



# Annual Report 2004/2005





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## MESSAGE FROM THE GOVERNING BODY CHAIRPERSON

It has been a great pleasure and honour for me to serve as Chairperson of the CCMA for the last six years. As my second term and that of other members of the Governing Body comes to an end, I present the seventh annual report of the CCMA in terms of section 115(1)(d) of the LRA, as amended.

Since its inception the CCMA has been driven by its commitment to service delivery and ensuring compliance with its mandate which has been measured against clearly defined deliverables.

Progress for the 2004/2005 financial year has been measured against the following deliverables:

- ensuring optimal use of expedited dispute resolution processes;
- establishing specialist services with distinctive competencies;
- strengthening partnerships with the CCMA users and social partners;
- developing an appropriate regulatory system to ensure delivery of high quality dispute resolution by accredited bargaining councils; and
- recruiting, retaining and training a body of appropriately skilled staff.

Some of the CCMA's achievements during the 2004/2005 financial year are as follows:

- a total of 128 018 cases were recorded as new referrals during the period 1 April 2004 to 31 March 2005. On average 512 cases were received on a daily basis, 80% of which were dismissal disputes;
- the CCMA continued relying on the services of both full-time and part-time commissioners to handle the caseload and to ensure that both conciliation and arbitration processes were finalised within the set time frames (completion dates from referral to archiving). In this regard, the CCMA continued delivering accessible and speedy dispute resolution as per its mandate;
- in its commitment to information dissemination the CCMA used various communication channels to reach the users nationwide. These include the use of community radio stations, pamphlets, interactive workshops, exhibitions and road shows;
- the state-of-the-art call centre based at the Head Office continued providing excellent service to the public by handling both case and substantive law related enquiries. About 198 226 calls were logged on the call centre system;
- the opening of offices in Pretoria, and satellite offices in East London, Pietermaritzburg, Richards Bay and the soon to be established virtual office in George, are all initiatives that are aimed at ensuring maximum exposure to the CCMA users;

- the CCMA continued providing technical and advisory support to other dispute resolution institutions and ministries in the Southern African region;
- the CCMA continued intervening into conflict and potential conflict situations of national importance, through section 150 of the LRA. For example, the Road Freight Industry strike and the mineworkers strike in KwaZulu Natal; and
- through the Dispute Management department, the CCMA continued providing education and training to all stakeholders (including employers, bargaining councils, trade union officials and shop stewards) on how best to use the law. Training and accreditation was also provided to bargaining councils.

Based on the progress reported thus far, there is no doubt that the machinery put in place at the inception of this institution in 1996 is functioning properly.

However, the amendments of the LRA in 2002 continued to pose challenges. These included:

- the high number of objections received regarding the conciliation–arbitration (con-arb) process, which is a process whereby arbitration follows immediately after conciliation, intended to cut down likely costs and delays by the splitting of dispute resolution stages; and
- the new certification procedure for the enforcement of awards in terms of section 143 of the LRA.

I am confident we will explore all available means to deal with these challenges.

Finally, I would like to extend my sincere thanks to the members of the Governing Body for their valued contribution and the Director and staff members for their efforts and commitment during the year.



**Vincent Zwelibanzi Mntambo**  
Governing Body Chairperson



The tripartite Governing Body is the supreme policy making body of the CCMA. The Governing Body consists of a chairperson and nine other members, each nominated by NEDLAC and appointed by the Minister of Labour. The members comprise three representatives from each of the following: state, organised labour and organised business. The Director of the CCMA is an ex-officio member of the Governing Body.

The Governing Body meets on a quarterly basis for its normal meetings. These meetings are supplemented on an ad hoc basis where required.

### Governing Body Members

#### Chairperson



Mr Vincent Zwelibanzi Mntambo

#### State representatives



Ms Nerine Kahn



Mr Thembinkosi Mkalipi



Mr Nhlakanipho Nkontwana

#### Organised business representatives



Mr Borence Moabi



Ms Tanya Cohen



Mr Brian Angus

#### Organised labour representatives



Mr Manene Samela



Mr Chez Milani



Mr Ebrahim Patel



## CCMA GOVERNANCE

During the 2004/2005 financial year the Governing Body met as follows:

Meeting Dates	Governing Body Attendees		Management
27 May 2004	Mr V Mntambo Mr B Angus Ms N Kahn	Mr C Milani Mr T Mkalipi	Mr E Molahlehi Ms S King
26 August 2004	Mr B Angus Mr M Samela Mr C Milani	Ms N Kahn Mr B Moabi	Mr E Molahlehi Ms S King
27 October 2004	Mr V Mntambo Mr B Angus Ms T Cohen Mr B Moabi	Mr T Mkalipi Ms N Kahn Mr M Samela	Mr E Molahlehi Ms S King
23 February 2005	Mr V Mntambo Mr B Nkontwana Mr B Moabi Ms N Kahn Mr B Angus	Mr C Milani Ms T Cohen Mr T Mkalipi Mr M Samela Mr M Mbongwe (obo Mr E Patel)	Mr E Molahlehi Ms S King

Three sub-committees comprising at least one Governing Body member from each of the three stakeholder groups namely, the Human Resources Sub-Committee, the Finance Sub-Committee and the Accreditation and Subsidy Sub-Committee, assisted the work of the Governing Body during the 2004/2005 financial year.

### Human Resources Sub-Committee

Mr Manene Samela chaired the Human Resources Sub-Committee. Ms Nerine Kahn and Ms Tanya Cohen, representing government and business respectively, comprised the other members of the sub-committee. The sub-committee met on 5 May 2004; 4 August 2004; 5 October 2004; 13 January 2005 and 1 February 2005.

### Finance Sub-Committee

Mr Brian Angus chaired the Finance Sub-Committee. Mr Manene Samela and Ms Nerine Kahn, representing labour and government respectively, comprised the other members of the sub-committee. The sub-committee met on 6 May 2004; 5 August 2004; 6 October 2004 and 3 February 2005.

### Accreditation and Subsidy Sub-Committee

Mr Thembinkosi Mkalipi chaired the Accreditation and Subsidy Sub-Committee. Mr Lucio Trentini and Mr Chez Milani, representing business and labour respectively, comprised the other members of the sub-committee. The sub-committee met on 5 May 2004; 5 August 2004 and 5 October 2004.

### Audit Committee

A fully independent Audit Committee, comprising representatives of state, organised labour and organised business, also assisted the work of the Governing Body. Mr Kevin Cowley, a representative of organised business, chaired the Audit Committee. Other members during the year under review were Mr John Maluleke and Mr Bengeza Mthombeni, both organised labour representatives, Mr Freddy Petersen representing the state and Mr Sello Hlalele, an independent audit expert.

The committee was tasked with helping management and the Governing Body with, amongst others, the oversight on the effectiveness of the internal controls. The Audit Committee had at its disposal the Internal Audit Unit that reports administratively to the Director and functionally to the Audit Committee.

During the 2004/2005 financial year the Audit Committee met as follows:

Meeting Dates	Governing Body Attendees		Management
6 May 2004	Mr K Cowley Mr B Mthombeni	Mr F Petersen Mr S Hlalele	Mr E Molahlehi Ms S King
5 August 2004	Mr K Cowley Mr B Mthombeni	Mr F Petersen Mr S Hlalele	Mr E Molahlehi Ms S King
10 December 2004	Mr K Cowley Mr J Maluleke	Mr F Petersen Mr S Hlalele	Mr E Molahlehi Ms S King
2 February 2005	Mr K Cowley Mr J Maluleke	Mr F Petersen Mr S Hlalele	Mr E Molahlehi Ms S King

### Materiality and significance framework for the CCMA

The following is a materiality and significance framework for the CCMA in terms of section 28.1.5 of Treasury Regulations.

#### Definition of materiality

The CCMA has resolved to adopt the same definition for materiality as stated in SAAS 320.03 and AC000 of Generally Accepted Accounting Principles (GAAP):

*"Information is material if misstatement or omission thereof will influence the economic decision of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut off point, rather than being a primary qualitative characteristic which information must have in order to be useful."*

#### Objectives of the CCMA materiality and significance framework

The objective of the CCMA materiality and significance framework is to enable management to devote the appropriate attention to deviations and misstatements that may adversely (materially) affect assets and transactions undertaken by the institution, and enforce compliance with laws and regulations that are applicable in running the CCMA's activities.



CCMA management and staff will, in all material aspects, comply with all laws that govern the day-to-day running of activities of the institution.

Management will ensure that the financial statements represent, in all material aspects, the financial position of the institution and the results of its activities as depicted by the income statement and accurately show the results of its cash flows for the period under consideration.

Timely corrective actions are taken to bring all material occurrences that may cause the CCMA to be non-compliant to the laws of the country.

## Quantitative materiality (materiality of amount)

Based on auditing and accounting literature, the following guides, amongst others, were used in the setting of quantitative materiality:

Gross revenue	0,5% - 1%	R885 050 - R1 770 100
Gross expenditure	0,5% - 1%	R902 470 - R1 804 940
Total assets	1% - 2%	R3 571 700 - R7 143 4006

Given that we are dealing with a non-trading entity, turnover is replaced by government grants received. Materiality level is based on expenditure because spending money in pursuit of its mandate is the main activity of the CCMA. The quantitative materiality figure for the 2004/2005 financial year is R902 470 (2003/2004: R794 427). This figure will be revised annually or as often as necessary for future years as circumstances change. It should, however, be noted that the CCMA will do all in its power to plausibly get all accounts successfully reconciled, an account/amount will not be left un-reconciled simply because it falls within the above quantitative materiality amount.

