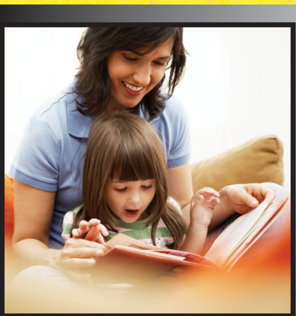
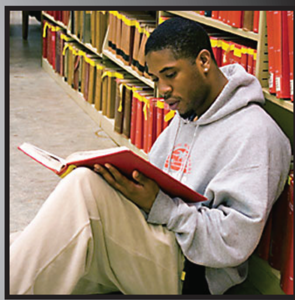
PSETA

Public Service Sector Education & Training Authority

ANNUAL REPORT 2011/2012



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

VISION AND MISSION

Vision

Facilitate effective skills development in South Africa's public service.

Mission

Develop a dedicated, skilled and productive public service workforce through the effective coordination of skills development, continued education, focused learnerships and training programmes in the public service for a vibrant economy and a winning nation.

Scope

The Skills Development Act, 37 of 2008 as amended, through the Sector Education and Training Authorities (SETAs), provides the institutional framework for training and skills development.

Annual Report
of the
Public Service Sector Education & Training Authority
(PSETA)

1 April 2010 to 31 March 2011

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PRESENTATION TO MINISTER OF HIGHER EDUCATION AND TRAINING

"Most SETAs are determined to turn their organisations into effective components of an integrated and successful post-school system. The measures we have taken are a giant step forward in the transformation of the South Africa skills development system."

- Budget vote speech to the National Assembly of the South African Parliament in Cape Town on 26 May 2011

Dr Blade Nzimande
Minister of Higher Education and Training

Annual Report of the Public Service Sector Education and Training Authority (PSETA) for the period ended 31 March 2011

I have the honour, in terms of Section 65 of the Public Finance Management Act, 1999 (Act No 1 of 1999), to present the annual report of the Public Service Sector Education and Training Authority (PSETA) for the period 1 April 2010 to 31 March 2011.

T Mhambi

Administrator

(13 October 2010 - 13 April 2011)

PSETA PROFILE

The new SETA landscape, announced by the Minister of Higher Education and Training on 11 November 2010, has as its basis an enhanced sector focus, the viability of all SETAs and consolidated planning for the supply of skills, all aligned with government policies and industrial growth strategies.

In the new SETA landscape, the PSETA was re-certified for one year, from 1 April 2011 to 31 March 2012.

The PSETA was placed under Administration on 17 September 2010 (as amended on 13 October 2010) due to serious lapses in governance and its operational dependence on the Department of Public Service and Administration (DPSA), as well as its funding constraints.

As the public service SETA, the PSETA is primarily responsible for the provision of transversal skills (the business of government) to meet the current and future needs of all national and provincial departments and public entities, parliament and provincial legislatures.

The PSETA's core business is the development and promotion of skills and competencies that will ensure that public service sector employees can deliver the business of government.

Operationally, the PSETA is mandated to identify skills shortages, facilitate training and skills development, accredit constituent education and training providers and encourage public service sector investment in skills development to increase capacity and competence as well as improve service delivery.

The PSETA's activities also entail improving employment for the previously disadvantaged, assisting work-seekers and retrenched workers to enter the labour market, supporting employers to find suitably qualified employees and promoting skills development for self-employment.

Previously a Chief Directorate in the Department of Public Service and Administration (DPSA), the PSETA was relisted as a Schedule 3A Public Entity in terms of the Public Finance and Management Act (PFMA) in May 2006. While this gave the Board greater autonomy to lead the organisation, the PSETA has operated as semi-autonomous only for the past four years while the DPSA retained administrative control over the PSETA's operations budget, corporate services, human resources and procurement.

The Public Service Sector Education & Training Authority (PSETA) is one of 21 SETA (currently) created more than a decade ago in accordance with the Skills Development Act, 97 of 1998.

Established on 20 March 2000, the PSETA is mandated to facilitate, coordinate and monitor the implementation of the National Skills Development Strategy (NSDS) in the public service sector and participating parastatals, public entities, parliament and provincial legislatures.

The PSETA is accredited by the South African Qualifications Authority (SAQA) and its activities are monitored to determine and demonstrate compliance with SAQA requirements.

In August 2009, in terms of the amended Skills Development Act, the skills development and training sector was transferred from the Department of Labour to the Department of Higher Education and Training (DHET). As such, the reporting line for all SETAs changed to the Minister of Higher Education and Training.

For the past financial year, however, the PSETA was still funded by National Treasury through the budget of the Department of Public Service and Administration. As a result, its dual reporting continued to both the Minister of Higher Education and Training and the Minister for Public Service and Administration.

The PSETA's ability to give full effect to its mandate has, since inception, been diluted by not receiving levies from government departments to fund training. To rectify this situation, the Minister of Higher Education and Training established an Inter-Ministerial Task Team in 2010 to develop a sustainable and viable funding model for the PSETA.

PSETA PROFILE (CONTINUED)

The PSETA's initiatives are executed by three functional units. These are:

- Learning Programmes, which facilitates and manages the development and implementation of learning programmes for the public service.
- Skills Planning and Research, which identifies scarce and critical skills needs and prepares the Sector Skills Plan.
- Education and Training Quality Assurance (ETQA), which monitors and audits learning and competence as measured against the registered standards of the National Qualifications Framework.

Key focus areas, aligned with the NSDS III indicators, are to prioritise and communicate critical and scarce skills; promote and accelerate quality training in the workplace; assist designated groups, such as new workplace entrants, to participate in accredited, work-integrated learning and work-based programmes; and improve the quality and relevance of the provision of skills development.

The PSETA's critical functions are confirmed in its service level agreement with the DHET and include the development of a Sector Skills Plan, quality assurance of the training provided to public service sector entities, accreditation of training providers like PALAMA and the development of qualifications and learning programmes.

The PSETA is also responsible for 48 government trades and has a critical role in developing artisans and promoting apprenticeships as required by the NSDS III. Partnerships with INDLELA as a quality assurance partner and other key SETAs will contribute to the effective development of trades and artisans.

The PSETA's ultimate vision is two-fold: to develop skilled public service employees who will serve all South Africans competently, effectively and efficiently and to promote Government as an Employer of Choice to new entrants in the labour market.

The PSETA's objectives are aligned with the Skills Development Amendment Act, 37 of 2008 and with the performance indicators of the NSDS III.

The PSETA aims to:

- Understand the skills needs of the public service sector for improved service delivery (NSDS III 4.1 and 4.8).
- Develop a skilled and capable public service sector workforce (NSDS III 4.2, 4.3, 4.4, 4.5 and 4.7).
- Contribute to the alleviation of poverty and the reduction of unemployment (NSDS III 4.2, 4.4 and 4.6).
- Support the quality development of public FET colleges (NSDS III 4.3).
- Establish strategic partnerships for researching and innovatively improving service delivery (NSDS III 4.2).
- Establish effective and efficient governance and corporate services and systems to support the business of the PSETA (NSDS III 4.2).

We must rebuild a unified and coherent education and training system. We must end this terrible practice of 'short-termism'– one day and two day courses do not address the qualifications and skills crisis that we are facing in this country. We must work together to achieve a highly skilled and highly qualified workforce. This requires longer term, sustainable programmes.

- Dr Blade Nzimande, Minister for Higher Education and Training, address to the SETA Forum, 7 December 2010

HIGHLIGHTS AND ACHIEVEMENTS

We take pleasure in highlighting a selection of achievements across all our domains during the 2010-2011 financial year, notwithstanding funding constraints. These activities illustrate the relevance of the PSETA's role in the national skills development and training landscape of the public service sector. It is a role that we pursue intently and look forward to continuing in the years ahead.

Delegates at the Public Service Skills Symposium hosted by PSETA in September 2010

- Exceeded a number of NSDS II targets
    - Entered 151 workers into learnerships against a target of 150 and 1 961 workers into skills programmes against a target of 1 700.
    - Facilitated bursaries for 445 workers against a target of 200.
    - Facilitated the completion of learnerships of 151 workers against a target of 50; bursary studies of 191 workers against a target of 100 and skills programmes of 1 797 workers against a target of 850.
- Accredited 20 training providers.
- Registered 66 assessors and 85 moderators.
- Certificated 1 672 learners.
- Developed three learnerships at NQF Level 5 for Immigration Services, Refugee Services and Governance and Administration.
- Developed and registered 20 skills programmes in scarce and critical skills.
- Aligned a learning framework with the registered qualification for Public Administration, Level 3.
- Successfully implemented the PSETA's Management Information System (MIS) and achieved a submission rate of 89 percent of Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs) from 138 departments.
- Successfully developed the Sector Skills Plan and Sector Career Guide.
- Trained 259 Skills Development Facilitators to use of the Career Guide and 393 Skills Development Facilitators to use the MIS for the online development of WSPs and ATRs.
- Inducted 270 training committees in the public service sector and participated in various skills development seminars in the sector.

Critical and noteworthy achievements during the PSETA's administration process included:

- Hosting a Stakeholder Summit, which secured sector inputs into the organisation's planned trajectory as a SETA in line with the Skills Development Act.
- The PSETA revisiting its entire policy portfolio to strengthen its capacity to function as a fully-fledged Schedule 3A entity in terms of the Public Finance Management Act and aligned with the Skills Development Acting.
- Strenghthening its human resource and project management capacity was substantially strengthened to fulfil its mandate; and
- Having its licence renew for an additional year by the Minister of Higher Education and Training was a major achievement in the face of closure, which at the time before the appointment of a new executive management team was due to the lack of a viable plan for organisational transformation.

ADMINISTRATOR'S REVIEW

During the past financial year, the PSETA began a process of redefining itself to more accurately execute its mandate. With this as a foundation, the PSETA can begin the new financial year on a firm management and governance footing.

Introduction

The year under review was challenging and exciting for the PSETA as, in the second half, the organisation was placed under Administration and had to undergo major restructuring. The restructuring focused on empowering the SETA so that it could, since its inception in 2000, exist administratively and managerially independently of the Department of Public Service and Administration (DPSA), and to operate like any other SETA.

For the record, in all the years of its existence up to the 2010/11 financial year, the PSETA was all but a SETA – an important point of departure for anyone reading this Annual Report and the audit opinion it carries. The PSETA has never been a SETA in the mould and the mode of all other SETAs.

Critical context from the PSETA's perspective

What the introduction above alludes to is the fact that, contrary to the dictates of the Skills Development Act, during the year under review the PSETA did not directly facilitate and monitor skills delivery. It merely reported on skills delivery initiatives within the Public Service. This in essence means what the PSETA has reported as its own performance on the skills development front is in reality not its own but that of government departments falling within its scope. That is an important context for a proper reading and understanding of the SETA's performance as captured in this Annual Report.

Similarly, given the fact that throughout its existence prior to the year under review the PSETA was administratively and managerially under the DPSA, opinions expressed with respect to some aspects of the organisation must be contextualised. This is particularly important where the central issue to the disclaimer opinion is concerned – namely the management of NSF funds – which took place while the PSETA was accountable to the DPSA.

Related to the above is the fact that, not having powers of search and seizure outside its own asset base, the PSETA could only, at best and as a responsible public entity, refer possible financial losses suffered during the NSF Project to investigation by the Special Investigating Unit (SIU). What this means is that for as long as the Auditor-General (AG) awaits a conclusive answer to funds unaccounted for, and for as long as the SIU has not concluded its investigation, the PSETA possibly stares a disclaimer in the face. As the present opinion shows, this is entirely outside the PSETA's control.

It is also important to indicate that the current audit opinion might be better understood if contextualised against the fact that the PSETA's story during the year under review is a tale of two halves. It might be helpful to note that from 13 October 2010 to 8 April 2011 the PSETA was placed under Administration, and that the audit opinion could have more specifically referred to the "before and after" periods.

As it stands, it might inadvertently be foregrounding the "before" part more than the "after", in the process possibly underplaying the controls and interventions introduced during the Administration of the SETA, and most of which were a direct response to the "before" part.

Notwithstanding all the foregoing, during the year under review the PSETA performed those functions it could within the parameters of the realities of its situation. Some of these are dealt with hereunder.

Skills delivery

SETAs exist to promote, facilitate, monitor and evaluate the delivery of their respective sectors' skills broadly, and critical and scarce skills in particular.

During the year under review, however, the PSETA could only advise and report on, rather than promote, facilitate, monitor and evaluate skills delivery within the Public Service as government departments within its scope opted, as permitted by legislation, to retain the 1% of their payrolls statutorily mandated for training and roll the relevant training out on their own.

This, in essence, means it has hitherto been impossible for the PSETA to discharge its responsibilities as required by the Skills Development Act. Notwithstanding the limitations obtaining, to the extent that it could the PSETA fulfilled those obligations within its direct ambit and control, including:

- The development of the Sector Skills Plan (SSP).
- The analysis of Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs).
- The accreditation of training providers.
- The registration of assessors and moderators.
- External moderation.

With the PSETA assuming life in the mode of other SETAs from the financial year 2011/12, and with envisaged financial support from the NSF, it should be able not only to build on the work catalogued above but also begin to promote, facilitate, monitor and evaluate training itself rather than merely report on training under the control of government departments falling within its scope. This is particularly important in the context of NSDS III and the quality challenges it poses.

Corporate Governance

During the 2010/2011 year the PSETA suffered such serious lapses in governance that the Minister of Higher Education and Training, after consultation with the Minister for Public Service and Administration, considered it necessary to place it under Administration. Of particular concern to the Ministers were transgressions on the financial management front, including irregular, fruitless and wasteful expenditure; and weaknesses in internal controls and risk management.

To ensure good corporate governance and promote overall compliance with relevant laws and policies the Administrator established, as statutorily obligated, an Audit Committee of four independent members and one representative from the SETA itself, and he gave the requisite authorisation for the appointment of a service provider to render the Internal Audit function.

Three other committees were also established to assist the Administrator, including the Core Business Committee (CBC) – to advise broadly on core business; the Corporate Services Committee (CSC) – to advise broadly on corporate services; and the Administrator's Oversight Committee (AOC) – to advise broadly on governance.

Also pursuant to improved corporate governance, monthly meetings were held with the AG to report on progress in respect of the Administration of the PSETA as well as on steps taken to address matters raised in the previous financial year's Management Letter.

With regard to internal controls and preparation for future efficiency, a menu of policies, procedures and guidelines was developed, including in relation human resources; communication; conflict of interest; records management; management structures; use of computer equipment; delegation of authority; finance; auditing; and salaries.

In terms of pure governance a new Constitution was developed in consultation with all relevant stakeholders and a new Board was appointed in time for the new financial year.

Reporting

During the period of Administration the PSETA appeared in front of the Standing Committee on Public Accounts (SCOPA) and the Portfolio Committee on Public Service and Administration. Both appearances centred on the organisation's interventions to address previous governance lapses, with a special focus on steps taken in response to the forensic investigation into the NSF-funded Learnership Project of 2005.

With respect to reporting on the Administration of the PSETA itself the Administrator submitted separate Reports to the Director-General of the Department of Higher Education and Training (DHET) for October and November 2010; a consolidated Report for December 2010 and January 2011; with the developments of February, March and the very early part of April 2011 – and centering mainly on policy finalisation and staff recruitment – covered in the Close-out Report.

Accountability

The Public Finance Management Act (PFMA) holds both SETA officials and members of the Accounting Authority individually and collectively accountable for their decisions and actions. During the period under review the PSETA was particularly compromised by a raft of poor decisions and ill-informed actions occasioned by weaknesses in internal controls and limitations placed on executive oversight.

To address some of the questionable decisions and actions dating back to the pre-Administration

ADMINISTRATOR'S REVIEW (CONTINUED)

period, the Administrator referred some of the matters – particularly those with negative financial implications for the organisation – to the Special Investigating Unit (SIU) for investigation.

The Administrator also referred two staff members back to DPSA on account of some suspected negligence, on their part, partly contributing to the stealing of NSF grant monies entrusted to the organisation, with, of course, the two individuals presumed innocent until proven otherwise.

With regard to management's own suspected mismanagement and maladministration of the organisation the Administrator approved disciplinary hearings against a former Acting CEO and the then Procurement Manager in terms of the PFMA, for fruitless and wasteful expenditure due to their alleged causing the organisation to pay rent in both old – unoccupied – and new premises over a period of two months.

Also on the financial transgression management front, the Administrator approved the organisation's contract with the SIU, terms of which include, inter alia, the use of data analytics to detect anomalies/trends and/or fraud/corruption typologies and assist the PSETA to identify and close system gaps. The SIU was also commissioned to address some matters raised by the AG – for investigation – in respect of the financial management and governance of the PSETA; and to ensure that where criminal wrongdoing was found charges and prosecutions would be automatically instituted.

Financial

For the year reported upon the PSETA was financially severely depressed as it received no levy payments from the constituent government departments; getting, instead, an operational allocation, via DPSA, from National Treasury. For the year under review the amount was R20.4 million and, with the reconstruction of the organization factored in, there was a R7 million deficit which the DPSA graciously funded.

This attests to the imperative of a special funding model for the PSETA in recognition of the fact that current legislation allows government departments not to pay levies. The Ministers of Higher Education and Training; Public Service and Administration; and Finance have accordingly established a Joint Task Team to address this challenge.

Highlights during the year under review

- The PSETA held a Stakeholder Summit which ensured sector inputs into the organisation's planned trajectory as a SETA in line with the Skills Development Act.
- The PSETA's Administration period allowed the organisation to revisit its whole menu of policies and empower itself for existence as a fully-fledged SETA in terms of the Skills Development Act and as a Schedule 3A entity in terms of the PFMA.
- The PSETA's human resource and project management capacity was substantially strengthened for the SETA to more fully fulfil its mandate.
- The PSETA's licence was renewed for an additional year by the Minister of Higher Education and Training. This was a major achievement as indications had been that, without a viable plan of organisational transformation, the organisation faced closure.
- The PSETA began a process of redefining itself to more accurately delineate areas germane and unique to it.

Conclusion

With the 2010/2011 financial year as a foundation, the PSETA began the new financial year on a firm management and governance footing, with a Strategic Plan in place; an approved budget; a menu of policies; a new Constitution; and a new Board.

Themba Mhambi

Administrator

29 July 2011

CORPORATE GOVERNANCE

"I must say upfront that I, personally, take these [SETA] Constitutions very seriously. They represent a standard of governance for every SETA. By signing these Constitutions, I will be providing a platform for governance in the SETAs over the next five years."

