

FINANCES

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

Community

Annemarie Nutt

Government

Chris van der Merwe

Labour

Jan Scheepers

Business

Nico Vermeulen

Executive Council's responsibility for Financial Statements

The preparation, integrity and objectivity of the annual financial statements are 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 87 were approved by the Executive Council on 18 July 2003 and are signed on its behalf by:



PHILLIP DEXTER

Executive Director

Report of the independent auditors to the Executive Committee of the National Economic Development and Labour Council

We have audited the annual financial statements of National Economic Development and Labour Council set out on pages 80 to 87 for the year ended 31 March 2003. 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. The audit was also planned and performed to obtain reasonable assurance that our duties in terms of sections 60 and 61 of the Public Finance Management Act, Act 1 of 1999, as amended, have been complied with. 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

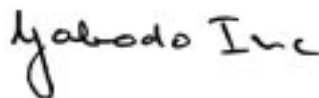
In our opinion, the financial statements fairly present, in all material respects, the financial position of the Council at 31 March 2003 and the results of its operations for the year then ended in accordance with generally accepted accounting practice and in the manner required by the Public Finance Management Act, Act 1 of 1999, as amended;

We have not been asked to report in terms of section 61(1)(b) of the Public Finance Management Act, Act 1 of 1999.

The transactions of the National Economic Development and Labour Council that had come to our attention during auditing were in all material respects in accordance with the mandatory functions of the National Economic Development and Labour Council, as determined by law or otherwise.

Supplementary information

The supplementary schedules set out on pages 88 and 89 do not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion thereon.



GOBODO INCORPORATED

Chartered Accountants (SA)
Registered Accountants and Auditors
Johannesburg, 18 July 2003

Balance sheet

as at 31 March 2003

	Notes	2003 R	2002 R
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2	1 857 308	1 867 463
CURRENT ASSETS			
Accounts receivable		534 084	763 067
Bank and cash on call		2 792 463	11 959 006
		5 183 855	14 589 536
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Accumulated funds		3 128 058	2 620 925
Constituency capacity funds	3	1 438 097	1 500 161
Project funds	4	–	10 000 000
CURRENT LIABILITIES			
Accounts payable		617 700	468 450
		5 183 855	14 589 536

Income statement

for the year ended 31 March 2003

	Notes	2003 R	2002 R
GRANTS RECEIVED	5	7 366 000	16 396 000
OTHER INCOME		620 908	464 661
Interest received		448 748	464 661
Rental income		172 160	–
TOTAL INCOME		7 986 908	16 860 661
OPERATING EXPENDITURE	6	<u>(8 047 792)</u>	<u>(6 752 564)</u>
DEFICIT / SURPLUS FOR THE YEAR		(60 884)	10 108 097
Funds transferred from (to):		62 064	(10 414 762)
Community constituency fund		157 950	(106 100)
Labour constituency fund		(293 127)	(294 280)
Building fund		–	(10 000 000)
Business constituency fund		197 241	(14 382)
Net surplus / (deficit) for the year		<u>1 180</u>	<u>(306 665)</u>

Statement changes in funds

for the year ended 31 March 2003

2003	Accumulated funds R	Total R
Balance at 1 April 2002	2 620 925	2 620 925
Net surplus for the year	1 180	1 180
Vat refunds for prior year	505 953	505 953
BALANCE AT 31 MARCH 2003	<u>3 128 058</u>	<u>3 128 058</u>
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
BALANCE AT 31 MARCH 2002	<u>2 620 925</u>	<u>2 620 925</u>

Cash flow statement

for the year ended 31 March 2003

	2003	2002
	R	R
CASH FLOW FROM OPERATING ACTIVITIES	1 160 800	12 195 953
(Deficit) / Surplus for the year	(60 884)	10 108 097
Adjustments for:		
Depreciation	337 498	244 708
Donations - assets	–	105 296
Interest paid	–	8 609
Interest received	(448 748)	(464 661)
Proceeds from disposal of assets	–	26 685
Operating (loss) / profit before working capital changes	(172 134)	10 028 734
Working capital changes:		
Increase (decrease) in accounts payable	149 250	(928 113)
Decrease in accounts receivable	228 983	2 639 280
Vat refunds received for prior years	505 953	–
Cash generated by operations	712 052	11 739 901
Interest paid	–	(8 609)
Interest received	448 748	464 661
CASH FLOW FROM INVESTING ACTIVITIES	(10 327 343)	(1 898 656)
Acquisition of property, plant & equipment	327 343	1898 656
Acquisition of land and buildings	10 000 000	–
CASH FLOW FROM FINANCING ACTIVITIES		
Constituency capacity funds	–	(2 237)
Net increase in cash and cash equivalents	(9 166 543)	10 295 060
Cash and cash equivalents at beginning of year	11 959 006	1 663 946
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>2 792 463</u>	<u>11 959 006</u>

Notes to the annual financial statements

for the year ended 31 March 2003

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%
Buildings	5%

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.