Different quantitative materiality levels can be set for different account balances.

Accounts that involve little or no estimations should have very low materiality levels set for such accounts, for example bank balances, including petty cash, should have very low materiality levels because cash is factual and not subject to interpretation.

Accounts that involve a fair amount of estimation may have a higher level of materiality set because some of the amounts therein may be arrived at subjectively. For example depreciation and the resulting book value of fixed assets.

Despite the above materiality indicators, CCMA management will not leave a difference unexplained simply because it falls within the materiality level and will always attempt to plausibly explain any differences that may occur, however, the materiality level will ensure that commensurate attention is devoted to explaining differences.

The following can influence the level of quantitative materiality set on an account balance:

- controls that are exercised by management on the account category;
- number of transactions going through the account;
- frequency of transactions in the account; and
- the absolute value of the item in conjunction with its special characteristics.

For the CCMA, all the above are considered in determining the materiality of a transaction.

## Qualitative materiality (materiality of nature)

Some amounts, although not quantitatively material, will still be material based on their nature, for example:

- management overrides
  - fraud committed by senior employees; and
  - misappropriation of CCMA assets by senior employees.
- failure of controls
  - other significant fraud perpetrated in the activities of the CCMA.

The CCMA takes the above seriously and controls are in place to prevent such occurrences from materialising.

Qualitative materiality focuses on the inherent nature of the item/occurrence under consideration. When considering qualitative materiality, the monetary value plays a very limited role.

The following factors are taken into account when determining qualitative materiality:

- **statutory requirements** - compliance with legislative regulations applicable to the CCMA;
- **unusual items** - items that are of non-recurring nature arising from unusual circumstances;
- **degree of estimation** - the risk of material misstatements is greater when accounting estimates, as opposed to when factual amounts are involved;
- **related amounts** - comparatives from prior year can help judge the materiality of an amount;
- **disclosure requirements** - failure to disclose an amount as required by the PFMA can cause such omission to be deemed material; and
- **legal actions against the CCMA** - the CCMA has in the recent past established a legal office that closely deals with all legal issues facing the institution, this office works in conjunction with current CCMA's official legal counsel.

The CCMA will always ensure that information that would influence its stakeholders qualitatively is fully disclosed.



## DIRECTOR'S REPORT

This report provides an overview of the operational and financial activities of the CCMA for the financial period 2004/2005. The period under review has been eventful, with significant achievements and challenges in the implementation of the goals set out in the CCMA's three-year strategic plan. The implementation of the strategic plan is driven by the operational plan, which is reviewed annually.

### General review of the state of financial affairs

The CCMA complies with the PFMA. For the year under review, the CCMA received a total amount of R174 612 000 of Government funding. A further amount of R2 043 000 was generated from the CCMA services during this period. For the 2003/2004 financial period, the CCMA had a surplus of R1 768 000 which was rolled over to the year under review with National Treasury's approval. For 2004/2005 the CCMA had a deficit of R1 720 000 and this includes a provision for cases in process amounting to R1 481 000.

### Governance

Good governance and excellent service delivery remain a priority for the CCMA. In this regard, we need to compliment the Human Resources, Finance and Accreditation and Subsidy Sub-Committees of the Governing Body for their vigilant overseeing of the CCMA's policies and procedures. These committees provided guidance and support to management. The Finance Sub-Committee played a critical role in monitoring the financial management of the institution.

The Audit Committee continued to play a key role in scrutinising the effectiveness of the financial controls and risk management. A toll-free fraud hotline was also set up to complement the risk management strategy of the CCMA.

The CCMA views ethical conduct as a cornerstone to the effective delivery of its service to the public. To that end, the CCMA has an Ethics Policy which sets out the conduct expected of all employees to protect the CCMA's integrity, impartiality or reputation as well as a respect for: constitutional rights in employment; workplace relationships; human dignity; non-discrimination; and respect for diversity.

CCMA commissioners operate under a Code of Conduct that was developed in terms of section 117 of the LRA. The Commissioner Code of Conduct serves as the foundation for expected commissioner conduct in all areas of their CCMA work, including: avoiding conflicts of interest; disclosures; conduct in hearings; confidentiality and competency.

The CCMA is committed to recruiting, developing and retaining employees who embrace and demonstrate the values, ethics and conduct the institution has set for itself to ensure that the culture and climate of the CCMA serves as a positive example to other institutions.

Significant strides have been made in all four areas of CCMA delivery in the period under review, namely: dispute resolution; dispute management; institution building and registry in the drive to remain the primary dispute resolution institution of choice in the South African labour market.

### Dispute resolution

A total of 128 018 cases were referred to the CCMA during the year under review, of which 81 473 were within the CCMA's jurisdiction. Some 32% of the total jurisdictional cases were finalised in one event in the con-arb process. The average time taken to complete conciliations was 33 days, a 26% improvement over the previous year.

The challenges in the area of dispute resolution relate to developing a strategy to reduce the high rate of hearing postponements that lead to protracted processes and adding to the administrative workload of the institution. Another challenge relates to the high number of applications for the enforcement of arbitration awards in terms of section 143 of the LRA.

### Institution building

Through the activities of the Institution Building department, the CCMA has successfully developed a better and constructive relationship with bargaining councils. In addition to administering the subsidisation of the dispute resolution work conducted by bargaining councils and processing the enforcement of bargaining council arbitration awards, the department has facilitated a number of training workshops for bargaining councils. With the view to introducing uniformity and consistency in dispute resolution in the labour market, the department has reached an understanding with bargaining councils that they should align their rules to those of the CCMA. In this regard, over 50% of the bargaining councils aligned their rules to those of the CCMA.

### Dispute management

The Dispute Management department conducted a series of training workshops for shop stewards, advice officers, full-time union officials and employers during the period under review. In conjunction with the Research Unit, the department commissioned an impact assessment evaluation, the outcome of which was extremely positive. The majority of trainees indicated that they benefited from the training and have applied their learning both at their workplaces and in their communities. More importantly, the department successfully initiated and facilitated a regional co-operation workshop with neighbouring countries. The objective of the workshop was to establish regional co-operation with the view to sharing knowledge and experience.

### Service delivery

As part of its commitment to dispute resolution and prevention service delivery, the CCMA assessed and monitored user satisfaction to identify ways to enhance the provision of efficient, cost-effective and accessible services to the public.

Extensive customer service research was conducted with external users to determine the current strengths and challenges related to the CCMA services. The findings of the survey revealed that 73% of the respondents rated the CCMA commissioners' understanding of issues to be good to excellent. It also



revealed that 82% of the respondents considered the assistance given at the CCMA front desks to be very good. A total of 76% of the respondents indicated that there had been an attempt at resolving their matters at the front desk by means of a pre-conciliation hearing.

The CCMA's Education and Training department used the survey results in training programmes for commissioners and support staff to reinforce the strengths of the CCMA service and to address the challenges related to servicing users effectively. Economic Literacy and Plain English Writing courses were introduced as part of the strategy to enhance the quality of settlements and award writing in order to achieve excellent service delivery. A Management Development Programme was also introduced during the period under review.

### Conclusion

I would like to take this opportunity to thank the Chairperson and the members of the Governing Body whose term of office expires at the end of June 2005. I am confident that, once again, competent and committed new members of the Governing Body will be appointed by the end of June 2005. I would also like to thank the management and staff for their hard work and dedication, and in particular, the National Registrar who has contributed with her team to ensuring adherence to all legislative and compliance requirements in the delivery of services.



**Edwin Molahlehi**  
Director



Opening of the Pretoria CCMA office



## NATIONAL REGISTRY REPORT

During the period under review the work of National Registry was based on the first-year deliverables of the three-year strategic plan. Key projects undertaken during the year under review to improve support service delivery were:

- to improve the dispute resolution services by re-training all dispute resolution support staff and then monitoring national adherence to all dispute resolution policies and case management standard operating procedures to ensure consistent case processing and dispute resolution delivery;
- to ensure data integrity on all systems;
- to recruit, develop and retain appropriately skilled employees supported by an effective Human Resources strategy and function;
- to improve customer service through projects informed by the results of applied research on the work and service delivery of the institution; and
- to enhance the range of information services provided by the CCMA, from the national call centre/provincial office synergy in jointly handling customer queries to updating the website and all of the hard copy information products for the public.

National Registry's delivery has been achieved by a team comprising six national departments and the registry in each provincial office. The six departments are: Operations & Information; Finance; Administration; Information Technology; Human Resources and Education, Training and Development. National Registry uses an integrated project approach, which has proved to be an effective holistic framework for implementation of the operational plan, supported by provincial registrars who play a vital role in ensuring successful national delivery of the projects at the operational level.