- Dr Blade Nzimande, Minister of Higher Education and Training, address to the SETA Forum, 7 December 2010

Governance framework

The PSETA is governed by the Skills Development Act (SDA), No.37 of 2008, as amended, and the Skills Development Levies Act (SDLA), No.9 of 1999, and the Public Finance Management Act (PFMA), No.1 of 1999.

The PSETA is mandated, as a SAQA-accredited SETA in accordance with the South African Qualifications Authority (SAQA) Act, No.58 of 1995, to develop and implement a sector skills plan for the public service sector within the framework of the National Skills Development Strategy (NSDS) and to monitor and audit achievements in this regard in terms of national standards and qualifications as they pertain to the public service sector.

Composition of Board

Prior to the PSETA being placed under Administration by the Minister of Higher Education and Training, a fully functional Board existed as Accounting Authority for a period of five months, from 1 April 2010 to 17 September 2010.

The PSETA Board was established in October 2006 and inaugurated on 5 July 2007 by the Minister for Public Service and Administration as the authority accountable for sound governance at the PSETA and responsible for providing the PSETA with leadership and direction in achieving its NSDS targets.

The Board was appointed by the Minister for Public Service and Administration, as the Minister responsible for Public Service, for a term of five years. The composition of the Board complied with Section 11 of the Skills Development Act and consisted of 20 members comprising eight employer representatives (government at senior management levels), eight organised labour representatives, the PSETA Chief Executive Officer, one expert from each of the PSETA constituencies, and an independent Chairperson.

Executive Committee

The Board is assisted by an Executive Committee (Exco) to which members are appointed in accordance with the PSETA Constitution. The term of office of the Executive Committee is aligned to that of the Board.

The Committee is responsible for ensuring that the PSETA complies with the financial requirements of the PFMA, its Constitution and other applicable legislation, as well as for the supervision of the operational management and administration of the PSETA and its managers.

CORPORATE GOVERNANCE (CONTINUED)

Table 1 Board members, equity status and attendance from April to September 2010

Board member	Organisation	Representative	Equity status	Board meetings 2010				Total attendees
				10 Jun	10 Jul	13 Aug	3 Sep	
Mr Mahmood Fadal	Chairperson	Independent	IM	A	P	P	P	3
Mr Tahir Maepa (Deputy Chairperson)	PSA	Labour	AM	P	P	A	P	3
Mr Henk Bresler	PSA	Labour	WM	P	P	P	A	3
Mr Fransico Fields	POPCRU	Labour	CM	P	P	P	A	3
Mr Konkie Heflin	NEHAWU	Labour	CM	P	P	P	P	4
Ms Khomotso Kgang	Dept of Home Affairs	Employer	AF	P	P	P	P	4
Mr Percy Huma	NEHAWU	Labour	AM	P	P	A	A	2
Ms Ina Kuhn	PSA	Labour	WF	P	A	A	A	1
Ms Nontsasa Lebaka	NEHAWU	Labour	AF	P	P	P	A	3
Mr Bheki Maduna	Dept of Labour	Employer	AM	A	P	P	A	2
Mr Lebogang Phepheng	POPCRU	Labour	AM	P	P	P	A	3
Mr Dick Bvuma	DPSA	Employer	AM	P	A	A	A	1
Mr Aubrey Josiah	Premier's Office Free State	Employer	CM	P	P	A	P	3
Dr Nomsa Mlondo	Premier's Office Bloemfontein	Employer	AF	A	A	A	A	0
Ms Rachel Madikolo Modipa	Premier's Office Limpopo	Employer	AF	A	P	P	A	2
Mr Lawrence Tsipane	DPSA	Employer	AM	P	A	P	P	3
Ms Thabo Zulu	POPCRU	Labour	AM	P	A	P	A	2
Ms Busi Nake	PSETA	Ex-Officio	AF	P	P	P	P	4

* African male **(AM)**, White male **(WM)**, Coloured male **(CF)**, African female **(AF)**, White female **(WM)**, Coloured female **(CF)**, Indian Male **(IM)**.

CORPORATE GOVERNANCE (CONTINUED)

Table 2 Attendance at Exco meetings from April to September 2010

Exco member	Organisation	Representative	Equity status	Exco meetings 2010				Total attendees
				16 Apr	17 May	10 Jul	30 Jul	
Mr Mahmood Fadal	Independent Chairperson		IM	A	P	P	P	3
Mr Tahir Maepa	PSA	Labour	AM	P	P	P	P	4
Mr Lawrence Tsipane	DPSA	Employer	AM	P	A	A	P	2
Mr Konkie Heflin	NEHAWU	Labour	CM	P	P	P	P	4
Ms Busi Nake	PSETA	Ex-Officio	AF	P	P	P	P	4
Ms Rachel Madikolo Modipa	Premier's office Limpopo	Employer	AF	A	P	P	P	3
Ms Ina Kuhn	PSA	Labour	WF	P	P	A	A	2

* African male **(AM)**, White male **(WM)**, Coloured male **(CF)**, African female **(AF)**, White female **(WM)**, Coloured female **(CF)**, Indian Male **(IM)**.

Governance principles

The PSETA's governance principles rest on policies and procedures that include strategic planning, business goals and annually agreed objectives aligned with the NSDS and provide a performance framework for the day-to-day management of these.

The Board, as the Accounting Authority, must commit to the principles of accountability and integrity. Its responsibilities are governed by the Public Finance Management Act (PFMA), 1 of 1999, as amended, and guided by the principles outlined in the King III Corporate Governance Report.

The Accounting Authority approves the PSETA's mission, strategy, goals, operating policies and priorities and monitors compliance and performance against business objectives.

Governing the PSETA

Executive responsibility for the PSETA vests in the Chief Executive Officer (CEO) as delegated to the incumbent by the Board, and the management team is responsible for strategy implementation and the day-to-day affairs of the organisation according to the policies, processes and systems approved by the Board.

The Board appointed Ms Busi Juliet Nake as Acting Chief Executive Officer from February 2010 until 16 August 2010. The DPSA Human Resources Department assisted with the recruitment, selection and appointment of Ms Shamira Huluman as Chief Executive Officer with effect from 16 August 2010 and Mr Thabo Sibaya as Chief Financial Officer with effect from 1 August 2010. Both appointees were subjected to due diligence and the security checks followed by government.

Fiduciary duties of Board members

Board members are expected to be aware of their fiduciary responsibilities and the need for fair, transparent and accountable decisions and actions. As such, they are individually and collectively liable for all Board decisions, as well as actions of omission and commission, during their terms of office.

CORPORATE GOVERNANCE (CONTINUED)

Board member remuneration

Board members were paid fees of R3 200 for attending Board meetings and R1 600 for Board Committee meetings, while travel costs were reimbursed at an agreed rate of R3.05 per km.

Financial management

The Accounting Authority decides on the funding requirements of the PSETA. It is responsible for financial statements that fairly present the state of affairs of the PSETA at the end of each financial year in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) and the prescribed Standards of Generally Recognised Accounting Practices (GRAP) as indicated in the financial statements to this Report.

Full cognisance has been taken of the requirements of the PFMA and relevant Treasury regulations. During the reporting period, the PSETA's procurement, human resources and financial management was conducted and managed by the DPSA and its financial audit and preparation of financial statements undertaken by the Office of the Auditor-General.

Ethics and Code of Conduct

The PSETA's values of excellence, performance, outputs and results, people development including equal opportunity and empowerment, as well as quality governance and service delivery form the cornerstone of its interactions with internal and external stakeholders.

Employees are expected to maintain the highest ethical standards, ensuring that business practices are employed in a manner that is beyond reproach. Processes are in place for transgressions to be investigated at Board level.

Board members are required to adhere to the Code of Conduct adopted by the Department of Higher Education and Training as approved by its Minister, which reinforces their commitment to high moral, ethical and legal standards. The PSETA will prepare its own Code of Conduct for Board approval in the forthcoming financial year.

Materiality and significance framework

National Treasury regulations, issued in terms of the PFMA, require that the PSETA Board compiles a materiality and significance framework.

Risk management and internal control

The Board is accountable for risk management and internal control to identify, assess, mitigate and monitor all known forms of risk. These include risks pertaining to political and economic factors, people skills, HIV/AIDS, technology, reputation, legislation compliance, professional liability and general operational and financial risks including segregation of duties and transaction approval frameworks.

The Administrator resolved that PSETA continue to use Board-approved policies until all policies have been reviewed and adopted for implementation on 1 April 2011.

REPORT BY THE CHIEF EXECUTIVE OFFICER

Just as the SETA system is integral to meeting the challenge of reducing unemployment to below 15 percent by 2015, so too is the investment in training and skills development a non-negotiable imperative for developing an economically active and skilled workforce in South Africa.

Mrs Shamira Huluman

This Annual Report encapsulates the performance outputs and activities of the PSETA for the financial period 1 April 2010 to 31 March 2011.

The period since I took office as CEO on 16 August 2010 has been a challenging one, as the SETA was placed under administration a month later, with its constitution suspended and Board dissolved. Each day brought new and dynamic challenges that required decisive leadership.

The Administrator worked closely with the executive management team to address serious lapses in governance and reposition the PSETA as operationally independent from the Department of Public Service and Administration (DPSA), while at the same time monitoring that the targets of the Service Level Agreement (SLA) between the Department of Higher Education (DHET) and the erstwhile PSETA Board were met.

The PSETA's strategic plan for the period under review was aligned with the NSDS II, which the Minister of Higher Education and Training had extended from 1 April 2010 for 12 months until 31 March 2011. This supported the service level agreement (SLA) between the PSETA and the DHET for the 2010/2011 financial year and directed the PSETA to achieve the targets set by the success indicators of the NSDS II.

This report covers the operational performance of the PSETA units, namely Skills Planning and Research, Learning Programmes and ETQA within the context of the NSDS II performance measures.

In analysing the PSETA's performance, one must bear in mind that it does not receive any levies to fund training. It also relies on government departments and other entities to submit their skills development implementation information, which places a significant constraint and challenge on the PSETA in meeting SLA targets.

Core business success indicators

During the year under review, the PSETA's core business indicators related to:

- Developing a five-year Sector Skills Plan (2011- 2016) and Sector Career Guide;
- Building capacity for Skills development Facilitators (SDFs) and Training Committees;
- Analysing Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs) with a 89 percent submission rate by departments;
- Coordinating Training Expenditure Reports, which indicated that 102 departments have been consistently allocating at least 1 percent of their human resources budgets for training;
- The PSETA retaining its accreditation as an ETQA body in terms of the SAQA ETQA Regulations until the related Act is repealed;
- Accrediting 20 providers against PSETA unit standards and qualifications;
- Contracting external moderators (verifiers) to verify all assessments and endorse and send reports to the PSETA ETQA unit before the 1 672 learners could be certificated

- Registering 66 assessors and 85 moderators against PSETA unit standards and qualifications;
- Reviewing three of the 19 signed Memoranda of Understanding;
- Developing and registering three qualifications with SAQA;
- Initiating a Quality Management System (QMS);
- Developing a Quality Councils for Trades and Occupations (QCTO) strategy document which outlines partnerships with the QCTO and other partners; and
- Recording and monitoring skills development initiatives conducted by the PSETA stakeholders, namely learnerships, skills programmes, bursaries and internships, as the funding for these initiatives lie with departments and not with the PSETA.

Progress during the past year

The PSETA's Career Guide was circulated widely to national and provincial departments. Developed to promote career opportunities in the public service sector and Government as an Employer of Choice. The guide was used during career expo days to create awareness about the scarce and critical skills required in the public service sector.

The aim with the 84-page document is to assist learners and students at tertiary training institutions to decide about their future careers and provide young graduates who need to find employment with useful information.

The PSETA also developed a Sector Skills Plan (SSP), through the use of an independent service provider appointed by the previous Board. The plan was informed by the WSPs received from government departments and research conducted within the public service sector and labour market concerning the demand and supply for skills, as well as scarce and critical skills, in the sector.

The PSETA hosted a well-attended Skills Symposium on 17 September 2010, which was also attended by then Deputy Minister for Public Service and Administration, Mr Roy Padaychee. Stakeholders provided input to the SSP at the symposium and provincial workshops held throughout the country during the reporting period.

The SSP was reviewed by the Human Resource Development Council, conditionally approved by the Department of Higher Education and Training and endorsed by PSETA stakeholders. It will direct and guide research in the sector for the next five years. The SSP and NSDS III both informed the PSETA's 2011- 2016 Strategic Plan. Going forward, the new DHET guidelines will be used to update the SSP and Career Guide.

The PSETA also pro-actively engaged a service provider to develop a strategic document to guide the SETA within the new Quality Council for Trades and Occupations (QCTO) framework, which was operationalised by DHET in 2010.

Corporate Services (Finance and Human Resources)

Much energy and resources were spent on capacitating the PSETA to fulfill its mandate of being operationally independent from the DPSA as a fully-fledged SETA. For the reporting period until 31 March 2011, however, the DPSA continued to provide the PSETA with corporate services, namely human resource services and supply-chain management processes, as well as oversee the SETA's operational budget from National Treasury.

During the same period, the PSETA's erstwhile Board initiated the appointment of an independent CEO and CFO. Thirteen DPSA staff members had been seconded to the PSETA and a Memorandum of Agreement (MoA) was signed with the DPSA to regulate the secondment arrangements and its administrative services to ensure that the PSETA would be operationally independent in the new financial year.

Table 3 PSETA staff complement as at 31 March 2011 (appointed through DPSA processes and in line with public service salary levels)

Name	PSETA Unit	Classification	Salary level
Shamira Huluman	Chief Executive Officer (CEO)	IF	14
Yasmine Kherekar	Personal Assistant : CEO	CF	8
Zamo Khuzwayo	ETQA: Manager (DPSA)	AM	13
Deon Neethling	ETQA : Learner and Achievement Specialist (DPSA)	WM	11
Francis Senona	ETQA : Accreditation Specialist (DPSA)	AM	11
Suzan Motsepe	ETQA : Administrator (DPSA)	AF	6
Andrew Ngwandula	ETQA : Quality Assurance Specialist (DPSA)	AM	11
Mamello Mohamed (until 29 Oct 2010)	Learning Programmes : Manager (DPSA)	AF	13
Rampote Chauke (until 29 Oct 2010)	Learning Programmes Specialist (DPSA)	AM	11
Rapule Phadi	Learning Programme : Administrator	AM	6
Thelma Monaledi	Learning Programme : Administrator	AF	6
Daniel Makhetha	Skills Planning : Manager (DPSA)	AM	13
Abbey Sekokope	Skills Planning : Researcher (DPSA)	AM	11
Philisiwe Xulu	Skills Planning : Administrator	AF	6
Emily Mthimunye	Skills Planning : Administrator (DPSA)	AF	6
Lindiwe Mtshawe	Skills Planning : Administrator	AF	6
Moses Kutu	Skills Planning : Planning Officer (DPSA)	AM	10
Lekgethile Mothoa	Grant Disbursement : Manager (DPSA)	AF	12
Lavhelesani Mainganye	Administrator (DPSA)	AF	6
Phanuel Nkabinde	Logistical Clerk	AM	4
Thabo Sibaya	Chief Financial Officer (CFO)	AM	13
Lebogang Motau	Personal Assistant : CFO	AF	8
Nala Gloria Mthembu	Financial Accountant	AF	10
Tsheola Matsebe	Manager : Finance	AM	11
Nicholas Sebati	Finance Officer	AM	9
Mosa Masote	Administrator	AF	6
Koketso Makgoka	Administrator	AF	6
Joyce Mariba	Administrator	AF	6
Tlhonepho Mogoje	Evidence Collector	AF	Temp
Tsanwani Madzivhandila	General worker	AF	6
Phuti Phosa	Receptionist	AF	4
Margaret Modau	General Worker	AF	2
Naome Sibande	General Worker	AF	2
Sebanyoni Lucas	General Worker	AM	2
Christopher Phaswana	Evidence Collector	AF	Temp
Khomotso Boikhutso	Evidence Collector	AM	Temp

Key: AF: African Female; **AM**: African Male; **CF**: Coloured Female; **IF**: Indian Female; **WM**: White Male

The Administrator approved a new organogram and salary structure and 17 vacancies were filled during February and March 2011. This enabled the PSETA, from an auditing and operational perspective, to begin the 2011/2012 financial year with sufficient human resources to discharge its mandate and obligations, both as a corporate entity and as a SETA.

In terms of the MoA between the PSETA and the DPSA, staff seconded from the department had to choose between remaining with the DPSA or transferring to the PSETA. The DPSA employees were also given the opportunity to apply for the advertised posts in the PSETA's new approved organisation structure. Due to the one year certification, the Administrator allowed DPSA staff to continue their secondment arrangement till 31 March 2012.

Six DPSA employees elected to continue their secondments at the PSETA, of whom two were appointed in more senior positions. Secondment agreements were finalised and the difference between their DPSA salary package and that of the PSETA was due for payment on 1 April 2011.

However, a serious challenge still exists regarding the performance management of DPSA-seconded staff as they continue to be subjected to DPSA policies, including the disciplinary codes and procedure.

The Administrator referred two employees back to the DPSA, both of whom were implicated in the PWC Forensic Report for alleged negligence in managing a National Skills Fund (NSF) project during the 2005/2006 financial year. The forensic investigation was instituted in 2007 and the final report issued by PWC in July 2010. The report recommended further investigation by the Special Investigations Unit (SIU).

The SIU was engaged formally on 21 January 2011 to further investigate irregular expenditure in the NSF and Grant Disbursement accounts. The Parliamentary Standing Committee on Public Accounts (SCOPA), responsible for oversight of the legitimate spending of public funds, has also been advised of these matters.

Funding

Unlike other SETAs, the PSETA does not receive a 1 percent levy from its stakeholders (government departments), nor the 10 percent of the 1 percent given to line function government SETAs. The PSETA received an operational budget of R20,4 million for the 2010/2011 financial year, which was allocated from National Treasury to the DPSA for administrative purposes. This funding proved to be insufficient and the DPSA funded the deficit of R7 million.

As of 1 April 2011, the DPSA will transfer the operational budgets in quarterly tranches to the PSETA and a new MoA will be signed to regulate this arrangement.

