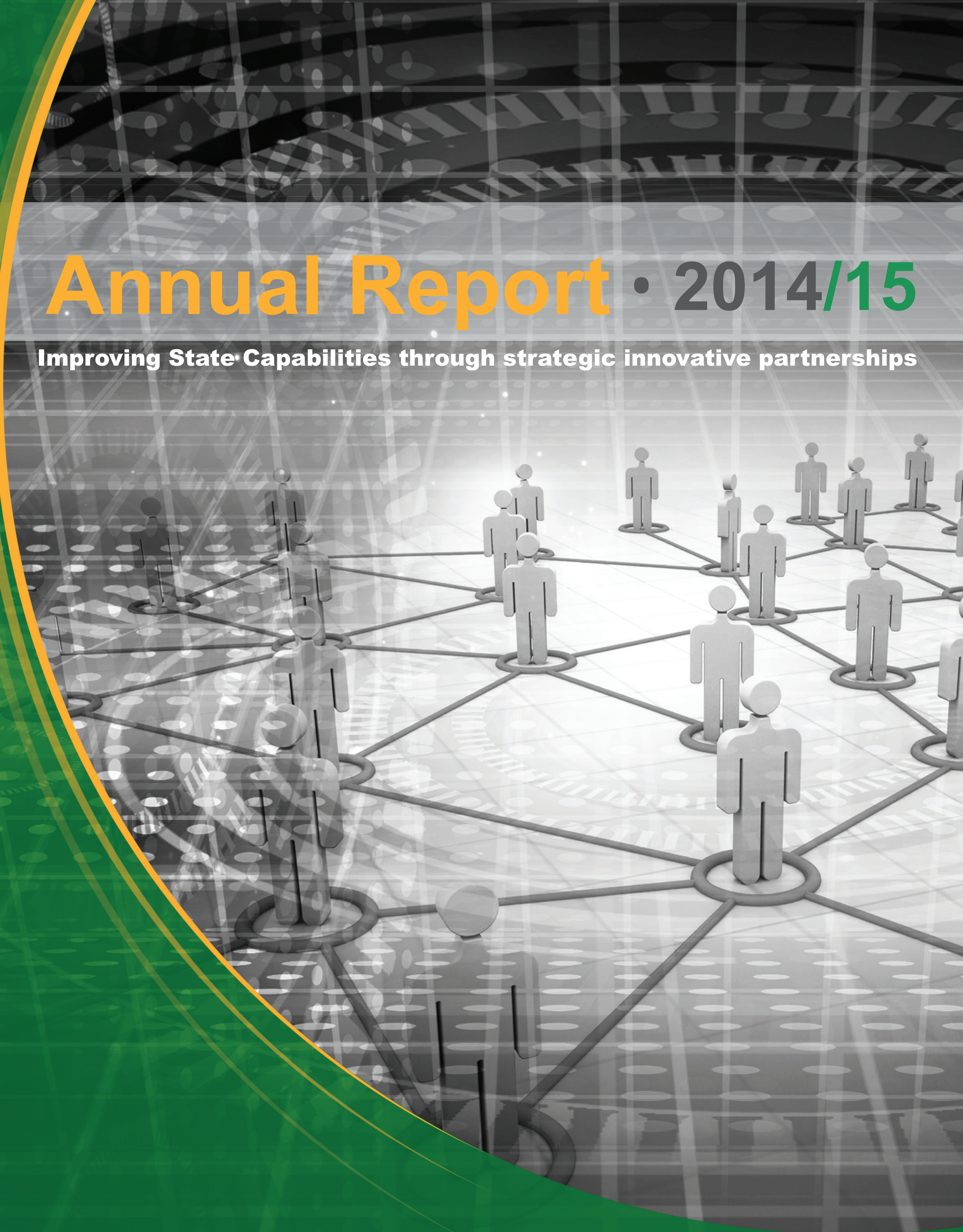
Annual Report • 2014/15

Improving State Capabilities through strategic innovative partnerships



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

PSETA
Public Service Sector Education & Training Authority

PSETA
Public Service Sector Education & Training Authority

ANNUAL REPORT

2014/2015 • FINANCIAL YEAR

THEME

Improving State Capabilities through strategic innovative partnerships

DR BONGINKOSI NZIMANDE

Minister of Higher Education and Training

SUBMISSION OF THE ANNUAL REPORT TO THE EXECUTIVE AUTHORITY

To the Minister of Higher Education and Training, Dr. Bonginkosi Nzimande. I have the honour of submitting to you in accordance with the Public Finance Management Act, (1 of 1999), the Annual Report of the Public Service Sector Education and Training Authority (PSETA) for the period 01 April 2014 to 31 March 2015.

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MRS KOKO MASHIGO

PSETA

Accounting Authority (AA) Chairperson

Date: 31 July 2015

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General Information

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PART A:
GENERAL INFORMATION

1. PSETA GENERAL INFORMATION

Registered name of the public entity	Public Service Sector Education and Training Authority
ISBN number	978-0-621-43737-9
RP number	189/2015
Registered office address	353 Festival Road, Hatfield, 0028, Pretoria
Contact telephone numbers	+27 12 423 5700/5711
Email address	communications@pseta.org.za
Website address	www.pseta.org.za

EXTERNAL AUDITORS INFORMATION

Auditor-General of South Africa	
Physical address	300 Middel Street New Muckleneuk Pretoria, South Africa
Postal address	Box 446 Pretoria 0001
Telephone	+27 12426 8000
Fax	+27 12426 8257

BANKER'S INFORMATION

Bank	Address
ABSA	2nd Floor Lourie Place Hillcrest Office Park 177 Dyer Street Hillcrest, 0083
Nedbank	3rd Floor Nedbank Park 6 Press Avenue Selby Ext 15 Johannesburg, 2000

2. ABBREVIATIONS AND ACRONYMS

AA	Accounting Authority (the Board)
AAT	Accelerated Artisan Training
AC	Audit Committee
AET	Adult Education and Training
AG	Auditor-General
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
AQP	Assessment Quality Partner
ATR	Annual Training Report
BAC	Bid Adjudication Committee
BCP	Business Continuity Plan
CETA	Construction Education and Training Authority
CHIETA	Chemical Industries Education and Training Authority
CIP	Compulsory Induction Programme
CIPC	Company and Intellectual Property Commission
COGTA	Cooperative Governance and Traditional Affairs
CSE	Corporate Services Executive
DCOG	Department of Corporative Governance
DDG	Deputy Director General
DG	Discretionary Grants
DHA	Department of Home Affairs
DHET	Department of Higher Education and Training
DIRCO	Department of International Relations and Cooperation
DPSA	Department of Public Service and Administration
ETQA	Education and Training Quality Assurance
EXCO	Executive Committee
FY	Financial Year
FVTPL	Fair Value Through Profit or Loss
GPSSBC	General Public Service Sector Bargaining Council
GRAP	Generally Recognised Accounting Practice
GSC	Governance and Strategy Committee
G-SETA	Government Sector Education and Training Authorities
HEI	Higher Education Institutions
HOD	Head of Department

HR	Human Resources
HRD	Human Resource Development
HRDC	Human Resource Development Council
HRDSA	Human Resource Development South Africa
HRM	Human Resource Management
ICT	Information and Communication Technology
KPI	Key Performance Indicator
KZN	KwaZulu Natal
MoA	Memorandum of Agreement
MHET	Ministry of Higher Education and Training
MIS	Management Information System
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NEC	National Executive Committee
NEHAWU	National Education Health and Allied Workers Union
NQF	National Qualifications Framework
NSA	National Skills Authority
NSF	National Skills Fund
NSG	National School of Government (formerly PALAMA)
NSDS III	National Skills Development Strategy III
NSF	National Skills Fund
NT	National Treasury
OFO	Organising Framework of Occupations
PALAMA	Public Administration, Leadership and Management Academy
PARI	Public Affairs Research Institute
PDP	Personal Development Plan
PFMA	Public Finance Management Act
PIVOTAL	Professional, Vocational, Technical and Academic Learning
POPCRU	The Police and Prisons Civil Rights Union
PPC	Procurement and Projects Committee
PS	Public Service
PSA	Public Servants Association of South Africa
PSETA	Public Sector Education Training Authority
PSSC	Public Service Skills Committee
QAP	Quality Assurance Partner

QCTO	Quality Council for Trades and Occupations
QMR	Quarterly Monitoring Report
RMC	Risk Management Committee
RPL	Recognition of Prior Learning
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SDA	Skills Development Act
SETA	Sector Education and Training Authority
SIU	Special Investigating Unit
SD	Skills Development
SDA	Skills Development Act
SDF	Skills Development Facilitator
SDLA	Skills Development Levies Act
SITA	State Information Technology Agency
SMS	Senior Management Services
SOEs	State Owned Enterprises
SOP	Standard Operating Procedures
SSP	Sector Skills Plan
S&T	Subsistence & Travel
TMS	Telephone Management System
TVET	Technical Vocational Education and Training (Former FETColleges)
WIL	Work Integrated Learning
WSP	Workplace Skills Plan

MRS KOKO MASHIGO

Accounting Authority Chairperson

> *There are a number of changes in the skills development landscape with relevance for PSETA's work. These changes include: the establishment of the School of Government; the finalisation of the agreement on the funding model for PSETA; the development of new stakeholder forums for supporting skills development – specifically the provincial HRD Councils; and the establishment of the Labour Market Intelligence Project (LMIP), which is developing centralised skills forecasting capabilities for the South African labour market*
>
> - PSETA Sector Skills Plan – 2015/2016

3. FOREWORD BY THE CHAIRPERSON

Introduction

The National Development Plan (NDP) calls for the building of a 'capable state' – underpinned by "effectively coordinated state institutions with skilled public servants who are committed to the public good and capable of delivering consistently high, quality services, while prioritising the nation's developmental objectives" (NDP, 2012). The PSETA is tasked to play a pivotal role to achieve this NDP objective through credible sector skills planning, the development of occupationally directed qualifications and learning programmes, the provision of quality assurance functions and allocation of discretionary grants.

Despite funding uncertainities, PSETA remains committed to contribute to this strategic government priority to build state capabilities to deliver quality public services.

High level Overview

During the year under review, National Treasury issued a circular in July 2014, confirming that government departments must contribute levies to the PSETA in terms of DPSA HRD Directive 1 of 2013. The late clarity unfortunately resulted in departments transferring the funds in the last quarter of the financial year, thus impacting negatively on the entity's timeous commitment of the funds for discretionary projects.

There is a significant policy shift in the PSETA funding model, going forward. As of 2015/16 financial year, National Treasury in consultation with the Department of Higher Education and Training (DHET) and the

Department of Public Service and Administration (DPSA) have agreed to fund PSETA through a fiscus allocation, rather than rely on government departments transferring levies to the PSETA.

This resulted in the entity achieving only 62% of its Annual Performance Plan. Despite this, the SETA was able to rollout various programmes in different provinces, thereby creating learning opportunities for learners. We also witnessed ceremonial recognition of learners who completed their qualifications in various provinces, this is a significant milestone for the PSETA.

I am pleased also to mention another significant milestone, the delegation of PSETA as an Assessment Quality Partner (AQP) by the Quality Council for Trades and Occupations (QCTO). The PSETA was found to have met the compliance requirements of the functions delegated to it as a Quality Assurance Partner (QAP) by the QCTO. The QCTO further hailed the PSETA's service standards document as an excellent document, citing that it is an excellent demonstration of good planning, organisation, leadership and control.

The PSETA successfully hosted its 2nd Skills and Research Colloquium on the 26-27 March 2015 under the theme "*Towards Building Skills and Capabilities to Meet the Strategic Priorities of the National Development Plan (NDP)*".

The Colloquium was attended by the Minister of Higher Education and Training, Dr Blade Nzimande who impressed on the PSETA's critical role in the Public Service sector, to build the talent pipeline through workplace based learner opportunities for graduates and Technical Vocational Education and Training (TVET) learners exiting the post school system. He congratulated the PSETA for its achievements and executing our mandate under trying financial constraints.

A noteworthy achievement in opening up the Public Service as a training space, is articulated in the sector's declaration of **13 988** placement opportunities during 2014/15 (an achievement of 93% of the total target of 15 000).

PSETA's performance has indeed been in line with the National Development Plan which seeks to eliminate poverty and reduce inequalities by 2030. PSETA is at the helm of spearheading the enhancement and building of a capable and developmental state. Through PSETA's research (programme 1), critical issues affecting long-term development has been identified and a framework for guiding skills development in the Public Service attained. The framework focuses on the key transformative challenges in building a skilled and capable workforce for a more efficient and developmental state.

In ensuring the quality of learning in the Public Service, PSETA with relevant stakeholders has been able to improve the quality of education through the registration of new qualifications and partnering with the QCTO as the Quality Development Partner and Assessment Quality Partner. This talks directly to the NDP objectives.

The education, vocational training and work experience programmes implemented by PSETA has broadened employment opportunities and turned out to be an immediate measure to attack poverty. Programmes also addressed the National Skills Development Strategy III (NSDS III) national imperatives. PSETA focused on assisting rural provinces like the Limpopo and Free State.

Strategic Relationships

The SETA has successfully built strategic relationships with its key stakeholders, both nationally and provincially. A deliberate and focussed target for the last year was fostering partnerships with TVET colleges. PSETA entered memoranda of understanding with 6 TVET colleges, and has commenced a lecturer capacity building programme through exposure of Public Service workplaces.

PSETA has established a research partnership with the Wits' Public Affairs Research Institute (PARI) over the last two years to improve the quality of the Sector Skills Plan. In the last year, PSETA funded one scholarship for one PhD fellow, heeding the call of Minister Nzimande to produce more doctoral and masters academics. The fellow will focus her research on institution building of the State, and skills required to build performing organisations within the Public Sector.

Challenges faced by Board

During the last year, there were numerous resignations of members of the Accounting Authority due to exits from their particular constituencies. However, we managed to find replacements speedily. We requested government departments falling within the scope of PSETA to nominate representatives with specialised expertise, particularly financial skills. This assisted to stabilise the membership within the Financial Committee which was able to meet and carry out its respective governance functions. We, however, continue to face the problem of non-quorating meetings, due to the busy and often conflicting schedules of members.

Medium to long term goals of the entity

As the Accounting Authority, we approach the year ahead with optimism as National Treasury has agreed to increase the funding of PSETA through a direct allocation, allowing the PSETA to execute its mandate fully. Our strategic five-year plan and Annual Performance Plan (APP) for 2015/16 is aligned to the Medium Term Expenditure Framework (MTEF) budget allocations to PSETA and will be directed towards achieving the following strategic goals:

- Trained Public Service Sector
- Learning opportuntes for the unemployed
- Reputable Organisation
- A performing Organisation

Acknowledgements

I wish to thank members of the Accounting Authority for their valuable contribution over the past year, to ensure sound corporate governance for the entity. I also want to take this opportunity to express my sincere gratitude to the Accounting Authority standing committees, particularly the Audit Committee, that demonstrates extremely high standards of independent oversight.

A special note of gratitude to Minister Nzimande for his willingness to support, lead and guide the entity.

Our stakeholders and strategic partners play an equally important role and their continued confidence and faith in the PSETA is sincerely appreciated. Finally, I would like to thank the Chief Executive Officer (CEO) of PSETA, Shamira Huluman, her management team and all PSETA employees for their hard work and dedication over the past year.

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MRS KOKO MASHIGO

PSETA

Accounting Authority (AA) Chairperson

Date: 31 July 2015

> Skills are developed (or the development of skills is constrained) within a broader organisational and institutional context. The identification of priority skills and training initiatives should thus be shaped by an analysis of the major drivers / inhibitors of public sector organisations' performance in South Africa
>
> - PSETA Sector Skills Plan – 2015/2016

MRS SHAMIRA HULUMAN

Chief Executive Officer

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Introduction

PSETA plays a critical role of facilitating skills development in the Public Service, at both national and provincial levels. Most of the work performed by the SETA is guided by the evidence-based Sector Skills Plan (SSP) which outlines the status of the sector's skills demand and supply needs, as well as the project methods on how to address the skills gaps. PSETA has over the last three years, together with its research partner (Wits-PARI) have produced a credible and well-researched SSP. We have drawn data from a wide range of sources to develop a list of ***priority skills for Public Service***, supported and approved by our stakeholders and they include:

- Management skills
- Supply Chain Management skills
- Professional and technical skills
- Human Resource Management/ Development skills
- E-learning as a supply side priority and training platform to massify rollout of training interventions

A deficit in appropriate skills and competencies affects all elements of the Public Service. At senior levels, the NDP has identified that the political-administrative interface be addressed. The result has been unnecessary turbulence in senior posts, which has undermined the morale of public servants and citizens' confidence in the Public Service delivery system.

At junior levels, there has been insufficient focus on providing stimulating career paths that ensure the reproduction of skills and foster a sense of professional common purpose. The Public Service needs a clear vision for where the next generation of public servants will come from and how specialist professional skills will be reproduced. Hence, investment in the talent pipeline becomes a critical imperative of which PSETA offers strategic guidance on.

General Financial Review

During the year under review, numerous engagements took place with National Treasury in consultation with DHET and DPSA, to develop a viable funding model for the PSETA. The three departments resolved that until section 30A of the Skills Development Levies Act of 1999 was amended to make it mandatory for government departments to pay the skills levies, PSETA will continue to be funded through a Treasury allocation. National Treasury agreed to increase the allocation significantly as of 2015/16 as outlined in the table below.

The table below provides an indication of the DPSA approved allocation to PSETA:

Years	Treasury Allocation (R'000)	% Growth	Comments
2011/12	23,708	0	Incomparable due to excessive rolled over funds
2012/13	22,295	6%	Reduction of 6%
2013/14	23,308	5%	5% increase - inflation related
2014/15	24,706	6%	Increase due to inflation based costs
2015/16	93,843	Incomparable	Increase due to agreed allocation funded through National Treasury grant to fund the mandate of PSETA

Note that the above amounts excludes other funding streams.

Despite the operational independence from DPSA, PSETA continues to receive a ring-fenced allocation from DPSA. PSETA has called for this allocation to be transferred to DHET, and National Treasury has provided the assurance that this will be effected during the 2015/16 financial year.

During the 2014/15 financial year, National Treasury allowed departments to transfer funds in terms of the DPSA Human Resource Development (HRD) Directive 1 of 2013. Albeit the National Treasury circular issued in July 2014, not all affected departments complied. The 2014/15 annual performance targets of the SETA had to be amended to the decreased budget. The budget for the 2014/15 financial year is comprised of the initial approved MTEF allocation amounting to R24,706 million, with R47,6 million representing levy transfers from government departments and R4,8 million of levy transfers from public entities. The injection of cash-flow into the SETA's operating budget provided resources, although late in the financial year to begin to implement PIVOTAL programmes in the sector through discretionary grants. This is a critical milestone for PSETA, as in the past, it was unable to execute significant discretionary projects.

Looking ahead into the new financial year of 2015/16, a guaranteed budget allocated through the MTEF process has afforded the entity to plan and rollout focused programmes in the sector.

The National Skills Fund (NSF) previously allocated funding to PSETA to rollout skills development interventions. The budget expected to be utilised through the NSF conditional grant is R23 million. This amount is an additional resource over and above the R93.8 million allocation.

Spending trends

The PSETA is a service oriented organisation and its offering is moreresearch, monitoring and quality assurance functions for the sector. As such, PSETA spends the largest part of it budget on administration. The administrative spend amounts to R34,4 million when compared to PSETA spend on projects which amounts to R10,7 million.

The ratio looks skewed at 3:1, but this is due to the nature of business. Moreover, the actual delay in implementing the 2014/15 projects (delayed funds transfer) has deepened the gap.This should stabilise in the years ahead, wherein PSETA will spend 33.3% on administration and 66.6% on discretionary projects.

Expenditure trends for the organisation has been limited due to budgetary constraints. The current trends cannot be viewed as consumption capabilities of the organisation, as project implementation has been reduced over the years in accordance with available resources. In addition, although 2014/15 budget shows increased resources, the SETA found itself unable to implement its projects during the year as 85% of levy transfers were only effected in March 2015. This delay resulted in core projects not being implemented during the year, compromising the achievement of predetermined objectives.

The 2014/15 expenditure has shown an overall increase of 5% when compared to the 2013/14 expenditure results.

Capacity constraints and challenges

PSETA continues to experience capacity challenges within the Finance division. The Finance Manager and Accountant were redeployed to other suitable positions in the entity, due to a lack of suitable competencies. After the redeployment, PSETA appointed an accounting firm to provide these critical functions. The SETA’s financial reporting is very specialised and the entity experienced difficulty in sourcing the appropriate skills in the remaining licence period of the SETA landscape. The expiry of the SETA license period on 31 March 2016 poses serious challenges of staff turnover. This insecurity has resulted in a significant staff turnover, especially at senior management level.

Roll over of funds

PSETA has applied for the roll over of surplus funds (R43 million), as most of government departments only paid over levies to the PSETA in terms of the DPSA HRD Directive 1 of 2013, in the last quarter of the financial year.

The PSETA has applied to both the MHET and National Treasury to retain such funds for the implementation of projects in the 2015/16 financial year.

Supply Change Management

Supply Chain Management (SCM) was a high risk area identified by the Auditor-General, particularly on the internal control environment. The entity is still in the process of enhancing internal SCM systems and processes, and is therefore at a developmental stage and not yet at a mature, fully compliant level.

PSETA appointed a new SCM Manager who commenced duty on 2 May 2014. The Supply Chain Management policy was reviewed and approved by the Accounting Authority. Much effort and time was spent during the 2014/15 financial year, to review workflows, processes and procedures to ensure compliance to procurement prescripts and SCM policy.

Audit findings

Management developed a Continuous Improvement Plan to address root causes of audit findings of 2013/14 financial year. An audit findings matrix was developed and monitored at management meetings, resulting in 69% resolution of audit findings.

A new culture of 100% accountability and 0% excuses in the the form of an internal communications campaign was introduced. Interventions to improve records management and basic administrative functions were implemented. Investment in staff training and development in critical areas like records management, risk management and project management were implemented.

Events after reporting date

During May 2015, the Accounting Authority approved an extension of the accounting firm contract for the outsourcing of their staff to the finance department from 1 April 2015, on a month to month basis.

Economic Viability

PSETA’s economic viability has finally been resolved through the National Treasury guaranteed allocations over the MTEF period.

The year ahead

The PSETA endeavours to be an important contributor in facilitating skills development in the Public Service, to create “a capable and skilled workforce” in South Africa. To name a few strategic priorities for the year ahead:

- Discretionary grant allocations to support PIVOTAL programmes aligned to the priority skills arising from the Sector Skills Plan
- Forge focussed partnerships with sub-sectors, namely, public entities and legistures
- Advocate for the sector to open up workplaces for work integrated learning and internships
- Establishing a defined bursary scheme for the Public Service

Acknowledgements and Appreciation

I would like to dedicate this section to the PSETA Accounting Authority for its unwavering support and leadership. As always, the level of discussion and the quality of strategic direction given has been remarkable. Your selfless contributions to provide sound governance and oversight is sincerely acknowledged.

To our stakeholders, many thanks for the professional attitude and amicable working relationship you have fostered with the PSETA. To our strategic partners, without you, we would not be able to make a difference to raise the quality of skills in the sector.

Finally, I would like to extend my gratitude to the PSETA management team and staff for their work ethic, professionalism and efforts during the year under review. Let us continue to raise the bar!

……………………………………

MRS SHAMIRA HULUMAN

Chief Executive Officer

PSETA

Date: 31 July 2015

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the Annual Report is consistent with the Annual Financial Statements audited by the Auditor-General.

The Annual Report is complete, accurate and is free from any omissions.

The Annual Report has been prepared in accordance with the guidelines as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2015.