Best practice projects undertaken each year, are aimed at the CCMA achieving a standing as a model of excellent service delivery within a framework of sound management underpinned by good governance and compliance with all legislation and regulations related to operating as a public entity with public funding. In that regard, the CCMA received an unqualified financial audit report from the Auditor-General's Office for the sixth year running. The best practice projects for the year focused on:

- ensuring legislative compliance;
- effective financial and general management controls; and
- ongoing improvements to CCMA policies, standard operating procedures and formal methodologies.

As in previous years, the CCMA was involved in projects to provide technical advice and assistance to similar dispute resolution bodies in the SADC region, particularly Swaziland, Lesotho, Namibia and Botswana. These projects focused in the main on sharing the CCMA's experience of case management and workflow and assisting in the implementation of case management systems and the training of dispute resolution support staff.

A number of projects executed in the year under review were targeted at developing employees which are set out under the section in the report titled People Profile. National Registry's delivery in the period under review is due to the collective drive and dedication of the registry team, the support of the committees and the encouragement and direction provided by the Director and the Governing Body.



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**Susan King**  
National Registrar



## CCMA organisational structure

The organisational structure of the CCMA is designed to facilitate the exchange of information and energy both within itself and between itself and the broader industrial relations environment. Its purpose is to ensure a self-organising and self-regulating system to deliver effective dispute resolution, dispute management and institution building services to the public.

The structure and functioning of the organisation are characterised by two complementary components: commissioners and registry. The commissioner pool, 464 in total, comprises mainly part-time commissioners. Part-time commissioners make up 79% of all commissioners and, as independent contractors, provide services to the institution as and when needed. The registry comprises 298 employees to support the work of the CCMA.

## National Directorate



**Edwin Molahlehi**  
Director



**Susan King**  
National Registrar



**Eugene van Zuydam**  
NSC: Dispute Resolution



**Jeremy Daphne**  
NSC: Dispute Management



**Moe Ally**  
NSC: Institution Building



**Suraiya Sewraj**  
HOD: Administration



**Pumla Mjoli**  
HOD: Finance



**Moahloli Nyama**  
HOD: Human Resources



**Nersan Govender**  
HOD: Operations & Information



**Fikile Tshabangu**  
HOD: Education, Training & Development



**Nina Siele**  
CSC: Pretoria



**Zolashe Lallie**  
CSC: Eastern Cape



**May Poee**  
CSC: Free State & Northern Cape



**Sipho Radebe**  
CSC: Johannesburg



**Piet Shai**  
CSC: Limpopo



**Glen Cormack**  
CSC: Mpumalanga



**Prince Kekana**  
CSC: North West



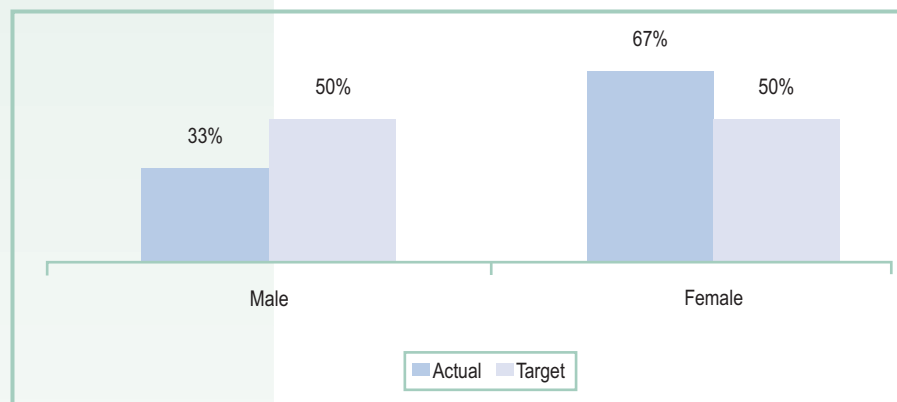
**Ronald Bernickow**  
CSC: Western Cape



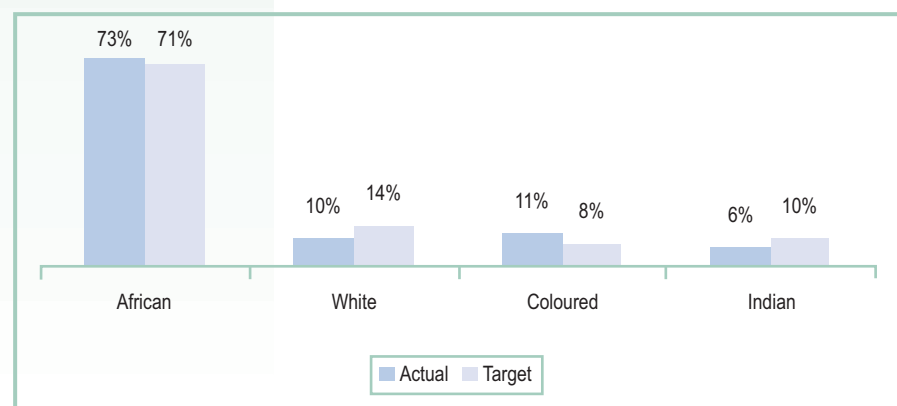
## PEOPLE PROFILE

The graphs below outline the five-year targets set by the CCMA against its actual breakdown as at the end of the 2004/2005 period, the fourth year of the five-year employment equity plan. The CCMA monitors the implementation of the plan on a quarterly basis through the National Employment Equity Committee.

### Employees by gender



### Employees by race



The CCMA still faces challenges at every level of employment where it has not achieved the race, gender and disability ratios the institution set for itself. The breakdowns of the actual composition against the target composition by broad employment level is set out in the following table.

	Target	National Management Committee	Full-Time Commissioners/ Technical Staff	Administrative/ Clerical	Commissioners (Full-time/ Part time)
<b>Gender</b>					
Female	50%	30%	32%	77%	29%
Male	50%	70%	68%	23%	71%
<b>Race</b>					
African	71%	61%	61%	76%	43%
White	14%	23%	16%	7%	38%
Coloured	8%	3%	11%	10%	12%
Indian	7%	13%	12%	4%	7%
<b>Disabled</b>	10%	0%	1%	0%	5%

### Employee development

The CCMA deployed a highly skilled technical team to work with a broader team under the auspices of the Services SETA to develop a dispute resolution and dispute management qualification. The draft qualification has been submitted to the South African Qualifications Authority for registration. The CCMA intends to participate in the learnership programme under this qualification in the next financial year.

The CCMA is committed to achieving the Investors in People Standard. The institution undertook a number of initiatives to achieve that end which were contained in the CCMA's operational plan for the year under review.

In line with the Investors in People Standard, the CCMA refined its performance management system and process to include personal development plans for each employee which were reflected in the CCMA's workplace skills plan. In addition, the management team underwent a management development programme that focused on competency profiling, performance management and coaching.

The CCMA conducted an extensive training programme in the year under review in order to meet the commitments set out in the workplace skills plan to meet the commitment to developing all employees. A total of 156 training courses were conducted, involving 2 085 participants. Of those, 30% of the courses were provided for CCMA employees as set out in the following table:



ETD Programme	Number of Sessions	Number of Participants
Substantive Law	2	34
Jurisdictional Rulings	2	31
Conciliation	2	31
Managing Dismissals	2	31
Arbitration 1 & 2	2	62
Back to Basics	1	17
Interpreter Training	2	14
First Aid Training	9	27
Disciplinary & Grievance Hearing	1	17
Assessor Training	2	15
Train the Trainer	1	20
Management Development Programme	1	42
Provident Fund Trusteeship	1	6
Employment Equity Committee Training	1	13
Economic Literacy	1	10
Intellectual Property Rights	1	3
Annual Labour Law Conference	1	15
Case Management System	12	129

The remaining 70% of the courses were provided to stakeholders as part of the institution's ongoing strategy of providing capacity building interventions to bargaining councils, trade union federations, public and private sector industrial relations or dispute resolution practitioners, as set out in the following table:

ETD Programme	Number of Sessions	Number of Participants
Employment Equity & Diversity	11	220
Substantive Law	12	264
Jurisdictional Rulings	12	254
Conciliation	12	246
Managing Dismissals	12	244
Arbitration 1 & 2	24	488
Disciplinary & Grievance Hearing	22	343
S189A Facilitation	1	20
Refresher course for Conciliators	4	28

#### Employee wellness programme

The CCMA partnered with an independent employee wellness provider, which provides counselling and advice on a range of issues that may impact on employees' performance and well-being in the workplace. This service is extended to the immediate family members of CCMA employees.

The CCMA developed a comprehensive strategy and policy to manage the impact of HIV and AIDS in the workplace. Part of the strategy included partnering with the medical aid service provider to conduct a series of workshops on the benefits it provides to members who are infected or affected by HIV and AIDS.



## DISPUTE RESOLUTION

During the period 1 April 2004 to 31 March 2005, a total of 128 018 disputes were referred to the CCMA – an average of 512 referrals every working day. The number of disputes referred during this period represented an increase of 0.2% over the 2003/2004 financial year.

Some 34% of the disputes referred to the CCMA during this period were deemed to be non-jurisdictional and screened out by the Screening and Allocation Teams (SAT) located at the front desk of each CCMA provincial office. The number of cases deemed to be 'jurisdictional' increased by 3% over the previous year.

