



**theta**

TOURISM, HOSPITALITY & SPORT  
EDUCATION & TRAINING AUTHORITY

# Annual Report 2005



**labour**

Department:  
Labour  
REPUBLIC OF SOUTH AFRICA

## VISION

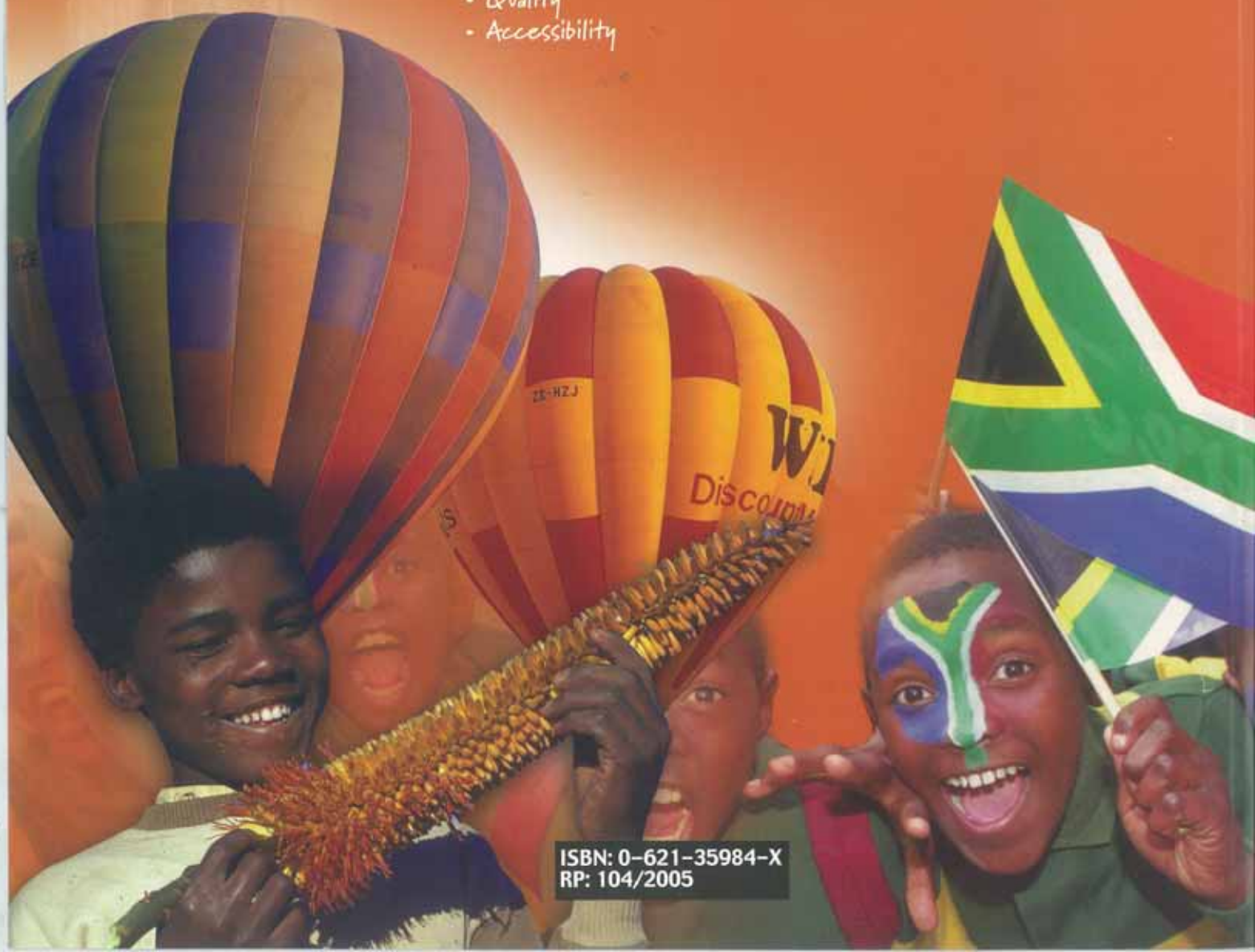
*Our people skilled for a sustainable future*

## MISSION

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

## THETA VALUES

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



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## Table of Contents

Chairperson's Overview	2
Chief Executive Officer's Overview	3
Chief Executive Officer's Report: Skills Development	5
Chief Executive Officer's Report: Learnership	20
Chief Executive Officer's Report: ETQA	23
Chief Executive Officer's Report: Projects	25
Board Report: Corporate Governance	40
Statement of Responsibility of the Chief Executive Officer	50
Report of the Auditor General	51
Report of the Accounting Officer	53
Income Statement	58
Balance Sheet	59
Statement of Changes in Equities	60
Cash Flow Statement	61
Accounting Policies to the Annual Financial Statements	62
Notes to the Annual Financial Statements	68
Report of the Audit Committee	84
Human Resources	86
Acronyms	88





*Empowerment and transformation of the Tourism Sector will contribute to its growth and sustainability. THETA has turned the corner and with continued support from the sector, will put back what is expected.*

## Chairman's Overview

Congratulations to South Africa for winning the rights to host the Soccer World Cup in 2010, one of the biggest, most spectacular sporting events in the world. Preparations have commenced and the opportunity exists to showcase South Africa to the world. Tourism and Sport are powerful forces for development, which stimulate investment in infrastructure, hotels and restaurant projects for enjoyment of local population and tourists. Events create jobs and it is THETA's responsibility to meet the skills requirements of the sector.

2005 marks the end of the first five year cycle of the skills development strategy. Not only did the Sector Education and Training Authorities (SETAs) achieve the targets set, but in certain sectors, far exceeded expectations. The impact of these successes has already begun to transform people's lives.

Well done to the staff, stakeholders and partners of THETA for being selected by the Minister of Labour, the Honourable Mr. Membathisi Mdladlana, as one of the SETAs that will continue their work during the second skills development cycle. The improvement in service delivery as well as a research in future skills needs and expected economic trends were positive contributions to the decision. We are grateful for the Minister's confidence in us to play a meaningful role in skills development in the tourism, hospitality and more importantly, the sports sector.

The Sho't Left initiative aimed at developing domestic tourism has taken off successfully and is proving to be a success as a brand and a program. The increasing demand on the sector has resulted in rising needs for THETA services. The domestic market is currently valued at R47 billion with further opportunity for growth.

The Tourism Black Economic Empowerment (BEE) Scorecard and Charter development process was launched by the Minister of Environmental Affairs and Tourism, the Honourable Mr. Martinus Van Schalkwayk on the 13th July 2004 and sets the standard for the level of inclusion of black people in the Tourism Sector.

Empowerment and transformation of the Tourism Sector will contribute to its growth and sustainability. THETA has turned the corner and with continued support from the sector, will put back what is expected.

### CHALLENGES

Funding the shortfall in levies collected from SMME's with a payroll of less than R500 000 per annum will impose a major

challenge. It is predicted that THETA would forfeit around 6000 employers. The challenge lies in convincing the public sector to voluntarily contribute to their relevant SETA. THETA in this regard would like to thank the government departments in the sector, who have already contributed, for their valued support.

### HIGHLIGHTS

We have achieved stability in terms of keeping the staff turnover at senior management level relatively low. This ensures a smooth operation as result of stable and constant leadership and continuity within THETA.

The Skills Gap Study has helped to ensure that smaller sectors within THETA such as sport receive the attention they deserve, and subsequently the necessary learnerships to enhance the required skills have been put in place.

THETA concentrated on project scoping during the period and managed to launch 16 projects successfully, contributing immensely to the targets set.

### ACKNOWLEDGEMENTS

We said our farewells to Kananelo Makhetha previous Chairman of THETA and thank him for his valuable contribution during his tenure. We wish him well for the future.

My gratitude goes to our Board Members and Stakeholders for their constant support and valued inputs. A special thanks to Mike Tsotetsi who led THETA successfully during the past two years and for his valued effort in taking the organisation forward. I would also like to thank Bettie van Straaten for her contribution during the period worked with us as Chief Operating Officer and congratulate her on the appointment as Chief Executive Officer of MERSETA.

I am looking forward to celebrating the success of THETA during the next skills development cycle.

**Thabo Mahlangu**

Chairperson





*The re-establishment of THETA for the next skills development cycle demonstrates the confidence that the Department of Labour and other stakeholders have in us. The onus is now on us to ensure that we work together to develop the skills of people to allow the country to deliver a world class service.*

## CEO's Overview



I am extremely happy and proud in the achievements of THETA during the past year. There was a remarkable contribution towards the National Skills Development Strategy, set five years ago, and targets for THETA were achieved in all but one section. Hard work and a focused approach paid off. I would like to thank all the employees for their valued contribution during this tiring but rewarding period.

During the five year cycle 700 000 workers embarked on and completed a structured learning programme of which 117 000 were women and 447 000 were black. THETA managed to place 24 enterprises on the Investors in People Program and paid back skills development grants to 74 large and 179 medium-sized enterprises. These achievements far exceed the targets set for us and shows our commitment towards skills development in South Africa.

We embarked on a skills development impact study during the year to investigate and analyse the implementation of skills development programmes, learnerships and structured learning by employers, and to determine the impact of these programs in the sector. Overall these programs are making a positive contribution to the sector. The study also revealed that we need to revisit the implementation of learnerships and the support given to SMME's in this regard with communication playing a pivotal role. The impact of THETA would also increase if we segmented the market and not used a one size fits all approach.

Another research initiative relating to the need for Adult Basic Education and Training (ABET) within the sectors of THETA highlighted the daunting challenges we face. The research revealed that less than 20% of the sector provides ABET and support. This is of concern because ABET is the access route for most adults into THETA learnerships. THETA will concentrate on this challenge during the coming years and we have already set ourselves a target of 5000 learners on ABET level 4 for the coming year.

We have at last a reliable learnerships database which was developed and fine-tuned during the past year. This was a huge task as the database was corrupted with duplicate and incorrect entries of the past. Due to the accurate tracking of learners and correct information available in the system approximately 12 000 learner certificates were issued to learners in all the THETA sectors. In the coming months

another 10 000 certificates will be issued.

THETA now has a visible, operational and documented Quality Management System. Management and staff are committed to the implementation and maintenance of the system which ensures documented processes and conformity in the organisation.

Our contribution towards the capacity building of Skills Development Facilitators (SDF's) delivered a low return due to the lack of commitment to training. The workshops however received excellent reviews despite the low attendance. It was disappointing to note the low turnouts even though confirmations were received.

Our Standard Generating Body/Qualifications scoping project has earmarked to review and re-write in accordance with the South African Qualifications Authority requirements 33 qualifications of which 16 are on NQF level 5. Five new qualifications, 3 in Hospitality, Guiding and 2 in Conservation, Tourism have been completed. Changes have also been made to THETA Online to improve the registration process and to allow a core group to be added for consultation on any particular qualification. THETA is contributing to new and exciting careers in the sectors we serve.

## FINANCES

It was unfortunate to receive a qualified report from the Auditor-General in relation to the overspending of the 10% administration threshold. Overall we received a positive report from the Auditor-General in relation to financial management and control and we have already managed to pull the administration expenses back for the coming year and are committed to operating within the set parameters. As early as September 2004, SETA became aware that the income had been overestimated, which would impact negatively on expenditure. Regulations state that prior approval must be obtained if over expenditure is anticipated and SETA made several attempts to obtain such approval through the Department of Labour to National Treasury. The matter has been exacerbated as previously project income (R 1.1 million) allowed as administration income was rejected this year. The finance department has been stabilised, internal controls implemented and a supply chain department, as required, has been established. THETA now operates within the parameters of regulations and shall continue to tighten our internal





## CEO's Overview

controls and policies.

We have during the year scoped projects from surplus funds to the value of R 114 million and are planning a further R68 million for the coming year. Grants disbursements and spending on projects increased by over 400% from 2004, supporting our commitment to strategy.

### PROJECTS

We are saying our goodbyes to three of the projects run by THETA. The Tourism Learnership Project (TLP), the Integrated Nature-Based Tourism and Conservation Management (INTAC) and the South African Tourism Institute (SATI) projects all came to an end during the year. I would sincerely like to thank the project managers and their staff for their commitment and hard work during the lifespan of these projects. I am looking forward to the launch of new projects funded by donors and the National Skills Fund under the THETA wing.

### LOOKING AHEAD – CHALLENGES

We are facing challenges in levy collection as our base constitutes 80% of the SMME's exempted from paying skills development levies as from August 2005. This constitutes a reduction of another R 1 million in administration income. THETA has however, without embarking on restructuring, managed to reduce the administration budget for the coming year in line with projected income. This initiative on the other hand forces many employees to take on extra duties over and above their normal tasks and a risk on service delivery targets exists. The employees have however, voiced their support and loyalty to the organisation.

We have committed our targets for the next five year cycle and are ready to produce. A challenge exist to ensure that we have adequate numbers of fully accredited training providers across the sector but addressed this problem through a service provider capacity building project for the next year. The Expanded Public Works Programme poses immense challenges insofar as development of unit standards and curricula for the learnerships are concerned.

Marketing and communication is currently not well co-ordinated and maintaining awareness of THETA does pose a challenge.

### APPRECIATION

I am sincerely grateful to all the employees of THETA for their valued support and hard work during the year and look forward to achieving our targets as a team in the coming year. To the THETA Board, who consistently supported me in all our efforts a word of thanks and appreciation.

Last but not least to the Honourable Minister of Labour, Mr. Membathisi Mdladlana for the confidence in THETA he demonstrated by re-establishing us for the next skills development cycle. We will further improve on our service delivery and performance in the coming years.

**Mike Tsotetsi**  
Chief Executive Officer







## CEO'S REPORT: Skills Development

The Skills Development Department (SDD) prides itself in the manner in which it managed to achieve certain targets within the given time frame, whilst maintaining the quality of the content thereof. The following represents the strides taken by the Skills Development Department to realise its contribution to the previous cycle of the NSDS 1.

### SECTOR SKILLS PLAN

To prepare the Sector Skills Plan (SSP) for the second life cycle of the SETA, THETA embarked on a multi-pronged approach of gathering information to craft the SSP. As early as March 2004 THETA began hosting focus group meetings to look at the development of the SSP through direct contact with the sector role players.

This exercise afforded THETA an opportunity to get a direct input and interface with the stakeholders. Supporting this was the reviewing of the various literatures on the research conducted in the sector. A research study was further commissioned to augment the above interventions so as to arrive at a credible version of information provided about the tourism sector. All these initiatives were similar and accommodative of the five chambers namely: Hospitality, Conservation and Tourist Guiding, Tourism and Travel Services, Gaming and Lotteries, Sport, Recreation and Fitness.

### LEVIES AND GRANTS

The SDD managed to provide employers with guidelines for claiming their grants in a bid to train their staff. There was also a marked improvement in the number of employers participating in skills development. This was evident in the number of both Workplace Skills Plans (WSP) and Annual Training Reports (ATR) submitted to THETA by the various Skills Development Facilitators.

There has been a 29% increase in Annual Training Report (ATR) submissions when comparing scheme years 2003/2004 and 2004/2005. Efforts are underway to get the state departments to participate in skills development through paying their levies. There are good prospects based on the relationships built.

In a bid to ensure that there is training and whether such training has been effective or not, the Skills Development department (SDD) will be conducting monitoring and auditing site visits as part of validation of both the Workplace

Skills Plan (WSP) and ATR. It is during these site visits that THETA will have an opportunity to scrutinise challenges facing the industry at close range and involve the industry in the quest to find solutions to such challenges.

### PROJECTS

The SDD had various projects conducted under its wing. Some of these projects were systems oriented whilst others were sector oriented. The systems oriented ones were those whose main aim was to address inefficiencies in the systems, influence policy and therefore improve service delivery and shape customer perceptions of THETA. The sector oriented ones were those whose core focus was on direct Human Resource development.

### SYSTEM ORIENTATED PROJECTS:

#### SETA MANAGEMENT SYSTEM

THETA introduced the Seta Management System (SMS) technology in a bid to fast track the processing of grants as well as establishing a systematic way of drawing reports and analysing sector trends. Through this system, the SETA will be able to provide the employers in the sector a mirror image of what type of training interventions they embark on in fulfilling strategic priorities in line with their business strategy.

#### IMPACT STUDY

In an attempt to establish what the stakeholders felt about THETA's skills development implementation, monitoring and support, the SDD commissioned a study led by Upstart Business Solutions. It was very clear that THETA had to engage in self-cleansing exercise due to the transactions of the past. The recommendations of the Study indicated verily, that for THETA to come closer to the stakeholder's expectations, we needed to communicate more often and relevantly. The various initiatives of THETA further augmented the public's view of tangible products that THETA was able to offer. This increased the positive perceptions that were beginning to emerge particularly after midyear onwards.

#### SKILLS DEVELOPMENT ADVISOR PROJECT

Early in January 2005, the Skills Development Advisor (SDA) project kicked off with the training of 19 individuals whose core mandate was to assist the SMME sector in participating





## CEO'S REPORT: Skills Development



in skills development. The recent legislative adjustments around the Skills Development Levies Act, warrant a closer look at the mandate of the SDAs and their scope so as to remain relevant and impacting.

### ADULT BASIC EDUCATION AND TRAINING

The study commissioned by SDD to establish the prevalence levels of Adult Basic Education and Training (ABET) in the sector uncovered that there was quite a significant portion of employees who needed ABET as a stepping stone to contribute meaningfully into their companies but also to be able to participate in other related Education and Training Authority programmes such as Learnerships and skills programmes.

The need for ABET intervention was more evident in sub-sectors of both Sport and Conservation. In response, SDD has supported the sector by apportioning 60% of the Discretionary Grant towards ABET. It is our intention to intensify ABET intervention as we move into the second life-cycle of the THETA NSDS 2.

### SKILLS DEVELOPMENT FACILITATOR CAPACITY BUILDING PROJECT

The Skills Development Facilitator's (SDF) have continued to play a major role in enabling the companies to participate in skills development. In a bid to assist this cadre of enablers, THETA conducted a series of SDF capacity building sessions. The feedback from participants will inform THETA's future initiatives in the quest to refining THETA's efforts in equipping the SDFs.

THETA translated its plans into action and indicated its commitment to translating the Chamber ideas by investing R25 million into the Chamber Projects.