Yours faithfully

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CHIEF EXECUTIVE OFFICER

Mrs Shamira Huluman

Date: 31 July 2015

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CHAIRPERSON OF THE ACCOUNTING AUTHORITY

Mrs Koko Mashigo

Date: 31 July 2015

6. STRATEGIC OVERVIEW

6.1 Vision

Cutting Edge Skills for Quality Public Services

6.2 Mission

Leading in the development of skilled and competent human capital in the Public Service sector through:

- Effective coordination of skills development interventions based on occupationally-directed qualifications
- Focusing on learning programmes
- Promoting learner placement and absorption within the Public Service sector

6.3 Values

- Honesty and integrity
- Accountability
- Service excellence
- Fairness and transparency

7. LEGISLATIVE AND OTHER MANDATES

7.1 Legislative mandate

The Public Service Sector Education and Training Authority (PSETA) is established in terms of the Skills Development Act, 97 of 1998 and listed in terms of the Public Finance Management Act, 1 of 1999 as a Schedule 3A public entity.

The mandate of the PSETA is derived from the Skills Development Act, 97 of 1998 (as amended in 2008 and 2011), the Skills Development Levies Act, 9 of 1999, the National Qualifications Framework Act, 67 of 2008, the Public Finance Management Act ,1 of 1999 (as amended) and the relevant National Treasury Regulations (as amended).

7.2 Linkages to Policy Mandates

7.2.1 The NDP

The stated objective of the National Development Plan - Vision 2030 notes that in order for South Africa to eliminate poverty and reduce inequality, a different approach is required.

NDP calls for building a ‘capable state’ – underpinned by “effectively coordinated state institutions with skilled public servants who are committed to good and capable of delivering consistently high-quality services, while prioritising the nation’s developmental objectives” (NDP, 2012).

The PSETA Sector Skills Plan (SSP) Update has considered the nine outcomes outlined in the National Development Plan to "Building a capable state", and the below listed eight are relevant for the Public Service, namely:

- A stable political-administrative interface
- A Public Service which is a career of choice
- Sufficient technical and specialist professional skills
- Efficient and effective management and operations systems
- Procurement systems that deliver value for money
- Strengthened delegation, accountability and oversight
- Improved inter-departmental coordination
- Reduced corruption in the Public Service

Subsequently, the DPSA reviewed its approach towards developing a Public Service cadre whose attitude, orientation and skills will best serve the developmental agenda of the State. Having recognised that Vision 2030 implores role players to make the Public Service and local government "employers of choice" and "initiating a formalised graduate recruitment scheme to attract talented graduates into government", the response to this call has been swift. The DPSA has sought to "professionalise" the Public Service, through the Compulsory Induction Programme, and promoting full occupational qualifications within the sector to ensure that all new entrants and serving employees have the requisite skills to deliver on public services.

7.2.2 MTSF

The Government's Medium Term Strategic Framework (MTSF) is central to the development of the PSETA's five-year strategy. It outlines government's key strategic priorities for economic growth and social development for the period 2014-2019, including education and training.

The MTSF provides a guide for planning and resource allocation across all spheres of government and includes the PSETA as one of the 21 public entities charged with facilitating and promoting skills development in the Public Service sector. The primary mandate of PSETA, namely skills development, is clearly stated in the MTSF as a, "critical investment in quality education for all young people" and skills development should form the backdrop of government's approach.

7.2.3 The National Human Resource Development Strategy of South Africa (HRDSA)

The HRDSA has the following commitments which were designed to address government's priorities:

- Overcoming the shortages in the supply of people with the priority skills required for the successful implementation of current strategies in order to achieve accelerated economic growth
- Increasing the number of appropriately skilled people to meet the demands of current and emerging economic and social development priorities
- Ensuring improved universal access to quality basic education and schooling (up to Grade 12)

- Implementing skills development programmes that are purposefully aimed at equipping recipients/ citizens with the requisite skills to overcome the related scourge of poverty and unemployment
- Ensuring that young people have access to education and training that enhances opportunities and increases their chances of success in further vocational training and sustainable employment
- Improve the technological and innovation capability and outcomes within the public and private sectors in order to enhance South Africa's competitiveness in the global economy and to meet its human development priorities
- Ensuring that the public sector has the capability to meet the strategic priorities of the South African Developmental State

Adhering to these commitments can begin to facilitate a process for identifying priority skills that will be needed by practitioners to assist in the achievement of these objectives, particularly in the Public Service sector. Priority skills required in the Public Service as identified by PSETA are captured in the Sector Skills Plan Update.

The revised Human Resource Development Strategy 2010-2030 is one of the eight areas of commitment directly relevant to the SSP update. Commitment seven states that "We will ensure that the public sector has the capability to meet the strategic priorities of the South African Developmental State" (HRD Strategy, 2010: 42) and is comprised of two strategic priorities, accompanied by objectives and indicators. The first priority is to improve the credibility and impact of training in the public sector by improving service delivery. The second is to leverage the SETAs to contribute optimally to capacity development in the public sector. Many of the activities listed in the HRD Strategy pertains to PSETA, such as the performance of skills audits and improve the capacity for the planning and delivery of training services.

The challenge in dealing with a plethora of policy frameworks is how to ensure that there is synergy. PSETA has addressed the relationships between NSDS III and the HRDS systematically in the planning template used in the SSP.

Central to the PSETA's Strategic Plan and Annual Performance Plan is the National Skills Development Strategy III and the National Skills Accord.

7.2.4 National Skills Development Strategy (NSDS III)

National Skills Development Strategy III aims to:

a) Improve the skills development system so that it is more responsive to the labour market needs and social equity requirements

b) Integrate workplace training and theoretical learning

c) Improve the skills level of graduates of secondary and tertiary education

d) Address skills shortages in the artisan, technical and professional fields

e) Reduce the over-emphasis on NQF Level 1-3 learnerships

f) Equip those in the workforce with sufficient technological skills

g) Improve co-operation between the universities, Further Education and Training colleges and Sector

Education and Training Authorities

h) Support economic growth and development through viable skills development

i) Develop sufficient skills for rural development

7.2.5 National Skills Accord

The National Skills Accord was signed in July 2011 by the Government and Social partners to:

a) Expand the level of training, using existing facilities more fully

b) Make internship and placement opportunities available within workplaces

c) Set guidelines of ratios of trainees and artisans across the technical vocations, in order to improve the level of training

d) Improve the funding for training and use the funds available for training as incentives for companies to train

e) Set annual targets for training in state-owned enterprises

f) Improve SETA governance, financial management as well as stakeholder involvement

g) Align training to the New Growth Path and improve the Sector Skills Plans

h) Improve the role and performance of TVET colleges

7.2.6 White Paper on Post-School Education and Training

The White Paper on Post–School Education and Training (PSET) locates the strategic role of SETAs in “Linking Education and the Workplace” and address the weaknesses in the SETA system of not achieving the original goals set out in the Skills Development Act.

The introduction of centralised skills planning (Paragraph 8.2 of the White Paper) means that information about skills needs will be centralised, with PSETA’s role being narrower and more focused (genuine impact programmes). This will ensure enhanced and improved reliable sector-specific quantitative data to the national central planning process. Sectoral input to the national planning process will ensure the provision of comprehensive information on workplaces in terms of the training taking place and skills present in the workplace and the nature of skills gaps.

The White Paper also directs SETAs to have a strong Work Integrated Learning (WIL) programme to enable learners to acquire the relevant work experience as a prerequisite to acquiring their qualifications, particularly TVET learners. The PSETA has established as strategic to “open up the Public Service as a Training Space” and will continue with more efforts to bridge education and work through identifying workplaces for practical work experience. Workplace learning will be an integral part of qualifications and programmes.

The most significant directive arising from the White Paper is that there is a possibility of rationalising and restructuring SETAs with a clearer, narrower and more focused role. It further alludes to locate certain functions such as skills planning, funding, and quality assurance in “well- resourced central institutions”, thus enabling sector structures “to focus on engaging with stakeholders in the workplace, establishing their needs and agreeing on the best way of addressing them, facilitating access to relevant programmes and ensuring that providers have the capacity to deliver programmes that have a genuine impact. A key role of the skills system structures will be to support efforts to implement workplace learning that complements formal education and training".

Therefore, it is anticipated that the SETA mandate will change to reflect the above as espoused in the White Paper. SETAs are still awaiting directive from DHET on when this will take place. At this stage there is no clarity whether this will be announced with the NSDS IV, and whether it will be effected immediately, upon expiry of the current licence period, 31 March 2016.

7.2.7 National Integrated Human Resource Development Plan (NIHRDP) 2014 -2018

In the National Integrated Human Resource Development Plan (NIHRDP) 2014-2018 launched by the HRDC in March 2014, strategic outcome-oriented Goal 3 is "Capable Public Sector with Effective and Efficient Planning and Implementation Capabilities". Programme 3 on a Capable Public Service, identifies PSETA as a supporting partner to DPSA in two goal statements:

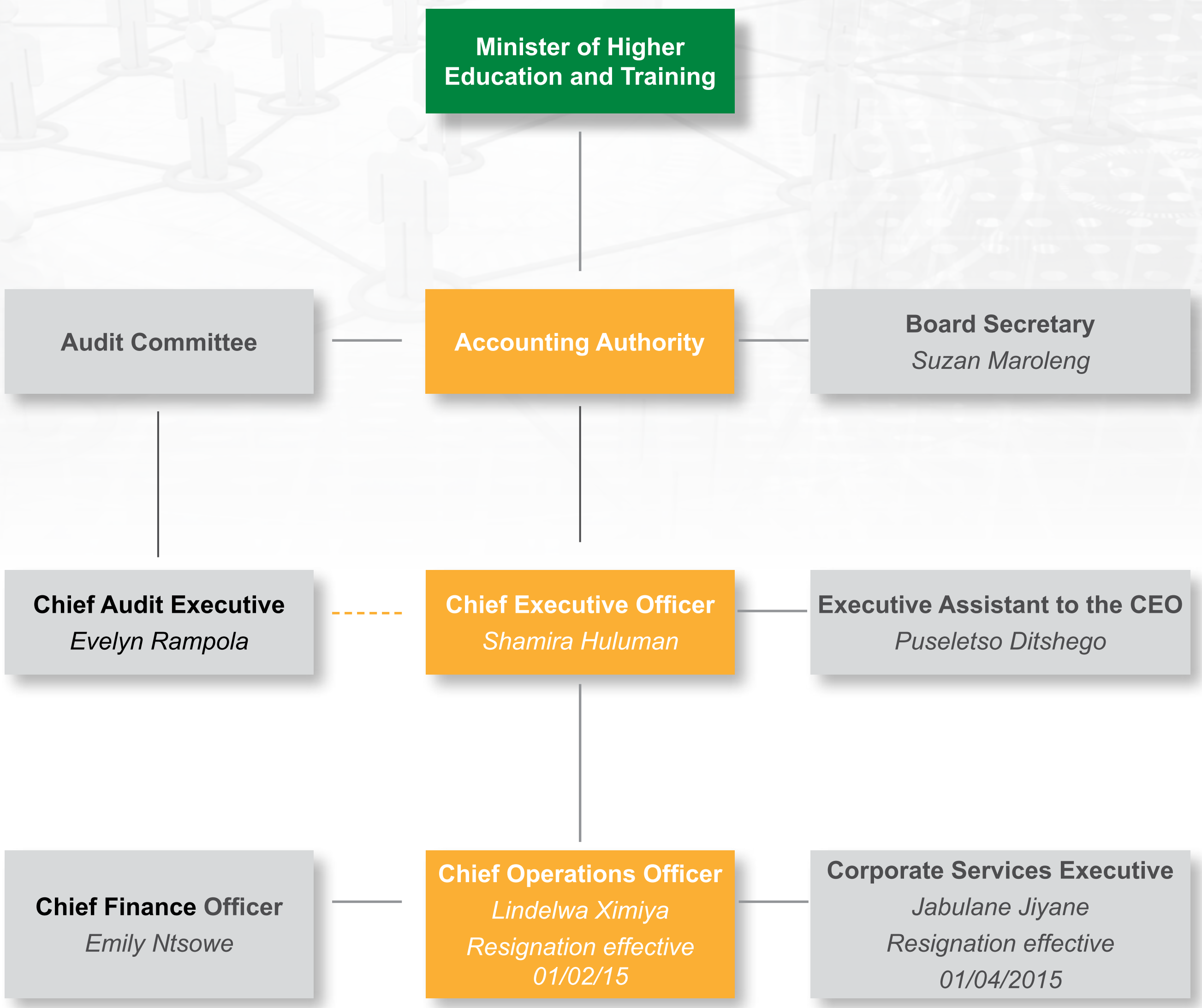
1. Revise the Public Service HRD Strategies and Plans in Line with the Vision of the NDP for a Professional and Capable Public Service
2. Turn the Public sector into a Training Space

The targets and indicators spelt out on page 38 of the NIHRDP 2014-2018, for the short term and medium term must be factored into PSETA's Strategic Plans and Annual Performance Plans.

Goal Statement	Performance Indicator	Short-term Targets (1 year) 2014/2015	Meium-term Targets (3-5 year) 2015-2018
3.1 Revise the public service HRD strategies and plans in line with the vision of the NDP for a professional and capable public service.	Extent to which public strategies and plans are aligned to the vision set out in the NDP.	Plans to professionalise the public service developed.	Plans to professionalise the public service implemented within set timelines.
3.2 Turn the public sector into a training space.	Number of apprenticeship, learnership and internship opportunities created in the public sector.	20 000 opportunities created.	100 000 opportunities created

8. ORGANISATIONAL STRUCTURE

High-level organisational structure



Part B
Performance Information

Improving State Capabilities through strategic innovative partnerships

PART B: PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

Please make reference to paragraph 12 to 19 of the Auditor's Report, published as Part E: Financial Information.

2. SITUATIONAL ANALYSIS

During the 2014/5 financial year, PSETA received confirmation from National Treasury that it will be receiving funds from government departments as provided for in the DPSA HRD Directive 1 of 2013. This necessitated a revision of the Annual Performance Plan approved by the Executive Authority, Minister of Higher Education and Training. PSETA further used this opportunity to ensure that the plan adheres to the National Treasury Framework for developing Strategic Plans and Annual Performance Plans. In this regard, PSETA appointed Government Technical Advisory Centre at National Treasury to facilitate the process to ensure that the PSETA's strategic objectives and performance indicators are SMART and in compliance with the respective frameworks.

Strategic objectives, performance indicators and related targets in all seven programmes were refined to meet the requirements of the relevant frameworks. Budgets based on estimates agreed to with National Treasury were amended per programme.

2.1 Service delivery environment

Organisational External Environment

The provisions of the Skills Development Levies Act, 9 of 1999 exempts government departments from paying skills levies to SETAs. This has hampered PSETA's funding stream significantly. DPSA issued a directive in March 2013 to regulate the utilisation of the 1% training budgets of government departments. This directive included a 30% of the 1% of payroll contribution to SETAs. National Treasury however, is of the view that until the SDLA is amended, there is no obligation for government departments to pay over the skills levies to SETAs.

Due to uncertainities of the funding streams and the clarification by National Treasury in July 2014, resulted in late transfers of levies to PSETA. Funding was only received in the last quarter of the financial year which seriously compromised delivery against the APP.

Organisational Internal Environment

Delivery against the APP was compromised with respect to allocation of discretionary grants in the sector and the funding of PIVOTAL programmes e.g. bursary allocations and learnership grants was deferred to the next financial year. Vacant posts were frozen, affecting human resource capacity within both the core and non-core functions of the entity.

During the period under review, PSETA focussed on improving internal capabilities, through training and development interventions for staff.

High staff turnover both at senior management and supervisory levels impacted negatively on capacity to achieve performance deliverables.

Notwithstanding this, PSETA managed to achieve the following milestones:

2.2.1 Performance Highlights

- PSETA for the first time has allocated and in the process of disbursing a sizeable amount of discretionary funds
- PSETA signed six memoranda of understanding (MOUs) with TVET colleges to support placement of WIL learners and artisan development
- PSETA's 2nd Skills and Research Colloquium was a huge success, imparting to stakeholders SSP research findings, and sharing best practices on skills development interventions for improved productivity (case study of South African Revenue Services (SARS) and National Treasury)
- PSETA partnered with the Public Affairs Research Institute (PARI) to produce a credible and evidence-led Sector Skills Plan. We have used a wide range of data sources and both quantitative and qualitative methodologies to identify the skills gaps and appropriately articulate the priority skills in the Public Service, which are:
    - Management skills
    - Supply Chain Management skills
    - Human Resource Management /Development
    - Professional and Technical Skills
    - E-learning as a supply side priority and training platform to massify roll out training interventions
- Building research capacity in the sector, through PHD scholarships – 1 PHD fellow with Wits (PARI)
- Call for Public Service to declare spaces for WIL learners –13 988 declared for the 2014/15 financial year
- Trained 143 mentors in the sector
- An increase in a number of SLAs signed with the QCTO in relation to Quality Assurance Partner (QAP) and Assessment Quality Partner (AQP)
- Development Quality Partner (DQP) for various qualifications
- NSG CIP Capacity building initiative - NSG is the first skills development provider to be accredited by the QCTO in the sector
- Stakeholder Satisfaction Survey was conducted, indicating a 68% level of satisfaction
- New entities have joined PSETA which will assist in additional levy contributions for the sector

2.2 *Key policy developments and legislative changes*

During the period under review, National Treasury issued a circular in July 2014, clarifying that government departments may pay levies to PSETA in terms of the DPSA HRD Directive 1 of 2013, after approval from the relevant treasuries. However, the funding was received only in the last quarter of the financial year, which affected PSETA operations.

2.3 *Strategic Outcome Orientated Goals*

Progress made against strategic outcome-orientated goals

2.3.1 Strategic outcome-oriented goal 1: Better understanding of skills needs in the Public Service sector

During the year under review, the Workplace Skills Plan (WSP) template was reviewed to give more focussed and credible data that will inform the priority skills needs to be reflected in the Sector Skills Plan (SSP). An improvement in the submission rate of the WSPs was noted as a result of the vigorous capacity building of training committees and labour representatives in compliance with the Grants Regulations.

During the 2014/15 financial year, PSETA continued to work in partnership with Wits -PARI focusing on more in-depth qualitative methodologies and intensive stakeholder consultations. A new methodology framework for identification of priority skills in the Public Service sector was developed. The methodology was presented and adopted by stakeholders during the 2nd PSETA Skills and Research Colloquium. The PSETA hosted a two-day skills colloquium on the 26-27 March 2015 under the theme "*Towards Building Skills and Capabilities to Meet the Strategic Priorities of the National Development Plan (NDP)*".

The colloquium had three key priorities, namely:

- Methodologies for skills planning
- The skills priorities for building a capable state
- Reflections on best practices and training approaches for developing capacity in the Public Service.

PSETA is developing its internal research capacity and has partnered with the Public Affairs Research Institute (PARI) at WITS and awarded one scholarship to a PhD fellow in the sector to develop skills planning research expertise.

The PSETA Career Guide was updated and developed inline with the SSP and the career guidance framework.

2.3.2 Strategic outcome-oriented goal 2: Lead the development of the current stock of skills in the Public Service sector

Most of the targets set for facilitating skills development in the sector were achieved. This was done by raising the qualifications bar through learnerships, skills programmes, bursaries and work intergrated learning. Reporting by government departments via the Quarterly Monitoring Report (QMR) process has significantly improved. This is as a result of the support provided by PSETA to stakeholders by collecting evidence that accompanies the reports. Due to this initiative, PSETA's monitoring role of sectoral skills interventions has improved. Reports from departments include the number of unemployed learners entering PIVOTAL programmes.

PSETA signed six MoUs with TVET colleges for the placement of WIL learners (non-technical and artisan development) to departments and ensuring that the TVET colleges support work places (employers). This initiatitive also supports the call by the Minister to open the Public Service as a training space.

To support learning in the workplace, PSETA planned to train 500 mentors this year, however, due to delays in approval processes, the project was deferred to 2015/16 financial year. The Learning Programmes department conducted capacity building workshops with stakeholders on NSDS III, as well as the implementation of learning programmes, policies and procedures. The development of PIVOTAL plans is being advocated in the sector.

2.3.3 Strategic outcome-oriented goal 3: Improve the flow and quality of skills into the Public Service and at the same time address unemployment and poverty

The ETQA department is responsible for the quality assurance function delegated to the PSETA by the Quality Council for Trades and Occupations (QCTO). The quality assurance function entails accreditation of training providers, development of occupational qualifications, monitoring of training provision, registration of constituent practitioners, evaluation of training materials and verification of assessments and issuing of certificates of competence. The achievement of all key performance indicators for the financial year 2014/15 has positively contributed towards achieving the strategic orientated goal:

- The capacitation of Public Service sector role players on the quality assurance requirements for training provision which will ensure that the training that is delivered in the sector is of quality and is relevant to the needs of the Public Service sector. This will in turn ensure that the Public Service sector realises positive return on investments on training interventions and have Public Service cadres with necessary skills and knowledge to discharge their duties. The latter will contribute towards improving service delivery challenges faced by the country.
- The achievement on accreditation turnaround time feeds into ensuring the Public Service sector has enough suitable and accredited training providers and registered constituent practitioners. The availability of capable training providers nationwide will ensure that all spheres of government within the Public Service sector have access to training providers and practitioners to implement training that is relevant to the sector. The PSETA ETQA has been working with TVET colleges nationwide to introduce Public Service programmes and have the colleges as the preferred Public Service programmes deliverers. The uptake of Public Service programmes by the TVET colleges will attract more youth to the Public Service sector and thereby injecting the needed youth to the sector. This in turn will also assist to curb the youth unemployment rate.

2.3.4 Strategic outcome-oriented goal 4: Re-building the profile of PSETA

Stakeholder confidence in the PSETA improved during the period under review, particularly driven through focused engagements nationally and provincially. The SETA conducted a Skills Seminar which served as a strategic platform for the sector to engage with the SSP update related research.

Capacity building workshops for HRD practitioners were held, with a particularly focus on mentors, assessors, moderators SDFs and training committee members. PSETA conducted a ‘Meet and Greet’ campaign amongst public entities falling within its scope, which resulted in a number of public entities transferring their skills levy contribution to PSETA.

The PSETA participated in a national career exhibitions, in which it promoted government as an Employer of Choice for youth. The Accounting Authority approved a Communication and Stakeholder Liaison Strategy which could not be completely implemented due to funding constraints. However, four newsletters were produced and disseminated to stakeholders electronically. The website was revamped and is being updated on a regular basis.

During 2014/15, PSETA conducted a stakeholder satisfaction survey which indicated that 68% of stakeholders participating in the survey were satisfied with PSETA services. The intention is to improve this satisfaction level in the next financial year.

2.3.5 Strategic outcome-oriented goal 5: Building PSETA's capacity to achieve its strategic objectives

To ensure the organisation is fulfilling its mandate effectively and efficiently, the Audit Committee and Accounting Authority continued to monitor compliance with relevant legislation, as mandated by the PFMA and national treasury regulations. The governance structures were further strengthened by the establishment of an in-house Internal Audit function, staffed by three employees. PSETA reviewed its HR and SCM policies, developed enhanced policies on risk management, fraud prevention and Information and Communication Technology governance. The PSETA introduced and implemented new processes in the SCM unit which will be tested for effectiveness in the 2015/16 financial year. The SCM staff were trained on contract management, risk management and general application of SCM processes. An integrated SETA electronic system was acquired through a transversal term contract which will be operational in the 2015/16 financial year.

3. PERFORMANCE INFORMATION BY PROGRAMME/ACTIVITY/OBJECTIVE

The Annual Performance Plan was reviewed mid-term in 2014 and approved by the Executive Authority in line with financial resources.

3.1 Programme 1: Skills Planning and Research

This programme is responsible for the overall skills planning for the Public Service sector and entities falling within the scope of the PSETA, according to the targets set by the NSDS III, which reflects the training and educational needs of the sector.

Strategic outcome-oriented goal: Better understanding of skills needs in the Public Service sector.

Strategic Objective: Sector Skills Plan is developed and approved.

PROGRAMME 1 SKILLS PLANNING AND RESEARCH						
Strategic Objectives	**Performance Indicators**	**Actual Achievement 2013/14**	**Planned Annual Target for 2014/15**	**Actual Achievement 2014/15**	**Deviation from Planned Targets to Actual Achievement for 2014/15**	**Comments on Deviations**
Sector Skills Plan is developed and approved	Number of authorised WSPs received	New Indicator	120	127	+7 Achieved	An over-achievement was experienced because PSETA focussed on capacity building of the training committees that included Labour Unions to ensure compliance with the Grant Regulations
	Date by which the approved annual SSP update is submitted	30 September 2013	30 September 2014	30 September 2014	30 September 2014 Achieved	This date is set by DHET, where all SETAs are required to submit their Sector Skills Plan, Strategic Plan and Annual Performance Plan

Changes to planned targets

There were no changes to planned targets during the year under review. However, PSETA experienced an increase in the Workplace Skills Plan submission rate. Workshops were held in all nine provinces for government departments, national departments, Parliament plus legislatures and for public entities to familiarise them with the new Grant Regulations to ensure participation by labour unions. Previously these entities did not make it compulsory for labour unions to participate and also to sign-off the Workplace Skills Plans.

