

**theta**

**TOURISM, HOSPITALITY & SPORT  
EDUCATION & TRAINING AUTHORITY**



**labour**

Department:  
Labour  
**REPUBLIC OF SOUTH AFRICA**

**Annual report  
2006**

## ***Vision***

Our people skilled for a sustainable future

## ***Mission***

To facilitate the achievement of excellent standards and growth through the development and recognition of people

## ***Values***

- Service excellence
- Efficiency
- Equity
- Integrity
- Partnership
- Quality
- Accessibility



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## Chairperson's report

If there was any doubt as to the importance of skills development to South Africa's future, the unveiling of the Accelerated Shared Growth Initiative for South Africa (Asgisa) in July 2005, followed by the March 2006 launch of the Joint Initiative on Priority Skills Acquisition (Jipsa), certainly cast it aside.



Jipsa, a task team comprising prominent members of senior government, the labour movement, business, community groups, academic institutions and science councils, will identify and advise on scarce skills in a bid to help the country achieve Asgisa's goal, namely a growth rate of 6% by 2010 and a 50% reduction in unemployment by 2014.

At the Jipsa launch, the initiative's champion, Deputy President Phumzile Mlambo-Ngcuka, stressed in no uncertain terms how crucial skills are. "...it should be noted that skills are not just one of the constraints facing Asgisa, but a potentially fatal constraint," she said. "We have to overcome the shortage of suitable skilled labour if our dreams for this economy are to be realised..."

Tourism, having been identified by Asgisa as a priority sector that will promote accelerated and shared economic growth and labour absorption, must put skills at the very top of the agenda.

Theta's part in the success of the two initiatives is imperative and I believe it is more than ready to rise to the occasion.

The Seta has experienced in the last three years its most stable period to date, with consistency of leadership, a strong, effective staff structure and a common purpose to create and maintain a well-functioning Seta focused on goals and stakeholder satisfaction.

With the Setas' brief to dovetail performance targets to Asgisa and Jipsa objectives, Theta has taken a significant step in the right direction, forging a partnership with the Department of Environmental Affairs and Tourism (Deat) and the National Business Initiative (NBI) to conduct a detailed skills audit of tourism, a sector characterised by disparities in access to opportunities by black people and in great need of transformation. The audit will detail existing skills, highlight skills gaps and identify priority skills that will contribute to the achievement of Asgisa's goals, drive transformation, facilitate competitiveness and prepare the sector for the 2010 Soccer World Cup and beyond.

The collective will is there to make it happen. Now it must be backed by action.

I am particularly heartened to note that a concern I expressed in last year's report did not materialise. This involved the scrapping of skills levies for SMMEs with an annual payroll of less than R500 000. With Theta standing to lose about 6 000 companies through this decision by the finance minister, a reduction in levy income was a real possibility. Happily, increasing participation from the sector as a whole actually saw a rise in levies. This is pleasing not only from a finance standpoint, but as an indication that skills development is becoming a national priority.

The sole disappointment of the year was a forensic audit performed by the Auditor-General into procurement related to the tender process for the second phase of Intac (Integrated Nature-based Tourism and Conservation Management), a project that ended in March 2005. The audit is discussed in more detail elsewhere in this report, but I would like to mention that the board has taken cognisance of the need to capacitate Theta senior management in good corporate governance and to rely less on consultants in future tenders. In March 2006, the board approved a supply chain strategy governing procurement.

In conclusion, I would like to thank Theta's chief executive officer Mike Tsoetsi for the dedication and leadership that has resulted in such a successful year, and congratulate Theta's hard-working team members for their willingness to put in the extra hours, even days when required to get the job done correctly.

Additionally I would like to record my sincere appreciation to the Theta board for its continued support, positive influence and guidance over the last year.

Theta is on a sound footing because of your efforts. Keep up the good work.

A handwritten signature in blue ink, appearing to read 'Thabo Mahlangu'.

**Thabo Mahlangu**  
Chairperson

## Chief executive officer's report

**An air of vibrancy and dynamism is sweeping across South Africa. It is almost impossible not to be caught up in the spirit of enthusiasm and positivity. Developments are taking shape on every corner, infrastructure is being improved at every turn and the economy is buzzing.**

**Y**es we have problems, but we also have great opportunities to overcome them. Skills, of course, will continue to play a crucial role in all aspects of life - there is general consensus about this, from top government down.

I am happy to report that, in the skills revolution scenario to which Deputy President Phumzile Mlambo-Ngcuka, in her capacity as Jipsa head, constantly refers, Theta enjoyed another extremely constructive year, characterised by increased sector participation, improved processes and systems and some significant skills development achievements.

We drafted our revised constitution for 2005 – 10, the first step in reconstituting our board and other structures to prepare for the challenges posed by the 'new' NSDS and the many national imperatives affecting our sector, most notably the Tourism BEE Charter and Asgisa/Jipsa.

To position ourselves more effectively to deliver on the ambitious targets we have set ourselves, we merged the skills development and learnership departments during the year.

Although primarily dictated by the new funding regulations, which preclude inter alia the payment of salaries from the discretionary fund, the move has proved sound as there are clear synergies in the departments' activities. By streamlining their activities, we have strengthened the organisation and consolidated its service to stakeholders.

The success of our projects over the last year speaks for itself – more than 7 000 individuals and enterprises developed and empowered. To guarantee relevance, each project was finely focused to address one or more NSDS objectives.

Overall our performance against NSDS objectives for 2005/6 was encouraging, with many targets being exceeded. Plans have been put in place to address the shortfalls. These include a new venture creation project that has been launched to capacitate 55 candidates to become economically active.

The development of the new qualifications framework continued to be a priority for the ETQA team and 28 qualifications were submitted to SAQA for evaluation and registration. We were told that more work is needed to bring them in line with SAQA requirements, and this is being tackled currently. The department is making great strides in fast tracking the accreditation of providers and eliminating the backlog in certification.

During the year, Theta was privileged to be part of a groundbreaking project that generated the first HIV/Aids toolkit geared specifically for the tourism and hospitality sector. Working with Grant Thornton, Fedics, Fedhasa and the Department of Health, we devised this revolutionary response to counteract the dismal scenario that was HIV/Aids awareness in our sector. Research revealed that 92% of hospitality organisations did not provide HIV/Aids training and 98,5% offered no care for HIV-affected employees. The need for such a kit was borne out by stakeholder demand - by year-end 4 637 handbooks and 1 860 CDs had been requested and distributed.

### Finance

The finance division works closely with all other Theta divisions to carry out its main responsibilities of internal financial management and management of external projects. In terms of the former, its duties include the preparation of monthly management accounts, statutory financial statements, financial policies and procedures, and budgets, forecasts and financial plans. In addition, the team handles supply chain management.

It was a good year all around on the finance front. Details appear in the accounting authority report on page 19, but a definite highlight was that Theta not only contained its administrative expenses



# Chief executive officer's report

continued

within the 10% threshold, but did so comfortably. This can be attributed to a stringent cost cutting exercise and tighter control over administrative spending. Savings were made in a number of areas, including external consulting fees.

Efforts are being made to increase the administrative income of the Seta by encouraging government departments and related public entities to participate in their line function Seta and contribute 10% of the 1% dedicated to training on their behalf by National Treasury.

Another source of pride was the marked increase – 61,3% to R128,6-million – in employer and discretionary grants and discretionary project disbursements. This reflects our increase in service delivery capacity and is a trend we intend to maintain.

Acting chief financial officer Ben Keet and his team have done remarkable work in the year under review and I thank them.

## Corporate governance

Theta continues to place great emphasis on corporate governance, as evidenced by the fact that the board is constituted purely by non-executive board members. The board meets quarterly and retains full control of Theta's business, monitoring management through a structured approach to reporting and accountability.

The board is supported by the following committees:

- executive committee, which met six times this year and dealt with issues including:
  - the review and analysis of the monthly financial statements and their recommendation to the board for approval;
  - driving the process and legalities for the approval of Theta's constitution;
  - the review and analysis of various projects and their recommendation to the board for approval.
- audit committee, which held four meetings during the year, focusing on, inter alia:
  - the review and analysis of the annual financial statements and their recommendation to the board for approval;
  - meeting the external and the internal auditor, and reviewing and approving their annual audit plans and fees;
  - reviewing Theta's risk management policies.



- remuneration committee, appointed by the board and reporting directly to the executive committee. It met twice during the year with a charter to review:
  - annual remuneration increases in line with market trends;
  - the performance management system;
  - the bonus award structure.

The reviews were presented to the executive committee for recommendation to the board.

## Human resources

Understaffing posed great challenges during the year, but staff reached their targets and I congratulate them on an outstanding performance.

In line with Theta's commitment to staff development and skilling, team members completed various training and development initiatives, including workshops, seminars and long term studies supported by staff bursaries.





In the interests of staff wellbeing, several initiatives were organised, including an HIV/Aids workshop presented by a well known and respected industry player, Alan Brand, and a presentation to coincide with Breast Cancer Week.

Theta strongly supported the 10 Days of Activism and will continue to equip staff members for various life challenges.

### Marketing and communications

Marketing and communications activities during the year concentrated mainly on participation in Indaba and various other trade exhibitions and the continued publication of the regular stakeholder newsletter Training Matters. Communications remains an adhoc function, but our aim is to establish a dedicated division to develop, implement and monitor a comprehensive communications strategy.



### Special investigation

The chairperson has touched briefly on the special investigation conducted by the Auditor-General and Theta's responses to it and the matter is further discussed in the Auditor-General's report on page 17, but I would like to elaborate on the measures the board has taken to address the issues of concern. These are as follows:

- the implementation of an effective and efficient system for the acquisition of goods and services. The new supply chain management system adequately regulates and informs the conduct of all procurement and tender processes and incorporates the Auditor-General's recommendations.
- tender committee members supplied declarations of interest, which proved that no committee member had a conflict of interest in respect of the Intac project.
- the development of a system to reduce the risk of financial misconduct, to complement the existing financial management systems that have been found by the board to guard sufficiently against the possibility of financial misconduct.
- interventions implemented and planned to develop the Seta's internal capacity and performance, in the interests of promoting corporate governance and enhancing project management capabilities.

### Looking ahead

The pressure on all Setas to accelerate delivery of high-quality and relevant skills is a given. However, Theta's link to both skills development and tourism will thrust it strongly into the spotlight as Asgisa fever takes hold. We're confident that we'll put on a good show, with Deat and NBI as partners, and other structures in the offing with organisations such as SA Tourism and provincial government entities that have been mandated to drive and implement Asgisa.

# Chief executive officer's report

continued



Support for SMMEs, which account for 97% of our constituent companies, is still a sizeable challenge, particularly as many are no longer obliged to pay the skills levy. A wide range of SMME assistance initiatives and training interventions is planned for 2006/7.

It's going to be an exciting year.

## 2006/7 targets

In terms of the service level agreement signed with DoL, Theta has undertaken to meet several targets during the next financial year.

First, we intend to support through skills development the employment equity (EE) targets of 80 large, 122 medium and 624 small levy paying companies. Using information on EE targets from the workplace skills plans (WSPs), we will tailor initiatives to assist companies to move forward. These may be seminars and workshops, or projects such as the management development and facility management initiatives that were so successful during the year under review.

We will assist a number of companies to implement Investors in People (IIP) principles, while seeking IIP accreditation ourselves. Although DoL is currently evaluating IIP principles against other people development standards with a view to adopting the most suitable system, we believe that compliance with IIP requirements is invaluable to a company's training and development effort.

Illiteracy levels remain high in the sector, with hospitality and conservation particularly hard hit. During 2006/7, we plan to take 5 600 learners to level 4 of adult basic education and training (Abet). In the past, we have offered employers 60% of the discretionary grants for which they qualify as an incentive to provide Abet, but this has been unsuccessful. We will now consider offering a cash grant for each learner.

The chairperson has already touched on the audit into scarce skills and we will use the findings to set the strategy that will allow us to enrol 1 175 learners on learning programmes. A combination of internships, experiential learning and new venture creation is envisaged. Linked to this, we will assist 1 500 learners completing critical skills training to gain work experience, by compelling employers to specify the number of learners they will take on and ensuring they meet this obligation.

Our support for non-levy paying organisations will continue and research will be undertaken to determine which cooperatives, non-governmental organisations (NGOs) and community-based organisations (CBOs) need our support. We aim to assist nine of these organisations in 2006/7. To date, we have provided SA Host customer care training to taverners and assisted tourist guides through language training.

New venture creation is a key area and 92 young people will be put through this learnership. Thereafter, Theta will facilitate contracts and finance for the new businesses and ensure effective mentoring, which is crucial to the sustainability of new ventures.





Two organisations will be recognised as institutes of sectoral or occupational excellence (ISOEs) in terms of the NSDS objective to improve the quality and relevance of provision. These ISOEs, which are institutions that develop people to attain identified critical occupational skills and whose excellence is measured in the number of learners placed in the sector and employer satisfaction ratings of their training, will be supported financially by Theta.

### Appreciation

Skills development is all about people and we have some of the best. I thank Theta staff again for their continued commitment to the shared goal of helping Theta make a real difference in South African society. Our employers have done sterling work this year in meeting their own targets and enabling us to meet ours – your efforts are greatly appreciated.

By this time next year, we will have a new board in place, so I take this opportunity to acknowledge the wonderful contribution made by our chairperson Thabo Mahlangu, deputy chairperson Chris Johnson and our current board members. Our chamber committees have enabled us to select meaningful projects and see them through efficiently for the good of all in the sector. The committees are integral to our success and will be reconstituted once our constitution is ratified. To members of these vital structures, a sincere thank you for your contribution over the last two years.

