALLENGES, INTERVENTIONS AND KEY PRIORITIES

Challenges

- The role of NEDLAC is not fully understood or is questioned by some policy drivers in Government
- The level of complexity has increased many fold
- Recycling same negotiators across many processes
- Deploying junior cadres to critical processes
- Some, albeit a few cases of issues bypassing NEDLAC and/or being tabled at NEDLAC at short notice
- The disconnection between the National Social Dialogue outcomes with what happens at Provincial and Local level
- Dealing with policies that straddle more than one government department
- Positional stances that often lead to an adversarial approach and tensions in negotiations
- Tight timeframes to finalise issues and little or no flexibility from some Government departments

Interventions

- Constituencies to deploy negotiators that carry sufficient authority to signal areas of agreement in principle, subject to obtaining a mandate
- Deploy negotiators that are capable of obtaining buy-in from their respective leadership/ Constituency
- Introducing the culture of not simply saying “place it under areas of disagreements”, but

explore and test alternative proposals/text

- Obtain buy-in from Government departments on the revised Protocol for tabling issues at NEDLAC
- Launch a targeted programme to clarify the role of NEDLAC among the policy drivers in Government. Get broader support and respect for the Protocol among government officials
- The Secretariat to pay special attention to administrative inefficiencies
- Beef up financial resources

Key priorities going forward

- Strive to promote the goals of economic growth, participation in economic decision-making and social equity
- Seek to reach consensus and conclude agreements on matters pertaining to social and economic policy
- Encourage and promote the formulation of coordinated policy on social and economic matters
- Continue to mobilise Social partners behind the national goal of tackling unemployment and make a contribution to reaching the target of 5 million jobs created
- Assist in making South Africa a society that promotes the values of social equity, fairness and human dignity

Specific activities planned for the forthcoming year include:

- Implementation of the Nedlac Review recommendations, including building the capacity of the NEDLAC Secretariat and improving general efficiency
- Concluding the Labour Market Policy Review negotiations
- Engagement on the education and skills development landscape
- Mobilise Social partners behind the agreed interventions in the New Growth Path, IPAP 2 and putting in place policy options on the security of electricity supply taking into account our commitments on climate change.

National Economic Development and Labour Council



PART 6

FINANCIAL STATEMENTS

PART SIX: FINANCIALS

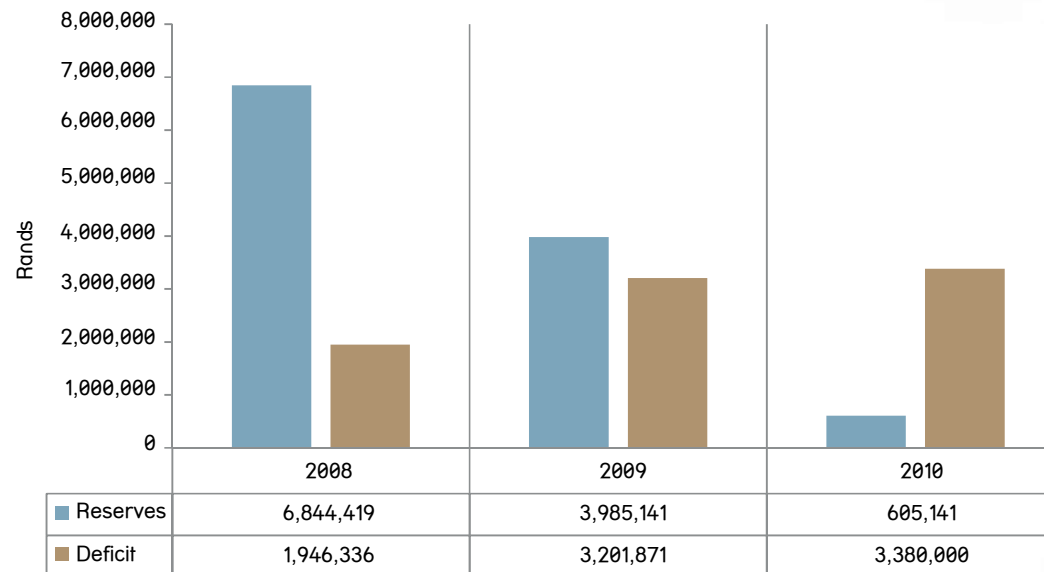
FINANCIAL REPORT

The review of NEDLAC 1995-2006, reveals the extent of NEDLAC's contribution and that of social dialogue to the sustainability of the economic and social reform processes since 1994. This has been no small feat if one considers that the country emerged from a culture of adversarialism and conflict. Within a relatively short period of time, NEDLAC created a forum in which the Social partners: Labour, Government, Business and the Community constituency – have been able to build some level of trust and engage on a range of policy issues.