In the year ahead, careful planning and the appropriate allocation of resources will be crucial to ensure the rebirth of a PSETA in which we can all take pride in. To this end, the Ministers for Higher Education and Training and Public Service and Administration have agreed to the establishment of an Inter-Ministerial Task Team to deal with the funding of the PSETA.

The task team consists of senior representatives from the DHET, DPSA and National Treasury. They will assess the training budgets of public service sector employers, the implications of the NSDS III strategy for the sector and the roles within the DPSA that relate to the development of the Sector Skills Plan and its implementation.

Once the funding model for the PSETA is resolved, we can implement critical projects through funding from the National Skills Fund. This will guarantee our recertification for a further four years. It is within this context that I am convinced that the PSETA has the potential of fulfilling its role as the largest and most critical SETA in the country.

Way forward

I believe that I have joined the skills fraternity at the right time, when a new era is dawning. As SETAs we have pledged our support and commitment to the Presidential Outcome 5, namely that of a skilled and capable workforce to support an inclusive growth path.

REPORT BY THE CHIEF EXECUTIVE OFFICER (CONTINUED)

This declaration was signed between the Minister for Higher Education and Training and various stakeholders, including the SETAs, on 9 September 2010. The Minister has highlighted the critical mismatch between the demand and supply of skills in the country and the non-alignment between formal education and workplace learning.

Despite the current challenges and financial constraints, I am hopeful that PSETA can reclaim its position and execute its mandate fully. I am also extremely excited that my tenure at the PSETA coincides with the establishment of a Department of Higher Education and Training within government to coordinate and align the work of the tertiary education institutions, FET colleges and the SETAs. The importance of partnerships and collaboration between these institutions cannot be emphasised more.

We are committed to executing our mandate as a quality assurer and skills development facilitator. Not only will this improve service delivery in the public service sector, it will also facilitate job creation and create opportunities for experiential learning within government, which will benefit the entire nation.

Shamira Huluman

Chief Executive Officer

29 July 2011

STAKEHOLDER ENGAGEMENT

"I pledge my commitment to you, the stakeholders of the PSETA, to transform this very critical institution and reposition it to take its rightful place in the skills development fraternity and SETA landscape."

- Mrs Shamira Huluman, PSETA CEO
PSETA Stakeholder Summit, 25 November 2010

Public Service Skills Symposium

Communications Minister, Mr Roy Padayachee (then DPSA Deputy Minister), delivered the key note address at the PSETA-hosted Public Service Skills Symposium on 17 September 2010. The aim of the symposium was to facilitate discussion on skills development in the public service sector.

Important messages from the four presentations included:

- the positive increase in the submission of Workplace Skills Plans (WSPs), from 50 percent in 2005 to 80 percent in 2010 and the need for more entry level posts in the public service sector
- the need to building skills capacity to deal with corruption
- the effective use of resources in a development-orientated public administration with services that are impartial, fair, equitable and without bias
- the crucial role of leaders in improving service delivery and the need to identify key controls and focus on skills development to improve risks and service delivery
- a call for the inclusion of 'green' jobs in the SSP.

Following the presentations, the PSETA CEO, Shamira Huluman, and G' Lab CEO Peter Adams facilitated a discussion on skills development needs for the sector. The issues discussed concerned mainly contributing to national equity goals, assisting learners to overcome access and progression barriers, identifying programmes with which to meet sectoral goals and contribute to national priorities and expanding partnerships.

Topics addressed at the Public Service Skills Symposium

- The National Skills Development Strategy
- A perspective on service delivery challenges and the implications for skills development
- The Auditor-General's perspective on performance challenges in the public service and the implications for skills development
- Green jobs and the implications for the Sector Skills Plan (SSP)

As regards the national equity goals, attention should be given to salary levels of new entrants, learning programmes for scarce skills at lower and intermediate levels, linking internships with mentoring, coaching and succession planning, creating partnerships and engaging with civil society, programmes in rural areas, life skills course and the optimum use of TRACC, the transport research activity centre mobile laboratories.

In terms of helping the unemployed youth gain access to meaningful employment opportunities, this requires a focus on providing more career options through developing more occupational pathways, PSETA representation in rural areas for easier access and broadening the communication media for greater access to information about learnerships, such as using public servants to spread the message.

In relation to the programmes required to meet sectoral goals and contribute to national priorities, a strategy identifying programmes should be put forward, including issues such as creating unit standards, or learning programmes based on *Batho Pele* (people first) principles and exposure to ethics programmes.

The focus on tertiary education, diplomas and degrees should be balanced with qualifications for government's 48 registered trades, which could also provide access for learners without a matriculation certificate. The cross-sectoral need for support such as IT, finance and facilities management should also be addressed and resolved.

STAKEHOLDER ENGAGEMENT (CONTINUED)

And finally, with reference to expanding partnerships, suggestions put forward included a declaration based on a common understanding of the need for cooperation to meet government's planned outcomes signed by all stakeholders and engaging senior stakeholders through road shows undertaken by PSETA senior management.

Stakeholder summit

The PSETA hosted a summit on 25 November 2010 to share information with stakeholders about the significant and challenging task ahead of charting the future for the PSETA.

Convened by the PSETA Administrator, Mr Themba Mhambi, the messages from stakeholders at the summit affirmed the importance of the PSETA as the skills development facilitator for 1,3 million public service sector employees. In response to the votes of confidence, Mr Mhambi and PSETA CEO, Shamira Huluman, assured stakeholders that there would be close co-operation with the Inter-Ministerial Task Team during the PSETA's 2011/12 year of provisional re-establishment to recreate the PSETA's viability as a SETA and its ability to give effect to its mandate.

The imperatives for re-establishing the PSETA were to resolve its operational structure and funding model so that it would again be fit-for-purpose to address the skills development needs within the public service sector.

The PSETA Administrator confirmed that current 'work in progress' towards reconstructing a new PSETA by the beginning of the 2012/13 financial year, when its year-long provisional re-establishment phase will be over, included a redefinition of the organisation to address all policy, compliance, governance and reconstruction issues with recommendations to the Inter-Ministerial committee. The intention was to draft a new constitution by the end of January 2011 and appoint a new Board by the end of February 2011.

Stakeholders addressed salient issues during a question and answer session, which related mainly to the PSETA's capacity needs; its role in addressing youth unemployment, also in rural areas; grants for short skills programmes; and structural support for provinces.

In response the PSETA indicated that, respectively, it would request supplementary funding for human resources from the DPSA and implement a Memorandum of Agreement with the DPSA

Messages of support for the PSETA at the Stakeholder Summit (paraphrased)

"Accreditation is a key requirement and the PSETA is playing a crucial role by advising and leading this process for PALAMA."

- PALAMA DDG, Mr Oliver Seale

"More responsibility is placed on SETAs to act as agents of change to ensure, in the words of Nelson Mandela, that "Education is the engine to personal development."

- POPCRU, Mr Lebogang Phepeng

"We shall remain in support of all the efforts aimed at finding a lasting solution for the PSETA. Our National leadership is fully behind this rebuilding process."

- NEHAWU, Mr Bizzah Montanana

"The PSETA's existence is more justified today than ever before. We are convinced that with the type of leadership steering the PSETA forward, the efforts of staff members will be properly harnessed for the common good of the organisation."

- DPSA, Mr Dick Bvuma

"It is imperative for the PSETA to maintain a good relationship with its stakeholders to address many of the tribulations previously synonymous with the SETA."

- Mr Gwebinkundla Qonde, Acting DG, DHET

to ensure its independency; the PSETA is working with partners on a talent pipeline to expose learners to learning programmes; the PSETA will apply the DHET's PIVOTAL programme and grants; and the PSETA was investigating the establishment of mobile provincial offices.

The summit closed with adoption of a PSETA Stakeholder Pledge and a vote of thanks from the Administrator to the Director-General of the DHET and stakeholders for the support shown for the PSETA and is reconstruction process.

THE PSETA PLEDGE
To all our stakeholders...

- We pledge to provide you with first-rate customer service.
- We pledge to consult you on matters affecting you.
- We commit to keeping you informed about all you need to know.
- We commit to ethical conduct in our relationship with you.
- We undertake to demonstrate the highest level of professionalism.
- We undertake to excel in our work and service to you.

PERFORMANCE REVIEW

The PSETA is mandated, as the SETA responsible for promoting skills development within the public service sector and participating parastatals and public entities, to facilitate, coordinate and monitor the effective development of educated, skilled and knowledgeable public sector workers that take responsibility for service excellence in the sector they represent.

The Table below reflects the PSETA's performance during the period under review. This performance is measured against the success indicators of the National Skills Development Strategy (NSDS II, as extended) which translates into sector targets and the PSETA's annual targets.

The activities of its units for Learning Programmes, Skills Planning and ETQA are directed at meeting these targets.

Table 4 Performance against NSDS II success indicators 2010-2011

NSDS II Success indicators		Sector target 2005-2011	PSETA target 2010-2011	Performance as at 31 March 2011	Variance explained
1	**Prioritising and communicating critical skills for sustainable growth, development and equity**				
1.1	Skills development supports national and sectoral growth, development and equity priorities	**Target the same for each year from 2005-2011 as described under annual target**	• Approve five- year SSP • Print and distribute 250 copies • Post SSP to PSETA website	• Sector Skills Plan signed by Administrator, Mr Themba Mhambi and DPSA acting DG and submitted to DHET on 16/02/ 2011 for approval • **250** printed copies distributed to stakeholders.	Achieved
1.2	Information on critical skills widely available to learners and impact researched, measured and communicated wrt rising entry, completion and placement of learners	**Target the same for each year from 2005-2011 as described under annual target**	• Develop Sector Career Guide and print 1 000 copies • Train at least 250 Skills Development Facilitators and Sector Specialists on the use of the Guide	• Sector Career Guide approved • **1 000 copies** printed for distribution to DGs/ HoDs, SDFs and used for exhibitions • **259 public sector** SDFs trained to use the Career Guide.	Achieved Exceeded target of 250 Variance 9
2	**Promoting and accelerating quality training for all in the workplace**				
2.3	At least 80% of government departments to spend at least 1% of personnel budgets on training	**Target the same for each year from 2005-2011 as described under annual target**	• Collect data on quarterly training expenditure from all National and Provincial Departments and consolidate in 4th quarter • Data collected and reported to DHET at end of 4th quarter in Schedule 2B report • At least 75 % of WSPs and ATRs submitted	• **102** Training Expenditure Reports received from National and Provincial Departments • **138** Departments (89.6%) submitted their WSPs and ATRs to PSETA • **393** SDFs trained to use the MIS for WSP and ATR development • **270** Training Committee members trained nationally to support SDFs for WSP and ATR development	Achieved Exceeded target of 75% Variance 14.6% Exceeded target of 200 Variance 193 No target was set for training committees

PERFORMANCE REVIEW (CONTINUED)

NSDS II Success indicators		Sector target 2005-2011	PSETA target 2010-2011	Performance as at 31 March 2011	Variance explained
2.7	Promoting and accelerating quality training for all in the workplace	Total target for the sector is 2 500 learners to enter ABET levels or Foundational Learning Certificate or relevant ABET Level 1: 750 Level 2: 750 Level 3: 500 Level 4: 500	Level 1: 750 learners Level 2: 750 learners Level 3: 500 learners Level 4: 500 learners	Learners entered ABET Level 1: 17 Level 2: 19 Level 3: 23 Level 4: 211	Shortfall Variance 733 Variance 731 Variance 477 Variance 289 ABET training not prioritised in government departments falling under scope of PSETA
		Total target for the sector is 1 250 learners to complete ABET levels or Foundational Learning Certificate or relevant ABET Level 1: 375 Level 2: 375 Level 3: 250 Level 4: 250	Level 1: 0 Level 2: 0 Level 3: 0 Level 4: 0	Variance 375 Variance 375 Variance 250 Variance 250	Target not met due to the fact that verifiable information as evidence for implementation is not available. Departments are forwarding information on ABET as reflected only on the WSP. Hence no evidence on the targets. Working towards developing user friendly reporting tools for the next year.
2.8	Assist workers to enter and complete programmes leading to basic entry, inter-mediate and high-level scarce skills	Target for the sector is 2 000 workers to enter learning programmes	100 workers to enter learnerships	151 workers entered learnerships	Exceeded Variance 51
			200 workers to receive bursaries	445 workers received bursaries	Exceeded Variance 245
			0 workers to enter internships	0 workers entered internships	Not achieved
			1 700 workers to enter skills programmes	1 961 workers entered skills programmes	Exceeded Variance 261
		Target for the sector is 1 000 workers to successfully complete learning programmes	50 workers to successfully complete learnerships	151 workers successfully completed learnerships	Exceeded Variance 101
			100 workers to successfully complete bursary studies	191 workers successfully completed bursary studies	Exceeded Variance 91
			850 workers to successfully complete skills programmes	1 797 workers successfully completed skills programmes	Exceeded Variance 947

4	**Assisting designated groups, including new entrants, to participate in accredited work-integrated learning and work-based programmes to acquire critical skills to enter the labour market and self-employment**				
4.1	Increase number of unemployed and students entering and completing learnerships and apprenticeships for basic entry, intermediate and high level scarce skills	At least 1 500 unemployed assisted to enter land at least 50% to successfully complete programmes, including learnerships and apprenticeships	100 unemployed people to enter MTA Section 28 apprenticeship equivalent learning programmes	0 unemployed people entered MTA Section 28 apprenticeship equivalent learning programmes	The PSETA did not participate in the target
			250 unemployed people to receive learnerships	305 unemployed people received learnerships	Exceeded Variance 55
			100 unemployed people to receive bursaries	65 unemployed people received bursaries	Shortfall Variance 35
			1 000 unemployed people to receive internships	139 unemployed people received internships	Shortfall Variance 861
			50 unemployed people to enter skills programmes	0 unemployed people entered skills programmes	Shortfall Variance 50
NSDS II Success indicators		**Sector target 2005-2011**	**PSETA target 2010-2011**	**Performance as at 31 March 2011**	**Variance explained**
4.1	Increase number of unemployed and students entering and completing learnerships and apprenticeships for basic entry, intermediate and high level scarce skills	At least 1 030 unemployed assisted to enter land at least 50% to successfully complete programmes, including learnerships and apprentice-ships	200 unemployed people to successfully complete learnerships	53 unemployed people successfully completed learnerships	Shortfall Variance 147
			50 unemployed people to successfully complete bursary studies	7 unemployed people successfully completed bursary studies	Shortfall Variance 43
			700 unemployed people to successfully complete internships	0 unemployed people successfully completed internships	Shortfall Variance 700
			30 unemployed people to successfully complete skills programmes	63 unemployed people successfully completed skills programmes	Exceeded Variance 33
5	**Improving the quality and relevance of the provision of skills development**				
5.1	Establish ISOEs within public and private institutions and through PPPs	Sector target is to support two ISOEs nationally through PPPs	Support two ISOEs nationally through PPPs	No ISOEs supported as previous financial year indicated that ISOEs still owed R64 000	Financial challenges at the PSETA

PERFORMANCE REVIEW (CONTINUED)

NSDS II Success indicators		Sector target 2005-2011	PSETA target 2010-2011	Performance as at 31 March 2011	Variance explained
5.3	Improved SETA service delivery and NQF implementation as required by SAQA	Identify four provider institutions for accreditation to manage service delivery for each Province	20 providers accredited 66 assessors registered 85 moderators registered 0 providers monitored 12 programme approvals 4 extension of scope 1 672 certified learners	20 providers accredited 66 assessors registered 85 moderators registered 0 providers monitored 12 programme approvals 4 extension of scope 1 672 certified learners	Targets achieved Monitoring not conducted due to financial constraints
			QCTO strategic document to be completed	Strategic document not yet approved	Document not yet presented for approval
			QMS: some policies developed and approved	Policies not developed or approved	Administrator intervention halted process Process to resume in the next financial year

Key to abbreviations

ABET: Adult Basic Education and Training; **ATR**: Annual Training Report; **DG**: Director-General; **DPSA**: Department of Public Service and Administration; **DHET**: Department of Higher Education and Training; **FET**: Further Education and Training; **HET**: Higher Education and Training; **ISOE**: Institutes of Sectoral or Occupational Excellence; **NQF**: National Qualifications Framework; **PPP**: Public-Private Partnership; **SAQA**: South African Qualifications Authority; **SDF**: Skills Development Facilitator; **SSP**: Sector Skills Plan; **WSP**: Workplace Skills Plan.

PSETA Exhibition stand at the Public Sector Summit held in Durban.

OPERATIONS REVIEW

The PSETA's ultimate vision is to develop a skilled public service that will serve all South Africans competently, effectively and efficiently, and to promote Government as an Employer of Choice to new entrants in the labour market.

In the year ahead, significant attention will be given to addressing the areas in the performance review Table where the PSETA did not meet its 2010-2011 targets.

Priority will also be given to assisting designated groups, including new entrants into the workplace, with grants for work-integrated learning and work-based programmes. This will be done through artisan development, setting up training co-operatives, developing occupations-related qualifications in the sector and responding to the requirements of the QCTO.

At the heart of the PSETA's operations lies the obligation to ahere to its founding purpose as espoused by its mandate. The annual operations review presents an opportunity to report and reflect on how effectively its activities have given effect to that mandate.

However, when an organisation goes through a change of such magnitude that penetrates to its core, as the PSETA has done during the past financial year, invariably and humanly, the focus is on the progression of change and transformation rather than meeting operational objectives.

There is no doubt that the 2010/2011financial year was one of the most challenging yet in the 10-year history of the PSETA. The scope and pace of change during the past 12 months have tested the SETA's resilience as an organisation. The financial and governance constraints also affected the ability of employees to fully respond to business imperatives.

As a result, the critical operational challenges during the reporting period were to minimise employee uncertainty, build morale and retain continiuty in implementing the activities of the PSETA's core units.

We focused on creating a common understanding of the end goal: that the PSETA will continue to do business, but differently, as an independent, fully-fledged SETA with a funding model to execute its mandate and that the benefits will be immense - for the organisation, the public service sector and the country.

Review of the core units

During the reporting period, the PSETA's activities were implemented by its Learning Programmes, Skills Planning and Education and Training Quality Assurance (ETQA) units.

