ANNUAL REPORT 2017/18

CUTTING EDGE SKILLS FOR QUALITY PUBLIC SERVICES

higher education & training
Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

PSETA
Public Service Sector Education & Training Authority

TABLE OF CONTENTS

PART A:

GENERAL INFORMATION

PSETA INFORMATION

Registered name of the public entity	Public Service Sector Education and Training Authority
ISBN number	987-0-621-46296-8
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ABBREVIATIONS AND ACRONYMS

AA	Accounting Authority (the Board)
APP	Annual Performance Plan
AC	Audit Committee
AG	Auditor-General
AGSA	Auditor-General South Africa
BAC	Bid Adjudication Committee
CAATS	Computer Assisted Audit Techniques
CEO	Chief executive Officer
CFO	Chief Financial Officer
COO	Chief operating Officer
CSE	Corporate Services Executive
DG	Discretionary Grant
DHET	Department of Higher Education and Training
DPSA	Department of Public Service and Administration
ETQA	Education and Training Quality Assurance
EA	Executive Authority, which is a member of the Cabinet
EU	European Union
EXCO	Executive Committee
FY	Financial Year
GRAP	Generally Recognised Accounting Practice
GSC	Governance and Strategy Committee
G-SETA	Government-Sector Education and Training Authorities
HR	Human Resources
HRM	Human Resource Management
ICT	Information and Communication Technology
KZN	KwaZulu-Natal
MoA	Memorandum of Agreement
MHET	Minister of Higher Education and Training
MOA	Memorandum of Agreement
MIS	Management Information System
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework

NEHAWU	National Education Health and Allied Workers Union
NQF	National Qualifications Framework
NSF	National Skills Fund
NSG	National School of Government
NSDS III	National Skills Development Strategy III
NSF	National Skills Fund
NT	National Treasury
OQFS	Occupational Qualification Sub-Framework
PFMA	Public Finance Management Act
PIVOTAL	Professional, Vocational, Technical and Academic Learning
POPCRU	Police and Prisons Civil Rights Union
PS	Public Service
PSA	Public Servants Association of South Africa
PSETA	Public Service Sector Education Training Authority
QCTO	Quality Council for Trades and Occupations
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SDA	Skills Development Act
SETA	Sector Education and Training Authority
SIU	Special Investigating Unit
SD	Skills Development
SDA	Skills Development Act
SDF	Skills Development Facilitator
SDLA	Skills Development Levies Act
SITA	State Information Technology Agency
SOEs	State Owned Enterprises
SP	Strategic Plan
SSP	Sector Skills Plan
S&T	Subsistence and Travel
TID	Technical indicator Descriptor
TVET	Technical Vocational Education and Training (Former FET Colleges)
WIL	Work Integrated Learning
WSP	Workplace Skills Plan

ACKNOWLEDGEMENTS

The Honourable. Naledi Pandor, MP
Minister of Higher Education and Training

The Honourable. Buti Manamela, 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 01 April 2017 to 31 March 2018 and provides an overview of the operations, financial performance and developments across all performance targets as encapsulated in the Annual Performance Plan.

The PSETA Accounting Authority, management and staff would like to express their heartfelt appreciation for the visionary and thought leadership of both the Minister and Deputy Minister of Higher Education and Training. We look forward to another dynamic financial year with challenging targets to enhance the skills development and training of the sector we prudently serve.

Adv. Bantomu Diamond Mushwana

Accounting Authority (AA) Chairperson

Date:31 July 2018

FOREWORD BY THE

CHAIRPERSON OF THE ACCOUNTING AUTHORITY

It is my honour and privilege to present to you the Public Service Sector Education and Training Authority's (PSETA) Annual Report for the 2017/18 financial year. The Report provides us an opportunity to account for the achievement against set targets that have been committed to during the year under review.

PSETA as a public entity has a legal obligation to adhere to the requirements set out in the Skills Development Act, 1998 (Act No.97 of 1998) as amended, hereinafter called the SDA in relation to the submission of the Service Level Agreement (SLA) that is signed with the Director-General of the Department of higher Education and Training (DHET). The agreement spells out the expectations and commitments between the parties as well as performance expectations from the SETA, and such is incorporated into the Annual Performance Plan (APP) that is submitted to the Minister and subsequently tabled in Parliament prior to the start of the financial year.