Another 6% of the 'jurisdictional' cases were dealt with at the point of entry by pre-conciliation. This process was introduced with the aim of improving front desk services and the quick cost effective resolution of uncomplicated disputes. Of these, 49% were settled at the time of referral.

### Referrals by province

Since the inception of the CCMA the demand for CCMA services by province has remained consistent. This consistency has allowed for the accurate allocation of resources to each province to meet the demands each year. The Gauteng office (Johannesburg and Pretoria) had the largest caseload (37%), followed by KwaZulu Natal (18%) and Western Cape (13%). The remaining offices each accounted for less than 10% of the national caseload.

### Referrals by issue

Issue	2004/2005	2003/2004
Unfair dismissal	81%	82%
Unfair labour practice	7%	7%
Mutual interest	4%	3%
Collective bargaining	3%	3%
Severance pay	2%	2%
Other	3%	3%

Unfair dismissal disputes continue to account for the largest percentage of issues in dispute. This year, these disputes accounted for 81% of the total caseload – a decrease of 1% from the previous year.

### Referrals by sector

Sector	2004/2005	2003/2004
Retail	16%	17%
Private security	11%	10%
Domestic	10%	12%
Business and professional services	9%	7%
Building and construction	7%	7%
Food and beverage manufacture	5%	5%
Agricultural and farming	5%	5%

The breakdown of referrals by sector remained relatively consistent throughout the period. The retail sector has consistently accounted for the highest number of referrals since the inception of the CCMA and this year accounted for 16% - a decrease of 1% from the previous year. The private security sector increased by 1% and the domestic sector decreased by 2%.

### Processes

During this period, a total of 153 570 hearings were conducted – an average of 614 hearings every working day. This constituted an increase of 6% over the previous year. Conciliations and arbitrations accounted for the majority of processes conducted – 51% and 27% respectively. In limine and rescission processes accounted for 10% and 5% respectively.

### Conciliations

Some 62% of disputes referred to the CCMA were settled by conciliation. A total of 77 934 conciliations (including pre-conciliations and con-arbs) were conducted during this period – an average of 312 conciliations every working day. This represented an increase of 0.1% over the previous year. Of the total conciliations, 51% were conducted using the con-arb process – an increase of 14% over the previous year. This process was introduced by the amendments to the LRA promulgated in August 2002 and attempts to expedite the dispute resolution process by the conciliation and arbitration taking place as a continuous process on the same day. Some 69% of the con-arbs were finalised in one day – 45% of these resulted in a settlement while 29% resulted in awards being rendered.

### Arbitrations

A total of 40 889 arbitrations were conducted during this period – 3% more than the previous year. Some 21% of arbitrations conducted were settled, while 52% of the arbitrations resulted in awards rendered. Of the awards rendered, 61% were in favour of the employee party and 35% in favour of the employer party – consistent with previous years. The remaining 4% were deemed to be non-jurisdictional.

### Other processes

In addition to the conciliations and arbitrations conducted during the year, a further 25 050 'other' processes were conducted during this period – 17% more than the previous year.

The pre-dismissal arbitration and the s189A facilitation were introduced by the amendments promulgated in 2002. A total of 84 pre-dismissal arbitrations were conducted during the year. Of these, 51% were finalised – 27% resulted in awards being rendered and 21% were settled. A total of 194 s189A facilitations were conducted and 33% were successfully completed during the year. In addition to the above 'other' processes, the CCMA dealt with a total of 3 767 section 143 applications – 1 900 from within the CCMA and 1 867 from the various bargaining councils.

### Tariff policy

Amounts charged by the CCMA are based on the (Governing Body) approved tariff of fees, which is:

- R1 125 – R2 250 (excl. VAT) per day or part thereof, for advice, training, ballots and elections;
- R1 225 (excl. VAT) for each day or part thereof for procedurally unfair dismissals; and
- R1 125 – R3 000 (excl. VAT) per day or part thereof, for dispute resolution in exceptional circumstances.

The CCMA also derives income from resolving disputes using a process of pre-dismissal arbitration as set out in section 188A of the LRA, at a rate of R3 000 for the first day and R2 250 for each subsequent day.



The Dispute Management Operational Strategies for the 2004/2005 financial year were as follows:

- consolidate and strategically focus the CCMA's dispute management interventions;
- conduct high impact dispute management interventions;
- strengthen partnerships with CCMA users and social partners; and
- effectively market and generate income from specialist services.

Flowing out of the Operational Strategies, a wide range of dispute management projects and programmes were implemented.

#### Dispute management impact assessment

The CCMA Research Unit was commissioned to conduct an impact assessment of the Dispute Management department's activities, the outcome of which was extremely positive.

The findings of the research indicated that the majority of learners, across all spectrums, claimed to have greatly benefited from attending the Dispute Management's Best Practice workshops. The knowledge attained during these workshops, empowered most of the learners on a personal level as well as at their place of work. At the workplace, most learners indicated that they were better equipped in conducting their daily work activities and also in providing their colleagues with labour law advice. Some of the learners had even taken their knowledge outside the workplace by providing labour law advice to people in their respective communities. Phase one of the research assessed impact at a basic level and phase two, which will be conducted in 2005/2006, will involve a more in depth study.

#### Best practice use of the CCMA

The objective of this programme is to practically assist stakeholders in their daily use of labour law and CCMA processes. The programme was initiated in the year 2000 and up to the period 31 March 2005, 373 workshops had been held around the country involving over 8 114 learners. Topics covered concentrated on the interpretation and application of key aspects to new developments in labour law and process.

#### Analysis of total best practice workshops

Province	Shop Stewards	Advice Offices	Union Officials	Employers	Total	Year Plan Target
Western Cape	8	-	3	4	15	A minimum of 8 best practice workshops per province based upon provincial targeting strategies
KwaZulu Natal	6	2	1	3	12	
Eastern Cape	5	2	2	1	10	
Gauteng	13	2	2	1	18	
Mpumalanga	11	1	0	1	13	
North West	7	0	1	2	10	
Free State	5	0	1	4	10	
Northern Cape	12	2	2	4	20	
Limpopo	5	3	3	2	13	
<b>Total</b>	<b>72</b>	<b>12</b>	<b>15</b>	<b>22</b>	<b>121</b>	

#### Assessment of best practice workshops

In terms of the CCMA Year Plan measurable outcomes for this project, all provinces have exceeded their annual targets. The overall target for this financial year of 72 workshops was exceeded by 49 workshops. In terms of the number of learners involved, a total of 2 564 learners participated in the workshops. This involved 736 women (29%) and 1 828 men (71%). The proportion of women participating is relatively low and this will be given further attention in the new financial year. However, it is likely that this may be a reflection of the labour market in general.

The workshops above also include three-day (seven) FEDUSA and (eleven) SACCAWU/Pick 'n Pay shop steward workshops. The CCMA received positive feedback with regard to these workshops and both constituencies requested further training programmes for the new financial year. Two pilot conflict management workshops were also held as part of the process of initiating a new programme in this area.

#### User forums and breakfast seminars

The purpose of user forum meetings is to provide a platform for the exchange of information, ideas and experiences on the smooth running of the CCMA. Breakfast seminars focus on key legal issues and involve presentations by specialists in the subject area addressed.

#### Analysis of total user forum meetings and breakfast seminars held

Province	User Forum Meetings	Year Plan Target	Breakfast Seminars	Year Plan Target	Total
Western Cape	3	A minimum of 4 user forum meetings per province, following required standards	1	A minimum of 3 breakfast seminars per province, following required specifications	4
KwaZulu Natal	4		3		7
Eastern Cape	0		2		2
Gauteng	3		1		4
Mpumalanga	5		2		7
North West	4		1		5
Free State	5		2		7
Northern Cape	5		3		8
Limpopo	4		3		7
<b>Total</b>	<b>33</b>		<b>13</b>	<b>27</b>	<b>51</b>

#### Assessment of user forum meetings and breakfast seminars

The Dispute Management department was three meetings short of its target of 36 user forum meetings. The department only held half the number of targeted breakfast seminars. Overall, the user forum meetings and breakfast seminars held were well supported and extremely successful, making an important contribution to the development of capacity to make effective use of the CCMA and the law.



## DISPUTE MANAGEMENT

### Best practice materials developed

In the year under review, the following Best Practice training manuals were produced (and updated at the end of the year): basic shop steward; advanced shop steward; union official; advice officer and employers.

The manuals followed outcomes based approaches and training for learning methodologies. They were submitted to the Services Sectoral Education and Training Authority (SSETA) for registration and input regarding possible accreditation. However, the primary focus of the best practice courses is skills development. Selective accreditation of best practice courses will only be considered where feasible and within the CCMA's capacity.

### Other dispute management activities

A wide variety of other Dispute Management department activities held during the period under review included:

- public awareness raising initiatives, community radio inputs, imbizos and road shows;
- pro-active strategic interventions, for example facilitations and assessment of relationship building objective;
- labour law seminars on topical issues;
- partnership building initiatives, for example the CCMA worked closely with the Department of Labour in most provinces; bilateral briefings with specific employers and trade unions on referral trends; and
- user specific requests, such as requests for capacity building on workplace discipline.