The PSETA facilitates, coordinates and monitors the implementation of the National Skills Development Strategy (NSDS) in the public service sector and some parastatals, public entities, parliament and provincial legislatures.
The performance of the PSETA, from an operational perspective, has been influenced by a number of issues:

- Unlike the other SETAs, the PSETA does not receive levies from its stakeholders with which to deliver its core business and is reliant on government depart-ments to submit information on their skills development programmes.
- The PSETA was placed under Administration on 17 September 2010 (as amended on 13 October 2010), for a period of six months, to reposition it as an independent entity and address some serious lapses in governance. This created an uncertain and challenging environment that impacted on the ability and capacity of staff to deliver against targets.
- Despite its re-listing as a Schedule 3A Public Entity in terms of the PFMA in 2006, the PSETA has operated as semi- autonomous only for the past four years. During that time, all administrative aspects, namely corporate services, human resources, procurement and operational budget were still controlled by the Department for Public Service and Adminis-tration (DPSA).

Faced with a turbulent and uncertain work environment, the units still achieved and, in some cases, exceeded a number of their NSDS II targets. Some targets could not be met due to the financial constraints on the PSETA and the fact that PSETA relies on government departments to report on the targets set.

A critical constraint is that departments tend to report accurately in the last quarter of the year, as a way of spending the 1% allocated for skills development prior to financial year-end.

The activities of each of these units during the reporting period are discussed in some detail on the following pages.

KEY INITIATIVE: LEARNING PROGRAMMES

The PSETA Learning Programmes unit strives to facilitate and manage the development and implementation of learning programmes for the public service sector through partnering with stakeholders to implement, monitor and evaluate these programmes.

The objectives for the PSETA Learning Programmes unit during the 2010/2011 financial year were to:

- facilitate, monitor and evaluate the implementation of learnerships and related reporting by government departments and parastatals
- monitor compliance with quality assurance processes through project agreements with line function SETAs to manage learnerships and related agreements
- develop opportunities for occupational learnerships, and
- finalise outstanding learner achievement certificates.

Progress and achievements

During the reporting period, the unit completed and submitted the learnerships status report to the Executive Authority. The report incorporated the Organising Framework for Occupations (OFO) and highlighted the de-registrations, re-registrations and replace-ments.

The skills plan was aligned with the three learnerships developed at NQF Level 5, namely in Immigration Services, Refugee Services and Governance and Administration. Twenty skills programmes for scarce and critical skills were also developed and registered and a Public Administration Level 3 Learning Framework was developed and aligned with the registered qualification.

Performance against objectives

The PSETA Learning Programmes unit conducted three stakeholder engagement sessions during the year under review. The aim was to promote the registration of learning programmes and facilitate compliance with the implementation requirements to improve the overall reporting of learning programmes.

Two members of the unit attended development courses in Project Management and Monitoring & Evaluation. The reporting of verifiable ABET information remained a challenge. The plan is to develop enablers that are more user-friendly and workshop these in the next financial year.

The intake of interns during the past year improved steadily, a trend which has been encouraging and one that we look forward to see continuing.

KEY INITIATIVE: LEARNING PROGRAMMES (CONTINUED)

Table 5 Registered qualifications and learning programmes

SAQA Qualification ID	Qualification title	Minimum credits	NQF level
48761	National Certificate: Mission Administration	133	Level 5
49055	National Certificate: Foreign Economic Representation	160	Level 6
49107	National Certificate: Inspection and Enforcement Services	140	Level 5
49196	National Certificate: Social Housing Property Development	147	Level 6
49197	Further Education and Training Certificate: Social Housing Supervision	146	Level 4
49198	National Certificate: Social Housing Property Management	121	Level 6
49257	National Certificate: Conflict Management and Transformation	124	Level 5
50060	National Certificate: Public Administration	141	Level 5
50583	National Certificate: Public Service Communication	120	Level 5
50585	National Certificate: Public Service Communication	129	Level 6
57804	National Certificate: Public Administration	157	Level 3
57805	National Certificate: Public Sector Employment and Skills Development Practices	160	Level 5
57824	Further Education and Training Certificate: Public Administration	146	Level 4
57827	National Diploma: Public Administration	260	Level 7
57897 (67460)	National Diploma: Public Administration	240	Level 6
58346 (57712)	Further Education and Training Certificate: Public Administration Management	150	Level 4
64329	National Diploma: Diplomacy	240	Level 7
64670	National Certificate: Public Financial Oversight and Accountability	128	Level 6
65649	National Certificate: Official Statistics	120	Level 5
66869	National Certificate: Home Affairs Services	120	Level 5
64330	National Certificate: Mission Corporate Services Management (applied for extension of scope in February 2011 - out for public comment)	120	Level 6

Improving stakeholder consultation

The Learning Programmes unit also facilitated stakeholder engagement forums and presented a number of workshops to improve its stakeholder interaction and consultation. The workshop's objectives were to facilitate an understanding of the regulatory framework, specifically its amendments and implications, as well as improve the overall reporting process and guide stakeholders in the importance and methodology of submitting implementation evidence for learning programmes and related initiatives.

Non-verified reporting

Obtaining accurate and reliable information from stakeholders is integral to the PSETA's ability to ensure that its own reporting meets the required standards. While the PSETA has been receiving skills development reports from government departments, not all the information in these reports could be verified, nor did the reports contain the required verification documentation.

Consequently, those reports could not be accepted as an accurate reflection of the skills development initiatives that had been implemented by stakeholders.

The Table below reflects the submission rates for Quarterly Monitoring Reports (QMRs) from the national and provincial departments. On average, the unit received 61 percent of the QMRs due for submission, but there were huge discrepancies in compliance between provinces.

KEY INITIATIVE: LEARNING PROGRAMMES (CONTINUED)

Table 6 Submission rate for Quality Management Reports (QMRs) from Departments

Province	Departments	QMRs submitted	Rate %
National	42	19	45
Gauteng	12	10	83
Mpumalanga	12	9	75
North West	11	11	100
KwaZulu-Natal	14	3	21
Northern Cape	12	2	16
Western Cape	11	9	82
Limpopo	11	10	91
Free State	11	4	36

A stakeholder consultative workshop for the development of a Public Finance Management Administration Learning Programme held in August 2010.

Way forward

In the forthcoming year, the Learning Programmes unit will focus on increasing the QMR submission rate by providing government departments with the support they need to submit accurate and reliable information, on time.

The Learning Programmes unit will also work with all internal and external stakeholders to increase their capacity and understanding of how to improve the standard of their reporting. In this regard, the development of a user- friendly tool is critical and will be given priority.

The PSETA intends to focus on the 48 government trades for which it is responsible in the year ahead. As such, the Learning Programmes unit will attend to building capacity in apprentice development and facilitating the Recognition of Prior Learning (RPL) Assessments of the unemployed on trades and top-up training. Where necessary, this will be funded through the National Skills Fund (NSF).

Core to the responsibility of the Learning Programmes unit in the year ahead will the achievement of its NSDS III targets. The key to success in this regard will be to increase the capacity of the unit through establishing cooperative relationships with FET (Further Education and Training) institutions and guiding stakeholders in the roll-out of the PIVOTAL programmes, which involve professional, vocational, technical and academic learning programmes that address critical needs for economic growth and social development.

KEY INITIATIVE: SKILLS PLANNING

The PSETA's Sector Skills Plan provides the framework and background for its actions and is an important decisions-making tool to identify the priorities for skills development in the public service sector.

Delegates at the Public Service Skills Symposium hosted by PSETA in September 2010.

The activities of the PSETA's Skills Planning unit are guided by its Sector Skills Plan (SSP), which is aligned with the National Skills Development Strategy (NSDS) and updated annually to reflect the structural, economic and social changes in the public service sector. During the year under review, these activities were aligned with the extended cycle of the NSDS II.

Key focus areas

Critically, the Skills Planning Unit is responsible for creating partnerships with credible research entities, developing and updating the skills plan and career guide for the public service sector, analysing the labour market and forecasting supply and demand trends for skills in the sector.

The unit also supports the sector to benchmark skills planning and conduct impact studies of skills development activities and provides the sector with career guidance by preparing a Sector Career Guide that is based labour market analyses, trends and addressing the sector's identified scarce and critical skills needs. Stakeholders are provided with the information on such scarce and critical skills.

In addition, the unit facilitates the establishment and induction of public service sector training committees as well as effective workplace skills planning and development through capacitating and providing Skills Development Facilitators (SDFs) with the necessary tools and guideline documents.

Some highlights

The Skills Planning unit experienced a number of highlights during the reporting period. These included the successful implementation of the management information system (MIS) and as a result, achieved 89 percent submission rate for Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs) from 138 Departments. The unit also developed the SSP and Sector Career Guide.

A total of 393 SDFs were trained to use the MIS for the online submission of WSPs and ATRs and a further 259 on how to use of the Sector Career Guide. A significant 270 sector training committees were inducted, while unit members participated in various sector skills development seminars.

Objectives for the 2010/2011 reporting period

During the year under review, the Skills Planning unit sought to achieve the following objectives as aligned with the targets set by the extended NSDS II:

- Develop the five-year Sector Skills Plan (SSP) and Sector Career Guide.
- Review and update the PSETA's management information system for stakeholders to complete and submit their WSPs and ATRs to the PSETA online.
- Develop the capacity of sector SDFs and training committees to undertake workplace skills planning and implementation effectively.
- Monitor and report on whether government departments are investing 1 percent of their human resources budgets in training and skills development.
- Provide the public service sector with ongoing support.

Performance against objectives

Development of the 2011-2016 Sector Skills Plan and Sector Career Guide

The PSETA prepares and reports on its five-year SSP to the Department of Higher Education and Training (DHET). The SSP identifies the skills needs of the public service sector and that constraints to developing and using these skills effectively to achieve the objectives of the NSDS, as well as those of the National Human Resource Development Strategy and related sector strategies. The SSP is updated annually to accommodate changes that might have occurred in the sector.

- ***Sector Skills Plan (SSP)***

  G-Lab, an independent service provider, assisted the PSETA with its SSP according to the DHET guidelines and within the framework of the NSDS III. The skills needs of the public service sector were thoroughly researched, using qualitative and quantitative data collection and analysis methods. This included seminars with senior government officials and consultative workshops with SDFs, as well as the analyses of Persal data, WSPs and ATRs.

- ***Sector Career Guide***

  Similar to the SSP, the Sector Career Guide is developed to comply with the requirements of the NSDS. Concurrent with the SSP process, the appointed service provider assisted with the development of the career guide, which profiles scarce and critical skills and details the available career paths and opportunities in the sector.

  The career guide, of which 1 000 were printed for distribution, is intended for use by sector employees, unemployed youth and graduates, school learners and career guidance educators and counsellors.

Reviewing the Management Information System (MIS)

Developed by Deloitte and Touche and introduced to the user community for the first time during the past financial year, the MIS enables real-time, online interaction between the PSETA and the SDFs. The system allows the SDFs to capture, upload and submit their WSPs and ATRs online and is critical for the realisation of the PSETA's business objectives.

The developer assisted the Skills Planning team to master the system and guide and support the SDFs in its use. The challenges and user feedback were recorded and discussed with the developer to improve the functionality of the system and enhance the user interface. The enhancements were completed and shared with all the SDFs to ensure a much improved process in the forthcoming submission cycle.

KEY INITIATIVE: SKILLS PLANNING (CONTINUED)

Table 7 Summary of reports from government departments on the 1% of human resources budgets spent on training and skills development

Department	1 % Expenditure Reports					Consolidation
	Expected	Apr-Jun Q1	Jul-Sep Q2	Oct-Dec Q3	Jan-Mar Q4	
Eastern Cape	13	7	6	9	3	9
Free State	12	9	6	4	1	8
Gauteng	12	4	3	2	0	7
KwaZulu-Natal	14	7	6	6	3	8
Limpopo	12	5	7	7	1	11
Mpumalanga	12	5	6	6	1	9
North West	13	2	13	8	6	13
Northern Cape	12	2	2	2	1	7
Western Cape	13	4	6	5	0	6
National	43	8	21	20	1	34
GRAND TOTAL	**156**	**53**	**76**	**69**	**17**	**112**

Table 8 Submission of 1% expenditure reports for the 2010/2011 financial year per Province

Apr-Jun 2010	Jul-Sep 2010	Oct-Dec 2010	Jan-Mar 2011	Consolidated Report
Eastern Cape				
• Roads & Public Works • Agriculture & Rural Development • Treasury • Local Government & Traditional Affairs • Social Develop-ment • Premier • Health	• Public Works • Education • Agriculture& Rural Development • Local Government & Traditional Affairs • Social Develop-ment • Premier	• Education • Human Settlements • Agriculture & Rural Development • Transport • Local Government & Traditional Affairs • Social Develop-ment • Public Works • Health • Premier	• Health • Rural Development & Agrarian Reform • Education	• Roads & Public Works • Safety & Liaison • Local Government & Traditional Affairs • Sports, Arts, Culture & Recreation • DEDEA • Treasury • Transport • Agriculture & Rural Development • Rural Development & Agrarian Reform
Free State				
• Premier • Treasury • Police, Roads & Transport • COGTA • Public Works & Rural Development • Education • Health • Sports, Arts & Culture • Economic Development, • Environment & Tourism	• Police, Roads & Transport • Sports, Arts, Culture & Recreation • Premier • Education • Economic Development Tourism & Environmental Affairs • Treasury	• Education • Sports, Arts, Culture & Recreation • Police, Roads & Transport • Treasury	• Sports, Arts, Culture & Recreation	• Sports, Arts, Culture & Recreation • Agriculture& Rural Development • Treasury • Police, Roads &Trans-port • Economic Development, Environment & Tourism • Premier • COGTA • Education

KEY INITIATIVE: SKILLS PLANNING (CONTINUED)

Apr-Jun 2010	Jul-Sep 2010	Oct-Dec 2010	Jan-Mar 2011	Consolidated Report
Gauteng				
• Health & Social Development • Premier • Agriculture & Rural Develop-ment	• Social Development • Community Safety • Premier	• Social Development • Agriculture & Rural Development		• Finance • Local Government & Housing • Premier • Health & Social Development (Social Development) • Infrastructure Development • Agriculture & Rural Development • Roads & Transport
KwaZulu-Natal				
• Sports & Recreation • Health • Economic Development • Treasury • Premier • Human Settlements • Transport	• Treasury • Co-operative Governance & Traditional Affairs • Transport • Public Works • Agriculture, Environmental Affairs & Rural Development • Human Settlements • Community Safety	• Treasury • Health • Transport • Human Settlements • Co-operative Governance & Traditional Affairs • Public Works	• Co-operative Governance & Traditional Affairs • Human Settlements • Community Safety & Liaison	• Transport • Agriculture • Sports & Recreation • Health • Arts & Culture • Public Works • Treasury • Human Settlements
Limpopo				
• Agriculture • Treasury • Sports, Arts & Culture • Education • Public Works	• Agriculture • Education • Sports, Arts & Culture • Economic Development, Environment & Tourism • Safety, Security & Liaison • Public Works	• Sports, Arts & Culture • Treasury • Education • Agriculture • Roads & Transport • Public Works	• Public Works	• Agriculture • Local Government & Housing • Roads & Transport • Economic Development, Environment & Tourism • Premier • Public Works • Treasury • Education • Sports, Arts & Culture • Social Develop-ment • Safety, Security & Liaison

KEY INITIATIVE: SKILLS PLANNING (CONTINUED)

Apr-Jun 2010	Jul-Sep 2010	Oct-Dec 2010	Jan-Mar 2011	Consolidated Report
Mpumalanga				
• Public Works Roads & Transport • Co-operative Governance & Traditional Affairs • Finance • Agriculture Rural Development and Land Administration • Premier	• Agriculture, Rural Development & Land Administration • Finance • Cooperative Governance & Traditional Affairs • Economic Development, Environment & Tourism • Public Works, Roads & Transport	• Economic Development, Environment &Tourism • Health • Safety, Security & Liaison • Finance • Public Works, Roads & Transport • Cooperative Governance & Traditional Affairs • Premier	• Finance	• Social Development • Finance • Safety, Security & Liaison • Human Settlements • Premier • Agriculture, Rural Development & Land Administration • Cooperative Governance & Traditional Affairs • Economic Development, Environment & Tourism • Public Works, Roads & Transport
North West				
• Treasury • Sports, Arts & Culture	• Sports, Arts & Culture • Public Works, Roads & Transport • Health & Social Development • Agriculture, Conservation, Environment & Rural Development • Treasury • Economic Development & Tourism • Social Development • Local Government & Traditional Affairs • Premier • Human Settlements • Education • Public Safety • Health	• Health • Public Works, Roads & Transport • Treasury • Sports, Arts & Culture • Local Government & Traditional Affairs • Social Development, Women, Children & People with Disabilities • Public Safety • Human Settlements	• Agriculture & Rural Development • Public Safety • Social Development, Women, Children and People with Disabilities • Treasury • Human Settlements • Premier	• Legislature • Public Safety • Human Settlements • Economic Development, Environment, Conservation & Tourism • Correctional Services • Sports, Arts& Culture • Social Development, Women, Children and People with Disabilities • Treasury • Education • Local Government & Traditional Affairs • Premier • Health • Public Works, Roads & Transport • Agriculture & Rural Development
Northern Cape				
• Sports, Arts &Culture • Co-operative Governance, Human Settlements & Traditional Affairs	• Treasury • Co-operative Governance, Human Settlements & Traditional Affairs	• Co-operative Governance, Human Settlements & Traditional Affairs • Sports, Arts & Culture	• Sports, Arts & Culture	• Labour • Sports, Arts & Culture • Roads & Public Works • Premier • Transport, Safety & Liaison • Social Development • Co-operative Governance, Human Settlements & Traditional Affairs

KEY INITIATIVE: SKILLS PLANNING (CONTINUED)