NEDLAC's major achievements, the NEDLAC Review argues, has been its cost effective contribution to the sustainability of the reform process. This has deepened democracy, created new labour market institutions and contributed to long term economic and social reform'.

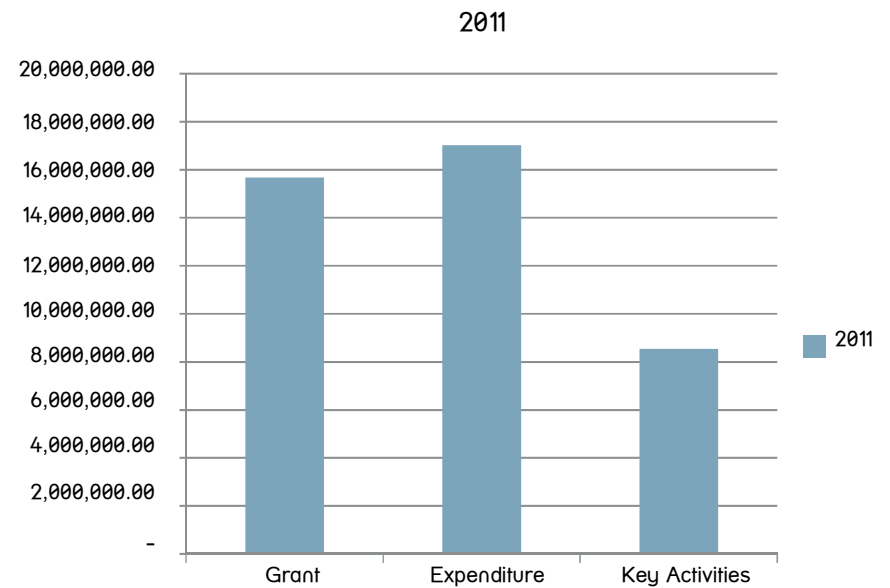
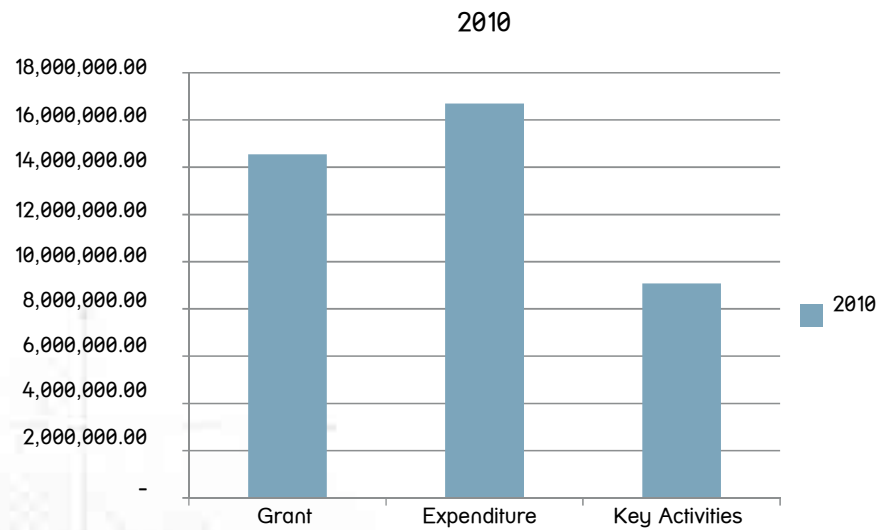
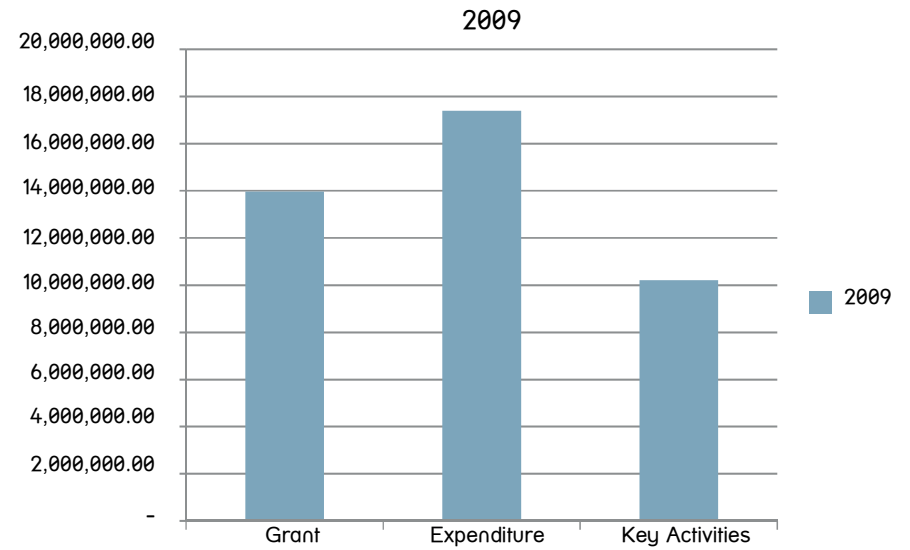
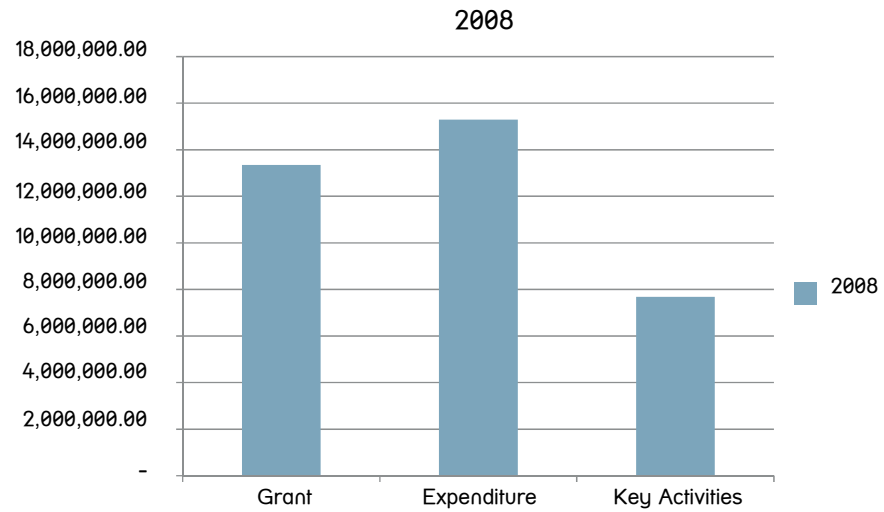
It has become a norm that NEDLAC can do more with very little resources.