This constituted at least 50% of dispute management activities in the year under review, with approximately 85% of targeted measurable outcomes being met.

### Overall trends

Overall an important trend regarding the 2004/2005 financial year was the broadening of the dispute management focus with the associated activities. This was in line with the department's strategy of adopting a more holistic approach to dispute management interventions. It was an extremely vibrant year in this regard with CCMA provincial offices carrying out a wide range of interventions.



The CCMA hosted a number of international delegations, including the Chinese.



### Call centre

The CCMA national call centre was launched in June 2002 and has had a huge impact on the CCMA. The number of calls consistently increased on a month-to-month basis and the call centre dealt with a total of 198 226 calls during the period under review (an average of 793 calls every working day). This represented an increase of 4% over the previous year and brought the total number of calls since the introduction of the call centre to 478 306.

The call centre provided information on both CCMA case related queries and all labour legislation, which accounted for 48% and 40% respectively of all calls.

### Calls by language

Language	2004/2005	2003/2004
English	73%	71%
Afrikaans	15%	15%
Zulu	6%	7%
South Sotho	4%	5%
Other	3%	2%

The call centre provided a service in all the official languages. English has consistently been the language of choice by members of the public.

### Calls by province

Province	2004/2005	2003/2004
Gauteng	65%	66%
Western Cape	16%	16%
KwaZulu Natal	16%	15%
Other	8%	4%

The percentage breakdown of calls received by province was fairly consistent with the percentage breakdown of referrals by province – Gauteng accounted for 65% - 1% decrease from the previous year, Western Cape accounted for 16% and KwaZulu Natal accounted for 11% - 4% decrease from the previous year. The other provinces together accounted for 7% - 3% increase over the previous year.

### Calls by sector

Sector	2004/2005	2003/2004
Business and professional services	29%	25%
Domestic	15%	23%
Retail	13%	21%
Banking and finance	3%	6%
Building and construction	3%	4%
Private health	3%	5%
Private transport	2%	4%

The percentage breakdown of calls per sector was also fairly consistent with the percentage breakdown of referrals by sector, with the business and professional services, domestic and retail sectors accounting for the highest number of calls.

### Other information products and services

The following products are available on request from the Operations & Information department at the Head Office or from the nearest CCMA provincial office:

- selected CCMA arbitration awards summaries;
- selected decisions – other dispute resolution forums;
- selected Labour Court and Labour Appeal Court judgement summaries; and
- CCMAil (quarterly publication).

### Information sheets

- BCEA termination of employment
- CCMA rules
- Compensation Commissioner
- Constructive dismissal
- Disciplinary procedures
- Drunkenness on duty
- Employment equity
- Essential services designations
- Ill-health/injury
- Late referrals
- Workplace forums
- Misconduct
- Pension fund adjudicator
- Poor work performance
- Probation
- Rescission v review
- Retrenchment in terms of section 189A
- Ministerial determinations
- Transfer of contracts of employment
- Working time
- Unilateral change to terms and conditions of employment
- CCMA fees and costs
- Collective agreements
- Conciliation process
- Desertion
- Discrimination
- Employee v independent contractor
- Essential services overview
- Harassment
- Insolvency and transfers
- What is conciliation and how to prepare for it
- Leave
- Payments and calculations – leave and holidays
- Polygraph testing
- Pre-dismissal arbitration (disciplinary enquiries)
- Promotion to access to information Act
- Retrenchment
- Sectoral determinations
- Skills development
- Unfair dismissal and unfair labour practice disputes
- Written particulars of employment
- What is arbitration and how to prepare for it



## INSTITUTION BUILDING

During the past financial year, the Institution Building department carried out numerous activities, which had a positive impact on bargaining councils. Some of the activities were as follows:

### Preparations for the implementation of a “new subsidy payment formula”

According to the “new subsidy payment formula”, bargaining councils will be given an annual subsidy based on a formula developed and such subsidies will be paid to bargaining councils in a form of quarterly draw downs. Various requirements need to be in place before the system can be implemented for the benefit of bargaining councils’ dispute resolution functions.

### Section 143 applications

The Institution Building department processes all bargaining councils’ section 143 applications. The department received a higher number of applications than anticipated. With the training of most bargaining councils on the requirements for a correct referral, the defective applications have been reduced drastically. This has assisted in speeding up the process. Nevertheless, it remains an administrative challenge, as ideally the applications should be processed within 30 days from receipt of the application.

### Implementation of a set of dispute resolution rules

More than 30 bargaining councils adopted rules for the first time since the LRA came into effect. Most of the rules adopted are consistent with the CCMA rules with slight differences applicable to requirements. This will go a long way towards creating a consistent set of rules for all institutions involved in dispute resolution. Those who had not adopted rules are encouraged to do so as the advantages outweigh any disadvantages that might arise out of the process.

Bargaining councils were encouraged to adopt the CCMA’s dispute resolution efficiencies, as this will ensure provision of speedy, cost efficient and effective dispute resolution for stakeholders.

### Case management system

Currently only four private sector bargaining councils and the public sector bargaining council are using the case management system. Different options were explored which could assist the smaller bargaining councils in implementing the system. The case management system would have great value for the medium to larger bargaining councils. The department will continue implementing new systems and requirements in the 2005/2006 financial year.

### Accredited bargaining councils

Council	Region	Functions
Clothing Industry	National	Conciliation / Arbitration
Contract Cleaning Industry	KwaZulu Natal	Conciliation
Education Labour Relations Council	National	Conciliation / Arbitration
General Public Service Sectoral Bargaining Council	Pretoria	Conciliation / Arbitration
Leather Industry of SA	National	Conciliation
Metal & Engineering Industries Bargaining Council	National	Conciliation / Arbitration
Motor Industry Bargaining Council	National	Conciliation / Arbitration
Public Health and Welfare Sectoral Bargaining Council	National	Conciliation / Arbitration
Public Service Co-ordinating Bargaining Council	National	Conciliation / Arbitration
Road Freight Industry	National	Conciliation / Arbitration
SA Cotton Textile Processing & Manufacturing	National	Conciliation / Arbitration
SA Manufacturing Fibres Bargaining Council	National	Conciliation / Arbitration
Safety and Security Sectoral Bargaining Council	National	Conciliation / Arbitration
Textile Manufacturing Industry of SA	National	Conciliation / Arbitration
Transnet Bargaining Council	National	Conciliation
Worsted Textile Manufacturing Industry	National	Conciliation / Arbitration
Chemical Industry	National	Conciliation / Arbitration
Electrical Industry	National	Conciliation
Fishing Industry Bargaining Council	Western Cape	Conciliation/Arbitration
Furniture Manufacturing Industry	Eastern Cape	Conciliation
Furniture Manufacturing Industry	Free State	Conciliation
Furniture Manufacturing Industry	KwaZulu Natal	Conciliation
Furniture Manufacturing Industry	South West	Conciliation
Furniture Manufacturing Industry	Western Cape	Conciliation / Arbitration
Furniture, Bedding & Upholstery Industry Bargaining Council	Gauteng	Conciliation / Arbitration
Knitting Industry	Northern Area	Conciliation / Arbitration
Laundry, Cleaning & Dyeing Industry	Cape	Conciliation
Laundry, Cleaning & Dyeing Industry	KwaZulu Natal	Conciliation / Arbitration
Liquor, Catering & Accommodation Trades	Eastern Cape	Conciliation
New Tyre Manufacturing Industry	Eastern Cape & Durban	Conciliation / Arbitration
Building Bargaining Council	North & West Boland	Conciliation / Arbitration
Building Bargaining Council	Southern & Eastern Cape	Conciliation / Arbitration
Building Industry Bargaining Council	Cape of Good Hope	Conciliation / Arbitration
Building Industry Bargaining Council	Bloemfontein	Conciliation
Building Industry Bargaining Council	East London	Conciliation / Arbitration
Building Industry Bargaining Council	Welkom	Conciliation / Arbitration
Canvas Goods Industry	Johannesburg / Pretoria	Conciliation / Arbitration
Carpet Manufacturing Industry of SA	National	Conciliation / Arbitration
Diamond Cutting Industry of SA	National	Conciliation
Entertainment Industry of SA	Johannesburg	Conciliation / Arbitration
Grain Co-operative	National	Conciliation / Arbitration
Hairdressing & Cosmetology Services Bargaining Council	Semi National	Conciliation
Hairdressing & Cosmetology Trade	Pretoria	Conciliation / Arbitration
Hairdressing Trade	Cape	Conciliation
Hairdressing and Cosmetology	KwaZulu Natal	Conciliation
Jewellery & Precious Metal Industry	Cape	Conciliation / Arbitration
Millinery Industry	Northern Area	Conciliation / Arbitration
Restaurant, Catering & Allied Trades	Gauteng	Conciliation / Arbitration
Retail Meat Trade	Gauteng	Conciliation / Arbitration
Tearoom, Restaurant & Catering Trade	Pretoria	Conciliation



The Essential Service Committee meets once every month to hear cases. It also convenes whenever there is an urgent application for a particular service to be designated as an essential or maintenance service. The current term of office of the present members of the Essential Service Committee ends on 31 July 2006.

The Essential Service Committee comprises:

- Advocate Bashier Vally;
- Mr Jabulani E Khanyile; and
- Mr Nhlanhla Madonsela.