<table>
<tr><th>Apr-Jun 2010</th><th>Jul-Sep 2010</th><th>Oct-Dec 2010</th><th>Jan-Mar 2011</th><th>Consolidated Report</th></tr>
<tr><td colspan="5">Western Cape</td></tr>
<tr><td>• Economic Development & Tourism
• Human Settlements
• Local Government
• Education</td><td>• Health
• Social Development
• Education
• Economic Development
• Premier
• Environmental Affairs & Development</td><td>• Education
• Health
• Community Safety
• Treasury
• Cultural Affairs and Sport</td><td></td><td>• Health
• Economic Development, Environment & Tourism
• Cultural Affairs & Sport
• Community Safety
• Treasury
• Local Government</td></tr>
<tr><td colspan="5">National Departments</td></tr>
<tr><td>• Communications
• Science & Technology
• Trade & Industry
• Correctional Services
• Transport
• Rural Develop-ment and Land & Reform
• Co-operative Gover-nance & Traditional Affairs</td><td>• Presidency
• Basic Education
• Statistics South Africa
• Palama
• Environmental Affairs
• Office of Public Service Commission
• Home Affairs
• Public Service & Admin-istration
• Co-operative Gover-nance & Traditional Affairs
• Communications
• Human Settlements
• Trade & Industry
• Transport
• Science & Technology
• Government Employee Pension Fund
• Sports & Recreation South Africa
• Public Enterprises
• Rural Develop-ment & Land Reform
• Social Develop-ment
• Health</td><td>• Palama
• Communications
• Public Service & Admin-istration
• Government Employee Pension Fund
• Presidency
• Civilian Secretariat of Police
• Office of Public Service Commission
• Basic Education
• Transport
• Co-operative Gover-nance& Traditional Affairs
• Health
• ICD
• Statistics South Africa
• Rural Development & Land Reform
• Science & Technology
• Office of Public Protec-tor South Africa
• GCIS
• Home Affairs
• Trade & Industry
• Human Settlements</td><td>• Water Affairs</td><td>• Mineral Resources
• Transport
• SAPS
• STATISTICS SA
• Sports & Recreation
• Presidency(DPME & DWCD)
• Communications
• Energy
• Agriculture, Forestry & Fisheries
• Public Protector
• Arts & Culture
• COGTA
• OPSC
• Treasury
• DTI
• Correctional Services
• Health
• PALAMA
• DPSA
• GPA (Govern-ment Pen-sion Administration)
• Social Development
• Home Affairs
• Basic Education
• Public Enterprises
• DHET
• Civilian Secretariat of Police
• Science & Technology
• Public Works
• Environmental Affairs
• GCIS
• Rural Develop-ment & Land Reform
• Tourism
• ICD
• Human Settlements</td></tr>
</table>

KEY INITIATIVE: SKILLS PLANNING (CONTINUED)

Apr-Jun 2010	Jul-Sep 2010	Oct-Dec 2010	Jan-Mar 2011	Consolidated Report
Parastatals				
• CIPRO	• Gauteng Partnership Fund • Cradle for Humankind World Heritage Site & Dinokeng Site • National Heritage Council • CIPRO	• Cradle for Humankind World Heritage Site & Dinokeng Site • National Heritage Council • CIPRO		• National Heritage Council • Cradle for Humankind World Heritage Site & Dinokeng Site • Gauteng Partnership Fund • CIPRO
Legislatures				
				• Gauteng • Limpopo • North West

Table 9 Summary of Workplace Skills Plans (WSPs) received for the year ended 31 March 2011

National and Provincial Departments	WSPs expected	WSPs received	Return rate (%)
National Departments	43	36	83.7
Eastern Cape	13	12	92
Free State	12	11	92
Gauteng	12	11	92
KwaZulu-Natal	14	11	78.6
Limpopo	12	12	100
Mpumalanga	12	11	92
North West	12	12	100
Northern Cape	12	10	83
Western Cape	13	12	92
TOTAL	**154**	**138**	**89**

Capacity building for Skills Development Facilitators (SDFs) and Training Committees

Capacity building for SDFs

During the year under review, capacity building workshops were conducted for SDFs and sector training committees to improve workplace skills planning, development and implementation.

In the first of two rounds of workshops, 393 SDFs were trained to use of the MIS system for the online development and submission of their WSPs and ATRs. In the second round, 250 SDFs were trained and feedback given on the submitted WSPs and ATRs. This included the quality of the contents, an analysis of the results and the standard of the evaluation reports.

The workshops also provided opportunities to discuss the challenges, concerns and user feedback about the MIS and other templates for the Consolidated Training Report, as well as the Training Expenditure Reports and stakeholder relations. Clarification was given about using the Organising Framework for Occupations (OFO) to develop occupational classifications for the WSPs.

Effectively functioning Training Committees

Part of the unit's mandate is to ensure that departments, legislatures and parastatals have training committees that function effectively and understand their roles and responsibilities.

KEY INITIATIVE: SKILLS PLANNING (CONTINUED)

As such, the members of 270 training committee from a number of provincial and national government departments were inducted to ensure that they could support skills development planning and implementation effectively within their departments.

Training Expenditure Reports

The Skills Development Act and the NSDSII Success Indicator 2.3, emphasises that government departments should set aside 1 percent of their total human resources budget for utilisation in skills development activities.

During the past year, the PSETA's role was largely that of monitoring compliance in this regard and to continuing to encourage the departments to improve their investment in training and education. As a result, 102 departments reported to have consistently complied with this requirement.

> The Organising Framework for Occupations (OFO) is a skills-based coded classification system for all occupations and jobs in the South African labour market.
>
> The OFO defines occupations according to their attributes and groups them according to similarity into successively broader cate-gories or hierarchical levels for statistical and other types of analyses.
>
> The OFO framework consists of six hierarchical levels that specify the specialisation areas of the occu-pational category, which is useful for depicting or describing scarce and critical skills.
>
> The OFO codes are used in the WSP and ATR to identify occu-pational categories and skills shortages.

"The SSP requires credible empirical data, specifically on the economy and generally on the labour market requirements. With as accurate as possible labour market analysis and forecasting, the SETAs and DHET will be in a position to identify needs, and thus know where the post-schooling systems needs strengthening."

- Mr G F Qonde, Acting Director-General in a letter to SETAs, 29 June 2011

Rendering support to departments

In addition to the scheduled capacity building workshops for sector SDFs and training committees, the Skills Planning unit also supported departments on an ongoing basis with, among others, presentations at seminars and conferences. An example was the support provided to the national Department of Social Development to create a skills development plan for their community development practitioners.

Challenges

The Skills Planning unit dealt with a number of challenges in executing its activities during the reporting period. These included insufficient capacity, with only five people to deal with 146 government departments and 10 legislatures and parastatals who are still not all submitting their WSPs and ATRs. As a result, the parastatals were not adequately supported and the unit will give rectify this situation as a matter of priority in the year ahead.

In addition, a more rigorous data analysis is needed to adequately reflect the skills needs of the public service sector and the Sector Career Guide needs to be distributed to a wider audience.

Looking ahead

In the year ahead, the MIS user-interface will be enhanced to further increase the submission of WSPs and ATRs. Attention will also be given to increasing the capacity of stakeholders to improve workplace skills planning and implementation.

The Skills Planning unit, restructured as the Skills Planning and Research Department during the latter part of the reporting period, will increase its internal capacity in the year ahead to assess the effectiveness and monitor and evaluate skills planning processes. The department will also partner with institutions of higher learning to access the research capacity needed to update the SSP, for which the available data in Persal and HR Connect, as well as in the WSPs, will undergo a rigorous analysis to distil scarce and critical skills for a better understanding of sector needs.

Going forward, the department will contribute to increasing the PSETA's visibility through participating in activities such as career exhibitions, Inter-SETA cluster meetings and departmental skills seminars.

KEY INITIATIVE: ETQA (Education and Training Quality Assurance)

The ETQA unit contributes to the attainment of the PSETA's mission and key objectives of bridging the skills gaps in the public service sector and creating a skilled workforce to meet the social development needs of all South Africans.

The activities of the PSETA's Education and Training Quality Assurance (ETQA) unit are directed by business objectives that are aligned with the organisation's strategy and the success indicators of the NSDS.

The ETQA unit accredits and monitors training providers, certificates constituent learners and training providers, facilitates assessments, manages the learner database, maintains Memoranda of Understanding (MoU) with other ETQAs, undertakes initiatives to promote quality assurance and registers assessors and moderators.

These directives remain robust, as they are aligned with the success indicators of the NSDS III, which comes into effect in the forthcoming financial year.

A number of highlights

During the past financial year, the ETQA unit helped to bridge the skills gaps in the public service sector by accrediting 20 providers, registering 66 assessors and 85 moderators and providing certification for 1 672 learners.

Objectives for 2010/2011

During the reporting period, the objectives for the ETQA unit supported the targets of the extended NSDS II and entailed:

- maintaining the PSETA's ETQA status
- ensuring that the PSETA had suitably accredited training providers
- ensuring that the PSETA had suitably qualified and registered constituent assessors and moderators, and
- ensuring that unit standards and qualifications were developed.

Performance against objectives

Despite a challenging business environment and significant financial constraints, the ETQA unit delivered a number of significant outcomes. Importantly, the PSETA retained its accreditation as an ETQA body in terms of the SAQA ETQA Regulations, which are valid until the related Act is repealed.

The unit also accredited 20 providers against PSETA unit standards and qualifications and contracted external moderators (verifiers) to verify and endorse all assessments and submit reports to the PSETA ETQA before the qualifying 1 672 learners could be certificated. In addition, 66 assessors and 85 moderators were registered against PSETA unit standards and qualifications. Three from a total of 19 existing MoUs were reviewed and three qualifications developed and registered with SAQA.

Quality management

During the reporting period, the PSETA secured a service provider to assist with the development of policies, procedures and flowcharts for its Quality Management System (QMS). The finalisation of the QMS and the related documentation will be attended to as a matter of urgency in the next financial year.

Framework for partnerships with the QCTO

The PSETA's quality assurance role is integral to its ability to deliver against its mandate. The establishment of a strategic partnership with the newly constituted Quality Councils for Trades and Occupations (QCTO), which will require SETA ETQA's to adopt a different quality assurance role, is therefore important. A service provider has been appointed to develop a QCTO strategy document that outlines the PSETA's roles and partnerships with the QCTO and other quality partners.

Progress and current status

Currently, the ETQA unit is reviewing all policies to align these with the requirements of the NSDS III.

KEY INITIATIVE: ETQA (CONTINUED)

Management Information System (MIS) Workshop held in April 2010

In addition to the above-mentioned QCTO partnership applications, providers are being monitored and given the necessary support.

During the last quarter of the reporting period, while PSETA was under administration, the ETQA unit employed a number of capable staff members who are clearing up the backlogs regarding the accreditation of training providers and registering of assessors and moderators. This includes addressing the PSETA's red status on the National Learners' Records Database (NLRD) by working closely with SAQA to resolve this issue.

Looking ahead

Rolling out the QCTO strategic document to stakeholders is of paramount importance in the year ahead. In addition, initiatives are underway to promote quality in workplace training and skills development and provide guidance in strategic workshops, meetings and networks in this regard.

The process of applying as a QCTO Quality Assurance Partner (QAP), Development Quality Partner (DQP) and Assessment Quality Partner (AQP) according to the application submission guidelines will be taken forward as a matter of urgency as soon as the QCTO policies are approved. The process of reviewing the PSETA's ETQA policies, procedures and flowcharts will also continue unabated.

In the year ahead, the ETQA which has been restructured as a department going forward, will capacitate providers to support the PSETA's strategic projects. The services of a number of providers will also be secured, including four external moderators (verifiers), four training material evaluations, a certificate printer and a qualification development consultant.

These services are critical to assist the ETQA department in its role as a quality assurer and to deliver effectively in the monitoring and evaluating of the provision of training in the public service sector.

PUBLIC SERVICE SECTOR EDUCATION AND TRAINING AUTHORITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

CONTENTS

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE PUBLIC SERVICE SECTOR EDUCATION AND TRAINING AUTHORITY FOR THE YEAR ENDED 31 MARCH 2011

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Public Sector Service Education and Training Authority (PSETA), which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 50 to 87.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as management determines 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. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 14(6)(a) of the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA), my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Reserves

4. I was unable to obtain sufficient accounting records and adequate docu-mentation to support the following opening balances, closing balances and comparative figures:

- Reserves: Included in the accumulated reserves deficit amounting to R20,9 million (2010), as disclosed in the statement of changes in net assets, is an amount of R0,3 million that could not be verified, as well as expenditure transactions on the National Skills Fund (NSF)) project relating to prior year. Of the total expenditure for the project of R97.2 million only R7.5 million could be confirmed to valid supporting documentation. As a result, I could not determine the existence, valuation and completeness thereof.
- Consequently, I was unable to obtain sufficient appropriate audit evidence to support the existence, valuation and completeness of the accumulated reserves deficit amounting to R19,9 million at 31 March 2011.
- As a result, I was also unable to verify the accuracy of the comparative figures disclosed in the cash flow statement. My opinion on the financial statements for the period 31 March 2010 was modified accordingly. My opinion on the financial statements for the current period is also modified, because of the effect of this matter on the comparability of the current period's figures and the corresponding figures.

Trade and other payables: NSF deferred income liability

5. I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, rights and obligations, completeness and valuation of the NSF deferred income liability balance stated at R30,7 million (2010: R30,7 million) in the financial statements. The expenses relating to this NSF project could not be confirmed as stated in paragraph 4 of this report and consequently I could not confirm the closing or opening balance of the NSF deferred income liability. Due to limitations, alternative procedures could not be performed.

Disclaimer of opinion

6. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

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

Going concern

8. With reference to note 23 to the financial statements, the entity's current liabilities exceeded its total assets by R19,9 million. This condition, along with other matters as set forth in note 23, indicates the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern.

9. With reference to note 23 to the financial statements, the PSETA's licence was renewed by the Department of Higher Education and Training until 31 March 2012. At the date of my report, the licence had not been extended.

Significant uncertainties

10. With reference to note 21.1 to the financial statements, the PSETA is involved with litigation surrounding the supply of services by a provider. The outcome of this possible lawsuit cannot be determined at present and a contingent liability was disclosed.

Irregular expenditure

11. As a result of the prior period error disclosed in note 16.2 to the current annual financial statements, irregular expenditure of R6,1 million was incurred, as disclosed in note 13.1.

Restatement of corresponding figures

12. With reference to notes 16.1 and 16.2 to the financial statements, the corresponding figures for 31 March 2010 have been restated. Misstatements in the corresponding figures were identified during my audit of the financial statements of the 2009-10 financial year relating to accounts receivable amounting to R6,3 million (2008-09: R2,8 million). Management corrected the misstatement by restating the corresponding figures and opening balances.

13. With reference to note 16.3 to the financial statements, the corresponding figures for March 2010 and prior years have been restated. Accounts payables were restated to reflect information that became available in the current year with regard to the NSF deferred income liability.

Material impairments

14. With reference to note 5.1 to the financial statements, the PSETA has written off receivables from non-exchange transactions totalling R0,1 million at 31 March 2011.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

15. In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010,* I include below my findings on the annual performance report as set out on pages 22 to 25 and material non-compliance with laws and regulations applicable to the SETA.

Predetermined objectives

Reliability of information

16. The reported performance information was deficient in respect of the following criteria:

- Validity: The reported performance did not occur and did not pertain to the entity.
- Accuracy: The amounts, numbers and other data relating to reported actual performance were not recorded and reported appropriately.
- Completeness: All actual results and events that should have been recorded were not included in the reported performance information.

17. The following audit findings relate to the above criteria:

- Sufficient appropriate audit evidence in relation to any of the selected objectives could not be obtained. There were also no alternative satisfactory audit procedures that I could perform to obtain the required assurance as to the validity, accuracy and completeness of the reported information.
- This matter was reported in the prior year report on predetermined objectives.

Compliance with laws and regulations

Public Finance Management Act and Treasury Regulations of 2005

18. Contrary to the requirements of section 51(1)(a)(i) of the PFMA and Treasury Regulation 27.2.1, specific sector policies and procedures regarding inventory, grants and predetermined objectives that are critical for the operations of the SETA had not been developed and/or approved.

19. Contrary to the requirements of section 55(1)(a) of the PFMA, the financial statements submitted by the accounting authority on 31 May 2011 were not accurately presented and prepared and were subject to material changes.

20. Contrary to section 54(1) of the PFMA, the accounting authority did not submit to the Auditor-General appropriate evidence to support the predetermined objectives.

21. Contrary to the requirements of section 51(1)(a)(i) of the PFMA and Treasury Regulation 27.2.1, the PSETA's risk assessment was drafted but not approved during the year.

22. Contrary to the requirements of section 51(1)(a)(ii) of the PFMA and Treasury Regulation 27.1.6, the audit committee's audit charter and terms of reference were drafted but not approved by the Accounting Authority.

23. Contrary to the requirements of Treasury Regulation 11.4, bad debts were written off without the authorisation of the accounting authority as prescribed by the PSETA's finance policy.

24. Contrary to the requirements of Treasury Regulation 28.3, the PSETA's accounting authority did not approve the materiality framework.

25. Contrary to the requirements of Treasury Regulation 30.2, the PSETA did not establish procedures for quarterly reporting to the executive authority in order to facilitate effective performance monitoring, evaluation and corrective action.

Skills Development Act

26. Contrary to the requirements of section 14(3) of the SDA, the PSETA exceeded the 10% limit on administration expenditure incurred in the 2008-09 and 2009-10 financial periods as a result of prior period adjustments in the current year's financial statements.

Other regulations

27. Contrary to the requirements of the regulations published in *Government Gazette 82784(3)*, the PSETA did not use its skills development levies allocated to the discretionary grant, to run any projects as required.

INTERNAL CONTROL

28. In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

29. The accounting authority did not exercise oversight responsibility over reporting and internal controls. As a result, proper policies, procedures and accounting records were not in place.

30. Key personnel were not available during the course of the audit. The chief financial officer was seconded to the Construction SETA and was therefore only available three days of a week during the audit process, which led to delays in the supply of information.

31. The PSETA did not have monitoring controls to ensure that the reported performance information was valid, accurate and complete.

32. Only limited action could be taken by the accounting authority against non-performing employees, as the employees were employed by the Department of Public Service and Administration and that department's disciplinary process had to be followed.

Financial and performance management

33. There were significant delays in management providing the required information on financial and performance objectives.

34. The PSETA did not have reliable information systems for recording and reporting on financial and performance objectives.

Governance

35. The PSETA's risk management assessment had been drafted but not approved and implemented as required by the PFMA. Consequently, a number of control deficiencies were identified. These include a failure to ensure the safekeeping of supporting documentation.

REPORT OF THE AUDITOR - GENERAL TO PARLIAMENT ON THE PUBLIC SERVICE SECTOR EDUCATION AND TRAINING AUTHORITY FOR THE YEAR ENDED 31 MARCH 2011

OTHER REPORTS

Investigations

36. As disclosed in note 21.2 to the financial statements, the PSETA has entered into an agreement with the Special Investigation Unit to investigate the NSF project as well as other alleged irregularities. At year-end the investigation had not been concluded.

Auditor - General.