### FOREIGN LANGUAGES PROJECT

With the advent of democracy, South Africa has experienced an influx of international tourists, as confirmed by SA Tourism's Global competitive study. The Conservation and Tourist Guiding Chamber deemed it fit to position the industry by training Tour Guides in French and German. This will bolster the initiative by DEAT to train Italian and Chinese.

### ENVIRONMENTAL MANAGEMENT

As part of nation-building, the communities around the national game parks would enjoy engendering a sense of

ownership and pride as they get trained in Environmental Management. This initiative was conceptualised to promote nature conservation on a sustainable and inclusive basis by involving communities bordering the parks.

### EQUESTRIAN SCHOOL AND JOCKEY ACADEMY PROJECT

In an effort to add value to the gaming fraternity, the Chamber conceptualised and implemented the above project. The beneficiaries are jockeys and grooms from disadvantaged communities.

### EVENT MANAGEMENT

The Hospitality Chamber put forth this project, whose main aim is to take unemployed graduate learners into an event management learnership. To heighten service standards in the Hospitality industry.

### COMPUTER LITERACY PROJECT

The Tourism and Travel Services Chamber started the project to enhance the technological skills of the industry. This project will offer a wide range of modules tailored for the tourism and travel services sector.

The BEE scorecard poses a huge challenge in the tourism sector as the weighting factor is high on skills development for the first three years. THETA will invest in development and management which is a scarce skills in the sector.

### MANAGEMENT DEVELOPMENT PROGRAMME

Based on the Sector Skills Plan (SSP) findings, there was a need to close the management skills gap in the industry, particularly among the black population. The Chambers from Hospitality, Tourism and Travel Services, Sport, Recreation and Fitness, crafted a management development programme. This project assists in laying a common foundation in the industry which would also impact positively on operations of businesses and organisations in the various sub-sectors.

### SPORT FACILITY MANAGEMENT

To heighten and standardise service levels against the backdrop of the 2010 Soccer World Cup, the Sport, Recreation and Fitness Chamber deemed it appropriate to institute a Sport Facility Management programme. THETA is ready to support the BEE Score Card in various programmes.





### FITNESS LEARNERSHIP

In the light of the fitness regulations to be introduced by the Minister of Sport and Recreation, the industry needs to position itself to effectively adapt to the regulatory environment. The Sport, Recreation and Fitness Chamber put forth this project which will lead to a Certificate in Fitness Learnership Level 5.

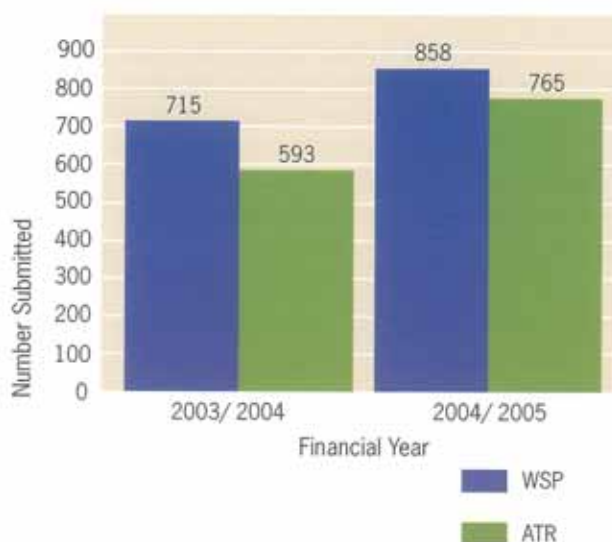
### THETA STAKEHOLDER MANAGEMENT

THETA continued its Stakeholder Management drives by attending, presenting or exhibiting at the following:

- FEDHASA Workshops;
- North West Growth and Development Strategy;
- Tourism Indaba;
- Limpopo Growth and Development Summit and
- Mpumalanga Tourism Conference.

The graph below indicates the upward trend which signaled a 20% growth in WSP based on submissions made this year 2004/2005 from the ones submitted the year before (2003/2004). ATR's submission growth year on year is 29%.

**WSP ATR Submission Trends**



## SECTION 3 : Performance against NSDS Targets

### Success Indicator 1.1

By March 2005, 70% of workers have at least a Level 1 qualification on the NQF

No of workers in sector	450,000
No of workers at NQF 1 in the sector	315,000
Total of workers to be at NQF 1 by March 2005	180,000
MoU 04/05 target to be achieved	25,000
Total number of workers to be trained on NQF1 by March 2005	25,000

Actual 00/ 02

No of workers in the sector at NQF 1	0
% of workers at NQF 1	0%
Total No of Workers Trained on NQF1	0
Total No of Workers Trained on all ABET levels	

Total No of black workers to have at least NQF 1	21,250
% Target No of black workers to have at least NQF 1	85%
No of Women in the sector to have at least NQF 1	13,500
% Target no of Women to be at NQF 1	54%
People with Disabilities in the sector to have at least NQF 1	1,000
% Target No of People with Disabilities to be at NQF 1	4%
MoU 04/05 target to be achieved	915
Target No of workers to be trained on NQF1 by March 2005	25,000

Actual 00 / 02

No of black workers trained in the sector on NQF 1	
% of No of black workers trained in the sector on NQF 1	0%
No of women trained in the sector on NQF1	0
% of No of women trained in the sector on NQF1	0%
No of People with Disabilities trained in the sector on NQF 1	-
% of No People with Disabilities trained in the sector on NQF 1	0%





	Actual 02 / 03	Actual 03 / 04	Actual 04 / 05	Accumulative	% of Target Achieved
	0	0	0	0	
	5%	7%	42%	54%	54%
	9,250	11,820	75,977	97,047	

	Actual 02 / 03	Actual 03 / 04	Actual 04 / 05	Accumulative
	9,250	11,820	54,045	75,115
	44%	56%	254%	353%
	0	0	31,475	31,475
	0%	0%	233%	233%
	0	0	82	82
	0%	0%	8%	8%

## SECTION 3 : Performance against NSDS Targets

### Success Indicator 1.2

By March 2005, a minimum of 15% of workers to have embarked on a structured learning programme (no of interventions), of whom at least 50% have completed their programme satisfactorily

<b>No of workers in sector</b>	<b>450,000</b>	
<b>No of workers to embark on structured learning annually</b>	<b>67,500</b>	
<b>MoU 04/5</b>	<b>186,000</b>	
<b>No of learners to complete structured learning annually</b>	<b>93,000</b>	
		<b>Actual 00/ 02</b>
No of workers participated on structured learning in the sector		15,694
% of workers participated on structured learning in the sector		23%
No of workers that have completed structured learning in the sector		15,694
% of workers that have completed structured learning		23%
<b>Total No of black workers to participate on structured learning</b>	<b>57,375</b>	
<b>% Target No of black workers to participate on structured learning</b>	<b>85%</b>	
<b>No of Women to participate on structured learning</b>	<b>36,450</b>	
<b>% Target no of Women to participate on structured learning</b>	<b>54%</b>	
<b>People with Disabilities to participate on structured learning</b>	<b>2,700</b>	
<b>% Target No of People with Disabilities to be at NQF 1</b>	<b>4%</b>	
<b>MoU 04/05 target to be achieved</b>	<b>91,204</b>	
<b>Target No of workers to participate in structured learning</b>	<b>67,500</b>	
		<b>Actual 00 / 02</b>
No of Black Workers Participating in structured learning		0
% of No of Black workers participating in structured learning		0%
No of Women Workers participating in structured learning		0
% of No of Women workers participating in structured learning		0%
No of Disabled Workers participating in structured learning		
% of No workers with Disabilities workers participating in structured learning		0%





	Actual 02 / 03	Actual 03 / 04	Actual 04 / 05	Accumulative	Ave % of Target Achieved
	202,289	144,230	221,534	583,747	
	300%	214%	328%	865%	173%
	202,289	144,230	341,543	703,756	
	300%	214%	506%	1043%	209%

	Actual 02 / 03	Actual 03 / 04	Actual 04 / 05	Accumulative	Average
	62,299	213,658	171,875	447,832	89,566
	109%	372%	300%	781%	156%
	0	0	117,745	117,745	23,549
	0%	0%	323%	323%	65%
			543	543	109
	0%	0%	20%	20%	4%

## SECTION 3 : Performance against NSDS Targets

### Success Indicator 1.3

By March 2005, an average of 20 enterprises per sector, (to include large, medium and small enterprises), and at least five national government departments, to be committed to, or have achieved, an agreed national standard for enterprise-based people development

Total No of enterprises agreed to achieve the national standard	20
Total No of enterprises agreed to achieve the national standard	100%
MoU 04/05 target to be achieved	20

No of Enterprises committed/recognised to national standard  
% of Target achieved

Actual 00/ 02

0  
0%

**Success Indicator 2.1** By March 2005, at least 75% of enterprises with more than 150 workers are receiving skills development grants and the contributions towards productivity and employer and employee benefits are measured

No of enterprises paying levy	162
No of Enterprises paying levy receiving WSP grants	122
% of Enterprises paying levy receiving WSP grants	75%

No of Enterprises paying levy receiving WSP grants  
% of Enterprises paying levy receiving WSP grants

Actual 00/ 02

65  
133%

**Success Indicator 2.2** By March 2005, at least 40% of enterprises employing between 50 and 150 workers are receiving skills development grants and the contributions towards productivity and employer and employee benefits are measured

No of enterprises paying levy	155
No of Enterprises paying levy receiving WSP grants	62
% of Enterprises paying levy receiving WSP grants	40%

No of Enterprises paying levy receiving WSP grants  
% of Enterprises paying levy receiving WSP grants

Actual 00/ 02

0  
0%





	Actual 02/ 03	Actual 03 / 04	Actual 04 / 05	Accumulative	Ave % of Target Achieved
	0	0	24	24	
	0%	0%	120%	120%	<b>120%</b>

	Actual 02/ 03	Actual 03 / 04	Actual 04 / 05	Accumulative	Ave % of Target Achieved
	87	130	134	134	
	72%	107%	110%	110%	<b>110%</b>

	Actual 02/ 03	Actual 03 / 04	Actual 04 / 05	Accumulative	Ave % of Target Achieved
	72	121	131	131	
	116%	195%	211%	211%	<b>211%</b>

## SECTION 3 : Performance against NSDS Targets

### Success Indicator 2.3

By March 2005, learnerships are available to workers in every sector

No of Learnerships to be registered	25
No of Learnerships active	24
% of Learnerships active compared to no registered	100%

Actual 00/ 02

23

92%

### Success Indicator 3.1

By March 2005, 20% of new or existing registered small business to be supported in skills development initiatives and the impact of such measured.

No of small business in the sector	14,952
No of small businesses to receive WSP Grants and support	1384
% of No of small businesses to receive WSP Grants and support	9%
No of small businesses to receive WSP Grants	1,384
% of No of small businesses to receive WSP Grants	9%
No of small business receiving support	0
% of small business receiving support	0%

Actual 00/ 02

No of small businesses receiving WSP Grants and support	
% of No of small businesses receiving WSP Grants and support	0%
No of small businesses receiving WSP Grants	0
% of No of small businesses receiving WSP Grants	0%
No of small businesses receiving support	0
% of No of small businesses receiving support	0%





	Actual 02/ 03	Actual 03 / 04	Actual 04 / 05	Accumulative	Ave % of Target Achieved
	23	23	24	24	
	92%	92%	96%	96%	96%

	Actual 02/ 03	Actual 03 / 04	Actual 04 / 05	Accumulative	Ave % of Target Achieved
		91	2,983	3074	
	0%	7%	216%	222%	222%
	0	0	671	671	
	0%	0%	48%	48%	
	0	91	2,312	2403	
	0%	7%	167%	174%	

## SECTION 3 : Performance against NSDS Targets

### Success Indicator 5.1

By March 2005, a minimum of 80 000 (unemployed) people under the age of 30 (amended to 35 in GDS) have entered learnerships (and/or apprenticeships as per GDS).

<b>Sector baseline</b>	<b>450,000</b>
<b>Total No of 18(2) Learners + Apprentices to be registered</b>	<b>15,000</b>
<b>MoU 04/05 target to be achieved</b>	<b>2,320</b>
<b>Total Number of 18(2) Learners to be registered in Learnerships</b>	<b>2,320</b>

	Actual 00/ 02
Total No of 18(2) Learners + Apprentices registered	2,013
% Total No of 18(2) Learners + Apprentices registered	13%
Total No of 18(2) Learners in Learnerships registered	2,013
% Total No of 18(2) Learners in Learnerships registered	13%
Total No of 18(2) Apprentices registered	940
% Total No of 18(2) Apprentices registered	6%

<b>No of Black 18(2) + Apprentices to be registered</b>	<b>12,750</b>
<b>% of No of Black 18(2) + Apprentices to be registered</b>	<b>85%</b>
<b>No of Women 18(2) + Apprentices to be registered</b>	<b>8,100</b>
<b>% No of Women 18(2) + Apprentices to be registered</b>	<b>54%</b>
<b>No of Disabled 18(2) + Apprentices to be registered</b>	<b>600</b>
<b>% No of Disabled 18(2) + Apprentices to be registered</b>	<b>4%</b>

	Actual 00 / 02
No of Black 18(2) + Apprentices registered	500
% of No of Black 18(2) + Apprentices registered	4%
No of Women 18(2) + Apprentices registered	0
% No of Women 18(2) + Apprentices registered	0%
No of Disabled 18(2) + Apprentices registered	0
% No of Disabled 18(2) + Apprentices registered	0%





	Actual 02 / 03	Actual 03 / 04	Actual 04 / 05	Accumulative	% of Target Achieved
	2116	2013	777	6919	
	14%	13%	5%	46%	
	2116	2013	777	6919	
	14%	13%	5%	46%	
	-	-	-	940	
	0%	0%	0%	6%	46%

	Actual 02 / 03	Actual 03 / 04	Actual 04 / 05	Accumulative
	2000	719	671	3,890
	16%	6%	31%	31%
	0	0	398	398
	0%	0%	5%	5%
	0	0	0	0
	0%	0%	0%	0%

## CHAMBER COMMITTEE MEMBERSHIP

### Hospitality chamber committee

Daryl Howes	South African Association for the Conference Industry
Marcel Kobilski	Housekeepers Association of South Africa
Churchill Mrasi	South African Leisure and Tourism Association
Liziwe Konyana	National Youth Commission
Zola Nkomo	Food and Allied Workers Union
Phillip Nkosi	South African Commercial Catering and Allied Workers Union
Tom Pringle	Professional Caterers Association
Annemarie Stilwell	National Accommodation Association of South Africa
Eugene Swartz	South African Taverners Association
Themba Zulu	Hotellica
Joe Raputsoe	Department of Environmental Affairs and Tourism
Annette Weaver	National Association of Catering Employers
Caleb Mabaso	FEDHASA
Judy Corney	Restaurant Association of South Africa

### Travel and Tourism chamber committee

Dave Hill	Board of Airline Representatives of South Africa
Vanya Lessing	Association of South African Travel Agents
Ezrom Mabanya	South African Transport and Allied Workers Union
Carol O'Brien	South African Chamber of Businesses Union
Jill Schlachter	South African Vehicle Renting and Leasing Association
Felicity Senne	South African Commercial Catering and Allied Workers Union
Siphiwe Zwane	Airports Company Southern Africa

### Sports, recreation and fitness chamber committee

Banele Sindani	Athletics South Africa
Denver Hendricks	Sport and Recreation South Africa
Danny Jordaan	South African Football Association
Steve Murray	Virgin Active
Ntambi Ravele	Netball South Africa
Doreen Solomons	South African Gymnastics Federation
Sam Ramsamy	National Olympics Committee of South Africa
John Moeti	SA Football Players Union
Paul Treu	SA Rugby Players Association





#### **Gaming and Lotteries chamber committee**

Matlhora Titus Matloa	South African Commercial Catering and Allied Workers Union
Phumla Mnganga	Gold Circle Racing and Gaming
Stephen Quinn	Sun International
Rikhotso Roseman	South African Commercial Catering and Allied Workers Union
Ike Shirindi	Phumelela Gaming and Leisure
Phillemon Sito	Entertainment, Catering Commercial and Allied Workers Union
Lynette van Tonder	Peermont Global
Nomokwayi Tisani	Uthingo Management
Tshepo Mokoena	National Gambling Board
Natasha Rudy	Tsogo Sun

#### **Conservation and tourism guiding chamber committee**

Boyce Dabula	South African National Parks Board
Rene du Toit	National Botanical Institute
Tony Ehrenreich	Cosatu Western Cape
Grant Hine	South African Tourism Services Association
Moeketsi Mosola	South African Tourism
Cheryl Mulder-Verbruggen	Conservation Corporation South Africa
Joe Raputsoe	Department of Environmental Affairs and Tourism
Sonwabo Shibane	South African Commercial Catering and Allied Workers Union

## CEO'S REPORT: *Learnerships*

### INTRODUCTION

THETA contributed to the implementation of the Skills Development Act and the National Skills Development Strategy by establishing learnerships, monitoring education and training in the sector, promoting learnerships and registering learnership agreements.

### LEARNERSHIP DEPARTMENT

The closure of the Tourism Learnership Project (TLP) which had been the vehicle for the learnership function within THETA necessitated the establishment of a fully fledged and operational Learnership Department. This department is responsible for the registration and implementation of Learnerships and Skills Programmes.

With the closure of TLP, all its experienced former staff members were appointed into the Learnership Department. This aspect ensured implementation of lessons learnt from TLP and the staffing of the new department with employees who had the experience to carry-out the required functions as indicated in the Skills Development legislation.

### LEARNERSHIP IMPLEMENTATION PROJECT

The first step of the newly appointed learnership team was to prepare a Learnership implementation project to be funded from the THETA surplus funds. The project plan and the budget allocation of R49.7 million were approved by THETA governance structures. The implementation of this project was the first attempt to implement recommendations that were made from the external evaluation of the TLP.

The National Diploma in Fitness, NQF Level 5, was registered as a Learnership programme in line with the THETA Fitness Chamber Project. This increased the number of THETA registered learnership to 24. An additional 10 Learnerships will be registered according to the needs and demands of the sector.

A learnership implementation approach, process, templates, criteria and requirements were put in place for implementation of future THETA learnerships. With this new approach, learnership involvement and implementation was structured into phases. A four phase Learnership approach (application, evaluation and allocation, induction and imple-

mentation) was designed and implemented.

Once all the elements of the implementation system were in place, information on the implementation process, criteria and guideline documents, learnership grants, and SARS tax incentives were broadly shared with stakeholders in the THETA sector.