## Objectives of the committee

The committee has three objectives:

- to interpret and apply the definition of essential services in a manner that is consistent with the LRA. The committee must also give effect to the obligations the Republic of South Africa incurred by ratifying Conventions 87 and 98 of the ILO;
- to designate services in such a way that the demarcations adequately address the needs of trade unions, employees and employers so that the parties abide by the decisions of the committee; and
- to safeguard the life, personal safety and health of the population.

## Work of the committee

### Essential services designations

During the 2004/2005 financial year, the committee designated the following as essential services:

- the whole of the services provided by old age homes registered in terms of the National Welfare Act, (Act No. 100 of 1978);
- the whole of the services provided by Children's Homes and places of care in terms of section 30 of the Child Care Act No. 74 of 1983; and
- the electrical, security and safety services provided by all airports in South Africa.

Applications were received from the following parties:

- Airports Company of South Africa (ACSA);
- IHD/Kite Logistics;
- Greater Nelspruit Utility Company;
- Johannesburg City Parks; and
- Outeniqua Berry Ventures.

These applications were withdrawn by the applicants prior to the committee taking any decisions on them.

## Minimum services

The committee ratified the following Minimum Service Agreements in terms of Section 72 of the LRA for the South African Local Government Bargaining Council:

Province	Municipality	
KwaZulu Natal	Namakwa District Municipality	Umasipala District Municipality
	Umlazi Municipality	Utrecht Municipality
	Emnambithi Municipality	
Eastern Cape	Siyathemba Municipality	Mnquma Local Municipality
	OR Tambo District Municipality	
Northern Cape	Hantam (Nieuwoudtville) Municipality	Kgalagadi District Municipality
	Siyathemba Municipality	Frances Baard District Municipality
North West	Maquassi Hills Local Municipality	
Gauteng	Rand Water Municipality	City of Johannesburg Municipality
	City of Tshwane Metropolitan Municipality	
Western Cape	Hantam (Brandvlei) Municipality	Overstrand Municipality
	Cederberg Municipality	Eden District Municipality
	Cape Agulhas Municipality	Overberg District Municipality
	Plettenberg Bay Municipality	Saldanha Bay Municipality
	Hantam (Calvinia) Municipality	George Municipality



# AUDITOR-GENERAL REPORT



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

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION FOR THE YEAR ENDED 31 MARCH 2005

### 1. Audit assignment

The financial statements as set out on pages 20 to 28 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) and section 8(c) of schedule 3 of the Labour Relations Act, 1995 (Act No. 66 of 1995). These financial statements, the maintenance of effective control measures and compliance with the 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. Audit opinion

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Commission for Conciliation Mediation and Arbitration at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended.

### 4. Emphasis of matter

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

#### 4.1 Weaknesses in internal controls

The following control weaknesses were identified:

- (i) poor control over cash management;
- (ii) poor control over fixed assets; and
- (iii) inadequate inventory control systems.

#### 4.2 Internal audit

The internal audit function did not fully comply with Treasury Regulation 27.2 resulting in it being only partially effective.

#### 4.3 Weaknesses in the Computer Information Technology (IT) Environment: Computer Audit

The Information System Audit focused on determining the extent to which management adequately resolved control issues raised during the prior year's review as well as evaluating the current control environment.

A number of weaknesses still existed in the IT general control environment. The most significant control weaknesses identified, were the following:

- (i) segregation of duties was inadequate on the PeopleSoft application;
- (ii) a formal change control policy and procedures were not in place;
- (iii) developers had access to live data; and
- (iv) a disaster recovery plan (DRP) was not implemented.

Weaknesses pertaining to change control, disaster recovery planning and segregation of duties raised concerns regarding the integrity of the data.

### 5. Appreciation

The assistance rendered by the staff of the Commission for Conciliation Mediation and Arbitration during the audit is sincerely appreciated.

**Imran Vanker**  
for Auditor-General  
Johannesburg  
18 July 2005



## STATEMENT OF RESPONSIBILITY

The Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended, requires the Governing Body to ensure that Public Entity keeps full and proper records of its financial affairs. The annual financial statements should fairly present the state of affairs of Public Entity Limited, its financial results, its performance against predetermined objectives and its financial position at the end of the year in terms of Generally Accepted Accounting Practice (GAAP).

The annual financial statements are the responsibility of the Governing Body. The Auditor-General is responsible for independently auditing and reporting on the financial statements.

The annual financial statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates.

The Governing Body has reviewed the entity's budgets and cash flow forecasts for the year ended 31 March 2005. On the basis of this review, and in view of the current financial position, the Governing Body have every reason to believe that the entity will be a going concern in the year ahead and have continued to adopt the going concern basis in preparing the financial statements.

The Governing Body sets standards to enable management to meet the above responsibilities by implementing systems of internal control and risk management that are designed to provide reasonable, but not absolute assurance against material misstatements and losses. The entity maintains internal financial controls to provide assurance regarding:

- the safeguarding of assets against unauthorised use or disposition; and
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The controls contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention or the overriding of controls. An effective system of internal control therefore aims to provide reasonable assurance with respect to the reliability of financial information and, in particular, financial statements presentation. Furthermore, because of changes in conditions, the effectiveness of internal financial controls may vary over time.

The Governing Body has reviewed the entity's systems of internal control and risk management for the period from 1 April 2004 to 31 March 2005. The Governing Body is of the opinion that the entity's systems of internal control and risk management were effective for the period under review.

In the opinion of the Governing Body, based on the information available to date, the annual financial statements fairly present the financial position of CCMA at 31 March 2005 and the results of its operations and cash flow information for the year and that the Code of Corporate Practices and Conduct has been adhered to.

The annual financial statements for the year ended 31 March 2005, set out on pages 20 to 28 were submitted for auditing on 31 May 2005 and approved by the accounting authority in terms of section 51(1)(f) of the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended, and section 298(1) of the Companies Act, 1973 (Act No. 61 of 1973), as amended and are signed on its behalf by:



**Vincent Zwelibanzi Mntambo**  
Governing Body Chairperson  
15 July 2005



**Edwin Molahlehi**  
Director  
15 July 2005



## FINANCIAL REPORT

### COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA) INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	Notes	2005 R'000	2004 R'000
Revenue	2	2,043	1,536
Grants and transfers	3	174,612	156,410
Other income	4	355	113
		<u>177,010</u>	<u>158,059</u>
Administrative expenses	5	34,081	31,591
Staff costs	6	77,848	71,267
Financial transactions in assets and liabilities	7	223	316
Transfers and subsidies	8	2,427	2,703
Other operating expenses	9	62,266	48,627
Depreciation	10	3,649	3,933
Total expenses		<u>180,494</u>	<u>158,437</u>
Loss from operations		<u>(3,484)</u>	<u>(378)</u>
Income from investments	11	1,764	2,146
<b>NET (LOSS) / PROFIT</b>		<u><b>(1,720)</b></u>	<u><b>1,768</b></u>

### COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA) BALANCE SHEET AS AT 31 MARCH 2005

	Notes	2005 R'000	2004 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	12	<u>5,775</u>	<u>5,972</u>
<b>Current assets</b>			
Inventory	13	<u>476</u>	<u>380</u>
Trade and other receivables	14	<u>2,805</u>	<u>3,040</u>
Prepayments and advances	15	<u>1,049</u>	<u>658</u>
Cash and cash equivalents	16	<u>25,612</u>	<u>21,046</u>
<b>Total Assets</b>		<u><b>35,717</b></u>	<u><b>31,096</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Accumulated profit	17	<u>9,684</u>	<u>11,404</u>
<b>Current liabilities</b>			
Trade and other payables	18	<u>15,780</u>	<u>10,816</u>
Provisions	19	<u>10,253</u>	<u>8,876</u>
<b>Total equity and liabilities</b>		<u><b>35,717</b></u>	<u><b>31,096</b></u>



COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA)  
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2005

	Notes	Accumulated Profit
Balance as at 31 March 2003		9,636
Profit for the period		1,768
Balance as at 31 March 2004	17	11,404
Loss for the period		(1,720)
Balance as at 31 March 2005		9,684

COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA)  
ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2005

1. Accounting Policies

The annual financial statements for the Commission for Conciliation, Mediation and Arbitration have been prepared in accordance with Statements of Generally Accepted Accounting Practice and the Public Finance Management Act 1 of 1999, as amended.

The following are the principle accounting policies of the entity which are, in all material respects, consistent with those applied in the previous year, except as otherwise indicated.

1.1 Basis of preparation

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

1.2 Revenue recognition

Income is recognised as the point when a service contract has been concluded between the Commission for Conciliation, Mediation and Arbitration and the other party and is accounted for in the period to which it relates.

1.3 Expenditure

Expenditure is recognised on the accrual basis.

1.4 Retirement benefit costs

The Commission for Conciliation, Mediation and Arbitration operates a defined contribution plan, the assets of which are held in separate trustee administered funds.

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

1.5 Taxation

No provision for income tax has been made as the Commission for Conciliation, Mediation and Arbitration is exempt in terms of section 10(1)(cA)(b)(ii) of the Income Tax Act No. 58 of 1962.