Pretoria

29 July 2011

AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT OF THE AUDIT COMMITTEE ON THE PUBLIC SERVICE SECTOR EDUCATION AND TRAINING AUTHORITY FOR THE YEAR ENDED 31 MARCH 2011

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is pleased to present its report for the financial year ended 31 March 2011.

1.1 Audit Committee Charter

The Audit Committee has adopted formal Terms of Reference as its Audit Committee Charter that has been recommended for approval by the Board then the Administrator after PSETA was placed under administration. The Charter is available on request.

1.2 Audit Committee members and attendance at meetings

The Audit Committee consisted of four independent members and meets at least four times a year as specified in terms of the Audit Committee Charter.

The Chairperson/Administrator, Chief Financial Officer, Outsourced Internal Audit Function, external auditors and other assurance providers (legal, compliance, risk, etc) attended meetings by invitation. The Chief Executive Officer is the *ex-officio* member of the Audit Committee.

During the year under review, PSETA was placed under administration on 17 September 2010 resulting in two different Audit Committees. Upon the appointment of the Administrator, Mr Themba Mhambi, on 13 October 2010, a new Audit Committee was appointed as the previous Audit Committee was dissolved when the Board was dissolved.

During the year under review, nine meetings were held by the two Audit Committees.

Pre-Administration Audit Committee

Audit Committee members	2/3/2010	31/3/2010	26/5/2010	30/5/2010	28/7/2010	Total
J Maboa	✓	✓	✓	✓	✓	5
F Sinthumule (Chairperson)	✓	✓	✓	✓	✓	5
M Mokwele	✓	✓	✓	✓	–	4
H Bresler	–	–	✓	–	–	1

Post-Administration Audit Committee

Audit Committee members	17/11/2010	15/12/2010	1/2/2011	18/3/2011	Total
M Mokwele (Chairperson)	✓	✓	–	–	2
J Maboa	✓	✓	✓	✓	4
S Gounden	✓	✓	✓	–	3
S Wasa	✓	✓	✓	✓	4

It is noteworthy to mention that during the financial year 2011/2012, the new Board had appointed a new Audit Committee and this Audit Committee appointed a new Chairperson, Sabelo Wasa, who is the signatory of this report.

REPORT OF THE AUDIT COMMITTEE ON THE PUBLIC SERVICE SECTOR EDUCATION AND TRAINING AUTHORITY FOR THE YEAR ENDED 31 MARCH 2011

1.3 Roles and responsibilities

The Audit Committee's roles and responsibilities include its statutory duties per the Public Finance Management Act, 1999 (Act No. 1 of 1999)(PFMA) as well as the Treasury Regulations issued in terms of the PFMA and the responsibilities assigned to it by the Board/ Administrator.

The Audit Committee was responsible for performing its duties as set out in the Terms of Reference, which included reviewing the following:

- The effectiveness of the PSETA's internal control systems.
- The risk areas of PSETA's operations to be covered in the scope of the internal and external audits.
- The accounting and auditing concerns identified as a result of the internal and external audits.
- The PSETA's compliance with legal and regulatory provisions, in particular PFMA, Treasury Regulations and Skills Development Act (SDA).
- The activities of the Outsourced Internal Audit function, including its work programmes, coordination with the external auditors, the report of significant investigations and the responses of management to specific recommendations.
- The review of financial statements with specific attention to:
    - underlying accounting policies or changes thereto;
    - major estimates and managerial judgements;
    - significant adjustments flowing from the year-end audits;
    - compliance with effective Standards of Generally Recognised Accounting Practices (GRAP), the PFMA and other statutory prescripts; and
    - the appropriateness of the going concern assumptions.

The Audit Committee also undertook the following activities during the year under review:

- Reviewed its Terms of Reference and recommended them for approval.
- Reviewed and recommended the Internal Audit Charter and approved Internal Audit Plan.
- Reviewed the risk assessment and its appropriateness against the National Skills Development Strategy II (NSDS II), PSETA's Constitution and the Administrator's action plan.
- Reviewed and recommended the materiality framework for PSETA for approval.
- Reviewed and recommended the risk management strategy, plan and assessment for approval.
- Reviewed the PWC forensic audit report on some irregularities.
- Reviewed financial policies of PSETA and recommended them for approval.
- Encouraged communication on variety of matters between the members of the Board, Administrator, Senior and Executive Management, Outsourced Internal Audit function and the external auditors.

REPORT OF THE AUDIT COMMITTEE ON THE PUBLIC SERVICE SECTOR EDUCATION AND TRAINING AUTHORITY FOR THE YEAR ENDED 31 MARCH 2011

The Audit Committee's assessment of the PSETA's internal control environment is that it was at the start of being set up and the fruits are still to be realised. There are two reasons for the PSETA's internal control environment:

1. PSETA until April 2011 was regarded as a Chief Directorate of the Department of the Department of Public Service and Administration, with staff of the Department seconded to run the PSETA business
2. PSETA had instability at management level, in that not less than two different CEOs were in acting capacities until the appointment of the current CEO and CFO on 16 and 01 August 2010 respectively.

The new CEO and CFO then had to put some controls in place, partly as a condition of the Department of Public Service and Administration to give full control to PSETA by 31 March 2011. Judging from the Internal Auditors' report covering the period April 2010 to March 2011, these controls are not yet effective.

Internal financial controls

During the year under review, most of the financial transactions were processed by the Department of Public Service and Administration and even those that were processed by the PSETA were done under the stewardship and direction of the said Department. Based on the information and explanations given by the management and the Outsourced Internal Audit function, with the discussion held with the Auditor General (AG) on the result of their audits, the Audit Committee is of the opinion that the internal accounting controls were adequate to ensure that the financial records can be relied upon for preparing the financial statements.

It is against this background that the Audit Committee is of the opinion that the AG's decision to issue the PSETA a disclaimer of audit opinion was exaggerated. According to ISA 705 the auditor shall disclaim an opinion when:

1. The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be **both material and pervasive.**
2. In extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.

ISA 705 further defines pervasive effects on the financial statements to be those that, in the auditor's judgement:

1. are not confined to specific elements, accounts or items of the financial statements;
2. if so confined, represent or could represent a substantial proportion of the financial statements; or
3. in relation to disclosures, are fundamental to users' understanding of the financial statements.

The Audit Committee is of the view that despite the fact that the matters for disclaimer in the audit report are material, they are not pervasive. The matters for disclaimer in our view are confined to specific accounts and do not present substantial proportion of the financial statements and are not fundamental to the users' understanding of the financial statements. Our view is further strengthened by our technical observations, discussions with management and the AG in various engagements, including our last Audit Committee meeting. We therefore vehemently disagree with the opinion by the Auditor General in this regard. In our opinion, we are of the view that at most, the Auditor General should have given PSETA a qualified audit opinion.

We have raised our disagreement with the AG in our last Audit Committee meeting on 19 July 2011, and even requested the management to put our disagreement in writing to AG and unfortunately all these fell on deaf ears and the letter by PSETA was never responded to by the AG. We acknowledge however, that some of the matters we have pointed out in the draft audit report during the said meeting were removed from the final audit report.

External Auditors

The Audit Committee has satisfied itself that the external auditors were appointed in line with Chapter 6, Part 4, Sections 58, 59, 60 and 61 of the PFMA.

The Audit Committee, in consultation with the Executive Management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for 2010/2011 financial year.

Going concern

The Audit Committee reviewed a documented assessment by management of the going concern premise before agreeing that the adoption of the going concern premise is appropriate in preparing the financial statements.

Internal Audit

The Audit Committee considered and recommended the Internal Audit Charter for approval by the Administrator. The internal audit function of PSETA is outsourced and the Audit Committee approved the annual internal audit plan.

The internal audit function reports centrally with the responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all the PSETA's operations. The internal audit is responsible for reporting the findings against the agreed internal audit plan to the Audit Committee on a regular basis. The outsourced function has direct access to the Audit Committee, primarily through its chairperson.

The Audit Committee is also responsible for assessing the performance of the outsourced internal audit function. The Audit Committee, however, has not done the assessment of the internal audit function due to reasons that were reported to the current Board of the PSETA.

Performance against Objectives

The Audit Committee was not favoured with this information before it was audited, and therefore the Audit Committee's comments in this regard were after the fact.

1.4 Conclusion

During the year, the Audit Committee met with the external auditors without management being present. The Audit Committee is satisfied that it complied with its legal, regulatory or other responsibilities.

Sabelo Wasa

Chairperson of the Audit Committee

29 July 2011

PUBLIC SERVICE SECTOR EDUCATION AND TRAINING AUTHORITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2010/11 R	RESTATED 2009/10 R
REVENUE			
Non-exchange Revenue		**2,142,278**	956,284
National Skills Fund Income	10	**3,927**	2,262
Levy Income	3	**2,138,351**	954,023
Exchange Revenue		**3,666**	41,414
Finance Income	4	**3,666**	41,414
TOTAL REVENUE		**2,145,945**	997,698
EXPENSES			
Administration Expenses	5	**157,458**	3,593,408
Mandatory Grant Refund	6	**907,191**	54,172
National Skills Fund Expenses	10	**3,927**	2,262
TOTAL EXPENSES		**1,068,577**	3,649,842
SURPLUS/DEFICIT FOR THE YEAR		**1,077,368**	(2,652,144)

PUBLIC SERVICE SECTOR EDUCATION AND TRAINING AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011

	Notes	2010/11 R	RESTATED 2009/10 R
ASSETS			
Current Assets From Exchange Transactions		**12,249,291**	10,249,236
Cash and Cash Equivalents	7	12,248,470	10,120,577
Trade and Other Receivables	8	821	128,659
TOTAL ASSETS		**12,249,291**	10,249,236
LIABILITIES			
Current Liabilities From Exchange Transactions		**16,651**	–
Trade and Other Payables	9	16,651	–
Current Liabilities From Non-exchange Transactions		**32,078,721**	**31,174,513**
Trade and Other Payables	9	32,078,721	31,174,513
Provisions From Non-exchange Transactions		**52,134**	**50,306**
Provisions	11	52,134	50,306
TOTAL LIABILITIES		**32,147,507**	**31,224,819**
FUNDS AND RESERVES		**(19,898,215)**	(20,975,583)
Administration Reserve		**(7,123,041)**	(7,231,830)
Discretionary Reserve		**(12,775,174)**	(13,743,753)
RESERVES AND LIABILITIES		**12,249,291**	10,249,236

PUBLIC SERVICE SECTOR EDUCATION AND TRAINING AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 MARCH 2011

	Notes	Administration Reserve	Employer Grant Reserve	Discretionary Reserve	Non-appropriated Surplus	Total
		R	R	R	R	R
Balance at 1 April 2009 as previously stated		(992,663)	–	8,433,687	–	7,441,024
Prior year error		(2,764,100)	–	(23,000,364)	–	(25,764,464)
Balance at 1 April 2009 as restated		**(3,756,763)**	–	**(14,566,677)**	–	**(18,323,440)**
Surplus for the year as restated		–	–	–	**(2,652,144)**	**(2,652,144)**
Surplus as previously stated		–	–	–	957,081	957,081
Correction of prior period error		–	–	–	(3,609,225)	(3,609,225)
Allocation of non-appropriated surplus as restated		**(3,475,067)**	**182,494**	**640,430**	**2,652,144**	
Allocation of non-appropriated surplus as previously stated		99,706	582,829	274,546	(957,081)	
Correction of prior period error		(3,574,773)	(400,336)	365,884	3,609,225	
Transfer to discretionary reserves as restated			**(182,494)**	**182,494**	–	
Transfer to discretionary reserves as previously stated		–	(582,829)	582,829	–	
Correction of prior period error		–	400,336	(400,336)	–	
Balance at 31 March 2010 as restated		**(7,231,830)**	–	**(13,743,753)**	–	**(20,975,584)**
Net surplus per restated Statement of Financial Performance					1,077,368	1,077,368
Allocation of non-appropriated surplus		108,789	423,837	544,624	(1,077,368)	–
Excess reserves transferred to Discretionary Reserve		–	(423,837)	423,550		–
Balance at 31 March 2011		**(7,123,041)**	–	**(12,775,174)**	–	**(19,898,216)**

PUBLIC SERVICE SECTOR EDUCATION AND TRAINING AUTHORITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2010/11 R	RESTATED 2009/10 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from stakeholders		2,266,189	993,227
Cash paid to suppliers and employees		(141,962)	(4,602,535)
Cash generated from / (utilised in) operations	12	**2,124,227**	**(3,609,308)**
Interest received	12	3,666	41,414
Net cash inflows / (outflows) from operating activities		**2,127,893**	**-3,567,894**
CASH FLOWS FROM INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash inflows / (outflows) from financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		2,127,893	-3,567,894
Cash and cash equivalents at the beginning of the year		10,120,577	13,688,471
Cash and cash equivalents at the end of the year	7	**12,248,470**	**10,120,577**

1. Accounting Policies

1.1 Basis of preparation

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

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specifically stated otherwise. Assets, liabilities, revenues and expenses have not been offset except where offsetting is required or permitted by a Standard of GRAP.

The Accounting policies are applied consistently with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy. These accounting policies are consistent with the previous period.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.2 Currency

1.2.1. Functional and presentation currency

These financial statements are presented in South African Rands since that is the currency in which the majority of the entity transactions are denominated. Figures are rounded to the nearest Rand.

1.2.2. Foreign currency transactions

Levies, reimbursement and/or donor funding received in foreign currency are recognised at the exchange rate ruling on the date of recognition

1.3 Revenue recognition

Revenue is recognized when it is probable that future economic benefits will flow to the entity and these benefits or service potential will flow to the entity.

1.3.1. Levy income

Levy Income is recognised when the Department of Higher Education and Training either makes an allocation or payment to the PSETA, whichever occurs first, as required by section 8 of the Skills Development Levies Act, 1999 (Act No 9 of 1999). This, therefore, implies that the SETA accounts for its revenue on a cash basis. Hence, the SETA applies mix basis of accounting. i.e. accrual and cash basis of accounting for revenue.

According to section 4(b), employer with an annual payroll not exceeding R500,000 are exempted from paying levies. Levies received from exempted employers are not recognised as revenue but as provision, on the premise that they represent an obligation to be refunded to the employer. Eighty percent of skills development levies are transferred over to the PSETA (net of the twenty percent contribution is transferred to the National Skills Fund).

Employers who fail to pay the skills development levy and file their returns within the prescribed date are charged interest and penalties at rates determined by SARS from time to time. The interest and penalties are disclosed as part of levy income.

Levy income is adjusted for inter-SETA transfers due to employers changing SETAs. Such adjustments are separately disclosed as inter-SETA transfers. The amount of the inter- SETA adjustment is calculate according to the Standard Operating Procedure issued by the Department of Labour issued May 2007. When a new employer is transferred to the PSETA, the levies transferred by the former SETA are recognised as revenue and allocated to the respective category to maintain its original identity.

1.3.2. Interest and penalties

Income from interest and penalties on skills development levies is recognised at the earlier off the time the Department of Higher Education and Training (DHET) makes the allocation or payment is made to the PSETA

1.3.3. Funds allocated by the National Skills Fund for Special Projects

Funds transferred by the National Skills Fund (NSF) are counted for in the financial statements of the PSETA as a liability until the related eligible special project expenses are incurred, when the liability is extinguished and revenue recognised

1.3.4. Government grants and other donor income

Funds transferred by the donor, including National Skills Fund (NSF), are accounted for in the financial statements of the PSETA as a liability until the related eligible special project expenses are incurred, when the liability is extinguished and revenue recognised

Property, plant and equipment acquired through government projects are capitalized in the financial statements of the PSETA, as the PSETA controls such assets for the duration of the project. Such assets are disposed of in terms of agreement.

Conditional government grants and other conditional donor funding received are recorded as deferred income when they become receivable and are then recognised as income on a systematic basis over the period necessary to match the grants with the related costs which they are intended to compensate. Unconditional grants received are recognised when the amounts have been received. PSETA also receives allocation from the voted funds through the Department of Public Service and Administration (DPSA) for operational purposes. The funds are ring-fenced, managed and accounted for by the DPSA since the DPSA is performing corporate and administrative services on behalf of the PSETA.

1.3.5. Investment income

Interest income 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

1.4.1. Mandatory grants

The grant payable and the related expenditure are recognised when the employer has submitted an application for a grant in the prescribed form by 30 June each year for existing employers and by 31 December for new employer and the application has been approved as the payment then becomes probable.

The grant is equivalent to 50% of the total levies paid by the employer during the corresponding financial period for the skills planning grant and skills implementation grant. Where SARS retrospectively amends, the information on levies collected, it may result in grants that have been paid to certain employers. A receivable relating to the overpayment to the employer in earlier periods is raised at the amount of such grant over payment, net of bad debts and provision for irrecoverable amounts.

The company assesses its trade receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the company makes judgment to whether there is observable data indicating a measurable decrease in the estimated future based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

1.4.2. Discretionary grants and projects expenditure

PSETA may, out of any surplus monies, and at its discretion determine and allocate discretionary grants to employers, education and training providers and workers of the employers who have submitted an application for a discretionary grant in the prescribed form within the agreed upon cut-off period. The grant payable and the related expenditure are recognised when the application has been approved and the conditions are met.

Project expenditure comprises:

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

1.5 Irregular, wasteful and fruitless expenditure

1.5.1. Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not 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.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.5.2. Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.5.3. Irregular expenditure

Irregular expenditure as defined in Section 1 of the PFMA is expenditure other than unauthorized expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including –

- this Act; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of Sections 76(1) to 76(4) of the PFMA requires the following:

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonation is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements. Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly.

If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/ expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.6 Provisions

1.6.1. Provisions

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

1.6.2. Mandatory grant payments

A provision is recognised for grant payments once the specific criteria set out in the regulations to the Skills Development Act No. 97 of 1998 is complied with by member companies and it's probable that the PSETA will approve the payment. The measurement of the obligation involves an estimate, based on the established pattern of past practice of approval for each type of grant.

1.6.3. Discretionary grants payments

A liability is recognised for discretionary grant payments once the specific criteria set out in the Seta Grant Regulation and any additional criteria as approved by the Seta Board has been complied with by member companies and it is probable that the Seta will approve the grant application for payment. The liability is measured at the net present value of the expected future cash outflow as determined in accordance with the Act. This measurement involves an estimate, based on the amount of levies received.

1.6.4. Discretionary projects

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.