The first phase was the application phase where companies were requested to complete learnership implementation application forms. A number of critical issues were addressed in this application form. Only employer organisations and lead employers were requested to make the necessary applications as they understand industry requirements and are directly affected. Meetings were held with stakeholders to explain the learnership approach further. Once applications were made and submitted to THETA, they were then evaluated for implementation purposes.

Although the THETA Learnership application and implementation process was used for all learnership implementations, there were three main implementation approaches that were used by THETA in implementing the project. The first was the implementation of learnerships through companies that were skills development levy contributors within the THETA sector who were stand alone entities, the second group was the implementation of learnerships with large and medium-size companies that have establishments across the country. Although learnerships are implemented at various sites, the National Office co-ordinates the process.

The third implementation approach was through the Employment Skills Development Lead Employers (ESDLEs) that were established by the Department of Labour to assist with Learnership implementation of SETAs. These structures were put in place to assist involvement of SMME in the Learnership implementation.

There was overwhelming response and support from the THETA sector role players to the process. A total of 101 learnership implementation applications were received. All applications were taken through a standard evaluation process to verify the viability and capacity. The main criteria was the relations between the indicated employer learnership needs and the THETA sector skills plan document which





indicates all the skills development needs of the sector. At the end of the learnership evaluation and allocation process, 65 organisations across the country were allocated - 1 476 THETA funded unemployed learners and 225 non-funded employees across all five chambers of THETA.

Learnership monitoring and evaluation visits were carried out to all ESDLEs that were funded from THETA surplus funds. The results of the evaluation indicated a need for further capacity development for these organisations. This would ensure their effectiveness in assisting THETA to implement its learnership mandate.

The same employer monitoring and evaluation tool for learnership was implemented with 13 companies by the end of the financial year. The intention is to implement this tool with all organisations that are implementing THETA learnerships.

### CAPACITY BUILDING INITIATIVES

Learnership capacity building workshops were conducted with employers and training providers who were implementing the programme. The initiative was a joint effort between the Learnership and ETQA departments. The purpose of these workshops was to provide clarity of learnership provision requirements to both employers and training providers.

An initial two-day capacity building workshop was held with all THETA related Employment Skills Development Lead Employer (ESDLE). The workshop was aimed at ensuring clarification of roles and expectations between THETA and ESDLE in the Learnership implementation process.

Capacity building workshops for THETA were conducted and Skills Development Advisors (SDA) appointed, in both Learnership implementation and SA Host Customer Service activities. The purpose of the workshop was to clarify roles that SDAs were required to undertake in Learnership marketing, implementation, induction and monitoring and evaluation. The SA Host workshops built capacity of SDAs in the Customer Service Programme and Leader Development Programme. The intent was that SDAs would roll-out SA Host Customer Service Programme for THETA sector SMMEs.

Capacity building workshops for Education, Training & Development (ETD) practitioners who were trained as men-

tors, coaches, assessors and moderators were held. The aim of the workshop was to assist individuals who were trained as assessors and moderators to complete their portfolios of evidence and to achieve their certificates of competence.

### STAKEHOLDER FORUM

With regard to the structures and committees that form part of the Skills Development initiatives, THETA is represented at the Quality Learning Forum (QLF) that is coordinated by the Department of Labour and Provincial Skills Development Forum of North-West Province.

### SA HOST CUSTOMER PROGRAMME

The SA Host Project was implemented by THETA as part of TLP. The Project initiation stage was funded by the Business Trust and Department of Labour. Part of the project roll-out was funded by the Department of Environmental Affairs and Tourism (DEAT).

The SA Host Customer Care Project is a training programme targeting frontline staff in all sectors of the economy. In line with the brand South Africa and the Welcome Campaign, this project established trainers in all the provinces with an aim of reaching frontline staff throughout the country. The project had a target to train 5 000 people and ended up training 14 706 people. SA Host faces the challenge of reaching as many South Africans as possible.

### THE FUTURE

The following are areas of attention for the next financial year:

### STAKEHOLDER COMMUNICATION

A need exist for increased communication and relations with stakeholders on Learnership and Skills programme registration and implementation.

### LEARNERSHIP IMPLEMENTATION PROJECT 2005 -2006

A learnership project for employees and unemployed learners for 2005 -2006 will be planned and implemented. The implementation will be based on the lessons that were learnt from the TLP project, and the 2004-2005 learnership implementation project.



## CEO'S REPORT: *Learnerships*

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### CAPACITY BUILDING OF ROLE PLAYERS

The learnership implementation monitoring and evaluation process has identified a major need for stakeholder capacity building in Learnership and Skills Programme implementation. In response to this challenge, employer and training provider capacity building initiatives (workshops, guidelines) will be implemented as part of the next implementation phase.

### INDUCTION PROGRAMME

Although a learnership induction document was developed for implementation by all learnership sites, results from the monitoring and evaluation visits indicated a critical need for proper induction processes to be carried out by THETA. Conducting of learnership inductions will be one of the areas of focus for the Learnership Department in future.

### LEARNERSHIP MONITORING AND EVALUATION

The usage of the current learnership monitoring and evaluation tool that is directed at employer organisation has proved to be a success. The tool has provided invaluable information about implementation issues and challenges that role players are facing. The tool has also helped THETA to put interventions in place to resolve the identified challenges and issues. This tool will be implemented for all future learnerships conducted by THETA.

### EXIT STRATEGY FOR UNEMPLOYED LEARNERS

There is a need for a consolidated learner exit strategy position for unemployed learners who successfully complete their learnership programmes.

### SA HOST

The SA Host Project will be supported in terms of its sustainability and ensuring that it meets the learning provision requirements set by the South African Qualifications Authority (SAQA).





## CEO'S REPORT: Education Training Quality Assurance Body

In terms of the Skills Development Act, every SETA must be accredited as an Education Training Quality Assurance Body (ETQA).

The main function of the SETA as an ETQA is to ensure quality of provision through compliance to the ETQA Regulatory provisions 1127. To ensure that this function is carried out effectively, THETA is required to:

- accredit providers;
- register assessors and moderators;
- evaluate programmes aligned to the National Qualifications Framework (NQF) registered qualifications;
- monitor and audit providers;
- certificate learners;
- maintain a database and
- facilitate standard setting and qualification scoping

To ensure that the above functions are carried out in accordance with legal requirements, but still add value to the tourism sector and related sub-sectors at large, the ETQA has performed the following function over the past year:

### CAPACITY BUILDING

Capacity building workshops were held in accreditation requirements, quality management requirements, programme design and development, database support and learnership provision for over 400 delegates from 150 provider organisations. ETQA also developed and published 6 Criteria and Guidelines documents for provider assistance, and a user-friendly new THETA web-site was launched and implemented.

### ACCREDITATION OF PROVIDERS

137 applications for accreditation were reviewed, of which 28 accreditations were awarded. A further 483 non-active providers have been de-registered as providers, and almost 100 new "Intent to be accredited" applications were processed.

### ASSESSOR AND MODERATOR DEVELOPMENT

A total of 4 300 assessors dating back from Hospitality Industry Training Board (HITB) who were not compliant with the new SAQA requirements are in the process of deregistration, and a total of 280 new qualified assessors were registered as per the SAQA requirements.

THETA assisted in the training of a further 295 assessors and 82 moderators, as well as the conversion of 400 previous HITB assessors to the legally required assessor qualification.

SECTOR	ASSESSORS	MODERATORS
Conservation	60	15
Gaming & Lotteries	21	11
Sport, Recreation & Fitness	204	46
Hospitality	10	10
Total	295	82

### PROGRAMME EVALUATION

The ETQA department received 565 programmes in the year and reviewed 330. Of the programs reviewed 121 were approved and 209 programmes were still undergoing the process at the end of the reporting year and will be completed early in the new year. A further 40 were returned to providers and 195 still to be evaluated.

### PROVIDER MONITORING AND AUDITING

The team visited over 80 sites for monitoring, auditing and accreditation purposes, and 60 service providers were given conditional compliance, 20 received favourable audit findings.

### CERTIFICATE LEARNERS

A total of 11840 learner certificates were issued to providers across the THETA constituency to distribute to learners, and a further 10 000 is expected to be issued in the new financial year.

### MAINTAIN A DATABASE

Over 20 000 learner records, assessor/ moderator and provider records were transferred from the old HITB database to the THETA database implemented in 2004. Exceptional efforts were made by ETQA to verify and correct the data on the system. Duplicate learners were deleted, ID numbers and





## CEO'S REPORT: Education Training Quality Assurance Body

other personal information verified, and preparing the database for the printing of certificates were completed during the period. The efforts paid off and THETA has a reliable database for the first time in its history.

### FACILITATE STANDARD SETTING AND QUALIFICATION SCOPING

THETA's accreditation scope was increased by 11 qualifications from 29 qualifications to 40 qualifications, and a total of 52 registered skills programmes. Four out of the five THETA funded Standard Generating Bodies's (SGB) were re-constituted with a new brief and memberships, and a total qualification scoping and review exercise conducted to establish the basis for the new THETA qualification framework.

The launch of the THETAonline website marked a great achievement as communication platform and in the management of SGB's as the website provides the opportunity for all stakeholders to comment on the qualification development process.

### GOVERNANCE MATTERS

THETA signed 4 Memoranda of Understanding (MoU's) with other SETAs, increasing the existing memoranda from 12 to 16 MoU's. The THETA ETQA also received re-accreditation from SAQA as an ETQA.

### INVESTORS IN PEOPLE

The IIP project was a great success, and obtained 24 commitments from organisations to participate in the project to obtain the Investors in People standard.

### CAPACITY BUILDING PROJECT

This project was funded by SATI, and consisted of a series of national workshops to capacitate providers in meeting the accreditation criteria requirements. The workshops focused on QMS design, programme design and development. The project capacitated over a 100 providers (including FET Colleges, accredited, emerging and SMME providers), and was declared a huge success by all attendees.

### ASSESSMENT 1 CONVERSION PROJECT

Due to the imminent de-registration of almost 4 300 legacy assessors [TD qualified, with no Assessment 1 (ASSMT01 / 7978) assessor unit standard qualification], the ETQA

approached SATI to fund a project that would see the conversion of 400 TD qualified assessors to the required ASSMT01 / 7978 standard through a simple RPL (recognition of prior learning) intervention. THETA commissioned the development of the RPL tool, conducted national portfolio workshops and facilitated the registration of 293 candidates for RPL assessment.

### DATABASE DEVELOPMENT

A total transfer of data for the period 2001 – 2005 from the old HITB system to the Deloitte system was facilitated, and data was, for the first time in THETA's history, successfully uploaded to the SAQA National Learner Records Database (NLRD). All data backlogs were dealt with, resulting in mass certification between the end of 2004 and early 2005. During a road-show in March/ April 2005, the web enabled component of the database was launched, allowing providers direct access to the THETA database to conduct learner registrations, achievements and data validations on-line, real-time.

### RESOURCE DEVELOPMENT

A total of 7 Criteria and Guideline documents were developed and published to assist providers in the implementation of issues raised at the capacity building workshops and ETQA site visits. The resources are intended to assist providers in accreditation, programme design and development, quality management systems design and related provision matters, such as database access.

## CEO'S REPORT: Investors in People Project

### BACKGROUND

The Investors in People Project (IIP) at THETA was initiated in August 2004. There were two main objectives for this project: to get THETA committed to the IIP Standard and to finalise the first assessment for THETA against the Standard and to get 20 stakeholder organisations committed to working towards the IIP Standard as per THETA's NSDS targets.

### INTERNAL PROCESS – THETA COMMITMENT

THETA employees were orientated to the IIP Standard by the DoL-allocated IIP practitioner. Thereafter two internal workshops were held where the principles of the IIP Standard were explained and introduced. In addition to the overview of the principles and criteria associated with the IIP Standard, the methodology to be used for the Assessment of the organisation was introduced.

The organisation was assessed in October 2004. A formal feedback report was submitted to the CEO by IIP SA. This was after an independent UK assessor had interviewed about 25 employees. The respondents were selected randomly representing all levels of the organisation.

THETA met three of the twelve indicators in full and just fell short of meeting two additional indicators. Seven indicators required intervention towards achievement.

Specific actions have been taken to align organisational practices to best practices associated with the IIP standard.

These include:

- monthly inter-departmental THETA meetings;
- monthly employee objective reviews and meetings with line managers on a one-on-one basis and
- performance reviews linked to development needs and intervention requirements.

The follow-up assessment will be considered in the middle of the new year.

### EXTERNAL PROCESS – STAKEHOLDER COMMITMENT

A number of national workshops were arranged and

presented to introduce the standard to THETA stakeholders. Orientation sessions for interested stakeholder organisations including SMMEs, corporations and organisations in the THETA sectors were held in Johannesburg, Durban, Cape Town, Nelspruit and East London.

THETA managed to commit 24 organisations to the standard within an 8-month period, thus not only meeting, but exceeding the initial target of 20 commitments. These committed organisations embarked on assessments against the standard.

#### The following organisations were committed:

- Sheraton Hotel (Pretoria)
- Hospitality Professionals
- Avis Car Hire
- The Marine Hotel (Hermanus)
- Winchester Mansions Hotel
- Ingwe Tourism Services
- The Royal Hotel
- The Alpine Heath Hotel
- Irene Country Lodge
- Mabule Game Lodge
- The Cape Peninsula Hotel
- International Hotel School
- Gold Reef Guides
- Training Dynamics and Consulting
- Devonmust
- Hospitality Industry Training and Consultants
- Wildways
- Sounddrops
- Capital Hotel School
- Hospitality Academy
- Mugg and Bean Group
- Pitseng Catering Services
- Services and Tourism Training Institute
- Concorde Travel

### FUTURE PLANS

THETA has committed to funding 50% of the assessment costs towards the attaining of the IIP standard, to a maximum of R10 000 per organisation that embarks on this process. Organisations will pay for the cost of the assessment and claim from THETA half of the costs after submission of proof of payment.





## CEO'S REPORT: *Standard Setting and Qualifications Generation*

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THETA embarked on a standard setting and qualifications review project. The project entailed the identification of the envisaged sector scope for which development of new qualifications to be registered on the NQF was earmarked.

The following sectors were selected;

- The Hospitality and Gaming sector;
- The Travel, Tourism and Events sector;
- The Sport, Recreation and Fitness sector;
- The Conservation Sector and
- The Tourism Adventure and Guiding sector.

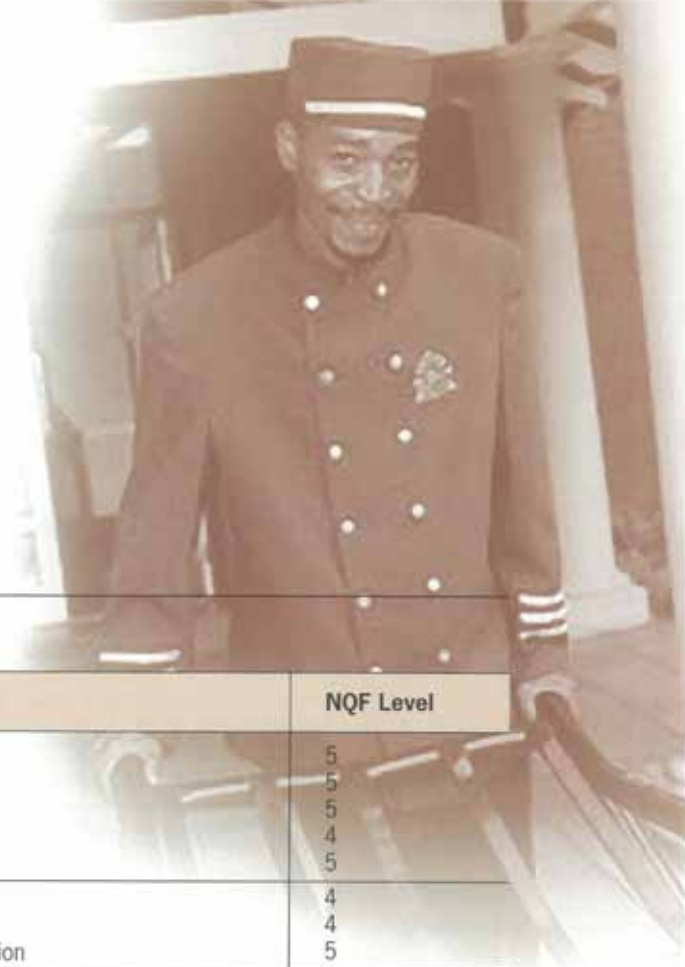
In addition to the identification of new qualifications to address the needs reflected in the Sector Skills Plan, THETA is simultaneously embarking on the reviewing of all its existing qualifications and unit standards. This is to ensure that national qualifications on the THETA scope meet industry standards and requirements in order to address vocational training needs in a pro-active manner.

The process of standard setting and qualification generating is driven through the activities of five Standards Generating Bodies (SGBs). These autonomous bodies are funded by THETA and membership comprises of industry, education and training, labour, government and other stakeholder nominees. The SGBs are mandated to execute the necessary activities associated with the due process for qualifications generating as regulated by the NSB regulations and the SAQA Act.

Consultation is key to this process hence an electronic communications platform was used to enable the public to comment on the process – from initial conceptualisation to the finalisation of the standards associated with qualifications. The platform was linked to the THETAonline portal. The portal allowed parties with a vested interest in the qualifications, including industry, accredited training providers as well as learners and other stakeholders access to participate in the process.

Approximately 510 unit standards and 33 qualifications were under review by the end of the reporting year. The process will be completed in the new year.





The following qualifications are earmarked for reviewing:

Sector	Qualification Title	NQF Level
Travel	National Certificate in General Travel	5
	National Diploma in Retail Travel	5
	National Diploma in Wholesale Travel	5
	National Certificate in Tourism: Car rental	4
	National Certificate in Tourism: Cabin Crew	5
Tourism	National Certificate in Tourism: Reception	4
	National Certificate in Tourism: Event Support	4
	National Diploma in Tourism: Event Co-ordination	5
Sport	National Certificate in Sport/ Recreation/ Fitness Leadership	4
	National Certificate in Coaching Science	5
	National Certificate in Fitness	5
	National Diploma in Coaching Science	5
	National Diploma in Fitness	5
Hospitality	National Certificate in Accommodation Services	2
	National Certificate in Fast Food Services	3
	National Certificate in Hospitality Reception	4
	National Certificate in Food & Beverage Services	4
	National Certificate in Professional Cookery	4
	National Diploma in Accommodation Services	5
	National Diploma in Fast Food Services	5
	National Diploma in Food & Beverage Management	5
	National Diploma in Professional Cookery	5
	National Diploma in Service Management	5
Gaming	National Certificate in Gaming: Cashiering	3
	National Certificate in Gaming: Dealing	3
	National Certificate in Gaming: Surveillance	3
	National Certificate in Gaming: Slots Operation	3
Guiding	National Certificate in Tourism: Guiding	2
	National Certificate in Tourism: Guiding	4
Conservation	National Certificate in Conservation Guardianship	2
	National Certificate in Natural Resource Management: Terrestrial	5
	National Certificate in Community Conservation: Liaison & Support	2
	National Certificate in Community Conservation: Practice & Co-ordination	5

The following new qualifications were being finalised for registration on the NQF at the end of the reporting year.

