

ANNUAL REPORT  
**2016/17**



**IMPROVING STATE CAPABILITIES THROUGH  
STRATEGIC INNOVATIVE PARTNERSHIPS**



**higher education  
& training**

Department:  
Higher Education and Training  
REPUBLIC OF SOUTH AFRICA



*Public Service Sector Education & Training Authority*



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# PART A

## GENERAL INFORMATION



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# 1. PSETA INFORMATION

Registered name of the public entity	Public Service Sector Education and Training Authority
ISBN number	978-1-77018-816-7
RP number	189/2016
Registered office address	353 Festival Road, Hatfield, 0028, Pretoria
Contact telephone numbers	+27 12 423 5700/5711
E-mail address	communications@pseta.org.za
Website address	www.pseta.org.za

## EXTERNAL AUDITORS

### Auditor-General South Africa

Physical address	300 Middel Street New Muckleneuk Pretoria, South Africa
Postal address	Box 446 Pretoria 0001
Telephone	+27 12 426 8000
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## BANKERS INFORMATION

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

## 2. ABBREVIATIONS AND ACRONYMS

<b>AA</b>	Accounting Authority (the Board)	<b>NEHAWU</b>	National Education Health and Allied Workers Union
<b>AC</b>	Audit Committee	<b>NQF</b>	National Qualifications Framework
<b>AG</b>	Auditor-General	<b>NSA</b>	National Skills Authority
<b>AGSA</b>	Auditor-General of South Africa	<b>NSF</b>	National Skills Fund
<b>APP</b>	Annual Performance Plan	<b>NSG</b>	National School of Government (formerly PALAMA)
<b>ATR</b>	Annual Training Report	<b>NSDS III</b>	National Skills Development Strategy III
<b>BAC</b>	Bid Adjudication Committee	<b>NSF</b>	National Skills Fund
<b>BCP</b>	Business Continuity Plan	<b>NT</b>	National Treasury
<b>CAATS</b>	Computer-Assisted Audit Techniques	<b>OFO</b>	Organising Framework for Occupations
<b>CIP</b>	Compulsory Induction Programme	<b>PALAMA</b>	Public Administration, Leadership and Management Academy
<b>CSE</b>	Corporate Services Executive	<b>PARI</b>	Public Affairs Research Institute
<b>DDG</b>	Deputy Director-General	<b>PDP</b>	Personal Development Plan
<b>DG</b>	Director-General	<b>PFMA</b>	Public Finance Management Act
<b>DHA</b>	Department of Home Affairs	<b>PIVOTAL</b>	Professional, Vocational, Technical and Academic Learning
<b>DHET</b>	Department of Higher Education and Training	<b>POPCRU</b>	The Police and Prisons Civil Rights Union
<b>DIRCO</b>	Department of International Relations and Co-operation	<b>PS</b>	Public Service
<b>DPSA</b>	Department of Public Service and Administration	<b>PSA</b>	Public Servants Association of South Africa
<b>ETQA</b>	Education and Training Quality Assurance	<b>PSETA</b>	Public Service Sector Education Training Authority
<b>EXCO</b>	Executive Committee	<b>PSSC</b>	Public Service Skills Committee
<b>ERM</b>	Environment Resources Management	<b>QCTO</b>	Quality Council for Trades and Occupations
<b>FET</b>	Further Education and Training (now called TVET colleges)	<b>QMR</b>	Quarterly Monitoring Report
<b>FY</b>	Financial Year	<b>RMC</b>	Risk Management Committee
<b>GPSSBC</b>	General Public Service Sector Bargaining Council	<b>RPL</b>	Recognition of Prior Learning
<b>GRAP</b>	Generally Recognised Accounting Practice	<b>SAQA</b>	South African Qualifications Authority
<b>GSC</b>	Governance and Strategy Committee	<b>SARS</b>	South African Revenue Service
<b>G-SETA</b>	Government Sector Education and Training Authorities	<b>SCM</b>	Supply Chain Management
<b>HEI</b>	Higher Education Institutions	<b>SCOPA</b>	Standing Committee on Public Accounts
<b>HOD</b>	Head of Department	<b>SDA</b>	Skills Development Act
<b>HR</b>	Human Resources	<b>SETA</b>	Sector Education and Training Authority
<b>HRD</b>	Human Resource Development	<b>SIU</b>	Special Investigating Unit
<b>HRDC</b>	Human Resource Development Council	<b>SD</b>	Skills Development
<b>HRDSA</b>	Human Resource Development South Africa	<b>SDF</b>	Skills Development Facilitator
<b>HRM</b>	Human Resource Management	<b>SDLA</b>	Skills Development Levies Act
<b>IoDSA</b>	Institute of Directors Southern Africa	<b>SITA</b>	State Information Technology Agency
<b>ICT</b>	Information and Communication Technology	<b>SMS</b>	Senior Management Services
<b>KZN</b>	KwaZulu-Natal	<b>SOEs</b>	State-Owned Enterprises
<b>MoA</b>	Memorandum of Agreement	<b>SOP</b>	Standard Operating Procedures
<b>MHET</b>	Minister of Higher Education and Training	<b>SP</b>	Skills Programme
<b>MIS</b>	Management Information System	<b>SSP</b>	Sector Skills Plan
<b>MoU</b>	Memorandum of Understanding	<b>S&amp;T</b>	Subsistence and Travel
<b>MTEF</b>	Medium-Term Expenditure Framework	<b>TVET</b>	Technical Vocational Education and Training (formerly FET colleges)
<b>MTSF</b>	Medium-Term Strategic Framework	<b>WIL</b>	Work-Integrated Learning
<b>NEC</b>	National Executive Committee	<b>WSP</b>	Workplace Skills Plan

### 3. ACKNOWLEDGEMENTS



**Honourable Dr BE Nzimande, MP**  
*Minister of Higher Education and Training*



**Honourable Mr MC Manana, MP**  
*Deputy Minister of Higher Education and Training*

In accordance with the Public Finance Management Act, 1999 (Act No.1 of 1999) as amended, it is with great pleasure that we present to you the Annual Report of the Public Service Sector Education and Training Authority. This report covers the period from 1 April 2016 to 31 March 2017 and provides an overview of the operations, financial performance and developments across all performance targets as per Service Level Agreement (SLA) with the Department of Higher Education and Training.

The PSETA Accounting Authority, management and staff would like to extend a word of gratitude to the Ministry of Higher Education and Training for the visionary leadership they continuously provide. The PSETA remains committed to enhancing the skills development and training of the sector we prudently serve.

A handwritten signature in black ink, appearing to read 'Mashigo', written over a horizontal line.

**Mrs Koko Mashigo, PSETA**  
*Accounting Authority (AA) Chairperson*  
*Date: 31 July 2017*



## 4. FOREWORD BY THE CHAIRPERSON



*"We commit ourselves to fast-tracking and introducing new initiatives which will contribute to the building of a skilled and capable Public Service workforce."*

**Mrs Koko Mashigo**  
Accounting Authority Chairperson

### INTRODUCTION

It is with great pleasure that I present to all our stakeholders, the Annual Report of the Public Service Sector Education and Training Authority (PSETA) for the period 1 April 2016 to 31 March 2017.

### HIGH LEVEL OVERVIEW OF THE PSETA STRATEGY AND PERFORMANCE

The PSETA five-year Strategic Plan was updated in the year under review. The development of the Strategic Plan was informed by the organisation's strategic challenges, situational analysis and consideration of the performance environment in order to meet the needs of our constituencies and beneficiaries. The 2016/17 Annual Performance Plan (APP) was also updated, revised and streamlined.

The PSETA's audited performance for the financial year under review is 51%, down from 73% from the previous financial year 2015/16. The poor performance is attributed to two critical events:

- A budget cut of 43% for the 2016/17 Financial Year, in October 2016.
- The 2015/16 Discretionary Grants process which was suspected to be irregular thus preventing management from making decision to allocate grants for 2016/17 in order to avoid possible recurrence.

The Accounting Authority has authorised a forensic investigation by the Special Investigation Unit. The SIU investigation was finalised in April 2017 which confirmed that the 2015/16 Discretionary Grants process was irregular. The Accounting Authority has endorsed the PSETA/SIU secondment report which confirmed the irregular expenditure on the DG process, and waiting the Presidential Proclamation for the full forensic investigation.

We are glad to have received an unqualified audit opinion with findings and committed to work towards a clean audit. It is a step in the right direction, more needs to be done in particular, to put in place internal controls in order to achieve a clean audit in the next financial year.

Despite the above challenges PSETA achieved the following:

- Sector Skills Plan (SSP) for 2017/18 was updated and approved by DHET;
- Built internal research capacity, produced ten research reports and five impact assessment reports;
- 32 SDF capacity building sessions conducted on WSP training and SSP feedback;
- SAQA green status maintained;
- Eight strategic partnerships entered into;
- Strategic learning interventions in partnership with National Treasury, DPME, TVET colleges (artisan development), Offices of the Premier (see page 26 to 28 for details); and
- An improved risk management maturity level was attained.

## STRATEGIC RELATIONSHIPS

The PSETA continues to work with and build strategic partnerships with key organs of the state. In the financial year under review, PSETA partnered with the Botswana Directorate of Corruption Crime (DCEC) and the European Union Dialogue Facility Programme (EU-D).

In June 2016, the PSETA hosted officials from the Botswana Directorate on Corruption Crime. The purpose of the visit was for the DCEC to get insight of the South African approach to training; the legislative work that governs training in SA; the context within which the PSETA operates; curriculum development; and the accreditation processes.

From 30 November to 2 December 2016, the PSETA, in collaboration with the EU, successfully hosted a dialogue for the South African public entities and their European country counterparts. This international collaboration was necessitated by the realisation that the public entities that PSETA services, have very unique and specialised skills needs that may not be sufficiently addressed by existing systems in South Africa.

PSETA depends on its strategic partnerships with the Public Service Sector to collaborate and facilitate the achievement of its strategic objectives in the Annual Performance Plan. During the financial year, a number of Memoranda of Understanding were entered into, particularly with the National Treasury to further the skills interventions on Public Finance, the Department of Planning, Monitoring and Evaluation on planning, monitoring and evaluation capabilities of the State. In this respect, PSETA issued 55 bursaries to officials from various Government departments to study for post-graduate diplomas in monitoring and evaluation at Wits School of Governance.

A critical challenge experienced within the sector, is the length of time that Government departments take to approve and sign-off both MoUs (for strategic partnerships) and the MoAs (grant disbursements) which poses a significant risk to PSETA achieving its targets. Measures have been put in place to mitigate this risk in the reviewed Discretionary Grants Policy.

## CHALLENGES FACED BY THE ACCOUNTING AUTHORITY

### The SETA landscape

The uncertainty of the SETA landscape remains a challenge as it poses a problem in attracting talent for crucial vacant positions. The Minister of Higher Education and Training has extended the licensing of the SETAs until 31 March 2020. As a result we are obliged to keep employment contracts of staff for the period. We therefore look

forward to the finalisation of the SETA Landscape by the Minister, with advice from the National Skills Authority.

### Funding

The most significant factor which has affected the performance of the SETA is the budget cut of 43% during the latter part of the year. This forced PSETA to re-assess its approach in the disbursement of discretionary grant funds through the traditional funding window. Attempts were made at implementing a scaled-down discretionary grant process which was not successful due to external challenges with the strategic partners, specifically their non-readiness to implement projects. The need to explore and finalise a long-term funding model and other potential sources of income for PSETA, remains a challenge. It is essential that we pursue a sustainable funding model urgently in collaboration with our Executive Authority to redress the root cause of budget cut instability.

### Organisational environment

Capacity within the SETA has been turbulent over the period. There has been a high turnover in critical positions such as the Chief Operations Officer, Chief Financial Officer and Finance Manager, leading to capacity constraints on the operations of the organisation. This has negatively affected the PSETA. We were, in particular, faced with serious challenges to attract and retain competent Chief Financial Officers, which impacted on the preparation of accurate and complete financial statements.

## ACKNOWLEDGEMENTS AND APPRECIATION

I would like to acknowledge and thank the PSETA Accounting Authority and its committees. Your commitment, strategic engagement and oversight are acknowledged. I am hopeful that as a collective, more can still be done to enhance and strengthen our oversight role.

I also wish to extend my sincere gratitude to the outgoing CEO Mrs Shamira Huluman, for your sterling leadership, and wish you well with your new ventures. To PSETA management and staff, there is still more that needs to be done to enhance our internal control environment in order to improve the overall performance of PSETA. A heartfelt thank you to our constituencies, stakeholders and beneficiaries of our programmes, for the support you have provided.



**Mrs Koko Mashigo**  
*Accounting Authority Chairperson*  
Date: 31 July 2017

## 5. OVERVIEW BY THE ACTING CHIEF EXECUTIVE OFFICER



*"There is now a level of consensus that in order to achieve inclusive growth, there has to be much better co-ordination across Government, with the State playing a more effective role in stimulating and sustaining the economy."* – White Paper for Post-School Education Training

**Mr Marks Thibela**  
Acting Chief Executive Officer

### INTRODUCTION

This Annual Report covers the performance of PSETA over the past financial year in terms of our financial management, as well as predetermined objectives. This Report provides detailed information which relates to performance, governance, human resources and financial management, categorised in different sections.

### OVERVIEW OF THE OPERATIONS OF THE ENTITY

During the period under review, the Department of Higher Education and Training (DHET) and PSETA entered into a Service Level Agreement (SLA), which contained performance targets and had to be implemented and reported on. Although some of the targets were not achieved, one of the notable achievements was the development of the Sector Skills Plan which continues to identify the priority programmes needed to build the state capabilities identified in Chapter 13 of the National Development Plan. Overachievements in the number of Public Service employees entering PSETA-funded learnership programmes, the unemployed Work-Integrated Learning and Artisan training, strategic partnerships with Home Affairs (Cadet programme),

National Treasury (AAT qualification) and DPME (WSG bursaries on M&E post-graduate qualification), being the most notable. A detailed report on performance of the organisation is outlined in Part B: Performance Information.

### GENERAL FINANCIAL OVERVIEW

The PSETA was funded through the following sources in 2016/17 financial year:

- Department of Higher Education and Training's budget vote 15 – R55.727 million
- Skills Development Levy including interest and penalties (Public Entities) – R7.687 million
- Skills Development Levy Transfer from Government departments – R2.807 million
- Donor funding income (NSF and CIP) – R7.932 million
- Investment income – R1.142 million
- Other income – R0.16 million

### SPENDING TRENDS

Mandatory grants are payments made to levy payers who have submitted approved Workplace Skills Plan Reports (WSPRs);



Expenditure type	2016/17 R'000	2015/16 R'000	2014/15 R'000
Mandatory grants	133	192	78
Discretionary grants	42 053	18 270	1 417
Donor Funding Expenditure	7 617	5 825	10 676
Administration	45 871	42 268	33 444

Discretionary grants are amounts spent according to programmes in the Annual Performance Plans (APPs); and Administrative expenditure has increased due to an increase in the number of activities carried out to implement the 2016/17 APP.

## CAPACITY CONSTRAINTS AND CHALLENGES

### Organisational environment

Capacity within the PSETA has been turbulent over the period. There was a high turnover in critical positions such as the Chief Operations Officer, Chief Financial Officer and Finance Manager, leading to capacity constraints on the operations of the organisation. To address this challenge, the process of filling the position of COO was nearing completion at the end of the financial year, whereas a decision was taken to fill the positions of CFO and Financial manager by using outsourced service providers to prioritise the finalisation of annual financial statements. This is notwithstanding, we continued to experience capacity challenges in the areas of planning, monitoring and evaluation, project and contract management.

### Sector challenges

The Public Service sector is a critical partner in the implementation of PSETA's skills development programmes, therefore it becomes important to continuously strengthen relations with the stakeholder. Delays in the signing of Memoranda of Agreement and partnership agreements by stakeholders impacted negatively on the initiation and implementation of projects. In addition, the delays in appointing service providers to provide training by the grant recipients, led to grant allocations having to be rescinded after extended periods of time had lapsed. All these put together negatively affected performance of the PSETA in delivering service against the APP and SLA targets.

The implementation of a 'blended strategy' approach for the 2016/17 financial year was not successful. An innovative component of this strategy was the funding of employer PIVOTAL plans, however, a problem arose as we could not get a sign-off from organised labour which resulted in stakeholders being disqualified from accessing the discretionary grant funding. A plan to discuss this matter with senior leadership of organised labour will ensue soon.

The nature of data collation and reporting in the Public Service poses a significant challenge for the PSETA, as we placed reliance on the PERSAL data that may not be accurate and reliable. Hence, we continuously interacted with both DPSA and DHET to find adequate and long lasting solutions.

### Sector funded targets

The PSETA's Annual Performance Plan provides for performance targets that relate to the reporting of interventions funded by the sector within which it operates. As per engagement with DHET, the achievement of these targets are not within the control of PSETA. It has been agreed between DHET and PSETA that reporting on these targets shall only happen once a year.

### Grant allocation processes

The PSETA has identified potential irregular expenditure in the grant allocation process undertaken during the 2015/16 financial year. This compromised process resulted in the Accounting Authority authorising a forensic investigation by the Special Investigation Unit. The SIU investigation was concluded during April 2017 which confirmed that the 2015/16 DG process was irregular.

In lieu of this, the entity, during the 2016/17 period, has focussed on ensuring improved internal controls and compliance to policies related to the discretionary grant allocation processes.

## Rollover of funds

PSETA's expenditure resulted in a deficit due to the budget cut during the year. A rollover of the accumulated discretionary reserves of R83 208 million has been submitted to the National Treasury for approval. Of these total reserves, only R57 548 million is uncommitted.

## SUPPLY CHAIN MANAGEMENT

The Supply Chain Management (SCM) Policy is in place and is being implemented to ensure compliance with legislation and regulations. We continued to strengthen the internal controls within the Supply Chain Management unit.

## AUDIT FINDINGS

The PSETA received the first ever unqualified audit opinion with findings for the 2016/17 financial year, however, Material misstatements on commitments, provisions, grant expenditure, NSF project realised income, NSF project expenses, deferred income liability – NSF, irregular expenditure, prior year errors, budget reconciliation and allocation of net surplus/deficit to reserves identified by the auditors in submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

## ECONOMIC VIABILITY

The PSETA has operated as a going concern since 2011 and was subsequently re-established in 2016 until 31 March 2020 by the Minister of higher Education and Training.

## THE YEAR AHEAD

As we look ahead, our plans will be put in place to address the challenges and deficiencies experienced during the year under review. In order to ensure that performance targets for the 2017/18 financial year are achieved, the following interventions have been put in place and will be implemented:

- Initiate the allocation of the discretionary grant funding through the strategic partnership approach in the first quarter of the financial year. This will enable PSETA to allocate monies to the identified strategic partners, who shall be able to form part of an efficient delivery mechanism in addressing the skills development priorities of the sector;

- Expedite filling the vacancy of Chief Operations Officer; and also fill, in a temporary capacity, the positions of Chief Financial Officer and Financial Manager, using an outsourced service provider until 31 July 2017, to ensure that the year-end financial accountability processes and external audit are effectively managed.

Moreover, we also aim to address some of the operational challenges to ensure the fulfilment of the legislative mandate through the implementation of an organisational re-engineering exercise.

## ACKNOWLEDGEMENTS AND APPRECIATION

I would like to extend my sincere gratitude to the Accounting Authority and the Executive Committee under the leadership of the esteemed Chairperson, all the members of the Accounting Authority, as well as the various committees for their unwavering support and leadership provided. The co-operation from the stakeholders and our strategic partners who continue to play a pivotal role in ensuring that we realise our goals is really appreciated. Lastly, appreciation for the support received from the outgoing CEO, management team and the entire staff, cannot go unnoticed as they are key to the day-to-day functioning of the organisation. They all worked tirelessly to achieve the positive audit outcome. However, more still needs to be done with vigour and swiftness in ensuring that we become an important contributor in facilitating skills development in the Public Service; to create "a capable and skilled workforce" in South Africa.



**Mr Marks Thibela**  
*Acting Chief Executive Officer*  
*Date: 31 July 2017*

## 6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

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

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

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

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

6.5. The Accounting Authority has an oversight role in the preparation of the Annual Financial Statements by the Chief Financial Officer and his team and is assisted by both the Finance and Audit Committees who review these financial statements prior to submission to the Accounting Authority, the National Treasury and the Department of Higher Education and Training.

6.6. The Accounting Authority has an oversight role in the establishment and implementation of a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability

of the performance information, the human resources information and the Annual Financial Statements. The CEO and the management team, the internal auditors and the Audit Committee assist the Accounting Authority in accomplishing this task.

6.7. The Auditor-General has been engaged to express an independent opinion on the Annual Financial Statements.

6.8 In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the PSETA for the financial year ended 31 March 2017.



**Mr Marks Thibela**  
*Acting Chief Executive Officer*  
**Date: 31 July 2017**



**Mrs Koko Mashigo**  
*Chairperson of the Accounting Authority*  
**Date: 31 July 2017**



## 7. STRATEGIC OVERVIEW

### 7.1 VISION

Cutting-edge skills for quality public services

### 7.2 MISSION

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

- Effective co-ordination of skills development interventions based on occupationally-directed qualifications;

- Focusing on learning programmes; and
- Promoting learner placement and absorption within the Public Service sector.

### 7.3 VALUES

Honesty and integrity;  
Accountability;  
Service excellence; and  
Fairness and transparency.