Linking performance with budgets

For the year under review, this programme is allocated a total budget of R 4.6 million was allocated to the programme. The performance for the year was hampered by the late response of departments in transferring levies to the PSETA. As a result, envisaged project rollout for the 2014/15 financial year were delayed. Furthermore, the allocated budget included personnel costs for the department, however, these were paid from the corporate services division.

PROGRAMME/ ACTIVITY/ OBJECTIVE	2013/14			2014/15		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Skills Planning and Research	170	1,560	(1,390)	4 635	1,636	2,999
Total	**170**	**1,560**	**(1,390)**	**4,635**	**1,636**	**2,999**

3.2 Programme 2: Learning Programmes

This programme's role is to facilitate and manage the development and implementation of learning programmes for the Public Service sector.

Strategic outcome-oriented goal: Lead the development of the current stock of skills in the Public Service sector.

Strategic Objective: 2.1 Learning Programmes that are implemented in the Public Service sector are reported.

Strategic Objective: 2.2 Programmes to open up the workplaces for the unemployed in the Public Service sector are reported.

Strategic Objective: 2.3. Programmes to support TVET colleges and HEIs to be responsive to the needs of the Public Service sector are implemented.

PROGRAMME 2: LEARNING PROGRAMMES						
Strategic Objectives	**Performance Indicators**	**Actual Achievement 2013/14**	**Planned Target 2014/15**	**Actual Achievement 2014/15**	**Deviation from Planned Targets to Actual Achievement 2014/15**	**Comments on Deviations**
Learning Programmes that are implemented in the Public Service sector are reported	Number of public service workers entering learning programmes throughout the financial year	L/Ships **506**	L/Ships sector funded **200**	**192** workers entered learnerships	Not Achieved	This indicator is stakeholder driven. This implies that PSETA reports on implementation done by the sector. Challenges with regard to insufficient evidence for reporting submitted by departments resulted in under reporting for this target
		S/P **703**	S/P PSETA funded **600**	0 workers entered PSETA funded skills programmes	Not Achieved	Delays in the approval process led to this target not being achieved. Approval obtained at the end of the quarter 4 and implementation has been deferred to 2015/16

PROGRAMME 2: LEARNING PROGRAMMES

Strategic Objectives	Performance Indicators	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from Planned Targets to Actual Achievement 2014/15	Comments on Deviations
	Number of public service workers entering learning programmes throughout the financial year		S/P sector funded **400**	**795** workers entered sector funded skills programme	Achieved	PSETA reported 795 workers entered sector funded skills programmes. The sector invests more on addressing critical skills by skills programmes. The information reported is through the support that PSETA offered to stakeholders on collecting evidence from departments for reporting
		Bursaries **78**	Bursaries PSETA funded **235**	**01** worker entered PSETA funded bursaries	Not Achieved	PSETA Discretionary Grants call was made in December 2014, after confirmation of receipt of contribution by departments to honour the circular on the utilisation of the training budget. Grants could not be awarded for the current year. Implementation of this target will be deferred to 2015/16
			Bursaries sector funded **100**	**485** workers entered sector funded bursaries	Achieved	PSETA's strategy of physically collecting evidence from departments has paid off, hence an overachievement
		L/Ships **42**	L/Ships **60**	**78** workers completes learnerships	Achieved	PSETA's strategy of supporting stakeholders by physically collecting evidence from departments has paid off, hence achievement of this target
		S/P **575**	S/P **600**	**150** workers completes skills programmes	Not Achieved	The PSETA reported only 150 workers completing skills programmes. Challenges around achieving this target revolves around the issue of not receiving sufficient evidence from stakeholders in order to report accurately

PROGRAMME 2: LEARNING PROGRAMMES						
Strategic Objectives	**Performance Indicators**	**Actual Achievement 2013/14**	**Planned Target 2014/15**	**Actual Achievement 2014/15**	**Deviation from Planned Targets to Actual Achievement 2014/15**	**Comments on Deviations**
		Bursaries **24**	Bursaries **20**	**30** workers finalise their bursary studies	Achieved	PSETA's strategy of supporting stakeholders by physically collecting evidence from departments has paid off, hence achievement of this target
		Artisans **0**	Artisans **20**	**0** No completions on artisan interventions	Not Achieved	Delays in sourcing a provider for gap training by the departments that were supported on this programme, led to the non-achievement of this target
Programmes to open up the workplaces for the unemployed in the public services sector are reported	Number of unemployed learners entering learning programmes throughout the financial year	L/Ships **187**	L/Ships PSETA funded **50**	**34** unemployed learners entered PSETA Funded learnerships	Not Achieved	PSETA Discretionary Grants call was made in December 2014 after the confirmation of receipt of contribution by departments to honour the circular on the utilisation of the training budget. Grants could not be awarded for the current year. Implementation of this target will be deferred to 2015/16
			L/Ships sector funded **300**	**173** unemployed learners entered sector funded learnerships	Not Achieved	This indicator is stakeholder driven. This implies that PSETA reports on implementation done by the sector. Challenges with regard to insufficient evidence for reporting submitted by departments resulted in under reporting for this target

PROGRAMME 2: LEARNING PROGRAMMES						
Strategic Objectives	**Performance Indicators**	**Actual Achievement 2013/14**	**Planned Target 2014/15**	**Actual Achievement 2014/15**	**Deviation from Planned Targets to Actual Achievement 2014/15**	**Comments on Deviations**
		Bursaries 119	Bursaries Sector Funded 60	166 unemployed learners awarded sector Funded bursaries	Achieved	PSETA's strategy of supporting stakeholders by physically collecting evidence from departments has paid off, hence an overachievement of this target.
		Internships 917	Internships sector funded 900	1 258 unemployed learners entered sector funded internships	Achieved	PSETA's strategy of supporting stakeholders by physically collecting evidence from departments has paid off, hence an overachievement of this target.
		WIL 109	WIL PSETA funded 200	189 WIL learners were placed through a PSETA funded programme	Not Achieved	PSETA Discretionary Grants call was made in December 2014, after confirmation of receipt of contribution by departments to honour the circular on the utilisation of the training budget. Grants could not be awarded for the current year. Roll out more WIL programmes will be deferred to 2015/16
			WIL Sector funded 100	70 WIL learners were placed through a sector funded programme	Not Achieved	This indicator is stakeholder driven. This implies that PSETA reports on implementation done by the sector. Challenges with regard to insufficient evidence for reporting submitted by departments resulted in under reporting for this target
		Artisans 01	Artisans PSETA funded 46	Artisans PSETA funded 47	Achieved	This target is PSETA funded. The overachievement is as a result of the stakeholder funding an extra learner

PROGRAMME 2: LEARNING PROGRAMMES						
Strategic Objectives	**Performance Indicators**	**Actual Achievement 2013/14**	**Planned Target 2014/15**	**Actual Achievement 2014/15**	**Deviation from Planned Targets to Actual Achievement 2014/15**	**Comments on Deviations**
		New target	15000 Workplace opportunities declared by the sector	13988 (9 462 – Reports received from DPSA) (1 374 PSETA DG applications)	Not Achieved	Only the 13988 opportunities that are linked to learners on learning programmes are reported
	Number of unemployed learners completing learning programmes throughout the financial year	L/Ships 42	L/Ships 30	54 unemployed learners completes learnerships	Achieved	PSETA's strategy of supporting stakeholders by physically collecting evidence from departments has paid off, hence an overachievement.
		Internships 465	Internships 600	607 unemployed learners completes their Internships	Achieved	PSETA's strategy of supporting stakeholders by physically collecting evidence from departments has paid off, hence an overachievement.
		Bursaries 86	Bursaries 30	Bursaries completed 0	Not Achieved	Bursaries are awarded on a multiyear basis arrangement. No completions for unemployed learners were reported. This target is stakeholder driven.

PROGRAMME 2: LEARNING PROGRAMMES						
Strategic Objectives	**Performance Indicators**	**Actual Achievement 2013/14**	**Planned Target 2014/15**	**Actual Achievement 2014/15**	**Deviation from Planned Targets to Actual Achievement 2014/15**	**Comments on Deviations**
Programmes to support TVET colleges and HEIs to be responsive to the need of the Public Service sector are implemented	Number of signed MoUs with TVETs and HEIs by 31 March 2015	5 MoUs signed with FET/TVET colleges	PSETA funded 5	06 MoUs signed with TVET colleges	Achieved	One MOU which will support roll out of a project in the next financial year was concluded earlier than anticipated.

Linking performance with budgets

For the year under review, this programme is allocated a total budget of R53,9 million. The performance for the year was hampered by the late response by departments in transferring levies to the PSETA. As a result, envisaged project rollout for the 2014/15 financial year were delayed. Furthermore, the allocated budget included personnel costs for the department, however, these were paid from the Corporate Services division.

PROGRAMME 2	2013/14			2014/15		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Learning Programmes	16,525	5,255	11,270	53,924	4,121	49,803
Total	**16,525**	**5,255**	**11,270**	**53,924**	**4,121**	**49,803**

3.3 *Programme 3: ETQA*

The PSETA ETQA department is responsible for performing all quality assurance functions with regard to accreditation of training providers, implementation of learning programmes, evaluation of learning materials and learner achievements in the Public Service sector.

Strategic Goal: Improve the flow and quality of skills into the Public Service while simultaneously addressing unemployment and poverty.

Strategic Objective: A system to quality assure training provision is developed and implemented.

Strategies to address 2014/15 annual performance under achieved targets

PROGRAMME 3: ETQA						
Strategic Objectives	**Performance Indicators**	**Actual Achievement 2013/14**	**Planned Target 2014/15**	**Actual Achievement 2014/15**	**Deviation from Planned Targets to Actual Achievement 2014/15**	**Comments on Deviations**
A system to quality assure training provision is developed and implemented	Number of quality assurance capacity building sessions conducted with training providers	N/A	4	4	Achieved	Capacity building sessions were held with the providers that are trained to be able to gain accreditation with PSETA in Mpumalanga, Gauteng, Eastern Cape and Western Cape
	Turnaround time in days to accredit training providers	N/A	45	30	Achieved	This achievement is applicable from the 3rd quarter of the financial year

PROGRAMME 3: ETQA						
Strategic Objectives	**Performance Indicators**	**Actual Achievement 2013/14**	**Planned Target 2014/15**	**Actual Achievement 2014/15**	**Deviation from Planned Targets to Actual Achievement 2014/15**	**Comments on Deviations**
	Number of accredited providers monitored	New Indicator	52	55	Achieved	Training providers accredited earlier in the year qualified to be monitored due to training activities taking place
	Number of PSETA qualifications that are ready to be assessed for impact	N/A	4	4	Achieved	2 Qualifications for DIRCO, 1 for Home Affairs and 1 for Statistics SA was identified to be assessed for impact in 2015/16

Mid-term review of the APP took place which resulted in some KPI's being completely removed and some reviewed to comply with SMART principles and more relevant to the work of the department.

Linking performance with budgets

ETQA for the year under review was allocated a total budget of R6,2 million. As in other departments, implementation of 2014/15 projects were delayed due to funds not being transferred during the first and third quarters of the year. Under utilisation of the budget is also attributable to personnel costs which were disbursed from the Corporate Services division.

PROGRAMME 3	2013/14			2014/15		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
ETQA	5,211	1,790	3,421	6 288	3,509	2,779
Total	**5,211**	**1,790**	**3,421**	**6,288**	**3,509**	**2,779**

3.4 *Programme 4: Corporate Services*

The programme provides efficient and effective corporate services functions to internal departments within the PSETA and external stakeholders by providing the following services: human resources, information and communication technology, improve communication, marketing and stakeholder engagements and auxiliary services.

Strategic Outcome oriented Goal: Re-building the profile of PSETA.

Strategic Objective: 4.1 Integrated Communication plan developed and implemented.

Strategic Objective: 4.2 ICT governance and process implemented to support the organisational strategies.

Strategic Objective: 4.3 Staffing plan to support the PSETA functions is developed and approved by the end of the financial year.

PROGRAMME 4: CORPORATE SERVICES						
Strategic Objectives	**Performance Indicators**	**Actual Achievement 2013/2014**	**Planned Target 2014/2015**	**Actual Achievement 2014/2015**	**Deviation from Planned Targets to Actual Achievement 2014/2015**	**Comments on Deviations**
Integrated communication plan developed and implemented	% of stakeholders who indicated being satisfied with services of PSETA	N/A	60% stakeholder satisfaction	68% stakeholder satisfaction	Achieved	The perceptions on PSETA support to stakeholders was better than expected
ICT governance and processes implemented to support the organisational strategies	Solutions to enhance the ICT system network installed	N/A	Internet Security upgrade Hardware infrastructure upgrade TMS upgrade	Internet Security upgrade Hardware infrastructure upgrade TMS upgrade WiFi installed	Achieved	Performance on par with planned achievement

PROGRAMME 4: CORPORATE SERVICES						
Strategic Objectives	**Performance Indicators**	**Actual Achievement 2013/2014**	**Planned Target 2014/2015**	**Actual Achievement 2014/2015**	**Deviation from Planned Targets to Actual Achievement 2014/2015**	**Comments on Deviations**
Staffing plan to support the PSETA functions developed and approved by the end of the financial year	Time taken to fill a vacancy	4 months	4 months	4 months	Achieved	Target has been met but barely so, as it takes longer than expected to fill vacancies
	% training critical skills plans completed in line with PSETA Workplace Skills Plan	N/A	40%	100%	Achieved	The PSETA utilised 100% of its budget for employer-initiated training

Changes to planned targets

In the year under review, it was anticipated that the new PSETA funding model will be implemented as was planned. The delays in receiving the funds resulted in the review of a number of performance indicators in line with the limited funding at PSETA's disposal.

Linking performance with budget

To support the strategic goal, a budgetary provision of R12,509 million is made available to ensure that the division implements the HR good practices as prescribed by legislation.

To respond to the strategic goal, a provision for PSETA's visibility and image is made in order to raise awareness through campaigns and media coverage about PSETA programmes.

This programme also focuses on conducting a stakeholder satisfaction rating to assess the impact of PSETA programmes in the Public Service sector.

Within the given budget stated above, an amount of R600 thousand was expended for training and development of staff.

The budget provides for provision of adequate IT infrastructure to support the functioning of the PSETA programmes.

Dispite other divisions budgeting for their staff, all personnel related costs were charged to Corporate Service division. The system could not be re-aligned as PSETA was in the process of changing financial systems.

PROGRAMME 4: CORPORATE SERVICES	2013/14			2014/15		
	Budget	Actual Expenditure	Over/Under Expenditure	Budget	Actual Expenditure	Over/Under Expenditure
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Corporate Services	23,536	23,216	320	12,509	27,708	(15,199)
Total	**23,536**	**23,216**	**320**	**12,509**	**27,708**	**(15,199)**

3.5 Programme 5: Finance

The purpose of this programme is to ensure prudent financial management, procurement of goods and services and reporting in compliance with relevant acts and regulations. It comprises two sub-programmes being Financial Accounting and Supply Chain Management.

Strategic outcome-oriented goal: Provide guidance and advice in streamlining resources ensuring complete financial reporting in compliance with prescribed legislation.

Strategic Objective: 5.1 Establish and implement management systems and structures that are compliant to PFMA, SCM & GRAP reporting requirements.

PROGRAMME 5: FINANCE						
Strategic Objectives	**Performance Indicator**	**Actual Achievement 2013/14**	**Planned Annual Target 2014/15**	**Actual Achievement 2014/15**	**Deviation from planned target to Actual Achievement for 2014/15**	**Comments on deviation**
Establish and implement management systems and structures that are compliant to PFMA, SCM and GRAP reporting requirements	Financial Statements approved by the AC	N/A- New KPI	Accurate financial management and reporting	Q1-Q4 Financial Statements approved by AA, after several amendments were made	Not Achieved	AC referred Financial Statements back to management for improvements to be effected

PROGRAMME 5: FINANCE						
Strategic Objectives	**Performance Indicator**	**Actual Achievement 2013/14**	**Planned Annual Target 2014/15**	**Actual Achievement 2014/15**	**Deviation from planned target to Actual Achievement for 2014/15**	**Comments on deviation**
	Number of standard operating procedures and finance policies developed	N/A- New KPI	Establish and implement financial controls	3 SOPs' developed and built into the AX software. Monthly and year-end SOP developed 4 policies developed and approved by AA	Achieved	Achieved as planned
	Date by which SCM processes are developed	N/A- New KPI	Procurement of goods and services in line with prescribed legislation	SCM procedures put in place Database updated Contract register maintained Compliance checklist established	Not achieved	SCM Policy and SOP approved and workshopped with staff

How the programme's performance has contributed to the achievement of the PSETA's strategic outcomes-orientated goals

- The finance division contributed to the achievement of the organisation's strategic outcomes-orientated goals through ensuring that procurement and provisioning for much needed services are in place, and service providers are appointed to take up specific projects identified in the Annual Performance Plan.
- The programme has ensured that the submission of compliance reports in terms of the PFMA requirements is maintained, and monthly disbursements for learnerships, stipends and other running projects are implemented.
- The programme introduced an electronic procurement module, asset module and undertook to review the reporting tools to align them to GRAP reporting requirements.

Strategy to overcome areas of under performance

The areas of under-performance are identified above as being issues related to weak internal controls and insufficient monitoring measures around procurement (SCM) and a lack of leadership stability within the finance division. The following strategies have been put in place:

Compliance to SCM processes: The organisation has created a post and employed a SCM Manager to head and direct the activities of this critical unit. The SCM manager reports to the CFO and submits monthly reports on SCM activities with regard to procurement and compliance to SCM requirements. To further strengthen this strategy, the Internal Audit function will audit SCM compliance and report progress to the Accounting Authority.

Financial management (deficiencies in internal controls, timeous financial reporting and reduction of audit findings): To mitigate internal control deficiencies, lack of capacity and leadership, a CFO was appointed as at January 2014. PSETA has undertaken a project to clean up existing data and revamp the financial system to ensure accurate and timeous reporting.

Audit findings: an audit findings matrix is put in place where a report on progress made in resolving these findings is submitted quarterly to the Audit Committee and is assessed parallel to the division's quarterly performance. The reported progress against audit findings is subjected to an audit by the internal audit function.

Deviation from approved budget: the deviation between planned budget and actual budget occurred because of the change in the financing of the PSETA as compared to previous years. PSETA did not have historical data in terms of contributions by departments to the organisation which would have enabled it to estimate the approximate budget for the levy income from departments. Future budgeting for anticipated levies will be based on the historical data that now exists.

Changes to planned targets

In the year under review, it was anticipated that the new PSETA funding model will be implemented as was planned. The delays in receiving the funds resulted in the review of a number of performance indicators in line with the limited funding at PSETA's disposal.

Linking performance with budgets-per programme

A provision of R7,937 million is made to sustain the unit while providing support and establishing effective internal controls for proper management of resources.

PROGRAMME 5	2013/14			2014/15		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Finance	2,176	3,504	(1,328)	7,937	4,608	3,329
Total	**2,176**	**3,504**	**(1,328)**	**7,937**	**4,608**	**3,329**

3.6 *Programme 6: Governance*

The purpose of this programme is to ensure that the organisation has effective and efficient governance structures that leads, monitors and evaluates organisational performance.

Strategic outcome-oriented goal: Governance structures that are strategic, robust, accountable and respected by the sector.

Strategic Objective: Corporate Governance Principles and Systems implemented.

PROGRAMMME 6. GOVERNANCE						
Strategic Objectives	**Performance Indicators**	**Actual Achievement 2013/14**	**Annual Target for 2014/15**	**Actual Output 2014/15 (Achievement)**	**Deviation from Planned Targets to Actual Achievement for 2013/14**	**Comments on Deviations**
Corporate Governance Principles and Systems implemented	Number of Compliance Reports submitted to the AA	New Indicator	4	4 Compliance Register Reports submitted to the AA via the AC	Achieved	Achieved as planned
	The Improvement of the Organisational Risk Management Maturity Level	New Indicator	3	3.3	Achieved	Risk Management Maturity Assessment Report presented to AC on the 23 April 2015 and to the AA on 28 April 2015
	Date by which QMS/ MIS Systems Customisation is initiated	Procurement of QMS/MIS Systems	31 March 2015, 2 programmes is supported with QMS/MIS customisation.	31 March 2015 – 1 programme supported by QMS/MIS	Not Achieved.	Delays in procurement through transversal contracting was experienced, however, since initiation of the project, the project plan and implementation is on track Other modules of the automated system will go live by June 2015

PROGRAMMME 6. GOVERNANCE						
Strategic Objectives	**Performance Indicators**	**Actual Achievement 2013/14**	**Annual Target for 2014/15**	**Actual Output 2014/15 (Achievement)**	**Deviation from Planned Targets to Actual Achievement for 2013/14**	**Comments on Deviations**
	Number of Internal Audit Reports submitted to the AC in line with the Approved Operational Plan	New Indicator	12	7 Reports	Not Achieved	The audits that were not finalised during the year were carried forward into the 2015/16 operational plan after considering the risk assessment results

Accounting Authority members capacitated on Corporate Governance:

Due to financial constraints, the PSETA requested National Treasury, AG and DHET to provide capacity building workshops for Accounting Authority members. However, with the expectation of the funding model being resolved, a training budget has been allocated in 2015/16 financial year.

Linking performance with budgets

For the year under review, this programme was allocated a total budget of R7,4 million. The performance for the year was hampered by the late response of departments in transferring levies to the PSETA. As a result, envisaged project rollout for the 2014/15 financial year was delayed. Furthermore, the allocated budget included personnel costs for the department, however, these were paid from the Corporate Services division.

PROGRAMME 6: GOVERNANCE	2013/14			2014/15		
	Budget	Actual Expenditure	Over/Under Expenditure	Budget	Actual Expenditure	Over/Under Expenditure
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Governance	703	2,689	1,986	7,412	835	6,577
Total	**703**	**2,689**	**1,986**	**7,412**	**835**	**6,577**

3.7 Programme 7: Projects

This programme effectively initiates, monitors and reports on the discretionary related projects implemented by other programmes within PSETA.

The total budget allocated for this function is R39,981 million.

Strategic outcome-oriented goal: Building PSETA's capacity to achieve its strategic objectives.

Strategic Objective: Grant projects and contract management frameworks are developed and implemented.

PROGRAMME 7. PROJECTS						
Strategic Objectives	**Performance Indicators**	**Actual Achievement 2013/14**	**Planned Annual Target for 2014/15**	**Actual Achievement 2014/15**	**Deviation from Planned targets to Actual Achievement 2014/15**	**Comments on Deviations**
Grants project and contract management frameworks are developed and maintained	Date by which Standard Operating Procedures for project and contract management are approved	New Indicator	Sept 2014	Sept 2014	None	Achieved as per plan. The SoP was piloted in the Projects unit and assisted in streamlining processes and identifying areas that need improvement in terms of implementing projects and managing contracts
	Date by which grant project and conteact management templates are approved	New Indicator	Sept. 2014	Sept 2014	None	Achieved as per plan. The SoP was piloted in the Projects unit and assisted in streamlining processes and identifying areas that need improvement in terms of implementing projects and managing contracts
	Number of SoP and template review sessions conducted	New Indicator	1	Not Achieved	Deferred to next financial year	Indicator deferred to the next FY to align with planned policy review to be submitted in April 2015

PROGRAMME 7. PROJECTS						
Strategic Objectives	**Performance Indicators**	**Actual Achievement 2013/14**	**Planned Annual Target for 2014/15**	**Actual Achievement 2014/15**	**Deviation from Planned targets to Actual Achievement 2014/15**	**Comments on Deviations**
	Number of capacity building sessions conducted for the use of templates	New Indicator	1	Not Achieved	Deferred to next financial year	Indicator deferred to next FY to align with planned policy review to be submitted in April 2015
	Number of reports submitted to NSF and AA	New Indicator	4	Achieved 4	None	None. Reports enable the SETA to account for funds as well as capture the status of projects in order to determine if projects are meeting objectives as set out.