Sector	Qualification Title	NQF Level
Hospitality Guiding	National Certificate in Food preparation and related services.	2
	National Certificate in Adventure based experiential learning	3
	National Certificate in Adventure based experiential learning	4
Conservation Tourism	National Certificate in Professional Hunting	4
	National Certificate in Responsible Tourism Development	5

**Note:** Additional qualifications as depicted on the scopes are also earmarked for development.

## CERTIFICATION: Tables and Charts

### Total certificates per sector

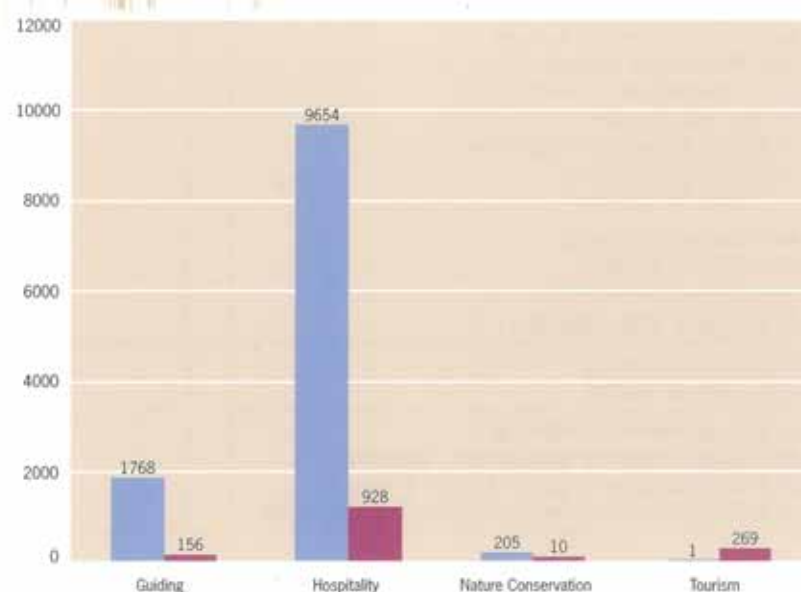
The table below depicts the total certificates issued per sector for learnerships and mou agreements (skills programmes and full qualifications). The hospitality sector achieved the highest certification.

**Table 1: Certificates per sector**

Sector	Programme/ Qualification (Non-Agreement)	Qualification (Agreement)	Grand Total
Guiding	1768	156	1924
Hospitality	9654	928	10582
Nature Conservation	205	10	215
Tourism	1	269	270
<b>Grand Total</b>	<b>11628</b>	<b>1363</b>	<b>12991</b>

**Note:** Special attention will be given to the Sports and Travel sectors during the next financial period

Count of Certificate No



Sector

#### Achievement Type

Programme/Qualification (Non Agreement)

Qualification (Agreement)



### Total certificates per sector per programme

The table below indicates certificates per programme description per sector. The highest number of certificates issued is for Cook-Convenience Food and Room attendant.

**Table 2: THETA Non-Agreement Certificates: Sector & Qualification/ Programme**

Achievement Type	Programme/ Qualification (Non-Agreement)				
	Sector				
Programme Description	Guiding	Hospitality	Nature Conservation	Tourism	Grand Total
Adventure Site Guide (Mountaineering)	52				52
Assistant Chef		754			754
Assistant Housekeeper		213			213
Bar Attendant		378			378
Cook – Convenience Foods		1637			1637
Cook – Fast Foods		508			508
Cultural Site Guide	734				734
Dangerous Game Area	52				52
Drink Service Assistant		508			508
Fast Food/ Counter Attendant		491			491
Field Ranger 1			183		183
Field Ranger 2			11		11
Food Service Assistant		995			995
General Field Assistant			11		11
Kitchen cleaner		546			546
Laundry Assistant		81			81
National Certificate: Accommodation Services		2			2
National Certificate: Food and Beverage Services		3			3
National Certificate: Professional Cookery		3			3
National Certificate: Tourism: Event Support				1	1
National Certificate: Tourism: Guiding	63				63
National Diploma: Food and Beverage Management		15			15
National Diploma: Professional Cookery		32			32
Nature Site Guide	762				762
Nature Site Guide (Dangerous Game)	105				105
Porter		296			296
Porter/ Concierge		53			53
Public Area Cleaner		301			301
Receptionist		513			513
Room Attendant		1328			1328
Table Attendant		997			997
<b>Grand Total</b>	<b>1768</b>	<b>9654</b>	<b>205</b>	<b>1</b>	<b>11628</b>



## CERTIFICATION: Tables and Charts

### Learnerships

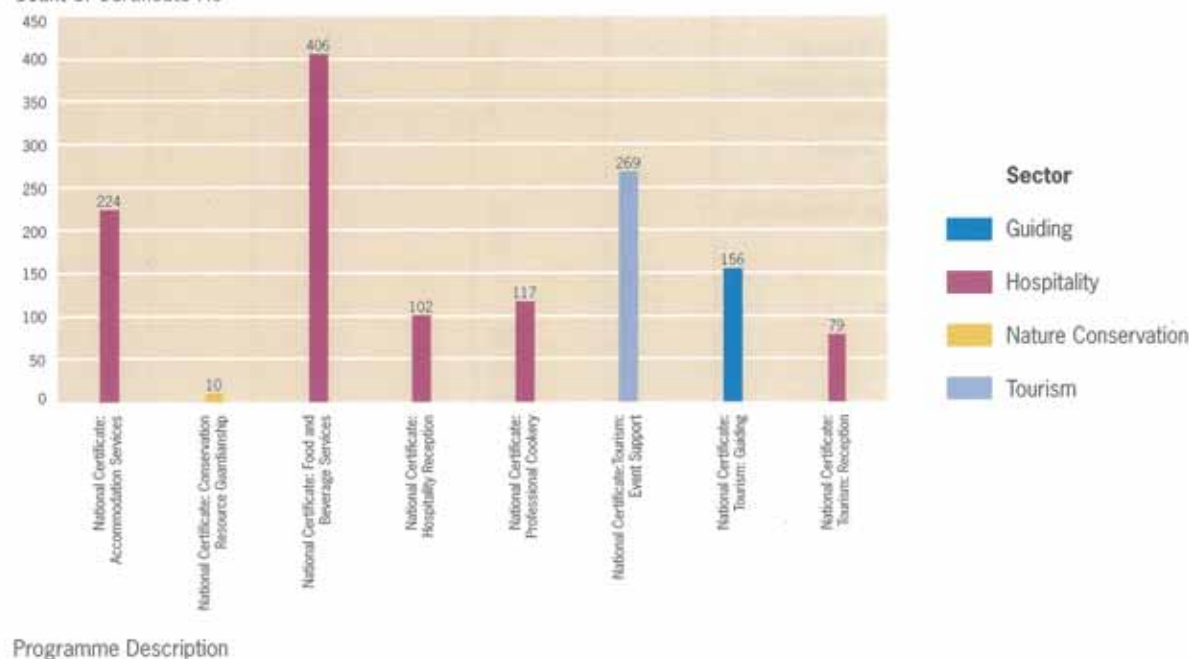
The table indicates the total certificates issued per learnership per sector. The food and beverage services achieved the highest score.

**Table 3: THETA Learnership Certificates: Sector & Qualification**

Achievement Type	Qualification (Agreement)				
Programme Description	Sector				
	Guiding	Hospitality	Conservation	Tourism	Grand Total
National Certificate: Accommodation Services		224			224
National Certificate: Conservation Resource Guardianship			10		10
National Certificate: Food and Beverage Services		406			406
National Certificate: Hospitality Reception		102			102
National Certificate: Professional Cookery		117			117
National Certificate: Tourism: Event Support				269	269
National Certificate: Tourism: Guiding	156				156
National Certificate: Tourism: Reception		79			79
<b>Grand Total</b>	<b>156</b>	<b>928</b>	<b>10</b>	<b>269</b>	<b>1363</b>

Achievement Type: Programme/ Qualification (Agreement)

Count of Certificate No



### Learnerships certificates per geographical area

Gauteng achieved the highest certificates with KZN second

**Table 4: THETA Learnership Certificates: Geographical Area & Qualification**

Programme Description	Geographical Area										Grand Total
	Eastern Cape	Free-state	Gauteng	KwaZulu-Natal	Limpopo	North West	Northern Cape	Mpumalanga	Western Cape	Undefined	
National Certificate: Accommodation Services	12		51	141		15	1		2	2	224
National Certificate: Conservation Resource Guardianship			7			3					10
National Certificate: Food and Beverage Services	13		231	74		53	5		16	14	406
National Certificate: Hospitality Reception	4		30	33		16			7	12	102
National Certificate: Professional Cookery	20		33	45		11				8	117
National Certificate: Tourism: Event Support			221	40		1				7	269
National Certificate: Tourism: Guiding			14	90						52	156
National Certificate: Tourism: Reception			4	75							79
<b>Grand Total</b>	<b>49</b>	<b>0</b>	<b>591</b>	<b>498</b>	<b>0</b>	<b>99</b>	<b>6</b>	<b>0</b>	<b>25</b>	<b>95</b>	<b>1363</b>

## CEO's Report: Tourism Learnership Project

The Tourism Learnership Project (TLP) was a partnership between the Department of Labour, the Business Trust and THETA which commenced during January 2000 and came to an end on the 30th June 2004. The TLP initiation document stated that the TLP project was designed to support the development of a comprehensive learning framework within which education and training for the tourism sector would take place in the future.

The Business Trust contributed R 85 million to the project and together with the Department of Labour who allocated R35 million from the National Skills Fund and THETA with an allocation of R18 million for grants to employers, this huge project was launched.

The key deliverables were:

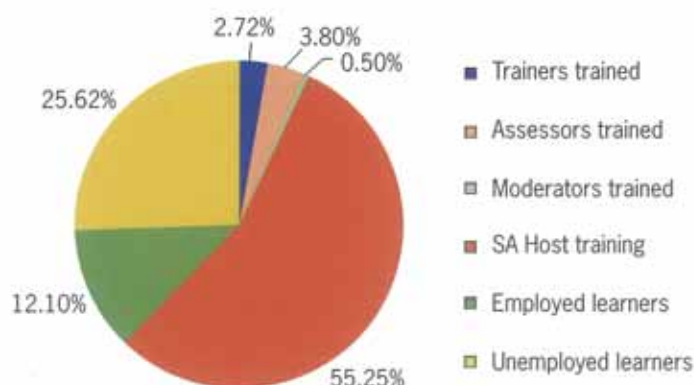
- 28 qualifications registered on the NQF;
- 5000 learnerships for unemployed people;
- 3000 learnerships for employed workers;

- 10 000 skills programmes for employed workers and sustained training and
- 20% of project cost applied to previously disadvantaged enterprises.

The completion report of TLP indicated the following achievements during the period:

DESCRIPTION	TARGET	ACHIEVEMENTS
Qualifications submitted	28	37
Qualifications registered	28	30
Trainers/ Facilitators trained	700	653
Assessors trained	1000	911
Moderators trained	0	120
SA Host training	5000	13244
Employed learners on learnerships	3000	2901
Unemployed learners on learnerships	5000	6142

PEOPLE TRAINED







BUSINESS TRUST

The project was externally evaluated by Prodigy in conjunction with Grant Thornton and highlighted the project successes and challenges. It was positive to note that the learners experienced the learnerships as a life changing experience and 46% of the first 542 completed learners had secured employment. The report pointed out that over 90% of the learners indicated that they found on the job training extremely useful and that the learnership had increased industry knowledge. A further 80% indicated that their customer service skills had improved.

Although we are thankful for the achievements, we acknowledged the fact that the project was hampered by the high turnover of both chief executive officers and project managers. These factors negatively hampered the implementation of the project therefore reducing the overall potential impact. The project was further influenced by the delay in the publication of the regulations regarding the registration of learnerships, learnership agreements and learnership allowances.

Another impeding factor was the development of learning material which was dependant on the registration of the new qualifications. Learnerships were new and a lack of knowledge about the learnership system and the new qualifications provided frustrations and difficulties. Certain learners struggled with basic reading, writing and arithmetic skills which suggest that the selection criteria were inadequate although some of learners have passed Grade 12.

The key driver of the project was the strong supply of providers for which we are very grateful. These providers however did not afford assistance to the learners in finding employment after completion of the learnership. Employers commented that their preparation to undertake learnerships was inadequate and they were not prepared for the complexity and administratively demanding system.

The certification system was another huge challenge for THETA and the delay in the issuing of certification frustrated employers, providers and learners. THETA has subsequently developed a reliable certification system and outstanding certificates are being issued at a rate of 3000 per month.

### THE WAY FORWARD

THETA has experienced a major learning curve in relation to the development, implementation and quality assistance of learnerships. Subsequently a learnership department has been established with a stable project manager; the ETQA department has overcome the database and certification issues; the financial department was stabilised during the year and policy processes, procedures and internal controls have been put in place together with an administration support system.

Employers are now monitored and audited before and during the before and during the learnership implementation. The communication between ETQA and the Learnership Department is strengthened and stakeholders are supported in all the aspects of implementation.

Material for learnerships were developed and published on the THETA website giving free access to providers, learners and employers.

Despite the problems the project experienced, it was still worthy to note that many of the targets were met. The challenge lies in the period after completion of the learnerships, and learners should be tracked for at least six months after completion of the learnerships.



## CEO's Report: Integrated Nature-Based Tourism And Conservation Management

The Integrated Nature-Based Tourism and Conservation Management (INTAC) project was launched in 2003 and funded by the National Skills Fund (NSF). The project came to an end during March 2005 and a total amount of R109 million was spent on the project.

The project objective was to oversee and manage the skills training in the fields of nature-based tourism and conservation management. The project aim was to up-skill learners within these fields in selected project sites throughout the country.

The project has completed the majority of its skills programme training in all nine sites. Learnerships training will continue after 31 March 2005 until September 2005 when the project will finally close. THETA gave an undertaking to support the learners until they complete their training.

Training commenced in 9 project sites:

- Northern Cape Cluster
- Maluti Drakensberg
- Eastern Cape North
- Eastern Cape South
- Greater St Lucia Wetlands Park
- Madikwe Game Reserve
- Waterberg Biosphere
- Great Limpopo TFCA
- Blyderivierspoort Nature Reserve.

INTAC embarked on training 6500 learners of which 40% were unemployed. INTAC managed to achieve a 78% success rate under difficult circumstances. The learnerships did not start in the Eastern Cape North and South, as well as Madikwe and Northern Cape cluster sites due to provider problems and lack of final signed commitments from employers resulting in the project missing the agreed deadlines.

**Table:** Achievements at year end

PROJECT TO DATE Deliverable planned	PROJECT TO DATE Sub activity of year to date/planned deliverable	Planned QTY	Actual QTY	Deviation QTY
Skills programme implementation	Employed learners trained in pilot phase= 1015	1,000	1,015	15
Skills programme implementation	Non-employed learners trained in pilot phase= 746	500	746	246
Skills programme implementation	Skills programme implementation Scale Phase – Non Employed (18.2) learners for all sites	1,520	1,407	(113)
Skills programme implementation	Skills programme implementation Scale Phase – Employed (18.1) learners for all sites	1,655	785*	(870)
Skills programme implementation	Community Leadership skills training for all sites – Scale Phase	630	610*	(20)
Skills programme implementation	New business start-ups skills programme for all sites – Scale Phase	195	136*	(59)
Learnership implementation	Learnerships – Employed (18.1) learners for all sites	430	177*	(253)
Learnership implementation	Learnerships – Non employed (18.2) learners for all sites	570	129*	(441)
	<b>Total</b>	<b>6,500</b>	<b>5,005</b>	<b>(1,495)</b>

\* Additional learners have not yet completed training as at year end.





INTAC trained 610 community leaders in a customised skills programme focusing on aspects of project management, basic business management, negotiations and conflict management skills. This training assisted the community leadership in areas where land claims involving conservation areas have been lodged. The focus was to inform community leaders of the opportunities available through tourism, and to improve their negotiating and bargaining skills when dealing with enterprises. This training also provided better understanding between local government, community leaders and other stakeholders in dealing with post-claim developments.

Of the total of 610 who completed training, 441 successfully completed a skills programme, 169 received a Record of Achievement having successfully completed 70% of the unit standards of the skills programme, 20 learners did not avail themselves for assessments. The major constraint in training community leaders was their low levels of literacy, especially in relation to the unit standards at NQF level 5.

The project has been able to exceed learner targets for learnerships in the Waterberg Biosphere. Full credit is due to employers that have supported the project in the interests of skills development. Skills Programme targets in most of the sites have been met, and in some cases exceeded (Greater St Lucia and Maloti). 70% of emerging practitioners are now registered facilitators and assessors and few have formed consortia and have submitted their intention for accreditation with THETA.

One provider remained a challenge and battled to perform in the training of employed learners. A decision was made regarding the 800 learners that needed to be salvaged. The project is currently doing gap training for the learners trained at Great Limpopo, Blyderiveirspoort Nature Reserve and Madikwe Game Reserve.

The number of learner drop-out has also increased due to learners getting temporary job opportunities and even permanent employment. In most sites the project has contributed to a better understanding of learnerships by employers; they are now more willing and keen to take in learners for learnerships training as they now realise the benefits of this intervention.

## IMPACT STUDY

Qubelisa Investments and Projects conducted a detailed study to measure the impact of training on the learners who attended courses during the pilot phase of the skills training programme in the nine identified project sites across South Africa. They found that overall, from the learners' point of view, the skills training courses were hugely successful in meeting their expectations. The biggest disappointment to the non-employed learners was that the majority of them did not find lucrative employment, even though they now have newly acquired "skills".