1.7 Contingent assets and liabilities

1.7.1. Contingent liability

Contingent liabilities are included in the disclosure notes to the financial statements when it is possible that economic benefits will flow from the entity, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably. 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.

Contingencies might comprise an Employer Grant Reserve for newly-registered member companies participating after the legislative cut-off date.

1.7.2. Contingent assets

Contingent Assets is a possible asset 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 entity.

1.8 Financial instruments

1.8.1. Recognition

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

1.8.2. Financial assets

Investments are recognised and de-recognised 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 framework 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.

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' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All financial assets of the Seta were categorised as loans and receivables.

1.8.3. Cash and cash equivalents

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

1.8.4. 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 amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

1.8.5. Effective interest rate method

The effective interest method is a method of calculating the amortised 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.

1.8.6. Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date.

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.

1.8.7. Financial liabilities

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

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. All financial liabilities of the Seta were classified as other financial liabilities.

1.8.8. 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, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses 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.

1.9 Reserves

The Reserves are made up of Administration reserve, Employer grant reserves, discretionary grant reserve and Accumulated surplus in accordance with the Regulations issued in terms of the Skills Development Act, 1998 (Act No. 97 of 1998). The accrual basis of accounting is used to calculate the reserves and thus reserves are not an indication of the cash used or available at the end of the year. Member employer company levy payments are set aside in terms of the Skills Development Act and the regulations in terms of the Act, for the purpose of:

Administration costs of the PSETA 10%

Employer Grant Fund Levy 50%

Discretionary Grant 20%

In addition, contributions received from public service employers in the national or provincial spheres of government may be used to pay for its administration costs. Interest and penalties received from SARS as well as interest received on investments are utilised for discretionary grants and projects. Other income received is utilised in accordance with the original source of the income.

The net surplus/deficit is allocated to the administration reserve, the mandatory grant reserve and the discretionary fund reserve based on the above. Surplus funds are moved to the discretionary fund reserve from the administration reserve on the PSETA's board approval (after prior written approval from National Treasury) and from the mandatory grant when PSETA fulfill payment obligations.

1.10 Comparative figures

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

1.11 Critical accounting judgments and key sources of estimation uncertainty

Assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

1.12 Trade receivables

The company assesses its trade receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the company makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry- specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

1.12.1. Impairment testing

The company assesses its trade receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the company makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

1.13 Related party transactions

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

Inter-SETA transactions arising from employers moving from one SETA to another are treated as related party transactions.

1.14 Employee costs and benefits

Termination benefits are recognised and expensed only when the payment is made.

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

1.15 Prior period error

Prior period error are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use (misuse of) reliable information that:

- was available when financial statements for those periods were authorised for issue; and
- could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Retrospective correction of these errors is applied which will involve restating comparative amounts for the period presented in which the error occurred

1.16 Budget information

The PSETA prepares its budget and financial statements on a comparison basis, which uses the same basis of accounting, same activities, same classification system and prepared for the same period.

1.17 Taxation

No provision has been made for taxation, as the SETA is exempt from income tax in terms of Section 10 of the income Tax Act, 1962 (Act No.58 of 1962).

1.18 Borrowing costs

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

1.19 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. In the period between the reporting date and the date of authorisation for issue, elected government officials may announce a government's intentions in relation to certain matters. Whether or not these announced government intentions would require recognition as adjusting events would depend upon whether they provide more information about the conditions existing at reporting date and whether there is sufficient evidence that they can and will be fulfilled.

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2. Allocation from reserves	2010/11	2010/11	2010/11	2010/11	2010/11
	Total per Statement of SFP	Administration Reserve	Employer Grants Reserve	Discretionary Reserve	Special Projects
Total Revenue	**2,145,944**	**266,247**	**1,331,027**	**544,741**	**3,927**
Administration levy income (10%)	266,247	266,247	–	–	–
Mandatory grant levy income (50%)	1,331,027	–	1,331,027	–	–
Discretionary grant levy income (20%)	532,710	–	–	532,710	–
Interest and penalties	8,365	–	–	8,365	
National Skills Fund Income	3,927	–	–	–	3,927
Investment Income	3,666	–	–	3,666	–
Total Expenses	**1,068,576**	**157,457**	**907,191**	–	**3,927**
Administration expenses	157,457	157,457	–	–	–
National Skills Fund expenses	3,927	–	–	–	3,927
Employer grants	907,191	–	907,191	–	–
Net surplus / (deficit) for the year	**1,077,368**	**108,789**	**423,836**	**544,741**	–

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	2009/10 RESTATED Total per Statement of SFP	2009/10 RESTATED Administration Reserve	2009/10 RESTATED Employer Grants Reserve	2009/10 RESTATED Discretionary Reserve	2009/10 RESTATED Special Projects
Total Revenue	**997,698**	**118,340**	**236,665**	**640,430**	**2,261**
Administration levy income (10%)	118,340.8	118,340	–	–	–
Mandatory grant levy income (50%)	236,665	–	236,665	–	–
Discretionary grant levy income (20%)	591,712	–	–	591,712	–
Interest and penalties	7,304	–	–	7,304	–
National Skills Fund Income	2,261	–	–	–	2,261
Investment Income	41,413	–	–	41,413	–
Total Expenses	**3,649,842**	**3,593,408**	**54,172**	–	**2,261**
Administration expenses	3,593,408	3,593,408	–	–	–
National Skills Fund expenses	2,261.7	–	–	–	2,261
Discretionary Learnership Expenses	–	–	–	–	–
Employer grants	54,172	–	54,172	–	–
Net surplus / (deficit) for the year	**(2,652,143)**	**(3,475,067)**	**182,493**	**640,430**	–

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	Note	2010/11	RESTATED 2009/10
3. Levy Income			
3.1 Skills Development Levy Income			
Levy income: Administration		**266 248**	**118 341**
Levies received from SARS		**266,248**	118,341
Interseta transfers in		**-**	-
Interseta transfers out		**-**	-
Levy income: Employer Grants		**1,331,028**	591,712
Levies received from SARS		**1,331,028**	591,712
Interseta transfers in		**-**	-
Interseta transfers out		**-**	-
Levy income: Discretionary Grants		**532,711**	**236,666**
Levies received from SARS		**532,711**	236,666
Interseta transfers in			-
Interseta transfers out		**-**	-
		2,129,986	946,718
3.2 Interest and penalties: skills development levy income			
Levy interest		1 702	2,106
Levy penalties		6 663	5,198
		8,365	7,304
		2,138,351	954,023

4. Finance Income	2010/11	2009/10
Interest Received on bank deposits	**3,666**	41,414
	3,666	41,414

5. Administration expenses	**2010/11**	**2009/10**
Bank charges	12,906	16,859
Bad debts	127,971	–
Audit Fees	–	66,770
Board Fees	–	447,888
Audit Committee Fees	16,582	–
Consultancy Fees	–	2,155,524
Legal Fees	–	83,064
Salaries	–	311,600
Secretarial Services	–	511,703
	157,458	**3,593,408**

5.1 Bad debts written of as follows :

From Non-Exchanged Transactions

DPSA Receivable	116,856	116,856

- The amount was recovered during a fraud investigation in 2005/06 which indicated that the amount was erroneously deposited into DPSA account and was transferred back to National Treasury since it was unused at year end. This money cannot be claimed back from National Treasury.

From Exchanged Transactions

Ethel Creations	7,980	7,980
P Nkaiseng	3,135	3,135

- The above service providers were over-paid during the 2009/10 financial year and could not be traced to recover the monies.

6. Grants Expenditure

6.1 Mandatory Grant Refund

Mandatory grants	**907,191**	54,172
	907,191	54,172

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	2010/11	2009/10
7. Cash and cash equivalents		
Cash at bank and in hand	12,248,469	10,120,577
Cash in bank	12,248,469	10,120,577
Cash on hand	–	–
Short-term investments/instruments	–	–
Cash and cash equivalents at end of year	**12,248,469**	10,120,577

The Skills Development Act Regulations states that the PSETA may, if not otherwise specified by the Public Finance Management Act, invest the moneys in accordance with the investment policy approved by the PSETA Accounting Authority

Treasury Regulation 31.3 requires that, unless exempted by the National Treasury, the PSETA as a public entity that is listed in Schedule 3A of the Act must invest surplus funds with the Corporation for Public Deposits.

8. Trade and Other Receivables	**2010/11**	**2009/10**
8.1 From Non-Exchange transactions		
Fraud Receivable	-	116,856
Employer receivables	-	–
	-	116,856
8.2 From Exchange transactions		
Supplier Overpayment	-	11,115
Interest Receivable - NSF	106	171
Interest Receivable - PSETA	715	517
	821	11,803
	821	128,659

9. Trade and Other Payables	**2010/11**	**2009/10**
From Exchange Transactions		
Trade Creditors Accrual	16,651	65
From Non Exchange Transactions		
NSF Accruals	69	65
Inter-seta transfer payables	3,436	3,436
Other Creditors	400,488	400,488
Grants payables	961,364	54,173
National Skills Fund: Special Projects	30,713,371	30,716,292
	32,095,379	**31,174,519**

10. National Skills Fund: Special Projects	**2010/11**	**2009/10**
Balance as at 01 April 2010	30,716,292	30,692,995
Adjustment	–	–
Interest	1,006	25,559
	–	
Utilised and recognised as revenue	(3,927)	(2,262)
Closing balance	**30,713 371**	**30,716,292**

The above liability relates to funds due to the National Skills Fund (NSF) in relation to an initial grant received from them in 2004/5 worth R97 million, which PSETA was meant to spend on Learnership Grants. The total liability mentioned above was determined through confirmation received from the creditor, National Skills Fund (NSF). The due amount was determined by the NSF as the actual funds transferred to PSETA (R97,2 million) less the amount of expenditure (R66 m) certified by NSF as being spent in terms of the funding memorandum. NSF certified PSETA's submission of expenditure on the program in 2005/6, by verifying and inspecting supporting documentation such as service provider invoices and learner records. However, an expenditure amounting to R22,941,667 could not be verified by the NSF hence the adjustment of R22,941,667 to the amount owed by the PSETA to the NSF in the prior year.

The expenditure that could not be verified by the NSF is currently being investigated by the Special Investigating Unit, which is expected to produce the preliminary report on this investigation at least by the December 2011.

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11. SARS Provisions

2010/11	Adminis-tration provision	Mandatory grants provision	Discretionary grants provision	Total 2010/11
Open carrying amount	**6 288**	**31 441**	**12 577**	**50 306**
Change in estimate	**(6 288)**	**20 693**	**(12 577)**	**1 828**
Closing carrying amount	**-**	**52 134**	**-**	**52 134**

2009/10	Adminis-tration provision	Mandatory grants provision	Discretionary grants provision	Total 2009/10
Open carrying amount	4 576	22 878	9 151	36 605
Change in estimate	1 713	8 563	3 425	13 701
Closing carrying amount	6 288	31 441	12 577	50 306

Companies with annual payrolls below R500,000 are exempted from paying skills development levies. An amount of R52,134 (2009/10: R50,306) has been provided for in the current year for possible refunds to companies falling below threshold but still contributing levies. The effective date of the exemption was 1 August 2005. There is no directive as yet from the DHET in respect of use of these funds.

12. Reconciliation of net cash flow from operating activities to net surplus

	2010/11	**2009/10**
Net surplus/(deficit) as per Statement of Performance	1,077,368	(2,652,144)
Adjusted for		
Increase/(Decrease) in provisions	1,828	13,701
Adjusted for items separately disclosed		
Interest received	(3,666)	(41,414)
Adjusted for working capital changes		
Decrease/(Increase) in receivables	127,838	39,204
Increase/(Decrease) in payables	920,859	(968,656)
Cash utilised in operations	**2,124,227**	**(3,609,308)**

	2010/11	2009/10
13. Material losses through criminal conduct, irregular, fruitless and wasteful expenditure		
13.1 Irregular expenditure		
Opening balance	6,159,612	2,352,647
Add: Irregular Expenditure - Current year		3,594,549
Less: Amount condoned	–	(717,847)
Prior period adjustment correction		930,263
Irregular Expenditure awaiting condonance	**6,159,612**	**6,159,612**

Analysis of expenditure awaiting condonance per age classification		
Current year	–	2,661,607
Prior years	6,159,612	3,498,006
	6,159,612	**6,159,612**

The procurement of services outside the DPSA Supply Chain Management policies and procedures were necessitated by the untenable operational relationship between the PSETA and DPSA which was causing the DPSA to delay processing of key and essential services that were deemed necessary for the operational efficiency of the SETA. In addition, the use of the NSF funds to pay providers was based on the premise that the funds will be reimbursed by the DPSA when relations had normalised. The procurement outside the DPSA SCM policies and subsequent use of the NSF funds was approved by the PSETA Board. Moreover, the matter was handed over to the Special Investigation Unit for further investigation and the Acting CEO and Procurement Manager have since been dismissed in this regard by the Administrator.

As a result of the above, in 20009/10 the DPSA was raised with a premise that DPSA will refund the NSF from the PSETA operational funds ring-fenced at the DPSA during the period. In 2010/11 a decision was taken that his debt be written off since the DPSA indicated that they will not refund the NSF monies used the PSETA operational funds. Hence, the prior period error adjustment of R6.1 million. This prior period error adjustment resulted in increased administration expenditure beyond the 12.5% threshold in terms of the Skills Development Act and Grants Regulations. Therefore, the irregular expenditure in this regard amounts to R6,120 million (2009/10: R3,498 million and 2008/09: R2,662 million). The PSETA did not literally overspend beyond the threshold, but this is a result of the period error adjustment.

Included in the R6.160 million is an amount of R5,229 million irregular expenditure is as a result of PSETA using NSF monies to procure goods and services without following DPSA supply chain processes.

The PSETA used the NSF monies on the premise that these monies will be reimbursed by the DPSA on submission of necessary documentation. As set out in the note below.

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Details of Irregular Expenditure - Current Year

Incident	Condoned by		Amount
Not applicable	Not applicable		–

No irregular expenditure has been incurred in the current financial year

Details of Irregular Expenditure - Previous Year

Incident	Condoned by		Amount
Operational Expenses paid through the National Skills Fund	None		3,594,549
			3,594,549

Details of Irregular Expenditure - Prior Year

Incident	Disciplinary steps/ criminal proceedings		Amount
The procurement of legal services was not done in terms of the DPSA Supply Chain Management (SCM) policies and procedures and the payments to the service provider were made using NSF funds.	None SIU still investigating		83,064
The procurement of the secretarial services was not done in terms of the DPSA SCM policies and procedures and the payment of the service provider was made using NSF funds.	None SIU still investigating		511,703
The initial engagement for the provision of the CFO function was entered into before final determination by the DPSA and payments to the service provider were made using NSF funds.	None SIU still investigating		1,466,815
Payment of Board fees and travel claims were made using NSF funds.	None SIU still investigating		447,888
Payment of the Seta's Acting Chief Executive Officer's salary using NSF funds	None SIU still investigating		311,600
The procurement of a marketing service provider was not done in terms of the DPSA SCM policies and procedures and the payments thereof were made using NSF funds.	None SIU still investigating		32,832
The procurement of an SMS server was not done in terms of the DPSA SCM policies and procedures and the payments thereof were made using NSF funds.	None SIU still investigating		22,800
			2,876,702

Details of Irregular Expenditure condoned

Incident	Condoned by		Amount
Payment of Audit fees/invoices using NSF funds	Department of Public Service & Administration		66,700
Payment of CFO function invoices using NSF funds	Department of Public Service & Administration		651,077
			717,847

The PSETA Board will be applying for condonation by the Minister of Higher Education and Training.

14. Financial Instruments

In the course of SETA operations, it is exposed to interest rate, credit, liquidity and market risks. The SETA has developed a comprehensive risk strategy in terms of TR 28.1 in order to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

14.1 Capital risk management

PSETA manages its capital to ensure that the projects of the organisation will be able to continue as a going concern while maximising the return on investments on surplus funds and ensuring continuous benefit for all stakeholders. PSETA's overall strategy remains unchanged from the previous financial year. The capital structure consists of short-term debt in the form of accounts payable and accounts receivable and cash and cash equivalents.

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14.2 Interest rate risk management

The PSETA's exposure to interest rate risk and the effective interest rates on financial instruments at Statement of Financial Position date are as follows:

PSETA is exposed to interest rate risk as all surplus funds are held in short-term cash vehicles. Although changes in the current interest rate affect income received from these investments, all income received from these investments is deemed to be income to the Discretionary Reserve and would not affect the productivity or existence of PSETA directly.

	2010/11				2009/10	
	Interest Bearing	**Effective Interest Rate**	**Non-Interest Bearing**	**Total**	**Total**	**Effective Interest Rate**
Year ended 31 March 2010						
Cash	12,248,470	0.03%	–	12,248,470	10,120,577	0.41%
Accounts Receivable	–		821	821	128,659	
Total financial assets	**12,248,470**		**821**	**12,249,291**	**10,249,236**	
Liabilities						
Accounts payable	–		32,095,379	32,095,379	31,174,519	
Total financial liabilities	–		**32,095,379**	**32,095,379**	**31,174,519**	
Year ended 31 March 2010						
Total financial assets	12,248,470	6%	821	12,249,291	10,249,236	11%
Total financial liabilities	–		32,095,379	32,095,379	31,174,519	
	12,248,470		**(32,094,558)**	**(19,846,088)**	**(20,925,283)**	

14.3 Financial risk management

PSETA's management monitors and manages the financial risk relating to operations of the organisation through internal risk reports which analyse exposure of risk. These risks include market risks, including currency risk, fair value risk and price risk, credit risk, liquidity risk and cash flow interest rate risk.

14.3.1 Foreign currency risk

PSETA is not exposed to currency risk.

14.3.2 Price risk

As PSETA has no investments in any form of equity, there is no exposure to price risk.

14.4 Credit risk

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

The aging of Trade and Other Receivables from exchange transactions.

	2010/11		2009/10	
	Gross	Impairment	Gross	Impairment
Not past due	100,446	–	359,927	–
Past due 0 - 30 days	–	–	434,324	–
Past due 31 - 60 days	–	–	198,924	–
Past due 61 - 90 days	–	–	445,381	–
Past due 91 - 120 days	–	–	590,725	–
Past due +120 days	821	–	961,379	–

The aging of Trade and Other Receivables from non-exchange transactions

	2010/11		2009/10	
	Gross	Impairment	Gross	Impairment
Not past due	–	–	–	–
Past due 0 - 30 days	–	–	–	–
Past due 31 - 60 days	–	–	–	–
Past due 61 - 90 days	–	–	–	–
Past due 91 - 120 days	–	–	–	–
Past due +120 days	–	–	–	–

Cash and Cash Equivalents

	2010/11		2009/10	
	Gross	Impairment	Gross	Impairment
Not past due	12,248,470	–	10,120,577	–

14.4.1 Quality of Credit

All accounts receivables are with organisations well-known to PSETA. The Accounting Authority has full trust in the quality of these accounts and did not deem it necessary to apply any further evaluation of credit policy.