Strategies to address 2014/15 annual performance under-achieved targets

Linking performance with budgets

For the year under review, this programme is allocated a total budget of R39,981. The performance for the year was hampered by the late response of departments in transferring levies to the PSETA. As a result, envisaged project rollout for the 2014/15 financial year was delayed. Furthermore, the allocated budget included personnel costs for the department, however, these were paid from the Corporate Services division.

PROGRAMME 7: PROJECTS	2013/14			2014/15		
	Budget	Actual Expenditure	Over/Under Expenditure	Budget	Actual Expenditure	Over/Under Expenditure
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Projects	23,045	5,521	17,524	39,981	3,183	36,798
TOTAL	**23,045**	**5,521**	**17,524**	**39,981**	**3,183**	**36,798**

4. REVENUE COLLECTION

The Skills Development Levies Act, 9 of 1999, applies to all SETAs and requires sector employers to pay a 1% skills levy to the South African Revenue Services (SARS) for distribution as income to the SETAs to implement their skills development programmes. Sectoral employers of the PSETA are government departments, which were exempted by legislation to pay levies to the SETAs. However, during the year under review, National Treasury implemented the DPSA Directive issued in 2013 which mandated government departments to pay the skills levies after approval from the respective treasuries.

Levy Income (Public Entities): This stream of revenue has grown threefold due to increased number of employers participating in the skills development progrmmes of PSETA. These are levies collected through the South African Revenue Services (SARS). In the 2014/15 financial year, an estimated collectable revenue of R2 million was envisaged. A total collection of R4,834 million was received.

Levy Income: Government Departments: The PSETA has seen an increase in levy collection from the Public Service sector. The DPSA Directive was brought into effect in July 2014 by the National Treasury circular and resulted in an increased response from departments transferring levies to the PSETA. In view of this, PSETA collected an amount of R47,696 million during the year, most of which was received in March 2015.

The NSF Realised Income: PSETA realised income on NSF funded projects to the value of R9,307 million.

SOURCES OF REVENUE	2013/14			2014/15		
	Estimate	Actual Amounts Collected	(Over)/ Under Collection	Estimate	Actual Amount Collected	(Over)/ Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Skills Development Levy: Income including interest and penalties (Public Entities)	-	1,230	(1,230)	2,000	4,834	(2,834)
Skills Development Levy: Income (DPSA Directive 2012) Government Departments	-	21,486	(21,486)	68,449	47, 696	20,753
Transfers from other government departments (DPSA Grant)	23,306	23, 306	-	24,706	24,706	-
NSF Realised Income	4,919	7,550	(2,631)	37,931	9,307	28,624
Discretionary Grants Projects	-	-	-	-	-	-
CIP	-	814	(814)	-	1,383	(1,383)
Investment Income	6	48	(42)	-	154	(154)
Other Income	-	-	-	-	41	(41)
Total	**28,231**	**54,434**	**(26,203)**	**133,086**	**88,121**	**44,965**

4.1. *Capital investment*

Capital investment for the PSETA is confined to procurement and enhancement of property, plant and equipment and intangible assets which are used for production of daily operations. These assets are recorded in the asset register and depreciated on a straight line basis over their useful lives.

INFRASTRUCTURE PROJECTS	2013/14			2014/15		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Development of PSETA MIS and QMS System and other	3,000	-	3,000	-	987	(987)
Computers		371	(371)	850	334	516
Office Furniture, Fittings and Equipment	850	14	836		943	(943)
Total	**3,850**	**385**	**3,464**	**850**	**2,264**	**(1,414)**

Part C

Governance

Improving State Capabilities through strategic innovative partnerships

PART C: GOVERNANCE

1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, corporate governance with regard to public entities' is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King III Report on Corporate Governance. The Accounting Authority of the public entity is responsible for enhancing and complying with all aspects of corporate governance, whilst Parliament and the Executive plays an oversight role over the public entity in ensuring that it complies with all aspects of corporate governance.

The PSETA is a Schedule 3A public entity that reports to the Department of Higher Education and Training. The Minister of Higher Education and Training (MHET) is the Executive Authority. The Board, as the governing body, is the Accounting Authority as defined in the Public Service Finance Management Act of 1999 (as amended).

The operation of the PSETA is aligned with sound corporate governance structures and processes that conforms to the Skills Development Act, 97 of 1998 (as amended), and is supported by the Skills Development Levies Act, 97 of 2003, the Public Finance Management Act of 1999 (as amended) and Treasury Regulations, all of which enable the PSETA to achieve its National Skills Development Strategy (NSDS) III imperatives.

2. PORTFOLIO COMMITTEES

2.1 Portfolio Committee on Public Service and Administration

Date: 2 July 2014

Purpose: Funding and relationship with National School of Government (NSG)

Key Issues: The committee requested a report on PSETA's relationship with NSG and its reporting to MPSA, its location and funding model. The committee agreed to take up matters with MPSA and MHET.

2.2 Meeting with Portfolio Committee on Higher Education and Training:

Date: 19 November 2014

Purpose: PSETA Annual Report 2013/14

- Qualification on the NSF Deferred Liability: R4,6 million
- National Treasury MTEF Allocation for 2015/16 – 2017/18
- PSETA Performance for 2013/14

Key issues: PSETA Funding Model and payment of skills levies by government departments. The Committee acknowledged that the Skills Development Levies Act must be amended to compel government departments to pay the skills levy. The Committee Chairperson requested DHET to prioritise this. The Department responded that they are developing a new landscape for the SETAs, post 2016, and issues of the existence of PSETA in its current form and legislative amendments will be dealt with, post the landscape. The committee requested PSETA to continue to improve performance.

3. EXECUTIVE AUTHORITY

The Executive Authority is the Minister of Higher Education and Training, who appoints the members of the Accounting Authority and sets the renumeration as per National Treasury tariffs. Quarterly reports are submitted to DHET. DHET convenes SETA Chairperson Forums and CEO Forums, where the Minsiter has an opportunity to engage with strategic issues affecting SETAs.

4. ACCOUNTING AUTHORITY

The PSETA Board is the Accounting Authority of the entity. It provides oversight and governance over the entity. The functions and powers of the Accounting Authority are outlined in the Constitution:

- Govern and Manage PSETA in accordance with the Public Finance Management Act (PFMA), the Skills Development Act and any other applicable legislation
- Ensure that PSETA achieves the objectives contemplated in Item 5 and performs the functions contemplated in Item 6 of the Standard Constitution Regulations according to Government Gazette No.35336, 11 May 2012
- Provide effective leadership and ensure that PSETA implements the goals of the NSDS and the Performance Agreement with the Minister as the Executive Authority
- Provide strategic direction for PSETA
- Liaise with stakeholders
- Manage Institutional Risk and monitor compliance to laws and regulations
- Monitor the performance of the SETA
- Ensure that members of the Accounting Authority and committees comply with the Code of Conduct set out in Annexure 2 of the Constitution
- Conduct performance assessment of the Audit Committee and the Board
- Maintain integrity, responsibility and accountability at all times

Charter of the Accounting Authority:

As recommended by the King Code, the PSETA Accounting Authority developed a Charter to set out its responsibilities, procedures and policies.

For the year ended 31 March 2015, the Accounting Authority implemented its Charter to operationalise the Constitution and simplify procedures for conducting its business. The PSETA Board conducted a strategic planning workshop to develop the Strategic Plan for 2015-2019 and the Annual Perfromance Plan 2015-2016 during August 2014. It held four quarterly meetings to receive and monitor the entity's performance against the approved APP 2014/15. It monitors risk management and compliance to laws and regulations via reports from the Independent Audit Committee.

4.1 COMPOSITION OF THE PSETA BOARD

The PSETA Accounting Authority consists of 15 members nominated as follows:

CONSTITUENCY	ORGANISATION
Ministerial appointee	Board Chairperson (1)
Organised labour	NEHAWU (2) POPCRU (2) PSA (2)
Government departments and public entities	National departments (3) Provincial departments (1) Public entities (2)
Other stakerholders	Bargaining Council – GPSSBC (1) Disability Trust (1)

*Each constiuency nominates a main member and alternate member.

NAME	Designation (In terms of the Public Entity Board Structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the Entities)	Other Committees (e.g.: Audit Committee)	No. of AA Meetings Attended 2014/15 FY
Mrs K Mashigo	Chairperson	April 2011	Active	• Masters in Public Administration • Certificate in Business Management • BA (Ed) • B.Ed	Public Service Management Project Management Corporate Governance and Oversight	• Atlatsa Resources • Mookodi Enterprise • Reflex Trading • Juvuko Transport • Grandeur Indulgence	Executive Committee	9
Ms S Oodit	Member: Category of Role Players	April 2014	Active	• Post Graduate Diploma • Practical Labour Law	Strategic Planning Labour Relations and Dispute Resolution Policy Development Financial Management	N/A	Finance Committee Discretionary Grants Sub-Committee Moderation Committee	3
Mr L Modise	Alternate Member: Category of Role Players	April 2014	Active	• LLB • BA	Law Governance and Oversight	GPSSBC	None	0

NAME	Designation (In terms of the Public Entity Board Structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the Entities)	Other Committees (e.g.: Audit Committee)	No. of AA Meetings Attended 2014/15 FY
Ms P Loyilane	Member: Category of Role Players	October 2014	Active	• MPhil in Disability Studies • Diploma • Introduction to Micro Computers	Gender and Disability Equality Governance and Oversight	• Commission For Gender Equality • Organisation of Disabled People • South African Disability Development Trust as Deputy Chairperson • Chairperson of the Eastern Cape Disability Development Trust • Board member of LARIMAR • Director of National Lotteries Board Director in the Amathole Economic Development Agency currently known as ASPIRE	None	3

NAME	Designation (In terms of the Public Entity Board Structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the Entities)	Other Committees (e.g.: Audit Committee)	No. of AA Meetings Attended 2014/15 FY
Dr E L McKinney	Alternate Member: Category of Role Players	October 2014	Active	• Diploma in Education • Further Diploma in Education • B.Ed (Honours): Educational Theory • Masters Degree in Education, Specialised Education; • Short Learning Programme: Introduction to Community Interpreting: • PhD: "The Employment Integration and Retention Experiences of People with Disabilities in South Africa"	Gender and Disability Equality Education Policy Governance and Oversight Research	• South African Disability Development Trust • Health Professions Council of South Africa • South African Council of Educators	None	2
Ms M Kola	Member- Organised Employer	April 2011	Active	• B.A. Honours • B.A. Education • Corporate Project Management Diploma	Employee Benefits Strategic and Operational Planning Results-based Management Performance Reporting	Chief Strategic Officer – Road Accident Fund	Executive Committee Finance Committee	1

NAME	Designation (In terms of the Public Entity Board Structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the Entities)	Other Committees (e.g.: Audit Committee)	No. of AA Meetings Attended 2014/15 FY
Ms B Lerumo	Alternate Member-Organised Employer	June 2014	Active	• Bachelor of Commerce • Postgraduate Diploma in Business Management	Budget & Financial Management		Executive Committee Finance Committee	3
Mrs A Williamson	Member-Organised Employer	May 2014	Resigned Effective October 2014 (Replaced Member, Mr.S. Mkhize appointed March 2015)		Human Resources Management Skills Development Strategic planning	N/A	Governance and Strategy Committee	1
Mr K E Mahoai	Alternate Member: Organised Employer	February 2014	Active	• MA(CSUS) • BA Paed • B.EdProgramme in Economics and Public Finance • Management Development Programme	Human Resource Management Financial Management Governance and Oversight	N/A	Governance and Strategy Committee	4
Mr D Mushwana	Member-Organised Employer	April 2011	Resigned Effective January 2015 (Replaced Member, Ms M. Jacobs and Alternate Member, Ms A. Ontong appointed in March 2015)	• B Juris • Secondary Teachers Diploma • Certificate in Economics and Public Finance	Strategic Planning Operational Management Public Administration Human Resources	N/A	Executive Committee Governance and Strategy Committee Discretionary Grants Sub-Committee	4

NAME	Designation (In terms of the Public Entity Board Structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the Entities)	Other Committees (e.g.: Audit Committee)	No. of AA Meetings Attended 2014/15 FY
Mr B Maduna	Member- Organised Employer	April 2011	Active	• B.Com Honours • CTA	Financial Management	N/A	Audit Committee	4
Ms S Oosterwyk	Alternate Member: Organised Employer	October 2014	Active	• Bachelor of Accounting Science Degree • Diploma in Business Administration • African Leadership Programme	Performance Reporting Governance and Oversight Public Service Management	N/A	Finance Committee	0
Mr T S Ndove	Member- Organised Employer	April 2011	Active	• Master in Business Leadership • Masters in Rural Systems Management • B Agric Honours • BA Agric • Diploma in Agriculture	Agriculture Management Public Administration and Management Governance and Oversight	N/A	Remuneration Committee Finance Committee Moderation Committee	4
Mr S Mkhize	Alternate Member: Organised Employer	April 2014	Active	• Masters in Business Administration • National Diploma in Accountancy • Advanced Diploma in Project Management	Financial Management Project Management	N/A	Finance Committee Remuneration Committee	0

NAME	Designation (In terms of the Public Entity Board Structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the Entities)	Other Committees (e.g.: Audit Committee)	No. of AA Meetings Attended 2014/15 FY
Dr A Mahapa	Member-Organised Employer	April 2011	Active	• PhD in Psychology • Masters in Psychology of Education • B.Ed in Education, Training and Development • Higher Education Diploma • PostGraduate Diploma in Labour Law • Secondary Teachers Diploma	International Relations Education Labour Relations Public Service Management	N/A	Remuneration Committee Governance and Strategy Committee	1
Mr P Sekawana	Alternate Member: Organised Employer	May 2014	Active	• Masters Diploma in Human Resources Management • Post Graduate Diploma in Company Directorship • Post Graduate Diploma in Business Management • B.Tech Honours Degree in BioMedical Technology • National Diploma in Medical Technology	Human Resources and Organisational Development	N/A	• Remuneration Committee • Governance and Strategy Committee	0
Mr M Shingange	Member: Organised Labour	July 2014	Active	Diploma Pharmacy Assistant	Labour Relations Union leadership	Vice Chairperson of Labour of the PHSDSBC	• Executive Committee • Remuneration Committee	2

NAME	Designation (In terms of the Public Entity Board Structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the Entities)	Other Committees (e.g.: Audit Committee)	No. of AA Meetings Attended 2014/15 FY
Mr T Mokheranyana	Alternate Member: Organised Labour	February 2014	Active	Matric	Labour Relations Union Leadership	N/A	• Executive Committee • Remuneration Committee • Moderation Committee	3
Mr S Kobese	Alternate Member: Organised Labour	July 2014	Active	• Diploma in Adult Education • Diploma in Distance Education • Senior Primary Teachers Diploma (SPTD)	Education Labour Relations Union Leadership	N/A	• Governance and Strategy Committee • Moderation Committee	3
Ms J Mahlobogoane	Member: Organised Labour	April 2011	Resigned effective 16 April 2014	• National Diploma: • Public Administration	Public Administration Labour Relations Union Leadership	N/A	• Executive Committee • Governance and Strategy Committee • Remuneration Committee • Disccretiaory Grants SubCommittee	2
Ms R J Mankoe	Alternate Member: Organised Labour	August 2014	Active	• Labour Relations	Labour Relations Union Leadership	N/A	• Executive Committee • Governance and Strategy Committee • Finance Committee	1

NAME	Designation (In terms of the Public Entity Board Structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the Entities)	Other Committees (e.g.: Audit Committee)	No. of AA Meetings Attended 2014/15 FY
Mr J Dladla	Member: Organised Labour	April 2011	Active	• Teachers Diploma • Leadership Development Certificate	• Corrections Services • Education • Labour Relations • Union Leadership		• Finance Committee • Remuneration Committee	3
Mr Z Skade	Alternate Member: Organised Labour	July 2014	Active	• B. Juris • Post Graduate Diploma in Labour Law	• Police Officer • Union Shop Steward • Labour Relations	N/A	• Finance Committee • Remuneration Committee	0
Mr L Gilbert	Member: Organised Labour	January 2012	Resigned effective August 2015. (Alternate Member, Mr.J. Van Blommeste appointed as Main Member)	• National Diploma in Personnel ManagementNational Higher Diploma in Personnel Management • Advanced Diploma: Labour Law	Collective Bargaining Labour Law Union Official	• Board of Trustees: PSA Pension fund • PSA Old Mutual Evergreen Pension Fund • PSA Training Committee • PSA Employment Equity Committee	Audit Committee	1
Mr J Van Blommestein	Main Member: Organised Labour	August 2014	Resigned effective March 2015 (Replaced Member Ms.I.Kuhn appointed in March 2015)		Labour Relations Union Official Collective Bargaining	N/A	Audit Committee	5
Ms O Chauke	Organised Labour	Appointment is effective as at April 2014	Active (Replacing Ms. P. Maseko)	• B.Com Law • LLB Degree	• Professional Attorney • Labour Relations	N/A	Audit Committee	5

Committees of the Accounting Authority

COMMITTEE	No. of Meetings Held	No. of Members	Name of Members	Alternate Members
Executive Committee	9	5 **1 Chairperson** **2** Organised Employer **2** Organised Labour Chairperson of Finance Committee attend EXCO by invitation	Mrs K Mashigo**: Chairperson**	
			Ms M Kola	Ms B Lerumo
			Mr D Mushwana: New Member: Ms M Jacobs	Ms A Ontong
			Mr M Shingange	Mr T Mokheranyana
			Ms JS Mahlobogoane	Ms RJ Mankoe
Audit Committee	13	6 **1 Chairperson** (Independent) **2** Members (Independent) **3** Members(Accounting Authority)	Ms P Mzizi : **Chairperson**	
			Mr P Mukheli (Independent)	
			Ms A Badimo (Independent & Resigned)	
			Mr P Dala (New Member) (Independent)	
			Mr B Maduna	
			Ms O Chauke	Mr I Fredericks
			Mr L Gilbert (Resigned) New Member: Ms I Kuhn	Mr J Van Blommestein (Resigned)
Governance and Strategy Committee	3	5 **1 Chairperson** **2** Organised Employer **2** Organised Labour	Mr D Mushwana **Chairperson**:	
			Dr A Mahapa	Mr P Sekawana
			Mrs A Williamson (New Member, Mr S Mkhize Appointed)	Mr KE Mahoai
			Ms JS Mahlobogoane	Ms R J Mankoe
			Main Member Position: Vacant	Mr S Kobese

COMMITTEE	No. of Meetings Held	No. of Members	Name of Members	Alternate Members
Finance Committee	5	**8** **1 Chairperson** **3** Employer Representative **2** Organised Labour 2 Specialist Members	Ms S Oodit: **Chairperson**	
			Ms S Oosterwyk	
			Mr T S Ndove	Mr S Mkhize
			Ms M Kola	
			Mr J Dladla	Mr Z Skade
			Ms RJ Mankoe	
			Ms J Meyer	
			Ms B Lerumo	
Remuneration Committee	3	**5** **1 Chairperson** **2** Organised Employer **2** Organised Labour	Ms JS Mahlobogoane: **Chairperson**	
			Mr M Shingange	Mr T Mokheranyana
			Mr J Dladla	Mr Z Skade
			Mr T Ndove	Mr S Mkhize
			Dr A Mahapa	Mr P Sekawana
Discretionary Grants Sub-Committee	2	**3** This is a Sub-Committee reporting directly to the Accounting Authority. The Sub-Committee is Composed of the Chairpersons of the Comiteees listed below: Finance; Remuneration; and Governance & Strategy	Mr D Mushwana : **Chairperson**	
			Ms S Oodit	
			Ms JS Mahlobogoane	
Moderation Sub-Committee	1	**4** This is a Sub-Committee reporting directly to the Accounting Authority by ensuring that: • Guidelines are developed to review compensation and Performance of Staff Members of the Organisation; and • Evaluating the Chief Executive Officer's performance against the Goals and Objectives	Members:	
			Mr TS Ndove	Remuneration Committee Representative
			Mr S Kobese	Governance and Strategy Representative
			Ms S Oodit	Finance Representative
			Mr T Mokheranyana	EXCO Representative

Remuneration of Members of the Accounting Authority:

The remuneration of the members of the Accounting Authority is in line with a circular issued (24 June 2014) and approved by National Treasury on the adjustment of the remuneration levels, service benefit packages for office bearers of certain statutory and other institution. Subsequent to a directive from the Minister of Higher Education and Training, the Accounting Authority reached the decisions listed below which were authorised by the Executive Authority:

- Members of the Accounting Authority are remunerated at the Category S rate for all meetings attended
- Members of the Accounting Authority are reimbursed for all out-of-pocket-expenses including travel (according to SARS annual kilometre rates) and accommodation costs

Meetings fees are paid based on hourly rates and is in line with the principles detailed in the National Treasury Circular dated 24/06/2014 as approved by Minister of Finance as follows:

- Sub Category S rates per hour
- Chairperson: R576
- Members: R448

The Accounting Authority's previous decision taken in August 2013 to reimburse only the Independent Chairperson was implemented in the year under review.

An Incentive Policy for the Accounting Authority has been put in place and approved for implementation in the 2015/16 financial year.

Remuneration of Members of the Audit Committee:

The remuneration of the PSETA Audit Committee was paid in line with NT instruction remuneration for non-official members: Commissions and Comittees of Enquiry and Audit Committee 24 June 2014.

The Accounting Authority approved the adjustment of the fees of the Audit Committee of PSETA was implemented, taking into consideration the approval granted by the Minister of Higher Education and Training on 27 January 2014. Independent Chairpersons' Meeting fee is R6 000 and the two Independent Members Meeting fees is R4 000 for all meetings (scheduled and special meetings) which included preparation and attendance.

Members are reimbursed for kilometres (KM) travelled according to SARS annual KM rate and also out-of-pocket expenses, including travel and accommodation costs. The Audit Committee was also reimbursed for other organisational adhoc activities.

Table: Members of the Accounting Authority that DID NOT CLAIM Remuneration for the Year Under Review:

Organised Employer Representatives	Organised Labour Representatives	Category of Other Role Players
Ms M Kola	Mr L Gilbert	Ms S Oodit
Ms Lerumo	Mr J Van Blommestein	Mr L Modise
Mrs A Williamson	Ms O Chauke	Ms P Loyilane
Mr K E Mahoai	Mr I Fredericks	Dr E McKinney
Mr D Mushwana	Mr M Shingange	
Dr A Mahapa	Mr Z Skade	
Mr P Sekawana		
Mr D Ndove		
Mr S Mkhize		
Ms S Oosterwyk		

Table: Members of the Accounting Authority Receiving Remuneration:

NAME	Board Fees	Private kilometers claimed	Total
	(R'000)	(R'000)	(R'000)
Mrs K Mashigo Chairperson of the Accounting Authority	73	9	82
Mr Kobese Member of the Accounting Authority	-	4	4
Mr Maduna Member of the Accounting Authority	-	2	2
Ms J S Mkhize (Known as Mahlobogoane) Member of the Accounting Authority	-	4	4
Mr Dladla Member of the Accounting Authority	-	2	3
Mr Mokheranyana Member of the Accounting Authority	-	2	3
Ms Mankoe Member of the Accounting Authority	-	1	1
Total	**73**	**24**	**97**

Table: Members of the Audit Committee Receiving Remuneration:

NAME	Audit Committee Fees	Private Kilometres claimed	Total
	(R'000)	(R'000)	(R'000)
Ms P Mzizi Audit Committee Chairperson	78	5	83
Ms A Badimo Audit Committee Member	12	1	13
Mr P Mukheli Audit Committee Member	44	5	49
Total	**134**	**11**	**145**

5. RISK MANAGEMENT

During the year under review, the PSETA requested the Office of the Accountant-General to assist with risk management processes, and an official was seconded to PSETA for a period of four months.