They further reported that the various venues where the training took place in the nine project sites were rated extremely well by the learners. The overall impact of the project on the 9 project sites was overwhelmingly positive, in spite of some serious shortcomings in the project management.

The study revealed the main benefits of the project to be:

- Large numbers of people already employed were able to receive skills training and were awarded a qualification in recognition of their level of competence. This had a major impact on the quality of the service being offered by the establishments where they were employed and on providing a more favourable experience for tourists.
- Employees that were previously thought capable of only low-level employment opportunities proved themselves worthy of promotion into more responsible positions. Employers are not far more favourably disposed towards the concept of providing NQF aligned training for staff.
- Unemployed people from the communities were afforded the opportunity to experience NQF Level 1 skills training and a little practical experience. A number of these learners benefited a great deal from this opportunity and were offered employment because of their positive attitude and participation. Many have also put the training to good use in initiating their own small business projects.
- Community management authorities have been made more aware of the potential there is to develop the tourism, hospitality and nature conservation sector for the financial upliftment of the community.



## CEO's Report: Integrated Nature-Based Tourism And Conservation Management

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An industry previously dominated by white ownership can now be developed in co-operation with local authorities to meet the needs of the community.

- Overall, the project is regarded as having provided good value for money in that it moved whole communities in the 9 regions where it was implemented forward towards greater participation in the tourism, hospitality and nature conservation industry.

### CHALLENGES

Qubelisa also found that the project however also had its challenges. The level of skills training undertaken did not adequately equip the learners for employment and many of the participating employers were not able to make job offers to these learners. This did undermine the credibility of the project to some extent. Further and more advanced training may be needed to raise the level of competence of such learners, particularly with regard to literacy, language ability and computer skills.

Many of the unemployed learners selected for training did not benefit because of flaws in the selection process. An interest in tourism, hospitality or nature conservation, literacy and competence in English should have been used as the basis for selection. Those who participated for purely financial motives felt let down and alienated. The training is unlikely to improve their chances of finding employment.

### LESSON LEARNED

The impact study listed the lessons learned from the INTAC project. The main lesson is to ensure that the infrastructure is in place before a project is rolled out. Learner and provider selection is of utmost importance for the success of a project and skills training needs to be of a higher standard if employers are to be expected to offer employment to those who have undergone training.

THETA will in future ensure that the lessons learned and challenges experienced from the project be addressed to ensure future NSF funded projects are handled in a professional successful way.



## CEO'S REPORT: South African Tourism Institute

The South African Tourism Institute (SATI) project started in 2001 and came to an end during March 2005. The Government of Spain funded the project to the value of R 13 million. Due to prolonged closure the project was extended up to the 31st July 2005. SATI has been established as a brand name and the Department of Environmental Affairs and Tourism together with the Government of Spain are in consultations about the future of SATI.

### TEACHER TRAINING

SATI was involved in tourism education and training and had interacted with 700 schools since its inception in 2001.

A supportive learning environment has been created for teachers, high school learners and employees in the tourism industry.

SATI has developed teacher resource files to assist with the implementation of the National Curricula Statement. Workshops will be held with Subject Advisors and District Officials in July 2005. The files are being distributed through the provincial departments of education.

#### Number of teachers trained from 2002 to 2005

Tourism	Title	No	2002-2003	2003-2004	2004-2005
Workshop 1	Introduction to Tourism	466	442	24	
Workshop 2	Teaching Tourism Concepts	406		354	52
Workshop 3	Sustainable Tourism, Community Tourism and Heritage	551			551
<b>Total</b>		<b>1423</b>	<b>442</b>	<b>378</b>	<b>603</b>

Hospitality	Title	No	2002-2003	2003-2004	2004-2005
Workshop 1	Basic Hospitality Skills	180	96	84	
Workshop 2	Intermediate Hospitality Skills	200		63	137
Workshop 3	Culinary Skills	131			131
<b>Total</b>		<b>511</b>	<b>96</b>	<b>147</b>	<b>268</b>

## CEO'S REPORT: South African Tourism Institute

### BURSARY SCHEME

In terms of the agreement between the National Student Financial Aid Scheme (NSFAS) and SATI an amount of R400,000 was made available for the 2004 academic year. 150 students benefited of whom 90% are from previously disadvantaged groups.

### RESPONSIBLE TOURISM PROJECT

The project was aimed at Tourism Management Development and Leadership Programmes for provincial Tourism officials. SATI engaged in discussions with the Development Bank of Southern Africa to develop a joint venture on training provincial tourism officials throughout the country in support of the implementation of Responsible Tourism Planning in South Africa.

All learning material and preparations were completed and the actual training will commence during the next financial year. Subsequently 123 delegates from South Africa and 10 from Lesotho enrolled for training.

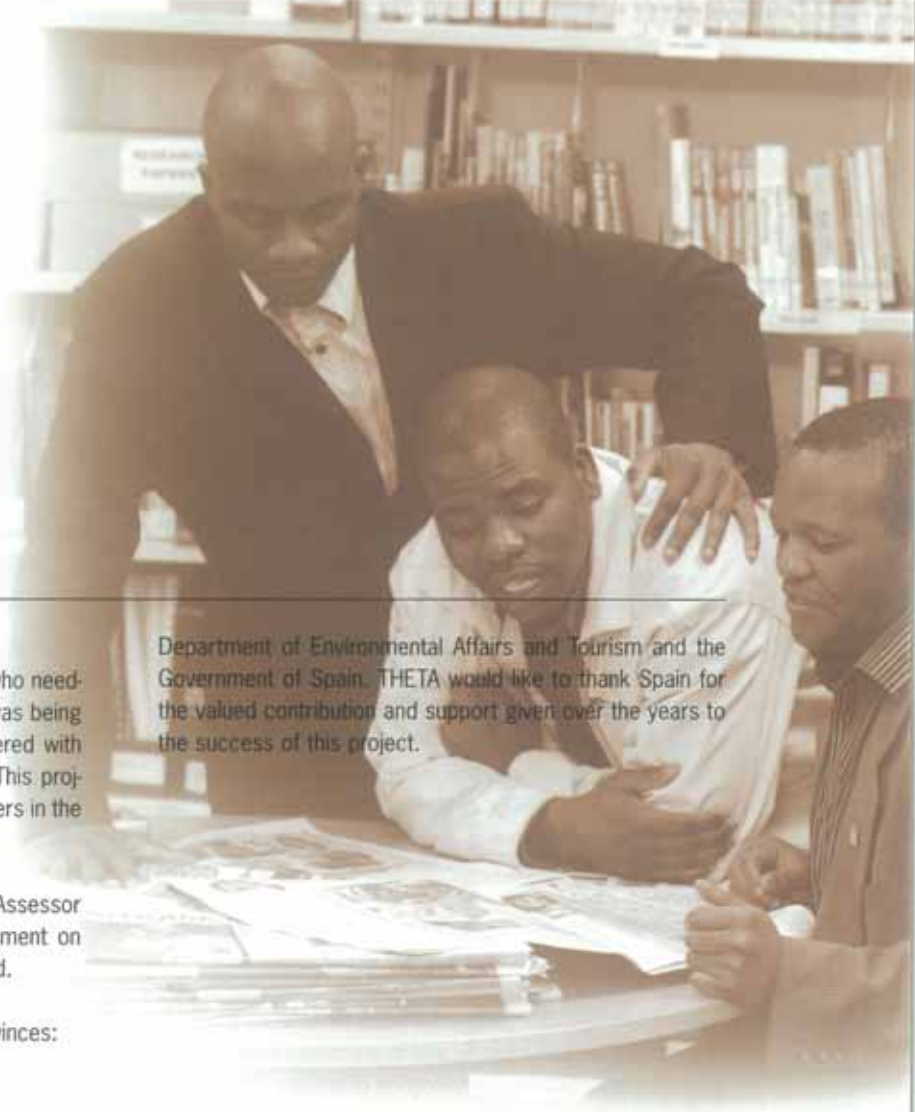
### TOURISM SMME TRAINING PROJECT

SATI launched a training project aimed at SMME's in the tourism sector. Three modular programmes were developed; tour operator training, bed and breakfast training and catering training. The total budget was R1.5 million and a total of 1009 people were trained up to the close out period of the project.

#### SMME TRAINING FINAL STATS

PROJECT	Planned Workshops	Completed Workshops	Variance	Planned no. Trained	Total no. Trained	Variance
Bed & Breakfast	37	33	(4)	296	295	(1)
Tour Operator	19	31	12	228	373	145
Caterers	21	20	(1)	210	341	131
<b>TOTAL</b>	<b>77</b>	<b>84</b>	<b>7</b>	<b>734</b>	<b>1009</b>	<b>275</b>





### ASSESSOR TRAINING

SATI engaged in the training of THETA assessors who needed to convert from an assessor qualification that was being phased out, to the new ETDP qualification registered with SAQA. 400 assessors attended the programme. This project aimed to increase service delivery to stakeholders in the sector.

Department of Environmental Affairs and Tourism and the Government of Spain. THETA would like to thank Spain for the valued contribution and support given over the years to the success of this project.

An assessment pack comprising 2 booklets (Assessor Guidelines and Candidate Guidelines: RPL Assessment on ASSMT01) was developed. 400 packs were printed.

Portfolio workshops were held in the following provinces:

- Gauteng - 35 workshops
- Cape Town - 48 workshops
- KwaZulu-Natal - 20 workshops

As at 31 March 2005, 306 candidates have committed to this programme and candidates have been allocated to 3 providers equally.

### ACCREDITATION SUPPORT

This project was launched to assist potential providers in the accreditation process of THETA. Booklets were developed for distributions to and in support of small providers. The information was also made available on compact disk.

The presence and facilitation of the ETQA role, requirements and verification process made a huge impact.

A total of 130 workshops with providers have been held in all four provinces and the feedback from the workshops has been extremely positive.

### RESOURCE CENTRE

SATI has been communicating regularly with a wide database of user groups with latest news and updates on the SATI Resource Centre. The databases for different user groups or target markets have been established, and the Resource Centre sends them news and updates on a weekly basis. Overall the SATI project was a huge success and the impact of this will be measured. We look forward to the possibility of a SATI 2 project in conjunction with the

## BOARD REPORT ON CORPORATE GOVERNANCE

The following statement is given to assist readers of the Financial Statement to obtain an understanding of the Governance procedures applied by the Board of the Tourism Hospitality, Sport Education and Training Authority. THETA is committed to the principles of discipline, transparency, independency, accountability, responsibility, fairness and social responsibility advocated in the King Report on Corporate Governance.

Accordingly, the Board endorses, and during the period under review, has applied the Code of Corporate Practices and Conduct as set out in the King Report. In supporting the Code, the Board recognises the need to conduct the business of THETA with integrity and in accordance with generally accepted corporate governance practices. Monitoring THETA's compliance with the code forms part of the mandate of THETA's Audit Committee.

All members of Board and Management have been inducted by THETA. A Corporate Governance workshop which was attended by the majority of Board and Management members was held in May 2004.

### THE BOARD

The Board comprises a maximum of thirty two members appointed under the Constitution of THETA of which all are external. The role of the Chairman of the Board is separated from the role of THETA's Chief Executive Officer. Matters specifically reserved to the Board for decision-making are set out in the Constitution of THETA by custom and under the Skills Development Act and Public Finance Management Act (as amended).

The Board has met seven times during the year and has several focussed committees. All of these committees are formally constituted with terms of references and comprise mainly of external members of the Board. External members of the Board are highly skilled and engage issue with vigour.

### EXECUTIVE COMMITTEE

The Executive Committee inter alia:

- acts on behalf of the Board in urgent matters with subsequent reporting to the Board;

- considers and makes recommendations to the Board on matters referred to the Board by committees of the Board, and its committee;
- recommends staff appointments, dismissal, transfers, promotions and demotions from the senior level upwards to Board;
- determines the conditions of service, salaries and job grading of executive management and
- makes recommendations to the Board on policy issues.

Further the committee inter alia:

- formulates, develops, maintains and recommend policy in respect of all members pertaining to the financial management and investments administration of THETA to the Board;
- recommends the budget in respect of THETA's financial, human and physical resources, for each year for submission to the Board for approval;
- recommends the annual financial statements of THETA each year for submission to the Board for approval and
- recommends to the Board any amendments to the financial rules with the view to enhancing financial control and administrative efficiency.

The Executive Committee has met six times.

### AUDIT COMMITTEE

The Audit Committee comprises two board members and three external members. The Chairperson of the Audit Committee is not the Chairperson of the Board. Both the External and Internal auditors have unrestricted access to the Audit Committee, which ensure that their independence is in no way impaired. Meetings are held at least four times a year and are attended by the external and internal auditors and appropriate members of executive management as advisor.







### THE AUDIT COMMITTEE:

- assists in the evaluation of the adequacy and effectiveness of systems of all internal control, accounting practices, human resources practices, information systems and auditing process applied in the day to day management of THETA and approve any policies and procedures to give effect thereto;
- reviews the scope and focus of the external audit and reports emanating from the external audit processes;
- reviews the scope, focus, and effectiveness of internal audit and reports emanating from the audit processes;
- ensure compliance with all relevant legislation, statutory requirements, Board directives and codes of ethics of THETA and
- assess all areas of financial risk and the management thereof.

### REMUNERATION COMMITTEE

The Remuneration Committee's specific terms of reference include direct authority for, or consideration or recommendation to the Board of, matters relating to inter alia general staff policies, remuneration and prerequisites, bonuses, executive remuneration, services contracts and retirement funds. The Remuneration Committee has met three times during the year under review.

Board remuneration and fees as well as executive management remuneration are determined by this Committee.

### STATEMENT OF THE CODE OF ETHICS

The Board Code of Ethics commits THETA to the high standards of integrity, behaviour and ethics in dealing with all its stakeholders, including its Board members, managers, employees, customers, suppliers, competition, donor and society at large. Board members and staff are expected to observe their ethical obligations in order to conduct business only through the use of fair practices. THETA staff and members of the Board tendering as suppliers must disclose their interests in order to avoid a conflict of interest.

### STATEMENT OF INTERNAL ADMINISTRATIVE/ OPERATIONAL STRUCTURES AND CONTROLS

THETA maintains systems of internal control over financial reporting and safeguarding of assets against unauthorised acquisition, use or disposition of such assets. Such systems are designed to provide reasonable assurance to THETA and the Board regarding the preparation of reliable published financial statements. It includes a documented organisational structure and division of responsibilities, established policies and procedures, which are communicated throughout THETA, and the careful selection, training and development of its people. Internal auditors monitor the operation of the internal control systems and report findings and recommendations to Management and the Board. Corrective actions are taken to address control deficiencies and other opportunities for improving the systems when identified.

The Board, operating through its Audit Committee, provides oversight of the financial reporting process.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change with circumstances.

THETA assessed its internal control system in relation to the criteria for effective internal control over financial reporting, described in its Financial Policy Manual. Based on its assessment, THETA believes that, as at 31 March 2005, its systems of internal control over financial reporting and safeguarding of assets against unauthorised acquisitions, use or disposition, met those criteria.

The financial policy has been designed to ensure:

- that access to the various processing functions/ data is restricted to authorised personnel adequately segregated





## BOARD REPORT ON CORPORATE GOVERNANCE

from incompatible duties;

- that transactions/ data are entered for processing completely, accurately and only once;
- the transactions/ data are completely and accurately processed in the proper accounting period;
- that transactions/ data are accurately and completely accumulated in the underlying financial records;
- that transactions/ data are authorised by an appropriate official;
- that adequate management information is produced and reviewed;
- that THETA complies with inter alia the following Acts and Regulations:
  - Skills Development Act, 1997
  - Skills Development Levies Act 1999
  - Preferential Procurement Act, 2000
  - Employment Equity Act, 1998
  - Labour Relations Act, 1995
- that the financial policy serves as a compliance document to the various officers who have been entrusted with financial, operational and related responsibilities and
- that the necessary respect for financial and operational control structures is being encouraged.

### WORKER PARTICIPATION

THETA employs a variety of participating structures on issues which affect employees and staff directly and materially, and which are designed to achieve good employer/ employee relations through effective sharing of relevant information, consultation and the identification and resolution of conflicts. These structures embrace goals relating to productivity, career security, legitimacy and identification with THETA. An employment equity action programme forms part of Theta's training programme and business plan.

Workers participate in THETA by participating in all staff

meetings.

### Financial Risks

Decision on the level of risk undertaken is confined to the Board that has established limits by transaction type and by counter party. THETA is adequately covered in terms of its insurance policy against fire and allied perils, business interruption, theft, theft of money, fidelity, public liability, accidental damages and employer's liability.

### MANAGEMENT AND CONTROL OF THE CONSEQUENCES OF RISK

All potential risk consequences are identified and evaluated by the Audit Committee. The conditions, within which such risks arise, are consistently controlled and monitored. Management based on cost effectiveness analysis, employs methods of minimising adverse consequences. A business risk analysis has been performed during the year.