Breakdown of Grant Income, Expenditure & Key Activities for the 2007/8, 2008/9, 2009/10 and 2010/11 Financial Years



The Graph above displays the increasing trend of NEDLAC's Deficits attained vs NEDLAC's depleting Reserves.

FINANCIAL STATEMENTS



Annual Financial Statements for the year ended 31 March 2011

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

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FINANCIAL STATEMENTS

Annual Financial Statements for the year ended 31 March 2011

EXECUTIVE COUNCIL'S RESPONSIBILITIES AND APPROVAL

The Executive Council is required by the Public Finance Management Act (Act 1 of 1999) as amended, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the Executive Council's responsibility to ensure that the annual financial statements fairly present the state of affairs of the council as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the South African Statements of Generally Recognised Accounting Practice. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the South African Statements of Generally Recognised Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

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

The Executive Council has reviewed the council's cash flow forecast for the year to 31 March 2012 and, in the light of this review and the current financial position, they are satisfied that the council has or will have access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the council's annual financial statements. The annual financial statements have been examined by the council's external auditors and their report is presented on pages 109-110.

The annual financial statements set out on pages 109 to 126, which have been prepared on the going concern basis, were approved by the council on 29 July 2011 and were signed on its behalf by:



Herbert Mkhize
Johannesburg

Annual Financial Statements for the year ended 31 March 2011

INDEPENDENT AUDITOR'S REPORT

To the members of the National Economic Development and Labour Council

Introduction

We have audited the accompanying financial statements of NEDLAC, which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the accounting authority's report as set out on pages 111 to 126.

Accounting authority's responsibility for the financial statements

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act of South Africa (PFMA), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NEDLAC as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA.

Emphasis of matter

We draw attention to the matters below. Our opinion is not modified in respect of these matters:

Restatement of corresponding figures

As disclosed in Note 23 to the financial statements, the corresponding figures for 31 March 2010 have been restated as a result of an error discovered in the current financial year relating to an under provision for leave pay in the prior year which amounted to R308 355.

As disclosed in Note 24, non-exchange revenue received for the acquisition for land and buildings was previously accounted for according to IAS 20. During the year the council adopted GRAP 23 to account for revenue from non-exchange transactions. This change in accounting policy was applied retrospectively and the corresponding figures have been restated in this regard.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of *General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010*, we include below our findings on the annual performance report as set out on pages 17 to 94 and material non-compliance with laws and regulations applicable to the entity.

Predetermined objectives

There are no material findings on the annual performance report concerning the presentation, usefulness and reliability of the information.

FINANCIAL STATEMENTS

Compliance with laws and regulations

Annual financial statements

The Council submitted financial statements for auditing that was not prepared in all material aspects in accordance with Generally Recognised Accounting Practice as required by Section 55(1)(a) and (b) of the PFMA. The material misstatements identified by the auditors were subsequently corrected.