1.4 GOVERNMENT GRANTS

Government grants is recorded as income when it becomes receivable and then recognized as income on a systematic basis over periods necessary to match the assistance with the related costs it is intended to compensate.

Government grants in respect of acquisition of capital assets are set off against the cost of the asset.

Notes to the annual financial statements (continued)

for the year ended 31 March 2003

2. PROPERTY, PLANT AND EQUIPMENT

	Equipment	Furniture & Fittings	Computer Equipment	Buildings	Total
Carrying Value at beginning of year	16 641	736 492	308 856	805 474	1 867 463
Cost	20 311	748 975	323 896	805 474	1 898 656
Accumulated depreciation	(3 670)	(12 483)	(15 040)	–	(31 193)
Additions	10 195	32 881	40 704	243 563	327 343
Land and buildings acquired				10 000 000	10 000 000
Government grant for land and buildings				(10 000 000)	(10 000 000)
Depreciation	(9 498)	(156 371)	(119 177)	(52 452)	(337 498)
Carrying Value at end of the year	17 338	613 002	230 383	996 585	1 857 308
Gross carrying value	30 506	781 856	364 600	1 049 037	2 225 999
Accumulated depreciation	(13 168)	(168 854)	(134 217)	(52 452)	(368 691)

The land and buildings comprise an office building situated on Erf 205, Rosebank Township, 14 Jellico Street, Rosebank, Johannesburg.

3. CONSTITUENCY CAPACITY FUNDS

	2003 R	2002 R
3.1 Community constituency		
Balance at beginning of year	167 834	61 734
Grant received	320 700	300 000
Utilised	(478 650)	(193 900)
Balance at end of year	<u>9 884</u>	<u>167 834</u>
3.2 Labour constituency		
Balance at beginning of year	831 053	539 010
Grant received	320 700	300 000
Utilised	(27 573)	(7 957)
Balance at end of year	<u>1 124 180</u>	<u>831 053</u>
3.3 Business constituency		
Balance at beginning of year	501 274	486 892
Grant received	160 350	150 000
Utilised	(357 591)	(135 618)
Balance at end of year	<u>304 033</u>	<u>501 274</u>
TOTAL CONSTITUENCY CAPACITY FUNDS	<u>1 438 097</u>	<u>1 500 161</u>

Notes to the annual financial statements (continued)

for the year ended 31 March 2003

4. PROJECT FUNDS

	2003 R	2002 R
Job Summit		
Balance at beginning of year	–	387 034
Transfer to accumulated funds	–	(387 034)
Balance at end of year	<u>–</u>	<u>–</u>
Building Fund		
Balance at beginning of year	10 000 000	–
Grant received	–	10 000 000
Acquisition of building	(10 000 000)	–
Balance at end of year	<u>–</u>	<u>10 000 000</u>
Conference Workshop Cultural Initiative Fund Secretariat – Civil Society Summit		
Balance at beginning of year	–	–
Grant received	300 956	–
Utilised	(300 956)	–
Balance at end of year	<u>–</u>	<u>–</u>
TOTAL PROJECT FUNDS	<u>–</u>	<u>10 000 000</u>

5. GRANTS RECEIVED

Received from the Department of Labour:		
Community constituency	320 700	300 000
Labour constituency	320 700	300 000
Business constituency	160 350	150 000
Operating expenses	6 564 250	5 646 000
Building	–	10 000 000
TOTAL	<u>7 366 000</u>	<u>16 396 000</u>

Notes to the annual financial statements (continued)

for the year ended 31 March 2003

6. OPERATING EXPENSES INCLUDE THE FOLLOWING:

Auditors Remuneration		
- fees	45 000	32 000
- other services	–	28 715
Depreciation	337 498	244 708
Donation of assets	–	105 296
Staff costs	3 332 224	2 887 048

7. EXECUTIVE DIRECTORS EMOLUMENTS

P D Dexter		
- Salary	<u>479 164</u>	<u>451 620</u>

8. TAXATION

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

Detailed income statement

for the year ended 31 March 2003

	Notes	2003 R	2002 R
INCOME			
GRANTS RECEIVED	5	<u>7 366 000</u>	<u>16 396 000</u>
OTHER INCOME			
Interest received		448 748	464 661
Rental income		<u>172 160</u>	<u>–</u>
TOTAL INCOME		7 986 908	16 860 661
LESS: EXPENSES	(See page 89)	<u>(8 047 792)</u>	<u>(6 752 564)</u>
(DEFICIT) / SURPLUS FOR THE YEAR		<u><u>(60 884)</u></u>	<u><u>10 108 097</u></u>