**Mike Tsetetsi**  
Chief executive officer

## Skills planning and research

Against a backdrop of legislative changes, in particular the new funding regulations, the skills development department merged with the learnership department, a structure with origins dating back to 2001 and the launch of the Tourism Learnership Project (TLP).

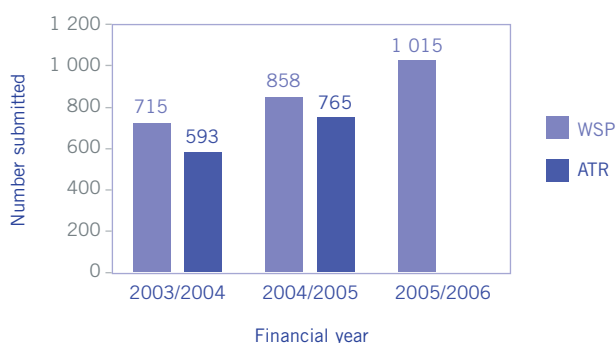
Staff were inducted into the combined functions of the new department to ensure that synergies between the two components were optimised and the new team emerged from the merger with the knowledge and commitment needed to promote the department's more consolidated offering.

Chief among the skills development department's activities for the year under review was the completion and submission to the Department of Labour of a sector skills plan (SSP) for 2005 – 10. This strategic document was compiled to direct and inform projects and includes a detailed analysis of critical and scarce skills in the tourism sector.

Levies and grants reside under the skills development banner. In spite of the exemption from levy paying of small, medium and micro enterprises (SMMEs) announced in Trevor Manuel's budget speech of 2005, there was a steady growth in the number of firms participating in skills development, due primarily to the skills development adviser (SDA) project. The continued drive to draw misallocated companies into the Theta sector also had a positive impact on revenue.

The graph alongside indicates a 15% increase overall.

WSP and ATR submission trends over three financial years

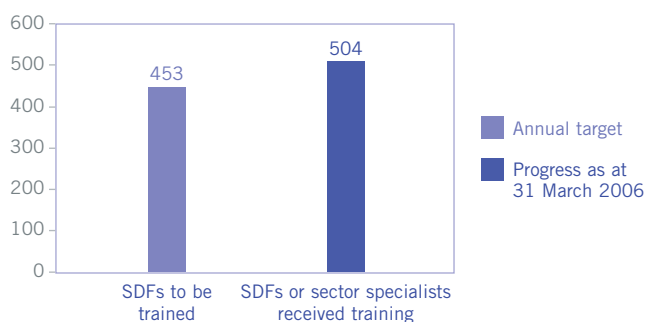


In the learnerships department, the close-out report of the TLP provided valuable insight into how future learnerships should be crafted, and informed the learnership rollout during 2005/6. Some 826 learners were enrolled during the year, 50% of whom were unemployed.

In line with TLP lessons learnt, the department streamlined processes and procedures, revised its learnership pack, and designed and implemented an evaluation system. The exercise highlighted the importance of close cooperation between the learnership and ETQA teams and reinforced the urgent need for accredited training providers to ensure learnership experiences are meaningful and of the highest quality.

In 2005/6, 68 organisations were involved in Theta learnerships, representing an investment of R17-million. Whereas the trend in the past was to run learnerships in the larger companies and the major centres, the programmes in the year under review were implemented more equitably across sub-sectors and provinces. Workplace validation was performed to assess the accuracy of information supplied on the application forms and to ensure the workplaces are conducive to learning. Inductions familiarised learners with their rights and responsibilities.

SDFs to be trained



To ensure the success of the learnership rollout, Theta is committed to close communication with employers and skills development facilitators (SDFs) of all participating companies.

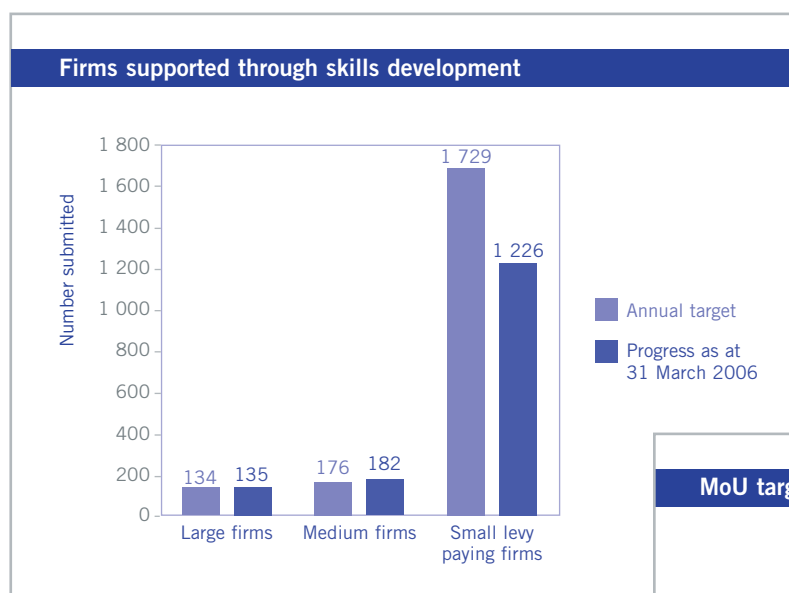
Province	No companies involved
Gauteng	18
KwaZulu Natal	14
Western Cape	9
National distribution	7
Eastern Cape	6
North West	6
Mpumalanga	5
Limpopo	2
Free State	1

Still operating successfully under the learnerships banner was the SA Host customer care programme, which continues to be in demand from service-oriented businesses of every description across the country. Towards the end of the year, nine regional trainers were appointed to deliver the programme. Since SA Host was launched in 2001, more than 16 500 people have been trained.



### NSDS targets

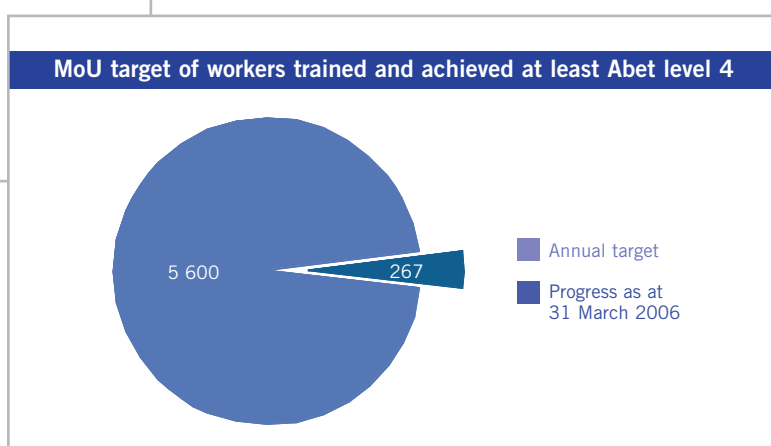
Theta performed well against the NSDS objectives contained in its service level agreement (SLA) with DoL, exceeding many of its targets. A complete performance table is presented as addendum 1.



<b>Success indicator</b>	Employment equity targets supported
<b>Seta target</b>	134 large and 176 medium firms
<b>Performance</b>	135 and 182

<b>Success indicator</b>	Skills development support for small levy payers
<b>Seta target</b>	1 729
<b>Performance</b>	1 226

The trend to over-performance can be explained by the natural progression towards achieving a five-year target - a low target is set for the first year when the infrastructure and systems have to be implemented and learners brought on board. The target increases in the second year, peaks in the third, returns to second year level in year four and tapers off in the final year. Exceeding targets off this low base enables the Seta to build up a buffer against the higher, more demanding targets of the years to come.



On the other side of the scale are targets not met. There are clear reasons for this underachievement.

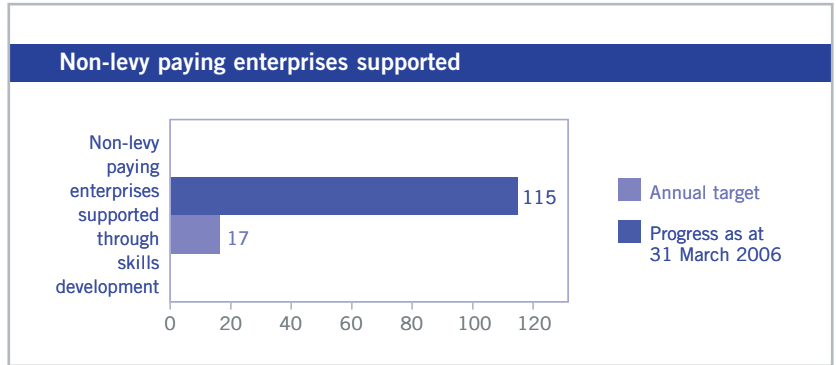
<b>Success indicator</b>	Enrolment of unemployed people on learnerships
<b>Seta target</b>	1 175 enrolled
<b>Performance</b>	1 546

<b>Success indicator</b>	Learnership enrolments
<b>Seta target</b>	1 175 learners enrolled on learnerships
<b>Performance</b>	8 588

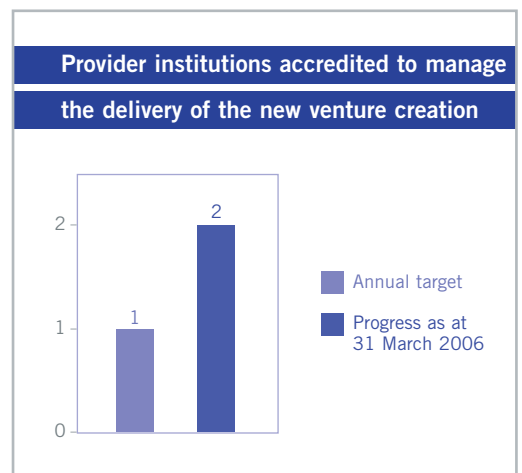
<b>Success indicator</b>	Learnerships completed
<b>Seta target</b>	588
<b>Performance</b>	3 657

# Report

<b>Success indicator</b>	Skills development support for NGOs, CBOs and cooperatives
<b>Seta target</b>	17
<b>Performance</b>	115



<b>Success indicator</b>	New venture creation providers accredited
<b>Seta target</b>	1
<b>Performance</b>	2



The target for support of small levy paying companies was set before the announcement of the R500 000 threshold for levy payers, thus many of the targeted businesses no longer had to pay the levy and consequently moved outside the scope of the objective.

The threshold also affected performance on Abet, which was incentivised by discretionary grants. When the levy threshold was increased, the smaller companies, which are among the most needy in terms of Abet, no longer needed to contract an SDF to submit online WSPs and annual training reports (ATRs), both preconditions for claiming discretionary grants. As registered SDFs are the only people authorised to use the system, access to discretionary funds fell away for smaller companies. The skills development department has noted this and has recommended to the board that in future, companies register with Theta according to sector relevance rather than levy, so as to access the benefits of discretionary grant funded Abet and other initiatives.

## Projects

Projects remain a key component of Theta's skills development mix, and R25-million was earmarked for 2005/6 to address specific needs across the five sub-sectors and enable the Seta to meet the final targets of the NSDS for 2001 – 5. This amount translated into R5-million each for the five chambers, namely tourism and travel services, hospitality, gaming, conservation and tourist guiding, and sport, recreation and fitness.

### Skills development advisers

This project, whereby advisers were contracted to assist smaller companies with their skills development responsibilities, reached about 2 125 companies that would have otherwise found it difficult to get into the skills development loop. The initiative brought in 157 more WSPs. The SDAs also assisted in conducting site visits to verify skills development implementation and in gathering data on scarce and critical skills for the SSP.

With the new funding regulations, the nature of the project changed. However, Theta did not lose the expertise of the 19 advisers – more than 60% of the consultants moved to the ETQA department to assist with programme evaluation.

### Service provider capacity building

A total of R23,8-million was earmarked to build the capacity of 200 small providers and levy-paying employers wishing to offer training. The programme, launched in August 2005 and running until July 2006, explores Theta accreditation procedures, learning material design, quality management, assessment and moderation, and coaching and mentoring.

**Several additional projects were implemented, taking the total investment to R48-million, as follows:**

Service provider capacity	R23,8m
Racing and Equestrian Academy	R1,5m
Casino short courses	R2,3m
Event management	R1,4m
Taverner support	R5m
Foreign languages	R2,7m
Computer literacy	R2,1m
Management development	R6,7m
Fitness learnership	R2,5m



### Racing and Equestrian Academy access project

This R1,5-million project put 26 grooms through Abet and upskilled 12 apprentice jockeys in its initial phase, which concentrated on the Western Cape and KwaZulu Natal. Towards year-end, it was announced that the project would be extended for two years and would expand into Gauteng, with funding of R1,5-million each from Theta and a partnership between Phumelela Gaming and Leisure and Gold Circle Racing.

### Casino short courses

Courses were delivered to 2 142 gaming industry employees (86,88% black, 47,53% female and 0,47% disabled) between September and December 2005. Nine casino groups participated in the R2,3-million project, which set out to improve operations skills in the gaming industry.

Provincial breakdown: casino short course		
<b>Total learners</b>	<b>2 142</b>	<b>100%</b>
Eastern Cape	197	9,2%
Free State	150	7%
Gauteng	802	37,4%
KwaZulu Natal	288	13,4%
Limpopo	173	8,1%
Mpumalanga	127	5,9%
North West Province	148	7%
Western Cape	42	2%
Various	215	10%

## Event management

Some 60 learners (97% black, 57% female and 2% disabled) who had previously graduated from a Theta hospitality learnership were enrolled in November 2005 for a year-long learnership in event support. The project, valued at R1,4-million, will provide the beneficiaries with employable skills and appropriate workplace experience in the meetings, incentives, conferences and exhibitions (Mice) industry.

