

Annual Report



2005/2006



CONTENTS

Annual Report



Message from the Governing Body Chairperson	2
CCMA Governance	3
Director's Report	6
People Profile	8
Dispute Resolution	12
Public Awareness and Information	14
Dispute Management	15
Institution Building	18
Essential Services Committee.....	20
Auditor General Report	22
Governing Body Statement of Responsibility.....	24
Financial Report	25
Statement of Financial Performance.....	26
Statement of Financial Position.....	27
Statement of Changes in Net Assets for the Year Ended 31 March 2006	28
Cash Flow Statement for the Year Ended 31 March 2006	29
Accounting Policies for the Year Ended 31 March 2006	30
Notes to the Financial Statements.....	35
Audit Committee Report.....	44
Contacts	45

CCMA

MESSAGE FROM THE GOVERNING BODY CHAIRPERSON

It is a great pleasure to present the eighth annual report of the CCMA for the 2005/2006 financial year in terms of section 115(1)(d) of the LRA, as amended, and as required by the Public Finance Management Act, 1 of 1999 (PFMA). This is the first report of the currently constituted Board and my third term as chairperson.

The CCMA continues to remain committed to the fulfilment of the mandate placed on it by all the stakeholders, of providing speedy, non-legalistic and accessible dispute resolution and management services to the South African labour market.

The CCMA's performance during the year under review has been measured against the following objectives, as set out in the CCMA's strategic plan:

- Providing speedy dispute resolution processes.
- Strengthening partnerships with the CCMA users and social partners.
- Ensuring delivery of high quality dispute resolution by accredited bargaining councils.

Some of the CCMA's key performance areas during the 2005/2006 financial year were as follows:

- A total of 167 402 hearings were conducted, an average of 664 every working day, of which 49.3% were conciliations and 28.6% arbitrations.
- There was a 17.1% increase in arbitrations conducted over the previous year and the average number of days from arbitration referral to hearing was 49 and to finalisation was 77 days. Some 90.5% of awards were rendered within the statutory 14 days.
- There was a 6% increase from the previous year in terms of other processes conducted. A total of 8 461 applications to have arbitration awards made orders of court were dealt with, of which 5 178 were dealt with from within the CCMA and 3 283 from the various bargaining councils. This constituted an increase of 124.6% over the previous year.
- The CCMA used various communication channels to strengthen partnerships with the users and social partners. These included the use of community radio stations, best practice workshops, user forum meetings / seminars, and road shows.
- Training was provided to bargaining councils and accreditation renewed for those councils whose accreditation had expired.
- The CCMA also continued providing technical and advisory support to other dispute resolution institutions and ministries in the Southern African region.

The CCMA strived to attain its objectives despite the challenges it faced in certain areas. These included the high rate of hearing postponements and applications for enforcement of arbitration awards. However, I am confident we will explore all available means to deal with these challenges to ensure that the CCMA remains a dispute resolution institution of choice in South Africa.

I would like to thank the former Director, Mr Edwin Molahlehi, for his role during his tenure at the CCMA and to also welcome Ms Nerine Kahn to her new position as Director. I sincerely thank the members of the Governing Body for their valued contribution and would particularly like to extend a personal thank you to Mr Manene Samela, who served on the Governing Body since the CCMA's inception but who has now left. His legacy as a Governing Body member will remain with us for many years to come. Finally, to CCMA management and staff for their hard work during the year under review, a big thank you.



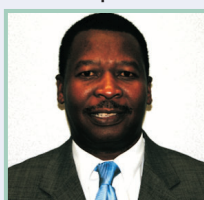
Vincent Zwelibanzi Mntambo
Governing Body Chairperson



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

Organised business representatives



Mr Borence Moabi



Ms Tanya Cohen



Ms Thuli Tabudi

Organised labour representatives



Mr Chez Milani



Mr Narius Moloto



Mr Ebrahim Patel

CCMA

CCMA GOVERNANCE



During the 2005/2006 financial year the CCMA Governing Body met as follows:

Meeting Dates	Governing Body Attendees	Management
24 May 2005	Ms N Kahn Mr T Mkalipi Mr C Milani Mr M Samela Mr R Dicks (obo Mr E Patel) Mr B Moabi Ms T Cohen	Mr E Molahlehi Ms S King
21 July 2005	Mr V Mntambo Ms N Kahn Mr T Mkalipi Mr C Milani Mr N Moloto Mr E Patel (via teleconference) Mr B Moabi Ms T Cohen Ms T Tabudi	Mr E Molahlehi Ms S King
16 September 2005	Mr V Mntambo Ms N Kahn Mr T Mkalipi Mr N Moloto Mr R Dicks (obo Mr E Patel) Mr B Moabi Ms T Cohen	Mr E Molahlehi Ms S King Mr M Ally (acting Director)
26 October 2005	Mr V Mntambo Ms N Kahn Mr T Mkalipi Mr C Milani Mr N Moloto Mr E Patel (via teleconference) Mr B Moabi Ms T Cohen	Mr M Ally (acting Director) Ms S King
2 February 2006	Mr V Mntambo Ms N Kahn Mr T Mkalipi Mr C Milani Mr N Moloto Mr E Patel Mr B Moabi Ms T Cohen	Mr J Daphne (acting Director) 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 2005/2006 financial year.

Human Resources Sub-Committee

Ms Tanya Cohen chaired the Human Resources Sub-Committee, Mr Theminkosi Mkalipi, Mr Rudi Dicks and Ms Thuli Tabudi, representing government, labour and business respectively, comprised the other members of the sub-committee. The sub-committee met on 5 May 2005, 19 August 2005, 4 October 2005, 28 November 2005 and 20 January 2006.



Finance Sub-Committee

Mr Chez Milani chaired the Finance Sub-Committee. Mr Thembinkosi Mkalipi and Ms Tanya Cohen, representing government and business respectively, comprised the other members of the sub-committee. The sub-committee met on 5 May 2005, 29 August 2005, 2 September 2005, 10 October 2005 and 20 January 2006.

Accreditation and Subsidy Sub-Committee

Mr Thembinkosi Mkalipi chaired the Accreditation and Subsidy Sub-Committee. Mr Chez Milani and Mr Lucio Trentini were replaced by Mr Narius Moloto and Mr Borence Moabi as labour and business representatives of the sub-committee. The sub-committee met on 3 May 2005, 2 August 2005, 4 October 2005 and 19 January 2006.

Audit Committee

A fully independent Audit Committee comprising representatives of the state, organised labour and organised business 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 Moose Burger both organised labour representatives, Mr Freddie Petersen represented government and Mr Sello Hlalele, an independent audit expert.

During the 2005/2006 financial year the Audit Committee met as follows:

Meeting Dates	Governing Body Attendees	Management
21 July 2005	Mr S Hlalele Mr J Maluleke Mr F Petersen Mr M Mabunda Ms S Paruk Mr P Van Jaarsveld Mr K Lachman	Ms S King
3 August 2005	Mr K Cowley Mr S Hlalele Mr J Maluleke Mr F Petersen Mr M Mabunda	Mr E Molahlehi Ms S King
5 October 2005	Mr K Cowley Mr S Hlalele Mr J Maluleke Mr F Petersen Mr M Mabunda	Mr M Ally (acting Director) Ms S King Ms P Mjoli
17 February 2006	Mr K Cowley Mr S Hlalele Mr J Maluleke Mr F Petersen Mr K Lachman Ms S Paruk Mr M Mabunda Mr M Burger Mr C Kruger	Mr J Daphne (acting Director) Ms S King Ms P Mjoli Mr N Reddy

DIRECTOR'S REPORT

It is my pleasure to report the CCMA's progress for the 2005/2006 financial year. The CCMA maintained significant progress towards the achievement of its vision of providing simple, quick and low cost dispute resolution service in the South African labour market, given the resources at its disposal. I would like to thank the Governing Body, Senior Management and my predecessor Mr Edwin Molahlehi, whom I succeeded on the last month of this year under review, for their guidance, commitment to budget and leadership.