The PSETA has an approved Risk Management Strategy, Risk Management Policy and the Risk Management Plan and Charter. The committee reports quarterly to the Audit Committee on progress made in implementing the plan. The function has been capacitated by the appointment of a Strategic Support, Risk and Compliance Manager in the Office of the CEO, in March 2015.

Risk Management is embedded in the activities of each Manager and management has taken ownership of the implementation process in their respective departments.

Two risk assessment workshops were conducted during the year and an analysis of previously identified risks was performed. This process confirmed their relevance and both the strategic and departmental risk registers were updated with emerging risks identified.

6. INTERNAL CONTROL UNIT

The PSETA does not have an Internal Control Unit. Monitoring and establishment of effective Internal Control measures is a responsibility of each Divisional Head as well as all Managers. The Internal Audit function tests and evaluates the effectiveness of Internal Controls and reports to the Audit Committee during the year.

7. INTERNAL AUDIT

7.1 Internal Audit

7.1.1 Key Activities Objectives and Summary of Audit Work

The Accounting Authority has established an in-house internal audit function.

- Internal auditing is an independent, objective assurance and consulting activity that is designed to add value and improve an organisation's operations. It helps PSETA accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- During the period under review, the internal audit unit provided assurance on risk management; internal controls and governance processes through execution of the approved annual plan and additional requests. Our audits provided assurance and consulting in Performance Information reporting and planning, Supply Chain Management, Finance, Compliance and Human Resources. The following lists detail projects that were completed in the period under review.

  These were the audits that were executed in line with our operational plan

  - Audit of Quarter 1,2 and 3 of 2014/15 Performance Information;
  - Audit of Quarter 4 of 2013/14 Performance Information;
  - Follow-up of audit of petty cash;
  - Follow-up of Supply Chain Management;
  - Audit of Human Resources (2013/14 Ops plan)
  - Audit of the Performance Information System (2013/14 Ops plan)
  - Consulting engagement to advise management of latest prescripts and directives

The following were requests from the Audit Committee:

- A review of the Annual Report 2013/14
- A review of the revised 2014/15 Strategic Plan and Annual Performance Plan
- A review of the 2015/16 Strategic Plan and Annual Performance Plan
- A review of the compliance of the budget to the MTEF Framework

- During the financial year, the audit committee requested 4 critical audits to be done. These audits were requested to focus on risks concerning the quality assurance controls and the issues that were raised by the Auditor-General with regard to reliability and usefulness of performance information during the audit of 2013/14.
- Whilst the prioritizing of these audits derailed the completion of the annual operational plan by 5 audits, internal audit managed to add value by identifying control weaknesses and recommending quality assurance controls which have been implemented.
- In the coming financial year, internal audit has scheduled only 2 audits on the Quarterly Performance Information report in order to direct efforts at other high risk areas. Progress reporting to the audit committee will also be improved to ensure that they are alerted of the impact of ad-hoc requests.

7.2 Audit Committee

7.2.1 Key Activities Objectives

The Audit Committee (AC) is constituted in terms of section 77 of the PFMA, read with Chapter 9 of the Treasury Regulations in terms of the PFMA. The Audit Committee consists of six members, constituted as follows: three external experts including the chairperson with the requisite financial expertise, three Accounting Authority representatives with finance, business and legal experience, and executive management representatives (Chief Executive Officer, Chief Financial Officer, Chief Operations Officer and Corporate Services Executive) as ex-officio members. The size of the Audit Committee (AC) is influenced by the nature and extent of its responsibilities as covered in the Charter.

The Audit Committee has a Charter that outlines its terms of reference. The committee has satisfied itself of the expertise, resources and experience of PSETA's finance function.

The Audit Committee's functions, as contemplated in the PFMA, entails oversight of PSETA's integrated reporting that includes combined assurance, financial reporting, internal controls, internal audit, external audit, compliance with laws, regulations and ethics, risk management, IT governance and performance information. The Audit Committee Chairperson reports to the Accounting Authority on a quarterly basis or as and when required.

During the year under review, the Audit Committee considered, recommended and monitored matters pertaining to its Charter listed below:

- Audit Committee Charter reviewed, considered and approved by the Acounting Authority
- Audit Committee Work Plan considered and approved by the Audit Committee and shared with the Accounting Authority
- Implementation of the Audit Committee Recommendations and Resolutions by Executive Management, Audit Committee and the Accounting Authority
- Internal Audit Charter reviewed, considered and approved by the Audit Committee
- Audit methodology reviewed, considered and approved by the Audit Committee
- Rolling the Three-Year Strategic Audit Plan for the period ending 31 March 2015; and the One-Year

Operational Audit Plan for the period ending 31 March 2015 in compliance with Treasury Regulations 27.2.7 considered and approved by the Audit Committee

- Internal Audit quarterly and progress reports in line with the approved One-Year Opretaional Plan and the Three-Year Strategic Plan, considered and approved by the Audit Committee
- Internal Control Dashboard
- Management Quarterly Perfomance Information considered and recommended to the Accounting Authority for approval
- Financials Statements Quarter Reports considered and recommended to the Accounting Authority for approval
- External Audit Plan and fees for the year ending 31 March 2015 considered, noted and presented to the Accounting Authority
- Annual Report 2013/14
- Sector Skills Plan 2015/16 (Updated and Final Draft) reviewed and recommended to the Accounting Authority for approval
- Strategic Plan, Annual Performance Plan and Budget 2015/16 reviewed and recommended to the Accounting Authority for approval
- Auditor-General Audit Matrix for the 2013/14: Management Implementation and Progress Plans considered and reported to the Accounting Authority
- Business Continuity Management Policy approved by the Accounting Authority
- Risk Management, Reviewed Framework; Policy, Strategy and Implementation Plan; Risk Management Committee Charter, Risk Maturity Assessment of the Organisation, considered and approved by the Accounting Authority
- Implementation Plan of Phase two of the IT Framework. Fraud Management Reviewed Policy, Strategy and Plan
- Review of relevant Financial Policies (SCM Policy, Pettry Cash Policy, Investment Policy)
- NSF Reports
- Unauthorised, irregular, wasteful and fruitless expenditure and condonements
- Significance and Materiality Framework
- Annual Perfomance Plan and Budget for 2014/15 (Reviewed & Updated)
- Internal Audit Assessment 2013/14 considered by the Audit Committee and presented to the Accounting Authority
- Audit Committee and Internal Audit Function Annual Assessment 2014/15: In-Process
- MIS/QMS Integrated Project: SETA Management System
- 2013/14 Audit Report and Final Management Report
- IT consultant appointment

- National Skills Fund (NSF) outstanding liability
- ICT Plan: Implementation and Operational
- Audit Committee Reports to the Accounting Authority
- Compliance with laws and regulations: Legal and Complaince Assessement considered and recommended for approval by the Accounting Authority

Audit Committee Members

The tabled below discloses relevant information on the Audit Committee members

NAME	Qualifications	Internal or External	If Internal, Position in the Public Entity	Date Appointed	Date Resigned	No. of Meetings Attended
Ms P Mzizi	• B BusSci Hons • B Compt Hons • CA (SA) • B Com Hon in Transport Economics	External	N/A	October 2012	Active	13
Ms A Badimo	• BSc Computer Science • BSc Hons Computer Science • MSc Applied Science Electrical Engineering • Project Management Diploma • MBA	External	N/A	October 2012	Resigned August 2014	3

NAME	Qualifications	Internal or External	If Internal, Position in the Public Entity	Date Appointed	Date Resigned	No. of Meetings Attended
Mr P Dala	• Master of Information Technology • BSc Hons Computer Science • BA Information Technology • Certificates: - CISA - CISM - CISSP - PCI QSA - ISO 27001 - QAR - CGEIT - CEH - CHFI	External	N/A	March 2015	Active	3
Mr P Mukheli	• BCom (Accounting) • BCom Honours (Auditing)	External	n/a	October 2012	Active	13
Mr L Gilbert	• MPhil • National Diploma • National Higher Diploma in Personnel Management • Advanced Diploma in Labour Law	Internal	Member of the PSETA Accounting Authority (Employer)	Internal	Resigned August 2014	1
Ms O Chauke	• BCom Law • LLB	Internal	Member of the PSETA Accounting Authority (Employer)	March 2014	Active	6
Mr B Maduna	BCom Honours CTA	Internal	Member of the PSETA Accounting Authority (Employer)	Re-appointed January 2012	Active	8

8. COMPLIANCE WITH LAWS AND REGULATIONS

During the year under review, the following pieces of legislation were assessed for compliance:

- Public Finance Management Act, 1 of 1999 as amended by Public Finance Management Amendment Act 29 of 1999
- Basic Conditions of Employment Act, 75 of 1997 as amended by Basic Conditions of Employment Amendment Act of 2002
- Compensation for Occupational Injuries and Diseases Act, 130 of 1993
- Labour Relations Act, 66 of 1995
- Employment Equity Act, 55 of 1998
- Unemployment Insurance Contributions Act, 4 of 2002
- Occupational Health and Safety Act, 85 of 1993
- Skills Development Act, 97 of 1998
- Skills Development Levies Act, 9 of 1999
- Preferential Procurement Policy Framework Act, 5 of 2000,
- Preferential Procurement Regulations, 2011
- Broad-Based Black Economic Empowerment Act, 53 of 2003
- Promotion of Access to Information Act, 2 of 2000
- Promotion of Administrative Justice Act, 3 of 2000

In several pieces of legislation assessed, the entity reflects compliance. Plans are in place to address the non-compliances reported to date and this is being monitored.

9. FRAUD AND CORRUPTION

The PSETA has an approved Fraud and Anti-Corruption Strategy, Policy and a Fraud Prevention Plan. Fraud and corruption is intertwined with risk management and as such the RMC also directs the management of fraud and corruption. Management monitors progress made on fraud prevention through a fraud implementation plan. This plan is monitored and reported on quarterly when reviewing divisional performance.

The PSETA management has established a "DROP BOX" where individuals can report fraudulent activities without disclosing their identities. This facility is placed in a public area (reception) and only the CEO has access to it. Since inception, no incidents of fraud have been reported.

In addition to the above facility, an email address is established through which fraudulent activities could be reported. There was no reported case during the year that warranted investigation and management action.

10. MINIMISING CONFLICT OF INTEREST

Supply Chain Management is a highly regulated process within the PSETA environment. To minimise the Risk of Conflict of Interest, a form for Declaration of Interest is circulated to members of Bid Committees before the commencement of the meetings. To further enhance this process, management has acquired access into CIPC's database in order to verify the directors of the companies that do business with PSETA.

This principle also applies to meetings of the Accounting Authority, committees and staff of PSETA.

A register of close family members of staff is annually updated and monitored by the HR division.

Auditors requests the following for CAATS purposes annually:

- Details of all the employees and members of the Accounting Authority
- A list of all suppliers that received payments in the current financial period
- A list of close family members, partners and associates of the members of the Accounting Authority, management and SCM officials

11. CODE OF CONDUCT

The Accounting Authority is confident that individual members have conducted the PSETA's business and fiduciary responsibility by complying with legislation that regulates all activities of the SETA. The Accounting Authority has performed its functions fairly, honestly and in good faith by giving full effect to the obligations of the SDA and PSETA Constitution, Promoting the PSETA's reputation and goodwill and performing their duties conscientiously and in the best interest of the PSETA.

During the year under review, there was no case of misconduct nor negligence of duty from the members that required removal from office or termination of membership of the committees of the Accounting Authority. Members of the Accounting Authority have conducted themselves Ethically and in Accordance with the Principles of Good Governance, underpinned by the personal and professional characteristics outlined in Schedule 2 of the Constitution. The PSETA Accounting Authority adhered to its code of conduct.

12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The Occupational Health and Safety Policy (OHS) of the PSETA is in place. An internal OHS Committee has been established and is functioning.

13. BOARD SECRETARY

The PSETA has a Board Secretary. The role and responsibilities of the Board Secretary are in line with the PSETA Constitution outlined below:

- Ensure sound and proper arrangements that include travel and accommodation for the attendance of meetings by members of the Accounting Authority and committees
- Prepare quality agendas and take accurate minutes of meetings of the Accounting Authority and its committees
- Ensure proper compilation and timely circulation of the Accounting Authority papers/files (soft and hard paper files), and that meetings are held under proper conditions, with all the relevant paraphernalia available
- Obtain appropriate responses and feedback to specific agenda items and matters arising from the earlier meetings of the Accounting Authority and committee deliberations
- Ensure that proceedings of the Accounting Authority and committee meetings are properly recorded
- Maintain a tracking system for actions in relation to recommendations of committees and resolutions of the Accounting Authority
- Keep and maintain a record of the recommendations of the committees and resolutions of the Accounting Authority
- Assist with proper induction, orientation, ongoing training and education of members of commitees and the Accounting Authority
- Develop criteria for the annual Declaration and Conflict of Interests by members of the Accounting Authority and committees
- Advise the Accounting Authority on matters of good governance and how the Accounting Authority should properly discharge their responsibilities and duties in the best interest of the organisation
- Assist the Executive Authority with processes and procedures in relation to the appointment and replacement of members of the Accounting Authority outlined in the SETA Constitution
- Ensuring that the Accounting Authority and committee Charters/Terms of Reference are developed, considered, approved and kept up to date
- The Board secretary has direct channels of communication to the Chairperson of the Accounting Authority and Committee Chairperson, to provide comphrehensive, practical support and guidance, also supporting members of the Accounting Authority and comittees
- In addition to these duties, the Board secretary performs other duties as assigned and required by the Accounting Authority and committees

14. SOCIAL RESPONSIBILITY

The Public Service Sector Education and Training Authority expresses and demonstrates corporate social responsibility by acknowledging two annual philanthropic events in the South African calendar that are aligned with the business of PSETA. Namely, the Nelson Mandela Day and Take a Girl Child to Work Day.

14.1 Take a Girl Child to Work Day

Cell C encourages organisations to partner with them by hosting Grade 10-12 learners with the aim of exposing them to career opportunities within the different sectors and the world of work. This aims to expose learners to the job market as well as the chance to meet positive role models in their field of interest. In its eleventh year, the initiative has enjoyed unrivalled success as being the platform to address the needs and aspirations of girls of high school going age. In the year under review, the PSETA identified a school from the previously disadvantaged community of Soshanguve and in support of the Cell C 'Take a Girl Child to Work' initiative, hosted six female learners from Memezelo Secondary School under theme, **Dream. Believe. Achieve.** Six learners got the opportunity to work-shadow three managers on the day.

14.2 Nelson Mandela Day

On the 18th July 2014, a collaborative event with the Department of Higher Education and Training, SETAs and Gauteng Provincial Government was held at Sedibeng TVET , Sebokeng Campus to commemorate Nelson Mandela Day . The collaborative event is an annual event that is aimed at offering career information, guidance and advice to learners in secondary school. The event was held over four consecutive days with the Minister and selected Heads of SETAs offering their 67 minutes of career advice to a group of learners. At this year's event, the PSETA Accounting Authority Chairperson and CEO contributed their 67 minutes offering career information to a group of Grade 11 learners. The focus was on careers and learning opportunity across the Public Service sector. It was an interactive session between the learners and the PSETA principals.

The festival was launched in honour of Madiba at Letaba TVET College, Giyani, Limpopo in 2010. To date, the festival has been held in various provinces which include Lusikisiki, Eastern Cape in 2011; Taung, North West in 2012; and Welkom, Free State in 2013.

15. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2015.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 38 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in Accounting Policies and Practices.

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in PSETA revealed certain weaknesses, which were then raised with PSETA.

The following internal audit work was completed during the year under review:

- Audit of Quarter 1,2 and 3 of 2014/15 Performance Information;
- Audit of Quarter 4 of 2013/14 Performance Information;
- Follow up audit of Petty Cash;
- Follow up audit of Supply Chain Management;
- Review of the Annual Report 2013/14;
- Audit of Human Resources (2013/14 Ops Plan);
- Audit of the Performance Information System (2013/14 Ops Plan);
- Audit of the 2015/16 Strategic Plan and Annual Performance Plan;
- Review of the 2014/15 Strategic Plan and Annual Performance Plan;
- Review of the Compliance of the Budget to the MTEF Framework; and
- Consulting engagement on the latest Prescripts and Directives.

The following were areas of concern:

- Records Management within the PSETA;
- Contract Management;
- Reliability of Performance and Financial Information;
- Compliance with Laws and Regulations; and
- Effectiveness and Efficiency of the Human Resource Operations.
- Effective coordination of skills development interventions based on occupationally directed qualifications;
- Focusing on learning programmes; and

- Promoting learner placement and absorption within the public sector.

In-Year Management and Monthly/Quarterly Report

PSETA has reported quarterly to the National Treasury and the Executive Authority as is required by the PFMA.

Evaluation of Financial Statements

We have reviewed the Annual Financial Statements prepared by the entity.

Auditor General's Report

We have reviewed the entity's implementation plan for audit issues raised in the previous year and we are satisfied that the matters have been adequately resolved except for the following:

- NSF Deferred Income;
- Indicators and Targets that do not meet the SMART Principle;
- Services procured without following proper SCM processes;
- Payment made before commencement of the contract;
- Licences Expensed instead of being Capitalised;
- Fruitless and Wasteful expenditure;
- Annual Leave balances were incorrect; and
- IT related issues.

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the Audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.

....

MS P MZIZI CA (SA)

Chairperson of the Audit Committee

PSETA

03 August 2015

Part D

Human Resources Management Report

Improving State Capabilities through strategic innovative partnerships

PART D: HUMAN RESOURCE MANAGEMENT REPORT

1. INTRODUCTION

During the year in review, the Human Resources Department aimed to provide a professional and productivity-enabling support internally. A new organogram consisting of 64 positions that was approved by the Accounting Authority in the previous year, maintained nine frozen positions for the greater part of the year due to budgetary constraints. The entity has effectively had 50 funded positions for most of the year. Capacity was temporarily increased with the hosting of nine WIL/interns within the organisation. The learners gained valuable work experience which benefitted them personally, while providing a temporary increase in staffing capacity, which in turn benefitted the PSETA. The last of the learners left in February on expiration of their learnership agreements.

On 31 March 2015, the staff establishment consisted of 49 filled posts. Resignations in key positions were recorded. The COO resigned and her last working day was 31 January 2015. The post was advertised in February and a replacement is anticipated by June. The CSE's resignation followed soon therefter, but falls out of this reporting period as his last day of service was on 31 March 2015.

Staff Establishment (as at 31 March 2015)		
Positions	64	
Filled	49	
Frozen	0	
Vacant	15	Detail on these vacancies is explained in the tables that follow
TOTAL	**64**	

Positions additional to the establishment (as at 31 March 2015)		
WIL learners/Interns	0	
Temporary employees	1	One employee funded from NSF funds
TOTAL	**1**	

Overview of HR matters

The fact that all fixed term employment contracts end as at the 31 March 2016, must be taken into cognisance, for it has created a great deal of uncertainty among the PSETA employees. The PSETA cannot match higher salary offers by other employers when staff leave as it is not good practice to make counter-offers that are not bench-marked. The staff salaries were historically translated into total cost to company packages when staff was transferred from DPSA to the PSETA. Due to the relative youth of the PSETA as an independent entity, no alternative pay or salary structure and strategy was negotiated or considered yet. The result is currently a pay system that is not bench-marked against other similar organisations. The strategic leverage to retain key staff is thus lost to the organisation.

Further on the HR front, the division actively managed the employee disciplinary process, applying the PSETA Disciplinary Procedure and Code, as and when required. During the year under review, one verbal warning and three written warnings were issued to address discipline in the entity. One corrective counselling session was instituted to address and correct absenteeism.

The employee performance contracting process was completed in quarter one of the financial year. Every PSETA employee has a formal, legally binding performance agreement and notably, all performance reviews and appraisals were conducted. Performance bonuses for appraisals on the previous financial year were paid to qualifying employees.

Occupational Health and Safety training has been planned in the new year with a focus on first aid and fire drills. The Employment Equity Committee, which is responsible for the formulation of employment equity targets and the execution thereof, provided a report on the status of equity with current employees. The recruitment and selection panels have considered equity throughout the process. The limited training budget has been a constraint in training on Occupational Health and Safety.

HR policies were reviewed and new ones were approved by the AA, namely the Records Management Policy, the User Access Management Policy and Cellphone and 3G Card Policy. Training and refresher courses on the policies and legislation is planned for the new year. This should result in more user friendly policies that are implemented and reviewed in practice.

The training and development of staff as planned was achieved from the allocated budget. The lessons learnt from this is that training of groups of staff members at the same time and in the office is problematic for staff are not only focused on the training but are also attending to their daily work. This leads to divided attention and pressure from both the facilitators and managers which in turn compromises the training. In the future, the training must be done outside of the office, giving due consideration to reasonableness and cost efficiency, and individuals rather than larger groups will attend. The Workplace Skills Plan was submitted to the ETDP SETA as per the regulations and in turn the ETDP SETA provided a training opportunity for 10 staff members to attend a Project Management course offered by the University of Witwatersrand (WITS).

The Employee Wellness Programmes were considered and a draft Employee Wellness Programme was designed and submitted for consideration and input. The implications to outsource the wellness programme seems to be the most viable proposition with training remaining in the organisation. The programme will be taken forward in the new year.

Retention of staff

The licencing period and mandate of the PSETA up to 30 March 2016 has posed a challenge for staff retention and for the recruitment of new staff to vacant positions. A cursory analysis of applications to vacant positions reveal that fewer applications are received which is possibly due to the shorter period of employment of a year or less. The vacancies are more difficult to fill given the stringent recruitment processes with a long turn-around time of four months. On resignations, PSETA does not have the financial resources to make counter offers. Staff leave for jobs with greater certainty. The strategic risk to PSETA is that key staff cannot be retained while operationally the jobs must be performed to the expected standards, despite the lack of staff capacity to perform optimally. The risk to the sector is that there is a smaller pool of highly skilled and sought after individuals that push up the wage-bill as sector players compete for the same skills.

Clarity earlier rather than later, on the expected pronouncement on the mandate of the SETAs is the key solution that will help managers to strategically plan the desired human resource strategy and tactics with bench-marked salaries and benefits, to bring about stability in the organisation's staffing, thus helping to deliver its mandate successfully.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel by cost programme

Personnel costs for all employees are budgeted for under Corporate Services and thus the individual departments do not carry compensation costs.

LEVEL	Personnel Expenditure	% of Personnel Expenditure to Total Personnel Cost	No. of Employees	Average Personnel Cost per Employee
	(R'000)	(R'000)		(R'000)
	2014/15	2014/15	2014/15	2014/15
Top Management	4,171	20,4	4	1,043
Senior Management	4,615	22,6	9	513
Professional Qualified	4,677	23.2	12	395
Skilled	3,431	16,8	12	286
Semi-skilled	2,951	14,5	14	160
Unskilled	507	2.5	4	127
Total	**20,352**	**100%**	**55**	

Performance rewards

The performance rewards were budgeted for and paid in the 2014/15 financial year based on the appraisals and performance of the previous financial year (2013/14).

LEVEL	Performance Rewards	Personnel Expenditure	% of Performance Rewards to Total Personnel Cost
	(R'000)	(R'000)	(R'000)
Top Management	124	4,171	3%
Senior Management	58	4,615	1%
Professional Qualified	95	4,677	2%
Skilled	131	3,431	4%
Semi-skilled	66	2,951	2%
Unskilled	14	507	3%
Total	**488**	**20,352**	**2.4%**

Expenditure on Training

Staff training costs were budgeted for under Corporate Services and not by individual programme.

PROGRAMME ACTIVITY/ OBJECTIVE	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost	No. of Employees	Average Training Cost per Employee
	(R'000)	(R'000)	(R'000)		(R'000)
Skills Planning and Research	-	-	-	-	-
Learning Programmes	-	-	-	-	-
ETQA	-	-	-	-	-
Corporate Services	20,352	603	3.0%	49	12
Finance	-	-	-	-	
Governance	-	-	-	-	-
Projects	-	-	-	-	-
Total	**20,352**	**603**	**3**		**12**

Approved Posts by Post Level and Vacancy Rates

The indicated vacancy rates as indicated are for all approved posts, although not all posts were filled in order to contain personnel costs.