## Taverner support

Theta contributed R5-million to a taverner development project spearheaded by SA Breweries. The initiative is aimed at enhancing the professionalism of 5 000 taverners and enabling them to play a more meaningful role in tourism development.

## Foreign languages

A response to the findings of SA Tourism's global competitive study, this R2,7-million project is teaching German and French to emerging tourist guides (85% black, 15% white). In so doing, it is assisting in the transformation of tourist guiding and in the tourism sector's preparations for 2010.

By year-end, 134 learners of a targeted 200 were involved in the project, which started in May 2005 and will be completed in July 2006.



<b>Mpumalanga</b>	Kruger Park	German	12
	Nelspruit	German	9
<b>Eastern Cape</b>	East London	German	25
	Umtata	French	10
	Port Elizabeth	German	14
		French	12
<b>Limpopo</b>	Bela Bela	French	13
	Phalaborwa	French	7
		German	7
	Polokwane	French	13
		German	12
<b>Total</b>			<b>134</b>

## Computer literacy

This 12-month, R2,1-million project closed in March 2006, having taken 1 471 employees in the travel and tourism services, hospitality, and sport, recreation and fitness sub-sectors through basic computer training. Each learner attended an average of three modules, resulting in a total of 2 825 interventions. The number of learners on non-assessment courses was 823.

## Management development

As Theta's flagship project for 2005/6, this R6,7-million initiative boosted the management capacity of 411 black managers in the travel and tourism services (140 learners), hospitality (135 learners), and sport, recreation and fitness (160 learners) sub-sectors.

## Sport facility management

From June to December 2005, 68 learners completed the programme at the University of Pretoria. It sought to enhance the standard of sport facility management for 2010 and beyond.

## Fitness learnership

Virgin Active and Planet Fitness welcomed the opportunity to participate in this, the first learnership implemented in the fitness industry. They enrolled 40 and 20 learners respectively of a group



comprising 43 unemployed persons and 17 employees. The R2,5-million programme, which will culminate in a National Certificate in Fitness on NQF level 5, was crafted to address the fitness regulations, which form part of the Sport and Recreation Amendment Bill.

#### **Investors in People**

The Compass Group, part of the pilot group, became the first organisation in the tourism sector to achieve the IIP standard and retained it on subsequent review. The second standard in the sector went to the Marine Hotel in Hermanus. Theta supported these and other companies in IIP implementation through a scheme that funded 50% of the assessment costs to a maximum of R10 000 for each participating organisation.

Towards the end of the year under review, Theta launched a number of innovative projects in line with the new-era NSDS for 2005 – 10.

#### **Agritourism**

This initiative will fund training to address skills gaps in the tourism aspect of agritourism and promote rural tour experiences as complementary to culture and adventure tourism.

The project, which will cover the 21 presidential nodal areas, will educate rural communities about the role of tourism in local economic development, provide subsistence operators with business skills, and establish partnerships between regional and local agritourism training providers.

Launched in January 2006 and running until December 2006, the initiative will benefit 225 young tourism operators in excursions such as flyfishing, river rafting, birdwatching and hiking. A further 225 guesthouse operators, primarily female, will be given business management skills. Some 500 community leaders and CBOs will be capacitated in tourism/economic development and in hosting organised tour groups.

#### **New venture creation**

Fifty-five young people will be given the skills and knowledge to establish businesses in the tourism sector, through the venture creation learnership on NQF 4 registered by Services Seta.

Candidate selection is limited to learners who have successfully completed Theta's National Certificate in Tourism: Event Support on NQF 4. The programme will run to April 2007.

#### **Sports coach development**

More than 380 current and aspirant coaches from various sports codes will be equipped with skills on the methodologies of sports training within the NQF framework. The project intends to build capacity and enhance skills and knowledge in preparation for 2010 and future international events.

#### **Catering SMMEs**

The project, in conjunction with the Restaurant and Food Service Association of SA (Catra), built capacity among SMMEs in the various acts that govern the hospitality industry, with a view to enhancing the services they provide to the industry.

## Report

A total of 1 000 managers and employers were trained by 31 March 2006.

### First aid

The programme equipped 120 tourist guides with first aid training that allowed them to meet the requirements of the Tourism Amendment Act and become fully fledged site guides in their areas of expertise. The training was completed in March 2006.

### The future

The skills development department has committed itself to continuous realignment of internal business processes and systems to maximise the effectiveness of its activities. Capacity building of SDFs and employers on WSPs, learnerships and skills programmes will continue in the interests of enhancing the efficacy of skills development interventions.

Critical and scarce skills will be identified through the skills audit and prioritised through communication or projects.

Other focus areas include streamlining of learnership rollout, increasing the efficiency of Theta support and tracking trends, consolidation of projects undertaken and ongoing communication with stakeholders.

Partnerships will be sought with like-minded organisations to deliver a high-quality service.



### ETQA

The ETQA department recorded great success in 2005/6 in satisfying the regulations that govern its operations. These requirements are laid down in the regulations under the South African Qualifications Authority Act 1995 and are monitored by SAQA, the governing body for ETQAs. The primary duties of ETQAs are, inter alia, accreditation of training providers, monitoring provision, registering assessors and moderators, and certificating learners. Details of Theta's performance against the each of the regulations appears as addendum 2.

A highlight was Theta's reaccreditation as an ETQA until 2009, signifying SAQA's satisfaction with the Seta's systems, processes and procedures. The secure hologram on Theta's certificates was lauded as an example of best practice, and monitoring and auditing functions were deemed very good.

The department maintained the momentum of the previous year, during which considerable progress was made particularly in accreditation and certification. This year, 85 accreditations were awarded and the registered assessor and moderator databases grew to 389 and 110 respectively. These databases were thoroughly checked and several individuals deregistered for not meeting the legal requirements in terms of ASSMT 1 and 2 qualifications.

The year under review's achievements were recorded in spite of insufficient departmental capacity, which affected the department's ability to conduct long-term provider capacity building, remain on top of the volumes of programmes submitted for evaluation, and continuously conduct external





moderations to validate assessments. The fact that full time staff were required to spend time away from the office to conduct site verifications exacerbated the situation.

Corrupt data dating back to the Hospitality Industries Training Board era hampered the certification of pre-2003 learners, whilst the absence of a central Theta quality management system is a constraint to cooperation with bodies appointed to moderate across ETQAs. Nevertheless, 19 074 certificates were issued and the turnaround time for certification has been reduced to between 30 and 60 days. Work to clear the remaining backlog will be a priority in 2006/7. In the next year too, providers will upload their own learner information, which will enhance data accuracy.

Work on the new qualifications framework continued, to create a framework that will encompass many industries not serviced by the previous framework and ensure the relevance and quality of qualifications and skills programmes to enhance provision in Theta's primary focus areas. By year end, most of the existing qualifications had been revised and submitted to SAQA for registration. Several new qualifications were being developed across all Theta chambers. A website – [www.thetaonline.org.za](http://www.thetaonline.org.za) – was created to gather stakeholder input and recommendations on the framework.

A study visit by the Mauritian Qualifications Authority, organised by SAQA, was a valuable benchmarking opportunity. Theta presented its quality process and information was shared on the qualifications framework.

The ETQA team remains committed to provider capacity building - with the boost provided by the provider support project - provider verification and learner certification. During the year, the team assisted providers applying for recognition of prior learning (RPL) for their learners. The Theta management information system accommodates qualifications achieved through RPL.

The Seta established links with further education and training (FET) institutions through memoranda of understanding (MoUs), which facilitate the institutions' involvement in learnerships and their monitoring by the ETQA division.

# Report of the audit committee

for the year ended 31 March 2006

The report of the audit committee has been prepared in accordance with treasury regulations for public entities 27.1.7 and 27.1.10 (b) and (c) issued in terms of the Public Finance Management Act 1 of 1999, as amended by Act 29 of 1999.

We are pleased to present our report for the financial year ended 31 March 2006.

## Audit committee members and attendance

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

### Summary of meetings attended per member:

Name	24 May 2005	15 July 2005	16 February 2006
J Maqhekeni	Attended	Attended	Attended
JL Davis	Attended	Attended	Attended
N Parbhoo	Attended	Apologies	Attended
M Speed	Apologies	Attended	Apologies

## Audit committee responsibility

The audit committee reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

## The effectiveness of internal control

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with PFMA and King II Report on Corporate Governance requirements, the internal audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This has been achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

Based on the discussion above we believe that the system of internal controls was effective during the year under review. This is also supported by the various reports of the internal auditor and the final audit report from the Auditor-General.

## Evaluation of financial statements

The audit committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General and the accounting officer.
- Reviewed the Auditor-General's management letter and the management's report thereto.
- Reviewed significant adjustments resulting from the audit.

The audit committee concurs with and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



Joseph Maqhekeni  
Chairperson of the audit committee

31 July 2006

# Report of the Auditor-General

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE TOURISM, HOSPITALITY AND SPORT EDUCATION AND TRAINING AUTHORITY (THETA) FOR THE YEAR ENDED 31 MARCH 2006.

### 1. AUDIT ASSIGNMENT

The financial statements as set out on pages 19 to 48, 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 National Treasury, as described in note 1 to the financial statements.

### 4. AUDIT OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of Theta at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the basis of accounting determined by National Treasury of South Africa, as described in note 1 to the financial statements, and in the manner required by the Public Finance Management Act (Act no 1 of 1999).

### 5. EMPHASIS OF MATTER

Without qualifying the report, attention is drawn to the following matter:

#### 5.1 Special investigation

Due to inadequate procurement processes, allegations of financial misconduct and breaching of corporate governance, a forensic audit was performed. The forensic investigation on procurement at Theta was conducted in October 2005 and covered the previous accounting period. In summary the following was found:

- Theta did not have an approved supply chain management system in terms of Treasury Regulation 16A for the period under review.
- Adequate procurement processes were not followed when awarding a contract of R14 million to a supplier relating to the Intac project.
- The tender committee members did not disclose any direct or indirect interest in terms of section 50(3)(a) of the PFMA.
- Theta did not manage the project efficiently as payments were made to the supplier even though the supplier did not adequately deliver on the project deliverables.

In February 2006, the Department of Labour handed over the report to the board of Theta to act on the findings. The board has recommended corrective action, which has been implemented subsequent to year-end. I will evaluate the effectiveness of these controls and report on this in my next report.

## 6. APPRECIATION

The assistance rendered by the staff of Theta during the audit is sincerely appreciated.



N Manik *for* Auditor-General

Pretoria

29 July 2006



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

# Report of the accounting authority

for the year ended 31 March 2006

## Introduction

Theta is a schedule 3a listed public entity established in terms of an act of parliament and that receives funds through national legislation. Theta is the Seta established under the Skills Development Act 1998 (Act no 97 of 1998) for the tourism, hospitality and sport economic sector.

The main function of a Seta is to contribute to the raising of skills and to bring skills to the employed, or those wanting to be employed. It has to do this by ensuring that people learn skills that are needed by employers and communities. There is no value in training people if they cannot use the skills they have learnt. Training and skills development are important for people of all ages, especially those starting their first jobs. The skills of people already in jobs must also be enhanced.

Training must meet agreed standards with a national framework, wherever possible. The qualifications awarded should be acceptable across the country. It is not ideal for one employer to increase the skills of his/her staff if another employer does not recognise these skills. All training should be subject to quality control and in line with the best international standards.

To achieve these objectives Theta must:

- develop a sector skills plan
- implement the sector skills plan
- develop and administer learnerships
- support the implementation of the National Qualifications Framework
- undertake quality assurance
- disburse levies collected from employers in its sector
- report to the minister and to SAQA

## Scope

Theta conducts its activities within the tourism, hospitality and sport economic sector, which comprises the following sub-sectors:

- tourism and travel services
- hospitality
- gambling and lotteries
- conservation and guiding
- sport, recreation and fitness

## Objectives

In terms of its constitution, Theta aims to:

- encourage employers in the sector to train their employees, provide opportunities for work experience and employ new staff
- encourage workers to participate in learnerships and other training programmes
- improve the employment prospects of disadvantaged people
- ensure the quality of education and training in and for sector workplaces
- assist work seekers to find work and employers to find qualified employees
- encourage providers to deliver education and training in and for sector workplaces
- cooperate with SAQA

## Functions and duties

To achieve its objectives, Theta must carry out a range of functions and duties. Its operations focus on:

- performing its statutory obligations
- providing excellent, responsive skills development services to the sector in general and its constituent employers and employees in particular

To do this Theta should:

- develop sector skills plans in the framework of the National Skills Development Strategy
- develop annual business plans and budgets to regulate its operations
- implement its sector skills plans by establishing learnerships, approving workplace skills plans and allocating grants to employers, providers and workers

## *Report of the accounting authority*

for the year ended 31 March 2006

- monitor education and training provision
- promote learnerships and register learnership agreements
- perform the functions of an ETQA body
- receive or collect skills development levies and disburse them in terms of the Skills Development Act
- report to the Director-General on its operations and achievements
- cooperate with the National Skills Authority and other Setas on skills development policy and strategy, and on inter-sectoral education and training provision
- cooperate with employment services and education bodies to improve information about employment opportunities
- appoint staff necessary for the performance of its functions
- promote and facilitate education and training provision for small, micro and medium enterprises and their employees in the sector.