## 8. LEGISLATIVE AND OTHER MANDATES

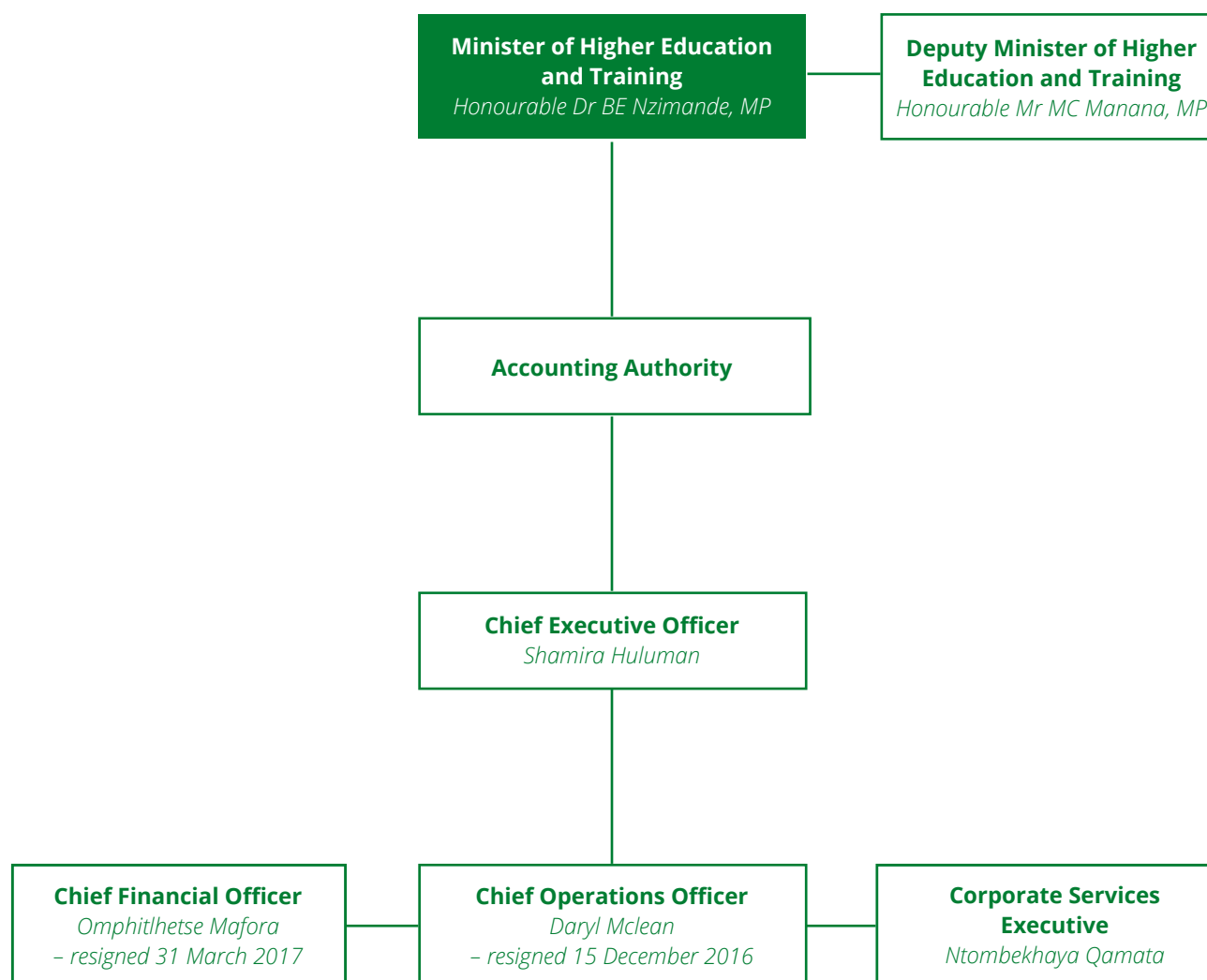
The Public Service Sector Education and Training Authority (PSETA) was established in terms of the Skills Development Act, No. 97 of 1998 and listed in terms of the Public Finance Management Act, No. 1 of 1999, as a Schedule 3A public entity.

The following are the legislative, policy and other mandates that govern the work of the PSETA:

- The Skills Development Act, 1998 (Act No. 97 of 1998) as amended;
- The Skills Development Levies Act, 1999 (Act No. 9 of 1999);
- The National Qualifications Framework Act, 2008 (Act No. 67 of 2008);
- The Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended;
- The National Treasury Regulations, 2001 as amended;
- The National Skills Development Strategy III;
- The New SETA Grant Regulations, 2012;
- Constitution of the PSETA;
- National Development Plan Vision (NDP), 2030;
- The Medium-Term Strategic Framework of Government, 2014 to 2019;
- The White Paper on Post-School Education and Training (PSET);
- The National Human Resource Development Strategy for South Africa (HRDSA), 2030;
- National Skills Accord, 2011; and
- National Integrated Human Resource Development Plan (NIHRDP), 2014 to 2018.

## 9. ORGANISATIONAL STRUCTURE

### HIGH-LEVEL ORGANISATIONAL STRUCTURE



# PART B

## PERFORMANCE INFORMATION



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# 1. AUDITOR-GENERAL'S REPORT

The Auditor General South Africa currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the management report under report on the

audit of annual performance report heading in the Report on other legal and regulatory requirements section of the auditor's report.

*Please refer to the AG's report published as part E.*

## 2. SITUATIONAL ANALYSIS

### 2.1 SERVICE DELIVERY ENVIRONMENT

PSETA is primarily responsible for the provision of skills to Government departments that wholly fall within its scope (i.e. functions which are the exclusive business of Government, such as International Relations and Home Affairs) and the transversal skills in all National and Provincial Departments, participating public entities, Secretariat of Parliament and Provincial Legislatures. PSETA shares responsibility for skills development in the Public Service with these entities themselves (who hold the bulk of the resources); with the DPSA (which regulates human resource development across the Public Service); and with state academies, including the National School of Government (which provide job-specific training).

PSETA's scope of coverage only includes state employees employed in terms of the Public Service Act, 1994 (Act No. 1 of 1994) as amended (this excludes teachers, military personnel and so forth). Many departments, such as education and health, have 'dual reporting'; reporting to PSETA and a 'line-function' SETA, such as the Health and Welfare SETA (H&WSETA). For departments for whom there is dual reporting to both PSETA and another line-function SETA, PSETA's work concentrates primarily on skills development amongst the Senior Management Service (SMS)<sup>1</sup> and other "transversal skills" such as administration, management, planning, legislation and policy development.

PSETA has defined its overall impact measure for this scope by linking Ministerial Outcome 5 to Ministerial

Outcome 12: "a skilled and capable workforce for an efficient, effective, professionalised and developmental Public Service".

Some systemic issues affecting skills development within the Public Service sector include the non-contribution of levies to PSETA in terms of the Skills Development Levies Act. There are considerable funds spent in the sector on skills development, but these lie under the managerial control of the departments themselves. There is no legal obligation for such departments to report on the use of these funds to PSETA, and collecting such data from departments to report on "sector-funded" targets, has consistently placed PSETA under tremendous strain.

Departments also submit HRD plans and implementation reports to DPSA. The relationships between HRD plans and reports and workplace skills plans and annual training reports are not well understood in the sector; the two are commonly treated as independent and parallel processes.

The above challenges are symptomatic of a complex set of overlapping mandates in relation to skills development. DHET sets the national policy framework under the National Skills Development Strategy; DPSA sets the framework for employer goals through a variety of policy objectives; line departments such as Treasury and DPME often regulate skills development for specific occupations or functions; and departments themselves sometimes interpret their own needs outside of any of these policy frameworks.

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1. The SMS refers to all Directors, Chief Directors, Deputy Directors-General and Directors-General in the Public Service.

## 2.2 ORGANISATIONAL ENVIRONMENT

PSETA has an extensive set of policies and procedures in place, for almost all aspects of the organisation's business processes. These have been developed since 2011 as an on going trend, in response to particular needs. Some are routine within any Public Service organisation. These include all the finance and SCM policies. Some – such as the PSETA Service Standards and the PSETA Records Policy – have emerged from efforts to standardise documentation and filing within the organisation. Others – such as the PSETA ICT Governance Policy and the PSETA Business Continuity Plan – were developed or updated in response to audit findings regarding legal regulation of particular functions. Most were developed and updated regularly to guide routine business operations, such as grant disbursements, learner induction, provider accreditation, project management or marketing and communications.

During 2015, PSETA executive management agreed that it was important to rationalise the plethora of policies and procedures. The key goal was to streamline processes; strengthen management controls and governance oversight; and align policies and procedures with the plans and organisational structures.

A Quality Committee has been established, mandated to:

- Develop an overall quality management system (aligned to ISO standards, although not accredited by ISO);
- Integrate the existing service standards into the quality objectives in the QMS;
- Rationalise the policies and procedures against a functional analysis of the organisation (which will, in turn, support the organisational design);
- Undertake process engineering or process optimisation of business processes;
- Audit all policies and procedures for legal compliance;
- Train all staff in the policies and procedures;
- Build customer feedback into quarterly and annual reviews of all policies and procedures.

During 2015, a SETA Management System was introduced (the Deloitte's system) with the goal of bringing in baseline legal compliance and best practices from other SETAs. Nine out of the ten modules have been introduced and are now "live"; and a project module to upload all historical records for audit purposes is scheduled for completion before the next audit.

The review of policies and procedures aims to ensure the organisational policies are all aligned to the automated business processes, but some of the process engineering will also require improvements to the business automation. PSETA's goal here is to use technology to enhance our existing business processes, while ensuring we are able to perform cheaper, better and faster. For example, WSP submissions by stakeholders are now automated, as is provider uploads of learner records.

Capacity within the PSETA has been turbulent over the period. There has been a high turnover in critical positions such as the Chief Operations Officer, Chief Financial Officer and Finance Manager, leading to capacity constraints on the operations of the organisation. There continues to be poor planning, monitoring and evaluation capacity, as well as poor project and contract management capacity within PSETA and the sector. The lack of these critical functions has serious knock-on effects on the achievement of targets.

In order to address this challenge, there will be an organisational design/re-engineering project in consultation with DHET with respect to SETA landscape decisions planned for the year ahead.

## 2.3 PERFORMANCE HIGHLIGHTS

During the year under review, the following are notable achievements of the organisation:

- PSETA hosted officials from the Botswana Directorate on Corruption Crime, facilitated by the South African Special Investigating Unit, to share practices with regard to the South African approach to skills development, the legislative work that governs training in South Africa, curriculum development and accreditation processes.
- In partnership with the Department of Home Affairs, PSETA has supported the Home Affairs Cadet Programme, which provides training and subsequent employment opportunities to unemployed learners. 100% of learners are absorbed into permanent employment.
- PSETA launched a woman empowerment project and is currently funding eight female managers from the Eastern Cape Department of Sport, Recreation, Arts and Culture to address competency gaps in strategic positions.

- A total of 108 females and 106 males are currently undergoing training in various trades in the KZN Department of Health, the Eastern Cape Department of Transport, the Western Cape Department of Transport and Public Works, Mpumalanga Sthabiso Business Enterprise and the Gauteng City Region Academy.
- Considerable progress has been made in turning the Public Service workplace into a training space with many provincial and national departments providing Work Integrated Learning opportunities to students from TVET colleges.
- The PSETA SSP was recommended for approval by the Minister after evaluation by the SETA Panel committee and the DHET internal committee.
- A research study into the skills are required to implement green supply chain management effectively in the public sector, was commissioned by PSETA and successfully implemented by Rhodes University. This has been shared with the Department of Environmental Affairs and National Treasury to take forward.
- PSETA, in collaboration with the European Union Dialogue Facility Programme, successfully hosted a dialogue for South African public entities and their European counterparts. This collaboration aimed to improve sector policy dialogue and co-operation between SA and the EU in areas of human resource development.
- Following the dialogue and further direct engagement, two entities, namely the SIU and the French Embassy, identified the need to capacitate relevant SIU officials on a Cyber Forensics 1st Responder learning programme, scarce skills that is not offered in South Africa.
- Research into the legislative sector was undertaken for the first time. Two studies aimed at assessing the skills needs and OFO mapping of the sector and research into the Human Resource Development needs of administrative and support staff in Parliament and the nine provincial legislatures were successfully completed.
- The PSETA ETQA division has continued to build provider capacity. A total of 74 accredited providers were monitored for the year.
- PSETA has accredited training providers in an average of 18.49 working days.
- Five impact assessments of PSETA qualifications were completed.
- The PSETA ETQA has maintained its green status for the SAQA National learner Record Database.
- In pursuing partnerships required to lead implementation of the PSETA strategy, a total of four MoUs were entered into with national lead departments and five MoUs with provincial oversight bodies.
- DHET has tasked PSETA to facilitate the 2 000 Chinese learning opportunities from 2015 to 2020.

## 2.4 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The Minister of Higher Education and Training published the Government Gazette No. 40505 to extend the tenure of all existing 21 Sector Education and Training Authorities (SETAs) in line with the extension of the NSDS III from 1 April 2018 until 31 March 2020.

## 2.5 STRATEGIC OUTCOME-ORIENTATED GOALS

The following are the PSETA strategic outcome-oriented goals for 2016/17 and the progress made towards the achievement of the goals:

### Goal 1: PSETA capabilities to lead the Public Service sector are improved

This goal aims to improve the organisational capabilities within PSETA and focuses on support functions to strategically align their plans around supporting the core mandate of the organisation. Internal controls and performance of the SETA is closely monitored. Organisational capabilities to lead the sector have been improved by strengthening HR and finance systems.

### Goal 2: Sector capabilities to lead capacity building interventions through partnerships are improved

Establishing a credible institutional mechanism for skills planning and building partnerships with key role players in the sector, is the focus of this goal. PSETA has increased

its internal research capacity and has partnered with institutions to conduct sector-wide research which informs the SSP priorities. A total of nine partnerships have been formalised with strategic partners to locate skills development interventions in wider organisational capacity building strategies.

**Goal 3: The flow of skills into the Public Service sector is improved**

The strategic outcome-orientated goal aims to align supply-side provision to that of demand- side needs. Accredited training providers were supported through verification visits conducted throughout the year. A

total of nine quality assurance advocacy sessions were conducted with training providers throughout the country.

**Goal 4: The stock of skills available to and within the Public Service sector is improved**

PSETA has supported the sector through skills development funding to ensure that the skills level of employees as well as the unemployed is improved. Over 20 000 workplace learning opportunities have been declared by the sector for the placement of unemployed learners. PSETA has also delivered artisan programmes, learnerships, bursaries and skills programmes.



### 3. PERFORMANCE INFORMATION BY PROGRAMME

#### PROGRAMME 1. ADMINISTRATION

**Strategic outcome-oriented goal 1:** PSETA capabilities to lead the Public Service sector are improved

#### SUB-PROGRAMME 1.1: GOVERNANCE, RISK AND COMPLIANCE

The purpose of this sub-programme is to ensure that the organisation has effective and efficient governance structures that lead, monitor and evaluate organisational performance.

**Strategic objective 1.1.1:** Provision of governance, risk and compliance assurance to ensure a highly effective and efficient entity.

PROGRAMME 1.1: GOVERNANCE, RISK AND COMPLIANCE (ANNUAL 2016/17)					
Strategic objectives	Performance indicators	Actual achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement 2016/17
Provision of governance, risk and compliance Assurance to ensure a highly effective and efficient entity	Improved risk management maturity rating	Maturity level 3.7	Level 4	Level 4	Achieved
	% Internal audit operational plan implemented	88%	100%	100%	Achieved
	Aggregate score achieved for the Accounting Authority's annual external assessment	60% external assessment of AA by IoDSA	90% rating on external assessment	90%	None
					N/A

### Linking performance with budgets

The Governance, Risk and Compliance sub-programme underspent on its budget by R1 561 000 for the financial year under review. This was mostly due to savings arising from vacancies in the Internal Audit department that took a longer time to fill.

Programme	2015/16			2016/17		
	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000
Total	7 092	8 679	(777)	9 915	8 355	1 561

### SUB-PROGRAMME 1.2: FINANCE AND SUPPLY CHAIN MANAGEMENT

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

#### Strategic objective 1.2: Prudent allocation and management of financial resources

SUB-PROGRAMME 1.2: FINANCE AND SUPPLY CHAIN MANAGEMENT (ANNUAL 2016/17)						
Strategic objectives	Performance indicators	Actual achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement 2016/17	Comments on deviation
Prudent management and allocation of financial resources	% reduction on recurring audit findings	85% reduction on recurring audit findings	100% reduction on recurring audit findings	90% reduction in the findings arising from the prior financial year.	-10% of the prior year recurred	As at interim, audit findings relating to misstatements on the commitments register, evaluation of projects, GRAP non-compliance and IT governance matters were identified by the Auditor-General; this totalled five recurring audit findings out of the 11 received
	Audit outcome	Qualified	Unqualified audit report	Unqualified audit report	None	
						N/A

SUB-PROGRAMME 1.2: FINANCE AND SUPPLY CHAIN MANAGEMENT (ANNUAL 2016/17)					
Implementation of the Demand Management Plan and Procurement Plan	New key performance indicator	90%	51%	-39%	Of the 6 awards planned per the procurement plan, five could not be procured. Of the 110 planned procurements per the demand management plan, only 58 were procured. Non-implementation of projects and the 43% budget cut in the current year, were major factors in the non-spending. This created savings which resulted in more funds available for implementation of the projects in the 2017/18 year.

### Strategies to overcome areas of underperformance

During the financial year under review, there were minor recurring audit findings. Improvement plans are being implemented to ensure that the entity continues to improve quality of performance information.

### Linking performance with budgets

Finance and Supply Chain Management underspent on its budget by R2 000. The expenditure incurred by the unit is in line with the budget.

Programme	2015/16			2016/17		
	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000
Total	8 048	8 234	(186)	9 259	9 257	2

### SUB-PROGRAMME 1.3: CORPORATE SERVICES

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

**Strategic objective 1.3.1:** Strategic marketing and communication interventions to support organisation strategies.

**Strategic objective 1.3.2:** ICT governance and processes implemented to support the organisational strategies.

**Strategic objective 1.3.3:** Strategic Human Resources is planned, and implemented to support the organisational performance.

**Strategic objective 1.3.4:** Facilities are managed to support organisational strategies.

SUB-PROGRAMME 1.3: CORPORATE SERVICES (ANNUAL 2016/17)						
Strategic objectives	Performance indicators	Actual achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement 2016/17	Comments on deviation
Strategic marketing and communication services provided to support organisational strategies	Number of career guidance advocacy initiatives	26	28	28	None	N/A
	% implementation of marketing and communication plan	100%	100% of annual targets	100%	None	N/A
ICT governance and processes implemented to support the organisational strategies	% implementation of approved ICT plan	New indicator	100% of Annual targets	50%	-50%	Not all improvements in the current ICT systems were implemented
Strategic human resources are planned and implemented to support the organisational performance	Reduced vacancy rate	15%	<8%	7.8%	+0.2%	Speedy filling of vacancies during period led to over-achievement of target
	Staff satisfaction survey score	New indicator	80%	56.52%	-23.48%	Absence of service benefits for employees at the heart of employees' low ratings
	% implementation of training plan	100%	100%	25%	-75%	Not all training was implemented as per the plan due to inadequate planning
Facilities are managed to support organisational strategies	% compliance of PSETA with Occupational Health and Safety Act and Building Regulations	75% compliance	75%	0%	-75%	Undeveloped emergency evacuation procedures and Personnel Protective Equipment



### Strategies to overcome areas of underperformance

The ICT Steering Committee Chairperson was appointed in April 2017 to assist the entity in driving the alignment of the ICT strategy with the PSETA strategy. The ICT strategy will be approved during the first quarter of 2017/18.

On occupational health and safety compliance, the Department of Labour was approached to assist PSETA with achieving higher compliance levels in this regard through follow-up inspections on issues raised.

Processes are to be implemented to ensure that the organisational training plan is approved and implemented from the first quarter. The organisation is in the process of finalising a remuneration strategy which will address issues of service benefits for employees as these are at the heart of employees' low ratings in the client satisfaction survey that was conducted.

### Linking performance with budgets

The Corporate Services division had under expenditure of R2 685 000.00 for the 2016/17 financial year. This was partly due to procurement that could not be secured for various reasons. The remaining savings were as a result of cost-saving measures implemented by National Treasury.

Programme	2015/16			2016/17		
	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000
Total	12 625	13 590	(965)	14 619	11 935	2 685

## PROGRAMME 2: SKILLS PLANNING, RESEARCH AND PROJECTS (PARTNERSHIPS TO LEAD SECTOR CAPACITY BUILDING)

**Strategic outcome-oriented goal 2:** Improved sector capabilities to lead capacity building interventions through research co-ordination and partnerships.

### SUB-PROGRAMME 2.1: SKILLS PLANNING AND RESEARCH

The purpose of the sub-programme is to conduct research, consult on findings, and educate, mobilise and organise the sector in support of the interventions required.

**Strategic objective 2.1:** Sector Skills Plan is developed, consulted, approved, submitted and communicated

PROGRAMME 2.1: SKILLS PLANNING AND RESEARCH (ANNUAL 2016/17)						
Strategic objectives	Performance indicators	Actual achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement 2016/17	Comments on deviation
Sector Skills Plan is developed, consulted, approved, submitted and communicated	% implementation of research plan within reporting period	N/A	100%	100	None	N/A
	Number of research reports consulted with and confirmed by stakeholders	N/A	10	10	None	N/A
	Number of Public Service organisations recruited to PSETA within reporting period	N/A	2	2	None	N/A
	Number of stakeholder capacity-building exercises conducted	12	32	32	None	N/A
	Number of provinces for which SIPs capacity-building needs are agreed	N/A	1	1	None	N/A

## Linking performance with budgets

Skills Planning and Research had an under-expenditure of R896 000.00 for the 2016/17 financial year. This was partly due to savings in compensation of employees for the first three months of the year where the positions of research manager and research administrator remained vacant. The remaining savings were as a result of cost-saving measures implemented by partnering with Public Service stakeholders to hold workshops and research projects being conducted utilising internal research capacity.

Programme	2015/16			2016/17		
	Budget R'000	Actual expenditure R'000	(Over)/Under- expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/Under- expenditure R'000
<b>Total</b>	<b>3 197</b>	<b>2 836</b>	<b>361</b>	<b>4 750</b>	<b>3 949</b>	<b>801</b>

## SUB-PROGRAMME 2.2: PROJECTS MANAGEMENT

The purpose of the sub-programme is to provide a projects management framework for the implementation of projects within a wider organisational capacity, building strategies and supporting the implementation of discretionary grant projects.