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 R208 576 566 of government funding. This was made up of R187 945 000 which was originally allocated in the beginning of the year, R10 000 000 additional funding received during the year to cover the impact of VAT deregistration and also additional funding of R10 631 566 received at the end of the year. The CCMA expenditure is increasing at a rate of more than 10% per annum and the allocation from government is not matching this increase. This is a challenge that the CCMA deals with every year.

Governance

Good governance and excellent service delivery remain a priority for the CCMA. In this regard, I 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 sub-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. The toll-free fraud hotline also continued to complement the risk management strategy of the CCMA. CCMA employees adhered to the Ethics Policy which sets out the conduct expected of all employees. The Ethics Policy protects the CCMA's integrity, impartiality and reputation, and also enforces respect for constitutional rights in employment; workplace relationships; human dignity; non-discrimination; and diversity.

In terms of the four areas of the CCMA's service delivery, namely: Dispute Resolution; Dispute Management; Institution Building and Registry, the following can be reported:

Dispute Resolution

A total of 125 065 cases were referred to the CCMA during the year under review, of which 31.3% were non-jurisdictional. A total of 15.2% of the jurisdictional cases were dealt with at entry level by pre-conciliation minimising time spent at the CCMA by the parties. The CCMA still faced challenges regarding the high rate of postponements as well as the high number of applications for the enforcement of arbitration awards in terms of section 143 of the LRA. However, measures were taken to deal with these issues. The battle to ensure commissioners comply with the 14 day time period for delivering arbitration awards remains. However, there has been much improvement in the year under review in this regard.

Institution Building

Through the activities of the Institution Building department, the CCMA 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 also facilitated a number of training workshops for bargaining councils. The department also reached an understanding with bargaining councils that they should align their rules to those of the CCMA, as well as finalising a plan for a better working relationship in the next year.

Dispute Management

During the year under review, the Dispute Management department conducted 142 workshops for approximately 3 550 learners and a series of breakfast and labour law seminars. Training workshops for shop stewards, advice officers, full-time union officials and employers were also conducted as part of the initiative to build capacity of CCMA stakeholders to improve the understanding of our processes and improve the quality of referrals.



Major Projects / LRA Interventions Undertaken During the Year Under Review

- Major interventions in terms of section 150 of the LRA were made in the South African Airways (SAA), Harmony Gold and Pick 'n Pay industrial disputes;
- A special project was set in place for improvement of time frames for arbitration awards and phenomenal results were attained, bringing the percentage of late awards to 10% for the year under review;
- Two of the biggest CCMA offices (Johannesburg and Durban) relocated to new premises.

Other projects that were undertaken to improve service delivery included the introduction of SMS notification of hearing dates to parties to enhance the written notifications. It is too early to report but anecdotal information shows a huge improvement. The introduction of a commissioner / panellist qualification and associated learnerships was also significant.

Public Awareness

The CCMA has a website and a multilingual call centre for informing the public about its services as well as assisting with substantive and case related queries. Other activities included the use of media and interactive programmes, of which there has been a steady increase.

Finally, I would like to extend a special thank you to the Chairperson and the members of the Governing Body for their guidance and leadership, many of whom agreed in the course of the last year to stand for a second and third term on the Governing Body. I also wish to thank the CCMA management and staff for their hard work and for their efforts in maintaining the CCMA between my assumption of duty and my predecessor's departure.

Ms Nerine Kahn
Director

CCMA

PEOPLE PROFILE

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, 411 in total, comprised mainly part-time commissioners. Part-time commissioners, as independent contractors, provide services to the institution as and when needed. The registry comprises 331 employees to support the work of the CCMA.

National Directorate



Front row (seated left to right): Suraiya Sewraj, HOD¹: Administration; Carmen Ward, Acting SC²: Northern Cape; Nerine Kahn, Director; Piet Shai, CSC³: Limpopo; Susan King, National Registrar; Eugene van Zuydam, NSC⁴: Dispute Resolution.

Middle row (left to right): Moahloli Nyama, HOD: Human Resources (seated); Nina Siele, CSC: Pretoria; May Poee, CSC: Free State; Fikile Tshabangu, HOD: Education, Training and Development; Pumla Mjoli, HOD: Finance.

Back row (left to right): Nelson Reddy, HOD: Internal Audit; Prince Kekana, CSC: Gauteng; Jeremy Daphne, NSC: Dispute Management; Glen Cormack, CSC: Mpumalanga; Moe Ally, NSC: Institution Building; Nersan Govender, HOD: Operations and Information; Ronald De Does, HOD: Information Technology; Paulus Motake, Acting CSC: North West; Floors Brand, Acting CSC: Eastern Cape; Ronald Bernickow, CSC: Western Cape.

HOD¹: Head of Department

SC²: Senior Commissioner

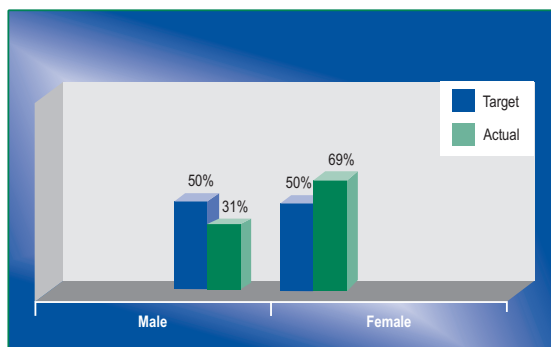
CSC³: Convening Senior Commissioner

NSC⁴: National Senior Commissioner

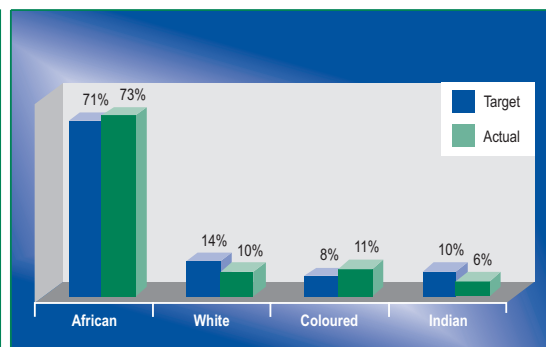


The graphs below outline the five-year targets set by the CCMA against its actual breakdown as at the end of the 2005/2006 financial year, the fifth year of the five-year employment equity plan. The CCMA monitors the implementation of the plan on a quarterly basis through the National Employment Equity Committee.

Employees by Gender



Employees by Race



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

Breakdown of the actual composition against the target composition by broad employment level.

	Target	National Management Committee Actual	Technical Staff Actual	Administrative/ Clerical Staff Actual	Commissioners (Full-Time and Part-Time) Actual
Gender					
Female	50%	45%	72%	78%	30%
Male	50%	55%	28%	22%	70%
Race					
African	71%	52%	72%	77%	41%
White	14%	24%	11%	8%	39%
Coloured	8%	7%	10%	11%	13%
Indian	7%	17%	6%	5%	7%
Disabled	10%	0%	1%	0%	5%

Labour Relations

In September 2005, the CCMA Staff Association engaged in industrial action which lasted for three days. An agreement was reached after the intervention of an independent facilitator. The agreement covered a wide range of issues including across the board salary increases, joint problem solving exercise and other benefits. Since then, a joint problem solving exercise has been concluded between CCMA Management and Staff Association.

Employee Wellness

The CCMA has developed a policy to manage HIV/AIDS in the workplace and an impact study will be conducted during the 2006/2007 financial year. CCMA employees who are members of the contracted medical aid service provider are able to access additional benefits related to HIV/AIDS through its Aid for Aids Programme. The programme is confidential and easily accessible to members.

The CCMA Employee Wellness Programme is outsourced to an independent service provider. The service provider provides counselling and advice on various issues which may affect employees' performance and their well-being. Managers are able to refer employees for various employee wellness issues. This service is extended to the immediate family members of the CCMA employees.