### **Vision**

Our people skilled for a sustainable future

### **Mission**

Facilitate the achievement of excellent standards and growth through the development and recognition of people

### **Authority as a legal entity**

The Minister of Labour has, in terms of section 9 of the Skills Development Act, established the Tourism, Hospitality and Sport Education and Training Authority and has, in terms of section 13(1), approved its constitution on 20 March 2000. The revised constitution is currently awaiting approval by the minister and will be implemented in the following year.

Theta is, in terms of section 48 read with section 1 of the PFMA, regarded as a 'national public entity', being an entity that:

- is established in terms of national legislation (Act no 97 of 1998);
- operates a system of financial administration separate from national government;
- is substantially funded from levies imposed in terms of national legislation; and
- is accountable to parliament.

### **Accounting authority**

The board is, in terms of section 49(2)(a) of the PFMA, the accounting authority for Theta and is accountable for the purposes of that Act.

The accounting authority shall, in terms of section 50 of the PFMA, have the following fiduciary duties to ensure reasonable protection of the assets and records of Theta:

- act with fidelity, honesty, integrity and in the best interest of Theta in managing its financial affairs;
- on request, disclose to the minister all material facts, including those reasonably discoverable, which in any way may influence the decisions or actions of the minister; and
- prevent any prejudice to the financial interests of the state.

In terms of section 51 of the PFMA, Theta must ensure that it has and maintains:

- effective, efficient and transparent systems of financial and risk management and internal control;
- a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with prescribed regulations and instructions; and
- an appropriate procurement and provisioning system that is fair, equitable, transparent, competitive and cost effective;

Theta must take effective and appropriate steps to:

- collect all revenue due to it;
- prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with its operational policies, and
- manage available working capital efficiently and economically.

Further, Theta must:

- safeguard its assets and manage its revenue, expenditure and liabilities;
- comply with any tax, levy, duty, pension and audit commitments as required by legislation;
- take effective and appropriate disciplinary steps against any employee of Theta who commits an act of financial misconduct in terms of section 83 of the PFMA;
- submit all reports, returns, notices and other information to Parliament and to the Minister of Finance, as may be required by the PFMA, and
- comply, and ensure compliance by Theta, with the provisions of the PFMA, treasury regulations, the Skills Development Act, the Skills Development Levies Act and any other applicable legislation.

### **Applicable prescripts**

- Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)
- Skills Development Act, 1998 (Act No. 97 of 1998)
- Skills Development Levies Act, 1999 (Act No. 9 of 1999)
- South African Qualifications Authority Act, 1995 (Act No. 58 of 1995)
- Education and Training Quality Assurance Bodies Regulations, 1998 (Gnr 1127 of 8 September 1998)
- Labour Relations Act, 1995 (Act No. 66 of 1995)
- Employment Equity Act, 1998 (Act No. 55 of 1998)
- Occupational Health and Safety Act, 1993 (Act No. 85 of 1993)
- The Public Finance Management Act, 1999 (Act No. 1 of 1999)
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)

### **General review of the state of financial affairs**

Theta finds itself in a much stronger financial position than in the previous year: levy income increased by 2,17% from R96,7 million to R98,8 million. The expected decrease in levy income due to the SMME exclusion from September 2005 failed to materialise, due mainly to the increase in level of payroll of levy paying employers and the entry of new players in the sector.

Total administration expenses decreased from R17 million to R12,7 million. This can be attributed to the endeavours of the chief executive officer and his team to cut costs and ensure control over the administrative expenditure of the organisation.

During the past financial year the CEO and his team instituted major re-engineering and restructuring of the organisation, which resulted in a dramatic saving in outside consulting fees and other administration expenses. This, coupled with the stability of and continuity in the CEO position, streamlined operational and financial activities and resulted in a major cost cut in expenses to maintain and produce financial reporting abilities and operational capabilities.

The increase of 59,4% in employer grant, discretionary grant and discretionary project disbursements (from R79,9 million to R127,4 million) clearly demonstrates the improved service delivery capacity achieved by Theta during this financial year. Theta aims to increase this capacity in the following five years. Spending relating to internal projects increased from R30 million to R60,2 million due to the effective launch of 10 new projects and management of 25 other projects. Learnership and other discretionary grants of R13 million (2005: R0) were paid during this year and a detailed four year plan to encourage Aids and Abet training by all employers will be launched during the following financial year.

The delays in the past in processing and reconciling levy income and grant payments (done manually) has, through the re-engineering process, been automated to expedite the initial capturing and reconciling of income and payments. This will further enhance Theta's ability to achieve its set targets and levels of service delivery. The two to three month delay between employer payments and Theta's receipt of levies is still creating problems, especially with the ability of SARS to correct mistakes retrospectively.

As discussed in note 16.1 to the annual financial statements, there is a contingent liability of approximately R2,5 million in losses and R800 000 in future legal costs exists in the form of ongoing legal cases against Theta.

**Report of the accounting authority**

for the year ended 31 March 2006

**Corporate governance arrangements**

Theta is committed to the objectives and principles of transparency, accountability and integrity explained in the King Code of Corporate Governance. A detailed discussion of the application and results of corporate governance in the organisation is included in the CEO's report.

Full disclosure of risk items and policies is discussed in note 20 to the annual financial statements. Disclosure of all conflicts of interest and contracts with related parties appears in note 22.

During this financial year, management initiated a fraud prevention policy and code of conduct, which were approved by the executive authority and are implemented on an ongoing basis. The supply chain management framework was completed and implemented during this financial year to ensure an effective and transparent procurement process.

**Disclosure of remuneration**

Name	Designation	Basic salary	Total allowances	Allowances	Travel and accommodation	Bonus	Social contribution	Leave	2006 R Total	2005 R Total
M Tsotetsi	Chief executive officer	514 833	85 561		6 859	55 731	37 226		700 210	615 908
L Whateley	ETQA manager	349 090	47 649			21 442	37 624		455 805	430 212
H Grobler	Chief financial officer resigned 31/10/05	260 777	73 310				639	2 198	336 924	252 042
BJ Keet	Acting chief financial officer appointed 15/11/05	215 850							215 850	
O Mjo	Skills development manager: resigned 31/05/05	59 116	6 879				6 403	24 310	96 708	429 365
W Chuene	Skills development manager	266 135	110 211		994	21 442	31 817		430 599	
T Matjabe	Learnership manager: resigned 11/11/05	187 457	22 245				21 286	21 568	252 556	
P Karuthasen	Project office	388 343				21 442	40 372		450 157	259 502
A Lawrance	*			600	269				869	3 600
B Magqaza	*			14 400	3 394				17 794	23 400
B Ward	*			4 200	373				4 573	3 600
CA Cairns	*			5 400					5 400	9 000
C Johnson	Vice chair: acc authority			9 907	33 208				43 115	22 200
J Maqhekeni	Chair: audit committee			10 600	7 958				18 558	12 800
L Reddy	*			11 700	31 881				43 581	15 600
L Tyikwe	*			6 000	1 615				7 615	8 400
MS Bayat	*			5 400	54 211				59 611	9 000
T Mahlangu	Chair: accounting authority			18 400	18 264				36 664	45 000
P Sito	*			4 800	680				5 480	
P Cumberlege	*			4 800					4 800	3 600
P Kirchhoff	*			3 000	505				3 505	
M de Witt	*			1 800	766				2 566	
G Sam	*			6 600					6 600	600
JL Davis	Member: audit committee			4 000	50				4 050	
MS Pila	*			1 800	3 232				5 032	
		<b>2 241 601</b>	<b>345 855</b>	<b>113 407</b>	<b>164 258</b>	<b>120 057</b>	<b>175 367</b>	<b>48 076</b>	<b>3 208 621</b>	<b>2 143 829</b>

\* Members: accounting authority



## Audit committee

The audit committee meets regularly and ensures that management adheres to internal control and accounting policies and procedures. During the year PriceWaterhouseCoopers (PWC) was appointed to assess internal control procedures and their application in the organisation. This is an ongoing process and will eventually ensure the effective implementation of internal audit, control procedures and management adherence thereto. PWC's contract ended at the reporting date and BDO Spence/Gobodo has been appointed the organisation's internal audit firm for the following three years.

The audit committee has adopted formal terms of reference and the committee is satisfied that its responsibilities for the year were in compliance with its terms of reference (refer to the report of the audit committee on page 16).

## New activities

New approved and ongoing internal projects are discussed and disclosed in note 17.1 to the annual financial statements. An additional amount of R84 million allocated to these projects was approved by the executive authority. Some R73,2 million was used during this financial year and R106,8 million was carried forward to the following financial year. The ongoing projects are financed from surplus funds and income received during previous financial periods, therefore no financial implications will result from new and ongoing projects.

## Events after the reporting date

No event occurred subsequent to the financial year end that affects the financial report and that the accounting authority considers significant.

## Quarterly reporting

The PFMA requires that the accounting officer, within 30 days of the end of each quarter, submits the following information to the executive authority:

- Actual revenue and expenditure;
- Extent of compliance with the PFMA and regulations;
- Performance reports against preset targets.

The accounting authority can report that all the abovementioned quarterly reports were submitted to the executive authority within the deadline.

## Special investigation into procurement

During the year under review the Auditor-General completed an investigation into procurement practices. The Auditor-General's report was provided to Theta and Theta has considered and acted on the report. Theta provided the outcome of its deliberations on the report to the Auditor-General and the Department of Labour.

## Statement of responsibility

The financial statements presented on pages 19 to 48 have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the requirements of the Department of Labour, where practical, and include amounts based on judgements and estimates made by management. The board also prepared the other information included in the annual report and is responsible for both its accuracy and consistency with the financial statements.

The going concern basis was adopted when preparing the financial statements. The board has no reason to believe that Theta will not be a going concern in the foreseeable future based on forecasts and available cash resources. The financial statements support the viability of Theta.

The financial statements have been audited by the Auditor-General, whose office was given unrestricted access to all financial records and related data, including minutes of board and committee meetings. The board believes that all representations made to the Auditor-General during its audit were valid and appreciated.

The financial statements were approved by the board on 24 May 2006 and signed on its behalf by:



**Thabo Mahlangu**  
Chairperson of the board



**Mike Tsotetsi**  
Chief executive officer

**Statement of financial performance**

for the year ended 31 March 2006

	Note	2006 R'000	Restated 2005 R'000
<b>REVENUE</b>			
<b>Non-exchange revenue</b>		<b>117 697</b>	161 116
Skills development levy: income	3	98 762	96 731
Skills development levy: penalties and interest		1 423	1 143
National Skills Fund and donor funding	13	17 512	63 242
<b>Exchange revenue</b>		<b>10 759</b>	10 169
Investment income	4	10 698	9 720
Other income	5	61	449
<b>Total revenue</b>		<b>128 456</b>	171 285
<b>EXPENSES</b>			
Employer grant and project expenses	6	(127 409)	(79 929)
Administration expenses	7	(12 758)	(16 978)
National Skills Fund and donor expenditure	13	(17 512)	(62 107)
<b>Total expenses</b>		<b>(157 679)</b>	(159 014)
<b>NET (DEFICIT)/SURPLUS FOR THE YEAR</b>		<b>(29 223)</b>	12 271

**Statement of financial position**

as at 31 March 2006

	Note	2006 R'000	Restated 2005 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	768	571
		<u>768</u>	<u>571</u>
<b>Current assets</b>			
Prepayments and advances	9	62	95
Trade and other receivables from non-exchange transactions	10	17 370	16 242
Cash and cash equivalents	11	141 935	199 160
<b>Total current assets</b>		<u>159 367</u>	<u>215 497</u>
<b>Total assets</b>		<u>160 135</u>	<u>216 068</u>
<b>Net assets and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	12.1	5 421	4 769
Grants and transfers payable from non-exchange transactions	12.2	17 891	15 031
VAT payable		–	1 752
National Skills Fund and donor funding received in advance	13	4 971	24 489
<b>Provisions</b>	14	391	9 343
– Exchange transactions		391	5 698
– Non-exchange transactions		–	3 645
<b>Total current liabilities</b>		<u>28 674</u>	<u>55 384</u>
<b>NET ASSETS</b>		<u>131 461</u>	<u>160 684</u>
<b>Net assets</b>			
Administration reserve		(19 627)	(20 045)
Employer grant reserve		2 230	77 347
Discretionary reserve		148 858	103 382
<b>TOTAL NET ASSETS</b>		<u>131 461</u>	<u>160 684</u>

**Statement of changes in net assets**

for the year ended 31 March 2006

		R'000 Administration reserve	R'000 Employer grant reserve	R'000 Discretionary reserve	R'000 Accumulated deficit	R'000 Total
<b>Balance at 1 April 2004</b>		(13 786)	113 277	48 922	–	148 413
Net surplus for the year		–	–	–	12 271	12 271
As previously stated		–	–	–	12 784	–
Prior period error		–	–	–	(513)	–
Allocation of accumulated surplus	2	(6 259)	23 791	(5 261)	12 271	–
Excess transferred to discretionary		–	(59 721)	59 721	–	–
<b>Balance at 31 March 2005</b>		(20 045)	77 347	103 382	–	160 684
As previously stated		(19 532)	77 347	103 382	–	161 197
Prior period error		(513)	–	–	–	(513)
Allocation of accumulated deficit	2	418	7 371	(37 012)	29 223	–
Net deficit for the year		–	–	–	(29 223)	(29 223)
Excess transferred to discretionary		–	(82 488)	82 488	–	–
<b>Balance at 31 March 2006</b>		<b>19 627</b>	<b>2 230</b>	<b>148 858</b>	<b>–</b>	<b>131 461</b>

In accordance with the prescribes of Generally Recognised Accounting Practices (GRAP) the statement of changes in net assets is stated on the accrual basis. It must be noted that this could be non-compliance with the Skills Development Act regulations.