14.4.2 Fair Value Accounts Receivable

The fair value of accounts receivable approximates the carrying amount due to the relative short term maturity of these assets. The effect of discounting was considered and found to be immaterial.

14.4.3 Accounts Receivable: Defaults: Security and Pledges

No accounts receivable have defaulted during the year and no alternative arrangements have been made with any accounts receivable during the year. No security is held for any receivables.

No portion of the accounts receivable was pledged as security for any financial liabilities.

14.4.4 Maximum Exposure

The amount disclosed for accounts receivables represents the maximum exposure that credit risk posed to the entity.

14.4.5 Cash and Cash Equivalents

The carrying amount of cash and cash equivalent financial assets approximates the fair value due to the relatively short term of this financial asset.

The PSETA management limits treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of their investment policy in terms of Treasury Regulations. PSETA's exposure is continuously monitored by the Accounting Authority.

Further, the organisation has adopted a policy of only dealing with creditworthy counterparts. PSETA only transacts with Banks that are part of the "big 5" registered banks in South Africa and which are approved by National Treasury as per the PFMA. The credit and investment ratings of the mentioned banks are monitored on a continuous basis with international credit rating agencies to ensure the mitigation of any risks involved.

PSETA has developed a comprehensive investment policy in compliance with the PFMA which ensures that all surplus fund investments are invested between at least 3 registered banks, and that at each bank no more than 50% is invested up to a maximum 3-month fixed deposit with balance in money market or call accounts.

An interest change sensitivity analysis resulted in an immaterial effect on the Cash and Cash Equivalents of the entity.

The amount disclosed for Cash and Cash Equivalents represents the maximum exposure that credit risk poses to the entity.

14.5 Liquidity risk

Ultimate responsibility for the liquidity risk management rests with the Accounting Authority of the PSETA, which has built an appropriate liquidity risk management framework for the management of PSETA's short, medium and long term funding and liquidity management requirements. PSETA manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flow.

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2010/11	Carrying Amounts	Contractual Cash Flows	6 months or less	6 - 12 months	1 - 2 years	More than 2 years
Trade and Other payables from exchange transaction	32,095,379		920,990	–	54,172.00	31,120,216

2009/10	Carrying Amounts	Contractual Cash Flows	6 months or less	6 - 12 months	1 - 2 years	More than 2 years
Trade and Other payables from exchange transaction	8,283,153		68,003	–	19,409	8,195,741

14.5.1 Default

The entity has never defaulted on any of the accounts payable, nor were there any of the terms attached to the accounts payables ever renegotiated.

14.5.2 Fair Values

Financial instruments recognised in the PSETA Statement of Financial Position include cash and cash equivalents, trade and other receivables, trade and other payables. The particular recognition methods adopted are disclosed in Note 1 to the financial statements.

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15. Related Party Transactions

Transactions with other SETAs

Inter-SETA transactions and balances arise due the movement of employers from one Seta to another. No other transactions occurred during the year with other SETAs.

Nature of Relationship	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	Transfer in		Transfer out		(Payable)/Receivable	
FASSET - Reporting to same department DHET	–	–	–	–	(2,552)	(2,552)
W&R - Reporting to same department DHET	–	–	–	–	(884)	(884)
	–	–	–	–	**(3,436)**	**(3,436)**

The Department of Higher Education and Training (DHET) is the Executive Authority.

Other related parties

Members of the accounting authority were required to disclose their interest in any contracts between the PSETA and outside parties. As a result of this process, no other related parties were identified.

16. Correction of Prior Period Errors

16.1 Levy Income

The interpretation for the recognition and measurement of skills development levy income has been amended on the basis of a revised interpretation of the Skills Development Act, Act No 97 of 1998 and the Skills Development Levies Act, Act No 9 of 1999, as well as the accounting policy adopted in this regard. The interpretation on which the old accounting policy was based on the premise that the skills development levies accrued to PSETA in the payroll month in which the employers were liable to file SDL returns and pay the levies to SARS.

The impact of the error

The effect of this was that the levy schedules for the last 2 months of the financial year, which under the old interpretation were deemed to accrue to the PSETA on payment by the employers to SARS, were not yet received by the PSETA at the end of the reporting date and were thus accrued for based on levy schedules received from DHET subsequent to the reporting period as well as other estimates for SARS retrospective amendments. The revised interpretation that resulted in the prior period error is based on the premise that revenue from the collection of Skills Development Levies becomes due and payable to the PSETA when DHET provides the PSETA with a schedule of skills development levy payments or makes payments to the PSETA, whichever event comes first. The impact of the correction of the error is as follows:

	20010/11	**Prior Years Cumulatives**
Decrease in Levy Income	–	–
Decrease in Trade and Other Receivable	–	(67,082)
Decrease/(Increase) in reserves	**–**	**67,082**

16.2 Loans Receivable

During 2008/09 and 2009/10 financial years, the PSETA's Accounting Authority in one of its meetings resolved to use NSF monies for administration purposes. It is alleged that the resolution to utilise NSF account was triggered by the untenable operational relationship between the PSETA and DPSA which was causing the DPSA to delay processing of key and essential services that were deemed necessary and essential for the operations of PSETA and on the premise that the funds will be reimbursed by the Department of Public Service and Administration (DPSA) when relations had normalised. Subsequently a debtor was raised by PSETA, this debtor could not be confirmed by DPSA, and is being reversed. The impact of the correction of the error is as follows:

	2009/10	**2008/09**
Decrease in Trade Receivable	(3,576,549)	(2,583,063)
Increase in administration expenses	3,576,549	–
Decrease/(Increase) in reserves	–	**(2,583,063)**

16.3 NSF: Deferred Income Liability

This liability relates to funds due to the National Skills Fund (NSF) in relation to an initial grant received from them in 2004/5 worth R97 million, which PSETA was meant to spend on Learnership Grants. In the previous year an amount of R7,7 million was raised as payable to the NSF. It has since come to the PSETA's attention that the total liability to the NSF was incorrectly recorded and that it amounts to 2010/11: R30,713,370 (2009/10: R30,716,292). This liability mentioned was determined through confirmation received from the creditor, National Skills Fund (NSF). The due amount was determined by the NSF as the actual funds transferred to PSETA (R97,2 million) less the amount of expenditure (R66m) certified by NSF as being spent in terms of the funding memorandum. NSF certified PSETA's submission of expenditure on the program in 2005/6, by verifying and inspecting supporting documentation such as service provider invoices and learner records. However, an expenditure amounting to R22,941,667 could not be verified by the NSF as a result of reports submitted by signed off by DPSA, hence the prior period error adjustment of R22,941,667 to the amount owed by the PSETA to the NSF in the prior year.

	2009/10	2008/09
Decrease/(Increase) in discretionary reserves	22,941,667	–
Increase in discretionary expenses	–	22,941,667
	22,941,667	**22,941,667**
(Increase) in non-exchange trade and other payables	(22,941,667)	(22,941,667)

17. Events after statement of financial position date

There are no events after the statement of financial position date that came to the attention of management.

18. Treasury allocation

18.1 The PSETA received Treasury Allocation amounting to R21.0 million (2010: R20,3 million). This allocation is budgeted and accounted for as a sub programme of the Department of Public Service and Administration. The funding is provided on condition that all purchases and payments are made in terms of the DPSA Supply Chain Management policies and procedures. The assistance is provided through the provision and payment of salaries of all employees including PSETA appointed employees, as an interim arrangement, and the procurement of PSETA's needs and the payment of service providers. No actual cash and/or cash equivalents are transferred to the Seta. A detailed breakdown of the nature and amount of assistance is provided below.

	2011	2010
Compensation to Employees	6,837,640	7,510,017
Goods and Services	14,098,476	12,826,315
Payment for financial assets	–	–
Fruitless and Wasteful Expenditure	–	–
Machinery and Equipment	13,289	500,389
Software and Intangible Assets	43,895	163,911
Total Expenditure	20,993,300	21,000,632
Commitments	–	742,578
Total Expenditure and Commitments for the year	20,993,300	21,743,210
Budget Allocated and beginning of the year	20,993,300	21,842,000
Amount not used at year end	–	98,790
Balance Retained by DPSA	–	(98,790)
Balance Retained by PSETA	-	-

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18.2 Property, Plant and Equipment

During the year the PSETA did not own any assets, all the assets used by the Seta in its operation were owned by the DPSA. All the rights and obligations of ownership are retained by the DPSA. The assets are used for no consideration and the costs associated with the use of the assets are accounted for by the DPSA. The assistance is given on condition that the assets are used exclusively for PSETA operations.

18.3 Employees

The PSETA does not have its own staff compliment, during the year the Seta made use of DPSA employees who were on secondment to the PSETA. The PSETA does not have contracts with the employees. The recruitment and remuneration is done through the DPSA Human Resources Management policies and procedures and all the relevant staffing costs are borne and accounted for by the DPSA. The employees are seconded on condition that they provide services related to PSETA operations only. However, during August 2010, PSETA board appointed substantive CEO and CFO through the DPSA on the agreement that the DPSA is only providing corporate services on behalf of PSETA. The CEO and CFO were paid through DPSA Persal system just like all other seconded staff.

Name	Position	Started	Salary	Other Allowances	Total
S. Huluman	CEO	16 August 2010	546,846	62,012	**608,858**
T. Sibaya	CFO	1 August 2010	407,969	38,048	**446,017**
Total			**954,816**	**100,060**	**1,054,876**

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19. Budget Information

	Budgeted Amount	Actual	Variance (Under)/Over
REVENUE			
Non-Exchange Revenue	**576,000**	**2,138,351**	**1,562,351**
Levies Income			
Administration Levies (10%)	72,000	266,248	194,248
Mandatory Grant (50%)	360,000	1,331,028	971,028
Discretionary Grant (20%)	144,000	532,711	388,711
Interest	–	1,702	1,702
Penalty	–	6,663	6,663
Exchange Revenue	**684,424**	**3,666**	**(680,758)**
Finance Income	684,424	3,666	(680,758)
EXPENSES			
Non-Exchange Expenses	**5,090,000**	**907,191**	**4,182,809**
Mandatory Grants Refunds	90,000	907,191	(817,191)
Discretionary Grant Projects	5,000,000	–	5,000,000
Exchange Expenses	**16,500**	**157,527**	**(141,027)**
Bank Charges	16,500	12,906	3,594
Bad Debts written off	–	127,971	(127,971)
Audit Committee Fees	–	16,582	(16,582)
Period Surplus/(Deficit)	**(3,846,076)**	**1,077,368**	**(4,923,444)**

19.1 Budget Variance Analysis

Revenues

PSETA received a substantial amount of levies in the current year as compared to the previous year. National Nuclear Regulator contributed over a R1,8 million in levies during the current year.

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Expenses

Mandatory Grants Refunds

Only one (1) employer submitted their WSP and ATR on time, and this entity contributed over R1,8 million in levies which should be refunded should be refunded half of levies contributed in terms of Grants Regulations.

Discretionary Grant Projects

The PSETA had earmarked to implement discretionary projects in the year under review. PSETA was placed under administration by the Minister of Higher Education and Training on the 17 September 2010. Therefore, PSETA could not implement those projects. The administrator had since approved discretionary projects as per commitment schedule below.

Bad Debts written off

See note 5.1 above.

Audit Committee Fees

DPSA could not pay these fees on behalf of PSETA during the year under review; hence they are raised as accrual for payment in 2011/12 financial year. PSETA did not budget for these fees since DPSA was procuring goods and services on behalf of PSETA.

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20. COMMITMENTS

20.1 Of the balance of R10,791,161.81 available in the discretionary reserves on 31 March 2011, an amount of R6,300,000 has been approved for future project expenses as set out below. The approved amount for discretionary projects will be complemented by the funding from the National Skills Fund to run successful projects during 2011/12 financial year.

Projects	NSDS Indicator	Opening Balance 2010/11	Adjustments/ non-contractual payments 2010/11	Approved by Accounting Authority and contracted 2010/11	Utilised 2010/11	Closing Balance 2010/11
		R'000	R'000	R'000	R'000	R'000
Co-operatives	4.2			450,000		450,000
SSP Update	4.4			300,000		300,000
Learning Programmes	4.6			138,000		138,000
Rural Youth Development	4.3			2,500,000		2,500,000
Youth For Government Learnership	4.2			2,000,000		2,000,000
MilVets Capacity Building	4.2			1,000,000		1,000,000
Total Discretionary Grants Commitments		-	-	**6,388,000**	-	**6,388,000**

21. Contingent liability

21.1 Imibono Survey

The service provider, Imibono Survey, claim to have been verbally engaged in April 2010 by the former PSETA Acting Chief Executive Officer to conduct organisational capacity assessment, and later to develop an operational budget without following DPSA procurement processes. Hence the service provider was not issued with an order number by the DPSA. The service provider has since produced and presented an Operational Plan and Assessment report to the current PSETA management. The PSETA management has since referred the matter to the legal advisor who advised the management to engage with the service provider to reach amicable solution. The service provider is claiming R100,000.

21.2 Special Investigation Unit (SIU)

The PSETA engaged SIU to conduct investigation to alleged fraud and misappropriation of funds relating to the NSF project. PSETA and SIU signed a service level agreement in this regard, and agreed on a cost of R800,000 for the project which was supposed to be paid on 2 equal installments by the end of 31 March 2011. PSETA, through the DPSA, has since paid the 1st invoice amounting to R400,000 by 31 March 2011. PSETA and SIU has since further agreed that the 2nd invoice should be paid after SIU has produced the 1st report on investigation. Therefore, an R400,000 has been committed for this purpose.

22. New Accounting Pronouncements

At the date of authorisation of these financial statements, there are Standards and Interpretations in issue but not yet effective. These include the following Standards and Interpretations that are applicable to the PSETA and may have an impact in future:

GRAP 18 - Segment Reporting	Not yet effective
GRAP 21 - Impairment of Non-cash-generating Assets	1 April 2012
GRAP 23 - Revenue from Non-Exchange Transactions	1 April 2012
GRAP 24 - Presentation of Budget Information in Financial Statements	1 April 2012
GRAP 25 - Employee Benefits	Not yet effective
GRAP 103 - Heritage Assets	1 April 2012
GRAP 104 - Financial instruments	Not yet effective
GRAP 105 - Transfer of Functions Between Entities Under Common Control	Not yet effective
GRAP 106 - Transfer of Functions Between Entities Not Under Common Control	Not yet effective
GRAP 107 - Mergers	Not yet effective

An entity shall apply Standards of GRAP for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the PFMA.

The PSETA shall apply the new GRAP standards when they become effective.

GRAP 18 – Segment Reporting – The Standard provides guidance for reporting financial information by segments but shall have no significant effect on PSETA's financial statements.

GRAP 21 – Impairment of Non-cash-generating Assets – The Standard provides additional guidance on the procedures that an entity applies to determine whether a non-cash-generating asset is impaired and to ensure that impairment losses are recognised and reversed but shall have no significant effect on PSETA's financial statements.
GRAP 23 – The standards provides guidance on the presentation of approved budget figures in the financial statements. The application of this standard will result in additional disclosures in the financial statements and result in compliance with GRAP 1 paragraphs 11-15

GRAP 24 – Revenue from Non-Exchange Transactions (Taxes and Transfers) – The Standard prescribes the requirements, recognition and measurement criteria for the financial reporting of revenue arising from non-exchange transactions other than non-exchange transactions that give rise to an entity combination but shall have no significant effect on PSETA's financial statements.

GRAP 25 – Employee Benefits – The standards provides guidance on the accounting and disclosure of employee benefits relating to employee servitude. The standard requires that a liability be raised for earned employee benefits which are to be paid in the future and to expense the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits. The standard shall have no significant effect on PSETA's financial statements.

GRAP 26 – Impairment of Cash-generating Assets – The Standard provides guidance on determining whether a cash-generating asset is impaired and to ensure that impairment losses are recognised and when the losses should be reversed but shall have no significant effect on PSETA's financial statements.

GRAP 103 – Heritage Assets – The standard provides guidance on the accounting treatment of heritage assets but shall have no significant effect on PSETA's financial statements.

GRAP 104 – Financial Instruments – The standard establishes principles for recognizing, measuring, presenting and disclosing of financial instruments but will have no significant effect on PSETA's financial statements.

GRAP 105 - Transfer of Functions Between Entities Under Common Control - The standard establishes the accounting principles for the acquirer and transferor in a transfer of functions between entities under common control
GRAP 106 - Transfer of Functions Between Entities Not Under Common Control- The standard establishes the accounting principles for the acquirer in a transfer of functions between entities not under common control

GRAP 107 - Mergers - The standard establishes accounting principles for the combined entity and combining entities in a merger.

23. Going concern

PSETA has been recertified for one year ending 31 March 2012 following the announcement by the Minister of Higher Education and Training. The PSETA is expected to turn around and operate in the manner required by the Skills Development Act, i.e. to facilitate skills development in the public service, in order to be re-certified for the next four years. PSETA has since prepared and tabled its 5 year strategic plan in Parliament, and National Treasury has allocated funds for the PSETA for the MTEF period.

The PSETA is aware that currently its liabilities exceed its assets as per the Statement of Financial Position as at 31 March 2011 and this situation poses the going concern risk. The PSETA has a plan in place to address this matter. Moreover, the PSETA believes that the funding model which is being developed by the Inter-Ministerial Task Team will be finalised and implemented during this financial year which will resolve the going concern risk.

"The new context for public service sector delivery requires a significant investment in skills development to enhance skills in managing the performance of public servants, monitoring and evaluating activities, as well as assessing the impact of programmes, projects and activities.

These skills will be required to ensure that resources are applied more effectively and efficiently in a manner that focuses on outcomes and results. At the same time all public servants need to be skilled, not only in their particular operational fields, but also in the principles of Batho Pele and the practical skills necessary to translate these principles into people-centered service delivery."

- Pseta Sector Skills Plan 2011-2016

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