EDUCATION, TRAINING AND DEVELOPMENT

An extensive needs analysis that culminated in the compilation of the CCMA's workplace skill plan was conducted. Staff performance reviews and an analysis of organisational service delivery also contributed to the compilation of the CCMA's annual training plan. These culminated in the delivery of the following training programmes in relation to CCMA staff members' personal development plans:

Module	Sessions	People Trained
Substantive Law	1	21
Jurisdictional Ruling	1	14
Conciliation	1	15
Managing Dismissals	1	15
Arbitration 1	1	16
Arbitration 2	1	16
Finance for Non Financial Managers	1	10
Writing skills	4	54
First Aid training	1	13
Screening & Allocation Team (SAT)	17	167
Train the Trainer	2	42
Supply Chain Management	1	24
Performance Management	2	22
Management Development Programme	1	15
Mentoring	1	15
Labour Law Conference	1	16
Moderator	1	1
HIV & AIDS	5	78
Total	43	554

The CCMA's technical team continued its collaborative work with various stakeholders under the auspices of the Sector Education Training Authority (SETA) and this resulted in the registration of a national diploma qualification titled Labour Relations Practice: Dispute Resolution, which is now registered by the South African Qualifications Authority.

Through the Strengthening Civil Society Fund, the CCMA extended training to a number of trade union federations affiliates to ensure continued capacity building and skills transfer. A total of 345 people were trained from the Federation of Unions of South Africa (FEDUSA) and National Council of Trade Unions (NACTU).

	Module	Sessions	People Trained
Federation of Unions of South Africa (FEDUSA)	Substantive Law	1	21
	Jurisdictional Rulings	1	21
	Conciliation	2	46
	Managing Dismissals	2	46
	Arbitration 1	2	46
	Arbitration 2	2	46
National Council of Trade Unions (NACTU)	Substantive Law	2	56
	Jurisdictional Rulings	1	13
	Conciliation	1	13
	Managing Dismissals	1	13
	Arbitration 1	1	12
	Arbitration 2	1	12
	Total	17	345



Ongoing training to bargaining councils was also offered as follows:

Bargaining Councils Trained	Module	Sessions	People Trained
Building Industry – North West Boland	Substantive Law	1	22
Building Industry - East London			
Canvas Goods Industry - Johannesburg / Pretoria	Jurisdictional Rulings	1	10
Entertainment Industry of SA - Johannesburg			
Hairdressing & Cosmetology Trade - Pretoria	Conciliation	3	25
Hairdressing Trade - Cape			
Hairdressing & Cosmetology - Kwazulu Natal			
Restaurant, Catering & Allied Trades - Gauteng	Managing Dismissals	3	25
Tearoom, Restaurant and Catering - Pretoria			
Clothing Industry - National	Arbitration 1	3	20
Education Labour Relations Council - National			
Leather Industry of SA - National			
Metal & Engineering Industries - National	Arbitration 2	3	21
Motor Industry - National			
Road Freight Industry - National			
Chemical Industry - National			
Electrical Industry - National			
Total		14	123

The following organisations and individuals were also trained:

Organisations/ Public Participants	Module	Sessions	People Trained
North West Premier's office	Substantive Law	1	24
	Jurisdictional Rulings	1	22
	Conciliation	1	22
	Managing Dismissals	1	22
	Arbitration 1	1	22
	Arbitration 2	1	22
Department of Water Affairs & Forestry (DWAF)	Substantive Law	1	13
	Jurisdictional Rulings	1	12
	Conciliation	1	12
	Managing Dismissals	1	12
	Arbitration 1	1	12
	Arbitration 2	1	13
Emergency Metropolitan Services	Disciplinary & Grievance Hearing	2	45
Public Participants	Substantive Law	1	19
	Jurisdictional Rulings	1	19
	Conciliation	1	19
	Managing Dismissals	1	19
	Arbitration 1	1	6
	Arbitration 2	1	6
Department of Education - Limpopo	Substantive Law	1	15
	Jurisdictional Rulings	1	15
	Conciliation	1	15
	Managing Dismissals	1	15
	Arbitration 1	1	15
	Arbitration 2	1	15
Mutale District Council	Disciplinary & Grievance Hearing	1	10
IMYERS	Disciplinary & Grievance Hearing	1	13
Police & Prisons Civil Rights Union	Substantive Law	2	42
Public Service Co-ordinating Bargaining Council	Substantive Law	1	18
	Jurisdictional Rulings	1	18
	Conciliation	1	15
	Managing Dismissals	1	15
	Arbitration 1	1	12
	Arbitration 2	1	12
Total		36	586

DISPUTE RESOLUTION

During the period 1 April 2005 to 31 March 2006 a total of 125 065 disputes were referred to the CCMA an average of 496 referrals every working day. The number of disputes referred during this period represented a 2.3% decrease from the 2004/2005 financial year.

Some 31.3% of the disputes referred to the CCMA during this period were deemed to be non-jurisdictional and screened out at the front desk in all CCMA provincial offices. The number of cases deemed to be 'jurisdictional' increased by 2.3% over the previous year. Another 15.2% 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, 35.3% were settled at the time of referral.

Referrals by Province

The demand for CCMA services by province has remained consistent since the inception of the CCMA. This consistency has allowed for the accurate allocation of resources to each province to meet the demands each year. With the opening of the Pretoria office, the caseload in Johannesburg has decreased, but still had the largest caseload (26.5%), followed by Kwazulu Natal (16.7%) and Western Cape (14.3%). The remaining offices each accounted for less than 10% of the national caseload.

Referrals by Issue

Issue	2005/2006	2004/2005	% Difference
Unfair dismissal	80.3%	81.3%	-1%
Unfair labour practice	6.6%	7.3%	-0.7%
Mutual interest	3.8%	3.5%	+0.3%
Collective bargaining	3.2%	2.9%	+0.3%
Severance pay	1.7%	1.9%	-0.2%
Other	4.4%	3.1%	+1.3%

Unfair dismissal disputes continued to account for the largest percentage of issues in dispute. This year, these disputes accounted for 80.3% of the total caseload – a decrease of 1% from the previous year. Both mutual interest and collective bargaining disputes increased by 0.3% over the previous year.

Referrals by Sector

Sector	2005/2006	2004/2005	% Difference
Retail	15.9%	16.1%	-0.2%
Business and professional services	11.4%	8.7%	+2.7%
Private security	10.9%	11.2%	-0.3%
Domestic	9.7%	10%	-0.3%
Building and construction	7.6%	7.3%	+0.3%
Agriculture and farming	4.4%	4.5%	-0.1%
Food and beverage manufacture	4.4%	4.5%	-0.1%

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 15.9% – a decrease of 0.2% from the previous year. The business and professional services sector increased by 2.7%.

Processes

During this period, a total of 167 402 hearings were conducted – an average of 664 every working day. This constituted a 9% increase over the previous year. Conciliations and arbitrations accounted for the majority of processes conducted – 49.3% and 28.6% respectively.



Conciliations

Some 52.6% of disputes referred to the CCMA were settled by conciliation. A total of 82 464 conciliations (including pre-conciliations, conciliations and con/arbs) were conducted during this period – an average of 327 every working day. This represented an increase of 5.8% over the previous year. Some 80.8% of the total conciliations were conducted within the statutory 30 day period and the average number of days from referral to conciliation hearing was 26 days.

Of the total conciliations, 41.9% were conducted using the con/arb process. 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 78% of the con/arbs were finalised in one day – 44.3% of these resulted in a settlement while 30.5% resulted in awards being rendered.

Arbitrations

A total of 47 863 arbitrations were conducted during this period – 17.1% more than the previous year. Some 24.8% of the arbitrations conducted were settled, while 56.5% resulted in awards rendered. Of the awards rendered, 63% were in favour of the employee party and 35% in favour of the employer party – consistent with previous years. The remaining 1.9% were deemed to be non-jurisdictional. The average number of days from arbitration referral to hearing was 49 and to finalisation was 77 days. Some 90.5% of awards were rendered within the statutory 14 days.