INTERNAL CONTROL

In accordance with the PAA and in terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, we considered internal control relevant to our audit, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters reported below are limited to the significant deficiencies that resulted in the basis for our opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

The Council did not exercise oversight responsibility regarding compliance with laws and regulations. Matters of non compliance with laws and regulations relating to the financial statements were reported.



Gobodo Incorporated
L Govender
Registered auditor

29 July 2011
Johannesburg

Annual Financial Statements for the year ended 31 March 2011

REPORT OF THE EXECUTIVE COUNCIL

The Executive Council presents their report for the year ended 31 March 2011.

1. Incorporation

National Economic Development and Labour Council (NEDLAC), a statutory body, is South Africa's primary institution for social dialogue. NEDLAC was launched on 18 February 1995 to bring together government, business, labour and community interests, to, through negotiations, reach consensus on all labour legislation, and all significant changes to social and economic policy.

The NEDLAC Act was passed in 1994 with unanimous support from all political parties.

NEDLAC is listed as a national public entity under Schedule 3A of the Public Finance Management Act (Act No.1 of 1999), (PFMA) as amended.

The Executive Council acts as the accounting authority in terms of the PFMA.

2. Organizational Structure

The Council is composed of:

- An Executive Council, which is the governing body of the Council;
- Management Committee and
- Four Chambers, namely:
 1. Public Finance and Monetary Policy Chamber;
 2. Trade and Industry Chamber;
 3. Labour Market Chamber;
 4. Development Chamber;
- Secretariat.

3. Director

The director of the Council during the year and to the date of this report is as follows:

Name	Herbert Mkhize
Nationality	South African

4. Directors' Interests

As at 31 March 2011, the director had no financial interest in the Council. No contracts involving directors' interests were entered into in the current period.

5. Council Principal Activities

The Council shall:

- strive to promote the goals of economic growth, participation in economic decision-making and social equity;
- seek to reach consensus and conclude agreements on matters pertaining to social and economic policy;
- consider all proposed labour legislation relating to labour market policy before it is introduced in Parliament;
- consider all significant changes to social and economic policy before it is implemented or introduced in Parliament;
- encourage and promote the formulation of co-ordinated policy on social and economic matters.

6. Operating Results

During the period under review, the Council had a deficit of R384 306 (2010 : surplus of R2 674 033).

7. Fruitless and Wasteful Expenditure

No material fruitless and wasteful expenditure were incurred during the period under review.

FINANCIAL STATEMENTS

Annual Financial Statements for the year ended 31 March 2011

REPORT OF THE EXECUTIVE COUNCIL

8. Rent receivable from Proudly South African

Rent is receivable from Proudly South African for rental of NEDLAC's premises. During the year the council wrote off an amount of R836 111 in respect of arrear rentals.

9. Going concern

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

10. Events after the reporting period

The members of Council are not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in Annual Financial Statements, which significantly affect the financial position of the Council or the results of its operations.

11. Auditors

External Auditors

Gobodo Incorporated will continue in office for the next financial period.

Annual Financial Statements for the year ended 31 March 2011

STATEMENT OF FINANCIAL POSITION

		2011	Restated 2010
	Notes		
Assets			
Non-Current Assets			
Property, plant and equipment	2	8 804 622	9 470 052
Current Assets			
Trade and other receivables	3	135 808	334 260
Cash and cash equivalents	4	5 547 141	5 087 514
		5 682 949	5 421 774
Total Assets		14 487 571	14 891 826
Equity and Liabilities			
Capital and reserves/Net Assets			
Constituency Capacity funds	5	310 262	356 732
Accumulated funds		12 810 406	13 148 243
		13 120 668	13 504 975
Liabilities			
Current Liabilities			
Trade and other payables	6	488 142	755 156
Provisions	7	878 761	631 695
		1 366 903	1 386 851
Total Equity and Liabilities		14 487 571	14 891 826

FINANCIAL STATEMENTS

Annual Financial Statements for the year ended 31 March 2011

STATEMENT OF FINANCIAL PERFORMANCE

		2011	Restated 2010
	Notes		
Non-exchange revenue	8	15 868 000	19 554 000
Exchange revenue	9	732 048	493 680
Operating expenses	10	(17 242 146)	(17 455 989)
Operating (deficit)/surplus		(642 098)	2 591 691
Investment revenue	11	257 792	82 342
(Deficit)/surplus for the year		(384 306)	2 674 033
Funds transferred from (to)			
Community constituency fund		95 799	(60 820)
Labour constituency fund		16 471	166 459
Business constituency fund		(65 800)	(3 766)
		46 470	101 873
(Deficit)/surplus for the year		(337 836)	2 775 906

