

# FINANCES

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Nedlac's core activities are funded by government through the Department of Labour's budget. Nedlac is also entitled to receive monies from private and public bodies other than the state.

## Finance Committee

Nedlac's financial affairs are overseen by the Finance Committee, which is composed of representatives of the Nedlac constituencies and is a sub-committee of the Management Committee. This structure meets monthly to ensure that Nedlac's resources are used appropriately in pursuit of the institution's goals.

Operational budgets are prepared annually by the Nedlac secretariat and overseen by the Finance Committee. Budgets are taken to the Management Committee for their recommendation, and to the Executive Council for final approval. Audited financial statements are produced annually, and follow the same route of reporting, before being presented to the Minister of Labour for final approval and submission, with the Annual Report, to Parliament.

## Finance Committee Delegates

### Government

Chris van der Merwe

### Business

Jim Buys

### Labour

Jan Scheepers

### Community

Khulu Mbongo

Annamarie Nutt

## Annual Financial Statements

for the year ended 31 March 2002

### Executive Council's responsibility for the Financial Statements

The preparation, integrity and objectivity of the annual financial statements is the responsibility of the Executive Council.

In order to discharge this responsibility the Executive Council maintains internal accounting and administrative control systems designed to provide a reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with the Executive Council's policies and within the framework of South African generally accepted accounting practice.

The annual financial statements set out on pages 80 to 88 were approved by the Executive Council on 31 May 2002 and are signed on its behalf by:



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**PHILLIP DEXTER**  
Executive Director  
Johannesburg

## Report of the independent auditors to the executive committee of Nedlac

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We have audited the annual financial statements of National Economic Development and Labour Council set out on pages 80 to 88 for the year ended 31 March 2002. These financial statements are the responsibility of the Executive Council. Our responsibility is to express an opinion on these financial statements based on our audit.

### Scope

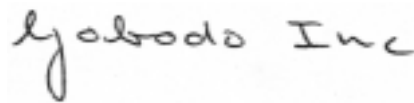
We conducted our audit in accordance with statements of South African Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- 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 statements presentation.

We believe that our audit provides a reasonable basis for our opinion.

### Audit Opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Council at 31 March 2002 and the results of its operations for the year then ended in accordance with generally accepted accounting practice.



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**GOBODO INCORPORATED**

Chartered Accountants (SA)  
Registered Accountants and Auditors  
Johannesburg, 31 May 2002

## Balance sheet

as at 31 March 2002

	Notes	2002 R	2001 R
<b>Assets</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2	1 867 463	345 496
<b>CURRENT ASSETS</b>			
Accounts receivable		763 067	3 402 347
Bank and cash on call		11 959 006	1 663 946
		<b>14 589 536</b>	<b>5 411 789</b>
<b>Equity and Liabilities</b>			
<b>CAPITAL AND RESERVES</b>			
Accumulated Funds		2 620 925	2 540 556
Constituency Capacity Funds	3	1 500 161	1 087 636
Project Funds	4	10 000 000	387 034
<b>CURRENT LIABILITIES</b>			
Accounts payable		468 450	1 396 563
		<b>14 589 536</b>	<b>5 411 789</b>

## Income Statement

for the year ended 31 March 2002

	Notes	2002 R	2001 R
<b>GRANTS RECEIVED</b>	5	16 396 000	6 729 000
<b>OTHER INCOME</b>		464 661	127 664
Interest received		464 661	95 410
Profit on disposal of fixed assets		–	32 254
<b>TOTAL INCOME</b>		<b>16 860 661</b>	<b>6 856 664</b>
<b>OPERATING EXPENDITURE</b>	6	<u>(6 752 564)</u>	<u>(6 389 814)</u>
<b>SURPLUS FOR THE YEAR</b>		<b>10 108 097</b>	<b>466 850</b>
Unexpended funds transferred to:		<b>(10 414 762)</b>	<b>(529 015)</b>
Community constituency fund		(106 100)	(80 005)
Labour constituency fund		(294 280)	(299 010)
Building fund		(10 000 000)	–
Business constituency fund		(14 382)	(150 000)
<b>Net Deficit for the year</b>		<u><u><b>(306 665)</b></u></u>	<u><u><b>(62 165)</b></u></u>

## Statement of Changes in Funds

for the year ended 31 March 2002

2002	Accumulated Funds R	Total R
Balance at 1 April 2001	2 540 556	2 540 556
Net Deficit for the year	(306 665)	(306 665)
Job summit funds transferred	387 034	387 034
<b>Balance at 31 March 2002</b>	<b><u>2 620 925</u></b>	<b><u>2 620 925</u></b>