Other Processes

Process	2005/2006	2004/2005	% Difference
Ballot	6	4	+50.0%
Facilitation	310	271	+14.4%
In limine	17 067	16 020	+6.5%
Pre-dismissal arbitration	63	84	-25%
Rescission	8 809	8 401	+4.9%
Section 189A facilitation	226	194	+16.5%
Taxation	76	76	0%

In addition to the conciliations and arbitrations conducted, a further 26 557 'other' processes were conducted during this period (6% more than the previous year). The CCMA also dealt with a total of 8 461 section 143 applications – 5 178 from within the CCMA and 3 283 from the various bargaining councils – this constituted an increase of 124.6% over the previous year.

CCMA

PUBLIC AWARENESS AND INFORMATION

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 199 761 calls during this period (an average of 793 calls every working day). This represented a 0.3% increase over the previous year and brought the total number of calls since the introduction of the call centre to 677 356.

The call centre provided both information on CCMA case related queries and labour legislation, which accounted for 48.3% and 39.2% respectively of all calls.

Calls by Language

Language	2005/2006	2004/2005	% Difference
English	72%	72.6%	-0.6%
Afrikaans	14.2%	14.9%	-0.7%
IsiZulu	5.8%	5.9%	-0.1%
Sesotho	5%	3.7%	+1.3%
Other	3%	2.8%	+0.2%

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	2005/2006	2004/2005	% Difference
Gauteng	68.4%	65%	+3.4%
Western Cape	13.6%	16%	-2.4%
Kwazulu Natal	11.7%	11.5%	+0.2%
Other	6.3%	7.5%	-1.2%

The percentage breakdown of calls received by province was fairly consistent with the percentage breakdown of referrals by province. Gauteng accounted for 68.4%, Western Cape accounted for 13.6% and KwaZulu Natal accounted for 11.7%. The other provinces together accounted for 6.3%.

Calls by Sector

Sector	2005/2006	2004/2005	% Difference
Business and professional services	35.5%	28.6%	+6.9%
Domestic	13.3%	14.5%	-1.2%
Retail	11.7%	13%	-1.3%
Banking and finance	2.9%	3.4%	-0.5%
Building and construction	2.7%	2.8%	-0.1%
Private transport	2.6%	2.4%	+0.2%
Private health	2.5%	2.7%	-0.2%

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



The year under review was characterised by a significant intensification of Dispute Management (DM) activities with high impact, multi-faceted strategic approaches. The year was also marked by dramatically increased demand for the CCMA's DM services.

The focus was on 17 principle projects and included a number of ground-breaking initiatives. Examples are the signing of an Agricultural Sector Accord in Mpumalanga, the formation of the Southern African Labour Dispute Prevention and Resolution Forum, the Kwazulu Natal HIV/Aids and the Law at the Workplace conference and the national Continuous Professional Development seminar for CCMA commissioners.

The six DM lead projects are described in some detail and other projects are then briefly covered. The outcomes of an impact assessment exercise conclude this section.

Overview of DM Lead Projects

Six lead projects were conducted: best practice workshops, user forum meetings, breakfast seminars, imbizo meetings/ road shows, short session presentations and bilateral briefings. Strategically targeted CCMA users and sectors were prioritised in implementing the lead projects, reflecting the multi-faceted approach adopted.

All national measurable outcomes set in the DM 2005/2006 Operational Plan were met – a significant achievement requiring considerable effort and focused planning. The most active province was Mpumalanga, being the most active province for five of the six lead projects.

Best Practice Workshops

In the 2005/2006 financial year 142 two and three-day best practice workshops were conducted, involving approximately 3 550 learners from practically every town in South Africa. The objective of the project is to practically assist stakeholders in their daily use of labour law and CCMA processes. While the CCMA attempted to scale down this project for the 2005/2006 financial year, escalating demand for best practice workshops resulted in the targeted outcomes being exceeded many times over. The main focus was on shop steward training, with 86 workshops held. This included the FEDUSA and Pick 'n Pay/SACCAWU training programmes. The outcome of an impact assessment exercise for best practise workshops proved to be extremely favourable.

Analysis of Total Best Practice Workshops

Province	Shop Stewards	Advice Offices	Full Time Union Officials	Employers	Total	Year Plan Target
Western Cape	13	5	4	2	24	A minimum of 18 workshops held - two workshops per province based upon provincial targeting strategies
Kwazulu Natal	7	1	2	1	11	
Eastern Cape	4	-	-	-	4	
Gauteng	14	2	4	2	22	
Mpumalanga	17	-	2	12	31	
North West	10	1	3	-	14	
Free State	6	1	2	4	13	
Northern Cape	10	1	-	2	13	
Limpopo	5	1	4	-	10	
Total	86	12	21	23	142	

User Forum Meetings, Breakfast Seminars and Imbizo Meetings / Road Shows

The user forum project targets high using trade unions and employers, aimed at providing a platform for the exchange of information, ideas and experiences on the effective running of the CCMA.

The breakfast seminar project targets the same constituency, aimed at addressing topical legal and process issues. The imbizo / road show project is run jointly with the Department of Labour and targets communities in rural areas. The focus is workplace rights and how best to exercise them.

DISPUTE MANAGEMENT



Province	User Forum Meetings	Year Plan Target	Breakfast Seminars	Year Plan Target	Imbizos, Meetings/ Roadshows	Year Plan Target
Western Cape	1	A minimum of 18 user forum meetings held - two user forum meetings per province, following required standards	-	A minimum of nine breakfast seminars held - one breakfast seminar per province, following required specifications	-	A minimum of 27 Imbizos / road shows held - three Imbizos / roadshows per province, with project outcomes met
Kwazulu Natal	3		1		4	
Eastern Cape	2		-		-	
Gauteng	4		1		3	
Mpumalanga	5		1		9	
North West	3		1		1	
Free State	3		2		3	
Northern Cape	2		2		3	
Limpopo	3		2		5	
Total	26		10		28	

Short Session Presentation Workshops and Bilateral Briefings

The short session presentation project (one or half-day presentations) is a new initiative and has already proved to be extremely successful. The presentations focus on a specific topic informed by needs analysis of CCMA users. The following presentations have been developed: best practice guidelines for employers and employees/trade unions on preparatory steps for workplace procedures and CCMA processes; workplace discipline for employees/trade unions and employers; and principles of evidence. Target constituencies include small businesses.

The bilateral briefings project targets the CCMA's highest users and involves one on one meetings where an analysis of the user's referral trends and cases is presented, highlighting problem areas. Solutions to identified problem areas are then discussed.

Province	Presentation Workshops	Year Plan Target	Bilateral Briefings	Year Plan Target
Western Cape	2	A minimum of 18 presentation workshops held - two presentation workshops held per province for targeted constituencies, following required facilitation / presentation standards	-	A minimum of 18 bilateral briefings held - two targeted trade unions and employers engaged per province
Kwazulu Natal	5		3	
Eastern Cape	2		-	
Gauteng	3		2	
Mpumalanga	7		11	
North West	-		1	
Free State	4		4	
Northern Cape	3		5	
Limpopo	3		4	
Total	29		30	



Other DM Activities

The remaining 11 DM projects included the:

Pro-active strategic intervention project – involved strategic facilitations, relationship building facilitations (RBOs) and sector summits and included a key role in the historic Mpumalanga Agricultural Sector Accord.

Labour law seminar project – provincial labour law seminars on topical issues, including the Kwazulu Natal HIV/AIDS and the Law conference involving 350 delegates.

Regional co-operation project – a Southern African Labour Dispute Prevention and Resolution Forum launched involved ten participating countries.

User and social partner needs analyses and promotion of partnerships project – Department of Labour (DOL) and justice centres identified as key strategic partners, with vibrant partnerships with DOL forged in most provinces.

CCMA video project – promotion and circulation of the CCMA best practice video (Sesotho, isiZulu, Afrikaans and English versions).