**Strategic objective 2.2:** Partnerships to implement priority capacity-building interventions are established and managed

PROGRAMME 2.2: ESTABLISHING PARTNERSHIPS AND PROJECT MANAGEMENT (ANNUAL 2016/17)						
Strategic objectives	Performance indicators	Actual achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement 2016/17	Comments on deviation
Partnerships required to lead implementation of the plan are established and managed	Number of MoUs with oversight bodies (lead national departments) for NDP chapter 13 are signed and implemented	9	9	4	-5	Delays in getting back signed MoUs from lead departments due to their slow internal processes
	Number of MoUs with provincial oversight bodies signed and implemented	5	6	4	-2	Delays in Offices of Premier to sign MoUs due to internal legal vetting processes
	% of Discretionary grants allocated and managed to achieve organisational strategic outcomes	80%	90%	0%	-90%	Management took a decision not to disburse discretionary grants during 2016/17 as a result of the 43% budgetary cut

### Strategies to overcome areas of underperformance

The organisation faced delays in signing of the MoUs due to internal processes within the departments involved and legal vetting processes. It would seem that the relationship strategy of the organisation did not yield the required result and as such a new approach is required to ensure that the strategic partnership programme is enhanced.

In the New Year, an early knowledge of the budget allocation will be a prerequisite for initiation of the Discretionary Grant call. We will identify new viable strategic partners that have the capacity to implement the strategy.

### Linking performance with budgets

The Project Management programme is responsible for the Discretionary Grant funding. The R71 197 000 under expenditure is as a result of non-allocation of Discretionary Grants in the 2016/17 financial year.

Programme	2015/16				2016/17	
	Budget R'000	Actual expenditure R'000	(Over)/Under- expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/Under- expenditure R'000
Total	129 407	17 390	112 017	109 023	37 826	71 197

## PROGRAMME 3: EDUCATION, TRAINING AND QUALITY ASSURANCE (IMPROVING THE FLOWS OF SKILLS INTO THE PUBLIC SECTOR)

**Strategic outcome-oriented goal 3:** Improve the flow of skills into the Public Service sector

The purpose of the sub-programme is to improve the flow of skills into the sector through quality assurance of education and training provision.

**Strategic objective 3.1.1:** A system to quality assure training provision is developed and implemented



PROGRAMME 3: EDUCATION, TRAINING AND QUALITY ASSURANCE (ANNUAL 2016/17)						
Strategic objective	Performance indicators	Actual achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned target to actual achievement 2016/17	Comments on deviation
The flow of skills into the Public Service Sector is improved	Number of quality assurance advocacy sessions conducted with training providers	9	36	9	- 27	PSETA's budget allocation was reduced by 43% by the National Treasury during the adjustment period
	Turnaround time in working days to accredit training providers	18.09	45	18.49	+26.51	The average turnaround time has mainly been influenced by the programme-approved training providers because the approval processes are done internally; no site visits are conducted
	Number of accredited providers monitored	75	63	74	+11	The monitoring of programme implementation over and above the annual provider monitoring, resulted in 11 more interventions
	Number of PSETA learning programmes assessed for impact	4	5	5	None	N/A

### Strategies to overcome areas of underperformance

The budget cut of approximately 43% which took place in the latter part of the year, impacted on achievement. For the year ahead sufficient provision has been made for the targeted number of quality assurance advocacy sessions with training providers to be conducted.

### Linking performance with budgets

ETQA had under-expenditure of R865 000.00 for the 2016/17 financial year. This was partly due to savings in compensation of employees for the better part of the year where the positions of two specialists remained vacant.

Linking performance with budget programmes	2015/16				2016/17	
	Budget R'000	Actual expenditure R'000	(Over)/Under-expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/Under-expenditure R'000
Total	3 308	4 003	(695)	5 104	4 239	865

## PROGRAMME 4: LEARNING PROGRAMMES (IMPROVE STOCK OF SKILLS AVAILABLE IN THE PUBLIC SECTOR)

**Strategic outcome-oriented goal 4:** The stock of skills available to and within the Public Service Sector is improved.

### SUB-PROGRAMME 4.1: LEARNING PROGRAMMES

The purpose of the sub-programme is to facilitate and manage the implementation of learning programmes for and within the Public Service sector – this to ensure improved stock of skills in order to be capable of delivering consistently high quality services.

**Strategic objective 4.1:** Programmes to address scarce and critical skills needs identified in the SSP are implemented and reported (both employed and unemployed).

PROGRAMME 4: LEARNING PROGRAMMES (ANNUAL 2016/17)						
Strategic objectives	Performance indicators	Actual achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned targets to actual achievement 2016/17	Comments on deviations
Programmes to address scarce and critical skills needs identified in the SSP, are implemented and reported	Number of Public Service employees entering PSETA-funded learning programmes	Learner-ships: 222	Learner-ships: 50	66	+16	Implementation of 2015/16 DG projects resulted in the achievement of this target
		Skills Programme: 729	SP: 2 500	522	-178	The budget cut of about 43% by the National Treasury led to PSETA re-assessing the disbursement of discretionary grants for the year 2016/17 and scaled down the process. Implementing the scale down, discretionary grants proved to be a challenge as the targeted strategic partners were not ready to implement within a short period of time. None allocation of the 2016/17 Discretionary Grants.

PROGRAMME 4: LEARNING PROGRAMMES (ANNUAL 2016/17)						
Strategic objectives	Performance indicators	Actual achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned targets to actual achievement 2016/17	Comments on deviations
Programmes to address scarce and critical skills needs identified in the SSP, are implemented and reported	Number of Public Service employees completing PSETA-funded learning programmes	Learner-ships: 0	Learner-ships: 100	35	-65	Implementation of discretionary grants for 2015/16 commenced towards the end of the financial year and this intervention takes longer than 12 months and less than 14 months to implement. Completion which includes a certification process, will be achieved in 2017/18.
		SP: 692	SP: 700	467	-233	The budget cut of about 43% by the National Treasury led to PSETA re-assessing the disbursement of discretionary grants for the year 2016/17 and scaled down the process. Implementing the scale down, discretionary grants proved to be a challenge as the targeted strategic partners were not ready to implement within a short period of time. None allocation of the 2016/17 Discretionary Grants.
	Number of unemployed learners entering PSETA-funded learning programmes	Learner-ships: 144	Learner-ships: 50	30	-20	The budget cut of about 43% by the National Treasury led to PSETA re-assessing the disbursement of discretionary grants for the year 2016/17 and scaled down the process. Implementing the scale down, discretionary grants proved to be a challenge as the targeted strategic partners were not ready to implement within a short period of time. None allocation of the 2016/17 Discretionary Grants.
		SP: New Target	SP: 100	0	-100	The budget cut of about 43% by the National Treasury led to PSETA re-assessing the disbursement of discretionary grants for the year 2016/17 and scaled down the process. Implementing the scale down, discretionary grants proved to be a challenge as the targeted strategic partners were not ready to implement within a short period of time. None allocation of the 2016/17 Discretionary Grants.
		TVET WIL: 458	TVET WIL: 200	291	+91	Positive response and commitment from learners to complete the programme

PROGRAMME 4: LEARNING PROGRAMMES (ANNUAL 2016/17)						
Strategic objectives	Performance indicators	Actual achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned targets to actual achievement 2016/17	Comments on deviations
Programmes to address scarce and critical skills needs identified in the SSP, are implemented and reported	Number of unemployed learners entering PSETA-funded learning programmes	Bursaries: 96	Bursaries: 50	0	-50	The budget cut of about 43% by the National Treasury led to PSETA re-assessing the disbursement of discretionary grants for the year 2016/17 and scaled down the process. Implementing the scale down, discretionary grants proved to be a challenge as the targeted strategic partners were not ready to implement within a short period of time. None allocation of the 2016/17 Discretionary Grants.
		Artisans: 40	Artisans: 15	23	+8	Positive commitment from strategic partners to ensure that learners complete the programme
	Number of unemployed learners completing PSETA-funded learning programmes	Learnerships: 60 Artisans: 30	Learnerships: 25 Artisans: 20	38 14	+13 -6	Positive commitment from strategic partners ensured that learners complete the programme  Non-availability of relevant workplaces for some trades is a challenge that leads to a project taking longer than anticipated as learners have to be moved to other workplaces. A SETA has to ensure that the learners and host workplaces are supported accordingly. This led to a delay in recommending some learners for trade testing as it was necessary to ensure that all controls are in place and the learners are at a stage whereby they can be recommended for trade testing.
	Number of Public Service employees entering sector-funded learning programmes	Learner-ships: 66	Learner-ships: 150	117	- 33	Lack of co-operation from Public Service sector stakeholders to submit reports in accordance with the Department of Higher Education and Training's Reporting Framework, which requires provision of evidence to support actual achievements. PSETA does not have control as they have not funded these interventions, hence the sector partners felt not obliged to provide the required information.



PROGRAMME 4: LEARNING PROGRAMMES (ANNUAL 2016/17)						
Strategic objectives	Performance indicators	Actual achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned targets to actual achievement 2016/17	Comments on deviations
Programmes to address scarce and critical skills needs identified in the SSP, are implemented and reported	Number of Public Service employees entering sector-funded learning programmes	SP: 588	SP: 500	1 076	+576	The PSETA support that was offered to the sector, led to the positive achievement of this target. The sector invests more on addressing critical skills with skills programmes and accredited short courses.
		Bursaries: 133	Bursaries: 500	532	+32	The PSETA support that was offered to the sector, led to positive achievement of this target. The sector invests more on this intervention in order to improve the capabilities of the current stock of skills within the sector.
	Number of Public Service employees completing sector-funded learning programmes	Learner-ships: 59	Learner-ships: 80	0	-80	Lack of co-operation from Public Service sector stakeholders to submit reports in accordance with the Department of Higher Education and Training's Reporting Framework, which requires provision of evidence to support actual achievements. PSETA does not have control as they have not funded these interventions, hence the sector partners felt not obliged to provide the required information.
		SP: 0	SP: 300	463	+163	Positive response and commitment from learners to complete the programme
	Number of unemployed learners entering sector-funded learning programmes	Bursaries: 10	Bursaries: 30	30	0	Positive response and commitment from learners to complete the programme
		Learner-ships: 371	Learner-ships: 200	89	-111	Lack of co-operation from Public Service sector stakeholders to submit reports in accordance with the Department of Higher Education and Training's Reporting Framework, which requires provision of evidence to support actual achievements. PSETA does not have control as they have not funded these interventions, hence the sector partners felt not obliged to provide the required information.

PROGRAMME 4: LEARNING PROGRAMMES (ANNUAL 2016/17)						
Strategic objectives	Performance indicators	Actual achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned targets to actual achievement 2016/17	Comments on deviations
Programmes to address scarce and critical skills needs identified in the SSP, are implemented and reported	Number of unemployed learners entering sector-funded learning programmes	Bursaries: 231	Bursaries: 150	91	-59	Lack of co-operation from Public Service sector stakeholders to submit reports in accordance with the Department of Higher Education and Training's Reporting Framework, which requires provision of evidence to support actual achievements. PSETA does not have control as they have not funded these interventions, hence the sector partners felt not obliged to provide the required information.
		Interns: 1 206	Interns: 1 500	1 528	+28	Positive response and commitment from learners to complete the programme
		TVET WIL: 137	TVET WIL: 300	14	-286	In line with the call of opening the Public Service as a training space, most institutions fund these interventions. This implies that most WIL learners that are hosted by the sector partners, were funded by other institutions, thereby compelling Government departments to report on progress to the actual funders and not PSETA.
		HEI WIL: 21	HEI WIL: 360	0	-360	In line with the call of opening the Public Service as a training space, most institutions fund these interventions. This implies that most WIL learners that are hosted by the sector partners, were funded by other institutions, thereby compelling Government departments to report on progress to the actual funders and not PSETA.
	Number of workplace learning opportunities declared by the sector for placement of unemployed learners	20 502	20 000	43 430	+ 23 430	Positive response from sector partners and commitment from learners to complete the programme

PROGRAMME 4: LEARNING PROGRAMMES (ANNUAL 2016/17)					
Strategic objectives	Performance indicators	Actual achievement 2015/16	Planned target 2016/17	Actual achievement 2016/17	Deviation from planned targets to actual achievement 2016/17
	Number of unemployed learners completing sector-funded learning programmes	Learner-ships: 53	Learner-ships: 40	9	-31
		Bursaries: 0	Bursaries: 40	0	-40
		Interns: 407	Interns: 600	433	-167
					Sector-funded reports were not received in this area, despite several support initiatives that were offered by PSETA
					Sector-funded reports were not received in this area, despite several support initiatives that were offered by PSETA
					Sector-funded reports were not received in this area, despite several support initiatives that were offered by PSETA

### Strategies to overcome areas of underperformance

The budget cut of approximately 43% led to PSETA re-assessing the disbursement of discretionary grants for the year 2016/17, thereby leading to a scaled-down process. PSETA took the decision to implement learning interventions through strategic partnerships. Implementing the scaled-down discretionary grant proved to be a challenge as the targeted strategic partners were not ready to be implemented within a short period of time, as learners must be enrolled before 31 March 2017. Capacity within the SETA has been turbulent over the period, with a high turnover in critical positions and poor planning, monitoring and evaluation capacity, as well as poor project and contract management capacity within PSETA and the sector. The lack of these critical functions had serious knock-on effects on the achievement of targets.

In order to address these challenges, an organisational design and re-engineering process will be fast-tracked for the 2017/18 financial year. Capacity building on planning, monitoring and evaluation, and contract management for PSETA staff, has been prioritised. The discretionary grant disbursement process will be undertaken within the first quarter of the year in order to allow for sufficient time for the implementation of learning programmes funded by the SETA. It is further envisaged that a functional monitoring and evaluation framework will be in place to assist the organisation with its performance monitoring.

From the total of 14 sector-funded targets which were planned for the period, PSETA achieved five. The achievement and reporting of these targets are not within the control of PSETA. Training within the Public Service sector is significant, however, departments are not required to report such training to PSETA. The utilisation of PERSAL data to inform the sector-funded training figures was challenging due to the accuracy issues raised by various departments. For the next financial year, PSETA will be providing a report on sector-funded training versus reporting against sector-funded targets. DHET and the AGSA are to be further engaged to provide guidance on reporting of sector-funded learning interventions.

### Linking performance with budgets

The Learning Programmes Department had an under-expenditure of R715 000.00 for the year 2016/17. This is due to savings partly made as a result of cost-saving measures implemented by partnering with stakeholders (using their facilities) to hold planned workshops. Further to that, the budget that was set aside for accommodation in other provinces was not utilised.

Programme	2015/16			2016/17		
	Budget R'000	Actual expenditure R'000	(Over)/Under-expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/Under-expenditure R'000
<b>Total</b>	<b>10 403</b>	<b>9 088</b>	<b>1 315</b>	<b>5 724</b>	<b>5 009</b>	<b>715</b>

## 4. REVENUE COLLECTION

Sources of revenue	2015/16			2016/17		
	Estimate R'000	Actual amounts collected R'000	(Over)/ Under-collection R'000	Estimate R'000	Actual amount collected R'000	(Over)/ Under-collection R'000
Skills Development Levy: Income including interest and penalties (Public Entities)	12 955	10 375	2 580	2 475	7 687	(5 212)
Voted funds via DHET	93 843	93 843	-	55 727	55 727	-
Donor funding realised income	23 547	6 105	17 442	10 000	7 932	2 068
Prior year surplus				46 999	-	46 999
Investment income	250	718	(468)	618	1 142	(524)
Other income	1 204	4 706	(3 502)	-	16	(16)
<b>Total</b>	<b>131 799</b>	<b>115 747</b>	<b>16 052</b>	<b>115 819</b>	<b>72 504</b>	<b>43 315</b>

## 5. CAPITAL INVESTMENT

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

	2015/16			2016/17		
	Budget R'000	Actual expenditure R'000	(Over)/Under- expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/ Under- expenditure R'000
<b>Infrastructure projects</b>						
Property, plant and equipment	850	446	404	860	737	123
Intangible assets		83	(83)	120	102	18
<b>Total</b>	<b>850</b>	<b>529</b>	<b>321</b>	<b>980</b>	<b>839</b>	<b>141</b>



# PART C

## GOVERNANCE



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# 1. INTRODUCTION

The PSETA is a Schedule 3A public entity in terms of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) as amended and is governed by the standard Constitution which was determined by the Minister of Higher Education and Training and gazetted by Parliament (Government Notice R1399 in Government Gazette No. 24035). There are a number of statutory bodies that play an oversight role over the functioning of the SETAs.

# 2. PORTFOLIO COMMITTEES

The Portfolio Committee on Higher Education and Training exercises its oversight role over the SETAs and may invite a SETA to account on its performance from time to time. The PSETA did not appear before the Committee in the 2016/17 financial year.

# 3. EXECUTIVE AUTHORITY

The Executive Authority of the PSETA is the Minister of Higher Education and Training, who is responsible for appointing members of the Accounting Authority and determines their remuneration as per tariffs recommended by the National Treasury.

The PSETA, submitted its Sector Skills Plan, Strategic Plan and Annual Performance Plan and signed a service level agreement with the Minister. Quarterly Performance reports were submitted to DHET.

## 4. THE ACCOUNTING AUTHORITY

### INTRODUCTION

The PSETA's Constitution is the basis on which its Accounting Authority is established. It provides oversight and governance over the entity.

The Accounting Authority comprises 15 members as detailed in Section 4.3.

Fourteen of the members are drawn from organised labour, organised employers, a category of other role players and one ministerial appointee, who is the Chairperson. The Accounting Authority provides strategic leadership and guidance to the SETA

### ROLE OF THE ACCOUNTING AUTHORITY

The functions and powers of the Accounting Authority are outlined in the PSETA's Constitution as follows:

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

### ACCOUNTING AUTHORITY CHARTER AND PROGRESS MADE ON COMPLYING WITH THE CHARTER

The Accounting Authority reports that it has adopted appropriate formal terms of reference as for all its governance structures and has regulated its affairs in compliance with this charter/s, and has discharged all its responsibilities as contained therein. The Accounting Authority has, since its establishment, developed an implementable governance framework that comprises of processes, culture and values by which the authority is directed and controlled, together with the activities through which it accounts to, engages with and leads the entity.

In the year under review, the Accounting Authority has provided strategic direction and leadership by reviewing and approving budgets, plans and strategies as well as monitoring the implementation thereof. It has further monitored that the PSETA's business is conducted ethically.

The Accounting Authority determines the implementation and monitoring of policies, procedures, practises and systems to ensure the integrity of risk management, internal controls and compliance to laws and regulations in order to protect the organisation's assets and reputation.

The Accounting Authority reports on the SETA's Annual performance and confirms that the going concern-basis of reporting for the organisation is indicated and confirms that the PSETA will continue to be a going concern in the foreseeable future.

Members of the PSETA Accounting Authority and its Committee are professional members with the Institute of Directors Southern Africa (IoDSA).

The Accounting Authority has, since its establishment, developed an implementable governance framework that comprises of processes, culture and values by which the authority is directed and controlled, together with the activities through which it accounts to, engages with and leads the entity.

The Accounting Authority has conducted a performance assessment in this manner; self-assessment, peer review

assessment and has assessed the Audit Committee. For the previous three financial years, an external IoDSA assessment was conducted and this has resulted in

the development of an action plan that has outlined key improved focus areas, and the implementation of the actions and is monitored and reported on a quarterly basis.

## COMPOSITION OF THE PSETA ACCOUNTING AUTHORITY

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

CONSTITUENCY	ORGANISATION
Ministerial appointee	Accounting Authority Chairperson (1)
Organised Labour	NEHAWU (2) POPCRU (2) PSA (2)
Government departments and Public Entities	National departments (3) Provincial departments (1) Public entities (2)
Other stakeholders	Bargaining Council – GPSSBC (1) Disability Trust (1)

\*Each constituency nominates a principal and alternate member.