## BOARD MEMBERS

Name	Organisation	Representing	Race and Gender
Kananelo Makhetha	Connex Travel	Business	Black Male
Thabo Mahlangu	SACCAWU	Labour	Black Male
Chris Johnson	HILG	Business	White Male
Michael Tsotetsi	THETA	CEO	Black Male
Leela Reddy	HIAWU	Labour	Indian Female
Brian Magqaza	Bargaining Council for Restaurant, Catering and Allied Trades	Independent	Black Male
Joseph Maghekeni	NACTU	Labour	Black Male
Phillip Thompson	Expertise	Independent	White Male
Stephen Billingham	South African Chef's Association	Business	White Male
Marlyn Rapukuana	National Dept of Sports and Recreation	Government	Black Male
Anne Lawrance	Tourist Guides	Business	White Female
Carol-Anne Cairns	BARSA	Business	White Female
Saheed Bayat	Expertise	Independent	Indian Male
Lynne Lourens	South African Sports Commission	Government	White Female
Adrienne Harris	Tourism Business Council of SA	Business	White Female
Luvuyo Tyikwe	FAWU	Labour	Black Male
Sipho Mseleku	NAFCOC	Business	Black Male
Peter Cumberlege	FEDHASA	Business	White Male
Brian Ward	CATRA	Business	White Male
Mervin Kamoetie	DEAT	Government	Black Male
Nomathamsanqa Siwisa	DEAT	Government	Black Female
Mike Speed	SATSA	Business	White Male
Vanya Lessing	ASATA	Business	White Female
Phillemon Sito	ECCAWUSA	Labour	Black Male
Gideon Sam	South African Sports Commission	Government	Black Male



25 May 04	29 June 04	5 August 04	24 August 04	30 August 04	16 September 04	15 March 05
Yes	Yes	Yes	Yes		Resigned	Resigned
Yes	Yes		Yes	Yes	Yes	Yes
Yes		Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes	
Yes	Yes		Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes		Yes			Yes
		Yes				
					Yes	Yes
Yes		Yes	Yes	Yes		
Yes	Yes		Yes	Yes	Yes	Yes
	Yes	Yes	Yes	Yes	Yes	Yes
Yes		Yes			Resigned	
Yes	Yes	Yes				
	Yes	Yes	Yes	Yes		Yes
Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes	Yes
		Yes	Yes	Yes		Resigned
			Yes	Yes	Yes	
					Appointed	
					Appointed	
					Appointed	

## EXECUTIVE COMMITTEE

Name	Organisation	Representing	Race and Gender
Kananelo Makhetha	Connex Travel	Business	Black Male
Thabo Mahlangu	SACCAWU	Labour	Black Male
Chris Johnson	HILG	Business	White Male
Michael Tsotetsi	THETA	CEO	Black Male
Bettie van Straaten	THETA	COO	White Female
Leela Reddy	HIAWU	Labour	Indian Female
Brian Magqaza	Bargaining Council for the Restaurant, Catering and Allied Trades	Independent	Black Male
Luvuyo Tyikwe	FAWU	Labour	Black Male
Mervin Kamoetie	DEAT	Government	Black Male
Saheed Bayat	Expertise	Independent	Indian Male
Lynne Lourens	South African Sports Commission	Government	White Female
Peter Cumberlege	FEDHASA	Business	White Male
Carol-Anne Cairns	BARSA	Business	White Female
Gideon Sam	South African Sports Commission	Government	Black Male



19 May 04	14 July 04	22 July 04	2 November 04	24 November 04	1 December 04	1 February 05
Yes	Yes		Resigned	Resigned	Resigned	Resigned
	Yes	Yes	Yes	Yes	Yes	Yes
	Yes	Yes	Yes	Yes		
Yes	Yes	Yes	Yes	Yes	Yes	Yes
			Yes		*	Yes
Yes	Yes	Yes	Yes			Yes
Yes	Yes	Yes	Yes	Yes	Yes	Yes
			Yes	Yes	Yes	
Yes	Yes			Yes	Yes	Yes
	Yes	*				
Yes	Yes	*				
				Yes		Yes
					Yes	Yes
			Yes			



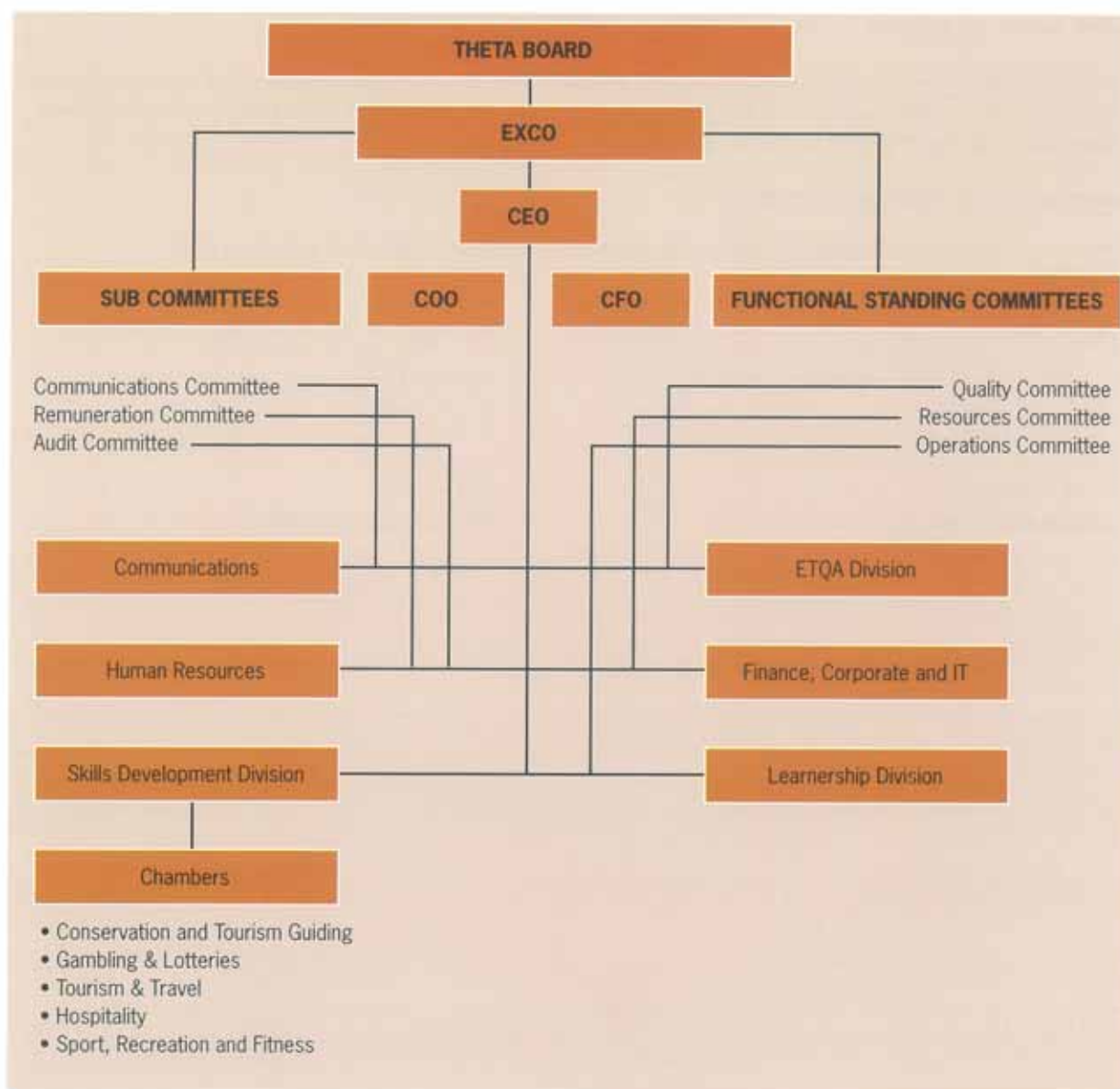


## AUDIT COMMITTEE

Name	Member	Race and Gender
J Maghekeni	Chairman	Black Male
B Prophet	Independant (resinged November 2004)	White Male
C Cairns	Board Member (not re-elected September 2004)	White Female
M Tsotetsi	Chief Executive Officer	Black Male
K Makhetha	Chairman (not re-elected September 2004)	Black Male
JL Davis	Independant	White Male
N Parbhoo	Independant	Indian Male
M Speed	Board Member (elected September 2004)	White Male



## THETA Structure



The financial statements, presented on pages 53 to 83, 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 judgments 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 has been adopted when preparing the financial statements. The Board has no reason to believe that THETA 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, who was given unrestricted access to all financial records and related data, including minutes of meetings of the Board and all its committees. The Board believes that all representations made to the Auditor-General during their audit were valid and appreciated.

#### APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 53 to 83 were approved by the Board on 20 July 2005 and signed on its behalf by:



Thabo Mahlangu  
CHAIRPERSON OF BOARD



Mike Tsotetsi  
CHIEF EXECUTIVE OFFICER



REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS  
OF TOURISM, HOSPITALITY AND SPORT EDUCATION AND TRAINING AUTHORITY FOR THE YEAR ENDED  
31 MARCH 2005

#### 1. AUDIT ASSIGNMENT

The financial statements as set out on pages 53 to 83, for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). 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. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. 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, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

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

#### 3. QUALIFICATION

##### 3.1 Irregular expenditure

Regulation 3(1) and 3(2) in the Skills Development Act, 1998 (Act no 97 of 1998) prescribes a 10% administrative expenditure threshold for the Setas. For the year under review, Tourism, Hospitality and Sport Education and Training Authority has exceeded the 10% threshold with an amount of R4 585 000, due to inadequate monitoring of administration expenditure.

#### 4. AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matter referred to in paragraph 3, the financial statements fairly present, in all material respects, the financial position of the Tourism, Hospitality and Sport Education and Training Authority at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with Statements of Generally Accepted Accounting Practice and in the manner required by Public Finance Management Act (Act No1 of 1999).

#### 5. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

##### 5.1 Non-payment of discretionary grants

For the current and prior year, the Tourism, Hospitality and Sport Education and Training Authority has not paid out any discretionary grants to any of its contributing employers. Subsequent to year end, the seta has taken steps to address the payment of discretionary grants.

##### 5.2 Progress on SCOPA resolutions

With reference to the seventy second report, 2003, of the Standing Committee on Public Accounts, it is noted that the Tourism, Hospitality and Sport Education and Training Authority has made no progress with regard to the exceeding of the 10% administration threshold for the current and previous financial years as recommended by SCOPA.

### 5.3 Special investigation

During the year under review, an investigation into procurement practices was initiated by the Department of Labour. This was as a result of concerns raised by a whistle blower. The investigation is currently under way and I will report on the progress in my next report.

### 6. APPRECIATION

The assistance rendered by the staff of Tourism, Hospitality and Sport Education and Training Authority during the audit is sincerely appreciated.

*N. Manik*

N. Manik for Auditor-General

Pretoria

31 July 2005



AUDITOR-GENERAL



## REPORT OF THE ACCOUNTING AUTHORITY

### Report by the Accounting Officer to the Executive Authority

#### 1. General review of the state of financial affairs

THETA finds itself in a much stronger financial position compared to the previous year; levy income increased by 8.6 % from R 89 million to R 96.7 million. This can be accredited to the real increase of buy-in from employers and a drive by THETA to convince non payers to contribute to skills development levies by THETA. A prior year adjustment of R 6.2 million increased levy income for the period ended March 2004 due to the inaccurate recording of income in the prior year resulting in a restatement of levy income from R 82.8 million to R 89 million for the prior year.

On the negative side administration expenses increased by 9.3 % from R15 million to R16.4 million. This increase was mainly attributed to an increase in operating rentals, service provider fees and cost of employment. The increase of 48% in operating lease rentals was mainly attributed to rental of building. This action was taken to increase available office and other accommodation (from 1112 m<sup>2</sup> to 2500m<sup>2</sup>) to ensure adequate infrastructure for all training purposes. This resulted in an actual saving of rental costs to all projects under THETA control. These increases although relevant are directly linked to the increase in effective service delivery ability of THETA.

During the year 42 % more than the prescribed amount of R10.7 million was spent on operational activities.

The current infra-structure of THETA (including the staff complement) is currently adequate to maintain the current levels of service delivery and the administration status quo. The only administration expense that can reasonably be controlled, while trying to maintain current levels of service delivery, is the staff complement. Any attempt to decrease this expense can result in a serious decline in the ability of THETA to maintain its high level of service delivery and administration backup. THETA has however subsequently pulled back the administration expenses in line with the threshold for the coming year.

The 10% operational cost threshold remains unrealistic in the Tourism Sector where most of the stakeholders are exempt from paying levies because of their size. The possible exemption of smaller businesses (payroll under R 500 thousand per annum) will result in an additional loss of six thousand levy paying employers and a decrease of approximately R 11 million in levy income, and R 1 million in administration income. This will place a further burden on THETA to maintain the level of service delivery under the cost threshold.

During the past financial year THETA appointed an acting Chief Financial Officer. Her input in re-engineering and re-structuring of the Financial Department will result in a dramatic saving in outside consulting fees. This appointment coupled with the stability and continuity in the Chief Executive Officer position should result in streamlined operational and financial activities and a major cost cut in expenses to maintain and produce financial reporting abilities and operational capabilities.

The increase of 431% in employer grant disbursements (from R 6.9 million to R 36.7 million) clearly demonstrates the increase in service delivery capacity achieved by THETA during this financial year. It is the aim of THETA to increase this capacity in the following five years. Spending relating to internal projects increased from R 5.8 million to R 29.9 due to the effective launch and management of 16 projects in THETA.

The delays in the past in processing and reconciling levy income and grant payments (done manually) has through a re-engineering process been automated which will expedite the initial capturing and reconciling of income and payments, this will further enhance the ability of THETA to achieve its set targets and levels of service delivery.

As discussed in Note 19 of the Annual Financial Statements a contingent liability of approximately R 2.5 million exists in the form of ongoing legal cases against THETA.

#### 2. Objectives and achievements against targets

A detailed schedule of THETA performance against National Skills Development Strategy (NSDS) targets are discussed in the Annual Report under the heading CEO's Report.



### 3. Utilisation of donor funds

#### National Skills Funds

An amount of R53.2 million (2004, R40.6 million) was received from the National Skills Fund during this financial year. These funds were received under certain conditions for the Integrated Nature-Based Tourism and Conservation Project (INTAC) and Tourism Learnership Project (TLP). The amounts received are recognised as a liability until the conditions attached are met. During the financial year R49.5 million (2004, R33.3million) eligible project expenses were incurred. At the year end R13.1 million (2004, R8.8 million) continues to be accounted for as a liability until the remaining conditions have been met.

Detailed information on these projects is discussed under the CEO's report in the Annual Report 2005.

#### Donor Funding

During the financial year, R0.8 million (2004, R29.5million) was received for the South African Tourism Institute Project, (SATI) and TLP.

The amounts received are recognised as a liability until the conditions attached are met. During the financial year R13.7 million (2004, R25.0 million) eligible project expenses were incurred. At the year end R11.3 million (2004, R22.9 million) continues to be accounted for as a liability until the remaining conditions have been met.

Detailed information on these projects is discussed under the CEO's report in the Annual Report 2005.

### 4. Corporate governance arrangements

THETA is committed to the objectives and principles of transparency, accountability and integrity explained in the King Code of Corporate Governance. Detailed discussion of the application and results of Corporate Governance in the organisation is discussed under the heading CEO's report Corporate Governance in the Annual Report 2005.

Full disclosure of risk items and policies are discussed under note 23. in the Annual Financial Statements, disclosure of conflict of interest and related parties transactions are noted under note 25 in the Annual Financial Statements.

## REPORT OF THE ACCOUNTING AUTHORITY

### Disclosure of Remuneration to:

- Members of the Accounting Authority;
- Chief Executive Officer;
- Chief Financial Officer and
- Senior Management

Name	Designation	Basic Salary	Allowances	Performance Bonus	Pension Fund	Medical Aid	UIF	Leave	Fees	Total
B van Straaten	COO - appointed Sept. 2004	252,595	49,076	69,829	17,682	6,805	619	6,642		403,248
M Tsotetsi	CEO	467,831	62, 206	55,731	29,080	7,000	1,060			615,908
P Karuthasen	Corp Affairs Manager	216,258		20,487	15,138	11,937	619			259,502
L Whateley	ETQA Manager	340,260	32,650	20,487	23,818	11,139	1,060			430,212
H Grobler	CFO appointed Nov. 2004	160,000	25,000	66,600			442			252,042
O Mjo	Skills Dev Manager	352,504	19,500	20,487	24,675		1,060			429,365
A Harris	Member Acc Authority								2,400	2,400
A Lawrence	Member Acc Authority								3,600	3,600
B Ward	Member Acc Authority								3,600	3,600
CA Cairns	Member Acc Authority								9,000	9,000
C Johnson	Vice Chairman								22,200	22,200
G Sam	Member Acc Authority								600	600
J Maqhekeni	Member Acc Authority								12,800	12,800
K Makhetha	Chairman - resigned Sept. 2004								9,000	9,000
L Reddy	Member Acc Authority								15,600	15,600
L Tyikwe	Member Acc Authority								8,400	8,400
B Magqaza	Member Acc Authority								23,400	23,400
M Speed	Member Acc Authority								600	600
P Cumberledge	Member Acc Authority								3,600	3,600
P Thompson	Member Acc Authority								1,800	1,800
Prof Bayat	Member Acc Authority								9,000	9,000
T Mahlangu	Chairman - appointed Sept. 2004								45,000	45,000
<b>TOTAL</b>		<b>1,789,448</b>	<b>188,432</b>	<b>253,621</b>	<b>110,393</b>	<b>36,881</b>	<b>4,860</b>	<b>6,642</b>	<b>170, 600</b>	<b>2,560,877</b>



## REPORT OF THE ACCOUNTING AUTHORITY

Management has during this financial year initiated a fraud prevention policy and code of conduct, which was approved by the Accounting Authority and is implemented on an ongoing basis. The Supply Chain Management Framework was completed and will be implemented during the next financial year, this will ensure an effective and transparent procurement process.

The Audit Committee meets on a regular basis and ensures that management adheres to internal control and accounting policies and procedures. During the year PriceWaterhouseCoopers were appointed to assess the internal control procedures and the application thereof in the organisation. This is an ongoing process and will eventually ensure the effective implementation of internal audit and control procedures and adherence of management thereto. A Risk Assessment was performed during the year.

The Audit Committee has adopted a formal terms of reference and the committee is satisfied that its responsibilities for the year was in compliance with its term of reference. (Refer to Report of the Audit Committee in the Annual Report).

### 5. Discontinued activities/ activities to be discontinued

5.1 The Tourism Learnership Project was successfully completed in June 2004. There is no effect on the balance of service delivery due to this completion and no financial implication has resulted. Outstanding learnership grant payments will be finalised during the next financial year. Funds have been allocated from the project for these payments.

5.2 The South Africa Tourism Institute was due to close as at 31 March 2005, the donor has however agreed to fund the project up to the 31 July 2005 to ensure closure of all training matters.

5.3 The Integrated Nature - Based Tourism and Conservation Project (INTAC) which is National Skill Fund funded project has also been discontinued with effect from 31 March 2005, however, due to late commencement of training in Learnerships, training will only complete at the end of June 2005. Outstanding learnerships grant payments will be finalised during the next financial year. Funds have been allocated from the project for these payments.

### 6. New activities

New approved and on-going projects are discussed and disclosed in note 20.1 of the Annual Financial Statements. An additional amount of R 114.3 million relegated to these projects was approved by the Accounting Authority. R 29.9 million was utilised during this financial year and R 97.2 million was carried forward to the following financial year. The on-going projects are financed out of surplus funds and income received during previous financial periods, therefore no financial implications will result due to these new and on-going projects.