Detailed income statement

for the year ended 31 March 2003

	2003	2002
	R	R
EXPENSES		
Advertising	39 137	45 123
Auditors remuneration		
- Fees	45 000	32 000
- Other services		28 715
Bank charges	26 138	27 505
Depreciation	337 498	244 708
Donations – assets	–	105 296
Equipment rentals	92 969	38 696
Insurance	44 031	34 178
Meetings and events	533 425	561 567
Postage and courier	44 857	168 606
Printing and stationery	48 210	92 939
Professional fees	61 976	171 385
Rent	369 428	610 566
Relocation costs	55 513	–
Repairs and maintenance	140 738	42 769
Research and publications	493 244	225 609
Regional Service Council levies	–	1 514
Salaries and wages	3 332 224	2 887 048
Security	12 052	–
Staff training	43 557	–
Subscriptions	6 439	12 704
Sundry expenses	887	23 148
Telephone	377 064	257 246
Travel and accommodation	1 693 405	1 141 242
Constituency activities and events	250 000	–
TOTAL EXPENSES	(8 047 792)	(6 752 564)

Report of the Audit Committee

in respect of the year ended 31 March 2003

A. COMMITTEE COMPOSITION AND FUNCTIONS

At 31 March 2003 the Nedlac Audit Committee consisted of the following members:

Nico M.W. Vermeulen

Anna Marie Nutt

Chris Van Der Merwe

Jan Scheepers (resigned)

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

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

The Audit Committee met on 3 occasions during the 2003 financial year. At these meetings the committee received and considered inter-alia

1. Risk assessment reports;
2. Formal and informal reports by management on financial affairs and internal control; and
3. Internal and external audit planning memoranda and reports.

B. AUDIT COMMITTEE REPORT ON INTERNAL CONTROL AND FINANCIAL REPORTING

The Audit Committee wishes to report that:

- I. The charter of the committee and that of internal audit permit effective audit committee oversight and independent internal audit assurances on risk management, governance and control;
- II. Proposed and/or actual internal audit coverage was appropriate to the assessed assurance needs of the Committee and the Management Committee;
- III. Periodic assurances had been obtained from management that major risks are being properly managed;
- IV. The Committee reviewed the Annual Financial Statements of the organisation at March 2003 and are satisfied that these fairly present its financial position and results of its operations;
- V. Recommendations for control enhancements, as identified by internal and external audit, had received adequate management attention.

Based on the foregoing, the committee is satisfied that the overall internal control system is adequate.

ACRONYMS AND ABBREVIATIONS

ACP	African, Caribbean and Pacific
AU	African Union
BSA	Business South Africa
CCMA	Commission for Conciliation, Mediation and Arbitration
Ceppawu	Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union
Cita	Commission for International Trade Administration
Cosatu	Congress of South African Trade Unions
Dev C	Development Chamber
DPSA	Disabled People South Africa
EU	European Union
Fawu	Food and Allied Workers' Union
FDI	Foreign Direct Investment
Fedusa	Federation of Unions of South Africa
Fridge	Fund for Research into industrial development, growth and equity
GDS	Growth and Development Summit
IDC	Industrial Development Corporation
ICT	Information and Communication Technologies
IES	Income and Expenditure Survey
ILO	International Labour Organisation
IMS	Integrated Manufacturing Strategy
LMC	Labour Market Chamber
LRA	Labour Relations Act
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
Nactu	National Council of Trade Unions
Nafcoc	National African Federated Chamber of Commerce
Nedlac	National Economic Development and Labour Council
Nepad	New Partnership for Africa's Development
NGO	Non Governmental Organisation
NSA	National Skills Authority
NPI	National Productivity Institute
PFMPC	Public Finance and Monetary Policy Chamber
Saccawu	South African Commercial, Catering and Allied Workers' Union
Sactwu	Southern African Clothing and Textile Workers Union
Sacu	Southern African Customs Union
Sacwu	South African Chemical Workers' Union
SADC	Southern African Development Community
Sanco	South African National Civic Organisation
SARB	South African Reserve Bank
Satawu	South African Transport and Allied Workers Union
SAYC	South African Youth Council
Seta	Sectoral Education and Training Authority
StatsSA	Statistics South Africa
Teselico	Technical Sectoral Liaison Committee
TAC	Treatment Action Campaign
TIC	Trade and Industry Chamber
the dti	Department of Trade and Industry
US	United States
WNC	Women's National Coalition
WTO	World Trade Organisation
WSSD	World Summit on Sustainable Development