## MEMBERSHIP, QUALIFICATION AND EXPERTISE OF THE ACCOUNTING AUTHORITY

Name	Designation	Qualifications	Area of expertise	Accounting Authority Directorships	Other committees
<b>Mrs K Mashigo</b>	Ministerial Appointee – Chairperson	<ul style="list-style-type: none"> <li>• Master's degree in Public Administration</li> <li>• Certificate in Business Management</li> <li>• Bachelor of Arts in Education</li> <li>• Bachelor of Education</li> </ul>	Public Service management  Project management  Corporate governance and oversight	<ul style="list-style-type: none"> <li>• Atlatsha Resources</li> <li>• Mookodi Business Enterprises</li> <li>• Reflex Trading</li> <li>• Juvuko Transport</li> <li>• Grandeur Indulgence</li> </ul>	Executive Committee
<b>Mrs S Oodit</b>	Principal Member: Category of Role Players	<ul style="list-style-type: none"> <li>• Masters in Labour Law</li> </ul>	Strategic planning Labour relations and dispute resolution Policy development Financial management	None	<ul style="list-style-type: none"> <li>• Finance Committee</li> <li>• Discretionary Grants Subcommittee</li> </ul>

Name	Designation	Qualifications	Area of expertise	Accounting Authority Directorships	Other committees
<b>Ms P Loyilane</b>	Principal Member: Category of Role Players	<ul style="list-style-type: none"> <li>• M.Phil in Disability Studies</li> <li>• Diploma: Introduction to Micro Computers</li> </ul>	Gender and disability equality Governance and oversight	<ul style="list-style-type: none"> <li>• Commission for Gender Equality</li> <li>• Organisation of Disabled People</li> <li>• South African Disability Development Trust as Deputy Chairperson</li> <li>• Chairperson of the Eastern Cape Disability Development Trust</li> <li>• Board member of LARIMAR</li> <li>• Director of National Lotteries Board</li> <li>• Director in the Amathole Economic Development Agency, currently known as ASPIRE</li> </ul>	None
<b>Ms M Kola</b>	Principal Member: Organised Employer	<ul style="list-style-type: none"> <li>• B.A. Honours</li> <li>• B.A. Education</li> <li>• Corporate Project Management Diploma</li> </ul>	Employee benefits Strategic and operational planning Results-based management Performance reporting	None	Executive Committee Finance Committee
<b>Ms M Jacobs</b>	Principal Member: Organised Employer	<ul style="list-style-type: none"> <li>• B. Ed (Psych)</li> <li>• B. Prim Ed</li> <li>• Various courses in HR, labour relations, strategic planning, performance management, leadership and project management</li> </ul>	Human Resource Management and Development Lead and facilitate strategic planning and team building sessions	None	Executive Committee
<b>Mr B Maduna</b>	Principal Member: Organised Employer	<ul style="list-style-type: none"> <li>• B.Com Honours</li> <li>• CTA</li> </ul>	Financial management	None	Audit Committee



Name	Designation	Qualifications	Area of expertise	Accounting Authority Directorships	Other committees
<b>Mr S Mkhize</b>	Principal Member: Organised Employer	<ul style="list-style-type: none"> <li>• Masters of Education</li> <li>• Bachelor of Arts in Education</li> <li>• Masters of Management</li> <li>• Bachelor of Education (Hons)</li> <li>• Postgraduate Diploma in Education</li> <li>• Management Advancement Programme (MAP)</li> <li>• Sales and Marketing Management</li> </ul>	Human resources management Skills development Strategic planning	None	Governance and Strategy Committee
<b>Mr T S Ndove</b>	Principal Member: Organised Employer	<ul style="list-style-type: none"> <li>• Master in Business Leadership</li> <li>• Masters in Rural Systems Management</li> <li>• B Agric Honours</li> <li>• Diploma in Agriculture</li> </ul>	Agriculture Management Public administration and management Governance and oversight	None	Remuneration Committee Finance Committee
<b>Ms R Makhubela</b>	Principal Member: Organised Employer	<ul style="list-style-type: none"> <li>• BSc (MEDUNSA)</li> <li>• BSc (Honours) Psychology (MEDUNSA)</li> <li>• MSc (Clinical Psychology) (MEDUNSA)</li> <li>• Programme in Business Leadership (UNISA)</li> <li>• Master's in Business Leadership (UNISA)</li> </ul>	<ul style="list-style-type: none"> <li>• Diversity management</li> <li>• Public Service</li> <li>• Competency-based human resources management for senior managers</li> <li>• Leadership management, responsible for employment practices and leadership development policies for senior managers in the Public Service</li> </ul>	None	<ul style="list-style-type: none"> <li>• Remuneration Committee</li> <li>• Governance and Strategy Committee</li> </ul>

Name	Designation	Qualifications	Area of expertise	Accounting Authority Directorships	Other committees
<b>Ms S J Mahlobogoane</b>	Principal Member: Organised Labour	<ul style="list-style-type: none"> <li>• National Diploma:</li> <li>• Public Administration</li> </ul>	Public administration Labour relations Union leadership	None	Executive Committee Governance and Strategy Committee Remuneration Committee Discretionary Grants Subcommittee
<b>Mr MJ Dladla</b>	Principal Member: Organised Labour	<ul style="list-style-type: none"> <li>• Teachers Diploma</li> <li>• Leadership Development Certificate</li> </ul>	Correctional Services education Labour relations Union leadership	None	Finance Committee Remuneration Committee
<b>Ms O Chauke</b>	Principal Member: Organised Labour	<ul style="list-style-type: none"> <li>• B.Com Law</li> <li>• LLB</li> <li>• LLM in Human Rights Law</li> </ul>	Professional attorney Labour relations	None	Audit Committee
<b>Ms I Kuhn</b>	Principal Member: Organised Labour	<ul style="list-style-type: none"> <li>• BA</li> <li>• BA Hons. (Criminology)</li> <li>• MBA</li> <li>• Postgraduate Diploma in Labour Law</li> <li>• Professional Management Diploma of the Open University Business School</li> </ul>	Industrial relations (employee organisations) Collective bargaining Communication, corporate social responsibility, marketing support and members' affairs Integrated strategic project Labour relations	None	Audit Committee

## RESIGNATIONS

<b>* Resignations:</b>	1 principal member	Dr A Mahapa	Organised Employer
	2 alternates	Mr Z Skade Ms S Oosterwyk	Organised Labour Organised Employer
<b>* Replacements:</b>	Ms R Makhubela	(principal member)	Organised Employer
	Dr D Barclay	(alternate member)	Organised Employer
<b>* Removal:</b>	Mr M M Shingange	(principal member)	Organised Labour

## MEETING ATTENDANCE

16 meetings were held during the financial year:

Name	Designation	Date of appointment	Date resigned	Number of meetings attended
Mrs K Mashigo	Chairperson: Ministerial Appointee	April 2011	-	15
Mrs S Oodit	Member: Category of Other Role Players	April 2013	-	8
Ms P Loyilane	Member: Category of Role Players	October 2014	-	0
Ms M Kola	Employer Representative	April 2011	-	4
Ms M Jacobs	Employer Representative	March 2015	-	6
Mr B Maduna	Employer Representative	April 2011	-	11
Mr S Mkhize	Employer Representative	March 2015	-	11
Mr T S Ndove	Employer Representative	April 2011	-	5
Ms R Makhubela	Employer Representative	july 2016	-	7
Ms S J Mahlobogoane	Labour Representative	April 2014	-	16
Mr M J Dladla	Labour Representative	April 2011	-	14
Ms O Chauke	Labour Representative	April 2013	-	4
Ms I Kuhn	Labour Representative	March 2015	-	4

### Accounting Authority alternates meeting attendance

Name	Designation	Date of appointment	Date resigned	Number of meetings attended
Dr E L McKinney	Category of Role Players	October 2014	-	3
Mr L Modise	Category of Role Players	April 2013	-	0
Ms B Lerumo	Organised Employer	June 2014	-	1
Ms A Ontong	Organised Employer	March 2015	-	4
Mr S Ngomane	Organised Employer	January 2016	-	4
Mr T Mokheranyana	Organised Labour	February 2013	-	14
Ms R J Mankoe	Organised Labour	August 2014	-	0
Mr S Kobese	Organised Labour	July 2013	-	2
Dr D Barclay	Organised Employer	July 2016	-	0

## ACCOUNTING AUTHORITY COMMITTEES

The Accounting Authority utilises certain governance structures that are established in terms of its Constitution to assist in carrying out its roles and responsibilities. They are:

- Accounting Authority;
- Executive Committee;
- Audit Committee;
- Remuneration Committee;
- Governance and Strategy Committee;
- Discretionary Grants Subcommittee

### The Executive Committee

Name of member	Meetings held	Meetings attended
Ms K Mashigo (Chairperson)	9	9
Ms M Kola	9	4
Ms B Lerumo (Alternate)	9	3
Ms M Jacobs	9	3
Ms A Ontong (Alternate)	9	1
Mr T Mokheranyana (Alternate)	9	8
Ms J Mahlobogoane	9	9
Ms R Mankoe-Alternate	9	0

### Audit Committee

Name of member/alternate	Meetings held	Meetings attended
Ms P Mzizi (Independent Chairperson)	13	12
Mr P Mukheli (Independent Member)	13	12
Mr P Dala (Independent Member)	13	12
Mr B Maduna	13	11
Ms O Chauke	13	4
Ms I Kuhn	13	5

### Governance and Strategy Committee (GSC)

Name of member/alternate	Meetings held	Meetings attended
Ms A Ontong (Chairperson)	9	5
Mr S Mkhize	9	7
Ms R Makhubela	9	5
Mr S Ngomane	9	1
Ms R Mankoe	9	5
Mr S Kobese	9	4

### Finance Committee

Name of member	Meetings held	Meetings attended
Ms S Oodit (Chairperson)	4	3
Mr T Ndove	4	1
Dr D Barclay	4	0
Ms M Kola	4	0
Mr J Dladla	4	4
Ms R Mankoe	4	4
Ms J Meyer (Employer Representative Specialist)	4	2
Ms B Lerumo (Employer Representative Specialist)	4	1

\* The 2016/17 annual planner, as approved by the Accounting Authority, has catered four scheduled and two special meetings for the governance structures in line with the PSETA reporting and compliance framework to DHET, NT and the AGSA. Additional meetings exceeded outside the approved planner, were informed by management and other governance-related special requests to deal with urgent, incomplete and compliance matters of the entity.



## Remuneration Committee

Name of member	Meetings held	Meetings attended
Ms J Mahlobogoane (Chairperson)	9	8
Mr T Mokheranyana	9	8
Mr M J Dladla	9	8
Mr T Ndove	9	4
Dr D Barclay	9	0
Ms R Makhubela	9	3
Mr S Ngomane	9	2

## Discretionary Grants Subcommittees

Name of member	Meetings held	Meetings attended
Ms A Ontong (Chairperson)	4	4
Mrs S Oodit	4	4
Ms J Mahlobogoane	4	4

## REMUNERATION OF MEMBERS OF THE ACCOUNTING AUTHORITY

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

- Members of the Accounting Authority are remunerated at the Category S rate for all meetings attended; and
- Members of the Accounting Authority are reimbursed for all out-of-pocket expenses, including travel (according to SARS annual kilometre rates) and accommodation costs.
- Meeting fees are paid in line with the Accounting Authority Incentive Policy.

The table below only reflects committee members remunerated during the 2016/17 Financial Year.

Accounting Authority members - 31 March 2017				
Committee Member	Meeting Fee R'000	Travel Expense R'000	Total 2016/17 R'000	Total 2015/16 R'000
Ms. Mashigo - Chairperson of the Accounting Authority	213	9	222	264
Mr. Kobese	32	4	36	67
Mr. Maduna		7	7	5
Ms. Mkhize	194	8	202	208
Mr. Mokheranyane	168	13	181	129
Dr McKinney	-	-	-	38
Mr. Dladla	172	15	187	109
Ms. Mankoe	131	4	135	69
Mr Shingange			-	12
Ms Oodit	109	-	109	73
<b>Total</b>	<b>1 019</b>	<b>60</b>	<b>1 079</b>	<b>974</b>

## REMUNERATION OF MEMBERS OF THE AUDIT COMMITTEE

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

- Members of the Audit Committee are remunerated at the Category S rate for all meetings attended; and
- Members of the Audit Committee are reimbursed for all out-of-pocket expenses, including travel (according to SARS annual kilometre rates) and accommodation costs.
- Meeting fees are paid in line with the Accounting Authority Incentive Policy.

The PSETA has remunerated the members of the Board and Committees in a fair and fairly and responsible manner, for the year under review.

Audit Committee Members - 31 March 2017				
Name	Meeting fees R'000	Travel expenses R'000	Total 2016/17 R'000	Total 2015/16 R'000
P. Mzizi - Chairperson	159	3	162	145
P. Mukheli	75	2	77	94
P. Dala	86	2	88	13
<b>Total</b>	<b>320</b>	<b>7</b>	<b>327</b>	<b>252</b>

## 5. RISK MANAGEMENT

PSETA is accountable to its stakeholders for a wide range of risks in its operating environment. We recognise that risk is dynamic and inherent in our operating internal and external setting and, as a result, we are committed to the optimal management of all risks associated with the performance of functions and delivery of services in order to achieve our vision, mission, objectives and strategic plans.

To meet these commitments, the management of risks is integrated into our existing strategy, planning, budgeting and operational process and is fully recognised in our funding and reporting processes on the basis of evaluating the level of risk and the entity's exposure.

An enterprise risk management framework is in place to provide direction and guidance to the entity as it moves towards an integrated and more mature approach to systematic risk management. This approach will ensure that all entity-wide risks that could affect people, business processes and systems, reputation, finances and performance are identified, assessed and appropriately mitigated to an acceptable level, and address any

unfavourable impacts to benefit both current and future opportunities.

Overall, responsibility for the management of risk lies with the Accounting Authority (the Board), which, in turn, provides guidance and support to the CEO, who has appointed the Chief Risk Officer, the Manager: Strategic Support, Risk and Compliance, in the office of the CEO. The Audit Committee has been delegated the responsibility to provide oversight, ensure that an adequate and effective risk management programme is in place and provide a realistic view of key risks and mitigating actions facing the entity. The RMC has been established as a subcommittee of the EMT to monitor risk management on a more regular basis. The AC reports quarterly to the AA on the implementation and management of risk.

The PSETA has an approved risk management strategy and plan. The Risk Management Committee Charter is in place as a suite of documents which include the risk management policy framework. Operational and Strategic Risk Registers are also in place which sets out control procedures, risk

responses, treatment and implementation action plans with responsibility and timelines identified for each risk. The Risk Management Committee reports quarterly to the Audit Committee on progress made in implementing the risk plan and the AC reports to the AA.

The Accounting Authority has approved the appointment of an Independent Risk Management Chairperson with

anticipation that the governance recruitment process for this function will be implemented in the 2017/18 financial year.

This will further enhance the integration of risk management and result in improved operational performance than is currently obtained.

## 6. INTERNAL CONTROLS

The entity does not have an internal control unit. Internal control is the responsibility of each manager in the organisation. It is a fundamental requirement in all areas of the operations and each manager is responsible for identifying areas of weakness and putting into effect controls

to strengthen operating procedures. Management ensures that controls are adhered to. Oversight is maintained through audit activities, the Risk Management Committee, the Audit Committee and various governance structures which monitor the effectiveness of internal controls.

## 7. INTERNAL AUDIT AND AUDIT COMMITTEE

### 7.1 INTERNAL AUDIT

#### Key activities, objectives and summary of audit work

In the period under review, the internal audit unit of the PSETA:

- Remained an independent, objective assurance and consulting activity that is designed to add value and improve the organisation's operations. It helps PSETA accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- Provided assurance on risk management; internal controls and governance processes through execution of the approved annual plan and additional requests.
- The internal audit operational plan was fully implemented even though human resource capacity was reduced to 66.67% during the period 1 December 2016 to 31 March 2017.

The following projects were executed in line with our operational plan:

- Audit of Quarter 4 2015/16 Performance Information;
- Audit of Quarter 1 2016/17 Performance information;
- Follow-up performance information system;
- Follow-up on discretionary grants;
- Audit of Quarter 3 financial statements; and
- A control self-assessment facilitated for the risk management process.

The following were requests from the Audit Committee and management:

- A review of the annual performance information report;
- A review of the Audit Matrix against the AG findings;
- A review of the strategic plan 2017 to 2021 and APP 2017/18;
- Facilitation of a root cause analysis and a control environment self-assessment.

The internal audit plan was revised during the year. This was necessitated mainly by a reduction in human resource capacity.

Internal audit continues to play a role in the combined assurance framework of the organisation. The significant areas that were not covered by our work, include ICT governance, supply chain management and compliance to legislation such as the Skills Development Act and Skills Levies Act. The AGSA has covered the ICT governance and supply chain management risks when performing their external audit work. The risk of noncompliance was monitored through the compliance assessments performed by the Strategic Support, Risk and Compliance unit. These areas are, however, planned for independent review in our operational plan for the year 2017/18.

## 7.2 AUDIT COMMITTEE

The independent Audit Committee reports to the Accounting Authority. The Audit Committee is responsible for:

- The effectiveness of internal audit and internal controls;
- Risk management;
- The adequacy, reliability, accuracy and regularity of financial information provided to the Accounting Authority;
- Any accounting and audit concerns;
- Legal and regulatory compliance; and
- ICT governance.

Refer to Section 4.6.2 for Audit Committee members and meeting attendance.

# 8. COMPLIANCE WITH LAWS AND REGULATIONS

The PSETA is a public entity tasked with the control of certain public funds. It is therefore required to act in compliance with public prescripts.

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

- Public Finance Management Act, No. 1 of 1999, as amended by Public Finance Management Amendment Act No. 29 of 1999
- Basic Conditions of Employment Act, No. 75 of 1997, as amended by Basic Conditions of Employment Amendment Act of 2002
- Compensation for Occupational Injuries and Diseases Act, No. 130 of 1993
- Labour Relations Act, No. 66 of 1995
- Employment Equity Act, No. 55 of 1998
- Unemployment Insurance Contributions Act, No. 4 of 2002
- Occupational Health and Safety Act, No. 85 of 1993
- Skills Development Act, No. 97 of 1998
- Skills Development Levies Act, No. 9 of 1999
- Preferential Procurement Policy Framework Act, No. 5 of 2000,
- Preferential Procurement Regulations, 2011
- Broad-Based Black Economic Empowerment Act, No. 53 of 2003
- Promotion of Access to Information Act, No. 2 of 2000
- Promotion of Administrative Justice Act, No. 3 of 2000

## 9. FRAUD AND CORRUPTION

The PSETA has a Fraud Prevention Policy and Fraud Plan approved by the Accounting Authority.

A whistle-blowing policy was recently approved after we secured a leading Independent Tip-offs Anonymous service provider to allow staff and external stakeholders to anonymously report workplace dishonesty.

Tip-offs Anonymous serves as a valuable, practical deterrent against dishonesty or inappropriate behaviour within our entity.

In addition to the above FreeCall facility, an e-mail, FreePost or FreeFax alternative can be used to report fraud and during this reporting period no fraud was reported. It is fully equipped with trained operators who receive calls in English 24 hours a day, 7 days a week. The other official South African languages are accommodated during business hours.

The information is then sanitised so that the tip-off report feedback is generated to senior management and the Audit Committee for action.

## 10. MINIMISING CONFLICT OF INTEREST

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

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

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

Auditors request the following for CAATS purposes annually:

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

During the year under review, there was no case resulted of misconduct or negligence of duty by the members that required removal from office or termination of membership of committees of the Accounting Authority.

## 11. CODE OF CONDUCT

The PSETA's Code of Conduct, set out in the organisation's Constitution, is applicable to its Accounting Authority and committees. There is also a code of conduct for staff which is included in the organisation's Human Resources Policy.

During the year under review, there was no case of misconduct, nor negligence of duty, by the members that required removal from office or termination of membership of the committees of the Accounting Authority.



## 12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The PSETA does not have an approved Occupational Health and Safety Policy (OHS) in place as yet. An internal OHS committee will be established in the 2016/17 year.

## 13. BOARD SECRETARY

The Board Secretary function is kept in-house and is the responsibility of the Office of the CEO. The role and responsibilities of the Board Secretary are in line with the organisation's Constitution.

## 14. SOCIAL RESPONSIBILITY

The PSETA has, over the years, associated itself with two annual philanthropic events in the South African calendar. These are the Cell C Take a Girl Child to Work Day® and the Nelson Mandela Day.

### **Take a Girl Child to Work Day®**

Cell C's take a Girl Child to Work Day® took place on Thursday, 26 May 2016. The project is targeted at Grade 10 to 12 South African girl learners, giving them the opportunity to visit a place of work and to experience first-hand, the "world of work" and various career opportunities available within the Public Service sectors. PSETA, once again, partnered with Memezelo Secondary, a school from the previously disadvantaged community of Soshanguve. We hosted seven girl learners under the theme, "Dream. Believe. Achieve."

### **Mandela Day Career Development Festival**

The Department of Higher Education and Training hosted its 7<sup>th</sup> annual Mandela Day Career Development

Festival at Gert Sibande TVET College, Ermelo campus in Mpumalanga, on 18 July 2016. The event was hosted by Minister Dr Blade Nzimande.

The morning session consisted of exhibitions for Grade 9 to 12 learners and Out-of-School-Youth by universities, universities of technology, TVET colleges, government departments, agencies and industry.

The Mandela Day Career Development Festival was attended by 3 600 high school learners and youth from the surrounding rural and semi-rural areas.

The aim of the festival is to provide the youth the opportunity to interact with and get career guidance and information on study opportunities, funding, learnerships and scholarships direct from industry professionals. Furthermore, the aim is also to take action and inspire change in the lives of South Africa's youth and their journey to achieving success by ensuring that they have the right information to make informed decisions for their future.

# 15. AUDIT COMMITTEE REPORT

We are pleased to present our final report for the financial year ended 31 March 2017.

## **Audit Committee responsibility**

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1) (a) (ii) of the PFMA and Treasury Regulation 3.1.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

## **The effectiveness of internal control**

In line with the PFMA, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by evaluating internal controls to determine their adequacy, effectiveness and efficiency, and by developing recommendations for enhancement or improvement. The Accounting Authority retains responsibility for implementing such recommendations as per Treasury Regulation 3.1.12.

From the various reports of the Internal Auditors and Auditor General South Africa (AGSA) matters were reported indicating deficiencies in the system of internal controls in areas pertaining to annual financial statements, reporting on pre-determined objectives and compliance with laws and regulations.

Through our analysis of audit reports and engagement with management it can be reported that the system on internal controls for the period under review was not adequate and effective and requires urgent intervention.

A matter of concern for the Audit Committee that has been raised with PSETA continuously is that PSETA is currently not implementing all internal and external audit action plans agreed upon. Based on our interaction with PSETA we conclude that PSETA does not have an adequate and effective action plan management system to address the root causes of internal and external audit findings and the

Audit Committee and Internal Audit have recommended specific improvements in this regard.

## **Risk management**

Based on the quarterly reviews and the Auditor General South Africa (AGSA) report the fraud and risk management system is adequate and effective.

## **In-Year Management and Quarterly Reporting**

PSETA has reported quarterly to the National Treasury and the Executive Authority, as is required by the PFMA. The quality of the in-year financial reporting is however a concern to the Audit Committee.

## **Evaluation of Annual Financial Statements**

The Audit Committee considered, reviewed and recommended the approval of the Final Annual Financial Statements for 2016/17 prepared in compliance with the grants regulations. When the PSETA obtains clarification on whether PSETA is a vote or not will change significantly of how PSETA manages and reports on its expenditure, so this clarification is critical.

## **Evaluation of reporting on predetermined objectives**

The Audit Committee has discussed the external audit outcomes on the reporting on predetermined objectives to be included in the annual report with the Auditor General South Africa (AGSA).

## **Compliance with laws and regulations**

Throughout the year under review the Audit Committee has remained concerned with the status of compliance with all applicable laws and regulations. If PSETA does not implement an adequate and effective compliance framework supported by monitoring processes, non-compliance will continue to occur.

### Internal Audit

The Audit Committee is satisfied that the Internal Audit function operated effectively during the year under review.

### Auditor General South Africa

We have reviewed PSETA's implementation plan for audit issues raised in the previous year and we are not satisfied that all the matters have been adequately resolved.