LEVELS	2013/2014 No.of employees	2014/2015 Approved posts	2014/2015 No.of employees	2014/2015 Vacancies	% of vacancies	Comments
Top Management	4	4	3	1	25%	The COO position became vacant on 1 February 2015. The post was advertised but not yet filled by the end of the financial year
Senior Management	4	10	9	1	10%	The Financial Manager's post was vacant due to the transfer of the manager to the newly created post of Marketing and Communications Manager
Professional Qualified	10	14	11	3	21,42%	The Financial Accountant, Trades and Artisan Specialist and Projects Specialist positions are vacant
Skilled	12	17	12	5	29,41%	The vacancies are PA to COO, ETQA Officer (X2), Projects Officer and Learning Programmes Officer.
Semi-skilled	13	15	11	4	26,66%	Vacancies are Payroll Administrator, ETQA Administrator, Learning Programmes Administrator and Skills Planning Administrator
Unskilled	3	4	3	1	25%	The vacancy is for the Security Guard
Total	**46**	**64**	**49**	**15**	**23,43%**	

Employment changes

The list includes all staff movements including one termination as a result of a shorter duration fixed term contract but excludes the interns that are not counted as staff.

SALARY BANDS	Employment at the Beginning of Period	Appointments	Terminations	Employment at the End of the Period
Top Management	4	0	1	3
Senior Management	3	6	0	9
Professional Qualified	9	2	1	10
Skilled	12	2	2	12
Semi-skilled	12	4	4	12
Unskilled	3	0	0	3
Total	**43**	**14**	**8**	**49**

Vacancy rates for the year by Business Units:

The vacancy of the COO has been factored in under Learning Programmes for the convenience of calculating vacancy rates. The COO has oversight over four units viz. Skills Planning and Research, Learning Programmes, ETQA and Projects and is not placed in any of the four units.

PROGRAMME ACTIVITY/ OBJECTIVE	2012/13 No.of employees	2014/15 Approved posts	2014/15 No.of employees	2014/15 Vacancies	% of vacancies	Comment
Office of the CEO	3	4	4	0	0%	Board secretary added to this group for statistical convenience
Internal Audit	3	3	3	0	0%	Stable
Skills Planning and Research (SP&R)	6	7	6	1	14,28%	SP&R Administrator is vacant
Learning Programmes (LP)	7	11	7	4	36,36%	The COO post has been factored into this unit for convenience for statistical purposes. The Trades and Artisan Specialist, LP Officer and LP Administrator posts are vacant

PROGRAMME ACTIVITY/ OBJECTIVE	2012/13 No.of employees	2014/15 Approved posts	2014/15 No.of employees	2014/15 Vacancies	% of vacancies	Comment
ETQA	7	9	5	4	44,44%	1 ETQA Specialist, 2 ETQA Officers and 1 ETQA Administrator posts are vacant
Corporate Services	13	15	13	2	13,33%	Security Officer and Communications Specialist post are vacant
Finance	9	9	6	3	33.3%	2 Vacancies arose due to transfer and 1 Payroll Administrator post is vacant
Projects	6	6	5	1	16,66%	Projects Officer post is vacant
Total	**64**	**64**	**49**	**15**	**23,43%**	Vacancy rate for the year

Reasons for staff leaving

The list includes all staff movement as per establishment excluding the interns.

Reason	Number	% Total No. of Employees Leaving
Death	1	20%
Resignation	3	60,%
Dismissal	-	-
Retirement	-	-
Ill Health	-	-
Expiry of Contract	1	20%
Other	-	-
Total	**5**	**100%**

The staff who resigned, generally did so because of better financial prospects and better conditions of service in the receiving organisations. In particular, some accepted permanent positions as opposed to the fixed-term employment that is offered by PSETA in accordance with the PSETA licence. PSETA has a four-month turnaround time for filling vacant positions in the organisation.

Labour Relations: Misconduct and Disciplinary Action

Verbal Warning	1
Written Warning	3
Final Written Warning	0
Dismissal	0
Total	**4**

Equity Targets and Employment Equity Status as at 31 March 2015

The list includes all staff excluding a temporary employee funded from NSF funds and interns hosted in the year.

LEVELS	Male							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	-	1	-	1	-	-
Senior Management	2	2	1	1	-	1	-	-
Professional Qualified	3	3	-	2	-	-	-	1
Skilled	3	4	-	1	-	1	-	-
Semi-skilled	4	4	-	-	-	1	-	-
Unskilled	1	1	-	1	-	-	-	-
Total	**14**	**15**	**1**	**6**	**-**	**4**	**-**	**1**

LEVELS	Female							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	-	-	-	1	1	-	-
Senior Management	5	3	-	1	1	-	-	1
Professional qualified	8	6	-	1	-	1	-	-
Skilled	9	8	-	1	-	1	-	1
Semi-skilled	7	9	-	-	-	-	-	1
Unskilled	2	2	-	1		-	-	-
Total	**32**	**28**	**-**	**4**	**2**	**3**	**-**	**3**

LEVEL	Disabled Staff			
	MALE		FEMALE	
	Current	Target	Current	Target
Top Management	-	1	-	-
Senior Management	-	1	-	1
Professional qualified	-	-	-	1
Skilled	-	-	-	-
Semi-skilled	-	-	-	1
Unskilled	-	-	-	-
Total	**-**	**2**	**-**	**3**

Employment Equity

The preceding tables on race and disability indicate that the PSETA has not done well on employment equity. The expected re-licencing and more secure income will assist the PSETA to deal with these requirements in the future. The advertised posts did not specifically target employment equity. The design of the advertisements will be reviewed to include this aspect to attract candidates that meet equity requirements.

Part E

Financial Information

Improving State Capabilities through strategic innovative partnerships

PART E:
FINANCIAL INFORMATION

Public Service SETA

INDEX

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE PUBLIC SERVICE SECTOR EDUCATION AND TRAINING AUTHORITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Public Service Sector Education and Training Authority (PSETA) set out on pages 104 to 157, which comprise the statement of financial position as at 31March2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the separate financial statements

2. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practices (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA) and the Skills Development Act, 1998 (Act No. 97 of 1998) (SDA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

REPORT OF THE AUDITOR-GENERAL (CONTINUED)

Basis for qualified opinion

Deferred income liability

6. I was unable to obtain sufficient appropriate audit evidence for the conditional grant expenditure and related deferred income liability of R4,618 million (2014: R4,618 million) as management did not maintain proper accounting records. I was unable to confirm the expenditure and deferred income liability by alternative means. Consequently, I was unable to determine whether any adjustments to the conditional grant expenditure and deferred income liability were necessary.

Qualified opinion

7. In my opinion, except for the possible effects of the matter described in the basis of qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the PSETA as at 31March2015 and its financial performance and cash flows for the year then ended, in accordance with the Standards of GRAP and the requirements of the PFMA and the SDA.

Emphasis of matters

I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 19 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of errors discovered during the year ended 31 March 2015 in the financial statements of PSETA at, and for the year ended, 31 March 2014.

Material underspending of the budget

9. As disclosed in the statement of comparison of budget and actual amount, the entity has materially underspent the budget to the amount of R86,7 million. This is due to the fact that the SETA had received a large amount in levies towards the end of the financial period.

SETA re-establishment

10. As disclosed in note 28 to the financial statements, the PSETA's licence expires on 31 March 2016. As at 31 March 2015 the minister of Higher Education and Training had not made a pronouncement on renewal of the SETA licences beyond 31 March 2016.

REPORT OF THE AUDITOR-GENERAL (CONTINUED)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the public entity for the year ended 31March2015:

    - Programme 1: Skills planning and research, on pages 33 to 34
    - Programme 2: Learning programmes, on pages 35 to 40
    - Programme 3: Education, training and quality assurance, on pages 41 to 42
    - Programme 7: Projects, on pages 52 to 53

13. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

14. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned [programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. The material findings in respect of the selected programmes are as follows:

Programme 1: Skills planning and research

Reliability of reported performance information

17. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Overall, 50% of the targets were not reliable because we identified material misstatements for 50% of the targets.

REPORT OF THE AUDITOR-GENERAL (CONTINUED)

This was due to a lack of monitoring of the completeness of source documentation in support of actual achievements and infrequent review of the validity of reported achievements against source documentation.

Programme 7: Projects

Usefulness of reported performance information

18. The FMPPI requires indicators to relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives. A total of 40% of the indicators did not relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives as per the annual performance plan.

This was due to proper performance planning and management practices not being developed and/or implemented to provide for the development of performance indicators and targets included in the annual performance plan.

19. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:

    - Programme 2: Learning programmes, on pages 35 to 40
    - Programme 3: Education, training and quality assurance, on pages 41 to 42

Additional matter

20. I draw attention to the following matter:

Achievement of planned targets

21. Refer to the annual performance report on page(s) 33 to 53 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected programmes reported in paragraph(s) 17 to 18 of this report.

Compliance with legislation

22. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

REPORT OF THE AUDITOR-GENERAL (CONTINUED)

Annual financial statements, performance and annual reports

23. The accounting authority did not ensure that the public entity has and maintains effective, efficient and transparent systems of financial and risk management and internal controls, as required by section 51(1)(a)(i) ofthe PFMA.

24. The SETA did not comply with section 55(1)(a) and (b) of the PFMA as it did not keep full and proper records of the financial affairs of the entity and prepare financial statements in accordance with Standards of GRAP. Material misstatements were identified during the audit and those that were not corrected are included in the basis of qualified opinion.

Expenditure management

25. The accounting authority did not take reasonable steps to prevent irregular expenditure, as required by section 51(1) (b)(ii) of the PFMA.

Internal control

26. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

27. Leadership and oversight deficiencies resulted in failure to ensure compliance with laws and regulations, as evidenced by the misstatements identified in the financial statements and performance reporting.

Financial and performance management

28. Management did not perform proper review functions to ensure compliance with laws and regulations, as evidenced by the misstatements identified in the financial statements and financial reporting.

REPORT OF THE AUDITOR-GENERAL (CONTINUED)

Other reports

Investigations

29. As per the presidential proclamation in *Government Gazette No. 35860*, the Special Investigations Unit (SIU) was tasked to investigate matters relating to the fraudulent activities that occurred in the 2005-06 financial year. This was as a result of misappropriation of funds granted to the PSETA by the National Skills Fund for project-related expenses in executing its mandate.

30. The SIU has completed the investigation and is awaiting sign-off from the presidency before issuing the final report.

Auditor General

....

Sign as Auditor-General

31 July 2015

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Accounting Authority is required by the Public Finance Management Act, 1 of 1999, to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the members to ensure that the Annual Financial Statement fairly present the state of affairs of the entity as at the end of the financial year and the result of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Authority acknowledges that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the Accounting Authority sets standards for internal controls aimed at reducing the risk of error or deficit in a cost effective manner. The standards include proper delegations of responsibilities within a clearly define framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2015 and is expected to conduct a further review as National Treasury, DPSA and DHET are finalising the full implementation of the Directive on utilisation of 1% of the training budgets by government departments. In light of these reviews, the Accounting Authority is confident that the entity will have access to sufficient resources.

The entity is dependent on the grant issued by the Department of Public Service and Administration for continued funding of its operations. The Annual Financial Statements are prepared on the basis that the entity is a going concern and that the National Treasury has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

The Annual Financial Statements which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 March 2015 and signed on its behalf by:

....

MRS K. MASHIGO

31 July 2015

Statement of financial position *as at 31 March 2015*

	Note	Mar-15 R'000	Mar-14 Restated R'000
ASSETS			
Current assets		**67,417**	**27,908**
Trade and other receivables from exchange transactions	2	**587**	103
Trade and other receivables from non-exchange transactions	3	**555**	11
Cash and cash equivalents	4	**104**	3
		66 171	27,791
Non-current assets	5	**2,557**	**975**
Property, plant and equipment	6	**1 517**	791
Intangible assets		**1,040**	184
TOTAL ASSETS		**69 974**	**28,883**
LIABILITIES			
Current liabilities		**13 513**	**15,513**
Exchange transactions		**3 764**	**5,223**
Trade and other payables from exchange transactions	7	**3 430**	5,185
Operating lease liability		**334**	38
Non-exchange transactions		**9 153**	**9,763**
Grants and transfers payable	8	**2 279**	2,493
SARS Payable	9	**124**	104
Deferred Income Liability – NSF	10.2	**5 947**	4,980
Deferred Income Liability – CIP	11	**803**	2,186
Provisions from exchange transactions	12	**596**	**527**
TOTAL LIABILITIES		**13 513**	**15,513**
NET ASSETS		**56 461**	**13,370**
Funds and reserves			
Administration reserve		**2 557**	975
Discretionary reserve		**53 904**	12,395
NET ASSETS		**56 461**	**13,370**

Statement of financial performance *for the period ended 31 March 2015*

	Note	Mar-15 R'000	Mar-14 Restated R'000
REVENUE			
Revenue from non-exchange transactions		**87 926**	**54,431**
Skills Development Levy: Income	13.1	**52 335**	22,716
Skills Development Levy: penalties and interest	13.2	**195**	43
Transfers from other government entities – DPSA		**24 706**	23,308
NSF Projects realised income		**9,307**	7,550
CIP projects realised income		**1,383**	814
Revenue from exchange transactions		**195**	**48**
Investment income	14.1	**154**	48
Other Income	14.2	**41**	-
TOTAL REVENUE		**88,121**	**54,479**
EXPENSES			
Employer grants and project expenses	15	**1,560**	6,374
Administration expenses	16	**9,826**	8,622
Audit Fees		**1 539**	628
Cost of Employment	16.1	**20 352**	18 555
Depreciation and Amortisation		**452**	431
Repairs and Maintenance		**608**	409
Impairment		**3**	8
NSF Projects expenses		**9,307**	7,550
CIP Project Expenses	11	**1,383**	814
Total Expenses		**45,030**	**43,391**
NET (DEFICIT)/SURPLUS FOR THE ANNUAL	**17**	**43,091**	**11,088**

Statement of changes in net assets *for the period ended 31 March 2015*

	Notes	Administration reserve R'000	Employer grant reserve R'000	Discretionary reserve R'000	Accumulated surplus R'000	Total R'000
Balance as at 01 April 2013		572	-	1,710	-	2,282
Surplus for the year as restated					**11,088**	**11,088**
Surplus as previously stated					11,093	11 093
Intangible Asset	19.1				59	59
Prior year depreciation expense	19.2				(1)	(1)
Prior year travel expense	19.3				(28)	(28)
Prior year leave adjustment	19.4				76	76
Board Fees Adjustment	19.5				(5)	(5)
Consumables Adjustment	19.6				3	3
Levy Income Adjustment	19.7				(109)	(109)
Allocation of non-appropriated surplus as restated		(5,271)	(384)	16,743	(11,088)	-
Employer grant reserves transferred to discretionary reserves restated		-	384	(384)	-	-
Excess admin reserve transferred to discretionary reserves restated		5,674	-	(5,674)	-	-
Balance as at 01 April 2014 restated		**975**	**-**	**12,395**	**-**	**13,370**
Surplus/(deficit) for the year		-	-	-	43,091	43,091
Allocation of unappropriated surplus for the year	17	8,581	1,019	33,491	(43,091)	-
Administration and employer grant reserves transferred to discretionary reserves		-	(1,019)	1,019	-	-
Excess admin reserve transferred to discretionary reserves		(6,999)	-	6,999	-	-
Balance at 31 March 2015		**2,557**	**-**	**53,904**	**-**	**56,461**

Cash flow statement *for the period ended 31 March 2015*

	Note	Mar-15	Mar-14 Restated
		R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating activities			
Cash receipts from stakeholders		**85 486**	**46 176**
Levies, interest and penalties received		**50 611**	22 868
Government grants and donor funding		**24 706**	23 308
Other cash receipts from stakeholders		**10 169**	-
Cash paid to stakeholders , suppliers and employees		**(44 996)**	**(38 130)**
Grants and project payments		**(1564)**	(6 374)
CIP Expenditure		**(1383)**	(814)
Special projects		**(8,854)**	(7 590)
Compensation of employees		**(20 263)**	(18 631)
Payments to suppliers and other		**(12 932)**	(4 721)
		-	
Cash generated/(utilised) in operations	18	**40 490**	**8 046**
Interest received		**154**	48
SARS interest received/(paid)		**-**	21
Net cash outflow from operating activities		**40 644**	**8 115**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1 277)**	(385)
Purchase of intangible assets		**(987)**	(233)
Proceeds on disposal of PPE		**-**	-
Net cash outflow from investing activities		**(2 264)**	**(618)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Government grants and donor funding		**-**	-
Net cash outflow from financing activities		**-**	-
Net increase in cash and cash equivalents		**38 380**	7 497
Cash and cash equivalents at the beginning of the year		**27 791**	20 294
Cash and cash equivalents at the end of the year		**66 171**	**27 791**

Statement of comparison of budget and actual amounts

for the period ended 31 March 2015

	Approved budget	Adjustments	Final Budget	Actual Amounts on comparable basis	Difference between final budget and actual	Reference
	R'000			R'000	R'000	
Revenue from non-exchange transactions	**133,086**		**133 086**	**87,926**	**45,160**	
Skills Development Levy: income	2 000	-	2 000	4 639	(2 639)	Note 25.1
Skills Development Levy: income, interest & penalties	-	-	-	195	(195)	Note 25.1
Levies from departments	68 449	-	68 449	47 696	20 753	Note 25.2
Transfers from other government entities	24,706	-	24,706	24 706	-	
NSF Projects realised income	37,931	-	37,931	9,307	28,624	Note 25.3
CIP Projects realised income	-	-	-	1,383	(1,383)	Note 25.4
Revenue from exchange transactions	**-**	**-**	**-**	**195**	**(195)**	
Investment income	-	-	-	154	(154)	Note 25.5
Other income	-	-	-	41	(41)	
Total revenue	**133,086**		**133 086**	**88 121**	**44 965**	

Statement of comparison of budget and actual amounts
for the period ended 31 March 2015

	Approved budget	Adjustments	Final Budget	Actual Amounts on comparable basis	Difference between final budget and actual	Reference
	R'000			R'000	R'000	
EXPENSES						
CIP Expenses	-	-	-	1 383	(1383)	Note 25.4
Compensation to Employees	24 040	1 500	25 540	20 352	5188	Note 25.6
Communications	936	112	1 048	1 037	11	
Computer Services	1679	241	1920	372	1548	Note 25.6
Consultants, contractors and special services	2 547	(596)	1 951	2 098	(147)	Note 25.8
Maintenance and repairs	296	-	296	360	(64)	
Operating Lease	2 952	(792)	2 160	2 460	(300)	Note 25.7
Travel & Subsistence	1 430	238	1 668	1 321	347	Note 25.6
Specify: Skills planning	1 970	(10)	1 960	1 560	400	Note 25.6
Operating expenses	3 691	(276)	3 415	4 037	(622)	Note 25.6
Printing	576	(33)	543	309	234	Note 25.6
Catering	86	251	337	263	74	
Venues	35	190	225	171	54	
Universities and technikons	52 818	-	52 818	-	52 818	Note 25.6
Public Corporations and Private Enterprises	37 931	-	37 931	9 307	28 624	Note 25.3
Total expenses	**130,987**	**825**	**131,812**	**(45,030)**	**86 782**	
Net (deficit)/ surplus	**2,099**	**(825)**	**1274**	**43 091**	**(41,817)**	

1. ACCOUNTING POLICIES

1.1 Basis of preparation and Going concern assumption

The principle accounting policies adopted in the preparation of these Annual Financial Statements are set out below and are, in all material aspect, consistent with those of the prior year, except as otherwise indicated.

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost basis, except where adjusted for present/fair values as required by the respective accounting standards.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

1.2 Currency and level of rounding

These financial statements are presented in South African Rand since it is the currency in which the majority of the entity transactions are denominated. Furthermore, all figures presented are rounded to the nearest thousand.

1.3 Revenue recognition

1.3.1 Revenue from non-exchange transactions

Non-exchange revenue transactions result in resources being received by PSETA, usually in accordance with a binding arrangement. When PSETA receives resources as a result of a non-exchange transaction, it recognises an asset and revenue in the period that the arrangement becomes binding and when it is probable that PSETA will receive economic benefits or service potential and it can make a reliable measure of the resources transferred.

Where the resources transferred to PSETA are subject to the fulfilment of specific conditions, it recognises an asset and a corresponding liability. The assets and the corresponding liability are measured at fair value on initial recognition. Subsequently, any interest that accrues from resources transferred to PSETA before the fulfilment of conditions are capitalised to the liability. As and when the conditions are fulfilled, the liability is reduced and revenue is recognised.

The asset and the corresponding revenue are measured on the basis of fair value of the asset on initial recognition. Non-exchange revenue transactions include the receipt of levy income from Department of Higher Education Training, income from National Skills Funds and contributions received from government departments for which PSETA qualifies as the line function seta.

1.3.1.1 Levy income

The PSETA recognises levy income on receipt. The accounting policy for the recognition and measurement of skill development levy income is based on the Skills Development Act (SDA), Act 97 of 1998, as amended, and the Skills Development levies Act (SDLA), Act 9 of 1999, as amended. In terms of section 3 (1) and 3 (4) of the SDLA (1999) as amended, registered member companies of the SETA pay a Skills Development Levy of 1% of the total payroll cost to the South African Revenue Services (SARS), who collect levies on behalf of the Department. Companies with an annual payroll cost less than R500 000 are exempted in accordance with section 4 (b) of the SDLA (1999) as amended, effective 1 August 2005.

80% of Skills Development levies are paid over to the SETA (net of the 20% contribution to the NSF). The SETA was not in a position to verify that SARS has collected all potential SDL income. Revenue is adjusted for transfers between the SETAs due to employers changing SETAs. Such adjustments are separately disclosed as inter-seta transfers. The amount of the inter-seta adjustment is calculated according to the most recent standard operating procedure issued by DHET. SDL transfers are recognised on an accrual basis when it is probable that future economic benefits or service potential will flow to the SETA and these benefits can be measured reliably.

This occurs when the DHET makes an allocation to the PSETA as required by section 8 of the SDLA (1999) as amended.

In terms of the DPSA circular, circular HRD 1 of 2013, all departments are required to set aside a minimum of 1% of the total department’s annual personnel budget for training and development of its personnel and potential employees. 30% of this amount is appropriated to the seta with which the department is affiliated. For departments belonging to more than one seta the 30% levy is apportioned proportionally. PSETA receives contributions in this regard from national and provincial departments and public entities. PSETA was not in a position to verify that the amounts received from the relevant departments were accurate.

1.3.1.2 Interest and Penalties

Interest and penalties received on the SDL are recognised on the accrual basis.

1.3.1.3 Funds allocated by the NSF for special projects

Funds transferred by the NSF are accounted for in the Financial Statements of the SETA as a liability until the related conditions are met. The liability is reduced by any project expenditure incurred and recognised as revenue. Property, plant and equipment acquired for National Skills Fund special projects are capitalised in the financial statements of the SETA, as the SETA has full control of such asset.

1.3.2 Revenue from exchange transactions

Revenue from exchange transactions is recognised when it is probable that future economic benefits or service potential will flow to the SETA and these benefits can be measured reliably. Revenue is measured at the fair value of the considerations received or receivable. The only exchange revenue received by PSETA is the interest earned on the investment. Unconditional grants received are recognised when the amount have been received.

1.3.2.1 Investment income

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

1.4 Grants and project expenditure

In terms of the Grant Regulations, registered employers may recover 20% of levy payments (excluding interest and penalties) in the form of mandatory grants provided they timeously submit the documents prescribed in terms of grants regulations specified in the section dealing with monies received and related matters.

In addition registered employers that participate in training initiatives prescribed in the National Skills Development Strategy (2005-2010), as extended by the Department of Higher Education and Training can apply for and be granted discretionary grants to supplement their training costs.

Mandatory grants

Mandatory grant payable and the related expenditure are recognised when the employer has submitted an application for a grant in the prescribed format within the legislated cut-off period and the application has been approved as the payment then becomes probable. The grant is equivalent to 20% of the total levies paid by the employer during the corresponding financial period for the skills planning and annual training report grants.

Retrospective amendments by SARS

The PSETA calculates and pays mandatory grants to employers based on the information from the Department of Higher Education and Training as obtained from SARS. Where SARS retrospectively amends the information on levies collected, it may result in grants that have been paid to certain employers that are in excess of the amount the PSETA is permitted to have granted to employers. A receivable relating to the overpayment to the employer in earlier periods is raised at the amount of such grant overpayments, net of bad debts and provisions for irrecoverable amounts.