PSETA continued to contribute towards the achievement of the Ministerial Outcomes 5 and 12, which are '*A skilled and capable workforce to support an inclusive growth path', and 'An efficient, effective and development oriented public service'*, respectively. As part of our contribution, we produce a Sector Skills Plan (SSP), which is produced annually and approved by the Minister of Higher Education and Training (MHET). The SSP spells out key interventions that have to be implemented by the public service sector using the one percent training budgets that government institutions are compelled in terms of the Skills Development Levies Act, 1999 (Act No.9 of 1999), hereinafter called SDLA, to set aside. The PSETA also has an obligation to mobilise the sector and ensure that its pivotal plan is implemented in collaboration with the stakeholders.

The 2017/18 SSP had four (4) priority areas which are outlined below:

- Priority 1: Establishing strategic partnerships with key departments;
- Priority 2: Improving the capacity of state training and learning institutions in the sector;
- Priority 3: Focus on workplace based learning to lead the making of the workplace a training space;
- Priority 4: Delivery of training through alternative, cost effective and efficient mechanisms (e-learning and recognition of prior learning (RPL).

These priority areas formed the basis within which the strategic plan was updated and followed by the development of the Annual Performance plan which contains the performance targets that we are reporting on.

During the period under review, PSETA achieved an overall performance of 59% as compared to 51% of 2016/17. Out of 37 planned targets only 22 were achieved and 16 of them fall under core business divisions. This implies that there remains been a slight improvement in the yearly performance of the entity.

Management reported improvement in the disbursement of discretionary grants to the sector as the core business divisions was able to implement various learning interventions, although not in all areas as the planning was started during the year and implementation only happening in the last quarter. It is worthy to note that the funds earmarked for discretionary grant have been allocated for the financial year, except some portion of the surplus for the 2016/17 which we received during the second quarter. Poor planning made it impossible to timely spend all the money, however, majority of it has been committed already as contracts have been signed with the service providers and stakeholders.

PSETA has experienced challenges in realising the expected outcomes from its strategic partnerships with some departments in the Public Service which is critical to the achievement of its strategic objectives in the Annual Performance Plan.

During the financial year, a number of Memorandum 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.

Notwithstanding, measures have been put in place by management to mitigate this risk by revising the Discretionary Grants Policy, prividing for the termination of the MoA in cases where the stakeholder has not adhered to the conditions, this has not had positive the expected results.

The AA has noted that whilst external challenges have been experienced, PSETA had its own, such as: inefficient contract management systems. The AA has offered to support management in stakeholder relations, in particular to address issues related to the public service.

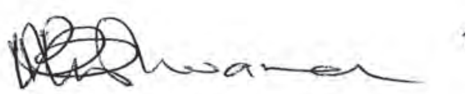
The AA has noted the process that is underway to finalise the policy direction on the future SETA landscape. It continues to take responsibility to mitigate some of the unintended consequences like risk of staff turnover.

The PSETA continues to plan for a five (5) years period guided by government medium term policy imperatives like the White paper on post school education and the National Development goal of building a "*skilled and capable public service workforce"* as envisioned by the National Development Plan, 2030.

PSETA is pleased to have achieved another unqualified audit opinion from the Auditor-General for the second successive year. This serves to motivate all of us to take the organisation to another level in terms of pursuing its mandate.

In conclusion, I acknowledge the gratitude shown by the Executive Authority in providing policy direction provided during the year and also to, the members of the Accounting Authority and its committees. It is because of their commitment, hard work and governance oversight that the AA continues to execute its mandate and maintain good corporate governance.

Further, extend sincere thanks to the executive management and staff for their tireless service. Lastly, appreciation to the sector constituencies, stakeholders and beneficiaries of PSETA programmes for the support .