Annual Financial Statements for the year ended 31 March 2011

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated funds
Opening balance as previously reported	3 522 337
Adjustments	
Change in accounting policy (Note 24)	6 850 000
Balance at 01 April 2009 as restated	10 372 337
Changes in equity	
Surplus for the year as previously reported	3 432 387
Correction of prior period error (Note 23)	(308 355)
Additional depreciation due to the change in accounting policy	(450 000)
Surplus for the year - Restated	2 674 033
Movement in constituency funds	101 873
Balance at 01 April 2010 - Restated	13 148 243
Changes in equity	
Deficit for the year	(384 306)
Movement of constituency funds	46 470
Total changes	(337 836)
Balance at 31 March 2011	12 810 406

FINANCIAL STATEMENTS

Annual Financial Statements for the year ended 31 March 2011

STATEMENT OF CASH FLOWS

		2011	Restated 2010
	Notes		
Cash flows from operating activities			
Cash generated from operations	15	306 658	3 788 959
Interest income		257 792	82 342
Net cash from operating activities		564 450	3 871 301
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(104 823)	(23 092)
Total cash movement for the year		459 627	3 848 209
Cash at the beginning of the year		5 087 514	1 239 305
Total cash at end of the year	4	5 547 141	5 087 514

Annual Financial Statements for the year ended 31 March 2011

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) and 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 Practices (GRAP). The annual financial statements have been prepared on the historical cost basis. They are presented in South African Rands.

These accounting policies are consistent with the previous period except for the adoption of the following new or revised standards. These GRAP statements are approved but the effective date has not been determined:

- GRAP 21: Impairment of Non cash generating assets
- GRAP 23: Non-exchange revenue
- GRAP 25: Employee benefits
- GRAP 26: Impairment of cash generating units
- GRAP 103: Heritage Assets

GRAP 104 on Financial Instruments has been issued but not yet effective. The council elects to continue to applying IAS 32, 39 and IFRS 7.

The following statement has been issued, however the council is not required to apply:

- GRAP 18: Segment Reporting.

1.1 Property, plant and equipment

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes;
and
- are expected to be used during more than one period.

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

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

Depreciation is provided using the straight line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

Item	Annual Depreciation Rate
Buildings	5%
Furniture and fixtures	8.33%
Motor vehicles	5%
Office equipment	33.33%
IT equipment	33.33%

The residual value, depreciation method and the useful life of each asset are reviewed at each annual reporting period if there are indicators present that there is a change from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and have significantly different patterns of consumption of economical benefits is depreciated separately over its useful life.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

Land is not depreciated as it has an indefinite useful life.

FINANCIAL STATEMENTS

Annual Financial Statements for the year ended 31 March 2011

ACCOUNTING POLICIES

1.2 Financial instruments

Initial recognition

Financial instruments may be designated to be measured at amortised cost less any impairment using the effective interest method. These include trade and other receivables, loans and trade and other payables. At the end of each reporting period date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in fair value. These are initially and subsequently recorded at fair value.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables are carried at amortised cost less accumulated impairment.

Trade and other payables

Trade and other payables are carried at amortised cost.

1.3 Provisions and contingencies

Provisions are recognised when:

- the council has an obligation at the reporting period date as a result of a past event;
- it is probable that the council will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

Contingent assets and contingent liabilities are not recognised.

1.4 Revenue

Non-exchange revenue

Government grants are recognised when there is reasonable assurance that:

- the council will comply with the conditions attached to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Exchange revenue

Exchange revenue is made up of interest income, rental income and reimbursements. Interest is recognised, in profit or loss, using the effective interest rate method. Rentals are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Reimbursements are recognised when they are received.

ACCOUNTING POLICIES

1.5 Taxation

No provision for taxation has been made since the council is directly funded by Government and an exemption from taxation has been granted by the South African Revenue Service (SARS). The council has also been exempted from Value Added Tax (VAT) registration.

1.6 Impairment of non-financial assets

Non-financial assets are assessed at each reporting date to determine whether there is an indication that the carrying amount of an asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. In determining the value in use, the estimated cash flow of the asset is discounted to the present value based on the time value of money and the risks that are specific to the asset. If the value in use of an individual asset for which there is an indication of impairment cannot be determined, the recoverable amount of the asset is determined

An impairment loss is recognised in surplus or deficit when the carrying amount of an individual asset exceeds its recoverable amount. Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset. Impairment losses are reversed only to the extent of the carrying amount that would have been determined if no impairment losses are recognised directly in surplus or deficit.

1.7 Irregular, 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 Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999). Fruitless and wasteful expenditure relates to expenditure that was incurred in vain and would have been avoided had reasonable care been exercised. All irregular, fruitless and wasteful expenditure is charged against income in the period in which it is incurred.