The receivable is measured at the net present value of the expected future cash inflow as determined in accordance with the PSETA policy on debtors' management and is based on the actual overpayments.

Discretionary grants and project expenditure

The PSETA may in terms of the Grant Regulations, out of funds set aside for discretionary and projects, investment income and any surplus monies from administration allocation and unclaimed mandatory grants, determine and allocate discretionary grants to employers, education and training providers and workers of the employers. The allocations of discretionary grants and projects are dependent on employers submitting the prescribed application, in the prescribed format and within the prescribed cut-off period. The discretionary grant and project expenditure payable and the related expenditure are recognised when the application has been approved and the conditions for grant payment, as set out in the PSETA grants policy have been met.

The liability is measured at the net present value of the expected future cash outflow as determined inaccordance with the Act and the grant regulations and is based on the amount of levies received, investment income and surplus monies from administration allocations and unclaimed mandatory grants.

Project expenditure comprises:

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

Such costs are allocated using methods that are systematic and rational and are applied consistently to all costs having similar characteristics.

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

Discretionary grants and project costs are recognised as expenses in the period in which they are incurred. A receivable is recognised net of a provision for irrecoverable amounts for incentive and other payments made to the extent of expenses not yet incurred.

1.5 Prepayments

The PSETA may, in certain instances in contracting with SMMEs and when required by the terms of the contract of a services provider, make advance payments.

1.6 Unauthorised expenditure

Unauthorised expenditure means the overspending of a vote or a main division within a vote; or expenditure that was not made in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

1.7 Irregular expenditure

Irregular expenditure comprises expenditure, other than unauthorized expenditure, incurred in contravention of, or that is not in accordance with a requirement of any applicable legislation, including:

- the PFMA,
- the State tender Board Act, 1968; or any provincial legislation providing for the procurement procedures in that provincial government
- The Skills Development Act,
- The Skills Development Levies Act

1.8 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All irregular, fruitless and wasteful expenditure is charged against the respective expenditure class in the reporting period in which it is incurred and disclosed in the notes to the financial statements of the reporting period that it has been identified.

1.9 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- and the cost of the item can be measured reliably.

Property, plant and equipment (owned and leased in terms of finance leases) are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

1.9.1 Key accounting judgments

In the application of the PSETA's accounting policies management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The financial effects of the reviews to accounting estimates are recognised in the period in which the estimates are reviewed if the revision affects only that period or in the period of the review and future periods if the review affects both current and future periods.

The Seta reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period, refer to note number 4.

The following average useful lives are used in calculation of depreciation:

Computer Equipment	3 years
Fixtures and Fittings	10 years
Furniture and Equipment	6 years
Motor Vehicles	5 years

1.10 Intangible Assets

An asset is identified as an asset when it:-

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with related contract, asset or liability or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations

An intangible asset is recognised when:-

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity and
- the cost or fair value of the asset can be measured reliably

Intangible assets are initially recognised at cost. An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from the development (or the development phase of an internal project) is recognised when:-

- it is technically feasible to complete the asset so that it will be available for use or sale
- there is an intension to complete and use or sell it
- there is an ability to use or sell the asset
- it will generate probable future economic benefits or service potential
- there are available technical, financial and other resources to complete the development and to use or sell it
- the expenditure attributable to the asset during its development can be measured reliably

Internally Generated Software programmes are initially recognised at cost. Intangible assets with indefinite useful lives, if any, are not amortised but tested for impairment annually and impaired if necessary.

Purchased software: software licenses are carried at cost less accumulated amortisation and impairment. Software is amortised over its useful life on a straight line basis.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash-flows or service potential.

Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over its useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with finite useful life after it was classified as indefinite is an indicator that the asset may be impaired as is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. Amortisation is provided to write down an intangible assets on a straight line basis to their residual values.

Intangible assets are derecognised when:-

- on disposal or
- when no future economic benefits or service potential are expected from its use or disposal

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

An average useful life of 2 years is used when calculating the amortisation of intangible assets.

1.11 Leasing

1.11.1 Operating leases

Operating leases are leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset, title may not eventually be transferred.

Lease payments under operating lease are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the PSETA's benefit.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.12 Provisions

Provisions are recognised when the PSETA 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. The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Long-term provisions are discounted to net present value.

1.12.1 Provision for employee entitlements

The cost of other employee benefits (not recognised as retirement benefits) is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. An accrual is raised for the estimated liability as a result of services rendered by employees up to the reporting date.

1.12.2 Other provisions

Provisions included in the Statement of Financial Position are provisions for leave and performance awards. Provisions for leave are based on current salary rates and leave days due at the reporting period. Provisions for performance awards are based on estimated performance levels and salary rates prevalent at the reporting date.

Termination benefits are recognised only when the payment is made.

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

1.13 Contingent Liabilities

Contingent Liabilities arise when the PSETA has a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the PSETA.

Disclosed amounts in respect of contingent liabilities are measured on the basis of the best estimate, using experience of similar transactions or reports from independent experts.

1.14 Financial instruments

Recognition

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

1.14.1 Financial assets

1.14.1.1 Investments and loans

The following categories of investments are measured at subsequent reporting dates at amortised cost by using the effective interest rate method if they have a fixed maturity, or at cost if there is no fixed maturity:

- Loans and receivables
- Held-to-maturity investments;
- An investment that does not have a quoted market price in an active market and whose fair value cannot be measured reliably.

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as a fair value through profit or loss, which are initially measured at fair value.

Investments other than those listed above are classified as available-for-sale investments or investments held-for-trading and are measured at subsequent reporting dates at fair value, without any deduction for transaction costs that may be incurred on sale or other disposal.

Financial assets can be classified into the following specified categories: financial assets as ‘at fair value through profit or loss” (FVTPL), “held to maturity investments”, “available for sale” financial assets and “loans and receivables”. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

All financial assets of the PSETA are categorised as loans and receivables.

1.14.1.2 Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables”. Loans and receivables are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

1.14.1.3 Effective interest rate method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

1.14.1.4 Impairment and uncollectibility of financial assets

PSETA assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit.

The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Cash and cash equivalents are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

1.14.2 Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

1.14.2.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or is designated at FVTPL.

1.14.2.2 Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments, other than available-for-sale financial assets, are included in net profit or loss in the period in which it arises. Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognised in equity, until the investment is disposed of or is determined to be impaired, at which time the net profit or loss is included in the net profit or loss for the period.

All financial liabilities of the PSETA were classified as other financial liabilities.

1.14.2.3 Other financial liabilities

Other financial liabilities are initially measured at fair value net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Derecognition:

PSETA derecognises financial assets using trade date accounting.

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived

1.15 Reserves

Reserves are sub-classified in the statement of changes in net assets between the following:

- Administration reserve
- Employer grant reserve
- Discretionary reserve
- Accumulated surplus/deficit

Employer levy payments are set aside in terms of the SDA (1998) and the Seta Grant Regulations for the purpose of:

• Administration costs of the seta	10.5% (2014: 10.5%)
• Employer grant fund levy	20.0% (2014: 20%)
• Discretionary grants and projects	49.5% (2014: 49.5%)
• Contributions to the National Skills Fund	20.0% (2014: 20%)

Government department levy payments are set aside in terms of the DPSA circular, circular HRD 1 of 2013 for the purpose of:

• Administration costs of the seta	33.33% (2014: 33.33%)
• Discretionary grants and projects	66.67% (2014: 66.67%)

However, the PSETA has not been receiving the above levies due to National treasury circular suspending implementation of the DPSA HRD directive number 1.

This sub-classification is made based on the restrictions placed on the distribution of monies received in accordance with the Grant Regulations (note 1.3.1) issued from time to time by the Department of Higher Education and Training in terms of the Skills Development Act, Act No. 97 of 1998 as amended.

Interest and penalties received from SARS as well as interest received on investments are utilised for discretionary grants and projects. Other income received are utilised in accordance with the original source in terms of the above classifications, that is where income is associated with administration activities it is utilised for administration purposes, whereas where it is associated with project activities it is utilised for discretionary grants and projects purposes.

The items of revenue and expenditure are recognised on the accrual basis of accounting in the annual financial statements. Consequently, the reserves disclosed in the Statement of Changes in Net Assets and movements disclosed in note 2 do not represent cash reserves or fund monies as implied in Grants Regulations issued by the Department of Higher Education and Training in terms of the Skills Development Act, Act No. 97 of 1998 as amended.

- Administration reserve represents the net book value of property, plant and equipment and other commitments of an administration nature arising from signed contracts or as specifically approved by the PSETA board from time to time.
- Employer grant reserve represents possible mandatory grants claims from newly registered employers that are eligible to submit their mandatory grants claims at year end in terms of the grants regulations.
- Discretionary reserve represents the excess of discretionary grants revenue over discretionary and projects expenditure and includes transfers from administration and mandatory grant reserve where appropriate.

1.16 Related party transactions

Transactions are disclosed as other related party transactions where the Seta has in the normal course of its operations, entered into certain transactions with entities either related to the Department of Higher Education and Training or which had a nominated representative serving on the Seta accounting authority.

Transactions are disclosed as other related party transactions where Inter-seta transactions arise due to the movement of employers from one Seta to another.

1.17 Capital Commitments

Capital commitments are disclosed in respect of contracted amounts for which delivery by the contractor is outstanding at year end, and for amounts which the Board’s approval has been obtained but not yet contracted for.

1.18 Comparatives

Where necessary, comparative figures have been restated, adjusted or reclassified to achieve fair presentation and to conform to changes in presentation that arise due to changes in accounting policies, errors, reporting standards and legislation.

1.19 Inventory

Inventory is stated at the lower of cost or net realisable value while cost is determined on a first-in first-out basis. Net realisable value represents the estimated selling price in the ordinary course of business less any costs incurred in the selling and distribution. Inventory comprise of stationery that shall be consumed within a short-term period in the normal business of the entity and not held for sale.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

	Note	Mar-15 R'000	Mar-14 R'000

2. Trade and other receivables from exchange transactions

Operating Lease Rental Deposit		**342**	103
Prepayment – Operating Lease		**245**	-
Closing balance		**587**	**103**

3. Trade and other receivables from non-exchange transactions

Inter-seta receivable:		**545**	**8**
Administration		72	1
Mandatory		136	2
Discretionary		337	5
Mandatory grants receivable		**2**	**3**
Other Receivables		**8**	**-**
Closing balance		**555**	**11**

4. Cash and Cash Equivalents

Administration Bank account		**13,084**	1,071
Levies bank account		**52,023**	24,303
NSF current account		**617**	1,727
NSF call account		**447**	688
Cash on hand		**-**	2
Cash and cash equivalents at end of year		**66,171**	**27,791**

In the past, PSETA used to have a credit card account with ABSA bank and it was managements understanding that this facility was closed. During the current year, it was discovered that the account was still active and reflected a favourable balance of R10750 even though the account is dormant as PSETA no longer utilises this facility. We are investigating with the bank to ascertain how this favourable balance came about. Consequently, we have not updated our accounting records and we will only update when we are certain that PSETA has a right and is entitled to the balance reflected in the statement.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

5. Property, plant and equipment

5.1 Property, plant and equipment

31 March 2015	Cost/ Book value	Accumulated depreciation/ impairment	Carrying amount Mar -15
	R'000	R'000	R'000
Computer equipment	1,529	(983)	546
Office furniture and fittings	930	(73)	830
Office equipment	116	(11)	105
Motor Vehicle	80	(44)	36
Balance at 31 March 2015	**2,628**	**(1,111)**	**1,517**

Movement summary 31Mar-15	Carrying amount Mar 14 Restated	Additions	Disposals	Depreciation charge	Accumulated Depreciation on Disposal Mar-15	Carrying amount Mar15
	R'000	R'000	R'000	R'000	R'000	R'000
Computer equipment	620	334	(31)	(391)	14	546
Office furniture and fittings	108	840	(89)	(66)	37	830
Office Equipment	11	103	-	(9)	-	105
Motor Vehicle	52	-	-	(16)	-	36
Balance at 31 Mar 2015	**791**	**1 277**	**(120)**	**(482)**	**51**	**1 517**

5.2 Property, plant and equipment

31 March 2014	Cost/ Book value	Accumulated depreciation/ impairment Restated	Carrying amount Mar-14 Restated
	R'000	R'000	R'000
Computer equipment	1,225	(605)	620
Office furniture and fittings	152	(44)	108
Office equipment	13	(2)	11
Motor vehicle	80	(28)	52
Balance at 31 March 14	**1,470**	**(679)**	**791**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the period ended 31 March 2015

	Carrying Amount Mar-13	Additions	Disposals	Depreciation charge Restated	Accumulated Depreciation on disposals	Carrying Amount Mar-14 Restated
	R'000	R'000	R'000	R'000	R'000	R'000
Computer equipment	629	371	(89)	(341)	50	620
Office furniture and fittings	134	5	(8)	(26)	3	108
Office Equipment	4	9	-	(2)	-	11
Motor Vehicle	68	-	-	(16)	-	52
Balance at 31 Mar 14	**835**	**385**	**(97)**	**(385)**	**53**	**791**

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining net deficit for the period.

The PSETA has reviewed the residual values and useful lives of all the items of property, plant and equipment. The review did not highlight any requirement for adjustments in the current or prior periods.

The impairment of all classes of property, plant & equipment was considered at year end and no impairment adjustments have been taken into account.

There are no restrictions on title of property, plant and equipment and no items have been pledged as security for liabilities except for items classified as finance leases and assets held on behalf of the NSF.

There are no commitments for the acquisition of property, plant and equipment.

6. Intangible Assets

31 March 2015			
	Cost/ Book value	Accumulated amortisation/ impairment	Carrying amount Mar-15
	R'000	R'000	R'000
Computer Software	1 305	(265)	1 040
Balance at 31 March 2015	**1 305**	**(265)**	**1 040**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

Movement summary 31 March 2015	Carrying Amount Restated Mar-14	Additions	Amortisation	Impairment	Carrying Amount Mar-15
	R'000	R'000	R'000	R'000	R'000
Computer Software	184	987	(128)	(3)	1 040
Balance at 31 March 2015	**184**	**987**	**(128)**	**(3)**	**1 040**

31 March 2014			Cost/ Book value Restated	Accumulated amortisation/ impairment	Carrying amount Restated Mar -14
			R'000	R'000	R'000
Computer Software			318	(134)	184
Balance at 31 March 2014			**318**	**(134)**	**184**

Movement summary 31 March 2014	Carrying Amount Mar-13	Additions Restated	Amortisation	Impairment	Carrying Amount Mar-14
	R'000	R'000	R'000	R'000	R'000
Computer Software	53	233	(94)	(8)	184
Balance at 31 March 2014	**53**	**233**	**(94)**	**(8)**	**184**

7. Trade and other payables from exchange transactions

	Note	Mar-15	Mar-14 Restated
		R'000	R'000
Trade and other payables		**2 408**	**1,732**
Trade accruals - administration		**138**	2,429
Leave pay accrual		**884**	1,024
		3 430	**5,185**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

	Note	Mar-15 R'000	Mar-14 R'000

8. Grants and transfers payable

Skills development grants payable - mandatory		6	10
Skills development grants payable - discretionary		2	2
NSF creditors and Project Payables		298	2
Levies received from national departments		-	1,920
Inter-SETA payables:		1 973	12
Administration		259	1
Mandatory		493	8
Discretionary		1 221	3
Accruals - Discretionary		-	547
		2 279	**2,493**

9. SARS payable

	Administration payable	Mandatory grants payable	Discretionary grants payable	Total	Total
				Mar-15	Mar-14
				R'000	R'000
Open carrying amount	14	69	21	**104**	**92**
Adjustment-Over Provision	-	-	(5)	**(5)**	**(11)**
Amounts received	2	5	18	**25**	**23**
Closing carrying amount	**16**	**74**	**34**	**124**	**104**

Skill Development Circular 9/2013 is not yet applicable to PSETA, due to PSETA being a newly established SETA within the 5 year period stipulated in the circular.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

10. Deferred Income Liability

10.1 National Skills Fund - Special Projects post (2010)

Deferred Income Liability-NSF

	Note	Mar-15 R'000	Mar-14 R'000
Opening balance		**362**	7,643
Draw downs and interest received		**10,274**	305
NSF funding received		**10,128**	-
Interest received		**146**	305
Utilised and recognised as revenue-conditions met		**(9,307)**	(7,550)
Prior year error – Reallocation from Trade Payables			(36)
Closing balance (ref note 10.2)		**1 329**	362

NSF project expense detail

	Note	Mar-15 R'000	Mar-14 R'000
Direct project costs		6 269	5,219
General Expenses-Capex		157	403
Other Project expenses		1 860	211
Project Audits		-	439
Travel & Subsistence		1 021	1,278
		9,307	7,550

Drawdown of R10, 128 million was received in June 2014.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

	Note	Mar-15	Mar-14
		R'000	R'000
10.2 National Skills Fund- special projects (pre 2010)			
Opening balance		**4,618**	4,618
Unutilised	10.1	**1,329**	362
Total Closing Balance NSF Deferred Income Liability	(10.1 & 10.2)	**5,947**	**4,980**

11. Deferred Income Liability Compulsory Induction Programme (CIP)

Opening balance	2,186	3,000
Amount used	(1,383)	(814)
Closing balance	**803**	**2,186**

12. Provisions

	Note	Performance Bonus	Workmen's Compensation	Total Mar-15	Total Mar-14 Restated
				R'000	R'000
Open carrying amount (Restated)		488	39	**527**	**-**
Amounts utilised (Restated)		(488)	(39)	**(527)**	**-**
Amounts raised		556	40	**596**	**527**
Closing carrying amount		**556**	**40**	**596**	**527**

Performance bonuses of R488000 that were raised in the 2013/14 financial year were paid out in the current year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

13. Revenue from non-exchange transactions

13.1 Skills Development Levy income:

	Note	Mar-15 R'000	Mar-14 Restated R'000
Administration			
Levies received from SARS		**880**	67
InterSETA transfers in		**70**	1
InterSETA transfers out		**(260)**	(3)
		690	**65**
Employer grants			
Levies received from SARS		**1 461**	448
InterSETA transfers in		**134**	5
InterSETA transfers out		**(495)**	(15)
		1 100	**438**
Discretionary grants		**3,740**	732
Levies received from SARS			
InterSETA transfers in		**333**	2
InterSETA transfers out		**(1 224)**	(7)
		2 849	**727**
Levies from Departments			
Administration		**15,899**	7,161
Discretionary		**31,797**	14,325
		47 696	**21,486**
		52, 335	**22,716**

13.2 Skills Development Levy Income: Interests and penalties:

	Note	Mar-15 R'000	Mar-14 R'000
Skills Development Levy Income:			
Penalties		141	22
Interest		54	21
		195	**43**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

	Note	Mar-15 R'000	Mar-14 R'000

14. Revenue from exchange transactions

14.1 Investment income

Administration bank account		25	4
Levies bank account		129	44
		154	48

14.2 Other income

Insurance recoveries		40	1
Donations (non-exchange revenue)		1	-
		41	-

15. Employer grants and project expenses

Mandatory grants		78	79
Consultancy and professional fees - discretionary		-	(13)
Bank Charges - discretionary		3	2
Discretionary grants		1,479	6,306
		1,560	6,374

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

16. Administration Expenses

	Note	Mar-14 R'000	Mar-13 R'000
Loss on disposal of property, plant and equipment		70	46
Operating lease rentals		2,460	2,209
Advertising, marketing and promotions, communication		1,083	764
Remuneration to members of the audit committee		145	220
Bank charges		21	18
Consultancy and service provider fees		2,098	2,894
Legal fees		140	226
Travel and subsistence		1,356	536
Staff training and development		661	42
Remuneration to members of the board		97	117
Internal auditor's remuneration		-	124
Printing and Stationery		309	165
Conference costs		171	7
Insurance		66	53
Rates & taxes, water & lights and security		358	691
Sundry items		791	510
		9,826	**8,622**

16.1 Cost of employment

	Mar-14 R'000	Mar-13 R'000
Salaries and wages	**20,159**	**18,398**
Basic Salaries	14,746	13,476
PAYE	4,704	4,003
Temporary Staff	6	6
Incentive (Bonus)	556	488
Leave payments	107	307
Workmen's Compensation	40	118
UIF	169	157
SDL	24	-
	20,352	**18,555**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

17. Allocation of Net (Deficit)/Surplus for the year to reserves

31 March 2015	Total per Statement of financial performance	Administration	Mandatory	Discretionary grants	Special projects
	R'000	R'000	R'000	R'000	R'000
Total revenue	**88,121**	**41,361**	**1 100**	**34,969**	**10,690**
Skills development levy: income					-
Admin levy income (10.5%)	690	690	-	-	-
Grant levy income (20%) Mandatory	1 100	-	1 100	-	-
Grant levy income (49.5%)Discretionary	2,848	-	-	2,848	-
Levies from government departments	47,696	15 899	-	31 797	-
Skills Development Levy: penalties and interest	195	-	-	195	-
Transfers from other government entities	24,706	24,706	-	-	-
NSF Realised Income	9 307	-	-	-	9 307
CIP Realised Income	1,383	-	-	-	1,383
Investment income	154	25		129	
Other Income	41	41			
Total expenses	**(45,030)**	**(32,780)**	**(81)**	**(1479)**	**(10,690)**
Administration expenses	(32,780)	(32,780)	-	-	-
NSF Projects expenses	(9,307)	-	-	-	(9,307)
CIP Expenses	(1,383)	-	-	-	(1,383)
Employer grants and project expenses	(1,560)	-	(81)	(1479)	-
Net surplus/(deficit) per Statement of financial performance allocated	**43,091**	**8,581**	**(1 019)**	**33,491**	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

31 March 2014	Total per Statement of financial performance Restated	Administration	Mandatory	Discretionary grants	Special projects
	R'000	R'000	R'000	R'000	R'000
Total revenue	**54,588**	**23,486**	**438**	**22,300**	**8,364**
Skills development levy: income					-
Admin levy income (10.5%)	174	174	-	-	-
Mandatory levy income (20%)	438	-	438	-	-
Discretionary levy income (49.5%)	727	-	-	727	-
Levies from government departments	21,486	-	-	21,486	-
Skills Development Levy: penalties and interest	43	-	-	43	-
Transfers from other government entities	23,308	23,308	-	-	
NSF Realised Income	7,550				7 550
Investment income	48	4		44	-
CIP Realise Income	814	-	-	-	814
Total expenses	**(43,467)**	**(28,729)**	**(822)**	**(5,552)**	**(8,364)**
Administration expenses	(28,729)	(28,729)		-	
NSF Projects expenses	(7,550)	-	-	-	(7 550)
CIP expenses	(814)	-	-		(814)
Employer grants and project expenses	(6,374)	-	(822)	(5,552)	
Net surplus/(deficit) per Statement of financial performance allocated	**11,121**	**(5,243)**	**(384)**	**16,748**	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

18. Reconciliation of net cash flow from operating activities to net (deficit)/ surplus

	Note	Mar-15 R'000	Mar-14 Restated R'000
Net surplus as per statement of financial performance		**43,091**	**11,088**
Adjusted for non-cash items:			
Depreciation		**482**	383
Amortisation		**127**	94
Impairment of the software		**3**	8
(Gains)/loss on disposal of property, plant and equipment		**70**	46
Increase in provisions		**69**	(190)
Adjusted for items separately disclosed			
Investment income	14.1	**(154)**	(48)
Finance income	13.2	**-**	(21)
Adjusted for working capital changes:			
Decrease/(increase) in receivables		**(1,028)**	351
Increase/(decrease) in payables		**(2,364)**	(3,093)
Decrease/(increase) in consumables		**(101)**	(3)
Increase/(decrease) in operating lease liability		**295**	(569)
Cash generated (utilised) in operations		**40,490**	**8,046**

19. Prior error restatements

19.1 Correction of an error – Intangible Asset

In 2013/14 financial year, Pseta did not capitalise Caseware computer software procured in March 2013. The omission resulted in the 2013/2014 assets being understated by the amounts below. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements.