Theta annual financial statements  
**Cash flow statement**

for the year ended 31 March 2006

	Note	2006 R'000	Restated 2005 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Operating activities</b>			
<b>Cash receipts from stakeholders</b>		<b>99 835</b>	102 980
Levies received		<b>97 621</b>	101 237
Interest and penalties		<b>1 423</b>	1 143
Other income		<b>15</b>	1 375
VAT received		<b>776</b>	(775)
<b>Cash paid to stakeholders, suppliers and employees</b>		<b>(165 730)</b>	(148 499)
Grants and project payments		<b>(64 888)</b>	(36 766)
Discretionary grants and project expenses		<b>(60 173)</b>	(29 950)
Special projects expenses		<b>(20 133)</b>	(68 854)
Compensation of employees		<b>(7 124)</b>	(6 735)
Payments to suppliers and other		<b>(10 884)</b>	(7 995)
VAT paid		<b>(2 528)</b>	1 800
<b>Cash utilised in operations</b>	15	<b>(65 895)</b>	(45 520)
<b>Interest received</b>		<b>10 698</b>	10 468
Net cash (outflow) from operating activities		<b>(55 197)</b>	(35 052)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	8	<b>(92)</b>	(406)
Proceeds from disposal of property, plant and equipment		<b>179</b>	45
<b>Net cash inflow/(outflow) from investing activities</b>		<b>87</b>	(361)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Grants, transfers and funds received		<b>(2 115)</b>	64 399
Repayment of borrowings/loans		–	(44)
<b>Net cash inflow from financing activities</b>		<b>(2 115)</b>	64 355
<b>Net increase in cash and cash equivalents</b>		<b>(57 225)</b>	28 942
<b>Cash and cash equivalents at beginning of year</b>	11	<b>199 160</b>	170 218
<b>Cash and cash equivalents at end of year</b>	11	<b>141 935</b>	199 160

# Notes to the annual financial statements

for the year ended 31 March 2006

## 1 Accounting policies

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

### Standards of GRAP

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

### Standards of GAAP

AC101: Presentation of financial statements  
 AC118: Cash flow statements  
 AC103: Accounting policies, changes in accounting estimates and errors.

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

Terminology differences:

### Standard of GRAP

Statement of financial performance  
 Statement of financial position  
 Statement of changes in net assets  
 Net assets  
 Surplus/deficit for the period  
 Accumulated surplus/deficit  
 Reporting date

### Replaced Statements of GAAP

Income statement  
 Balance sheet  
 Statement of changes in equity  
 Equity  
 Profit/loss for the period  
 Retained earnings  
 Balance sheet date

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

The following information must be presented separately in the statement of financial position:

- Receivables from non-exchange transactions including taxes and transfers;
- Taxes and transfers payable;
- Trade and other payables from non-exchange transactions.

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

Paragraphs 11-15 of GRAP 1, requiring report against approved budgets, have not been implemented as the budget reporting standards are in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of financial statements, non-disclosure will not affect fair presentation.

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, except as otherwise indicated.

### 1.1 Basis of preparation

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

### 1.2 Currency

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

### **1.3 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. Items included in the financial statements of the entity are measured using the currency of the primary economic environment in which the entity operates.

#### **1.3.1 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 is based on extrapolation of historical data and other external confirmation where possible. Changes to prior year estimates are accounted for as 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 some employers that are in excess of the amount the Seta is permitted to have refunded the particular employer. A receivable relating to the overpayment to an employer in earlier periods is raised at the amount of such grant overpayment, net of bad debts and provision for irrecoverable amounts.

From 1 August 2005 employers with a wage/salary bill of less than R500 000 per annum were excluded from paying the 1% skills levy. Some employers continued contributing the levy payments, and as the Skills Development Levies Act makes provision for the repayment of levies not due, the entity provides for these levies received as a creditor. This estimate is calculated using a yearly average to ascertain employers who should be exempted from paying levies.

SARS provides Theta with outstanding levy debtors at reporting date. This data is reconciled with actual levy income and outstanding amounts are provided for as a levy debtor.

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

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

#### **1.3.2 Interest and penalties**

Interest and penalties on the skills development levy are recognised when accrued based on the amount received.

#### **1.3.3 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, then the liability is extinguished and the revenue recognised.

**Notes to the annual financial statements** *continued**for the year ended 31 March 2006*

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 can however be disposed of subject only to agreement and specific written instructions from the NSF.

**1.3.4 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 they are intended to compensate. Unconditional grants received are recognised when the amounts have been received.

**1.3.5 Investment income**

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

**1.4 Grants and project expenditure**

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

**1.4.1 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. The grant is equivalent to 50% (2005: 15% and 45%) of the total levies paid by the employer during the corresponding financial period.

**1.4.2 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 and the conditions are complied with.

**1.4.3 Discretionary grant project expenditure**

Project expenditure comprises:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the project;
- general costs for the use of facilities and other services rendered to or on behalf of 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.

**1.5 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,
- the Preferential Procurement Policy Framework Act



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

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

## 1.6 Property, plant and equipment

Theta now reviews the estimated useful life and residual value of all property, plant and equipment annually and accounts for any resulting changes as a change in accounting estimate. As these estimates were not reviewed after initial recognition in the past, the accumulated depreciation was recalculated in line with the policy of annual review as stated above.

The basis of depreciation to be provided on property, plant and equipment is as follows:

Computer equipment	4-16 years
Office furniture and equipment	5-18 years
Motor vehicles	11 years

The estimated useful life of the assets is limited to the remaining period of the licence issued to the Seta by the Minister of Labour. For the current year the remaining period is 4 years (2005: 5 years).

The residual value and useful lives of all assets are reviewed, and adjusted if appropriate, at each reporting date. The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of financial performance. All repairs and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred

### 1.6.1 Impairment

At each year end, the entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered impairment. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment losses are recognised as an expense immediately. Management is of the opinion that there was no indication of impairment of assets for the year under review.

## 1.7 Leasing

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

Theta did not have any finance leases at the reporting date.

Payments made under operating leases are recognised in the statement of financial performance on a straight-line basis over the term of the lease. Past practice whereby operating lease payments were expensed on a payment basis, was based on an interpretation that considered the contractual payments basis as being most representative of the time pattern on the entity's benefit obtained from the leased property. Theta has since adopted the straight-line basis of accounting for fixed escalation lease payments.

## 1.8 Retirement benefit costs

### *Defined contribution plans*

Defined contribution plans are those where the entity pays fixed contributions into various defined contribution retirement plans, on behalf of employees, and recognises the contributions to the defined contribution pension plans when an

**Notes to the annual financial statements** *continued**for the year ended 31 March 2006*

employee has rendered services in exchange for these contributions. Contributions are recognised as an expenses in the statement of financial performance.

Theta has no liability to any defined contribution retirement plans.

**1.9 Provisions**

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

**1.9.1 Provision for employee entitlements**

The cost of other employee benefits (not recognised as retirement benefits - see note 1.8 above) is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date. Provisions included in the statement of financial position are provisions for leave (based on the current salary rates), bonuses and termination benefits.

Termination benefits are recognised and expensed only when the payment is made.

**1.9.2 Provisions for grants****Grant payments**

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

**1.9.3 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.

**1.10 Financial instruments****1.10.1 Recognition**

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

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

**1.10.2 Measurement**

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

**1.10.3 Financial assets**

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

**1.10.4 Accounts and other receivables**

Accounts and other receivables are measured at amortised cost, using the effective interest rate method, where considered applicable. Impairment losses are recognised in an allowance account where the carrying value exceeds the present value of estimated future cash flows discounted at the original effective interest rate.

#### **1.10.5 Cash and cash equivalents**

Cash and cash equivalents are measured at fair value.

#### **1.10.6 Financial liabilities**

Theta's principal financial liabilities are trade and other payables and are stated at nominal value.

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

#### **1.10.7 Gains and losses on subsequent measurement**

Gains and losses arising from a change in the fair value of financial instruments are included in net profit or loss in the period in which they arise.

#### **1.10.8 Derecognition**

A financial asset or a portion thereof is derecognised when Theta realises the contractual rights to the benefits specified in the contract, the rights expire, or Theta 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 surplus or deficit 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 surplus or deficit for the period.

#### **10.10.9 Fair value considerations**

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

#### **1.10.10 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.

### **1.11. Net assets**

Net assets are sub-classified in the statement of financial position between the following funds and reserves:

- Administration reserve
- Employer grant reserve
- Discretionary reserve
- Accumulated 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:

**Notes to the annual financial statements** *continued**for the year ended 31 March 2006*

	2006	2005
	%	%
Administration costs of the Seta	10	10
Employer grant fund levy	50	60
Mandatory workplace skills planning grant	50	15
Mandatory workplace skills implementation grant	–	45
Discretionary grants and projects	20	10
	<u>80</u>	<u>80</u>

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

Interest and penalties received from SARS as well as interest received on investments are utilised for discretionary grants and projects. Other income received is used for discretionary grants.

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

Surplus funds are moved to the discretionary fund reserve from the mandatory grant reserve of grant levies that have not been utilised by submission of a workplace skills plan by the deadline set in accordance with the regulations issued in terms of the Skills Development Act, 1998 (Act no 97 of 1998) and the excess after the provision for mandatory grants for the current year has been made.

**1.12 Comparative figures**

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

**1.13 Taxation**

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

**1.14 Value added taxation (VAT)**

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

All outstanding payments and receipts of VAT have been completed with SARS and Theta was deregistered as a VAT entity during the year under review.

## 2 ALLOCATION TO (FROM) RESERVES:

2006

R'000

	RESERVES				
	Total per statement of financial performance	Administration reserve	Employer grants reserve	Discretionary reserve	Special projects
Total revenue	128 456	13 176	61 598	36 170	17 512
Skills development levy: income					
Administration levy income (10%)	13 176	13 176	–	–	–
Grant levy income (70%)	85 586	–	61 598	23 988	–
SDL: penalties and interest	1 423	–	–	1 423	–
National Skills Fund and donor funding	17 512	–	–	–	17 512
Investment income	10 698	–	–	10 698	–
Other income	61	–	–	61	–
Total expenses	(157 679)	(12 758)	(54 227)	(73 182)	(17 512)
Administration expenses	(12 758)	(12 758)	–	–	–
National Skills Fund and donor expenditure	(17 512)	–	–	–	(17 512)
Employer grants and project expenses	(127 409)	–	(54 227)	(73 182)	–
Net (deficit)/surplus for the year	(29 223)	418	7 371	(37 012)	–

Restated  
2005

R'000

	RESERVES				
	Total per statement of financial performance	Administration reserve	Employer grants reserve	Discretionary reserve	Special projects
Total revenue	171 285	10 719	73 770	23 554	63 242
Skills development levy: income					
Administration levy income (10%)	10 719	10 719	–	–	–
Grant levy income (70%)	86 012	–	73 770	12 242	–
SDL: penalties and interest	1 143	–	–	1 143	–
National Skills Fund and donor funding	63 242	–	–	–	63 242
Investment income	9 720	–	–	9 720	–
Other income	449	–	–	449	–
Total expenses	(159 014)	(16 978)	(49 979)	(29 950)	(62 107)
Administration expenses	(16 978)	(16 978)	–	–	–
Current portion of loans/loans	–	–	–	–	–
National Skills Fund and donor expenditure	(62 107)	–	–	–	(62 107)
Employer grants and project expenses	(79 929)	–	(49 979)	(29 950)	–
Net (deficit)/surplus for the year	12 271	(6 259)	23 791	(6 396)	1 135

**Notes to the annual financial statements** *continued**for the year ended 31 March 2006*

	2006 R'000	Restated 2005 R'000
<b>3 SKILLS DEVELOPMENT LEVY INCOME</b>		
The total levy income per the statement of financial performance is as follows:		
Levy income: administration	13 176	10 719
Levies received	12 876	11 007
Levies received from SARS	12 553	11 160
Government levies received	1 053	16
SARS reversals	(403)	(236)
Inter-Seta transfers in	67	143
Inter-Seta transfers out	(394)	(76)
Movement in levies accrued	299	(288)
Levy income: employer grants	61 598	73 770
Levies received	63 522	76 431
Levies received from SARS	68 309	77 464
SARS reversals	(2 450)	(1 459)
Inter-Seta transfers in	141	675
Inter-Seta transfers out	(2 478)	(249)
Movement in levies accrued	(1 924)	(2 661)
Levy income: discretionary grants	23 989	12 242
Levies received from SARS	21 863	12 688
Levies received	23 108	13 329
SARS reversals	(1 181)	(667)
Inter-Seta transfers in	330	112
Inter-Seta transfers out	(394)	(86)
Movement in levies accrued	2 127	(446)
	<b>98 762</b>	<b>96 731</b>
<b>4 INVESTMENT INCOME</b>		
Interest income		
Bank deposits	<b>10 698</b>	<b>9 720</b>
<b>5 OTHER INCOME</b>		
Profit on disposal of property, plant and equipment	61	33
Unknown deposits from 2000 and 2002	-	416
	<b>61</b>	<b>449</b>