### 7. Events after the reporting date

Subsequent to the financial year end THETA has been deregistered as a VAT vendor in terms of the amended VAT act. This will result in an approximate additional administration income of R 0.5 million per annum.

### 8. Performance information

NSDS performance targets are set on an annual basis, full disclosure of these targets and performance against them is disclosed in the Annual Report. Monthly performance reports are prepared by project managers to the Executive Committee stating achievements during the previous period and assessing results against targets set. The re-engineering of the financial department as discussed above will further enhance the process to deliver performance information.



## 9. SCOPA resolutions

Reference to previous audit report and SCOPA resolutions	Subject	Findings on progress
Audit Report 2004	Emphasis of Matter	
	1. Exceeding 10% threshold in respect of administrative expenditure	See full discussion in paragraph 3 of this report
	2. Non Compliance with Treasury Regulations	The Materiality and Significant framework as required by Treasury Regulation 28.1.5 has been compiled and approved by the Accounting Authority.
	3. Uncertainty regarding the VAT status of the projects	As of 1 April 2005 THETA and its projects has been deregistered as a VAT vendor.
SCOPA resolutions		All outstanding SCOPA resolutions related to the 2003 financial year have been resolved, except the exceeding of the 10% threshold in respect of administration expenditure. (Refer to discussion in par 3 of this report.)

### Approval

The Annual Financial Statements set out on pages 53 to 83 have been approved by the Accounting Authority.



Thabo Mahlangu  
Chairperson  
Date: 20 July 2005

# INCOME STATEMENT (STATEMENT OF FINANCIAL PERFORMANCE)

for the year ended 31 March 2005

	Note	2004/ 05 R'000	RESTATED 2003/ 04 R'000
<b>REVENUE</b>			
Skills Development Levy: income	2	96,731	89,089
Skills Development Levy: penalties and interest		1,143	1,385
National Skills Fund income	15	49,531	33,304
Donations for special projects	16	13,711	25,056
Investment income	3	9,720	9,849
Other income	4	449	766
Total revenue		171 285	159 449
<b>EXPENSES</b>			
Employer grant and project expenses	5	(79,929)	(16,349)
Administration expenses	6	(16,465)	(15,032)
Finance costs	7	-	(9)
National Skills Fund expenses	15	(48,780)	(32,459)
Special project expenditure	16	(13,327)	(24,337)
Total expenses		(158 501)	(88 186)
NET SURPLUS/ (DEFICIT) FOR THE YEAR	1	12 784	71 263

## BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

for the year ended 31 March 2005

ASSETS	Note	2004/ 05 R '000	RESTATED 2003/ 04 R '000
Non-current assets			
Property, plant and equipment	8	<u>571</u>	<u>599</u>
		<u>571</u>	<u>599</u>
Current assets			
Prepayments and advances	9	95	9
Accounts receivable	10	16,243	31,013
VAT receivable		775	-
Cash and cash equivalents	11	<u>199,160</u>	<u>170,218</u>
		<u>216 273</u>	<u>201 240</u>
TOTAL ASSETS		<u>216 844</u>	<u>201 839</u>
EQUITY AND LIABILITIES			
Funds and reserves			
Administration reserve		(19,532)	(13,786)
Employer grant reserve		77,347	113,277
Discretionary reserve		<u>103,382</u>	<u>48,922</u>
		<u>161,197</u>	<u>148,413</u>
Current liabilities			
Accounts payable	14	19,287	12,528
VAT payable		2,528	728
National Skills Fund received in advance	15	13,165	8,795
Government Grants and donor funding received in advance	16	11,324	22,970
Current portion of finance lease obligations	12	-	44
Provisions	17	<u>9,343</u>	<u>8,361</u>
		<u>55 647</u>	<u>53 426</u>
TOTAL NET FUNDS AND LIABILITIES		<u>216 844</u>	<u>201 839</u>



## STATEMENT OF CHANGES IN EQUITIES

for the year ended 31 March 2005

	Administration reserve	Employer grant reserve	Discretionary reserve	Unappropriated surplus	Total
	R'000	R'000	R'000	R'000	R'000
Balance at 1 April 2003	(8 665)	54 463	31 352		77 150
Changes in accounting policy					-
Errors (Fundamental Errors)				-	-
Restated balance	(8 665)	54 463	31 352	-	77 150
Net surplus/ (deficit) per Income Statement	-	-	-	64 980	64 980
Allocation of unappropriated surplus	(5 812)	57 305	13 487	(64 980)	-
Excess reserves transferred to Discretionary reserve		(3 218)	3 218	-	-
Balance at 31 March 2004	(14 477)	108 550	48 057		142 130
Errors (Fundamental Errors)	691	4 727	865		6 283
Restated balance	(13 786)	113 277	48 922		148 413
Net surplus/ (deficit) per Income Statement	-	-	-	12,784	
Allocation of unappropriated surplus	(5 746)	23 791	(5 261)	(12 784)	12 784
Excess reserves transferred to Discretionary reserve		(59 721)	59 721		-
Balance at 31 March 2005	(19 532)	77 347	103 382		161 197

# CASH FLOW STATEMENT

for the year ended 31 March 2005

	Note	2004/05 R'000	RESTATED 2003/04 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating activities			
Cash receipts from stakeholders		102 980	82 822
Levies, interest and penalties received		102 380	82 398
Other cash receipts from stakeholders		600	425
Cash paid to stakeholders, suppliers and employees		(148 500)	(98 218)
Grants and project payments		(66 716)	(36 462)
Special projects		(68 854)	(47 132)
Compensation of employees		(6 735)	(5 383)
Payments to suppliers and other		(7996)	(8 900)
VAT paid		1 801	(341)
Cash generated from/ (utilised in) operations	18	(45 520)	(15 396)
Investment income and interest on levies		10 468	9 101
Finance cost	7	-	(9)
Net cash inflow/ (outflow) from operating activities		<u>(35 052)</u>	<u>(6 304)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment and investment properties	8	(406)	(145)
Proceeds from disposal of property, plant and equipment and investment properties	8	45	188
Net cash inflow/ (outflow) from investing activities		<u>(361)</u>	<u>43</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Grants, transfers and funds received	15 & 16	64 399	69 407
Repayment of borrowings/ loans	12	(44)	(32)
Net cash inflow/ (outflow) from financing activities		<u>64 355</u>	<u>69 375</u>
Net increase/ (decrease) in cash and cash equivalents		28 942	63 114
Cash and cash equivalents at beginning of year	11	<u>170 218</u>	<u>107 104</u>
Cash and cash equivalents at end of year	11	<u>199 160</u>	<u>170 218</u>

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

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

#### 1. Basis of preparation

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

#### 2. Currency

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

#### 3. Revenue recognition

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

##### 3.1 Levy income

In terms of section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No. 9 of 1999), registered member companies of the Seta pay a skills development levy of 1% of the total payroll cost to the South African Revenue Services (SARS). 80% of skills development levies are paid over to the Seta (net of the 20% contribution to the National Skills Fund).

Levy income is recognised on the accrual basis.

A net receivable/ payable is recognised for levies accrued as well as estimated SARS adjustments. An estimate due to retrospective adjustments by SARS and outstanding levies due at year-end are based on extrapolation on historical data (e.g. the actual last two levy payments received subsequent to year end and one month's calculated levy). Changes to prior year estimates are accounted for in revenue in the current period.

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

Revenue is adjusted for interSeta transfers due to employers changing Seta's. Such adjustments are separate disclosed as interSeta transfers. The amount of the interSeta 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.

##### 3.2 Interest and penalties

Interest and penalties on the skills development levy is recognised when received.

##### 3.3 Funds allocated by the National Skills Fund for Special Projects

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

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



agreement and specific written instructions by the NSF.

#### 3.4 Government grants and other donor income

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

#### 3.5 Investment income

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

### 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).

#### Mandatory grants

The grant payable and the related expenditure are recognised when the employer has submitted an application for a grant in the prescribed form within the agreed upon cut-off period and the application has been approved as the payment then becomes probable. The grant is equivalent to 15% and 45% (2004: 15% and 45%) of the total levies paid by the employer during the corresponding financial period for the skills planning grant and skills implementation grant respectively.

#### Discretionary grants

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

#### Project expenditure

Project expenditure comprise:

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

Such costs are allocated using methods that are systematic and rational and are applied consistently to all costs having similar characteristics. Project costs are recognised as expenses in the period in which they are incurred.

### 5. Irregular and fruitless and wasteful expenditure

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

- The PFMA,
- The Skills Development Act,

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular and fruitless and wasteful expenditure is charged against income in the period in which they are incurred

### 6. Property, plant and equipment

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

- Computer equipment	33.33%
- Office furniture and fittings	20%

- Office equipment	20%
- Motor vehicles	20%

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

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

The estimated useful life of the assets are limited to the remaining period of the licence issued to the Seta by the Minister of Labour. For the current year the remaining period is 5 years (2004: 1 year).

#### 7. Leasing

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

Payments made under operating leases (leases other than finance leases) are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

#### 8. Retirement benefit costs

The entity operates defined contribution benefit plans, the assets of which are generally held in separate trustee-administered funds. The plan are generally funded by payments from the entity and employees, taking account of the recommendations of independent qualified actuaries.

Payments to defined contribution retirement benefit plans are charged to the income statement in the year to which they relate.

#### 9. Borrowings and borrowing costs

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.

##### 9.1 Provision for employee entitlements

The cost of other employee benefits (not recognised as retirement benefits - see note 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 balance sheet date. Provisions included in the balance sheet 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.

##### 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 has 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 the established pattern of past practice of approval for each type of grant.



#### Projects

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

### 10. Financial Instruments

#### Recognition

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

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

#### Measurement

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

#### Financial assets

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

#### Accounts and other receivables

Accounts and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

#### Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

#### Financial liabilities

The Seta's principal financial liabilities are accounts and other payables. Accounts and other payables are stated at nominal value.

#### Derecognition

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

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

#### Fair value considerations

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



#### 11. Reserves

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

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

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

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

	2004/05 %	2003/04 %
Administration costs of the Seta	10	10
Employer Grant Fund Levy	60	60
Mandatory Workplace Skills Planning Grant	15	15
Mandatory Workplace Skills Implementation Grant	45	45
Discretionary grants and projects	10	10
	80	80

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

Interest and penalties received from SARS as well as interest received on investments are utilised for discretionary grants and projects. Other income received are utilised 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. Surplus funds is moved to the discretionary fund reserve from the mandatory grant reserve of grant levies that has not been utilised within two years after the end of the financial year in which such grant levies were accounted for and the excess after the provision for mandatory grants for the current year has been made.

#### 12. Comparative figures

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

#### 13. Taxation

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

#### 14. Value added taxation (VAT)

The amount reflected as VAT due to the South African Revenue Services is in accordance with the dispensation prescribed by the South African Revenue Service. In accordance with this VAT is calculated and paid over on:

Skills Development Levy: Administration (10% portion); and Surplus funds on Employer Grant levy (70% portion) used for discretionary projects.

The employer grant levy that was previously VAT neutral, becomes subject to VAT when the surplus is used for discretionary projects. Therefore the amount of revenue is reduced once the VAT liability is incurred.

The VAT output tax liability is recognized on funds utilised on projects as far as actual project expenditure has been incurred.

The Revenue Laws Amendment Act, 2003 (Act No. 45 of 2003) commenced on 22 December 2003. Previously, the definition of 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.

## 1. ALLOCATION OF NET SURPLUS FOR THE YEAR TO RESERVES:

	Total per Income Statement	Admini- stration reserve	Mandat- ory skills planning grant	Mandatory skills imple- mentation grant	Total Manda- tory	Discre- tionary grants	Special projects	Total Discretionary
Total revenue	171 285	10 719	18 442	55 328	73 770	23 554	63 242	86 796
Skills development levy: income								
Admin levy income (10%)	10 719	10 719	-	-	-	-	-	-
Grant levy income (70%)	86 012	-	18 442	55 328	73 770	12 242	-	12 242
Skills development levy: penalties and interest	1 143	-	-	-	-	1 143	-	1 143
National Skills Fund income	49 531	-	-	-	-	-	49 531	49 531
Donations for special projects	13 711	-	-	-	-	-	13 711	13 711
Investment income	9 720	-	-	-	-	9 720	-	9 720
Other income	449	-	-	-	-	449	-	449
Total expenses	(158 501)	(16 465)	(12 969)	(37 010)	(49 979)	-	(92 057)	(92 057)
Administration expenses	(16 465)	(16 465)	-	-	-	-	-	-
National Skills Fund expenses	(48 780)	-	-	-	-	-	(48 780)	(48 780)
Special project expenditure	(13 327)	-	-	-	-	-	(13 327)	(13 327)
Employer grants and project expenses	(79 929)	-	(12 969)	(37 010)	(49 979)	-	(29 950)	(29 950)
Net surplus/ (deficit) per Income Statement allocated	12 784	(5 746)	5 473	18 318	23 791	23 554	(28 815)	(5 261)



## 2. SKILLS DEVELOPMENT LEVY INCOME

	2004/05 R'000	RESTATED 2003/04 R'000
The total levy income per the Income Statement is as follows:		
Levy income: Administration	10 719	9 919
Levies received	8 861	7 673
Levies received from SARS	8 778	7 347
Government levies received	16	-
Intersecta transfers in	143	326
Intersecta transfers out	( 76)	-
Levies accrued	1 858	2 246
Levy income: Employer Grants	73 770	67 858
Levies received	61 061	52 488
Levies received from SARS	60 635	50 533
Intersecta transfers in	675	1 955
Intersecta transfers out	( 249)	-
Levies accrued	12 709	15 370
Levy income: Discretionary Grants	12 242	11 312
Levies received from SARS	10 124	8 748
Levies received	10 098	8 422
Intersecta transfers in	112	326
Intersecta transfers out	( 86)	-
Levies accrued	2 118	2 564
	<u>96 731</u>	<u>89 089</u>

	2004/05 R'000	2003/04 R'000
3. INVESTMENT INCOME		
Interest income	9,720	9,849
Bank deposits	9,720	9,849
	<u>9,720</u>	<u>9,849</u>

## 4. OTHER INCOME

	2004/05 R'000	2003/04 R'000
Other income comprises:		
Revenue from supporting services rendered by the SETA	-	606
Profit on disposal of property, plant and equipment	33	101
Other	416	59
Unknown deposits from 2000 and 2001	416	59
Sale of materials	449	766
	<u>449</u>	<u>766</u>

## 5. EMPLOYER GRANT AND PROJECT EXPENSES

	2004/05 R'000	2003/04 R'000
Mandatory grants	49 979	8 811
Disbursed	36 766	6 993
Movement in provisions and accruals	13 213	1 818
Project expenditure	29 950	7 538
Disbursed	29 950	5 833
Movement in provisions and accruals	-	1 705
	<u>79 929</u>	<u>16 349</u>

## 5.1 Project expenditure consist of:

Direct project costs	27 565	7 538
Direct salaries and wages	751	-
Direct administration expenses	278	-
Sundry expenses	1 356	-
Project Office Costs	1 356	-
	<u>29 950</u>	<u>7 538</u>

## 6. ADMINISTRATION EXPENSES

	2004/05 R'000	2003/04 R'000
Depreciation	153	178
Loss on disposal of property, plant and equipment		
Operating lease rentals (minimum lease payments)	1 710	1 130
Buildings	1 422	960
Plant, machinery and equipment	288	170
Maintenance, repairs and running costs	331	95
Property and buildings	196	90
Machinery and equipment	135	5
Advertising, marketing and promotions, communication	724	763
Consultancy and service provider fees	2 399	1 761
Legal fees	864	562
Cost of employment	6 583	5 621
Travel and subsistence	600	675
Staff training and development	139	52
Remuneration to members of the accounting authority	170	136
Remuneration to members of the audit committee	11	5
External auditor's remuneration	7	645
Audit fees	7	645
Allowance for doubtful debts	26	
Other	3 777	3 409
System costs	807	108
Printing, Stationery and Postage	477	340
Telephones	515	484
Staff Recruitment	147	449
Water and Lights	372	378
Insurances	159	228
Meeting expenses	390	511
Other	910	911
Less: amounts allocated to project expenditure	(1 029)	
	<u>16 465</u>	<u>15 032</u>



## 6.1 Cost of employment

	2004/05 R'000	2003/04 R'000
Salaries and wages	6 004	5 117
Basic salaries	5 063	3 861
Performance awards	282	258
Other non-pensionable allowance	543	709
Leave payments	18	189
Overtime payments	98	100
Social contributions	579	504
Medical aid contributions	220	232
Pension contributions: defined contribution plans	328	247
UIF	31	25
	<u>6 583</u>	<u>5 621</u>
Allocation of cost of employment		
Administration expenses	5 832	5 621
Project expenses	751	
	<u>6 583</u>	<u>5 621</u>
Average number of employees	36	28

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

## 7. FINANCE COSTS

	2004/05 R'000	2003/04 R'000
Interest expense:		
Obligations under finance leases	-	9
Total interest expense	<u>-</u>	<u>9</u>

## 8. PROPERTY, PLANT AND EQUIPMENT

	Cost R'000	Accumulated depreciation/ impairment R'000	Closing car- rying amount R'000
Year ended 31 March 2005			
Computer equipment	2 574	(2 253)	321
Office furniture and fittings	985	( 735)	250
Motor vehicles	66	( 66)	0
Balance at end of period	3 625	(3 054)	571
Made up as follows:			
- Owned assets	3 485	(2 914)	571
- Lease assets	140	( 140)	-

	Cost R'000	Accumulated depreciation/ impairment R'000	Closing car- rying amount R'000
Year ended 31 March 2004 Re Stated			
Computer equipment	2 276	(2 021)	255
Office furniture and fittings	897	( 558)	339
Motor vehicles	135	( 130)	5
Balance at end of period	3 308	(2 709)	599
Made up as follows:			
- Owned assets	3 168	(2 569)	599
- Lease assets	140	( 140)	-

## Movement summary 2005

	Carrying amount 2004 R'000	Additions R'000	Disposals R'000	Deprecia- tion/ Amortisation charge R'000	Accumulated Deprecia- tion/ On disposals R'000	Carrying amount 2005 R'000
Computer equipment	255	318	( 20)	( 252)	20	321
Office furniture and fittings	339	88	-	( 177)		250
Motor vehicles	5		( 69)	( 5)	69	0
Balance at end of period	599	406	( 89)	( 434)	89	571