1.8 Related parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions of the related party or any other related entity subject to common control.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the reporting or the government of which it forms part.

Related party transactions and outstanding balances or commitments owing between the reporting entity and related parties are disclosed in note 15 to the financial statements.

1.9 Budget information

Budget information is disclosed in terms of GRAP 1 (Presentation of Financial Statements) which requires that entities, in their general purpose financial reporting, provide information on whether resources were obtained and used in accordance with their legally adopted budgets.

FINANCIAL STATEMENTS

Annual Financial Statements for the year ended 31 March 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2011			Restated 2010		
2. Property, plant and equipment						
	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land and buildings	11 977 640	(4 629 191)	7 348 449	11 977 640	(4 090 197)	7 887 443
Furniture and fixtures	1 523 505	(543 590)	979 915	1 517 691	(485 854)	1 031 837
Motor vehicles	169 688	(23 266)	146 422	169 688	(15 205)	154 483
Office equipment	629 335	(410 061)	219 274	621 337	(284 896)	336 441
IT equipment	528 096	(428 141)	100 001	451 387	(394 736)	56 697
Computer software	73 444	(62 883)	10 561	59 147	(55 997)	3 151
Total	14 901 708	(6 097 086)	8 804 622	14 796 890	(5 326 838)	9 470 052

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Land and buildings	7 887 443	-	(538 994)	7 348 449
Furniture and fixtures	1 031 837	5 814	(57 736)	979 915
Motor vehicles	154 483	-	(8 061)	146 422
Office equipment	336 441	7 999	(125 166)	219 274
IT equipment	56 697	76 709	(33 405)	100 001
Computer software	3 151	14 301	(6 891)	10 561
	9 470 052	104 823	(770 251)	8 804 622

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Additional accumulated depreciation	Depreciation	Total
Land and buildings	11 576 437	-	(3 150 000)	(538 994)	7 887 443
Furniture and fixtures	1 089 858	-	-	(58 021)	1 031 837
Motor vehicles	162 543	-	-	(8 060)	154 483
Office equipment	463 391	-	-	(126 950)	336 441
IT equipment	79 263	23 092	-	(45 658)	56 697
Computer software	18 472	-	-	(15 321)	3 151
	13 389 964	23 092	(3 150 000)	(793 004)	9 470 052

In the prior years, grants received for the acquisition of land and buildings reduced the cost of land and buildings as per IAS 20. In the current year, non-exchange revenue received for the acquisition of land and buildings have been accounted for in terms of GRAP23 i.e when assets are acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Therefore the cost of land and buildings have increased by R10 000 000.00

Additional accumulated depreciation has been raised in the prior year to account for the increase in the cost of land and buildings.

The land and buildings comprise an office building situated on Erf 205, Rosebank Township, 14A Jellicoe Avenue, Rosebank, Johannesburg.

Annual Financial Statements for the year ended 31 March 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2011	Restated 2010	
3. Trade and other receivables			
Prepayments	-	122 900	
Other receivables	-	83 780	
Rent receivable from Proudly South African	135 808	963 691	
Provision for bad debt	-	(836 111)	
	<u>135 808</u>	<u>334 260</u>	
4. Cash and cash equivalents			
Cash and cash equivalents consist of:			
Bank balances	<u>5 547 141</u>	<u>5 087 514</u>	
5. Constituency Capacity Funds			
5.1. Community Constituency			
Balance at the beginning of the year	(36 953)	(97 773)	
- Grant received	770 000	700 000	
- Utilised	(865 799)	(639 180)	
Balance at end of year	<u>(132 752)</u>	<u>(36 953)</u>	
5.2. Labour Constituency			
Balance at the beginning of the year	104 833	271 292	
- Grant received	770 000	700 000	
- Utilised	(786 471)	(866 459)	
Balance at the end of year	<u>88 362</u>	<u>104 833</u>	
5.3. Business Constituency			
Balance at the beginning of the year	288 852	285 086	
- Grant received	385 000	350 000	
- Utilised	(319 200)	(346 234)	
Balance at end of year	<u>354 652</u>	<u>288 852</u>	
Total Constituency Capacity funds	<u>310 262</u>	<u>356 732</u>	
6. Trade and other payables			
Trade payables	<u>488 142</u>	<u>755 156</u>	
7. Provisions			
Reconciliation of provisions - 2011			
	Opening balance	Movement	Total
Provision for leave pay	631 695	247 066	878 761
Reconciliation of provisions - 2010			
	Opening balance	Movement	Total
Provision for leave pay	200 852	430 843	631 695