		<b>2006</b>	<b>Restated</b>
		<b>R'000</b>	<b>2005</b>
			<b>R'000</b>
<b>6 EMPLOYER GRANT AND PROJECT EXPENSES</b>			
Mandatory grants		54 227	49 979
Disbursed		51 878	36 766
Movement in provisions and accruals		2 349	13 213
Discretionary grants		13 010	–
Disbursed		12 664	–
Movement in provisions and accruals		346	–
Project expenditure	<b>6.1</b>	<u>60 172</u>	<u>29 950</u>
		<u>127 409</u>	<u>79 929</u>
6.1 Project expenditure consists of:			
Direct project costs		57 916	27 565
Direct salaries and wages		1 373	751
Direct administration expenses		883	278
Project office costs		–	1 356
		<u>60 172</u>	<u>29 950</u>

**Notes to the annual financial statements** *continued**for the year ended 31 March 2006*

		2006 R'000	Restated 2005 R'000
<b>7 ADMINISTRATION EXPENSES</b>			
<b>Depreciation</b>		(207)	153
Depreciation for the year		173	153
Change in estimate of useful life	8	(380)	–
Operating lease rentals (minimum lease payments)		1 779	2 223
Buildings		1 545	1 935
Operating lease payments		1 425	1 422
Change in estimate: straight line recalculation	17.2	120	513
Plant, machinery and equipment		234	288
Maintenance, repairs and running costs		314	331
Property and buildings		231	196
Machinery and equipment		40	135
Fuel and oil, motor vehicles		43	–
Advertising, marketing and promotions, communication		368	724
Entertainment expenses		73	–
Consultancy and service provider fees		620	2 399
Legal fees		584	864
Cost of employment	7.1	8 149	6 583
Travel and subsistence		219	600
Staff training and development		43	139
Remuneration to members of the accounting authority		468	170
Remuneration as member of the board		54	170
Remuneration as exco members		33	–
Travel expenses		164	–
Accommodation expenses and refreshments		44	–
Remuneration as members of remco		2	–
Remuneration as members of other committees		14	–
Secretarial fees		56	–
Board members indemnity insurance		101	–
Remuneration to members of the audit committee		11	11
External auditor's remuneration		383	7
Provision for bad debts		–	26
Other		2 211	3 777
System costs		589	807
Printing, stationery and postage		285	477
Telephones		220	515
Staff recruitment		204	147
Water, lights and parking expenses		226	372
Insurances		128	159
Meeting expenses		68	390
Sundry		491	910
Less: amounts allocated to project expenditure		(2 256)	(1 029)
		<b>12 758</b>	<b>16 978</b>



	2006 R'000	Restated 2005 R'000
<b>7.1 Cost of employment</b>		
Salaries and wages	7 669	6 004
Basic salaries	6 434	5 063
Performance awards	306	282
Other non-pensionable allowance	440	543
Temporary staff	409	–
Leave payments	67	18
Overtime payments	11	98
Social contributions	481	579
Medical aid contributions	191	220
Pension contributions: defined contribution plans	263	328
UIF	27	31
	<b>8 149</b>	<b>6 583</b>
Allocation of cost of employment		
Administration expenses	6 776	5 832
Project expenses	1 373	751
Average number of permanent Theta employees	25	36
Contract, temporary and project staff utilised during the year	87	–

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.

	R'000	R'000	R'000
	Cost	Accumulated depreciation	Carrying amount
<b>8 PROPERTY, PLANT AND EQUIPMENT</b>			
<b>Year ended 31 March 2006</b>			
Computer equipment	2 202	(1 763)	439
Office furniture and fittings	912	(608)	305
Motor vehicles	66	(42)	24
<b>Balance at end of period</b>	<b>3 180</b>	<b>(2 413)</b>	<b>768</b>
<b>Year ended 31 March 2005</b>			
Computer equipment	2 574	(2 253)	321
Office furniture and fittings	985	(735)	250
Motor vehicles	66	(66)	–
<b>Balance at end of period</b>	<b>3 625</b>	<b>(3 054)</b>	<b>571</b>
<b>Results of change in useful life estimate:</b>			
<b>year ended 31 March 2006</b>			
	R'000	R'000	R'000
	Book value before change	Book value after change	Net decrease in deficit
Computer equipment	229	439	210
Office furniture and fittings	159	305	146
Motor vehicles	–	24	24
	<b>388</b>	<b>768</b>	<b>380</b>

The net change in surplus income for the year due to the reviewed useful life of property, plant and equipment was shown in the statement of financial performance of the year under review.

**Notes to the annual financial statements** *continued**for the year ended 31 March 2006*

	R'000	R'000	R'000	R'000	R'000
	Carrying amount 2005	Additions	Disposals	Depreciation	Carrying amount 2006
<b>Movement summary 2006</b>					
Computer equipment	321	90	(10)	38	439
Office furniture and fittings	250	2	(14)	67	304
Motor vehicles	–	–	–	24	24
<b>Balance at end of period</b>	<b>571</b>	<b>92</b>	<b>(24)</b>	<b>129</b>	<b>768</b>
<b>Movement summary 2005</b>					
Computer equipment	255	318	–	(252)	321
Office furniture and fittings	339	88	–	(177)	250
Motor vehicles	5	–	–	(5)	–
<b>Balance at end of period</b>	<b>599</b>	<b>406</b>	<b>–</b>	<b>(434)</b>	<b>571</b>
			Note	2006	2005
<b>9 PREPAYMENTS AND ADVANCES</b>				R'000	R'000
Staff advances				–	95
Travelling				62	–
Closing balance				62	95
<b>10 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>					
Skills development levy debtors				15 624	15 664
Administration levy debtors				1 955	1 958
Employer grant levy debtors				9 765	11 748
Discretionary grant debtors				3 904	1 958
Penalty and interest debtors				144	–
Inter-Seta debtors				582	–
Employer receivables			10.2	1 017	510
Other receivables				3	68
				17 370	16 242
All accounts receivable are due within 12 months, therefore no effect of present value was taken into account.					
<b>10.1 SARS estimate reversals</b>					
Included in skills development levy debtors is an estimate for SARS reversals					
Opening carrying amount				–	–
Estimated SARS retrospective amendments for the year				3 124	2 033
Net effect of SARS adjustments for the current year				(3 989)	(2 033)
Estimated remaining SARS adjustments				(865)	–

	2006 R'000	2005 R'000
<b>10.2 Employer receivables</b>		
Overpayment to employers	1 017	3 281
Provision for grants payable	–	(2 745)
	<u>1 017</u>	<u>536</u>
Allowance for doubtful debts	–	(26)
	<u>1 017</u>	<u>510</u>

During the year under review an amount of R1 017 was recognised as a receivable relating to overpayment to employers in previous periods.

## 11 CASH AND CASH EQUIVALENTS

Cash at bank and in hand	2 405	32 115
Cash at bank	2 404	32 113
Cash on hand	1	2
Short term investments/instruments	139 530	167 045
Cash and cash equivalents at end of year	<u>141 935</u>	<u>199 160</u>

As required in treasury regulation 31.2, National Treasury approved the banks where the bank accounts are held.

## 12 TRADE AND OTHER PAYABLES

### 12.1 Trade and other payables from exchange transactions

Service provider fees outstanding	5 421	1 222
Sundry payables	–	3 547
Other - NSF payables	–	2 621
Other - special projects	–	926
	<u>5 421</u>	<u>4 769</u>

All accounts payable are due within 12 months, therefore no effect of present value was taken into account

### 12.2 Grants and transfers payable from non-exchange transactions

Skills development grants payable	17 726	15 031
Inter-Seta payable	165	–
	<u>17 891</u>	<u>15 031</u>

	Mandatory grants	Discretionary grants	2005/2006 R'000	2004/2005 R'000
Opening carrying amount	15 031	–	15 031	1 818
Amount utilised	(15 031)	–	(15 031)	(1 818)
Change in estimate	17 380	346	17 726	15 031
Closing carrying amount (current)	<u>17 380</u>	<u>346</u>	<u>17 726</u>	<u>15 031</u>

All grants and transfers payable are due within 12 months, therefore no effect of present value was taken into account.

**Notes to the annual financial statements** *continued**for the year ended 31 March 2006*

	2006 R'000	2005 R'000
<b>13 NATIONAL SKILLS FUND AND DONOR FUNDING RECEIVED IN ADVANCE</b>		
Opening balance	24 489	31 765
(Refunded)/received during the year	(2 595)	54 051
Intac	125	52 936
Sati	8	322
SA Host	1 200	–
TLP	(3 928)	793
Interest received	589	1 915
Utilised and recognised as revenue - conditions met	(17 512)	(63 242)
Intac	(11 576)	(46 816)
DOE	(1 406)	(4 500)
Sati	(3 284)	(4 244)
Deat Sati	(270)	–
SA Host Deat	(159)	–
SA Host other	(817)	–
TLP	–	(6 547)
Total expenses	(17 512)	(62 107)
Inter-company	–	(1 135)
Closing balance	<b>4 971</b>	<b>24 489</b>

During the current year unutilised conditional funds of R2 749 were returned to the National Skills Fund for the purposes of Intac and TLP. This amount was recognised as a liability until the conditions attached were met. During the year, R17 512 eligible project special expenses were incurred and a corresponding amount was recognised as revenue. At year end, R4 971 continues to be accounted for as a liability until the remaining conditions attached have been met.

**14 PROVISIONS**

	Employee leave provision	Employee bonus provision	Audit fees	Accruals	2005/06	2004/05
Opening carrying amount	318	217	181	8 627	9 343	8 361
Amounts utilised	(318)	(217)	(181)	(8 627)	(9 343)	(8 361)
Change in estimate	256	135	–	–	391	9 343
Closing carrying amount (current)	256	135	–	–	391	9 343
<b>Provisions payable consist of:</b>					<b>391</b>	<b>9 343</b>
Exchange transactions					391	5 698
Non-exchange transactions					–	3 645

All accounts payable are due within 12 months, therefore no effect of present value was taken into account.

Employee leave provision is calculated on total cost to company bases. Bonus provisions are calculated based on the conditions stipulated in the contract of employment.

	2006 R'000	2005 R'000
<b>15 RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO NET SURPLUS/(DEFICIT)</b>		
Net surplus/(deficit) as per statement of financial performance	(29 223)	12 271
Adjusted for non-cash items:	–	–
Depreciation	(207)	434
Change in rental estimate	120	(513)
Doubtful debts	–	26
Surplus/deficit on disposal of property, plant and equipment	(61)	(33)
Provisions	(8 953)	982
Special project income recognised	(17 512)	(63 242)
Investment income	(10 698)	(9 720)
(Increase)/decrease in receivables excluding NSF	(1 096)	5 465
Increase/(decrease) in payables	3 487	7 785
Movement in VAT receivable/payable	(1 752)	1 025
<b>Cash generated (utilised in) operations</b>	<b>(65 895)</b>	<b>(45 520)</b>

## 16 CONTINGENCIES

In terms of the PFMA, all surplus funds as at year-end may be forfeited to National Treasury. As at the reporting date National Treasury has approved the rollover of the amount of R97,258 million being the previous year surplus funds. Approval to retain current year surplus funds has been requested. To date no official reply has been received.

### 16.1 Legal cases

Tourism Learnership Project (TLP) – the Theta board has taken legal action against TMS Shezi, a service provider for learnerships. The dispute revolves around the implementation of learnerships with an estimated value of R9 million and estimated future legal fees of R100 000.

Hospitality Professionals (HP), an unsuccessful tenderer for the supply of services to the Intac project, instituted legal action against Theta relating to tender processes followed. HP claims an amount of R13,5 million for loss of profits. Theta's estimate of the possible loss of profits are R2,5 million. The estimate relating to future legal costs is R400 000.

NMA, a service provider for the Intac project, has issued summons against Theta to the amount of R3,5 million, regarding a cancelled contract. Theta has issued a counter claim to the amount of R3,8 million. No loss regarding this case is estimated and future legal fees to the amount of R300 000 are estimated.

## 17 COMMITMENTS

### 17.1 Discretionary reserve

Of the balance of R147 million available in the discretionary reserve at the end of March 2006, R107 million has been approved and allocated for future projects and skills priorities as set out below. Amounts for expenses that have already been contracted or incurred, and therefore included in grant expenses in the statement of financial performance, are also indicated. A request for the accumulation of these funds has been submitted to National Treasury. At the time of compiling the financial statements the accumulation of surplus funds in respect of the 2005 financial year had been approved, but regarding the 2006 surplus funds no reply had been received.