Based on our interaction with PSETA we conclude that PSETA does not have an adequate and effective action plan management system to address the root causes of external audit findings and the Audit Committee and Internal Audit have recommended specific improvements in this regard.

The Audit Committee is not aware of any unresolved issues with respect to the current audit.

The Audit Committee concurs and accepts the conclusions of the Auditor General South Africa (AGSA) on the Annual

Financial Statements and is of the opinion that the audited annual financial statements be accepted and read together with the audit report of the Auditor General South Africa (AGSA).

### General

The Audit Committee strongly recommends that PSETA ensures adequate and effective implementation and frequent monitoring of the audit action plans for both internal and external audits so as to achieve a clean audit opinion.

Signed on behalf of the Audit Committee by:



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**Ms Pumla Mzizi**  
***Chairperson: Audit Committee***  
***Date: 31 July 2017***

# PART D

## HUMAN RESOURCE MANAGEMENT



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# 1. INTRODUCTION

The year 2016/17 was the first of the two-year extension of the SETAs' mandate in order to consult on the future of the SETAs and thereby bring a permanent solution to the mandate of the SETAs. It was a surprise, as the SETAs have historically worked on a five-year mandate and this short-term extension made it difficult to plan further into the future in the face of the uncertainties.

The entity expected, as was the case with the prior 5-year periods of licencing, that a new period with a broadened mandate and a more focussed strategy would be announced by the MHET. In anticipation of this, the organisation prepared for major changes by embarking on a change process to ready the organisation for this expectation.

In the prior year the PSETA, in partnership with the DPSA, developed a functional structure for the organisation to ensure alignment and compliance of functions that are in keeping with good governance principles, while preparations for an entity-wide organisational development exercise have been made to bring about efficiency in staff utilisation. This has, however, not materialised due to at least

four separate internal SCM processes, including changed panellists that failed to secure a provider to carry out the organisational development exercise, as anticipated. On analysis, our expectations seem to have been far greater than what could be reasonably and professionally provided as a short-term assignment.

The exercise was intended to deal with, inter alia, an efficient organisational structure to carry out the SETA's mandate, identification of the required jobs to execute the SETA mandate, an organisational and post establishment, job evaluation, salary benchmarking and a skills audit to identify the current versus the desired skills, required by the organisation. The process is solely required by the organisation as no such exercise has taken place before. The PSETA is still operating on an inherited structure, as originally transferred by the DPSA when the PSETA was a sub-directorate of the DPSA before April 2011. The two-year extension of mandate versus the required work, makes it difficult to embark on major changes that affect personnel and forward planning for efficiency.

Staff establishment (as at 31 March 2017)	
Positions	64
Filled	59
Frozen	0
Vacant (more detail on these vacancies is explained in the tables that follow)	5
<b>TOTAL</b>	<b>64</b>
Positions additional to the establishment (as at 31 March 2017)	
WIL learners/Interns	0
Temporary employees	2
<b>TOTAL</b>	<b>2</b>

## THE PSETA STAFF ESTABLISHMENT

The effect of the short licencing period, is that the staff turnover and utilisation has been challenging for the organisation. By the end of the 2014/15 year, there were 15 vacancies. It came down to nine in the 2015/16 year and now ended at five vacancies in the 2016/17 year. The lower

number of vacancies was due to focussed attention to fill the critical vacancies and to start recruitment processes as soon as they arose. More than 15 advertisements were placed during the financial period, in an attempt to fill and keep all vital vacancies filled. Two key vacancies of the CFO and the COO were realised in the year. The CFO position was filled in the year, but lost again as the incumbent

tendered a resignation effective 31 March 2017. The COO position has been advertised and will be filled in the next financial year only.

The target to reduce the vacancy rate has been achieved. The vacancy rate has been targeted as a high risk due to the historic finding that vital vacancies are not filled, thus compromising performance of the PSETA.

The vacancies as at 31 March 2017 represent a vacancy rate of 7.89% with only five vacancies on the organogram to be filled. The big problem is that vacancies in the executive echelon compromise the PSETA's performance. The vacancies currently, are those of the PA to the COO, COO, Finance Manager, Senior Internal Auditor and ETQA Specialist.

All new employees have undergone an improved induction programme since April 2016. The quality of preparation of employees has improved substantially.

The DHET has pleasantly surprised the SETA by extending the mandate and licencing of the SETAs up to 31 March 2020. The contracts of employees with fixed-term employment contracts, have since been extended, in line with this directive. This will surely bring some job security and certainty, but it is not enough to address the staff attrition. The entity cannot control this and is limited in offering alternatives to stabilise the staff and thereby bring about capacity to deliver the institutional mandate as required.

The organisation improved on consequence management practices, compared to the previous reporting period. Warnings have been issued to staff, but no serious misconduct was reported or investigated.

The training budget at 1% of payroll is inadequate to support the training which is required by staff, as indicated in the personal development plans. From the available funds, we were successful in offering bursaries for a few entry level staff, two supported on monitoring and evaluation which is a priority and managers were registered for their professional development where they benefit from a buddy system of support by peers of their choosing.

The leave system is maturing with fewer queries registered. By the end of the interim audit by the Auditor-General, the leave showed substantial improvement compared to the prior years and may, on confirmation

by the AG at final audit, provide accurate leave records which supports the leave accrual that is declared in the financials.

The performance management system has also shown substantial improvements. During the year, the entity effectively phased out the prior Performance Management and Development System and introduced a new system with quarterly feedback and oversight which was absent from the previous system. As a result, employees below management level who qualified in terms of the policy, were awarded performance bonus awards in the year. There are concerns with the managers' PMDS evaluation as none qualified to receive performance bonus awards. This area is receiving special attention with oversight from the Remuneration Committee.

The Employee Wellness policy was approved in the prior year. The programme envisages a telephonic counselling session as entry point for employees in distress. By the year-end, the SCM processes confirmed that a telephone counselling service has been secured, but has not been launched as yet as the contractual issues are not yet resolved. Despite this, we have had one training session on employee wellness as internal staff capacity building. We have yet to launch the programme formally and allow for implementation to see what the training needs are. The training opportunities that emanate from this, will be prioritised by the HR committee as staff training.

The trade union recognition has been signed in the last quarter. This is a great achievement as staff members have a right to unionise, while managers have never stood in the way of this. It required a re-education exercise in order to link the expectations of parties to the collective interests of the PSETA. The result is that we have started on a positive footing and the first few issues to deal with, are the wage negotiations, policy reviews and staff grievances. The unit also dealt with training requests and resources for shop stewards.

## RETENTION OF STAFF

The licencing period and mandate of the PSETA up to 31 March 2020 has provided an opportunity to extend staff contracts for a further two years. Indications are that the ETQA personnel may be the first to experience change as the function is a QCTO function. Clarity will follow, on the extent to which this affects the planning and capacity of the PSETA.



## HUMAN RESOURCE STATISTICS

### Personnel cost by programme/activity/objective

Programme/activity/objective	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a % of total expenditure	Number of employees	Average personnel cost per employee (R'000)
Programme 1 Administration	29 596	15,823	54%	34	465
Programme 2 Skills Planning Research and Projects	8 958	5,399	61%	13	415
Programme 3 ETQA	4 239	3,471	82%	10	347
Programme 4 Learning Programmes	37 826	4,065	11%	11	369
<b>Total</b>	<b>80 619</b>	<b>28,761</b>	<b>36%</b>	<b>68</b>	<b>422</b>

### Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee (R'000)
	2016/17	2016/17	2016/17	2016/17
Top management	4,579	16,23	3	1 526,495
Senior management	6,437	22,81	9	715,246
Professional qualified	6,773	24,00	13	521,075
Skilled	5,716	20,25	15	381,078
Semi-skilled	3,908	13,85	15	260,572
Unskilled	800	2,83	4	200,148
<b>Total</b>	<b>28,216</b>	<b>100</b>	<b>59</b>	<b>478,237</b>

## Performance Rewards

The performance rewards were budgeted for and paid in the 2016/17 financial year, based on the appraisals and performance of the previous financial year (2015/16).

Level	Performance rewards (R'000)	Personnel expenditure(R'000)	% of Performance rewards to Total Personnel Cost (%)
Top management	-	4,579	0
Senior management	-	6,437	0
Professional qualified	261	6,773	3,80
Skilled	300	5,716	5,20
Semi-skilled	129	3,908	3,30
Unskilled	26	800	3,25
<b>TOTAL</b>	<b>716</b>	<b>28,216</b>	<b>2,50</b>

## Training costs

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

Programme activity/objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost (R'000)	Number of employees	Average training cost per employee (R'000)
Skills Planning and Research	3,192	17	0,53	1	17,141
Learning Programmes	4,065	0	0	0	0
ETQA	3,060	0	0	0	0
Corporate Services	5,811	83	1,43	6	13,921
Finance	4,589	42	0,93	7	6,119
Governance	5,911	92	0,015	5	18,502
Projects	2,728	0	0	-	-
<b>TOTAL</b>	<b>29,360</b>	<b>236</b>	<b>0,80</b>	<b>19</b>	<b>12,422</b>

The allocated budget of 1% of salary bill for training, is inadequate to provide training to the different units. This is an area of concern, as staff morale is low and training interventions may assist to improve productivity of staff.

## Employment and vacancies

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

Levels	2015/2016 Number of employees	2016/2017 Approved posts	2016/2017 Number of employees	2016/2017 Vacancies	% of vacancies	Comment
Top management	4	4	3	1	75%	COO vacant
Senior management	8	10	9	1	10%	The Financial Manager post is vacant
Professional qualified	12	14	13	1	7.14%	ETQA Specialist post is vacant
Skilled	16	17	15	2	11,76%	Vacancies are for Senior Auditor and PA to COO
Semi-skilled	12	15	15	0	0%	n/a
Unskilled	3	4	4	0	0%	n/a
<b>TOTAL</b>	<b>55</b>	<b>64</b>	<b>59</b>	<b>5</b>	<b>7,81%</b>	

The CFO position is not recorded as a vacancy yet, as the last day of service of the incumbent is 31 March 2017. The post became vacant in April 2016 and was filled in October 2016. It is again vacant due to the CFO having received a better job offer in the Public Service. The position of the Financial Manager was advertised and was anticipated to be filled in February/March 2017, but due to the shortlisted and interviewed candidates not meeting expectations, the post remains vacant. In the meantime, the function is performed as an outsourced function by an independent contractor. The COO position became vacant in December 2016 and has been advertised, with recruitment processes well underway. It is expected that the post will be filled by June 2017 or earlier, pending competency assessment and background screening results. Appointment of managers and executives is confirmed by the Accounting Authority. PSETA has specifically targeted the vacancy rate below 8% in order to ensure organisational capacity to deliver on its mandate.

## Employment changes

The list includes all staff movements, but excludes two temporary positions additional to the approved post establishment.

Salary bands	Employment at the beginning of period	Appointments	Terminations	Employment at the end of the Period
Top management	4	1	2	3
Senior management	8	1	0	9
Professional qualified	11	4	2	13
Skilled	15	2	2	15
Semi-skilled	14	1	0	15
Unskilled	3	1	0	4
<b>TOTAL</b>	<b>55</b>	<b>10</b>	<b>4</b>	<b>59</b>

## Reasons for staff leaving

The list excludes temporary staff whose contracts expired, as the positions are not on the approved post establishment.

Reason	Number	% total number of employees leaving
Death	0	-
Resignation	5	100%
Dismissal	-	-
Retirement	-	-
Ill Health	-	-
Expiry of Contract	-	-
Other	-	-
<b>TOTAL</b>	<b>5</b>	<b>100%</b>

The staff who resigned left for job offers where the salary and conditions of employment are more attractive, with the exception of the COO who did not indicate the reasons for this resignation.

### Labour relations: misconduct and disciplinary action

Verbal warning	2
Written warning	4
Final written warning	0
Dismissal	0
<b>TOTAL</b>	<b>6</b>

### Equity targets and employment equity status as at 31 March 2017

The list includes all staff, excluding two temporary employees additional to the establishment.

Levels	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	-	-	-	-	-	-	-
Senior management	2	-	1	-	-	-	-	-
Professional qualified	5	-	-	-	-	-	-	-
Skilled	3	-	-	-	-	-	-	-
Semi-skilled	6	-	-	-	-	-	-	-
Unskilled	1	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>18</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	-	-	-	1	-	-	-
Senior management	4	-	-	-	2	-	-	-
Professional qualified	9	-	-	-	-	-	-	-
Skilled	12	-	-	-	-	-	-	-
Semi-skilled	9	-	-	-	-	-	-	-
Unskilled	3	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>

Level	Disabled staff			
	MALE		FEMALE	
	Current	Target	Current	Target
Top management	-	-	-	-
Senior management	-	-	-	-
Professional qualified	-	-	-	-
Skilled	-	-	-	-
Semi-skilled	-	-	-	-
Unskilled	-	-	-	-
TOTAL	-	-	-	-

None of the staff members have declared any disabilities. No new recruits have been identified with disabilities.

### Employment equity

The PSETA has not done well on employment equity. The expected re-licencing and more secure income, will assist the PSETA to deal with these requirements in the future.



# PART E

## FINANCIAL INFORMATION



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# REPORT OF THE AUDITOR-GENERAL

## ON THE PUBLIC SERVICE SECTOR EDUCATION AND TRAINING AUTHORITY

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### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

1. I have audited the financial statements of the Public Service Sector Education and Training Authority (PSETA) set out on pages 71 to 116, which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the PSETA as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standard of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA).

#### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of matters

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

#### Restatement of corresponding figures

7. As disclosed in note 20 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of errors discovered during the year ended 31 March 2017 in the financial statements of the PSETA at, and for the year ended, 31 March 2016.

#### Irregular expenditure

8. As disclosed in note 21 to the financial statements, irregular expenditure to the amount of R41 331 000 was incurred due to non-adherence to the evaluation processes in the allocation of the discretionary grants and R23 813 000 was as a result of the excess administration expenditure incurred due to noncompliance with the Skills Development Act and the Department of Public Service and Administration (DPSA) directive on the revenue received through avote.
9. Irregular expenditure to the amount of R15 683 000 that was incurred in the previous year was still under investigation.

#### Responsibilities of Accounting Authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA and the SDA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting authority is responsible for assessing PSETA's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the intention is to

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

liquidate the entity or cease operations, or there is no realistic alternative but to do so.

## Auditor-General's responsibilities for the audit of the financial statements

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

## REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

### Introduction and scope

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance

information. Accordingly, my findings do not extend to these matters.

16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2017:

PROGRAMMES	PAGES IN THE ANNUAL PERFORMANCE REPORT
Programme 2: Skills planning, Research and Projects	26 - 28
Programme 3: Educational Training and Quality Assurance	28 - 30
Programme 4: Learning Programmes	30 - 36

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes/objectives:
  - Programme 2 - skills planning, research and projects
  - Programme 3 - educational training and quality assurance
  - Programme 4 - learning programmes

### Other matters

19. I draw attention to the matter below.

### Achievement of planned targets

20. Refer to the annual performance report on page 21 to 36 for information on the achievement of planned

# REPORT OF THE AUDITOR-GENERAL

## ON THE PUBLIC SERVICE SECTOR EDUCATION AND TRAINING AUTHORITY (CONTINUED)

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targets for the year and explanations provided for the under/overachievement of the planned targets.

### Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 4 - learning programmes, on indicators 2, 3 and 5. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

### Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

### Annual Financial statements

23. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 55(1)(a) of the PFMA. Material misstatements of commitments, provisions, grant expenditure, NSF project realised income, NSF project expenses, deferred income liability – NSF, irregular expenditure, prior year errors, budget reconciliation and allocation of net surplus/deficit to reserves identified by the auditors in submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Expenditure management

24. Effective steps were not taken to prevent irregular expenditure amounting to R65 152 000 as disclosed in note 21 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA .Act.

25. Effective steps were not taken to prevent fruitless and wasteful amounting to R95 000 as disclosed in note 20 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA .

## OTHER INFORMATION

26. The PSETA accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.

27. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

28. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## INTERNAL CONTROL DEFICIENCIES

29. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

# REPORT OF THE AUDITOR-GENERAL

## ON THE PUBLIC SERVICE SECTOR EDUCATION AND TRAINING AUTHORITY

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### Leadership

#### Oversight responsibility

30. The entity did not have sufficient monitoring controls to ensure the proper implementation of the overall process of reporting. This was as a result of lack of implementation of measures to address previously reported internal control deficiencies. Furthermore, lack of internal controls on the grant allocation process resulted in significant irregular expenditure.

#### Action plans to address internal control deficiencies

31. Management prepared an action plans to address the prior year findings, however not all actions were fully implemented. This resulted in the recurrence of findings on the financial statements that were reported in the prior years.

### Financial and performance management

#### Proper record keeping

32. The entity's record management system did not allow for easy retrieval of documents, which led to delays in submission of information requested during the audit. These delays resulted in inefficiencies that could have been prevented.

#### Daily and monthly processing and reconciling of transactions

33. Significant misstatements were identified on the commitment disclosure note, provisions and discretionary grant expenditure due to inadequate contract management controls.

#### Regular, accurate and complete financial and performance reports

34. The financial statements submitted for audit were not compliant with GRAP requirements and contained numerous material misstatements that were corrected by management. This was mainly due to inadequate review of financial information and instability in the Chief Financial Officer and Finance Manager positions which contributed negatively to the functioning of the finance division.

### Compliance monitoring

35. The accounting authority did not implement adequate controls to detect and prevent non-compliance with legislation, specifically section 55(1)(a) and section 51(1)(b)(ii) of the PFMA.

### OTHER REPORTS

36. I draw attention to the following engagements conducted by various parties that have or could potentially have an impact on the entity's financial statements compliance with applicable legislation and other related matter.

### Investigation

37. The Special Investigating Unit investigated an allegation into the irregular process of evaluating and awarding discretionary grants to the amount of R56 895 000 at the request of the entity, which covered the period 1 April 2015 to 31 March 2016. The investigation concluded on 30 April 2017 resulted in all discretionary grants awarded in the 2015/16 financial year being regarded as irregular as they were not awarded in compliance with the prescribed regulations. This has impacted on the DG expenditure for the 2016/17 financial year as the affected contracts were still active.

*Auditor General*

Pretoria  
31 July 2017



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# REPORT OF THE AUDITOR-GENERAL

## ON THE PUBLIC SERVICE SECTOR EDUCATION AND TRAINING AUTHORITY (CONTINUED)

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### ANNEXURE:

#### AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the entity's compliance with respect to the selected subject matters.

#### FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
  - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PSETA's ability to continue as a going concern. If I conclude that a

material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

#### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.



# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

		Mar-17	Mar-16 Restated
	Notes	R'000	R'000
<b>ASSETS</b>			
<b>Current assets</b>		<b>105 523</b>	<b>120 764</b>
Trade and other receivables from exchange transactions	2	861	772
Trade and other receivables from non-exchange transactions	3	2	109
Donor Funding Receivable - NSF	10	1 585	-
Consumables		8	53
Cash and cash equivalents	4	103 067	119 830
<b>Non-current assets</b>		<b>1 734</b>	<b>2 214</b>
Property, plant and equipment	5	1 561	1 592
Intangible assets	6	173	622
<b>TOTAL ASSETS</b>		<b>107 257</b>	<b>122 978</b>
<b>CURRENT LIABILITIES</b>		<b>24 049</b>	<b>16 602</b>
<b>Exchange transactions</b>		<b>23 664</b>	<b>8 900</b>
Trade and other payables-exchange transactions	7	6 266	5 598
Operating lease liability	8	75	60
Provisions	12	17 323	3 242
<b>Non-exchange transactions</b>		<b>385</b>	<b>7 702</b>
Employer Grants Payables	9	190	1 415
Deferred Income Liability - NSF	10	-	5 589
Deferred Income Liability - CIP	11	5	540
Provisions	12	190	158
<b>TOTAL LIABILITIES</b>		<b>24 049</b>	<b>16 602</b>
<b>NET ASSETS</b>		<b>83 208</b>	<b>106 376</b>
<b>Funds and Reserves</b>			
Administration Reserve		1 734	2 214
Discretionary reserve		81 474	104 162
<b>NET ASSETS</b>		<b>83 208</b>	<b>106 376</b>

# STATEMENT OF FINANCIAL PERFORMANCE

## FOR THE YEAR ENDED 31 MARCH 2017

		Mar-17	Mar-16 Restated
	Notes	R'000	R'000
<b>REVENUE</b>			
<b>Revenue from non-exchange transactions</b>		<b>71 346</b>	<b>110 323</b>
Skills Development Levy: income	13.1	7 462	10 292
Skills Development Levy: penalties and interest	13.2	225	83
Transfers from other government entities - National Treasury (2016/17)/ DPSA (2015/16)	13.3	55 727	93 843
NSF Projects realised income	10	7 082	5 825
NSF Donations income	10	315	280
CIP Projects realised income	11	535	-
<b>Revenue from exchange transactions</b>		<b>1 158</b>	<b>5 424</b>
Investment income	14.1	1 142	718
Other income	14.2	16	4 706
<b>Total Revenue</b>		<b>72 504</b>	<b>115 747</b>
<b>EXPENSES</b>			
Employer grants and project expenses	15	42 186	18 462
General Administration Expenses	16.1	11 688	13 688
Audit fees	16.2	1 668	1 306
Cost of employment	16.3	30 530	25 639
Depreciation and Amortisation	5 & 6	1 306	1 149
Finance Costs - Overdue Accounts		90	-
Repairs and Maintenance	16.4	553	486
QCTO Expenditure		36	-
NSF Projects Expenses	10.1	7 082	5 825
CIP Projects Expenses	11	535	-
<b>Total expenses</b>		<b>95 674</b>	<b>66 555</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	17	<b>(23 170)</b>	<b>49 192</b>