Community radio station project – promoted best practice use of the law and CCMA and free community radio slots established in all provinces.

CCMA continuous professional development seminar project – a two and a half-day seminar held for all full-time CCMA commissioners (part-time commissioners also invited) with the theme 'building quality and professionalism' and focus 'labour law and process: practical interpretation and application'.

DM 2005/2006 Impact Assessment Outcome

The CCMA Research Unit was commissioned to conduct phase two of a DM impact assessment, covering the 2005/2006 financial year. The impact assessment was conducted for best practice workshops. The assessment is a follow up to the first stage of an assessment that was conducted in 2004/2005 financial year. The second phase of the assessment involved the assessment of facilitator reports and learner evaluation forms, and a tracer study. The outcomes are extremely positive. Below is the conclusion drawn in the executive summary of the report:

"The findings of the current impact assessment have proven to be immensely positive and confirmed the findings of the first stage assessment. The majority of learners nationally claimed to have greatly benefited from attending the Dispute Management's BP workshops. The knowledge attained during these workshops has for one, empowered most of the learners on a personal level, community 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."

CCMA



Accreditation

Most bargaining councils' period of accreditation to perform dispute resolution functions in terms of the LRA expired during the 2005/2006 financial year. All the bargaining councils who had applied for renewal had their accreditation renewed.

Section 143 Applications

The number of section 143 applications (enforcement of arbitration awards) increased steadily during the year under review. Due to the numbers received, the department had to review its work arrangement in order to cope with the volumes as well as deal with objections received from parties. The Institution Building department embarked on training of bargaining councils' administrative staff which resulted in fewer defective applications being received. This resulted in improvement in the turnaround time for processing applications. The department received and processed 2 372 applications in the period between April 2005 to March 2006.

Subsidies

Accredited bargaining councils received a subsidy of R450.00 for every closed case. The CCMA subsidised in excess of 6 000 cases for the financial year under review. The subsidy paid to each council can be found in the list of accredited bargaining councils.

Bargaining Council Training

The CCMA provided bargaining councils with the following training:

- Training for administrators on section 143 application requirements.
- Full commissioner training modules for staff and panellists.
- Case management training for councils that use the Case Management System.

Challenges

The Institution Building department faced some challenges in the areas outlined below:

- Implementing the CCMA's Case Management System for all bargaining councils and provision of the required assistance and infrastructure for successful implementation.
- Ensuring that all the groundwork was completed for the implementation of a new subsidy formula.
- Assisting bargaining councils in adopting dispute resolution rules for those councils that had not done so.
- Improving the turnaround time in processing of subsidy claims and section 143 applications.
- Entering into an agreement with bargaining councils in order to rollout the CCMA's dispute management best practice training.



Accredited Bargaining Councils

Name of Council	Expiry Date	Subsidy (April 2005-March 2006)
Furniture Manufacturing Industry (KZN)	31/10/06	R16 650
Restaurant Catering and Allied Trades	31/10/06	R206 500
Canvas Goods Industry	31/10/06	0
New Tyre Manufacturing Industry	31/10/06	0
Grain Industry	31/10/06	R23 850
Entertainment Industry of South Africa	31/10/06	R19 800
Hairdressing and Cosmetology Trade (PTA)	31/10/06	R48 150
Sugar Manufacturing and Refining Industry	31/10/06	0
Building Industry (Bloemfontein)	31/10/06	R37 800
Tearoom Restaurant and Catering Trade (PTA)	31/10/06	R68 850
Hairdressing and Cosmetology Trade (National)	31/10/06	R48 150
Building Industry (South-Eastern)	31/10/06	R54 750
Building Industry (East London)	31/10/06	R5 850
Retail Meat Trade	31/10/06	R50 850
Building Industry (Cape of Good Hope)	31/10/06	R70 200
Printing, Newspaper and Packaging Industry	31/10/06	R 4 950
Clothing Industry	31/01/08	R75 600
Contract Cleaning Industry	31/01/08	R11 700
Metal and Engineering Industry	31/01/08	R862 650
Motor Industry	31/01/08	R455 350
Road Freight Industry	31/01/08	R173 250
Laundry Industry of South Africa	31/01/08	R11 700
Furniture Manufacturing Industry	31/01/08	R16 650
Electrical Industry Bargaining Council (National)	31/01/08	R50 850
Fishing Industry	31/01/08	R2 200
Furniture Bedding and Upholstery	31/01/08	R44 100
Transnet	31/01/08	R83 700
Amanzi Statutory Council	31/10/06	Cases conducted by SALGBC
South African Local Government	31/10/06	0
General Public Service Sectoral Bargaining Council	31/01/08	0
Public Health and Welfare Sector Sectoral Bargaining Council	31/01/08	0
Public Service Co-ordinating Bargaining Council	1/01/08	0
Safety and Security Sectoral Bargaining Council	1/01/08	0

CCMA

ESSENTIAL SERVICES

The Essential Services Committee comprised the following members for the term ending 31 July 2006:

- Advocate Bashier Vally
- Mr Jabulani E Khanyile
- Mr Nhlanhla Madonsela

The committee met every month to hear cases. It also convened whenever there was an urgent application for a particular service to be designated as an essential or maintenance service.

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 International Labour Organisation.
- 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.
- To safeguard the life, personal safety and health of the population.

The work of the committee

During the last financial year the committee published the following notices in the Government.

The following airport services in South Africa were declared to be essential services until 9 June 2006:

- Safety;
- Security; and
- Electrical services.

A notice was published in terms of section 71, read with section 70(2)(a) of the LRA, as amended, that the committee was to conduct an investigation as to whether the aforesaid declaration should be extended.

The committee had to conduct an investigation as to whether all or part of the services provided by the Legal Aid Board should be declared essential services.

Applications were received from the following parties:

- **Airports Company of South Africa (ACSA)** - matter pending and a hearing was scheduled to take place in June 2006.
- **Fochville Private Hospital** - this application was withdrawn by the applicant prior to the committee taking any decision.
- **Metrobus** - the committee issued a ruling and the application to have the services declared as essential services was dismissed.
- **Cargo, Planning and Distribution** - matter postponed sine die – file temporarily closed.
- **Kimberley Dry Cleaners** - a decision was taken by the committee, who examined the applicant's contention that the services it provides has already been declared an essential service in terms of Notice No. 436 in Government Gazette No. 18761 dated 27 March 1998 and concluded the applicant's contention is incorrect. The declaration of essential services in the aforesaid notice refers to services provided in the public sector.
- **Legal Aid Board** - notice 626 published by the Essential Services Committee in the Government Gazette. Parties to provide committee with written representations by the end of June 2006.

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
Eastern Cape	Camdeboo Municipality Ukhahlamba District Municipality Amahlathi Municipality Amathole Municipality Cacadu District Municipality Inxuba Yethemba Municipality Maletswai Municipality Chris Hani District Municipality Mbizana Municipality Ndlambe Municipality Sundays River Valley Municipality
Kwazulu Natal	Utrecht Municipality
Gauteng	Lesedi Local Municipality Midvaal Local Municipality Kgalagadi District Municipality Frances Baard District Municipality
Limpopo	Modimolle Municipality
Northern Cape	Nama Khoi Municipality

CCMA

AUDITOR GENERAL REPORT

Annual 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 (CCMA) FOR THE YEAR ENDED 31 MARCH 2006

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 25 to 43, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with *General Notice 544 of 2006*, issued in *Government Gazette* no. 28723 of 10 April 2006 and *General Notice 808 of 2006*, issued in *Government Gazette* no. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

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

3. BASIS OF PREPARATION

The entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as described in note 1 to the financial statements.

4. AUDIT OPINION

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

5. EMPHASIS OF MATTER

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

5.1 Weaknesses in internal controls

The following control weaknesses were identified:

- (i) poor controls surrounding creditors;
- (ii) poor controls over fixed assets;



- (iii) poor controls over bank reconciliations;
- (iv) inadequate inventory control systems; and
- (v) inadequate segregation of duties

5.2 Leave pay provision

The leave pay provision was not accurately calculated due to the change from a manual system to a computerised system. Weaknesses in the controls surrounding the maintenance of leave forms were also identified.