**Notes to the annual financial statements** *continued**for the year ended 31 March 2006*

			R'000	R'000	R'000	R'000
	Approved by accounting authority/ opening balance 2004/2005	Utilised 2004/2005	Opening balance 2005/2006	Approved by accounting authority	Contractual commitment outstanding	Utilised Total
Abet survey	1 261	(494)	767	–	–	(462) 305
Accreditation	1 505	(143)	1 362	397	–	(731) 1 029
Assessor and moderator development	2 337	(1 152)	1 185	15	–	(920) 279
Capacity building stakeholders	5 700	(1 187)	4 513	3 000	–	(5 546) 1 968
Investors in People	342	(91)	251	4	–	(94) 162
Learnership implementation - unemployed	49 718	(9 848)	39 870	5 713	–	(16 177) 29 406
Quality management system development	872	(685)	187	15	–	– 202
Required skills - chambers	25 878	(2 711)	23 167	1 133	1 500	(15 921) 8 379
SDF capacity building	1 476	(1 350)	126	421	–	(513) 34
Skills development impact study	1 767	(789)	978	10	–	– 988
SMME support project	11 565	(1 163)	10 402	1 336	–	(8 369) 3 369
SSP 2005-9 development	1 813	(1 296)	517	239	–	(638) 118
Standard generating bodies/ qualification scoping	7 102	(2 845)	4 257	5 994	–	(4 966) 5 285
Learnerships: employed	12 879	(4 626)	8 253	–	–	– 8 253
Workplace skills plan	848	(275)	573	–	–	(10) 563
HIV/Aids	–	–	–	399	–	(258) 141
Development service providers	–	–	–	23 826	9 540	(12 206) 11 620
Agritourism	–	–	–	10 160	8 000	(2 017) 8 143
New venture	–	–	–	2 893	–	(765) 2 128
Sports coaches	–	–	–	5 000	–	(25) 4 975
Capacity building - Catra	–	–	–	3 645	–	(3 566) 79
Learnerships: employed and unemployed 2005/6	–	–	–	19 394	–	– 19 394
<b>Total project expenditure</b>	<b>125 063</b>	<b>(28 655)</b>	<b>96 408</b>	<b>83 594</b>	<b>19 040</b>	<b>(73 182) 106 821</b>

	2006 R'000	2005 R'000
<b>17.2 Operating Leases</b>		
Total of future minimum lease payments under non-cancellable leases:		
Not later than one year	1 964	1 776
Later than one year and not later than five years	4 048	6 012
Later than five years	–	–
	6 012	7 788

**Result of change in statement of operating lease expenses**

	R'000 Actual operating lease expense	R'000 Straight line method	R'000 Net decrease in deficit
Operating lease expenses	1 569	1 689	120

The operating lease relates to building premises used for office accommodation and equipment rental. The building lease agreement was entered into effective 1 February 2004 and will be operational for a period of five years, expiring on 31 January 2009. No provision was made for an option to renew the lease on expiry. The rental escalates annually on 1 February with 9%.

Theta entered into a rental agreement for seven photocopier machines from March 2004 to March 2009. As the rental transfers substantially all the risks and rewards incidental to ownership to Theta this rental is classified as a finance lease. During March 2006 it was ascertained that the useful life of the photocopy machines would expire in the following period and that the upgrade of these machines would take place without any financial risk to Theta regarding the balance of the rental agreement. Taking this as well as the immateriality of the amounts involved into account, the rental was shown as a operating lease expense.

The balance of the rental commitments under the current agreement is as follows:

Not later than one year	159 714
Later than one year and not later than five years	319 428

Theta has negotiated a upgrade of all the machines during the next financial year with no commitment to the balance of this agreement.

**18 MATERIAL LOSSES THROUGH CRIMINAL CONDUCT, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

To the best of our knowledge, no material losses through criminal conduct, or irregular, fruitless and wasteful expenditure were incurred during the year ended 31 March 2006.

**19 EVENTS AFTER REPORTING DATE**

The board of Theta does not have any knowledge of any significant events after the reporting date.

**20 FINANCIAL INSTRUMENTS**

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

**Notes to the annual financial statements** *continued**for the year ended 31 March 2006***20.1 Interest rate risk**

Theta manages its interest rate risk by obtaining competitive rates from approved financial institutions on a monthly basis.

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

	2006		R'000	2005	
	Effective interest rate	Non-interest bearing	Total	Total	Effective interest rate
<b>Year ended 31 March 2006</b>					
Cash	141 935	6,85%	141 935	199 160	6,72%
Accounts receivable		17 371	17 371		
Total financial assets	141 935	17 371	159 306	199 160	
<b>Liabilities</b>					
Accounts payable		(23 703)	(23 703)	19 800	
Total financial liabilities		(23 703)	(23 703)	19 800	
<b>Year ended 31 March 2006</b>					
Total financial assets	141 935	6,85%	141 935	199 160	6,72%
Total financial liabilities		(6 332)	(6 332)	19 800	
	141 935	(6 332)	135 603	218 960	

**20.2 Credit risk**

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

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

Credit risk with respect to levy paying employers is limited due to the nature of the income received. Theta does not have any material exposure to any individual or counterparty. Theta's concentration of credit risk is limited to the tourism sector in which Theta operates. No events occurred in the sector during the financial year that may have an impact on the accounts receivable that have not been adequately provided for.

**20.3 Liquidity risk**

Theta 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.

**20.4 Market risk**

Theta 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 of which Theta is aware.



## 21 FAIR VALUES

Theta's financial instruments consist mainly of cash and cash equivalents, account and other receivables, and account and other payables. No financial instruments were carried at an amount in excess of their fair value.

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

### 21.1 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.

### 21.2 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.

### 21.3 Investments

The fair value of publicly traded investments is based on quoted market prices for those investments.

### 21.4 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 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.

	R'000	R'000	R'000	R'000
	Transfer in	Transfer out	Payable	Receivable
HWSeta	12	–	–	–
W&RSeta	8	–	(48)	1
Merseta	–	(3 163)	–	–
Services Seta	–	–	(117)	524
FoodBev Seta	–	–	–	21
Agriseta	–	–	–	4
Health Seta	–	–	–	32
	20	(3 163)	(165)	582

**Notes to the annual financial statements** *continued**for the year ended 31 March 2006***Transactions with other related parties**

During the year members of the accounting authority and employees were required to disclose their interest in any contracts that the Seta is entering into with an outside party. The following related party transactions were recorded.

Accounting authority member	Organisation	Related position	Payment to	Reason	R'000 Amount
B Ward	Catra	Employee	Ichibi Trading	Catra training project	2 560
C Johnson	Three Cities Group	Employee	Three Cities	Mandatory grant	54
T Mahlangu	Saccawu	Employee	Saccawu	Shop stewards capacity building	281
L Tyikwe	Fawu	Employee	Fawu	Shop stewards capacity building	28
P Sito	Eccawusa	Employee	Eccawusa	Shop stewards capacity building	2
CA Cairns	Access Travel	SDF	Access Travel	Mandatory grant	–
CA Cairns	Concorde Travel	SDF	Concorde Travel	Mandatory grant	–
CA Cairns	Active Travel	SDF	Active Travel	Mandatory grant	–
CA Cairns	Swissair	SDF	Swiss Air	Mandatory grant	–
CA Cairns	Virgin Atlantic	SDF	Virgin Atlantic	Mandatory grant	197
					3 122

**23 PRIOR PERIOD ERROR****R'000**

Lease payments for operating lease of the building were not straight lined

The effect of the restatement is summarised below:

Adjustment against opening retained earnings 31 March 2004 - increase in rent paid	82
Increase in rent paid	431
Decrease in surplus 31 March 2005	431
Increase in rental due	513
Statement of change in net assets adjustments	
Balance at 31 March 2004 as previously reported	148 413
Prior period error adjustment	(82)
Restated balance at 31 March 2004	148 331
Surplus for the year ended 31 March 2005 as restated	12 353
As previously reported	12 784
Prior year error	(431)
Balance at 31 March 2005	160 684
Deficit for the year ended 31 March 2006	(29 221)
Balance at 31 March 2006	131 463



# Addendum 1

## THETA TARGETS 2005/6 AGAINST NSDS OBJECTIVES

NSDS SUCCESS INDICATOR	SETA TARGET FOR 2005/6	SETA PERFORMANCE AGAINST TARGET	PERCENTAGE
<b>NSDS objective 1: prioritising and communicating critical skills for sustainable growth, development and equity</b>			
1.1 Skills development supports national and sectoral growth, development and equity priorities.			
1.2 Information on critical skills widely available to learners. Impact of information dissemination researched, measured and communicated in terms of rising entry, completion and placement of learners.	Development of 453 skills development facilitators or sector specialists	504	111%
<b>NSDS objective 2: promoting and accelerating quality training for all in the workplace</b>			
2.1 The employment equity targets of at least 80% of large firms and at least 60% of medium firms supported by skills development, and impact on overall equity profile assessed.	134 large firm	135	101%
	176 medium firms	182	103%
2.2 Skills development in at least 40% of small levy-paying firms supported and the impact of the support measured.	1 729	1 226	71%
2.3 At least 500 enterprises achieve a national standard of good practice in skills development approved by the Minister of Labour.			
2.4 Annually increasing number of small BEE firms and BEE cooperatives supported by skills development. Progress measured through an annual survey of relevant firms from the second year onwards. Impact of support measured.			
2.5 At least 70 000 workers to have achieved at least Abet level 4.	5 600	267	5%
2.6 At least 125 000 workers assisted to enter programmes and at least 50% to have successfully completed. Programmes include learnerships and apprenticeships leading to basic entry, intermediate and high-level scarce skills. Impact of assistance measured.	1 175 enrolled on learnerships	8 588	731%
	588 completed learnerships	3 657	622%
<b>NSDS objective 3: promoting employability and sustainable livelihoods through skills development</b>			
3.1 At least 2 000 non-levy-paying enterprises, non-governmental organisations (NGOs), community-based organisations (CBOs) and community-based cooperatives (CBCs) supported by skills development. Impact of support on sustainability measured, showing a 75% success rate.	17	115	676%
3.2 NGOs, CBOs and CBCs supported by skills development	17	115	676%

NSDS SUCCESS INDICATOR	SETA TARGET FOR 2005/6	SETA PERFORMANCE AGAINST TARGET	PERCENTAGE
<b>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</b>			
4.1 At least 125 000 unemployed people assisted to enter and at least 50% to successfully complete programmes, including learnerships and apprenticeships, leading to basic entry, intermediate and high level scarce skills.	1 175 unemployed people enrolled  588 unemployed completed learnerships	1 546  147	132%  25%
4.2 100% of learners in critical skills programmes covered by sector agreements from FET and HET institutions assisted to gain work experience locally or abroad, and at least 70% to find placement in employment or self employment.	1 500	–	
4.3 At least 10 000 young people trained and mentored to form sustainable new ventures and at least 70% of new ventures operating 12 months after completion of programme.	83	–	
<b>NSDS objective 5: improving the quality and relevance of provision</b>			
5.1 Each Seta recognises and supports at least five institutes of sectoral or occupational excellence (ISOE) with public and private institutions through public private partnerships (PPP), where appropriate, spread as widely as possible geographically for the development of people to attain identified critical occupational skills. Excellence is measured by the number of learners successfully placed in the sector and employer satisfaction ratings of their training.	2	–	
5.2 Each province has at least two provider institutions accredited to manage the delivery of the new venture creation qualifications. Seventy percent of new ventures still operating 12 months after completion.	1	2	200%
5.3 There are measurable improvements in the quality of the services delivered by skills development institutions and those institutions responsible for the implementation of the NQF in support of the NSDS.			
5.4 There is an NSA-constituency based assessment of an improvement in stakeholder capacity and commitment to the NSDS.			

## Addendum 2

### ETQA PERFORMANCE AGAINST SAQA REQUIREMENTS

SAQA ETQA REQUIREMENT	KEY THETA ACHIEVEMENTS	2006/7 GOALS
Accredit constituent providers for specific standards or qualifications registered on the NQF	<ul style="list-style-type: none"> <li>• 131 phase B applications reviewed for accreditation</li> <li>• 85 accreditations awarded (37 registration, 31 provisional and 17 full)</li> <li>• 50 (approximate) providers capacitated through other ETQA interventions such as workshops and presentations</li> <li>• 749 programmes received, resulting in:               <ul style="list-style-type: none"> <li>- 270 full and conditional approvals;</li> <li>- 169 requiring additional information after initial review of programmes;</li> <li>- 41 returned as not-auditable;</li> <li>- 100 received with additional information and scheduled for review;</li> <li>- 131 new programmes received for evaluation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Accreditation support for further 200 providers in Theta primary focus</li> <li>• Accreditation capacity building of approximately 200 providers through provider support project</li> <li>• Programme evaluation and approval of approximately 200 NQF-aligned learning programmes</li> <li>• Extend Theta accreditation scope by at least 20 new qualifications</li> <li>• Scope and register at least 40 skills programmes</li> </ul>
<p>Promote quality among constituent providers</p> <p>Monitor provision by constituent providers</p>	<ul style="list-style-type: none"> <li>• 47 verifications conducted on providers in Theta provision scope</li> <li>• External moderations conducted on 85 learner records across nine providers</li> <li>• More than 50 providers monitored and advised according to a conditional compliance plan</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct verifications and reaccreditation reviews of a further 200 providers in the Theta primary focus</li> <li>• Conduct at least 50 verifications and monitoring visits on providers in Theta provision scope</li> </ul>
Evaluate assessment and facilitation of moderation among constituent providers	<ul style="list-style-type: none"> <li>• External moderations facilitated for more than 85 learners across 12 providers</li> <li>• Verification of moderations conducted in all Intac providers completed for more than 4 000 learners</li> </ul>	At least 50 new moderators trained through provider support project
Register constituent assessors for specified registered standards or qualifications in terms of the criteria established for the purpose	<ul style="list-style-type: none"> <li>• Active, registered assessor base established of 389 assessors (128 provisional, 261 full)</li> <li>• Active, registered moderator base established of 110 moderators (31 provisional, 81 full)</li> </ul>	Train at least 200 assessors and 50 moderators through the provider support project
Take responsibility for the certification of learners	<ul style="list-style-type: none"> <li>• 19 074 certificates issued to address backlog for 2001 – 5</li> <li>• 100% of learners certificated for period 2004 – 5 (excluding Intac learners)</li> <li>• Theta certification system established on a 30 – 60 day turnaround</li> </ul>	Clear backlog of pre-June 2003 certificates, as well as Intac certificates