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MARCH 2017

		Admin- istration Reserves	Employer Grant Reserve	Discre- tionary Reserve	Accumulat- ed Surplus/ (Deficit)	Total
	Note	R'000	R'000	R'000	R'000	R'000
<b>Balance as at 01 April 2015 restated</b>		<b>2 557</b>	<b>-</b>	<b>53 726</b>	<b>-</b>	<b>56 283</b>
<b>Adjustment of Prior Year Misstatements:</b>						-
Errors relating to the 2014/15 FY		-	-	901	-	901
<b>Restated balance as at 01 April 2016</b>		<b>2 557</b>	<b>-</b>	<b>54 627</b>	<b>-</b>	<b>57 184</b>
Net Surplus/(Deficit) for the year					49 192	49 192
Allocation of unappropriated surplus for the year	17	(3 327)	2 125	50 394	(49 192)	-
Employer grant reserves transferred to discretionary reserves		-	(2 125)	2 125	-	-
Excess admin reserves transferred to discretionary reserve		2 984	-	(2 984)	-	-
<b>Balance as at 31 March 2016</b>		<b>2 214</b>	<b>-</b>	<b>104 162</b>	<b>-</b>	<b>106 376</b>
Net Surplus/(Deficit) for the year		-	-	-	(23 170)	(23 170)
Allocation of unappropriated surplus for the year	17	(24 280)	1 102	8	23 170	-
Employer grant reserves transferred to discretionary reserves		-	(1 102)	1 102	-	-
Excess admin reserves transferred to discretionary Reserve		23 798	-	(23 798)	-	-
<b>Balance as at 31 March 2017</b>		<b>1 734</b>	<b>-</b>	<b>81 474</b>	<b>-</b>	<b>83 208</b>

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 MARCH 2017

		Mar-17	Mar-16 Restated
	Notes	R'000	R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Operating activities</b>			
Cash receipts from stakeholders		64 004	117 996
Levies, Interest and Penalties Received		7 831	13 442
Government grants and donor funding		55 950	93 843
Other cash receipts from stakeholders		223	10 711
Cash paid to stakeholders, suppliers and employees		(81 023)	(64 470)
Grants and Project Payments		(30 556)	(16 688)
Special projects		(4 188)	(4 399)
Compensation of employees		(29 958)	(25 809)
Payments to Suppliers and Others		(16 321)	(17 574)
Cash generated/(utilised) in operations	19	(17 019)	53 526
Interest received		1 169	594
SARS interest received/(paid)		(90)	-
<b>Net cash flows from operating activities</b>		<b>(15 940)</b>	<b>54 120</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	5	(737)	(446)
Purchase of intangible assets	6	(102)	(83)
Proceeds on disposal of PPE		16	68
<b>Net cash flows from investing activities</b>		<b>(823)</b>	<b>(461)</b>
Net increase in cash and cash equivalents		(16 763)	53 659
<b>Cash and cash equivalents at the beginning of the year</b>		<b>119 830</b>	<b>66 171</b>
<b>Cash and cash equivalents at the end of the year</b>	4	<b>103 067</b>	<b>119 830</b>

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2017

		Approved Budget	Adjustments	Final Budget	Actual Amounts	Variance between final budget and actual amounts
	Note	R'000	R'000	R'000	R'000	R'000
Skills Development Levy: income, interest and penalties	24.1	2 475	-	2 475	7 687	(5 212)
Transfers from other government entities - National Treasury	24.2	98 818	43 091	55 727	55 727	-
NSF Projects realised income	24.3	10 000	-	10 000	7 082	2 918
NSF Donations income	24.4	-	-	-	315	(315)
CIP Projects realised income	24.5	-	-	-	535	(535)
Investment income	24.6	618	-	618	1 142	(524)
Other income	24.7	46 999	-	46 999	16	46 983
<b>TOTAL REVENUE</b>		<b>158 910</b>	<b>43 091</b>	<b>115 819</b>	<b>72 504</b>	<b>43 315</b>
Mandatory grants	24.8	95	-	95	133	(38)
Discretionary grants	24.9	94 427	43 091	51 336	42 053	9 283
Donor Funding Expenditure	24.3	8 924	-	8 924	7 617	1 307
<b>TOTAL GRANTS AND PROJECTS EXPENDITURE</b>		<b>103 446</b>	<b>43 091</b>	<b>60 355</b>	<b>49 803</b>	<b>10 551</b>
Audit fees	24.10	1 300	-	1 300	1 668	(368)
Cost of employment	24.11	34 145	-500	34 645	30 530	4 115
Depreciation and Amortisation	24.12	1 180	-	1 180	1 306	(126)
Finance Costs - Overdue Accounts		-	-	-	90	(90)
QCTO Expenditure		-	-	-	36	(36)
Loss on disposal of property, plant and equipment		-	-	-	14	(14)
Repairs and Maintenance		581	(1)	582	553	29
Operating lease rentals	24.13	2 755	-	2 755	2 524	231
Advertising, marketing and promotions, communications	24.14	1 902	-	1 902	612	1 291
Bank charges		34	-	34	29	4
Catering and refreshments	24.15	994	-	994	384	610
Consultancy and service provider fees	24.17	1 742	-	1 742	1 808	(66)
Legal fees	24.16	100	-	100	198	(98)
Travel and subsistence	24.18	3 529	150	3 379	2 103	1 276
Training and Staff Development	24.19	705	-	705	272	433
Governance Fees		1 561	-	1 561	1 568	(7)
Printing and stationery		500	-	500	581	(81)
Project Monitoring Costs	24.22	-	(400)	400	-	400
Conference costs		-	-	-	-	-
Insurance		120	-	120	114	6
Rates & taxes, water & lights and security		710	-	710	738	(28)
Staff Recruitment		150	-	150	57	93
Storage Costs		55	-	55	31	24
Workshops	24.20	658	-	658	164	493
Sundry items	24.21	1 007	-	1 007	492	515
<b>TOTAL ADMINISTRATION EXPENDITURE</b>		<b>53 733</b>	<b>(751)</b>	<b>54 484</b>	<b>45 871</b>	<b>8 613</b>
<b>NET SURPLUS / (DEFICIT)</b>	24.23	1 731	751	980	(23 170)	24 150
Less: CAPEX		1 731	751	980	839	141
<b>NET Surplus / (Deficit) after capex</b>	24.24	-	-	-	<b>(24 009)</b>	<b>24 009</b>

# ACCOUNTING POLICIES

## FOR THE YEAR ENDED 31 MARCH 2017

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### 1.1 BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

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

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

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

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Public Finance Management Act (PFMA), 1999 (Act No. 1 OF 1999).

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

### 1.2 PRESENTATION CURRENCY AND LEVEL OF ROUNDING

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

### 1.3 REVENUE RECOGNITION

#### 1.3.1 Revenue from non-exchange transactions

Non-exchange revenue transactions result in resources being received by PSETA, usually in accordance with a binding arrangement. When PSETA receives resources as a result of a non-exchange transaction, it recognises an asset and revenue in the period that the arrangement becomes binding and when it is probable that PSETA will

receive economic benefits or service potential and it can make a reliable measure of the resources transferred.

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

The asset and the corresponding revenue are measured on the basis of fair value of the asset on initial recognition. Non-exchange revenue transactions include the receipt of levy income from Department of Higher Education Training, income from National Skills Funds and contributions received from public entities who contributes voluntarily to PSETA.

#### 1.3.1.1 Levy income

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

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



# ACCOUNTING POLICIES

## FOR THE YEAR ENDED 31 MARCH 2017

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future economic benefits or service potential will flow to the SETA and these benefits can be measured reliably. This occurs when the DHET makes an allocation to the PSETA as required by section 8 of the SDLA (1999) as amended.

In terms of the DPSA circular, circular HRD 1 of 2013, all departments are required to set aside a minimum of 1% of the total department's annual personnel budget for training and development of its personnel and potential employees. 30% of this amount is appropriated to the seta with which the department is affiliated. For departments belonging to more than one seta the 30% levy is apportioned proportionally. PSETA did not receive contributions in this regard from national and provincial departments for the period under review.

### 1.3.1.2 Interest and Penalties

Interest and penalties received on the SDL are recognised on receipt since the nature of contribution is voluntary and not enforced through legislation

### 1.3.1.3 Funds allocated by the NSF for special projects

Funds transferred by the NSF are accounted for in the financial statements of the SETA as a liability until the related conditions are met. The liability is reduced by any project expenditure incurred and recognised as revenue. Property, plant and equipment acquired for National Skills Fund special projects are capitalised in the financial statements of the SETA, as the SETA has full control of such asset. The depreciation/amortisation expenses related to such assets are expensed against the liability over the lifespan of the asset.

### 1.3.2 Revenue from exchange transactions

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

### 1.3.2.1 Investment income

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

## 1.4 GRANTS AND PROJECT EXPENDITURE

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

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

### Mandatory grants

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

### Retrospective amendments by SARS

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

# ACCOUNTING POLICIES

## FOR THE YEAR ENDED 31 MARCH 2017

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

### **Discretionary grants and project expenditure**

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

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

Project expenditure comprises:

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

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

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

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

### **1.5 PREPAYMENTS**

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

### **1.6 IRREGULAR EXPENDITURE**

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

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

Irregular expenditure is recognised against the respective class of expense in the period in which it was incurred. These are recorded in the irregular expenditure register.

### **1.7 FRUITLESS AND WASTEFUL EXPENDITURE**

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

All irregular, fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the period it was incurred. The expenditure is disclosed in the notes to the financial statements of the reporting period that it has been identified.

### **1.8 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are stated at cost less accumulated depreciation and adjusted for any impairment. Property, plant and equipment acquired at no

# ACCOUNTING POLICIES

## FOR THE YEAR ENDED 31 MARCH 2017

cost are stated at fair value as at the date of acquisition less any subsequent accumulated depreciation.

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the entity;

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

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

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

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

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

### 1.9 KEY ACCOUNTING JUDGMENTS

In the application of the PSETA's accounting policies management is required to make judgments, estimates and assumptions about the carrying amounts of assets

and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The Seta reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period, refer to note number 5.

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

Computer Equipment	3 years
Leasehold improvements (Fixtures and Fittings)	Over the lease period
Furniture and Equipment	6 years
Motor Vehicles	5 years

### 1.10 INTANGIBLE ASSETS

An asset is identified as an asset when it:-

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

An intangible asset is recognised when:-

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

Intangible assets are initially recognised at cost. An intangible asset acquired through a non-exchange

# ACCOUNTING POLICIES

## FOR THE YEAR ENDED 31 MARCH 2017

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transaction, the cost shall be its fair value as at the date of acquisition.

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

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

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

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

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash-flows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over its useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with finite useful life after it was classified as indefinite is an indicator that the asset may be impaired as is amortised over its useful life.

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

Intangible assets are derecognised when

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

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

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

## 1.11 LEASING

### 1.11.1 Operating leases

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

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

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

## 1.12 PROVISIONS

Provisions are recognised when the PSETA has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably. The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Long-term provisions are discounted to net present value.

# ACCOUNTING POLICIES

## FOR THE YEAR ENDED 31 MARCH 2017

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### 1.12.1 Provision for employee entitlements

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

### 1.12.2 Other provisions

Provisions included in the Statement of Financial Position are provisions for leave and performance awards. Provisions for leave are based on current salary rates and leave days due at the reporting period. Provisions for performance awards are based on estimated performance levels and salary rates prevalent at the reporting date. Employee leave accrued over the period under review are treated as accruals and expensed accordingly.

Termination benefits are recognised only when the payment is made.

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

## 1.13 CONTINGENT LIABILITIES

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

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

## 1.14 FINANCIAL INSTRUMENTS

### Recognition

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

### 1.14.1 Financial assets

#### 1.14.1.1 Investments and loans

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

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

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

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

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

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

#### 1.14.1.2 Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective

# ACCOUNTING POLICIES

## FOR THE YEAR ENDED 31 MARCH 2017

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interest rate, except for short term receivables where the recognition of interest would be immaterial.

### 1.14.1.3 Effective interest rate method

The effective interest method is a method of calculating the 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.

### 1.14.1.4 Impairment and un-collectability of financial assets

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit.

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

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

### 1.14.2 Financial liabilities

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

#### 1.14.2.1 Financial liabilities at FVTPL

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

#### 1.14.2.2 Gains and losses on subsequent measurement

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

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

#### 1.14.2.3 Other financial liabilities

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

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

#### De-recognition:

PSETA derecognises financial assets using trade date accounting.



# ACCOUNTING POLICIES

## FOR THE YEAR ENDED 31 MARCH 2017

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

### 1.15 RESERVES

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

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

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

- Administration costs of the seta  
10.5% (2015: 10.5%)
- Employer grant fund levy  
20.0% (2015: 20%)
- Discretionary grants and projects  
49.5% (2015: 49.5%)
- Contributions to the National Skills Fund  
20.0% (2015: 20%)

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

- Administration costs of the seta  
33.33% (2015: 33.33%)
- Discretionary grants and projects  
66.67% (2015: 66.67%)

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

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

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

is associated with administration activities it is utilised for administration purposes, whereas where it is associated with project activities it is utilised for discretionary grants and projects purposes.

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

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

### 1.16 RELATED PARTY TRANSACTIONS

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

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

### 1.17 CAPITAL COMMITMENTS

Capital commitments are disclosed in respect of contracted amounts for which delivery by the contractor is outstanding at year end.

# ACCOUNTING POLICIES

## FOR THE YEAR ENDED 31 MARCH 2017

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### 1.18 COMPARATIVES

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

### 1.19 INVENTORY

Inventory consists of consumables on hand at the end of the reporting period and is recognised as assets on the date of acquisition. Inventory is stated at cost and it is determined on a first-in first-out basis. It is subsequently recognised in surplus or deficit as it is consumed.

### 1.20 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 (Act No 58 of 1962)

### 1.21 ROUNDING-OFF

The figures in these financial statements are rounded off to the nearest thousand.

### 1.22 SEGMENT REPORTING

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by PSETA. The major classifications of activities identified in budget documentation will usually reflect the segments for which PSETA reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of PSETA that provides specific outputs or achieves particular operating objectives that are in line with PSETA's overall mission. PSETA's service segments are mandatory, discretionary and administration activities. Geographical segments relate to specific outputs generated, or particular objectives achieved, by PSETA within a particular region.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

Mar-17	Mar-16 Restated
R'000	R'000

### 2. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Operating lease rental deposit	342	342
Prepayment - operating lease	231	232
Staff debtors	78	72
- Staff Debtors	78	137
- Staff debtors written-off	-	(65)
Staff advances	3	2
Sundry Debtors - leasehold improvements	110	-
Accrued income - investment income	97	124
	<b>861</b>	<b>772</b>

Staff debtors relating to the prior financial years were approved for write-off in the prior financial year. No write has occurred in the current financial year.

### 3. TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Mandatory grant receivable	2	109
	<b>2</b>	<b>109</b>

### 4. CASH AND CASH EQUIVALENTS

Administration bank account	79 848	62 068
Levies bank account	21 616	52 277
NSF current account	565	193
NSF call account	1 038	5 292
Cash on hand	-	-
	<b>103 067</b>	<b>119 830</b>

No restrictions have been placed on the use of the cash and cash equivalents for the operations of the PSETA. The carrying amount of these assets approximates to their fair value.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### 5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated depreciation/ impairment	Carrying amount Mar-16
	R'000	R'000	R'000
Computer equipment	2 424	(1 517)	907
Office furniture and fittings	904	(374)	530
Office equipment	184	(64)	120
Motor Vehicle	80	(76)	4
<b>Balance at 31 March 2017</b>	<b>3 593</b>	<b>(2 032)</b>	<b>1 561</b>

	Carrying amount 01 Apr 2016	Additions	Disposals	Depreciation Charge	Accumulated Depreciation on disposals	Carrying amount 31 Mar 2017
	R'000	R'000	R'000	R'000	R'000	R'000
Computer equipment	776	701	(132)	(558)	120	907
Office furniture and fittings	680	-	-	(150)	-	530
Office equipment	117	36	(4)	(30)	1	120
Motor Vehicle	20	-	-	(16)	-	4
<b>Balance at 31 March 2017</b>	<b>1 592</b>	<b>737</b>	<b>(136)</b>	<b>(755)</b>	<b>121</b>	<b>1 561</b>

#### 31 March 2016

	Cost/ Book value	Accumulated depreciation / impairment	Carrying amount 31 Mar 16
	R'000	R'000	R'000
Computer equipment	1 855	(1 079)	776
Office furniture and fittings	904	(224)	680
Office equipment	152	(35)	117
Motor Vehicle	80	(60)	20
<b>Restated Balance as at March 2016</b>	<b>2 990</b>	<b>(1 398)</b>	<b>1 592</b>

#### Restated Movement summary - 31 March 2016

	Carrying amount 01 Apr 15	Additions	Disposals	Depreciation Charge	Accumulated Depreciation on disposals	Carrying amount Mar 16
	R'000	R'000	R'000	R'000	R'000	R'000
Computer equipment	870	410	(85)	(448)	28	776
Office furniture and fittings	830	-	-	(151)	-	679
Office equipment	105	36	-	(24)	-	117
Motor Vehicle	36	-	-	(16)	-	20
<b>Restated Balance as at March 2016</b>	<b>1 841</b>	<b>446</b>	<b>(85)</b>	<b>(638)</b>	<b>28</b>	<b>1 592</b>

The PSETA has reviewed the residual values and useful lives of all the items of property, plant and equipment. The review illustrated that there were assets carried at zero however still utilised. The useful lives of this assets have been extended until 31 March 2018 wherein the assets will be re-assed again.

The PSETA determined that due to the cost of the assets and disposal method in place at the end of use of its assets, there is no need for the assets to have residual values

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### 6. INTANGIBLE ASSETS

#### 31 March 2017

Computer Software  
Balance as at 31 March 2017

Cost	Accumulated depreciation/ impairment	Carrying amount Mar-16
R'000	R'000	R'000
1 101	(928)	173
<b>1 101</b>	<b>(928)</b>	<b>173</b>

#### Movement summary 31 March 2017

Computer Software  
**Balance as at  
31 March 2017**

Carrying amount 01 Apr 2016	Additions	Disposals	Depreciation Charge	Accumulated Depreciation on disposals	Carrying amount 31 Mar 2017
R'000	R'000	R'000	R'000	R'000	R'000
622	102	(389)	(551)	389	173
<b>622</b>	<b>102</b>	<b>(389)</b>	<b>(551)</b>	<b>389</b>	<b>173</b>

#### 31 March 2016

Computer Software  
Restated Balance as at 31 March 2016

Cost/ Book value	Accumulated depreciation / impairment	Carrying amount 31 Mar 16
R'000	R'000	R'000
1 388	(766)	622
<b>1 388</b>	<b>(766)</b>	<b>622</b>

#### Restated Movement summary - 31 March 2016

Computer Software  
**Restated Balance as at  
31 March 2016**

Carrying amount 01 Apr 15	Additions	Disposals	Depreciation Charge	Accumulated Depreciation on disposals	Carrying amount Mar 16
R'000	R'000	R'000	R'000	R'000	R'000
1 050	83	-	(511)	-	622
<b>1 050</b>	<b>83</b>	<b>-</b>	<b>(511)</b>	<b>-</b>	<b>622</b>

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

The PSETA has reviewed the residual values and useful lives of all the items of intangible assets. The review illustrated that there were assets carried at zero however still utilised. The useful lives of this assets have been extended until 31 March 2018 wherein the assets will be re-assed again.

The PSETA determined that due to the nature and cost of the assets and the shorter useful life, there is no need for the assets to have residual values

The disposal of Intangible Assets is due to software that has become redundant and no longer in use.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

	Mar-17	Mar-16 Restated
Notes	R'000	R'000

### 7. TRADE AND OTHER PAYABLES-EXCHANGE TRANSACTIONS

Trade and other payables	4 670	1 935
SARS	43	-
Accruals - Discretionary	-	791
Trade accruals - administration	406	1 736
Leave pay accrual	1 147	1 136
	<b>6 266</b>	<b>5 598</b>

### 8. OPERATING LEASE LIABILITY

Operating lease liability	75	60
<b>Closing balances</b>	<b>75</b>	<b>60</b>

### 9. EMPLOYER GRANTS PAYABLES

Skills development grants payable - mandatory grants	42	111
Skills development grants payable - discretionary grants	9	9
Skills development grants payable - levies received from departments	-	1 273
Inter-seta payables	139	22
Administration	18	3
Mandatory	35	6
Discretionary	86	13
Accruals - Discretionary	-	-
	<b>190</b>	<b>1 415</b>

### 10. DEFERRED INCOME LIABILITIES - NSF

#### National Skills Fund

Opening balance	5 589	970
Draw downs and interest received	223	10 724
NSF funding received	-	10 408
Interest received and capitalised	223	316
Utilised and recognised as revenue - conditions met	(7 082)	(5 825)
Utilised and recognised as revenue as revenue-assets acquisition	(315)	(280)
	<b>(1 585)</b>	<b>5 589</b>

10.1

Due to the donor funding provision raised based on expected expenditure wherein invoices have not yet been received, total expenditure to date exceeded receipts from the donor resulting in a receivable for the current financial year. This receivable is then recognised as Donor Funding Receivables.

#### 10.1 NSF project expense detail

Direct project costs	6 969	5 768
Other project expenses	113	57
	<b>7 082</b>	<b>5 825</b>



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

	Mar-17	Mar-16 Restated
Notes	R'000	R'000

### 11. DEFERRED INCOME LIABILITY - COMPULSORY INDUCTION PROGRAMME (CIP)

Opening balance	540	540
Amounts used	(535)	-
<b>Closing Balance</b>	<b>5</b>	<b>540</b>

### 12. PROVISIONS

	Exchange transactions				Non-exchange Transactions
	Performance bonus	Discretionary Grants	Donor Funding	Total	SARS Reversals
	R'000	R'000	R'000	R'000	R'000
<b>Balances as at 31 March 2017</b>					
Opening carrying amount	724	2 044	474	3 242	158
Amounts utilised	(724)	(104)		(828)	(16)
Amount raised	1 285	11 022	2 602	14 909	48
<b>Closing Balance</b>	<b>1 285</b>	<b>12 962</b>	<b>3 076</b>	<b>17 323</b>	<b>190</b>

#### Balances as at 31 March 2016

Opening carrying amount	556	-	-	556	74
Amounts utilised	(517)	-	-	(517)	(2)
Amount raised	685	2 044	474	3 203	86
<b>Closing Balance</b>	<b>724</b>	<b>2 044</b>	<b>474</b>	<b>3 242</b>	<b>158</b>

Donor funding in the current and prior financial year relates to NSF only.