5.3 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 People Soft application;
- (ii) a formal change control policy and procedures were not in place;
- (iii) developers had access to live data;
- (iv) weaknesses in password controls; and
- (v) 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 data.

5.4 Performance information

The entities performance reporting in its annual report was not aligned to the pre-determined objectives as required by sections 40(3) (a) and 55(2)(a) of the PFMA, as pre-determined objectives per the strategic plan were not disclosed in the annual report.

5.5 Going concern

The entity's liabilities exceeded its assets at 31 March 2006 by R 3,6 million (2005: R 3,5 million). The solvency position of the entity was significantly affected by the retrospective straight lining of operating leases adjustment as detailed in note 20. At year-end, an accrual of R 13,4 million (2005: R 15,5 million) was included in note 11 in this regard.

6. APPRECIATION

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

Ms. M.A. Masemola
for Auditor-General
Johannesburg
31 July 2006

CGMA

STATEMENT OF RESPONSIBILITY



Board Members' Responsibility for the Annual Financial Statements

The Governing Body is responsible for the preparation and presentation of financial statements that are relevant, reliable, complying with the relevant laws and regulations and the integrity of the information contained in the annual report.

In order for the Governing Body to discharge its responsibilities, management develops and maintains a system of internal control. The Governing Body has ultimate responsibility for the system of internal control.

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

The Governing Body has reviewed the entity's budgets and cash flow forecasts for the year ended 31 March 2006. 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 in basis preparing the financial statements.

The Governing Body has reviewed the entity's systems of internal control and risk management for the period from 1 April 2005 to 31 March 2006. 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.

The annual financial statements for the year ended 31 March 2006, set out on pages 25 to 43 and is signed on its behalf by:

Vincent Zwelibanzi Mntambo
Chairperson of the Governing Body

Nerine Kahn
Director



Financial statements for the year ended 31 March 2006

Information page

Legal Form	The CCMA was established in terms of section112 of the Labour Relations Act 66 of 1995
------------	--

Nature of business and principle activities.

The CCMA's compulsory statutory functions are to:

- conciliate workplace disputes;
- arbitrate certain categories of disputes that remain unresolved after conciliation;
- establish picketing rules;
- facilitate the establishment of workplace forums and statutory councils;
- compile and publish information and statistics about our activities;
- consider applications for accreditation and subsidy by bargaining councils and private agencies; and
- provide support for the Essential Services Committee.

Accounting Authority

Governing Body

Head Office Business Address

CCMA House
20 Anderson Street
Marshalltown

Head Office Postal Address

CCMA House
Private Bag X 94
Marshalltown
2107

FINANCIAL REPORT

Annual Report



COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 R'000	2005 Restated R'000
Revenue			
Revenue	2	210,590	176,655
Other Income	3	688	345
Total revenue		<u>211,278</u>	<u>177,000</u>
Expenses			
Administrative expenses		(48,075)	(38,463)
Other operating expenses		<u>(165,097)</u>	<u>(143,185)</u>
Total expenses	4	<u>(1,894)</u>	<u>(4,648)</u>
Gains on sale of property, plant and equipment		32	10
Income from investments	5	<u>1,810</u>	<u>1,764</u>
Deficit for the year		<u><u>(52)</u></u>	<u><u>(2,874)</u></u>



COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2006

	Notes	2006 R'000	2005 Restated R'000
ASSETS			
Non-current assets		11,526	9,672
Plant and equipment	6	11,526	9,672
Current assets		39,848	29,942
Inventory	7	465	476
Trade and other receivables	8	455	2,805
Prepayments and advances	9	839	1,049
Cash and cash equivalents	10	38,089	25,612
Total assets		51,374	39,614
EQUITY AND LIABILITIES			
Capital and reserves		(3,614)	(3,562)
Accumulated deficit		(3,614)	(3,562)
Non current liabilities		12,434	13,472
Operating lease liabilities	13	12,434	13,472
Current liabilities		42,554	29,704
Trade and other payables	11	29,933	23,808
Provisions	12	12,621	5,896
Total equity and liabilities		51,374	39,614

CCMA

FINANCIAL REPORT

Annual Report



COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2006

	Notes	Accumulated profit (deficit) R'000
Balance as at 31 March 2004		11,404
Restatement	21	(12,092)
Balance as at 31 March 2004 as restated		(688)
Deficit for the year		(2,874)
Net deficit as previously stated		(1,720)
Restatement	21	(1,154)
Balance as at 31 March 2005 as restated		(3,562)
Deficit for the year		(52)
Balance as at 31 March 2006		(3,614)



COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 R'000	2005 Restated R'000
Net cash inflow from operating activities		18,910	8,032
Cash received from customers		212,060	175,091
Cash paid to suppliers and employees		(194,960)	(168,823)
Cash generated from operations	15	17,100	6,268
Interest received		1,810	1,764
Net cash outflow from investing activities		(6,433)	(3,465)
Proceeds on disposal of property, plant and equipment		31	10
Acquisition of property, plant and equipment		(6,464)	(3,475)
Net increase in cash and cash equivalents		12,477	4,567
Cash and cash equivalents at beginning of the year		25,612	21,045
Cash and cash equivalents at end of the year	10	38,089	25,612

CCMA

COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2006

1. Accounting Policies

The annual financial statements for the Commission for Conciliation, Mediation and Arbitration have been prepared in accordance with the generally recognised accounting practice financial reporting framework. This framework is defined as the effective Standards of Generally Recognised Accounting Practices (GRAP) and the South African Statements of Generally Accepted Accounting Practices (GAAP), including any interpretations of such statements, where no GRAP Standard exists. These standards are established by recognised national standard setting bodies and are designed to achieve fair presentation.

1.1 Basis of Preparation

The annual financial statements for the Commission for Conciliation, Mediation and Arbitration have been prepared in accordance with the generally recognised accounting practice financial reporting framework. This framework is defined as the effective Standards of Generally Recognised Accounting Practices (GRAP) and the South African Statements of Generally Accepted Accounting Practices (GAAP), including any interpretations of such statements, where no GRAP Standard exists. These standards are established by recognised national standard setting bodies and are designed to achieve fair presentation.

Standard of GRAP

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

Replaced Statement of GAAP

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

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

1. Terminology differences:

Standard of GRAP

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

Replaced Statement of GAAP

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

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

3. Specific information such as:

- (a) receivables from non-exchange transactions, including taxes and transfers;
- (b) taxes and transfers payable;
- (c) trade and other payables from non-exchange transactions must be presented separately on the statement of financial position.

4. The amount and nature of any restrictions on cash balances is required to be disclosed.

**COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION
ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2006 (continued)**

Paragraph 11-15 of GRAP 1 has not been implemented as the budget reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

1.2 Revenue Recognition

Income is recognised at 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. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and value added taxation.

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

Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The gross carrying amount of plant and equipment is initially measured using the historical cost basis of accounting. Subsequent expenditure relating to an item of property, plant and equipment is capitalised to the carrying amount of the assets when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the item concerned will flow to the group. All other subsequent expenditures are recognised as expenses in the year in which they are incurred.

Depreciation is charged so as to write off the cost or valuation of assets (other than land and properties under construction) to its residual value over their estimated useful lives, using the straight-line method. The method and rates used are determined by conditions in the relevant industry.

Residual values and estimated useful lives are assessed on an annual basis and are set out in note 1.14. This represents a change in accounting policy (refer to note 20).

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2006 (continued)

1.7 Impairment

At each balance sheet date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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 of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Leasing

The Commission for Conciliation, Mediation and Arbitration only has operating leases. Rental payable under operating leases is charged to the 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. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. 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.



COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2006 (continued)

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 amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.
- *Cash and cash equivalent*
Cash and cash equivalent are highly liquid and are stated at cost which approximates fair value.