## Movement summary 2004

	Carrying amount 2003 R'000	Additions R'000	Disposals R'000	Deprecia- tion/ Amortisation charge R'000	Accumulated Deprecia- tion/ On disposals R'000	Carrying amount 2004 R'000
Computer equipment	506	28	( 27)	( 276)	24	255
Office furniture and fittings	344	117	( 30)	( 122)	30	339
Motor vehicles	160		( 324)	( 70)	239	5
Balance at end of period	1 010	145	( 381)	( 468)	293	599

## 9. PREPAYMENTS &amp; ADVANCES

	2004/05 R'000	2003/04 R'000
Prepayments and Advances		
Staff Advances	95	-
Prepayments	-	9
Closing balance	95	9

## 10. ACCOUNTS RECEIVABLE

	2004/05 R'000	2003/04 R'000
Skills development levy debtors	16 685	20 707
Admin levy debtors	1 858	2 486
Employer grant levy debtors	12 709	15 551
Discretionary grant debtors	2 118	2 670
Employer receivables	10.2 ( 510)	-
Interest receivable	-	748
Other receivables	68	9,558
Other - NSF draw down		8,445
Other - DoL short payments		482
Other - Sundries	68	631
	16,243	31,013



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2005

## 10.1 Retrospective amendments by SARS

Included in Skills Development Levy debtors is:

	2004/05 R'000	2003/04 R000
SARS receivable/ (payable)		
Opening carrying amount	-	-
Estimated adjustments included in levies received		-
Net effect of SARS adjustments for the current year	( 510)	-
Closing carrying amount	<u>( 510)</u>	<u>-</u>

## 10.2 Employer receivable

	2004/05 R'000	2003/04 R000
Employer receivable		
Overpayment to employers	3 281	-
Provision for grant payable	<u>(3 765)</u>	<u>-</u>
	( 484)	-
Allowance for doubtful debt	<u>( 26)</u>	<u>-</u>
Amounts written off	-	-
Net effect of SARS retrospective adjustments on affected employers	<u>( 510)</u>	<u>-</u>

During the year under review, SARS advised the SETA of erroneously designated skills development levies received in prior periods, resulting in a retrospective adjustments of R484 thousand. \*R3281 thousand was recognised as a receivable relating to the overpayment to the employer in earlier periods, and is based on the amount of such grant over payments. R3765 thousand of the employers' receivable was set off against the provision for grant payments to specific employers.\*

## 11. CASH AND CASH EQUIVALENTS

	2004/05 R'000	2003/04 R000
Cash at bank and in hand	32 115	48 814
Cash at bank	<u>32 113</u>	<u>48 811</u>
Cash on hand	<u>2</u>	<u>3</u>
Short term investments/ instruments	<u>167 045</u>	<u>121 404</u>
Cash and cash equivalents at end of year	<u>199 160</u>	<u>170 218</u>

As required in Treasury Regulation 31.2, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short term bank deposits was 6.7% (2004: 7.5%).

## 12. FINANCE LEASE OBLIGATIONS

	2004/05 R'000	2003/04 R000
Reconciliation between the total of the minimum lease payments and the present value:		
Up to 1 Year:		
Future minimum lease payments	-	44
Finance cost	-	44
Present value	-	44
Current finance lease liability (recoverable within 12 months)	-	-
Finance lease liability	-	44
		44
Finance lease Repayments for the year	44	32

## 13. RETIREMENT BENEFIT OBLIGATIONS

	2004/05 R'000	2003/04 R000
Cost of defined contribution plan	328	247

No provision has been made for retirement benefits as the SETA does not provide for retirement benefits of its employees.

14. ACCOUNTS PAYABLE	2004/05 R'000	2003/04 R000
Skills development grants payable - mandatory	15 031	1 818
Intersecta payables	-	269
Service provider fees outstanding	709	397
Sundry payables	3 547	10 044
Other - NSF Payables	2 621	8 339
Other - Special Projects	926	1 705
	<u>19 287</u>	<u>12 528</u>
15. NATIONAL SKILLS FUND: SPECIAL PROJECTS	2004/05 R'000	2003/04 R000
Opening balance	8 795	1 169
Received during the year	53 174	40 578
Intac	52 936	27 913
TLP	238	12 665
Interest received	727	352
Utilised and recognised as revenue-conditions met:	(49 531)	(33 304)
Intac	(46 816)	(23 147)
TLP	(1 964)	(9 312)
Total Expenses	(48 780)	(32 459)
Inter Company	( 751)	( 845)
Closing balance	<u>13 165</u>	<u>8 795</u>

During the current year conditional funds of R53 174 thousand were received from 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, R49 531 thousand eligible project special expenses were incurred and a corresponding amount was recognised as revenue. At year end, R13 165 thousand continues to be accounted for as a liability until the remaining conditions attached have been met.



16. GOVERNMENT GRANTS AND DONOR FUNDING RECEIVED IN ADVANCE	2004/05 R'000	2003/04 R'000
Opening balance	22 970	11 104
Received during the year	877	36 312
DOE	-	6 750
SATI	322	10
TLP	555	29 552
Interest received	1 188	610
Utilised and recognised as income conditions met	(13 711)	(25 056)
DOE	(4 500)	-
SATI	(4 244)	(2 767)
TLP	(4 583)	(21 570)
Total expenses	(13 327)	(24 337)
Inter Company	( 384)	( 719)
Closing balance		
Non-current	11 324	22 970
Current	11 324	22 970

During the year conditional grants funds of R 877 thousand was received for the purposes of TLP, and SATI. The accounting authority is of the opinion that it is probable that the conditions attached will be met.

## 17. PROVISIONS

	Employee leave provision	Employee bonus provision	Audit Fees	Accruals	2004/05 R'000	'2003/04 R'000
Open carrying amount	559	128	399	7 275	8 361	7,595
Amounts utilised	( 559)	( 128)	( 399)	(7 275)	(8 361)	(7 595)
Change in estimate	318	217	181	8 627	9 343	8 361
Closing carrying amount	318	217	181	8 627	9 343	8 361
Non-current						
Current	318	217	181	8 627	9 343	8 361
Total	318	217	181	8 627	9 343	8 361

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

18. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO NET SURPLUS/ (DEFICIT)	2004/05 R'000	2003/04 R'000
Net surplus/ (deficit) as per Income Statement	12 784	71 263
Adjusted for non-cash items:		
Depreciation	434	468
Doubtful debts	26	0
(Profit)/ loss on disposal of property, plant and equipment	( 33)	( 98)
Increase/ (decrease) in provisions	982	766
Relating to employment	( 152)	238
Relating to other	1 134	528
Special project income recognised	(63 242)	(58 360)
Adjusted for items separately disclosed		
Investment income	(9 720)	(9 849)
Finance costs	-	9
Adjusted for working capital changes:		
(Increase)/ decrease in receivables	5 465	(8 317)
Increase/ (decrease) in payables	6 759	(10 937)
Movement in VAT receivable/ payable	1 025	( 341)
Cash generated from/ (utilised in) operations	<u>(45 520)</u>	<u>(15 396)</u>

## 19. CONTINGENCIES

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

## 19.1 Legal cases

Tourism Learnership Project (TLP) - THETA Board considers taking legal action against TMS - a service provider for learnerships. The dispute revolves around the performance of implementation of learnership with an estimated value of R9 million and legal fees of R100 thousand.

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 is contemplating to claim 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 legal costs are R200 thousand.

## 20. COMMITMENTS

## 20.1 Discretionary reserve

Of the balance of R103 million available in the Discretionary reserve at the end of March 2005, R97 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 Income Statement, 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, no reply had been received.

	Opening balance 2003/04 R'000	Approved by Accounting Authority R'000	Utilised R'000	Opening balance 2004/05 R'000	Approved by Accounting Authority R'000	Utilised R'000	Total R'000
ABET survey	-	-	-	-	1 261	(494)	767
Accreditation	-	-	-	-	1 505	(143)	1 362
Assessor and Moderation development	-	-	-	-	2 337	(1 152)	1 185
Capacity building stakeholders	-	-	-	-	5 700	(1 187)	4 513
Data base development	-	-	-	-	1 687	(1 070)	617
Investors in people	-	-	-	-	342	(91)	251
Learnership implementation - unemployed	-	-	-	-	49 718	(9 848)	39 870
Levy income campaign	-	-	-	-	456	(225)	231
Quality Management System Development	-	-	-	-	872	(685)	187
Required skills - chambers	-	-	-	-	25 878	(2 711)	23 167
SDF's capacity building	-	-	-	-	1 476	(1 350)	126
Skills development impact study	-	-	-	-	1 767	(789)	978
SMME support project	-	-	-	-	11 565	(1 163)	10 402
SSP 2005-2009 development	-	-	-	-	1 813	(1 296)	517
Standard Generating Bodies	-	-	-	-	7 102	(2 845)	4 257
Learnership employed	6 400	12 312	(5 833)	12 879	-	(4 626)	8 253
Workplace skills plan	-	-	-	-	848	(275)	573
Total project expenditure	6 400	12 312	(5 833)	12 879	114 327	(29 950)	97 256

## 20.2 Operating Leases

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

	2004/05 R'000	2003/04 R'000
Not later than one year	1 702	1 423
Later than one year and not later than five years	5 602	6 732
Later than five years	8	-
	<u>7 312</u>	<u>8 155</u>

The operating leases relate 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%.



## 21. MATERIAL LOSSES THROUGH CRIMINAL CONDUCT, FRUITLESS AND WASTEFUL EXPENDITURE

No material losses through criminal conduct, fruitless and wasteful expenditure were incurred during the year ended 31 March 2005:

## 22. EVENTS AFTER BALANCE SHEET DATE

Subsequent to year end the Seta has been deregistered as a VAT vendor in terms of the amended VAT act.

## 23. FINANCIAL INSTRUMENTS

In the course of the Seta operations it is exposed to interest rate, credit, liquidity and market risk. The Seta has developed a comprehensive risk strategy in terms of TR28.1 in order to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

## Interest rate risk

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

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

	Floating rate		TOTAL R'000
	Amount R'000	Effective interest rate	
Year ended 31 March 2005			
<u>Assets</u>			
Cash	199 160	6.72%	199 160
Accounts receivable		-	
Total financial assets	199 160	6.72%	199 160
Year ended 31 March 2005			
Total financial assets	199 160		199 160
Total financial liabilities	-		
	199 160		199 160

## Credit risk

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

The Seta manage limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of their investment policy in terms of Treasury Regulation. The group'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. The Seta does not have any material exposure to any individual or counter-party. The Seta's concentration of credit risk is limited to the tourism industry in which the Seta operates. No events occurred in the industry during the financial year that may have an impact on the accounts receivable that has not been adequately provided for.

## Liquidity risk

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

**Market risk**

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

**Fair values**

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

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

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

**Cash and cash equivalents**

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

**Accounts receivable**

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

**Accounts payable**

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

**24. ERRORS**

The incorrect accounting treatment in the prior years of levy income has resulted in errors and the restatement of the financial statements for 2003/2004.

**24.1 Levy Income**

Levy income accruals for the previous years were incorrectly provided for now corrected.

	R'000	R'000	R'000
	Prior 2004	Adjustment	Restated 2004
Levy Income	82 883	6 206	89 089
Levy Income			
Levy income, penalties and interest	1 308	77	1 385
Balance	84 191	6 283	90 474
Vat Payable	(735)	7	(728)
Skills Development Levy Debtors	14 432	6 275	20 707

## 25. RELATED PARTY TRANSACTIONS

## Transactions with other SETAs

Interseta 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. No provision is made for receivables and payables from and to other SETAs.

	2004/05 R'000	2003/04 R'000
Actual transactions with other SETA's:		
	Amount of the transaction	Amount of the transaction
Received	930	2 280
HWSETA	37	48
MAPPP SETA	47	366
PAETA	2	
PSETA		11
SERVICES SETA	835	1 565
FOOD AND BEV		149
LGW SETA		51
POSLEC		6
MERSETA		41
FASSET		43
SETASA	5	
TETA	4	
Paid	( 410)	
CHIETA	( 19)	
CTFL	( 15)	
FASSET	( 4)	
MAPPP SETA	( 95)	
MERSETA	( 13)	
PAETA	( 14)	
POSLEC	( 10)	
SERVICES SETA	( 240)	
Total	<u>520</u>	<u>2 280</u>

## 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. As a result the SETA did not enter into the transactions with related parties.



Report of the Audit Committee has been prepared in accordance with the 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 2005.

#### Audit Committee Members and Attendance

The audit committee consists of the members listed hereunder and meets 4 times per annum as per its approved terms of reference. During the current year 6 meetings were held.

Name	24/05/04	31/05/04	27/07/04	7/12/04	9/02/05	16/03/05
J Maqhekeni	•	Apology	•	Apology	•	•
Bob Prophet	•	•	•	Resigned Nov 2004		
C Cairns	•	•	Apology	Not re-elected AGM Sept 2004		
M Tsotetsi	•	•	•	•	Apology	•
K Makhetha	Apology	Apology	•	Not re-elected AGM Sept 2004		
JL Davis			• New Appointment	•	•	•
N Parbhoo			• New Appointment	•	•	•
M Speed				Elected AGM Sept 2004	Apology	Apology

#### 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 the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements, the matters of emphasis and management letter of the Auditor-General/ external auditors, it was noted that no significant or material non compliance with prescribed policies and procedures have been reported except for the Report of the Auditor General in relation to irregular expenditure. A significant control weakness reported previously has not been fully and satisfactorily addressed. The effect of this instance has been included in the annual financial statements and the report of the Accounting Authority.

#### 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, the external auditor and the Accounting Officer;
- Reviewed the Auditor-General's management letter and the management's response thereto;
- Reviewed significant adjustments resulting from the audit.

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



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Joseph Maqhekeni  
Chairperson of the Audit Committee  
Date: 15 July 2005

## HUMAN RESOURCES

### 1. Remuneration: Annual Salary Brackets

Salary Bracket	Management	Line Management	Other	Total
Above R 600 000				
R 401 000 - R 600 000	6			6
R 201 000 - R 400 000		7		7
R 200 000 and below			23	23
Total employees	6	7	23	36

These figures are based on Cost to Company and do not include bonuses



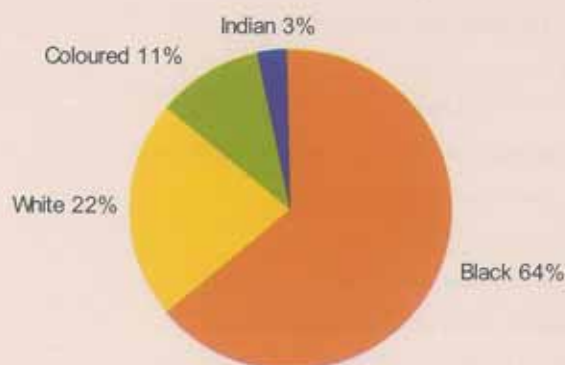
64% of employees earn less than R200 000 per annum and 17% earn between R401 000 and R600 000 per annum.

### 2. Employment Equity Breakdown by Gender





## Breakdown by Race



## 3. Recruitment and Terminations

Department	Positions beginning of period	New positions	Redundant Positions	Total Positions	Vacancies as at end period
Corporate and procurement division	5	5		10	2
ETQA division	9	2		11	
Finance division	3	1		4	
Skills Development	11	1	(1)	11	
<b>Total</b>	<b>28</b>	<b>9</b>	<b>(1)</b>	<b>36</b>	<b>2</b>

There was only one critical vacancy at year end – Chief Operating Officer

## 4. Sick leave utilisation

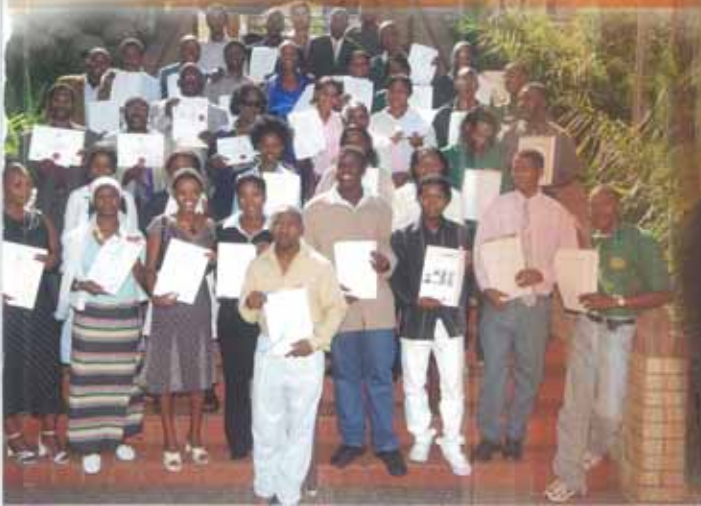
Sick leave days taken	Opening balance April 04	Leave used	Leave accrual p/ annum	Closing balance March 2005
Top Management	51.16	7.00	50.00	94.16
Middle Management	57.49	14.00	80.00	123.49
Other	146.16	62.50	170.00	253.66
<b>Total days</b>	<b>254.81</b>	<b>83.50</b>	<b>300.00</b>	<b>471.31</b>

Of the 254.82 sick leave days available, 83.5 was used for sick leave.

## ACRONYMS

ABET	Adult Basic Education and Training
ATR	Annual Training Report
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
ESDLE	Employment Skills Development Lead Employers
ETQA	Education Training Quality Assurors
ETA	Education and Training Authority
FET	Further Education and Training
HITB	Hospitality Industries Training Board
IIP	Investors in People
INTAC	Integrated Nature-Based and Conservation
MOU	Memorandum of Understanding
NQF	National Qualifications Framework
NSDS	National Skills Development Strategy
NSF	National Skills Fund
QLF	Qualified Learning Form
QMS	Quality Management System
RPIL	Recognition Prior Learning
SA	South Africa
SAQA	South African Qualifications Authority
SATI	South African Tourism Institute
SDA	Skills Development Advisor
SDD	Skills Development Department
SDF	Skills Development Facilitator
SGB	Standard Generating Body
SMME	Small Medium and Micro Enterprises
SSP	Sector Skills Plan
TD	Training Development
THETA	Tourism Hospitality Sport Education and Training Authority
TLP	Tourism Learnership Project
WSP	Workplace Skills Plan









**theta**

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Pictures courtesy of South African Tourism

SOUTH AFRICA