Adv. Bantomu Diamond Mushwana

PSETA Accounting Authority Chairperson

Date: 31 July 2018

OVERVIEW BY THE
ACTING CHIEF EXECUTIVE OFFICER

The 2017/18 financial year has been a promising period for the Public Service Sector Education and Training Authority (PSETA) as we worked tirelessly to build on the positive audit outcome from the Auditor General South Africa, an achievement that really motivated the entire staff. This has also been acknowledged by the stakeholders within our sector. As we account for the year that had ended, considerable efforts were made to improve on the performance of the entity, under difficult conditions that we operated in.

During the year under review, the PSETA complied with its legal requirements by entering into the Service Level Agreement with the Department of higher Education and Training (DHET) in accordance with the Skills Development Act, 1998 (Act No.97 of 1998) as amended, hereinafter called SDA. The SLA contained performance targets within are derived from the National Skills Development Strategy III (NSDS), and guide all SETAs on the expected contribution to be made towards the development of skills in the country. Secondly, we submitted the Sector Skills Plan for the year, which is a document that was developed in collaboration with the entire public service sector and guides on the suitable interventions to be implemented in addressing the skills gaps. This document informed the updating of our five (5) year strategic plan for the current medium term strategic framework period of Government, 2014-2019. The Annual Performance Plan for the 2017/18 financial year, which served as an implementation plan for the strategic plan, was prepared in accordance with the National Treasury's Framework for the development of strategic and annual performance plans. Both the SP and APP documents were submitted to the Minister of Higher Education and Training (MHET) and subsequently tabled in Parliament in terms of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No.9 of 2009).

Key notable achievements during the reporting period relates to the following: concluding the Memorandum of Understanding with the Special Investigation Unit (SUI) and the French Embassy as a way of formalising a partnership for human resource development, which provides for a foundation for specific South African public entities to engage in a process to identify skills needs and capacity constraints that may not be sufficiently supported in the Country. This partnership resulted in the SIU identifying about 20 employees to be trained in cyber-crime investigations and this will be rolled out as a train the trainer programme to other public entities. Secondly, a total of eleven research reports were produced which contributed to the establishment of a reliable institutional mechanism for skills planning for the public service sector. Some of the research focus areas included that of skills analysis on demand and supply; education and the workplace; qualifications, programmes and quality assurance; as well as cross cutting human resource development issues within the sector. Such information is essential in planning to meet the sector's skills needs and guiding investment in education and training provision. Thirdly, as part of implementing the mandate entrusted to us by the DHET to facilitate the 2000 Chinese learning opportunities from 2015 to 2020, we identified and sent five (5) officials within our entity to attend a seminar on Public Administration for African English Speaking in China during the third quarter.

Fourthly, approximately 73 skills development providers were monitored as part of our education and training quality assurance function. Approximately nine (9) advocacy sessions were conducted in various provinces in an effort to improve both communication with stakeholders and also quality provisioning. The focus of these sessions was to highlight critical issues that stakeholders need to take note of in relation to improved provision within the public sector. The entity continued to maintain its Green Status report from the National Learner Record Database (NLRD) regarding uploading of learners and certification.

Lastly, we entered into 12 agreements with Technical and Vocational Education and Training (TVET) colleges, four agreements with government departments, 11 agreements with the Skills Development Providers and one agreement with a Non-Governmental Organisation (NGO). The total value of the agreements is R66 million

Coming to the funding of the entity, 90% of the income was derived from voted funds that have been appropriated by Parliament and in contained in Vote 15 under programme 5 for the Department of Higher Education and Training (DHET). The allocated funds were published in the Estimate of National Expenditure (ENE) by the National Treasury at the start of the financial year. The remaining 10% came from skills development levies paid by the constituent members such as the public entities and some government departments. This funding arrangement differs with what the other 20 SETAs have in place as they receive levies from all the members whereas the PSETA does not, because the majority of the members, being the government departments are exempted in terms of the Skills Development Levies Act, 1999 (Act 9 of 1999) hereinafter called SDLA. Having said that, the budget was broken into administration costs such as salaries, office accommodation, subsistence and travel and other services; mandatory grants paid out to those who contributed levies, discretionary grants meant for the implementation of the learning interventions identified in the Sector Skills Plan and contained in both the Annual Performance Plan and the Service level Agreement.