FINANCIAL STATEMENTS

Annual Financial Statements for the year ended 31 March 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2011	Restated 2010
8. Non-exchange revenue		
Non-exchange revenue is made up of grants received from the Department of Labour:		
Community Constituency	770 000	700 000
Labour Constituency	770 000	700 000
Business Constituency	385 000	350 000
Operating Expenses	13 943 000	17 804 000
	15 868 000	19 554 000
9. Exchange revenue		
Exchange revenue is made up of the following:		
Rentals received from Proudly South African	552 048	493 680
Reimbursements received from Dept of Trade and Industry	180 000	-
	732 048	493 680
10. Operating expenses		
Operating expenses are made up of the following:		
Advertising	(43 995)	-
Auditors' remuneration	(334 010)	(244 630)
Bank charges	(37 270)	(34 794)
Constituency expenses	(1 971 469)	(1 851 873)
Depreciation, amortisation and impairments	(770 251)	(793 004)
Electricity and water	(342 208)	(293 940)
Employee costs	(5 670 306)	(5 435 026)
Insurance	(120 022)	(119 989)
Lease rentals on operating lease	(15 401)	(87 906)
Meetings and events	(1 999 102)	(1 813 739)
Other expenses	(14 632)	(12 700)
Postage	(20 047)	(31 289)
Printing and stationary	(528 839)	(1 426 792)
Professional fees	(385 191)	(368 666)
Repairs and maintenance	(238 674)	(213 146)
Research and development costs	(120 216)	(199 960)
Security	(8 356)	(8 121)
Special projects	(727 750)	(868 367)
Staff development	(36 852)	(26 470)
Subscriptions	(49 137)	(58 032)
Telephone and fax	(325 138)	(281 429)
Training	1 256	-
Travel - local	(3 484 536)	(3 286 116)
	(17 242 146)	(17 455 989)

Annual Financial Statements for the year ended 31 March 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2011	Restated 2010
11. Investment revenue		
Interest revenue		
Interest income	257 792	82 342
12. Directors emoluments		
Herbert Mkhize (Executive director)	836 731	763 558
13. Taxation		
No provision is made for taxation as the Council is exempt from Income Tax in terms of Section 10(1)(d)(iv)(bb) and is exempt from Donations Tax in terms of Section 56(1)(h).		
14. Auditors' remuneration		
Audit Fees - External	237 300	190 000
Audit Fees - Internal	35 910	33 630
Audit fee - prior year underprovision	60 800	21 000
	334 010	244 630
15. Cash generated from operations		
(Deficit)/surplus for the year	(384 306)	2 674 033
Adjustments for:		
Depreciation and amortisation	770 251	793 004
Interest received	(257 792)	(82 342)
Movements in provisions	247 061	430 849
Changes in working capital:		
Trade and other receivables	198 452	94 837
Trade and other payables	(267 008)	(121 422)
	306 658	3 788 959
16. Related Parties		
Tenant	Proudly South African	
Founder of NEDLAC	Department of Labour	
Director on Proudly South African's board and key management at NEDLAC	Mr Herbert Mkhize	
Related party transactions		
Rent paid to (received from) related parties		
Proudly South African	(552 048)	(493 680)
Balance outstanding	135 808	963 691
Grant paid to (received from) related parties		
Department of Labour	(15 868 000)	(19 554 000)

FINANCIAL STATEMENTS

Annual Financial Statements for the year ended 31 March 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

17. Fruitless and wasteful expenditure

There was no fruitless and wasteful expenditure in this period.

18. Losses through criminal conduct

No material losses through criminal conduct were incurred during the period.

19. World Cup expenditure

The Council did not incur any expenditure relating to the 2010 FIFA World Cup and the 2011 ICC Cricket World Cup.

20. Risk Management

Bank balances

NEDLAC funds will be invested with the objective of minimal risk within a recognised financial institution either in a business cheque account or an investment call account.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Council only deposits cash with major banks with high credit standing and limits exposure to any one counter party.

Liquidity risk

The Council risk to liquidity is a result of the funds available to cover future commitments. The council manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the Council has no significant interest-bearing assets, the Council's income and operating cashflows are substantially independent of changes of market interest rates.