#### Exchange provisions

Discretionary grants provisions comprise of costs to be claimed for services rendered by parties to the PSETA but for which claims have not been received. A reliable estimate is made based on the outstanding tranches on the projects at the reporting date where it is evident training has taken place.

Performance bonus provisions comprises of amounts paid to employees for annual performance and the PSETA has paid the bonuses annual in the prior financial years. A reliable estimate is made in the bases of current bonuses as at the reporting period.

#### Non-exchange provisions

The provision for SARS reversals is based on employers contributing levies even though they are exempt in terms of the Skills Development Act. The Act requires employers with an annual payroll of at least R500 000,00 to contribute 1% of the payroll to SARS in the form of skills development levies. The employer contributions are only retained in the provision for a period of 5 years thereafter recognised as levy income.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

	Mar-17	Mar-16 Restated
Notes	R'000	R'000

### 13. REVENUE FROM NON-EXCHANGE TRANSACTIONS

#### 13.1 Skills Development Levy income

##### Administration

Levies received from SARS	629	519
Inter-SETA transfers in	-	(72)
Inter-SETA transfers out	(17)	256
R500k Provision	(6)	
	<b>606</b>	<b>703</b>

##### Employer grants

Levies received from SARS	1 263	1 965
Inter-SETA transfers in	-	(136)
Inter-SETA transfers out	(17)	488
R500k Provision	(11)	
	<b>1 235</b>	<b>2 317</b>

##### Discretionary grants

Levies received from SARS	2 906	1 259
Inter-SETA transfers in	-	(337)
Inter-SETA transfers out	(82)	1 207
R500k Provision	(10)	
	<b>2 814</b>	<b>2 129</b>

##### Levies from Departments

Administration	936	1 971
Discretionary	1 871	3 172
	<b>2 807</b>	<b>5 143</b>

#### TOTAL Skills Development Levy Income

	<b>7 462</b>	<b>10 292</b>
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All levies received bear no credit risk and are paid to the PSETA in terms of the Skills Development Levies Act

#### 13.2 Skills Development Levy income: Interest and penalties

##### Skills Development Levy Income:

Penalties	98	56
Interest	127	27
	<b>225</b>	<b>83</b>

#### 13.3 Transfers from other government entities - National Treasury

(2015/16: DPSA)

First tranche	13 932	23 461
Second tranche	13 932	32 845
Third tranche	13 932	15 640
Fourth tranche	13 931	21 897
	<b>55 727</b>	<b>93 843</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

	Mar-17	Mar-16 Restated
Notes	R'000	R'000

### 14. REVENUE FROM EXCHANGE TRANSACTIONS

#### 14.1 Investment income

Interest received in the bank accounts

1 142	718
<b>1 142</b>	<b>718</b>

#### 14.2 Other income

Refunds received

-	20
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NSF Payable written off

-	2 009
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NSF Payable Condoned

-	2 609
---	-------

Insurance recoveries

16	68
----	----

<b>16</b>	<b>4 706</b>
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### 15. EMPLOYER GRANT AND PROJECT EXPENSES

Mandatory grants

133	192
-----	-----

Discretionary grants

42 053	18 270
--------	--------

<b>42 186</b>	<b>18 462</b>
---------------	---------------

### 16. ADMINISTRATION EXPENSES

#### 16.1 General Administration Expenses

Loss on disposal of property, plant and equipment

14	57
----	----

Operating lease rentals

2 524	2 273
-------	-------

Advertising, marketing and promotions, communications

612	681
-----	-----

Bank charges

29	28
----	----

Catering and refreshments

384	422
-----	-----

Consultancy and service provider fees

1 808	3 573
-------	-------

Legal fees

198	-
-----	---

Travel and subsistence

2 103	2 640
-------	-------

Training and Staff Development

272	372
-----	-----

Governance Fees

1 568	1 010
-------	-------

Printing and stationery

581	536
-----	-----

Insurance

114	111
-----	-----

Rates & taxes, water & lights and security

738	742
-----	-----

Staff Debt Written Off

-	65
---	----

Staff Recruitment

57	161
----	-----

Storage Costs

31	80
----	----

Workshops

164	419
-----	-----

Sundry items

492	518
-----	-----

<b>11 688</b>	<b>13 688</b>
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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### 16. ADMINISTRATION EXPENSES (CONTINUED)

	Mar-17	Mar-16 Restated
Notes	R'000	R'000

#### 16.2 Audit Fees

Audit Fees

1 668	1 306
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Audit fees relate to the fees paid to the office of the Auditor General for the audit carried during the year under review. This includes the audit fees for the final audit of the 2015/16 audit cycle and interim audit for the year under review

#### 16.3 Cost of Employment

Salaries and wages

Basic Salaries

PAYE

Temporary staff

Incentive (Bonus)

Leave accrual

Union Fees

Workmen's Compensation

UIF

SDL

30 020	25 187
21 333	18 600
7 326	6 352
-	1
1 285	518
11	(318)
4	
61	34
214	194
296	258
<b>30 530</b>	<b>25 639</b>

#### 16.4 Repairs and Maintenance

Motor Vehicle Repairs

Computer Equipment Maintenance

Equipment Rental

Building Repairs

Furniture and Equipment Repairs

25	48
327	283
86	86
111	68
4	0
<b>553</b>	<b>486</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### 17. ALLOCATION OF NET SURPLUS/(DEFICIT) FOR THE YEAR TO RESERVES

**31 March 2017**

#### Total Revenue

##### Skills development levy: Income

	Total per Statement of Financial Performance R'000	Administra- tion R'000	Mandatory R'000	Discretionary R'000	Special projects R'000
<b>Skills development levy: Income</b>	<b>72 504</b>	<b>21 591</b>	<b>1 235</b>	<b>42 061</b>	<b>7 617</b>
Admin levy income (10.5%)	606	606	-	-	-
Grant levy Income (20%) Mandatory	1 235	-	1 235	-	-
Grant levy Income (49.5%) Discretionary	2 814	-	-	2 814	-
Levies from government departments	2 807	936	-	1 871	-
Skills development levy: penalties and interest	225	-	-	225	-
Transfers from other government entities	55 727	18 576	-	37 151	-
NSF Realised Income	7 082	-	-	-	7 082
NSF Donations income	315	315	-	-	-
CIP Realised Income	535	-	-	-	535
Investment income	1 142	1 142	-	-	-
Other income	16	16	-	-	-

#### Total Expenses

<b>Total Expenses</b>	<b>(95 674)</b>	<b>(45 870)</b>	<b>(133)</b>	<b>(42 053)</b>	<b>(7 617)</b>
Administration expenses	(45 834)	(45 834)	-	-	-
QCTO Expenditure	(36)	(36)	-	-	-
NSF Projects expenses	(7 082)	-	-	-	(7 082)
CIP Expenses	(535)	-	-	-	(535)
Employer grants and project expenses	(42 186)	-	(133)	(42 053)	-

#### Net surplus/(deficit) per Statement of financial performance allocated

<b>Net surplus/(deficit) per Statement of financial performance allocated</b>	<b>(23 170)</b>	<b>(24 280)</b>	<b>1 102</b>	<b>8</b>	<b>-</b>
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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### 17. ALLOCATION OF NET SURPLUS/(DEFICIT) FOR THE YEAR TO RESERVES (CONTINUED)

**Restated  
March 2016**

#### **Total Revenue**

##### **Skills development levy: Income**

	<b>Total per Statement of Financial Performance R'000</b>	<b>Administra- tion R'000</b>	<b>Mandatory R'000</b>	<b>Discretionary R'000</b>	<b>Special projects R'000</b>
<b>115 747</b>	<b>38 941</b>	<b>2 317</b>	<b>68 664</b>	<b>5 825</b>	
Admin levy income (10.5%)	703	703	-	-	-
Grant levy Income (20%) Mandatory	2 317	-	2 317	-	-
Grant levy Income (49.5%) Discretionary	2 129	-	-	2 129	-
Levies from government departments	5 143	1 971	-	3 172	-
Skills development levy: penalties and interest	83	-	-	83	-
Transfers from other government entities	93 843	31 281	-	62 562	-
NSF Donations Income	280	280	-	-	-
NSF Realised Income	5 825	-	-	-	5 825
CIP Realised Income	-	-	-	-	-
Investment income	718	-	-	718	-
Other income	4 706	4 706	-	-	-

#### **Total Expenses**

	<b>(66 555)</b>	<b>(42 268)</b>	<b>(192)</b>	<b>(18 270)</b>	<b>(5 825)</b>
Administration expenses	(42 268)	(42 268)	-	-	-
NSF Projects expenses	(5 825)	-	-	-	(5 825)
CIP Expenses	-	-	-	-	-
Employer grants and project expenses	(18 462)	-	(192)	(18 270)	-

#### **Net surplus/(deficit) per Statement of financial performance allocated**

<b>49 192</b>	<b>(3 327)</b>	<b>2 125</b>	<b>50 394</b>	<b>-</b>
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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### 18. ANNEXURE - SEGMENT REPORTING

Information about the surplus / (deficit), assets and liabilities reconciliations

**Period: 31 March 2017**

	Adminis- tration	Manda- tory	Discre- tionary	Special Projects	Unallocat- ed	Total
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Revenue from non-exchange transactions</b>						
Skills Development Levy: income	1 542	1 235	4 685	-	-	7 462
Skills Development Levy: penalties and interest		-	225	-	-	225
Transfers from other government entities - National Treasury	18 576	-	37 151	-	-	55 727
NSF Projects realised income	-	-	-	7 082	-	7 082
NSF Donations income	315	-	-	-	-	315
CIP Projects realised income	-	-	-	535	-	535
<b>Revenue from exchange transactions</b>						
Other income	16	-	-	-	-	16
Investment income		-	1 142	-	-	1 142
<b>Total Revenue</b>	<b>20 449</b>	<b>1 235</b>	<b>43 203</b>	<b>7 617</b>	<b>-</b>	<b>72 504</b>
<b>EXPENSES</b>						
Employer grants and project expenses	-	133	42 053	-	-	42 186
General Administration Expenses	11 688	-	-	-	-	11 688
Audit fees	1 668	-	-	-	-	1 668
Cost of employment	30 530	-	-	-	-	30 530
Depreciation and Amortisation	1 306	-	-	-	-	1 306
Finance Costs - Overdue Accounts	90	-	-	-	-	90
Repairs and Maintenance	553	-	-	-	-	553
Staff Debt Written Off	-	-	-	-	-	-
QCTO Expenditure	36	-	-	-	-	36
NSF Projects Expenses	-	-	-	7 082	-	7 082
CIP Projects Expenses	-	-	-	535	-	535
<b>Total expenses</b>	<b>45 870</b>	<b>133</b>	<b>42 053</b>	<b>7 617</b>	<b>-</b>	<b>95 674</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(25 422)</b>	<b>1 102</b>	<b>1 150</b>	<b>-</b>	<b>-</b>	<b>(23 170)</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### 18. ANNEXURE - SEGMENT REPORTING (CONTINUED)

31 March 2017

#### ASSETS

##### Current assets

Trade and other receivables from exchange transactions  
Trade and other receivables from non-exchange transactions  
Donor Funding Receivable - NSF  
Consumables  
Cash and cash equivalents

##### Non-current assets

Property, plant and equipment  
Intangible assets

#### TOTAL ASSETS

##### Current liabilities

Exchange transactions  
Trade and other payables-exchange transactions  
Operating lease liability  
Provisions  
Non-exchange transactions  
Employer Grants Payables  
SARS Payable  
Deferred Income Liability - NSF  
Deferred Income Liability - CIP  
Provisions

#### TOTAL LIABILITIES

##### Funds and Reserves

Administration Reserve  
Discretionary reserve

#### TOTAL LIABILITIES AND RESERVES

Adminis- tration	Manda- tory	Discre- tionary	Special Projects	Unallocat- ed	Total
R'000	R'000	R'000	R'000	R'000	R'000
861	-	-	-	-	861
-	2	-	-	-	2
-	-	-	1 585	-	1 585
8	-	-	-	-	8
-	-	-	-	103 067	103 067
1 561	-	-	-	-	1 561
173	-	-	-	-	173
<b>2 603</b>	<b>2</b>	<b>-</b>	<b>1 585</b>	<b>103 067</b>	<b>107 257</b>
3 150	-	1 504	1 612	-	6 266
75	-	-	-	-	75
1 285	-	12 962	3 076	-	17 323
-	190	-	-	-	190
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	5	-	5
-	190	-	-	-	190
<b>4 510</b>	<b>380</b>	<b>14 466</b>	<b>4 693</b>	<b>-</b>	<b>24 049</b>
1 734	-	-	-	-	1 734
-	-	81 474	-	-	81 474
<b>6 244</b>	<b>380</b>	<b>95 940</b>	<b>4 693</b>	<b>-</b>	<b>107 257</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### 18. ANNEXURE - SEGMENT REPORTING (CONTINUED)

Period: 31 March 2016	Administra- tion	Mandatory	Discretionary	Special Projects	Unallocated	Total
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Revenue from non-exchange transactions</b>						
Skills Development Levy: income	2 674	2 317	5 301	-	-	10 292
Skills Development Levy: penalties and interest	-	-	83	-	-	83
Transfers from other government entities - DPSA	31 281	-	62 562	-	-	93 843
NSF Projects realised income	-	-	-	5 825	-	5 825
NSF Donations income	-	-	-	280	-	280
CIP Projects realised income	-	-	-	-	-	-
<b>Revenue from exchange transactions</b>						
Other income	318	-	400	-	-	718
Investment income	88	-	-	4 618	-	4 706
<b>Total Revenue</b>	<b>34 361</b>	<b>2 317</b>	<b>68 346</b>	<b>10 723</b>	<b>-</b>	<b>115 747</b>
<b>EXPENSES</b>						
Employer grants and project expenses	-	192	18 270	-	-	18 462
General Administration Expenses	13 688	-	-	-	-	13 688
Audit fees	1 306	-	-	-	-	1 306
Cost of employment	25 639	-	-	-	-	25 639
Depreciation and Amortisation	1 149	-	-	-	-	1 149
Finance Costs – Overdue accounts	-	-	-	-	-	-
Repairs and Maintenance	486	-	-	-	-	486
QCTO Expenditure	-	-	-	-	-	-
NSF Projects Expenses	-	-	-	5 825	-	5 825
CIP Projects Expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>42 268</b>	<b>192</b>	<b>18 270</b>	<b>5 825</b>	<b>-</b>	<b>66 555</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(7 907)</b>	<b>2 125</b>	<b>50 076</b>	<b>4 898</b>	<b>-</b>	<b>49 192</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### 18. ANNEXURE - SEGMENT REPORTING (CONTINUED)

31 March 2016	Administra- tion R'000	Mandatory R'000	Discretion- ary R'000	Special Projects R'000	Unallocated R'000	Total R'000
<b>ASSETS</b>						
<b>Current assets</b>						
Trade and other receivables from exchange transactions	772	-	-	-	-	772
Trade and other receivables from non-exchange transactions	-	109	-	-	-	109
Consumables	53	-	-	-	-	53
Cash and cash equivalents	-	-	-	-	119 830	119 830
<b>Non-current assets</b>						
Property, plant and equipment	1 592	-	-	-	-	1 592
Intangible assets	622	-	-	-	-	622
<b>TOTAL ASSETS</b>	<b>3 040</b>	<b>109</b>	<b>-</b>	<b>-</b>	<b>119 830</b>	<b>122 979</b>
<b>Current liabilities</b>						
<b>Exchange transactions</b>						
Trade and other payables-exchange transactions	4 785	-	791	22	-	5 598
Operating lease liability	60	-	-	-	-	60
Provisions	724	-	2 044	474	-	3 242
<b>Non-exchange transactions</b>						
Employer Grants Payables	-	1 415	-	-	-	1 415
Deferred Income Liability - NSF	-	-	-	-	5 589	5 589
Deferred Income Liability - CIP	-	-	-	-	540	540
Provisions	-	158	-	-	-	158
<b>TOTAL LIABILITIES</b>	<b>5 570</b>	<b>1 573</b>	<b>2 835</b>	<b>496</b>	<b>6 129</b>	<b>16 603</b>
<b>Funds and Reserves</b>						
Administration Reserve	2 214	-	-	-	-	2 214
Discretionary reserve	-	-	104 162	-	-	104 162
<b>TOTAL LIABILITIES AND RESERVES</b>	<b>7 783</b>	<b>1 573</b>	<b>106 997</b>	<b>496</b>	<b>6 129</b>	<b>122 979</b>

The comparative figures have been restated.

The PSETA reports to management on the basis of three functional segments namely; administration, mandatory and discretionary. Management uses these segments in determining strategic objectives and allocating resources. The reporting of these segments is also appropriate for external reporting purposes.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The geographical segments have not been disclosed as the necessary information required is not readily available and the cost to develop would be excessive.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

	Mar-17	Mar-16 Restated
Notes	R'000	R'000

### 19. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO NET SURPLUS/(DEFICIT)

Net surplus as per statement of financial performance	(23 170)	49 192
Adjusted for non-cash items:		
Donor Funding Income		
Depreciation and amortisation	1 306	1 149
(Gains)/Loss on disposal of property, plant and equipment	14	57
Increase in provision	14 113	3 137
Staff debt written-off	-	65
Adjusted for items separately disclosed		
Investment income	(1 142)	(718)
Finance income	90	-
Adjusted for working capital changes		
Decrease / (Increase) in receivables	(1 567)	388
(Decrease)/increase in payables	(6 722)	479
Decrease / (Increase) in consumables	45	51
(Decrease)/increase in operating lease liability	15	(274)
Cash generated (utilised) in operations	<b>(17 019)</b>	<b>53 526</b>

### 20. PRIOR PERIOD ERROR RESTATEMENTS

The 2015/16 financial year annual financial statements were qualified due to material misstatements in the following areas:

- Commitments;
- Trade and other payables;
- Provisions; and
- Employer grants and projects expenditure

To comply with GRAP 3, adjustments to correct the prior period errors were effected onto the comparative figures.

The above necessitated the adjustments per below and:

- 20.1) Reclassification of liabilities between trade payables and provisions. The reclassification affected the Workmen's Compensation and provision on exempt employers (R500k provision previously recognised as Grants Payables). The R500k provision previously disclosed as SARS Payables is currently disclosed as non-exchange provisions (note 12). Similarly, the workmen's compensation which was previously disclosed as an exchange provision is currently disclosed as trade and other payables (note 7)

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

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### 20. PRIOR PERIOD ERROR RESTATEMENTS (CONTINUED)

- 20.2) The NSF and CIP donor funding liabilities were overstated due to the related expenditure incorrectly recognised as discretionary grants expenditure. This necessitated recognition of the affected expenditure as donor funding expenditure and the corresponding income recognised (only for NSF as the error on the CIP relates to the 2014/15 FY) and liability reduced accordingly.
- 20.3) SARS reversals effected on the monthly levy income were incorrectly recognised as provision and a result reducing the revenue for the prior financial year. Revenue has been restated to reflect the correct receipts.
- 20.4) Mandatory grants expenditure and the related payables was understated in the 2015/16 FY. The error is as a result corrected.
- 20.5) Travel expenditure was overstated in the prior financial year hence the restatement per below.
- 20.6) While the liability and its related straight-lined expenditure were incorrect, this also affected the related operating costs not being recognised. The said operating costs are now recognised as rates & taxes, water, lights and security.
- 20.7) No provision was raised in the prior financial years for training that may have occurred however invoices not yet received. The provision is based on expected invoices relating to the 2015/16 financial year.
- 20.8) The Property, Plant and Equipment and Intangible Assets have been restated due to re-assessment of the useful lives of these assets leading to an extended life. As the assets were written off as at the current, some in the prior financial year, this necessitated reversal of the accumulated depreciation previously recognised in the prior financial years.
- The reversal of the prior years accumulated depreciated / amortisation resulted in the amounts of R324 671,22 and R9 593,55 being reversed against the opening carrying amounts of Property, Plant and Equipment and Intangible Assets respectively as at 1 April 2015. The impact on the current year depreciation and amortisation amounted to an increment of R108 223,74 and R10 063,94 respectively.
- 20.9) An overpayment occurred to the employers and was set-off against the payables. It has since been corrected and recognised separately



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### 20. PRIOR PERIOD ERROR RESTATEMENTS (CONTINUED)

	Notes	R'000
<b>Impact on the Opening Balance of Discretionary Reserves</b>		
These errors relate to the 2015/16 and prior Financial Years		
Operating lease liability not compliant to GRAP 13 regarding straight-lining	20.6	235
Duplicate Reversal on the NSF donor funding account		71
Re-assessment of useful life of assets		
Property, plant and equipment	20.8	324
Intangible assets	20.8	9
Donor funding (CIP) expenditure incorrectly recognised	20.2	263
		<b>901</b>
<b>Impact on the Statement of Financial Performance</b>		
Skills Development Levy: income	20.3	3 415
Skills Development Levy: penalties and interest	20.3	21
Depreciation and Amortisation	20.8	(35)
Donor Funding Income	20.2	1 706
Cost of employment		11
Donor Funding Expenditure		(1 706)
NSF expenditure previously recognised as NSF	20.2	(1 232)
NSF Provision	20.7	(474)
Administration Expenditure - General Expenses		(24)
Rates & taxes, water & lights and security	20.6	(296)
Operating lease expenditure	20.6	99
Travel and subsistence	20.5	171
Employer grants and project expenses		(983)
Re-allocation of DG expenditure to NSF	20.2	1 161
DG Provision	20.7	(2 044)
Mandatory Grants Expenditure	20.4	(100)
		<b>2 404</b>
SARS Payables: Non-exchange	20.1	(158)
Provisions: Non-exchange	20.1	158
Property, Plant and Equipment	20.8	(258)
Intangible Assets	20.8	(41)
Trade and other receivables non-exchange: mandatory grants	20.9	(31)
Operating lease liability	20.6	(38)
Trade and other payables-exchange transactions	20.1 / 5 / 9	(137)
Provisions: Non-exchange		2 498
Provisions - Discretionary Grants	20.7	2 044
Provisions - Donor Funding	20.7	474
Provisions - Workmen's Compensation	20.1	(20)
Grants and transfers Payables		(3 330)
Grants and transfers Payables - Mandatory grants	20.3	(3 436)
Grants and transfers Payables (mandatory grants payables)	20.4	106
		<b>(3 306)</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

	Mar-17	Mar-16 Restated
Notes	R'000	R'000

## 21. MATERIAL LOSSES THROUGH CRIMINAL CONDUCT, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

### 21.1 Material losses through criminal conduct

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

### 21.2 Irregular Expenditure

Opening balance	15 683	4 717
- Add: Irregular expenditure - relating to the current year	65 152	113
- Add: Irregular expenditure - relating to the prior year	-	15 534
- Less: Amounts condoned	-	(2 609)
- Less: Amounts written off	-	(2 009)
Closing Balance	<b>80 834</b>	<b>15 683</b>

#### The balance of the irregular expenditure comprises the following:

Opening Balance	15 683	-
Procurement (Contravention of TR16A.6.4)	8	37
Travel and subsistence	-	58
Salaries	-	18
Skills programmes – arising from the 2014/15 financial year	-	36
Irregularities in the evaluation and awarding of projects	41 331	15 534
Irregular expenditure due to excess administration expenditure	23 813	-
Closing balance	<b>80 834</b>	<b>15 683</b>

The current year irregular expenditure is due to non-adherence to the evaluation processes in the allocation of the discretionary grants. The evaluation took place in the 2015/16 financial year however the irregularities only identified in the current financial year.