Meanwhile it is important to appreciate that whilst the entity is underfunded as compared to its counterparts, but supports a sector that is regarded as the largest employer in the Country.

With regard to our internal capacity to deliver on our mandate, we continued to experience a turnover in critical positions such as the Chief Executive Officer, Corporate Service Executive, Manager within the Education and Training quality Assurance area as well as unavailability of the chief financial officer and finance manager. However, the Acting Chief Executive Officer (ACEO) together with the Accounting Authority (AA) acted swiftly and filled all these positions expect that of the CEO during the second quarter of the financial year. Over and above this, we also created and filled key positions such as the Manager for Information and Communication Technology and also a Legal Specialist which we never had before. Capacity within the Board Secretariat Unit was also strengthened with the addition of another staff member to ensure continuity in case the Board Secretary was unavailable.

Notwithstanding the positives that have been highlighted , we continued to experience challenges within the sector, although they are not similar to the prior year. The allocation of discretionary grants has improved with all the available funds committed, however, the government departments still face a challenge of timely appointing skills development providers. This is a real setback for us as we would have to approach the National Treasury once more to retain surplus funds in terms of the PFMA. To remedy this, we began the process of planning for the next financial during the second quarter of the year under review to avoid only reporting on actual work during the last quarter as this is too risky.

As reported in the 2016/17 financial year, the Special Investigating Unit (SIU) investigation relating to the DG process of 2015/16 financial year which was found to have some irregularities, is underway after the President of the Republic issued a Proclamation in October 2017. Whilst we appreciated the preliminary findings made by the SIU during its initial investigation in the 2016/17 financial year and made recommendations, we have not sat on our laurels but continued to strengthen internal controls and compliance to policies related to the discretionary grant allocation process to avoid any possible recurrence, on the one hand, whilst on the other hand expediting disbursements and rolling out the much needed training to the sector.

Coming to the issue of financial viability, the entity operated as a going concern and continue as such until the end of its licensing period.

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

Once again we have obtained an unqualified audit opinion which implies that there is tremendous improvement in the control environment, on the one hand, whereas on the other hand, we have effectively implemented the action plans that we developed post the prior year audit. We are looking forward to surpassing our expectations in the next audit period.

Let me conclude by extending my heartfelt appreciation to the outgone Accounting Authority under the Chairpersonship of Mrs Koko Mashigo, the AA Committees for providing continued oversight and support in various areas of the work of the entity. The sector stakeholders who walked the journey with us in our quest to implement the critical skills development interventions contained in our pivotal plan and reverse the negative image of the entity cannot go unnoticed.

Lastly, the Management team and the entire staff of the PSETA who worked tireless to improve the image of the entity are also appreciated. Whilst we acknowledge the improvements, much still need to be done to ensure that the skills of the public servants are improved in order for them to deliver better quality services.

Mr Marks Thibela

Acting Chief Executive Officer

Date: 31 July 2018

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

- All information and amounts disclosed in the Annual Report is consistent with the Annual Financial Statements audited by the Auditor-General;
- The Annual Report is complete, accurate and is free from any omissions.
- The Annual Report has been prepared in accordance with the guidelines as issued by National Treasury;
- The Annual Financial Statements (Part E) have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board;
- The Accounting Authority has an oversight role in the preparation of the Annual Financial Statements by the Chief Financial Officer and her 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;
- 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; and
- The Auditor-General has been engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the PSETA for the financial year ended 31 March 2018.