2001	Accumulated Funds R	Total R
Balance at 1 April 2000	2 602 721	2 602 721
Net deficit for the year	(62 165)	(62 165)
<b>Balance at 31 March 2001</b>	<b><u>2 540 556</u></b>	<b><u>2 540 556</u></b>

## Cash Flow Statement

for the year ended 31 March 2002

	2002 R	2001 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>12 195 953</b>	<b>1 645 752</b>
Surplus before taxation	10 108 097	466 850
Adjustments for :		
Depreciation	244 708	270 713
Donations - assets	105 296	-
Interest paid	8 609	-
Interest received	(464 661)	(95 410)
Proceeds from disposal of assets	26 685	(32 254)
<b>Operating profit before working capital changes</b>	<b>10 028 734</b>	<b>609 899</b>
Working capital changes:		
Increase/(decrease) in accounts payable	(928 113)	836 427
Decrease in accounts receivable	2 639 280	104 016
<b>Cash generated by operations</b>	<b>11 739 901</b>	<b>1 550 342</b>
Interest paid	(8 609)	-
Interest received	464 661	95 410
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(1 898 656)</b>	<b>(295 469)</b>
Acquisition of property, plant & equipment	1 898 656	295 469
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(2 237)</b>	<b>(36 314)</b>
Allocated funds	-	36 314
Capacity funds	2 237	-
<b>Net increase in cash and cash equivalents</b>	<b>10 295 060</b>	<b>1 313 969</b>
Cash and cash equivalents at beginning of year	1 663 946	349 977
<b>Cash and cash equivalents at end of year</b>	<b>11 959 006</b>	<b>1 663 946</b>

## Notes to the Annual Financial Statements

for the year ended 31 March 2002

### 1. ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis and incorporate the principal accounting policies set out below, which have been consistently applied.

#### 1.1 FIXED ASSETS

Fixed assets are depreciated on a straight-line basis at rates estimated to write off the assets over their anticipated useful lives. The estimated rates used are as follows:-

Equipment	33.3%
Furniture and fittings	20%
Computer equipment	33.3%
Leasehold improvements	33.3%

#### 1.2 LEASED ASSETS

Assets acquired under finance leases are capitalised at their cash cost equivalent. Lease payments are allocated between lease finance costs and the capital repayment using the effective interest rate method. Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases.

#### 1.3 INCOME

Income is accounted for on a cash received basis.

### 2. PROPERTY, PLANT AND EQUIPMENT

	Equipment	Furniture & Fittings	Computer Equipment	Capital Work-in-Progress	Total
Carrying Value at Beginning of year	125 215	193 048	27 232	1	345 496
Cost	513 842	422 580	466 059	45 234	1 447 715
Accumulated Depreciation	(388 627)	(229 532)	(438 827)	(45 233)	(1 102 219)
<b>Additions</b>	<b>20 311</b>	<b>748 975</b>	<b>323 896</b>	<b>805 474</b>	<b>1 898 656</b>
Assets disposed/ Donations	-	(109 341)	(22 639)	(1)	(131 981)
Cost	513 842	422 580	466 059	45 234	1 447 715
Accumulated depreciation	(513 842)	(313 239)	(443 420)	(45 233)	(1 315 734)
Depreciation	(128 885)	(96 190)	(19 633)	-	(244 708)
Carrying Value at end of the year	16 641	736 492	308 856	805 474	1 867 463
Gross carrying value	20 311	748 975	323 896	805 474	1 898 656
Accumulated Depreciation	(3 670)	(12 483)	(15 040)	-	(31 193)

## Notes to the Annual Financial Statement (continued)

for the year ended 31 March 2002

	2002 R	2001 R
<b>3. CONSTITUENCY CAPACITY FUNDS</b>		
<b>3.1 Community constituency</b>		
Balance at beginning of year	61 734	(18 271)
Grant received	300 000	300 000
Utilised	<u>(193 900)</u>	<u>(219 995)</u>
Balance at end of year	<u>167 834</u>	<u>61 734</u>
<b>3.2 Labour constituency</b>		
Balance at beginning of year	539 010	240 000
Grant received	300 000	300 000
Utilised	<u>(7 957)</u>	<u>(990)</u>
Balance at end of year	<u>831 053</u>	<u>539 010</u>
<b>3.3 Business</b>		
Balance at beginning of year	486 892	336 892
Grant received	150 000	150 000
Utilised	<u>(135 618)</u>	<u>-</u>
Balance at end of year	<u>501 274</u>	<u>486 892</u>
<b>TOTAL CONSTITUENCY CAPACITY FUNDS</b>	<u>1 500 161</u>	<u>1 087 636</u>
<b>4. PROJECT FUNDS</b>		
<b>Job Summit</b>		
Balance at beginning of year	387 034	387 034
Transfer to Accumulated Funds	<u>(387 034)</u>	<u>-</u>
Balance at end of year	<u>-</u>	<u>387 034</u>
<b>Building Fund</b>		
Grant received (Refer note 8)	10 000 000	-
<b>TOTAL PROJECT FUNDS</b>	<u>10 000 000</u>	<u>387 034</u>