The councils exposure to interest rate risk at reporting date is:

Assets

Cash and cash equivalents	5 547 141	5 087 514
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Liabilities

Trade and other payables	488 142	755 156
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Annual Financial Statements for the year ended 31 March 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

21. Actual vs Budget (Revenue and Expenditure)

	Actual	Budget	Variance
Revenue			
Non-exchange Revenue	15 868 000	15 352 000	3.36%
Employee Cost	(5 670 306)	(5 483 500)	-0.03%
Gross Margin	10 197 694	9 868 500	3.33%
Rental Income	552 048	543 048	1.66%
Reimbursements Received	180 000	-	100%
Depreciation	(770 251)	(344 000)	-123.91%
Expenditure	(10 801 589)	(10 322 548)	-4.64%
Operating (deficit) before Financing	(642 098)	(255 000)	-151.80%
Interest Received	257 792	255 000	1.09%
Net deficit	(384 306)	-	-

22. Actual vs Budget (Acquisition of Property, Plant and Equipment)

Asset Category	Actual	Budget	Variance
Computer Equipment	76 709	100 000	23%
Computer Software	14 301	20 000	-28%
Furniture & Fittings	5 814	25 000	-77%
Office Equipment	7 999	20 000	-60%
	104 823	165 000	-36%

	2011	Restated 2010
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23. Prior period errors

Provision for leave pay for the Executive Director was not raised in the prior period. This has resulted in the understatement of the provision for leave pay and employee cost in the prior period.

The correction of the errors results in adjustments as follows:

Statement of Financial Position

Provisions	-	(308 355)
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Statement of Financial Performance

Employee Cost	-	308 355
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FINANCIAL STATEMENTS

Annual Financial Statements for the year ended 31 March 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2011	Restated 2010
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24. Change in accounting policy

The annual financial statements have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the following:

Non-exchange revenue received for the acquisition of land and buildings

During the year, the Council changed its accounting policy with respect to the treatment of non-exchange revenue received for the acquisition of capital assets. The Council now accounts for non-exchange revenue received for the acquisition of capital assets in accordance with GRAP23.

Previously, grants received for the acquisition of capital assets were used to reduce the cost of the asset and depreciation was provided for on the reduced cost.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 31 March 2010 is as follows:

Statement of Financial Position

Property, plant and equipment

Previously stated	-	1 977 640
Adjustment	-	10 000 000
	-	<u>11 977 640</u>

Accumulated depreciation

Previously stated	-	(329 633)
Adjustment	-	(3 600 000)
	-	<u>(3 929 633)</u>

Opening accumulated funds

Previously stated	-	(6 748 243)
Adjustment	-	(6 400 000)
	-	<u>(13 148 243)</u>

Annual Financial Statements for the year ended 31 March 2011

NEDLAC AUDIT COMMITTEE REPORT

A. Audit Committee Composition and Functions

At 31 March 2011 the NEDLAC Audit Committee comprised of the following members:

N Vermeulen (Business)
L Nare (Community)
F Peterson (Government)
M Burger (Labour)

The Audit Committee performs its function in line with its approved Charter. The Audit Committee functions as a subcommittee of and is responsible to the Management Committee and has an oversight function which includes:

- Financial management and other reporting practices;
- Internal controls and the management of risks;
- Compliance with laws, regulations and good ethical practices and
- The internal audit function.

B. Audit Committee Report on Internal Control and Financial Reporting

This report has been prepared in terms of the Treasury Regulations 3.1.13(a) and (c) of the Public Finance and Management Act, 1 of 1999.

The Audit Committee wishes to report that:

- i. A NEDLAC Internal Audit unit was appointed. The responsibilities, amongst other things, is to identify internal control weaknesses and to recommend effective control remedies.
- ii. Periodic assurances had been obtained from management that major risks are being properly managed;
- iii. The Audit Committee has reviewed the annual financial statements and is satisfied that these statements fairly reflect in all material respects, the financial

position of the National Economic Development and Labour Council (NEDLAC) as at 31 March 2011, in accordance with the South African Statements of Generally Recognised Accounting Practice and in a manner required by the Public Finance Management Act, 1 of 1999.

- iv. The Audit Committee note that the NEDLAC internal audit function has been outsourced and an internal audit has been conducted and has identified and recommended effective control remedies. NEDLAC Management in turn responded to reported weaknesses and implemented the recommendations made to ensure more effective and efficient internal controls.
- v. The Audit Committee took note of the conclusions and recommendations of the external and internal auditors and will ensure that procedures and practices are in place to satisfy the recommendations from the auditors.

Based on the foregoing report, the audit committee is satisfied that the overall internal control system is satisfactory.

NEDLAC'S ENGINE ROOM

Development Chamber



Business Convenor
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Fani.xaba@afaurencongroup.com



Community Convenor
Zacharia Matsela
(replaced by Lawrence Bale)
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Ncasa.coops@gmail.com



Community Convenor
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(replaced by Mpho Mgemane)
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Government Convenor
Thamsanqa Mchunu
(replaced by Mpho Mgemane)
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Government Convenor
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Labour Convenor
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Labour Market Chamber



Business Convenor
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Government Convenor
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Labour Convenor
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Public Finance and Monetary Policy Chamber



Business Convenor
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Community Convenor
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Trade and Industry Chamber



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