Mr Marks Thibela

Acting Chief Executive Officer

Date: 31 July 2018

Adv.Bantomu Diamond Mushwana

AA Chairperson

Date: 31 July 2018

STRATEGIC OVERVIEW

Vision

Cutting Edge Skills for Quality Public Services

Mission

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

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

Values

Our values proposition is represented by the following statements:

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

LEGISLATIVE AND OTHER MANDATES

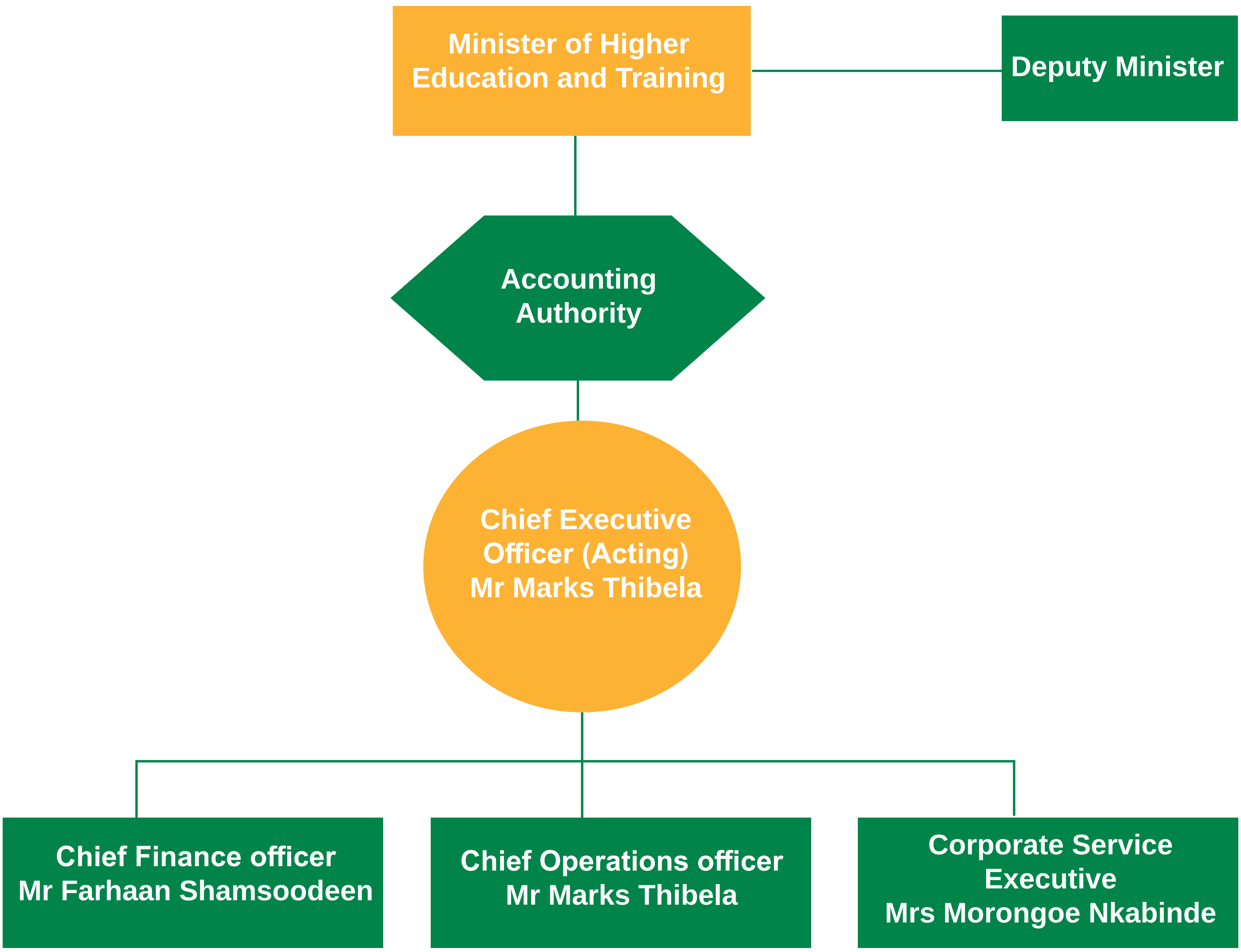
The Public Service Sector Education and Training Authority (PSETA) is established in terms of the Skills Development Act, 1998, Act No.97 of 1998 as amended and listed in terms of the Public finance Management Act, 1999 (Act No, 1 of 1999) as amended as a Schedule 3A public entity.