## Notes to the Annual Financial Statement (continued)

for the year ended 31 March 2002

	2002 R	2001 R
<b>5. GRANT RECEIVED</b>		
Received from Department of Labour:		
Community constituency	300 000	300 000
Labour constituency	300 000	300 000
Business constituency	150 000	150 000
Operating expenses	5 646 000	5 979 000
Building	10 000 000	–
<b>TOTAL</b>	<b>16 396 000</b>	<b>6 729 000</b>

### 6. OPERATING EXPENSES INCLUDE THE FOLLOWING:

Auditors Remuneration		
– fees	32 000	32 000
– other services	28 715	13 200
Depreciation	244 708	270 713
Donation of assets	105 296	–
Bad Debts – irrecoverable expenditure on behalf of other organisations	–	237 078
Staff costs	2 887 048	2 380 869

### 7. TAXATION

No provision is made for taxation as the Council is exempt from taxation.

### 8. CAPITAL COMMITMENTS

The Council has a capital commitment of R 10 000 000 for the acquisition of the office building at No.14 Jellicoe Avenue, Rosebank, Johannesburg. VAT payable on the transaction is an additional R1 400 000.

The acquisition will be Funded from the grant received of R10 000 000. (Refer note 4)

## Detailed Income Statement

for the year ended 31 March 2002

	2002 R	2001 R
<b>INCOME</b>		
Grants Received (Note 5)	16 396 000	6 729 000
<b>OTHER INCOME</b>		
Interest Received	464 661	95 410
Profit on disposal of assets	-	32 254
<b>TOTAL INCOME</b>	<u>16 860 661</u>	<u>6 856 664</u>
<b>LESS EXPENSES</b> (See page 88)	(6 752 564)	(6 389 814)
<b>SURPLUS FOR THE YEAR</b>	<u><u>10 108 097</u></u>	<u><u>466 850</u></u>

## Detailed Expenses Schedule

for the year ended 31 March 2002

	2002 R	2001 R
<b>EXPENSES</b>		
Advertising	45 123	44 282
Auditors Remuneration		
– Fees	32 000	32 000
– Other services	28 715	13 200
Bad debts	–	237 078
Bank charges	27 505	10 166
Depreciation	244 708	270 713
Donations - assets	105 296	–
Equipment rentals	38 696	37 325
Forensic investigations	–	112 630
Insurance	34 178	25 323
Meetings and events	561 567	420 868
Postage and courier	168 606	141 542
Printing and stationery	92 939	149 229
Professional fees	171 385	3 619
Rent	610 566	603 879
Repairs and maintenance	42 769	61 976
Research and publications	225 609	400 138
Regional Service Council levies	1 514	2 330
Salaries and wages	2 887 048	2 380 869
Staff training	–	55 425
Subscriptions	12 704	11 801
Sundry expenses	23 148	18 431
Telephone	257 246	272 595
Travel and accommodation	1 141 242	1 084 395
<b>TOTAL EXPENSES</b>	<b>(6 752 564)</b>	<b>(6 389 814)</b>

## Nedlac audit committee report on internal control for the year ended 31 March 2002

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### Comment in respect of the year under review

In the absence of an internal audit function, prime sources for assurances on the adequacy of internal control for the committee for the year under review were management, constituencies, the finance committee and the external auditors.

The Audit Committee wishes to report that:

- Assurances were received from management that major risks are being managed and no significant control weaknesses had been identified.
- The external auditors identified no impediments to conducting their audit of the Annual Financial Statements of the organisation without any restrictions; and
- Control weaknesses identified by external auditors have been addressed and appropriate controls have been implemented by management.

### Post Year - end committee monitoring and oversight policies and procedures

Since the year end Nedlac had engaged the services of an internal auditing service provider to assist with the identification, documentation and assessment of key risk areas, as required by the PFMA.

In order to be in a better position to monitor and report on internal control, the agendas for forthcoming audit committee meetings contain the following matters:

- Obtaining approval for the audit committee charter;
- Reviewing the risk analysis process and results;
- Reviewing and approving the internal audit charter
- Reviewing the proposed internal audit coverage plan for appropriateness of scope; and
- Assessing the effectiveness of measures taken by management to mitigate identified risks.