The correction of the error on the prior period are disclosed below:

	2013/2014 R'000
Statement of Financial Position	**59**
Asset – Intangible Assets	59
Statement of Financial Performance	**(59)**
Consultancy and professional fees	(59)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

19.2 Correction of an error – Depreciation expense

In 2013/14 financial year, Pseta did not recognise depreciation expense for furniture and fittings. The omission resulted in the 2013/2014 administration expenses being understated by the amounts below. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements.

The correction of the error on the prior period are disclosed below:

	2013/2014 R'000
Statement of Financial Position	**(1)**
Accumulated Depreciation – Office furniture and fittings	(1)
Statement of Financial Performance	**1**
Depreciation – Office furniture and fittings	1

19.3 Correction of an error – Travel expense

In 2012/13 financial year, Pseta did not recognise as payable travel expenses paid out of the administration bank account. The omission resulted in the 2013/2014 payables being understated by the amounts below. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements.

The correction of the error on the prior period are disclosed below:

	2013/2014 R'000
Statement of Financial Position	**(28)**
Trade and Other Payables	(28)
NSF Creditors & Project Payables	(36)
Deferred Income Liability – NSF	36
Statement of Financial Performance	**28**
Travel & Subsistence Expenses	28

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the period ended 31 March 2015

19.4 Correction of an error – Leave-pay provision

In 2013/14 financial year, Pseta did not record all the leave days taken by employees during the month of March 2014. The resultant effect is that the leave-pay provision was overstated in the prior year. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements.

The correction of the error on the prior period are disclosed below:

	2013/2014 R'000
Statement of Financial Position	**76**
Leave-pay provision	76
Statement of Financial Performance	**(76)**
Leave provision expense	(76)

19.5 Correction of an error – Board Fees

In 2013/14 financial year, Pseta recorded Board fees for meetings that took place during March 2014 in the current financial year. The resultant effect is that accruals and board fee expenses were understated in the prior year. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements.

The correction of the error on the prior period are disclosed below:

	2013/2014 R'000
Statement of Financial Position	**(5)**
Accruals	(5)
Statement of Financial Performance	**5**
Remuneration to Board Members	5

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

19.6 Correction of an error – Consumables

In 2013/14 financial year, Pseta erroneously expensed unused stationery and printing items instead of recognising these as consumables. The resultant effect is that consumables were understated and printing and stationery expenses were overstated by the corresponding amount. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements.

The correction of the error on the prior period are disclosed below:

	2013/2014 R'000
Statement of Financial Position	**3**
Consumables	3
Statement of Financial Performance	**(3)**
Printing & Stationery Expenses	(3)

19.7 Correction of an error – Levy Income

In the 2013/14 financial year, Pseta erroneously recognised levy income of R109000 that was received on 1 April 2014 and raised a receivable which was not in accordance with the accounting policy of the entity. The resultant effect is that levy income and receivables were overstated by the corresponding amount. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements.

The correction of the error on the prior period are disclosed below:

	2013/2014 R'000
Statement of Financial Position	**(109)**
Levies Receivable	(109)
Statement of Financial Performance	**109**
Levy Income	109

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

19.8 Correction of an error – Expenses

In the 2013/14 financial year, Pseta erroneously recognised an invoice twice that amounted to R40000 and which related to an NSF expense. The resultant effect is that NSF Expenses (together with the related NSF Realised Income) and Payables were overstated. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements.

The correction of the error on the prior period are disclosed below:

	2013/2014 R'000
Statement of Financial Position	-
NSF Creditors	40
NSF DeferredLiability	(40)
Statement of Financial Performance	-
NSF Expenses	(40)
NSF Realised Income	40

19.9 Correction of an error –Leave Accrual

In the 2013/14 financial year, Pseta erroneously recognised a leave accrual as a provision for leave pay. The resultant effect is that accruals and provisions were understated and overstated respectively. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements.

The correction of the error on the prior period are disclosed below:

	2013/2014 R'000
Statement of Financial Position	-
Leave Accrual	(1,024)
Provision for leave pay	1,024

20. Contingent liabilities

To the best of management's knowledge, PSETA is not involved in any potential contingent liability which may put financial strains on the organisation.

21. Commitments

21.1 Discretionary Project and Administration Contracts

Name of supplier	Closing balance as perAnnual Report of 31 March 2014	Adjustments to opening balance	Restated Balances per contract31 March 2014	New Projects & Contracts approved/ Amendments 2014/15	Current Year Payments	Outstanding balance at March 2015
KZN Department of Health	111,000	-52	110,948	-	84,000	26,948
Africa Competency Development	854,000	-803,640,	-	-	-	-
Quality Executive Development -NC			34,194	-	-	34,194
Tlotlangthuto Training & Consulting -NC			1,890	-	-	,1,890
Tadi Training & Development			-	-	-	-
Assessment College of SA Pty Ltd			-	-	-	-
Aquarius Skills Solutions cc			-	-	-	-
Ifalezwe Learning Express			-	-	-	-
Saint Colonel Graduate Institute			14,276	-	-	,
Very Cool Ideas			-	-	-	-
HRD Training and Consulting	141,000	-141,000	-	-	-	-
Bepe Development	2,719,000	-494,200	2,224,800	-	1,925,400	,299,400
Northern Cape Rural FET College	1,453,000	-1,245,600	195,000	-	-	,195,000
Tshwane South College FET		-	12,400	-	-	12,400
Umfolozi College FET(learner allowance)	-	120,900	120,900	-	46,600	74,300
Umfolozi College FET (learrner allowance)	-	-	-	750,000	654,600	95,400
Umfolozi College FET (trade testing)	-	-	-	415,000	-	,415,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

Name of supplier	Closing balance as perAnnual Report of 31 March 2014	Adjustments to opening balance	Restated Balances per contract31 March 2014	New Projects & Contracts approved/ Amendments 2014/15	Current Year Payments	Outstanding balance at March 2015
Msinga Municipality	1,136,000	-748,000	36,000	-	-	36,000
Department of Sports Arts and Culture		-	304,000	-	260,000	44,000
Mutale Municipality		-	48,000	-	24,000	24,000
Talent Emporium Academy-KZN	-152,000	224,000	72,000	-	72,000	-
Talent Emporium Academy Limpopo	105,000	-28,000	77,000	-	72,000	5,000
Tru-Thoughts Trading & Projects	85,000	-83,000	,2,000	-	-	2,000
Tru-Thoughts Trading & Projects	35,000	-	35,000	-	-	35,000
Naicker Consulting Services cc	938,240	-938,240	-	-	-	-
Atte-The Training Edge	1,790,000	335,036	1,204,003	-	762,003	442,000
Vutlhari Bya Dzonga Consulting		-	398,396	-	398,396	-
Faranang Business andTraining Solutions		-	522,637	-	522,637	-
Vhembe FET College for Learners	279,000	100,264	79,264	-	-	79,264
Umfolozi College FET (Public Management)		-	300,000	-	-	300,000
Government Communication and Information System	300,000	-	300,000	-	208,000	92,000
Bepe Development	600,000	-	600,000	318,000	188,000	730,000
PARI	900,000	-	900,000	-	-	900,000
King Sabata Dalindyebo FET (EC DoJ)	144,000	8,000	136,000	-	80,000	56,000
Vhembe FET College Learners	720,000	-	720,000	-	166,000	554,000
Umfolozi College FET Learners (Projects)	720,000	-	720,000	-	128,000	592,000
PSETA Interns (Sibeko, Mahlase and Legodi)	-	60,000	60,000	-	36,000	24,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

Name of supplier	Closing balance as perAnnual Report of 31 March 2014	Adjustments to opening balance	Restated Balances per contract31 March 2014	New Projects & Contracts approved/ Amendments 2014/15	Current Year Payments	Outstanding balance at March 2015
PSETA Interns (Mapulane, Moswatlhe and Madzivhandila)	-	120,000	120,000	-	88,000	32,000
PSETA Interns	24,000	-20,000	,4,000	-	-	,4,000
PSETA Interns	48,000	-48,000	-	-	-	-
PSETA Interns (ETQA)	80,000	-	80,000	-	80,000	-
Talent Emporium Learners-KZN	320,000	,46,000	366,000	-	326,000	40,000
Talent Emporium Learners-Limpopo	304,000	52,000	356,000	-	,272,000	84,000
Eastern Cape Department of Transport	2,158,000	-	2,158,000	-	1,078,500	1,079,500
EC DoJ (Stipends)	108,000	-108,000	-	116,000	74,000	42,000
FEMCO	-	,156,000	156,000	-	46,200	109,800
External Verication and Evaluation	-	,561,244	561,244	-	168,939	392,305
Gauteng Department of Health Learner stipends	-	-	-	468,000	92,000	376,000
Tshwane South for FET College (trade test)	-	-	-	381,800	152,720	229,080
Tshwane South for FET (tuition fees)	-	516,860	516,860	-	487,540	29,320
Tshwane South for FET Learners	-	-	-	750,000	103,300	646,700
Office of the Public Service Commission	-	-	-	360,000	90,000	270,000
Civilian Secretariat for Police	-	-	-	252,000	-	252,000
Palama	2,186,000	-	2,186,000	-	1,383,000	803,000
PARI	-	-	-	731,578	731,578	-
General Public Service Bargaining Council	-	-	-	360,000	-	360,000
Rural Development and Land Reform	-	-	-	2,656,000	-	2,656,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

Name of supplier	Closing balance as perAnnual Report of 31 March 2014	Adjustments to opening balance	Restated Balances per contract31 March 2014	New Projects & Contracts approved/ Amendments 2014/15	Current Year Payments	Outstanding balance at March 2015
The Western Cape Government (Department of Transport and Public Works)	-	-	-	2,787,000	-	2,787,000
Steiner Hygiene (Pty) Ltd	-	-	-	103,066	41,226	61,840
Marsh& Mclennan Companies	-	-	-	142,441	-	142,441
Vodacom	-	-	-	99,408	37,267	62,141
Metrofile	-	-	-	92,643	27,758	64,885
Fidelity Security Services	-	-	-	145,373	104,816	40,557
Active Brand	-	-	-	130,006	29,298	100,708
Deloitte - SMS	-	-	-	2,100,000	750,000	1,350,000
Deloitte - Staff Secondment	-	-	-	,899,301	856,477	42,824
TOTAL	**18,106,240**	**-2,373,428**	**15,732,812**	**14,057,616**	**12,648,255**	**17,142,173**

The amounts in the Adjustments column indicate errors identified in the prior year's opening balances which were either overstated or understated contract values. The net effect of the adjustment is R2.373m. Presently the total commitment stands at R17.142m as verified.

21.3 Operating Lease Commitment

	Mar-15	Mar-14
	R'000	R'000
Total of future minimum lease payments under non-cancellable leases:		
Not later than one year	**2 358**	**2,166**
Later than one year and not later than five years	**629**	**2,987**
	2,987	**5,153**

The operating lease relates to the rental of building and parking of 2nd floor of Office Block, 353 Festival Street, Hatfield, Pretoria used for office accommodation.

The lease agreement entered into effective 1 January 2014 for a period of 2 years 6 months, expiring on the 30 June 2016.No provision was made for an option to renew the lease on expiry.The rental payments escalate annually on 1 January by 9%.

22. Material losses through criminal conduct, irregular, fruitless and wasteful expenditure

22.1 Material losses through criminal conduct

To the best of our knowledge, no material losses through criminal conduct, or irregular, fruitless and wasteful expenditure were incurred during the year except as indicated under the relevant heading below.

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for the period ended 31 March 2015

22.2 *Irregular expenditure*

	Mar-15 R'000	Mar-14 R'000
Opening balance	10,703	7,002
Irregular expenditure – current year	99	3,701
• Lease building (Contravention of TR16A.6.4)	-	1,527
• Procurement (Contravention of TR16A.6.4)	-	2,004
• Legal Fees	63	-
• Skills Programmes	36	
• Internal Auditors	-	170
Less: Amount condoned	(6 085)	-
Adjustment to the opening balance	-	-
Irregular expenditure awaiting condonance	4 717	10,703
Analysis of expenditure awaiting condonance per age classification		
Current Year	99	3,701
Prior Year	4 618	7,002
	4 717	10,703

22.3 *Fruitless and wasteful expenditure*

	Mar-15 R'000	Mar-14 R'000
Opening balance	19	19
Current	271	-
Condoned	-	-
Recovered	-	-
Closing balance	290	19

The fruitless and wasteful expenditure above were incurred in the prior year (90%). This includes an amount of R21000 incurred on a lost 3G card and used illegally. The expenditures that were not condoned are still under investigation and will only be considered for condonement once the investigations are finalised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the period ended 31 March 2015

23. Related party transactions

Transactions with employer companies represented at the PSETA board

Board members of the PSETA do not receive allowances for attending Board Meetings except for Ministerial appointees who receive board attendance fees as determined by the Minister of Department of Higher Education and Training. Members may claim travel expenses incurred as a result of attendance of PSETA meetings.

23.1 Accounting Authority Members - 31 March 2015

NAME	Board Fees	Private kilometers claimed	Total
Mrs K Mashigo Chairperson of the Accounting Authority	73	9	82
Mr Kobese Member of the Accounting Authority	-	4	4
Mr Maduna Member of the Accounting Authority	-	2	2
Mr Mkhize Member of the Accounting Authority	-	4	4
Mr Dladla Member of the Accounting Authority	-	2	2
Mr Mokheranyane Member of the Accounting Authority	-	2	2
Ms Mankoe Member of the Accounting Authority	-	1	1
Total	**73**	**24**	**97**

23.2 Audit Committee Members

For the year ended 31 March 2015

NAME	Audit Committee Fees	Private Kilometres claimed	Total
Ms P Mzizi Audit Committee Chairperson	78	5	83
Ms A Badimo Audit Committee Member	12	1	13
Mr P Mukheli Audit Committee Member	44	5	49
Total	**134**	**11**	**145**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the period ended 31 March 2015

23.3 Key Management Personnel

The key management personnel were paid as follows:

NAME	Position	Engagement Date	Salary	Performance Bonus (2013/14)	Other Allowances	Total
Mrs S Huluman	Chief Executive Officer	16 August 2010 (to current)	1,213	49	18	1,280
Mrs M E Ntsowe	Chief Financial Officer	1 January 2014 (to current)	934	-	9	943
Ms L Ximiya	Chief Operations Officer	1 April 2011 - 31 January 2015	781	38	10	829
Mr J Jiyane	Corporate Service Executive	1 April 2011 - 31 March 2015	934	38	9	981
Total			**3,862**	**125**	**46**	**4,033**

The performance bonuses paid related to the 2013/14 financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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23.4 Transactions with other SETAs

Interseta transactions and balances arise due to the movement of employers from one SETA to another and mandatory grants due from the Seta to which the PSETA contributes its levies and submits its WSP & ATR. No other transactions occurred during the year with other SETAs.

The balances at year-end included in receivables and payables are:

	Mar-15		Mar-14	
	Amount receivable/ (payable)	Transfers in/ (out) during the year	Amount receivable/ (payable)	Transfers in/ (out) during the year
	R'000	R'000	R'000	R'000
Payables	**(1973)**	**(1961)**	**(12)**	**-**
Fasset	(56)	(52)	(4)	-
W&R Seta	(18)	(14)	(3)	-
Services Seta	(4)	-	(4)	-
TETA	(1)	(1)	-	
FoodBev Seta	(40)	(40)	-	-
Sasseta	(2)	(2)	-	-
LG SETA	(1852)	(1852)	-	-
			(1)	
Total	**(1973)**	**(1961)**	**(12)**	
Receivables	**545**	538	**7**	**-**
Services Seta	**39**	32	**7**	**-**
Fasset	**506**	506	**-**	
Total	**545**	**538**	**7**	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

Transactions with other national public entities

	Amounts Received	Amount Paid	Amount Payable	Amount Receivable
	R'000	R'000	R'000	R'000
2014/2015				
National Skills Fund	10,218	(9 307)	-	-
DPSA	24,706	-	-	-
Total	**34,924**	**(9,307)**	**-**	**-**
2013/2014				
National Skills Fund	-	(7,590)	-	-
DPSA	23,308	-	-	-
Total	**23,308**	**(7,590)**	**-**	**-**

24. Events after reporting date

During May 2015, the Accounting Authority approved an extension of the accounting firm contract for the outsourcing of their staff to the finance department from 1 April 2015, and on month to month basis thereafter.

25. Explanation of material variances between actual results and final budget

The SETA revised its budget and increased its annual targets accordingly to align it to the anticipated additional budgetary allocation resulting from the levy transfers. The July 2014 National Treasury circular instructed government departments to submit levies to PSETA for skills development initiatives.

Due to the fact that the PSETA received approximately 80% of levies from government departments in the fourth quarter, it was necessary for management to revise the approved budget as there were more funds available to fund the activities of the entity.

The explanation of variances between actual results and the final budget was done on the basis of the entity's materiality framework whereby all variances in excess of the R119,310 materiality have been explained below.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the period ended 31 March 2015

25.1: Skills development levy: income, interest and penalties

Levy receipts from public entities increased due to increased number of new employers that joined PSETA in the period.

25.2: Levies from Government Departments

In July 2014 the National treasury issued a circular to government departments to transfer levies to PSETA. This instruction repealed the initial circular which stopped departments from transferring levies to PSETA. The DPSA Directive no 1 of 2012 on utilisation of training budgets was to be implemented. Based on this, the budget was revised accordingly and an estimated figure of R68.449 million was expected. The actual transfers occurred in the last month of the fourth quarter of the year which saw eighty percent of levies received transferred. As a result, approved projects could not be implemented in the current year.

25.3:NSF Projects realised income

This line item should be read in line with related NSF project expenses (Public Corporations and Private Enterprises).The confirmation of the NSF budget for the year was received mid-year thus delaying the roll out of projects for implementation in the current financial year.

25.4: CIP Projects realised income

This line item should be read in line with related CIP project expenses. No amounts were budgeted for in the current financial period for this project as the funding was received in prior years and no new amounts were expected to recur in this financial period.

25.5: Investment Income

PSETA did not budget for investment income as it was not certain about its future funding model and whether there will be enough financial resources to invest to generate interest income.

25.6: Other Expenses

Other operating expenses were less than budgeted for due to the SETA receiving the majority of the levy income only in the last quarter of the financial year resulting in the SETA not being able to fully carry out its intended projects for the year.

Compensation to employees were less than budgeted for as vacant posts could not be filled and resignations which occurred during the year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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25.7: Operating Lease

The PSETA entered into a lease contract with Broll Properties from July 2013 to December 2013, based on a month to month agreement. A new contract was entered into for lease of premises from January 2014 to June 2016. The new contract was only finalised in April 2014. The lease rental amount was different to the initial contract and the January to March 2014 rental short-fall was paid in the current year. However, the expense was accounted for in the 2013/2014 financial year.

25.8:Consultants, contractors and special services

The amounts incurred for consultants and special services were higher than anticipated as additional services were required for an extended period. These include additional resources for finance, IT specialist and GTAC for the alignment of the SETA's APP targets and development of the 2015/16 APP.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

26. New standards

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact
GRAP 18: Segment Reporting	01 April 2015	This standard describes the disclosure to present more specific and detailed information about major activities undertaken by an entity during a particular period, along with the resources allocated to those activities. Although the format of the reporting could change, we do not foresee major disclosure.
GRAP 20: Related Party Disclosure	Not yet determined	This standard prescribes the disclosure of information relevant to draw attention to the possibility that the entity's financial position and surplus/deficit may have been affected by the existence of related parties. It is not expected that this standard will significantly impact future disclosures.
GRAP108: Statutory receivables	Not yet determined	This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. It is not expected that this standard will significantly impact future disclosures.
The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2015 or later periods but are not relevant to its operations:		
GRAP 105: Transfers of functions between entities under common control	01 April 2015	No significant impact on future disclosures
GRAP 106: Transfers of functions between entities not under common control	01 April 2015	No significant impact on future disclosures
GRAP 107: Mergers	01 April 2015	No significant impact on future disclosures
GRAP 32: Service concession arrangements grantor	01 April 2015 Not yet determined	No significant impact on future disclosures No significant impact on future disclosures

27. Financial instruments

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

	FLOATING RATE		FIXED RATE			NON-INTEREST BEARING		TOTAL
	Amount	Effective interest rate	Amount	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in years	Amount	Weighted average period for which until maturity in years	
	R'000		R'000			R'000		R'000
31 March 2015								
Assets								
Cash	66,171	0.23%	-	-	-	-	-	66,171
Accounts receivable	-	-	-	-	-	1,142	1 year	1,142
Total financial assets	**66,171**	**0.23%**	**-**	**-**	**-**	**1,142**	**-**	**67,313**
Liabilities								
Accounts payable	-	-	-	-	-	(3,431)	1 year	(3,431)
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**(3,431)**	**-**	**(3,431)**
	66,171	**-**	**-**	**-**	**-**	**(2 289)**		**63,882**
31 March 2014 (Restated)								
Assets								
Cash	27, 789	0.22%	-	-	-	2	-	27,791
Accounts receivable	-	-	-	-	-	223	1 year	223
Total financial assets	**27,789**	**0.22%**				**225**		**28,014**
Liabilities								
Accounts payable	-	-	-	-	-	(4,199)	1.3 years	(4,199)
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**(4,199)**	**-**	**(4,199)**
	27,789	**-**	**-**	**-**	**-**	**(3,974)**	**-**	**(23,815)**

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Credit risk

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

The PSETA limits its counter-party exposure by only dealing with well established financial institution approved by the National Treasury. The PSETA's exposure is continuously monitored by the Accounting Authority.

Credit risk with respect to levy paying employers is limited due to the nature of the income received. The PSETA's concentration of credit risk is limited to the industry (public service industry) in which it operates.No events occurred in the Public Service industry that may have an impact on the accounts receivable that has not been adequately provided for, as the levy income received from some public entities is minimal.

Cash & cash equivalents				
	2014/15		2013/14	
	Gross	Impairment	Gross	Impairment
Not past due	66 171	-	27 791	-
Past due 0 - 30 days	-	-	-	-
Past due 31 - 120 days	-	-	-	-
Past due 1 year	-	-	-	-

Liquidity risk

The PSETA manages liquidity risk through proper management of working capital, capital expenditure, long term cash projections and monitoring of actual vs forecasted cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

	2014/15					
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
Trade and other payables from exchange transactions	(3,430)	(3,430)	(3,430)	-	-	-

	2013/14					
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
Trade and other payables from exchange transactions	(5,185)	(5,185)	(5,185)	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 March 2015

Market risk

The PSETA is exposed to fluctuations in the employment market for example sudden increases in unemployment and changes in the wage rates. No significant events occurred during the year that the PSETA is aware of except for the impact of the country's electricity crisis that may result in the shrinking of employment and a reduction is skills development levy income in the future.

Fair values

The PSETA's financial instruments consist mainly of cash and cash equivalents, trade and other receivables, and accounts and other payables. No financial instruments were carried at an amount in excess of its fair value and fair values could be reliably measured for all financial instruments.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the PSETA and short term bank deposits with an original maturity of less than 1 month.The carrying amount of these assets approximates their fair value.

Accounts receivable

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

Investments

The fair value of debt securities is determined using the discounted cash flow method (where applicable).The fair value of publicly traded investments is based on quoted market prices for those investments.

Borrowings

The fair value of interest-bearing borrowings is based on either :

- the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile and effective interest rate with similar cash flows (where applicable).The fair value of interest-bearing borrowings with variable interest rates approximates their carrying amounts.
- the current rates available for debt with the same maturity profile and effective interest rate with similar cash flows (where applicable).

The fair value of interest-bearing borrowings with variable interest rates approximates their carrying amounts.

Accounts payable

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

28. Going Concern

All SETAs operate on a five year license, linked to the life-cycle of the National Skills Development Strategy (NSDS). NSDS III expires on 31 March 2016 andthe PSETA license will expire at the same time. The MHET is reviewing the SETA landscape. PSETA is awaiting the announcement of NSDS IV and Minister's pronouncement on the new landscape. This will determine the future operations and continuity of PSETA. In the event that PSETA is relicensed, operations will continue and going concerns confirmed.If the event that PSETA is not relicensed, all existing commitments will be transferred as per the transitional arrangements prescribed by DHET.

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