Financial and other liabilities

- *Trade payables*
Trade and other payables are stated at amortised cost.
- *Bank borrowings*
Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs (see below).

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. Provisions are measured at the Director's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

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 and when 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

In the current year, the entity has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting years beginning on 1 January 2005. The adoption of these new and revised standards and interpretations has resulted in changes to the group's accounting policies in the manner accounted for property, plant and equipment (IAS 16) and leases (IAS 17). The impact of this change in accounting policy on figures previously reported is set out in note 20.

1.14 Borrowing Costs

Borrowing costs are recognised as an expense in the periods in which they are incurred.

1.15 Key Sources of estimation uncertainty

In the process of applying the entity's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2006 (continued)

Plant and equipment

Residual values and estimated useful lives are assessed on an annual basis. The residual values of all assets are estimated to be zero.

Asset classes	Useful life (2006 and 2005)
Furniture and fittings	5 to 9 years
Office equipment	2 to 5 years
Computer equipment	3 to 5 years
Computer software	3 to 10 years
Motor Vehicles	5 years

Trade and other receivables

The provision for bad debt was calculated on 100 % of debtors over 90 days.

Provisions and accruals

Provisions are based on management's best estimate of the likely amount that the entity is liable for at year end. This is based on supporting documentation and management experience with similar transactions.

Leave

The company provides for the cost of leave accrued to employees based on the period of service. The provision has been limited to 30 days per employee, any leave days exceeding 30 days are forfeited or encashed, but can be accumulated.

Litigation

This is based on the estimated costs of attorneys for completing cases against the CCMA.

Cases in Process

The estimate is based on the average cost of completing cases for the CCMA.



COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

	2006	2005
	R'000	Restated R'000
2. Revenue		
Rendering of services	2,014	2,043
Grants from national departments	208,576	174,612
Total	210,590	176,655
3. Other income		
Insurance recoveries	348	20
Seminars and other sundry income	340	325
Total	688	345
4. Total expenses		
Deficit from operations is arrived at after taking the following into account :		
General and administrative expenses	16,787	12,317
Governing Body	55	72
Senior managers' remuneration (short term employee benefits)	2,686	2,731
Auditors' remuneration	760	520
- Audit fees	760	520
Travel and subsistence	2,252	1,340
Rentals in respect of operating leases	21,423	16,725
- Buildings	18,506	14,288
- Plant, machinery and equipment	2,690	2,208
- Vehicles	227	229
Wages and salaries	71,820	65,496
Basic salaries	63,600	61,655
Performance awards	5,463	2,379
Temporary staff	2,069	968
Leave payments	688	494
Defined provident fund contribution plan expense	9,742	9,192
Social contributions (employer's contributions)	1,277	1,979
UIF	429	409
Other salary related costs	848	1,570
Loss on theft of assets	67	5
Increase in provision for bad debts	425	200
Loss on disposal of assets	432	18
Private enterprises (CCMA Accredited Bargaining Councils)	2,712	2,427
Staff training and development	3,388	2,705
Consultants, contractors and special services	66,050	52,816
Legal fees	543	827
Maintenance, repairs and running costs	3,603	3,173
- Property and buildings	137	330
- Machinery and equipment	3,376	2,765
- Other maintenance, repairs and running costs	90	78
Entertainment expenses	66	57
Case disbursement expenses	4,972	4,290

CCMA

FINANCIAL REPORT

COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (continued)

	2006 R'000	2005 Restated R'000
Depreciation	4,112	4,758
- Plant, machinery and equipment	629	550
- Vehicles	23	24
- Computer equipment and peripherals	2,673	2,630
- Office furniture and fittings	317	1,008
- Computer software	470	546
Total		
5. Income from investments		
Interest income		
- Bank deposits	1,810	1,764
6. Plant and equipment		
Office equipment		
Opening net carrying amount	854	511
Gross carrying amount	2,597	1,704
Accumulated depreciation	(1,743)	(1,193)
Additions	645	893
Disposals	(40)	-
Depreciation charge	(629)	(550)
Net carrying amount 31 March	830	854
Vehicles		
Opening net carrying amount	73	97
Gross carrying amount	116	116
Accumulated depreciation	(43)	(19)
Additions	-	-
Depreciation charge	(23)	(24)
Net carrying amount 31 March	50	73
Computer equipment and peripherals		
Opening net carrying amount	4,593	5,575
Gross carrying amount	18,609	17,801
Accumulated depreciation	(14,016)	(12,226)
Additions	3,652	1,657
Disposals	(79)	(9)
Depreciation charge	(2,673)	(2,630)
Net carrying amount 31 March	5,493	4,593
Office furniture and fittings		
Opening net carrying amount	1,416	1,763
Gross carrying amount	9,165	8,504
Accumulated depreciation	(7,749)	(6,741)



COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (continued)

	2006	2005
	R'000	Restated R'000
Additions	2,031	675
Disposals	(367)	(14)
Depreciation charge	(317)	(1,008)
Net carrying amount 31 March	2,763	1,416
Computer software		
Opening net carrying amount	2,736	3,032
Gross carrying amount	9,907	9,657
Accumulated depreciation	(7,171)	(6,625)
Additions	136	250
Disposals	(12)	-
Depreciation charge	(470)	(546)
Net carrying amount 31 March	2,390	2,736
Total property, plant and equipment		
Opening net carrying amount	9,672	10,978
Gross carrying amount	40,394	37,782
Accumulated depreciation	(30,722)	(26,804)
Additions	6,464	3,475
Disposals	(498)	(23)
Depreciation charge	(4,112)	(4,758)
Net carrying amount 31 March	11,526	9,672
7. Inventory		
Consumable stores	465	476
8. Trade and other receivables		
Trade receivables	859	1,122
Less: Provision for doubtful debts	(523)	(400)
Opening balance	(400)	(250)
Provisions during the year	(425)	(200)
Utilised during the year	302	50
	336	722
VAT Input	38	1,988
Other receivables	81	95
Total	455	2,805
9. Prepayments and advances		
Staff advances	5	5
Prepayments	791	986
Advances	43	58
Total	839	1,049

CCMA

FINANCIAL REPORT

COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (continued)

	2006	2005
	R'000	Restated R'000
10. Cash and cash equivalents		
Cash at bank	37,241	24,767
Cash on hand	22	22
Pledged Funds	826	823
Total	<u>38,089</u>	<u>25,612</u>

As required in section 7(2) and 7(3) of the Public Finance Management Act No 1 of 1999, the National Treasury has approved the local banks where the bank accounts are held. The total direct or contingent liabilities of the entity in respect of guarantees that may be entered into is R 942,710. The entity has a ABF facility of R 1,700,000.

11. Trade and other payables

Trade creditors	28,743	21,341
Operating lease straight line accrual	1,038	2,069
VAT output	-	144
Sundry creditors	152	254
Total	<u>29,933</u>	<u>23,808</u>

12. Provisions

Leave pay

Opening balance	3,965	3,358
Provisions made during the year	607	1,101
Utilisations of provisions during the year	(688)	(494)
Closing balance	<u>3,884</u>	<u>3,965</u>

Litigation claims

Opening balance	450	322
Provisions made during the year	330	450
Utilisations of provisions during the year	(450)	(322)
Closing balance	<u>330</u>	<u>450</u>

Cases in process

Opening balance	1,481	-
Provisions made during the year	8,407	1,481
Utilisations of provisions during the year	(1,481)	-
Closing balance	<u>8,407</u>	<u>1,481</u>

Total provisions

Opening balance	5,896	3,680
Provisions made during the year	9,344	3,032
Utilisations of provisions during the year	(2,619)	(816)
Closing balance	<u>12,621</u>	<u>5,896</u>



COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (continued)