SAQA ETQA REQUIREMENT	KEY THETA ACHIEVEMENTS	2006/7 GOALS
Cooperate with the relevant body or bodies appointed to moderate across ETQAs	<ul style="list-style-type: none"> <li>• SAQA reaccreditation audit successfully completed</li> <li>• Accreditation motivation submitted and Theta re-accredited as an ETQA for 2005 – 9 as per ETQA regulation 1127</li> </ul>	<ul style="list-style-type: none"> <li>• Establish full Theta QMS system as per SAQA requirements</li> </ul>
Recommend new standards or qualifications, or modifications to existing standards or qualifications to national standards bodies (NSBs) for consideration	<ul style="list-style-type: none"> <li>• 28 qualifications submitted to SAQA for evaluation and registration</li> <li>• Five standards generating bodies (SGBs) and 25 working groups successfully facilitated in development of 20 new qualifications, and new qualification needs identified per sub-sector</li> </ul>	<ul style="list-style-type: none"> <li>• Extend Theta scope to include 28 new qualifications</li> <li>• Facilitate deregistration of 30 old qualifications from Theta scope</li> <li>• Scope and establish at least 40 skills programmes from new Theta qualifications</li> </ul>
Maintain a database acceptable to the authority	<ul style="list-style-type: none"> <li>• Database data transfer and clean up conducted for more than 1 000 providers, 20 000 learners and 80 000 unit standard achievements, to facilitate the certification of more than 19 000 learners</li> <li>• National Learner Record Database (NLRD) data uploaded on all providers and assessors</li> <li>• Provider database workshops and capacity building completed for on-line registration and achievement</li> </ul>	<ul style="list-style-type: none"> <li>• Complete NLRD upload of all learner details and achievements</li> <li>• Continue database functional development towards full management information system</li> </ul>
Submit reports to the authority in accordance with its requirements	<ul style="list-style-type: none"> <li>• SAQA quarterly reports submitted as per SAQA requirements</li> <li>• 14 memoranda of understanding (MoUs) established with other Setas, provincial departments of education and authorities</li> </ul>	<ul style="list-style-type: none"> <li>• SAQA quarterly reports submitted as per SAQA requirements</li> <li>• Database data cleaned to ensure integrity in SAQA reports</li> </ul>
Perform such other functions as may from time-to-time be assigned to it by the authority	<ul style="list-style-type: none"> <li>• Theta represented at all quarterly ETQA forums, NLRD forums, NSB and inter-SGB meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Theta representation at ETQA forums, NLRD forums, NSB and inter-SGB meetings, SAQA conference</li> </ul>

## Addendum 3

### BOARD AND EXCO MEETING ATTENDANCE

BOARD MEMBERS				
Name	Organisation	Representing	Race and gender	15 March 05
Thabo Mahlangu	Saccawu	Labour	Black male	Yes
Chris Johnson	HILG	Business	White male	Yes
Mike Tsotetsi	Theta	CEO	Black male	Yes
Leela Reddy	Hiawu	Labour	Indian female	Apology
Brian Magqaza	Bargaining Council for the Restaurant, Catering and Allied Trades	Independent	Black male	Yes
Joseph Maqhekeni	Nactu	Labour	Black male	Yes
Phillip Thompson	Expertise	Independent	White male	Yes
Stephen Billingham	Saca	Labour	White male	Apology
Marlyn Rapukuana	National Department of Sport and Recreation	Government	Black male	Yes
Steve Pila	National Department of Sport and Receptions	Government	Black male	
Anne Lawrance	Tourist guides	Labour	White female	–
Carol-Anne Cairns	Barsa	Business	White female	Yes
Saheed Bayat	Expertise	Independent	Black male	Yes
Adrienne Harris	Tourism Business Council of SA	Business	White female	Apology
Luvuyo Tyikwe	Fawu	Labour	Black male	Yes
Sipho Mseleku	Nafcoc	Business	Black male	Apology
Peter Cumberlege	Fedhasa	Business	White male	Yes
Michelle De Witt	Fedhasa	Business	White female	–
Brian Ward	Catra	Business	White male	Yes
Nomathamsanqa Siwisa	Deat	Government	Black female	–
Bulelwa Seti	Deat	Government	Black female	
Mike Speed	Satsa	Business	White male	Apology
Vanya Lessing	Asata	Business	White female	Apology
Gideon Sam	South African Sports Commission	Government	Black male	Apology
Peter Kirchoff	Tourist guides	Labour	White male	–
Phillemon Sito	Eccawusa	Labour	Black male	–



5 April 05	20 July 05	17 October 05	25 November 05	2 December 05	9 March 06
Yes	Yes	Yes	Yes	Yes	Yes
Yes	Apology	Apology	Apology	Apology	Yes
Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Apology	Apology	Yes	Yes
–	Apology	Apology	Apology	Yes	Yes
–	–	Apology	–	Apology	–
Yes	Resigned				
Appointed	Yes	Yes	–	–	Yes
–	Yes	Apology	Resigned		
Yes	Yes	Yes	Yes	Yes	Apology
Apology	Yes	Yes	Apology	Apology	Apology
–	Yes	Apology	Apology	Apology	Yes
Yes	Yes	–	Yes	Yes	Apology
–	–	–	–	–	–
Yes	Yes	–	Apology	–	–
–	–	–	Apology	Apology	Yes
Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	–	–	–	–
		Appointed	Yes	Apology	Yes
Yes	Yes	Yes	Yes	Apology	Yes
Yes	Apology	–	–	–	–
Apology	Yes	–	Apology	–	Apology
–	–	Yes	Yes	Yes	Yes
–	Yes	Yes	Yes	Yes	Yes

## Addendum 3

### BOARD AND EXCO MEETING ATTENDANCE

EXECUTIVE COMMITTEE				
Name	Organisation	Representing	Race and gender	16 May 05
Thabo Mahlangu	Saccawu	Labour	Black male	Apology
Chris Johnson	HILG	Business	White male	Yes
Mike Tsotetsi	Theta	CEO	Black male	Yes
Leela Reddy	HIAWU	Labour	Indian female	Yes
Brian Magqaza	Bargaining Council for the Restaurant, Catering and Allied Trades	Independent	Black male	Apology
Luvuyo Tyikwe	Fawu	Labour	Black male	Yes
Saheed Bayat	Expertise	Independent	Black male	Apology
Peter Cumberlege	Fedhasa	Business	White male	Yes
Michelle De Witt	Fedhasa	Business	White female	–
Carol-Anne Cairns	Barsa	Business	White female	Yes
Gideon Sam	South African Sports Commission	Government	Black male	Yes
Phillemon Sito	Eccawusa	Labour	Black male	–
Nomathamsanqa Siwisa	Deat	Government	Black female	–
Bulelwa Seti	Deat	Government	Black female	–

29 June 05	23 August 05	31 August 05	2 February 06	6 February 05
Yes	Yes	Yes	Yes	Yes
Yes	Yes	Apology	Apology	Yes
Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes
Yes	Yes	–	Yes	Yes
Yes	Apology	Yes	Apology	–
Yes	Yes	Yes	–	–
–	–	–	Yes	Yes
Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	–	–
–	–	–	Yes	Yes
–	Apology	–	–	–
–	–	–	Yes	Yes

## Addendum 4

### HUMAN RESOURCES

Remuneration: Annual salary bracket				
Salary bracket	Management	Line management	Other	Total
R600 001 - R800 000	1			1
R401 000 - R600 000	5			5
R201 000 - R400 000		12		12
R200 000 and below		3	14	17
Total employees	6	15	14	35

Figures are based on cost to company and do not include bonuses.

Breakdown by gender		
Male	Female	Total
10	25	35

Breakdown by race				
African	Coloured	Indian	White	Total
22	3	2	8	35

Staff composition			
<b>SENIOR MANAGEMENT</b>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Blacks			
– Africans	2	1	3
– Coloureds	–	–	–
– Indians	–	1	1
Whites	–	2	2
	<b>2</b>	<b>4</b>	<b>6</b>
<b>JUNIOR MANAGEMENT</b>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Blacks			
– Africans	2	4	6
– Coloureds	1	2	3
– Indians		1	1
Whites	1	4	5
	<b>4</b>	<b>11</b>	<b>15</b>
<b>OTHER</b>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Blacks			
– Africans	4	9	13
– Coloureds	–	–	–
– Indians	–	–	–
Whites	–	1	1
	<b>4</b>	<b>10</b>	<b>14</b>

## Addendum 5

### STAFF TRAINING

Staff training and bursaries										
Designation	Training	Female				Male				Total
		African	Coloured	Indian	White	African	Coloured	Indian	White	
Executive managers	Labour seminar	1		1	2	1				5
	Computer skills				1					1
Supply chain coordinator	Supply chain management		1							1
	Computer skills		1							1
Procurement officer	Supply chain management					1				1
Accountant	BComt	1								1
Accountant	BTech cost and management accounting	1								1
Communications officer	IMM	1								1
Human resources officer	Human resources management diploma		1							1
	Labour seminar		1							1
Learner support officers	Assessor and moderator training	4			1	1				6
	Computer skills	4				1				5
Chamber coordinators	Computer skills				1					1
Quality assessors	Computer skills	1		1			1			3
Administrators	Computer skills	3		1						4
	NQF certificate in management and administration	1								1
Office assistants	Computer skills	3								3
Clerks	Computer skills	1								1
	Intermediate financial accounting	1								1
Driver	Computer skills					1				1
		<b>22</b>	<b>4</b>	<b>3</b>	<b>5</b>	<b>5</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>40</b>

Wellness programme	
HIV/Aids	Hosted by Allan Brand
Breast cancer management	Dr M Antonia Coccia-Portugal
Visual awareness month	Visual eye screening
	Eye testing
	Eye care
10 Days of Activism	Powa workshop on woman and child abuse

## Acronyms

<b>Abet</b>	Adult basic education and training
<b>Asgisa</b>	Accelerated Shared Growth Initiative for South Africa
<b>Asata</b>	Association of South African Travel Agents
<b>ATR</b>	Annual training report
<b>Barsa</b>	Board of Airline Representatives of South Africa
<b>BEE</b>	Black economic empowerment
<b>Catra</b>	Restaurant and Food Services Association of South Africa
<b>CBO</b>	Community based organisation
<b>CBC</b>	Community based cooperative
<b>CEO</b>	Chief executive officer
<b>CFO</b>	Chief financial officer
<b>Deat</b>	Department of Environmental Affairs and Tourism
<b>DoE</b>	Department of Education
<b>DoL</b>	Department of Labour
<b>Eccawusa</b>	Entertainment, Catering Commercial and Allied Workers Union of South Africa
<b>EE</b>	Employment equity
<b>ESDLE</b>	Employment and skills development lead employer
<b>ETQA</b>	Education and training quality assurance body
<b>Eta</b>	Education and training authority
<b>Fawu</b>	Food and Allied Workers Union
<b>Fedhasa</b>	Federated Hospitality Association of South Africa
<b>FET</b>	Further education and training
<b>GAAP</b>	Generally accepted accounting practice
<b>GRAP</b>	Generally recognised accounting practice
<b>HET</b>	Higher education and training
<b>Hiawu</b>	Hospitality Industry and Allied Workers Union
<b>HILG</b>	Hotel Industry Liaison Group
<b>HITB</b>	Hospitality Industries Training Board
<b>IIP</b>	Investors in People
<b>Intac</b>	Integrated Nature-based Tourism and Conservation project
<b>ISOE</b>	Institute of sectoral or occupational excellence
<b>Jipsa</b>	Joint Initiative on Priority Skills Acquisition
<b>Mice</b>	Meetings, incentives, conferences and exhibitions
<b>MoU</b>	Memorandum of understanding
<b>Nactu</b>	National Council of Trade Unions
<b>Nafcoc</b>	National African Federated Chamber of Commerce and Industry
<b>NBI</b>	National Business Initiative
<b>NGO</b>	Non-governmental organisation
<b>NLRD</b>	National Learners' Records Database
<b>NQF</b>	National Qualifications Framework
<b>NSA</b>	National Skills Authority
<b>NSB</b>	National standards body
<b>NSDS</b>	National Skills Development Strategy
<b>NSF</b>	National Skills Fund
<b>PFMA</b>	Public Finance Management Act
<b>PPP</b>	Public private partnerships
<b>PPPA</b>	Preferential Procurement Policy Framework Act
<b>Powa</b>	People Opposing Woman Abuse
<b>QMS</b>	Quality management system
<b>RPL</b>	Recognition of prior learning
<b>SA</b>	South Africa
<b>Saca</b>	South African Chefs Association
<b>Saccawu</b>	South African Commercial Catering and Allied Workers Union
<b>SAQA</b>	South African Qualifications Authority
<b>SARS</b>	South African Revenue Service
<b>SASC</b>	South African Sports Commission
<b>Sati</b>	South African Tourism Institute
<b>Satsa</b>	Southern African Tourism Service Association
<b>SDA</b>	Skills development adviser
<b>SDD</b>	Skills development department
<b>SDF</b>	Skills development facilitator
<b>Seta</b>	Sector education and training authority
<b>SGB</b>	Standards generating body
<b>SLA</b>	Service level agreement
<b>SMME</b>	Small, medium and micro enterprises
<b>SSP</b>	Sector skills plan
<b>TBCSA</b>	Tourism Business Council of South Africa
<b>TD</b>	Training development
<b>TR</b>	Training report
<b>Theta</b>	Tourism, Hospitality and Sport Education and Training Authority
<b>TLP</b>	Tourism Learnership Project
<b>UIF</b>	Unemployment Insurance Fund
<b>VAT</b>	Valued added tax
<b>WSP</b>	Workplace skills plan





# theta

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