The administration expenditure in excess of the administration levy income received is also disclosed as irregular expenditure. This is due to application of the SDA and the DPSA directive on the revenue received through a VOTE.

SIU was engaged to conduct a forensic audit onto the evaluation process and the outcome has confirmed that the process of the allocation was irregular. The SIU was engaged following identification of non-adherence to processes by the in-house internal audit.

All the irregular expenditure not written-off or condoned is still under investigation.

An amount of R15 534 000,00 relating to the irregular expenditure in the 2015/16 financial year due to irregularities in the evaluation and awarding of the projects was only identified and reported in the current financial year.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

	Mar-17	Mar-16 Restated
Notes	R'000	R'000

## 21. MATERIAL LOSSES THROUGH CRIMINAL CONDUCT, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

### 21.3 Fruitless and Wasteful Expenditure

Opening Balance	308	355
Add: Fruitless and wasteful expenditure incurred during the year	95	18
Less: Written off during the year	-	(65)
<b>Closing balance</b>	<b>403</b>	<b>308</b>

The fruitless and wasteful expenditure relates to expenses incurred for interest and penalties on late payment of invoices.

The expenditures that are not written off are still under investigation and will only be considered for condonement once the investigations are finalised.

## 22. RELATED PARTIES

### Transactions with employer companies represented at the PSETA board

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

### 22.1 Accounting Authority Members - 31 March 2017

Committee Member	Meeting Fee R'000	Travel Expense R'000	Total 2016/17 R'000	Total 2015/16 R'000
Ms. Mashigo - Chairperson of the Accounting Authority	213	9	222	264
Mr. Kobese	32	4	36	67
Mr. Maduna		7	7	5
Ms. Mkhize	194	8	202	208
Mr. Mokheranyane	168	13	181	129
Dr McKinney	-	-	-	38
Ms. Kola	-	-	-	-
Mr. Dladla	172	15	187	109
Ms. Mankoe	131	4	135	69
Mr Shingange	-	-	-	12
Ms Oodit	109	-	109	73
<b>Total</b>	<b>1 019</b>	<b>60</b>	<b>1 079</b>	<b>974</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### 22. RELATED PARTIES (CONTINUED)

#### 22.2 Audit Committee Members - 31 March 2017

##### Committee Member

P. Mzizi - Chairperson

P. Mukheli

P. Dlala

**Total**

Meeting Fee	Travel Expense	Total 2016/17	Total 2015/16
R'000	R'000	R'000	R'000
159	3	162	145
75	2	77	94
86	2	88	13
<b>320</b>	<b>7</b>	<b>327</b>	<b>252</b>

#### 22.3 Key management personnel

The key management personnel were paid as follows:

Name	Position	Engagement date	Salary	Performance bonus	Other allowances	Total 2016/17	Total 2015/16
			R'000	R'000	R'000	R'000	R'000
Mrs. S. Huluman	CEO	01 Aug-10 - current	1 711	-	140	1 851	1 661
Ms. M.E Ntsowe	CFO	01 Jan 14 – 30 Apr 16	174	-	1	174	1 006
Mr D. McLean	COO	01 Jun-15 – 15 Dec 16	811	-	9	820	840
Ms. N. Qamata	CSE	01 Apr-15 –current	1 064	-	9	1 073	397
Mr. T. Khubana	CFO (Acting)	01 May 16 – 30 Sep 16	535	-	105	640	-
Mr. O. Mafora	CFO	01 Oct 16 – 31 Mar 17	532	-	5	536	-
<b>TOTAL EXECUTIVE MANAGEMENT REMUNERATION</b>			<b>4 826</b>	<b>-</b>	<b>268</b>	<b>5 093</b>	<b>3 904</b>

#### 22.4 Transactions with other SETAs

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

	Mar - 17		Mar - 16	
	Amount receivables\ (payable)	Transfers in\ (out) during the year	Amount receivables\ (payable)	Transfers in\ (out) during the year
	R'000	R'000	R'000	R'000
Payables	(137)	(115)	(22)	-
MERSETA	(67)	(67)		
SERVICES SETA	(49)	(49)		
LGSETA	(22)	-	(22)	-
<b>Total</b>	<b>(137)</b>	<b>(115)</b>	<b>(22)</b>	<b>-</b>
<b>Receivables</b>	-	-	-	-
<b>Total</b>	-	-	-	-

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

## 22. RELATED PARTIES (CONTINUED)

### 22.5 Transactions with other national public entities and state institutions

	Amounts received	Amounts paid	Amount payable	Amount receivable
	R'000	R'000	R'000	R'000
<b>2016/2017</b>				
National Treasury	55 727			
<b>Total</b>	<b>55 727</b>	-	-	-
<b>2015/2016</b>				
National Skills fund	10 408	-	-	-
DPSA	93 843	-	-	-
<b>Total</b>	<b>104 251</b>	-	-	-

## 23. EVENTS AFTER REPORTING DATE

The PSETA CEO resigned on the 31st May 2017.

There are no other significant events that occurred after reporting date.

## 24. EXPLANATION OF MATERIAL VARIANCES BETWEEN ACTUAL RESULTS AND FINAL BUDGET

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

### REVENUE

#### 24.1 Skills development levy: income, interest and penalties

More levies were received than budgeted, however consistent to that of the prior year. The variance between the current and prior year is as a result of additional levies received due to the SARS reversals

#### 24.2 Transfers from other government entities - National treasury

PSETA had budgeted to receive R98,8 million from DHET through the National Treasury Vote. The vote was reduced by 43% in the second quarter of the financial year and budget revised accordingly. The amount received is in line with the revised approved budget amount.

#### 24.3 NSF Projects realised income and related expenditure

The actual amounts are less than budgeted as the funding received is almost depleted. Additional funds still available on the contract are to be requested in the 2017/18 financial year for the project to proceed. New contracts will also be entered into with service providers to be able to utilise the remaining donor funding balance.

#### 24.4 NSF Donations Income

The NSF donations income forms part of the NSF realised income. The donations income relates to the funds utilised through purchase of PSETA assets utilised in carrying out the SETA's mandate. The assets are not utilised for the sole purpose of administering NSF funds. The funds were not separately budgeted for, however included as part of 23.3 above.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

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### 24. EXPLANATION OF MATERIAL VARIANCES BETWEEN ACTUAL RESULTS AND FINAL BUDGET (CONTINUED)

#### 24.5 CIP Projects Realised Income and its related expenditure

The CIP income and its related expenditure were not separately reflected on the budget as line items however budgeted for under the CIP deferred income liability (note 11). The funds expensed were in-line with the budget and contract requirements.

#### 24.6 Investment income

Investment income has increased due to high cash balances. Non-implementation of the discretionary projects has contributed to the cash balances. Includes interest received from the banks which were not budgeted for.

#### 24.7 Other Income

Other income per the budget comprises rolled-over surplus funds arising from the 2015/16 financial year. Approval was received from National Treasury to retain the funds and as a result, they became available for usage. They were only brought into current year budget to allow corresponding expenditure to also be budgeted for.

The actual amount of R16 000,00 from insurance proceeds was not budgeted for and it was received due to unforeseen circumstances.

### GRANTS AND PROJECTS EXPENDITURE

#### 24.8 Mandatory Grants

Mandatory grants expenditure incurred for the current financial year is in excess of the budgeted amount. The budget was computed based on following the prior year trend, expenditure amount which was understated. A prior period error has been effected to correct the misstatement / understatement of the comparative amount.

The expenditure incurred in the current is however less than that of the prior year. This is dependent on the contribution by the employers and the impact of the SARS reversals on the grants paid back to the employers.

#### 24.9 Discretionary Grants

Discretionary grants expenditure incurred for the current financial year is also below budget. There was no discretionary grants allocation in the current financial year and the last allocation made was in the 2015/16 financial year. The movement in the expenditure is a result of the projects emanating from the prior financial years. The 2015/16 allocation was finalised towards year end hence the expenditure occurred in the current financial year.

Provisions also had a significant impact on the expenditure. The prior year provision is less than that of the current year mainly due to late commence of projects in the prior year and no need for a provision as training would not have taken place.

### ADMINISTRATION EXPENDITURE

The total administration expenditure is below budge. Below is a summary of the significant contributors to the savings:

#### 24.10 Audit Fees

The audit fee per the budget approved as tabled by the Office of the Auditor General was in excess of the approved budget line item. An interim audit was conducted in the prior year audit cycle which contributed to the higher audit cost.

The expenditure incurred is also not in line with that of the prior financial year. The budget was based on the previous year's audit cost.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

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### **24. EXPLANATION OF MATERIAL VARIANCES BETWEEN ACTUAL RESULTS AND FINAL BUDGET (CONTINUED)**

#### **24.11 Cost of employment**

Our cost of employment budget was aligned to DPSA salary scales, however it was not adopted in the current financial year, hence the underspending and also due to i/s during the year. The ODI exercise has been planned for the 2017/18 financial year to address these challenges.

The number of resignations leading to vacancies also contributed to the underspending on the payroll cost.

#### **24.12 Depreciation and Amortisation**

Depreciation and amortisation is more than the budget. The difference is due to revision of useful life in the current financial year resulting in previously recognised depreciation and amortisation being reversed to bring back the carrying amounts of assets to allow current and future year(s) depreciation / amortisation. Most of these assets were fully depreciated in the prior financial years already.

#### **24.13 Operating Lease rental**

The variance between the budget and the actual amount is mainly due to straight-lining (accounting treatment) of the lease expense as required by GRAP 13. The actual amount is below budget as a result.

#### **24.14 Advertising, marketing and promotions, communications**

The reduction in the expenditure was mainly due to only advertising in the tender bulletin and not newspapers. Further, the planned procurements were not carried out due to non-implementation of projects leading to further cost savings.

#### **24.15 Catering and refreshments**

Adherence to cost containment measure has resulted in this saving.

#### **24.16 Legal Fees**

The SATA had budgeted for legal fees in the current financial year however the cost incurred in sourcing the legal opinion exceeded the expected cost. The procurement process was approved as overall expenditure was still below budget.

#### **24.17 Consultancy and service provider fees**

The appointment of the CFO during the financial year resulted in consultants not being utilised. The CFO subsequently left as at 31 March 2017.

#### **24.18 Travel and subsistence**

PSETA did not new implement projects in the current financial year which resulted in less than anticipated travel and subsistence regarding monitoring of the projects.

#### **24.19 Training and Staff Development (Sundry Items)**

The learning interventions applied for and taken by the staff members were below anticipated costs.

#### **24.20 Workshops**

Due to non-implementation of new projects for the current financial year, we did not spend because we did not have new providers to workshop.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### 24. EXPLANATION OF MATERIAL VARIANCES BETWEEN ACTUAL RESULTS AND FINAL BUDGET (CONTINUED)

#### 24.21 Sundry Items

Sundry items comprised the following items and the savings are accounted for as follows:

	Budget	Actuals	Variance
	R'000	R'000	R'000
Annual report and related costs	200	54	146
Consumables	30	2	28
Gifts and flowers		2	(2)
Postage and courier	70	41	29
Staff Welfare	50	1	49
Telephone - Cell Phones	50	51	(1)
Telephone - Landlines	423	326	97
Training - Governance	84	15	68
Licences	100	-	100
	<b>1 007</b>	<b>492</b>	<b>515</b>

The major savings were on annual report and related costs, licenses and telephones. The cost of printing the annual reports were less than anticipated and no other costs were incurred in relation to the report. Telephone costs were also less than budget due to non-implementation of projects as there was less activity in the organisation regarding monitoring of the projects. The cost of licenses has been capitalised hence no movement on this expenditure budget line item.

#### 24.22 Project Monitoring Costs

The budget line item was not utilised in the year under review. The costs incurred in the monitoring of the projects, following the non-allocation of the projects in the current year only related to monitoring costs hence this budget line item was not utilised. The budget was mainly targeted for launching of projects

#### 24.23 Capital Expenditure

The additions to the property, plant, equipment and intangible assets is per budget with a minor variance realised.

#### 24.24 Net Surplus / (Deficit) for the year

The SETA for the financial year realised a deficit as the total expenditure exceeded the total revenue. The reduction of the revenue budget (transfer from the DPSA) was a major contributor towards the deficit. The revenue budget was reduced by R43 million during the course of the year.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### 25. COMMITMENTS

#### 25.1 DG Commitments

Type of Programme	Opening Balance 01 Apr 2016	Adjust- ments	Restated Opening Balance 01 Apr 2016	New Con- tracts	Expendi- ture Incurred	Adjust- ments (Write- backs)	Closing Balance 31 Mar 2017
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Artisans	1 350	3 120	4 470	-	2 085	90	2 295
Bursary	4 910	2 896	7 806	-	4 632	32	3 142
HRD Review	-	-	-	295	100	-	195
Internship	5 452	(984)	4 468	-	3 100	168	1 200
Learnership	12 179	(159)	12 019	-	7 781	168	4 071
Research	807	-	807	807	1 461	-	154
Skills Programme	7 630	17	7 647	700	5 922	22	2 403
Workplace Intergrated Learning	25 894	1 268	27 162	-	16 972	1 401	8 788
<b>Total Discretionary Commitments</b>	<b>58 222</b>	<b>6 157</b>	<b>64 379</b>	<b>1 802</b>	<b>42 053</b>	<b>1 881</b>	<b>22 247</b>

#### 25.2 Donor Funding Commitments

Artisan	2 215	674	2 889	-	1 503	689	697
Capacity building	803	(263)	540	-	535	5	-
Internship	62	-	62	-	62	-	-
Learnership	88	3 960	4 048	-	3 960	88	-
Material development	1 120	(300)	820	239	359	-	700
Others	266	(266)	-	-	-	-	-
Workplace Intergrated Learning	1 348	188	1 536	-	1 085	177	274
Total Donor Funding Commitments	5 902	3 993	9 895	239	7 504	960	1 671
<b>TOTAL DONOR FUNDING (NSF &amp; DG) COMMITMENTS</b>	<b>64 124</b>	<b>10 151</b>	<b>74 274</b>	<b>2 042</b>	<b>49 557</b>	<b>2 841</b>	<b>23 918</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

	Mar-17	Mar-16 Restated
Notes	R'000	R'000

### 25. COMMITMENTS (CONTINUED)

There are no operational commitments disclosed in the current financial year even though they were disclosed in the prior year.

Non-disclosure is due to the PSETA's operational / administration commitments being deemed routine, steady and in line with the state of the business of the PSETA per GRAP 19 (Accounting Guidelines).

The balance disclosed per last year's annual financial statements amounted to R1 042 417,00.

Steiner Hygiene	3
Marsh & McLennan Companies	40
Vodacom	17
Metrofile	15
Fidelity Security Services	15
Active Brand	30
Deloitte- MMS	517
Deloitte - Secondment of Staff	217
VOX Telecommunications	187
<b>Finance Total</b>	<b>1 042</b>

#### 25.3 Operating lease commitments:

Total future minimum lease payments under noncancellable leases:

Not later than one year	2 929	629
Later than one year and not later than five years	785	-
<b>Totals</b>	<b>3 714</b>	<b>629</b>

The operating lease liability is the difference between actual payments and straight – lining as recognised in the statement of financial performance.

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

The lease agreement entered into effective 1 January 2014 for a period of 2 years 6 months, expiring on the 30 June 2016 has been extended until 30 June 2018. No provision was made for an option to renew the lease on expiry. The rental payments escalate annually by 8%.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

	Mar-17	Mar-16 Restated
Notes	R'000	R'000

## 26. CONTINGENT LIABILITIES

### 26.1 Retention of Cash surplus

In terms of section 53 (3) of the PFMA, public entities listed in schedule 3A and 3 C to the PFMA may not retain cash surplus that were realised in the previous financial year without obtaining the prior written approval of National Treasury. During September 2015, National treasury Issued Instruction No. 3 of 2015/16 which gave more detail to the surplus definition. According to this instruction, a surplus is based on the cash flow from operating activities and net investing activities in financial assets.

As of the 31<sup>st</sup> March 2017 the cash flow from operating activities and net investment activities was:

Cash and cash equivalents	103 067
Add: Receivables	2 448
Less: Current Liabilities	(24 049)
Less: Commitments	(23 918)
Surplus / (Deficit)	<b>57 548</b>

Submission regarding the cash surplus was made to the National Treasury for 2016/17 financial year on the 31 May 2017.

### NSF Liabilities – uncommitted surplus discretionary grants reserves

The discretionary grants reserves of the PSETA are in excess of the committed funds. DHET is copied on the submission to the National Treasury requesting roll-over of the surplus funds. PSETA is awaiting approval as at 31 July 2017.

## 27. INVESTIGATIONS

Due to non-adherence of the evaluation process in the 2015/16 financial year, the SIU has been approached to investigate the evaluation process. The irregular expenditure disclosed in note 20 above relates to this investigation.

The preliminary investigation has been concluded which confirmed that the discretionary grants allocation process was irregular.

The Accounting Authority took a decision to seek the Presidential proclamation through the SIU for further investigation to establish possibility of recouping funds where PSETA suffered losses as a result of this irregularity.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### 28. FINANCIAL INSTRUMENTS

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

#### 31 March 2017

	Floating rate		Fixed interest rate			Non- Interest bearing		TOTAL
	Amount	Effective interest rate	Amount	Weighted average effective interest rate	Weighted average period for which the rate is fixed in years	Amount	Weighted average period for which the rate is fixed in years	
	R'000	%	R'000	%	R'000	R'000	R'000	R'000
<b>Assets</b>								
Cash	103 067	1,11%	-	-	-	-	-	103 067
Accounts receivable	-	-	-	-	-	2 448	1 year	2 448
<b>Total financial assets</b>	<b>103 067</b>	<b>1,11%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 448</b>	<b>-</b>	<b>105 515</b>
<b>Liabilities</b>								
Accounts payable						6 266	1 year	6 266
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 266</b>	<b>-</b>	<b>6 266</b>

#### 31 March 2016

<b>Assets</b>								
Cash	119 830	0,6%	-	-	-	-	-	119 830
Accounts receivable	-	-	-	-	-	881	1 year	881
<b>Total financial assets</b>	<b>119 830</b>	<b>0,6%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>881</b>	<b>-</b>	<b>120 711</b>
<b>Liabilities</b>								
Accounts payable						5 598	1 year	5 598
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 598</b>	<b>-</b>	<b>5 598</b>

#### Credit risk

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

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

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



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### 28. FINANCIAL INSTRUMENTS (CONTINUED)

#### Cash and cash equivalents

	2016/2017		2015/2016	
	Gross	Impairment	Gross	Impairment
	R'000	R'000	R'000	R'000
Not past due	103 067	-	119 830	-
Past due 0 - 30 days	-	-	-	-
Past due 31 - 120 days	-	-	-	-
Past due 1 year	-	-	-	-

#### Liquidity risk

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

#### 2016/2017

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
	R'000	R'000	R'000	R'000	R'000	R'000
Trade and other payables from exchange transactions	6 266	6 266	6 266	-	-	-

#### 2015/2016

Trade and other payables from exchange transactions	5 598	5 598	5 598	-	-	-
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#### Market risk

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

#### Fair values

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

#### Cash and cash equivalents

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

#### Accounts receivable

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

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### 28. FINANCIAL INSTRUMENTS (CONTINUED)

#### Investments

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

#### Borrowings

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

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

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

#### Accounts payable

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

### 29. GOING CONCERN

All SETAs operate on a five-year license term, linked to the life-cycle of the National Skills Development Strategy (NSDS). NSDS III expires on 31 March 2016 and the PSETA license was scheduled to expire on the same time. The MHET extended the SETA's lifespan to 31 March 2018 and further to 31 March 2020. NSDS III is still in force for the remaining duration of the SETA's lifespan.

The financial position of PSETA is adequate for a conclusion to be reached that the operations will continue and the going concerns assumption is confirmed. In the event that PSETA is not relicensed by the 31st March 2020, all existing commitments will be transferred as per the transitional arrangements prescribed by DHET.

### 30. NEW STANDARDS AND INTERPRETATIONS

At the date of the authorisation of these financial statements, these are Standards and Interpretations in issue but not yet adopted by PSETA fully. These include the following Standards and Interpretations that are applicable to the SETA and may have an impact on future financial statements

#### GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

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### 30. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the entity's annual financial statements.

#### **GRAP 108: Statutory Receivables**

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the entity's annual financial statements

#### **IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time.

The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

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### 30. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the entity's annual financial statements.

Standards that maybe used to disclose information on the financial statements

#### **GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2016.

The adoption of this standard is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the annual financial statements.

The entity is still assessing adoption for full compliance with this standard.

[illegible]

[illegible]







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