1.6 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged so as to write off of assets over their estimated useful lives, using the straight line method, on the following bases:

Furniture and fittings	10% p.a.
Office equipment	50% p.a.
Computer equipment	33% p.a.
Computer software	33% p.a.
Motor vehicles	20% p.a.



# FINANCIAL REPORT

## COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA) ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2005 (continued)

### 1.7 Impairment

At each balance sheet date, the entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which it belongs.

### 1.8 Leasing

The Commission for Conciliation, Mediation and Arbitration only has operating leases. Rental payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease.

### 1.9 Inventory

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less any costs of completion and costs to be incurred in marketing, selling and distribution.

Inventory is valued on a weighted average cost basis.

### 1.10 Financial instruments

#### Recognition

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

#### Measurement

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

#### Financial assets

The entity's principal financial assets are trade and other receivables and cash and cash equivalents.

- *Trade and other receivables*  
Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.
- *Cash and cash equivalent*  
Cash and cash equivalent are measured at fair value.

## COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA) ACCOUNTING POLICIES AS AT 31 MARCH 2005 (continued)

### Financial liabilities

- *Trade payables*  
Trade and other payables are stated at their nominal value.

### 1.11 Provisions

Provisions are recognised when the Commission for Conciliation, Mediation and Arbitration 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.

### 1.12 Government grants

Government grants are recognised when it is probable that future economic benefits will flow to the Commission for Conciliation, Mediation and Arbitration benefits can be measured reliably. The grant is recognised to the extent that there are no further obligations arising from receipt of the grant.

### 1.13 Comparatives

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



COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA)  
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	Notes	2005 R'000	2004 R'000
<b>Net cash flow from operating activities</b>		<b>8,009</b>	<b>14,893</b>
<b>Cash generated from operations</b>	21	6,245	12,747
Interest received	21	1,764	2,146
<b>Net cash (used in) / from investing activities</b>		<b>(3,443)</b>	<b>(867)</b>
Proceeds on disposal of property, plant and equipment		32	73
Acquisition of property, plant and equipment	12	(3,475)	(940)
<b>Net increase in cash and cash equivalents</b>		<b>4,566</b>	<b>14,026</b>
<b>Cash and cash equivalents at beginning of the year</b>	16	21,046	7,020
<b>Cash and cash equivalents at end of the year</b>	16	25,612	21,046

COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA)  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

	2005 R'000	2004 R'000
<b>2. Revenue</b>		
Rendering of services		
- National Departments	326	37
- Local Governments	246	6
- Financial Public Enterprises	21	25
- Private Enterprises	829	1,121
- Households	525	8
- Foreign Governments	96	339
Total	2,043	1,536
<b>3. Grants and transfers</b>		
National Departments	174,612	156,410
Total	174,612	156,410
<b>4. Other income</b>		
Profit on disposal of assets	10	7
Insurance recoveries	20	29
Seminars and other Sundry income	325	77
Total	355	113
<b>5. Administrative expenses</b>		
General and administrative expenses	12,339	11,709
Directors' emoluments	1,600	1,439
Auditor's remuneration	520	570
- Audit fees	520	570
Travel and subsistence	1,340	1,209
Rentals in respect of operating leases (minimum lease payments)	18,282	16,664
- Buildings	15,845	14,197
- Plant, machinery and equipment	2,208	2,204
- Vehicles	229	263
Total	34,081	31,591



# FINANCIAL REPORT

## COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA) NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005 (continued)

	2005 R'000	2004 R'000
<b>6. Staff costs</b>		
Wages and salaries	66,586	61,029
- Basic salaries	62,681	56,988
- Performance awards	2,443	3,376
- Temporary staff	968	233
- Leave payments	494	432
Defined Provident contribution plan expense	9,283	8,328
Social contributions (Employer's contributions)	1,979	1,910
- UIF	409	407
- Other salary related costs	1,570	1,503
Total	77,848	71,267
<b>7. Financial transactions in assets and liabilities</b>		
Loss on theft	5	-
Increase in provision for bad debts	200	250
Loss on disposal of assets	18	66
Total	223	316
<b>8. Transfers and subsidies</b>		
Private Enterprises (CCMA Accredited Bargaining Councils)	2,427	2,703
<b>9. Other operating expenses</b>		
Staff training and development	2,705	2,803
Consultants, contractors and special services	51,214	38,971
Legal fees	827	260
Maintenance, repairs and running costs	3,173	2,949
- Property and buildings	330	505
- Machinery and Equipment	2,765	2,370
- Other maintenance, repairs and running costs	78	74
Entertainment expense	57	52
Case disbursement expenses	4,290	3,592
Total	62,266	48,627

## COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA) NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005 (continued)

	2005 R'000	2004 R'000
<b>10. Depreciation</b>		
- Plant, machinery and equipment	455	305
- Vehicles	24	19
- Computer equipment and peripherals	1,988	2,512
- Office furniture and fittings	901	850
- Computer software	281	247
Total	3,649	3,933
<b>11. Income from investments</b>		
Interest income		
- Bank deposits	1,764	2,146
<b>12. Plant and equipment</b>		
<b>Office equipment</b>		
Opening net carrying amount	87	317
- Gross carrying amount	1,704	1,701
- Accumulated depreciation	(1,617)	(1,384)
Additions	893	78
Disposals	-	(3)
Depreciation charge	(455)	(305)
<b>Net carrying amount 31 March</b>	525	87
<b>Vehicles</b>		
Opening net carrying amount	97	-
- Gross carrying amount	116	-
- Accumulated depreciation	(19)	-
Additions	-	116
Depreciation charge	(23)	(19)
<b>Net carrying amount 31 March</b>	74	97
<b>Computer equipment and peripherals</b>		
Opening net carrying amount	1,898	3,959
- Gross carrying amount	17,801	17,970
- Accumulated depreciation	(15,903)	(14,011)
Additions	1,657	455
Disposals	(9)	(4)
Depreciation charge	(1,988)	(2,512)
<b>Net carrying amount 31 March</b>	1,558	1,898



COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA)  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005 (continued)

	2005 R'000	2004 R'000
<b>Office furniture and fittings</b>		
Opening net carrying amount	3,571	4,315
- Gross carrying amount	8,504	8,478
- Accumulated depreciation	(4,933)	(4,163)
Additions	675	165
Disposals	(14)	(59)
Depreciation charge	(901)	(850)
<b>Net carrying amount 31 March</b>	<b>3,331</b>	<b>3,571</b>
<b>Computer Software</b>		
Opening net carrying amount	319	440
- Gross carrying amount	9,657	9,531
- Accumulated depreciation	(9,338)	(9,091)
Additions	250	126
Depreciation charge	(282)	(247)
<b>Net carrying amount 31 March</b>	<b>287</b>	<b>319</b>
<b>Total property, plant and equipment</b>		
Opening net carrying amount	5,972	9,031
- Gross carrying amount	37,782	37,680
- Accumulated depreciation	(31,810)	(28,649)
Additions	3,475	940
Disposals	(23)	(66)
Depreciation charge	(3,649)	(3,933)
<b>Net carrying amount 31 March</b>	<b>5,775</b>	<b>5,972</b>
<b>13. Inventory</b>		
Consumable stores	476	380
<b>14. Trade and other receivables</b>		
Trade receivables	1,122	374
Less: Provision for doubtful debts	(400)	(250)
Opening Balance	(250)	-
Provisions during the year	(200)	(250)
Utilised during the year	50	-
	722	124
Vat input	1,988	2,766
Other receivables	95	150
<b>Total</b>	<b>2,805</b>	<b>3,040</b>

COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA)  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005 (continued)

	2005 R'000	2004 R'000
<b>15. Prepayments and advances</b>		
Staff advances	5	3
Prepayments	986	637
Advances	58	18
<b>Total</b>	<b>1,049</b>	<b>658</b>
<b>16. Cash and cash equivalents</b>		
Cash at bank	24,767	20,484
Cash on hand	22	19
Pledged Funds	823	543
<b>Total</b>	<b>25,612</b>	<b>21,046</b>
As required in section 7(2) and 7(3) of the Public Finance Management Act, the National Treasury has approved the local banks where the bank accounts are held.		
<b>17. Accumulated profit/(loss)</b>		
Balance at 1 April as originally stated	11,404	9,636
Net (loss)/profit for the year	(1,720)	1,768
<b>Balance at 31 March 2005</b>	<b>9,684</b>	<b>11,404</b>
<b>18. Trade and other payables</b>		
Trade creditors	15,382	10,517
Vat output	144	267
Sundry creditors	254	32
<b>Closing balance</b>	<b>15,780</b>	<b>10,816</b>
<b>19. Provisions</b>		
<b>Leave Pay</b>		
Opening balance	3,358	2,669
Provisions made during the year	1,101	1,121
Utilisations of provisions during the year	(494)	(432)
<b>Closing balance</b>	<b>3,965</b>	<b>3,358</b>
The provision has been limited to 30 days per employee, any leave days exceeding 30 days are forfeited for encashment, but can be accumulated.		
<b>Employee's 13th cheque savings &amp; bonus</b>		
Opening balance	3,829	169
Provisions made during the year	3,146	4,361
Unused amounts reversed during the year	(194)	-
Utilisations of provisions during the year	(4,103)	(701)
<b>Closing balance</b>	<b>2,678</b>	<b>3,829</b>