	2006 R'000	2005 Restated R'000
13. Operating lease liability		
Long term portion of operating lease straight line accrual	12,434	13,472
14. Retirement benefit obligations		
<p>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 2006 contributions of R10,016,589 (R9,483,395.85 – 2005) due in respect of the reporting period had been paid over the scheme.</p>		
15. Reconciliation of deficit for the year to cash generated from operations		
Deficit for the year	(52)	(2,874)
Adjusted for:		
- Depreciation on property, plant and equipment	4,112	4,758
- Profit on disposal of property, plant and equipment	(32)	(10)
Loss on theft of assets	67	5
Loss on disposal of assets	432	18
- Investment income	(1,810)	(1,764)
Operating cash flows before working capital changes	2,717	133
Working capital changes	14,383	6,135
Decrease (increase) in inventories	11	(96)
Decrease (increase) in trade and other receivables, prepayments and advances	2,560	(155)
- Increase in provisions	5,687	1,377
- Increase in trade and other payables	6,125	5,009
Cash generated from operations	17,100	6,268
16. Contingent liabilities		
Poswa v CCMA & 2 Others	2,000	2,000
<p>Damages claim for defamation. Summons issued 28/11/03. Governing Body has agreed to defend. Poswa filed a claim for R 2,000,000. CCMA filed a notice of exception on the 10 January 2005. This matter is in the High Court, no set down date has yet been allocated.</p>		
Freddie Xoli v CCMA	19,000	-
<p>Damages claim for wrongful appointment of commissioner. According to the attorneys the probable loss is estimated at R nil.</p>		

CCMA

FINANCIAL REPORT

COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (continued)

	2006	2005 Restated
	R'000	R'000
Mbetshu v Director Damages claim for negligence in respect of commissioners' ruling with regards to the CCMA jurisdiction to hear his case.	3,500	-
Steven Mpalo v CCMA Complaint that the CCMA issued an arbitration award without giving a notice of hearing.	1,500	-
Ledwaba v CCMA Damage claims for loss of income due to commissioner contract cancelled.	519	-
	<u>26,519</u>	<u>2,000</u>

17. Operating lease arrangements

The entity as lessee

At the balance sheet date the entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Up to 1 year	22,313	23,448
1 to 5 years	73,445	21,920
More than 5 years	28,475	-
Total	<u>124,233</u>	<u>45,368</u>

18. Capital commitments

Commitments for the acquisition of plant and equipment

- Contracted for but not provided in the financial statements

Total future capital commitments

705	1,529
<u>705</u>	<u>1,529</u>

The capital expenditure is to be financed as follows:

- Internally generated funds

705	1,529
<u>705</u>	<u>1,529</u>

The capital commitments represent orders approved and placed before year end but invoiced and delivered in the new year.



COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (continued)

	2006 R'000	2005 Restated R'000
19. Directors' emoluments (short term employee benefits)		
Vincent Mntambo - Governing Body Member	10	11
- Salary	0	0
- Bonuses and performance payments	0	0
- Expense allowances	10	11
- Provident Fund	0	0
Thembinkosi Mkalipi - Governing Body Member	0	3
- Salary	0	0
- Bonuses and performance payments	0	0
- Expense allowances	0	3
- Provident Fund	0	0
Borence Moabi - Governing Body Member	26	20
- Salary	0	0
- Bonuses and performance payments	0	0
- Expense allowances	26	20
- Provident Fund	0	0
Tanya Cohen - Governing Body Member	4	0
- Salary	0	0
- Bonuses and performance payments	0	0
- Expense allowances	4	0
- Provident Fund	0	0
Thuli Tabudi/Brian Angus - Governing Body Member	0	6
- Salary	0	0
- Bonuses and performance payments	0	0
- Expense allowances	0	6
- Provident Fund	0	0
Narius Moloto/Manene Samela - Governing Body Member	7	29
- Salary	0	0
- Bonuses and performance payments	0	0
- Expense allowances	7	29
- Provident Fund	0	0
Chez Milani - Governing Body Member	8	3
- Salary	0	0
- Bonuses and performance payments	0	0
- Expense allowances	8	3
- Provident Fund	0	0
Total - Governing Body Members	55	72

CCMA

FINANCIAL REPORT

COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (continued)

	2006 R'000	2005 Restated R'000
Edwin Molahlehi - Director (1 April 2005 - 30 September 2005)	313	570
- Salary	241	482
- Bonuses and performance payments	28	0
- Expense allowances	5	10
- Provident Fund	39	78
Nerine Kahn - Director (From 1 March 2006)	61	0
- Salary	52	0
- Bonuses and performance payments	0	0
- Expense allowances	1	0
- Provident Fund	8	0
Susan King - National Registrar	607	561
- Salary	497	442
- Bonuses and performance payments	21	33
- Expense allowances	10	10
- Provident Fund	79	76
Eugene Van Zuydam - NSC : Dispute Resolution	591	555
- Salary	554	512
- Bonuses and performance payments	27	33
- Expense allowances	10	10
- Provident Fund	0	0
Jeremy Daphne - NSC : Dispute Management	570	517
- Salary	463	410
- Bonuses and performance payments	21	27
- Expense allowances	10	10
- Provident Fund	76	70
Moe Ally - NSC : Institution Building	544	528
- Salary	447	420
- Bonuses and performance payments	15	31
- Expense allowances	10	10
- Provident Fund	72	67
Total - Senior Managers	2,686	2,731
20. Fruitless and wasteful expenditure		
Interest and penalties on late payments of garnishee	0	5
Interest charged on invoices received and paid late	0*	3
* Less than R 1000	0	8



COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (continued)

21. Restatements

The following restatements were made to figures previously reported:
Changes due to application of new accounting standards

A restatement to property, plant and equipment as a result of the reassessment of the useful lives of assets. This resulted in an increase to property, plant and equipment and retained income as at 31 March 2004 of R5,006 million and a debit adjustment to the 2005 income statement of R1,109 million.

Changes due to other prior year restatements

A restatement due to the straight lining of operating lease payments. This resulted in a debit adjustment to retained income previously reported at 31 March 2004 of R17,098 million and a credit adjustment to the 2005 income statement of R1,557 million, with the related other leg increasing trade and other payables.

A restatement to provisions as a result of a liability of R1,602 million previously not recognised. This resulted in an increase in 2005 provisions previously reported and a debit to the 2005 income statement.

A reclassification from provisions to trade and other payables to better reflect the nature of liabilities reported at 31 March 2005. The reclassification was R5,959 million.

A reclassification of R 1,181million between administrative and operating expenses as a result of key management personnel expenses that were not disclosed in the previous financial year.

The net result of the above mentioned adjustments on the face of the income statement and balance sheet is set out below.

	As previously stated R'000	Restatement R'000	As restated R'000
Balance sheet			
Changes due to application of new accounting standards			
Property, plant and equipment as at 31 March 2004	5,972	5,006	10,978
Property, plant and equipment as at 31 March 2005	5,775	3,897	9,672
Changes due to other prior year restatements			
Trade and other payables as at 31 March 2005	(15,780)	(21,500)	(37,280)
Provisions as at 31 March 2005	(10,253)	4,357	(5,896)
Net effect on retained income			
Retained income as at 31 March 2004	(11,404)	12,092	688
Retained income as at 31 March 2005	(9,684)	13,246	3,562
Income statement effect for year ended 31 March 2005			
Loss from operations as previously stated	3,484		
Changes due to application of new accounting standards	1,109		
Changes due to other prior year restatements	45		
Restated Loss from operations	<u>4,638</u>		

22. Subsequent events

Susan King the National Registrar has resigned at end of June 2006.

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, 1 of 1999.

A fully independent Audit Committee, comprising representatives of the three stakeholder groups, also assisted the work of the Governing Body, as stated on page 5.

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.

The Internal Audit Unit is now fully operational as the Head of the unit and internal auditor were appointed during the year under review.

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 2006, in accordance with the South African Statement of Generally Accepted Accounting Practice and in a manner required by the Public Finance Management Act, 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.



Kevin Cowley
Chairperson of the Audit Committee