## FINANCIAL REPORT

### COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA) NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005 (continued)

	2005 R'000	2004 R'000
<b>Audit fees</b>		
Opening balance	420	225
Provisions made during the year	571	420
Unused amounts reversed during the year	(126)	-
Utilisations of provisions during the year	(294)	(225)
Closing balance	571	420
<b>Litigation claims</b>		
Opening balance	322	406
Provisions made during the year	450	248
Utilisations of provisions during the year	(322)	(332)
Closing balance	450	322
<b>Skills Development levies</b>		
Opening balance	713	299
Provisions made during the year	720	604
Utilisations of provisions during the year	(666)	(190)
Closing balance	767	713
<b>RSC Levies</b>		
Opening balance	23	17
Provisions made during the year	23	232
Utilisations of provisions during the year	(23)	(226)
Closing balance	23	23
<b>Workmen Compensation</b>		
Opening balance	211	187
Provisions made during the year	318	211
Utilisations of provisions during the year	(211)	(187)
Closing balance	318	211
<b>Cases in Process</b>		
Opening balance	-	-
Provisions made during the year	1,481	-
Closing balance	1,481	-
<b>Total Provisions</b>		
Opening balance	8,876	3,972
Unused amounts reversed during the year	(320)	-
Provisions made during the year	7,810	7,197
Utilisations of provisions during the year	(6,113)	(2,293)
Closing balance	10,253	8,876

### COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA) NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005 (continued)

	2005 R'000	2004 R'000
<b>20. Retirement Benefit Obligations</b>		
The entity has made provision for provident schemes covering all employees substantially. The funds are governed by the Pension Funds Act, 1956 (Act No. 24 of 1956).		
The Commission for Conciliation, Mediation and Arbitration operates a defined contribution retirement benefit plan for all qualifying employees. The assets of the scheme are held in funds under the control of trustees, separately from those of the entity.		
As at 31 March 2005 contributions of R9,483,395.85 (R8,499,944.43 – 2004) due in respect of the reporting period had been paid over the scheme.		
<b>21. Reconciliation of profit/(loss) before taxation to cash generated from/(utilised in) operations</b>		
(Loss)/ Profit before taxation	(1,720)	1,768
Adjusted for:		
- Depreciation on property, plant and equipment	3,649	3,933
- Profit on disposal of property, plant and equipment	(10)	(7)
- Investment income	(1,764)	(2,146)
- Increase in provisions	1,377	4,904
Operating cash flows before working capital changes	1,532	8,452
Working capital changes	4,713	4,295
- (Increase) in inventories	(96)	(135)
- (Increase) in receivables	(155)	(375)
- Increase in payables	4,964	4,805
<b>Cash generated from operations</b>	<b>6,245</b>	<b>12,747</b>
<b>22. Contingent liabilities</b>		
<b>Poswa v CCMA &amp; 2 others</b>	2,000	2,000
Damages claim for defamation. Summons issued 28 November 2003. Governing Body has agreed to defend. Poswa filed a claim for R2,000,000. CCMA filed a notice of exception on 10 January 2005. This matter is in the high court. No set down date has yet been allocated.		
<b>Venter v CCMA</b>	2,948	
Damages claim for harassment. Governing Body has agreed to defend. The claim value is R2,948,250. The matter is in the high court. Trial date set for 26 February 2006.		



**COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005 (continued)**

	2005 R'000	2004 R'000
<b>23. Operating lease arrangements</b>		
<b>The entity as lessee</b>		
At the balance sheet the entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
Up to 1 year	23,448	16,202
1 to 5 years	21,920	54,003
More than 5 years	0	0
Total	45,368	70,205
<b>24. Capital commitments</b>		
Commitments for the acquisition of plant and equipment		
- Contracted for but not provided in the financial statements	1,529	2,077
Total future capital commitments	1,529	2,077
The capital expenditure is to be financed as follows:		
- Internally generated funds	1,529	309
The capital commitments represents orders approved and placed before year end but invoiced and delivered in the new year.		
<b>25. Directors' emoluments</b>		
Vincent Mntambo - Governing Body Member	11	12
- Salary	0	0
- Bonuses and performance payments	0	0
- Expense allowances	11	12
- Provident Fund	0	0
Thembinkosi Mkalipi - Governing Body Member	3	3
- Salary	0	0
- Bonuses and performance payments	0	0
- Expense allowances	3	3
- Provident Fund	0	0
Borence Moabi - Governing Body Member	20	46
- Salary	0	0
- Bonuses and performance payments	0	0
- Expense allowances	20	46
- Provident Fund	0	0

**COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005 (continued)**

	2005 R'000	2004 R'000
Tanya Cohen - Governing Body Member	0	3
- Salary	0	0
- Bonuses and performance payments	0	0
- Expense allowances	0	3
- Provident Fund	0	0
Brian Angus - Governing Body Member	6	3
- Salary	0	0
- Bonuses and performance payments	0	0
- Expense allowances	6	3
- Provident Fund	0	0
Manene Samela - Governing Body Member	29	44
- Salary	0	0
- Bonuses and performance payments	0	0
- Expense allowances	29	44
- Provident Fund	0	0
Chez Milani - Governing Body Member	3	5
- Salary	0	0
- Bonuses and performance payments	0	0
- Expense allowances	3	5
- Provident Fund	0	0
Edwin Molahlehi - National Director	570	495
- Salary	482	397
- Bonuses and performance payments	0	25
- Expense allowances	10	10
- Provident Fund	78	63
Susan King - National Registrar	561	472
- Salary	442	401
- Bonuses and performance payments	33	2
- Expense allowances	10	10
- Provident Fund	76	59
Thembeka Mbuli - Head of department - Finance (5 months)	199	356
- Salary	145	294
- Bonuses and performance payments	27	2
- Expense allowances	4	10
- Provident Fund	23	50



## FINANCIAL REPORT

### COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA) NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005 (continued)

	2005 R'000	2004 R'000
Pumla Mjoli - Head of department - Finance ( 5 months)	198	0
- Salary	171	0
- Bonuses and performance payments	0	0
- Expense allowances	4	0
- Provident Fund	23	0
Total - Executive directors / members	1,600	1,439
<b>26. Fruitless and wasteful expenditure</b>		
Interest and penalties on late payments of garnishee	5	0
Interest charged on invoices received and paid late	3	21
	8	21

### COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION (CCMA) NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005 (continued)

#### 27. Events after the balance sheet

The Commission for Conciliation, Mediation and Arbitration will be deregistered for Value Added Tax as from 1 April 2005 due to the amendments of this Act. The entity qualifies for the relief provided by section 8(2)(iv) of the Value Added Tax, therefore there will be no output Value Added Tax on the value of its assets upon deregistration.

The Commission for Conciliation, Mediation and Arbitration was burgled on the night of 10 June 2005 resulting in some damage to property and the loss of IT assets to the value of R383,057. The Commission for Conciliation, Mediation and Arbitration is covered by insurance for the replacement of value of all items stolen and the cost of repairs.



## AUDIT COMMITTEE REPORT

This report has been prepared in terms of the Treasury Regulations 3.1.13(a) and (c) of the Public Finance Management Act (Act No. 1 of 1999).

A fully independent Audit Committee, comprising representatives of the three stakeholder groups, also assists the work of the Governing Body, as stated on page 4. The Acting Head of Internal Audit reported on the effectiveness of the internal controls within the CCMA to the committee at each of the five meetings held by the Audit Committee during the year under review.

The committee is generally satisfied that the CCMA Internal Audit Unit is functioning well, particularly with regard to identifying internal control weaknesses and in recommending effective control remedies. CCMA management, in turn, responded to reported weaknesses and implemented the recommendations made to ensure more effective and efficient internal controls.

A major challenge faced by the institution in the year under review related to the difficulty of attracting and recruiting a Head of the Internal Audit Unit. Whilst an extensive and protracted process was undertaken to fill the vacancy, the committee realises that the lack of a fully resourced Internal Audit Unit impacted on the ability of that office to operate at its optimal level.

The Audit Committee has reviewed the annual financial statements audited by the Office of the Auditor-General and is satisfied that these statements fairly reflect in all material respects, the financial position of the Commission as at 31 March 2005, in accordance with the South African Statement of Generally Accepted Accounting Practice and in a manner required by the Public Finance Management Act (Act No. 1 of 1999).

The committee has also reviewed the reports of the Office of the Auditor-General and the Internal Audit Unit. In the context of the committee's understanding of the risks facing the Commission, the committee is satisfied that there are internal controls mitigating the major financial risks which are generally adequate effective and efficient. However, there are still some weaknesses in terms of the ongoing management of certain policies and procedures, which will be closely monitored in the coming financial year.

The Audit Committee assumed the role of the Risk Committee in the year under review and monitored and reviewed the management of risk by the institution. The CCMA Governing Body has agreed that a separate Risk Committee will be constituted in the next financial year, reporting to the Audit Committee on this important area in the future.



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**Kevin Cowley**  
Chairperson of the Audit Committee



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