The following are the legislative, policies and other frameworks that govern the work of the PSETA:

- Skills Development Act, 1998(Act No 97 of 1998) as amended;
- Skills Development Levies Act,1999 (Act No.9 of 1999);
- National Qualifications Framework Act, 2008 (Act No.67 of 2008);
- Public Finance Management Act , 1999 (Act No.1 of 1999) as amended;
- National Treasury Regulations, 2005 as amended;
- National Skills Development Strategy, 2011;
- SETA Grant Regulations regarding monies received by SETAs and related matters , 2012 as amended;
- National Development Plan, 2030;
- Medium Term Strategic Framework, 2014-2019;
- White Paper on Post School Education and Training, 2014;
- National Human Resource Development Strategy for South Africa, 2030;
- National Skills Accord, 2011; and
- National Integrated Human Resource Development Plan, 2014 – 2018.

ORGANISATIONAL STRUCTURE

High-level organisational structure



PART B:

PERFORMANCE INFORMATION

SITUATIONAL ANALYSIS

Service Delivery Environment

The South African government employs over 1,1 million employees (which excludes the local government sector) of which approximately 575 372 employees fall within the Public Service sector distributed across national, provincial and state owned entities (PSETA, 2017) . Employment in the sector is a key contributor to combatting the high unemployment rate which currently prevails in the country.

PSETA is mandated to examine and forecast the nature of skills demand and supply in the Public Service sector which comprises of all national departments, provincial departments, national and provincial public entities, national parliament and provincial legislatures. The focus and emphasis of PSETA is not however on the entire Public Service sector skills but primarily on the transversal skills within the public sector; these are the skills which are dubbed the ‘business of government’. PSETA shares responsibility for skills development in the public service with these entities themselves (who hold the bulk of the resources); with the Department of Public Service and Administration (DPSA), which regulates human resource development across the public service; and with state academies, including the National School of Government (NSG), who provide the job-specific training.

PSETA’s scope of coverage only includes state employees employed in terms of the Public Service Act of 1994 (i.e. excluding teachers, police, 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. 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 senior management service and other transversal skills

Transversal functions include, for example, administration, management, planning, legislation and policy development. PSETA therefore includes in its scope the development of skills in areas that overlap with the focus of other line-function SETAs. For example, whilst FASSET (SETA for Finance, Accounting, Management Consulting and other Financial Services) is responsible for skills development in the area of financial management generally, PSETA also has a mandate to develop skills in public service financial management.

The total number of people employed in the PSETA sector in 2017/18 was 575 372, which has slightly increased as compared to 526 899 in 2016. These are PSETA “constituent employees”, i.e. those for whom PSETA should oversee skills development.

The ETQA department continues to monitor the developments around the Quality Council for Trades and Occupations’ (QCTO) intention to recall the delegated functions. This has strategic implications as it relates to quality assurance of delivery of learning programmes to the public sector.

A further development being monitored is the pending expiry of legacy qualifications and efforts by the PSETA to re-align and develop new occupational qualifications to be registered on the Occupational Qualification Sub-Framework (OQSF).

The entity, through its Sector Skills Plan, implements various training interventions by partnering with various government institutions at national and provincial spheres. The funding of the training interventions are done in accordance with the SETA Grant Regulations issued by the Minister of Higher Education and Training (MHET), which empowers the SETA with the powers to decide on the allocation. To ensure that the principles of fairness, transparency and equity are promoted as required in terms of the Constitution of the Republic of South Africa, 1996 as amended, the entity developed and approved a Discretionary Grant (DG) Policy, Criteria, Guidelines and Funding Framework which guided the process of allocating the available funds to the sector stakeholders.

Organisational environment

PSETA underwent a process of reviewing its business processes within the core business areas as a way of improving efficiency. Various key policies within the finance and human resources management areas were amended and approved by the AA. This was followed by an organisational assessment process which is currently underway with the aim to restructure its internal arrangements and redeploy current resources to the areas that have high impact. It is envisaged that the process will be finalised in the next financial year, however, the implementation phase will be carried out in phases over the medium term period given the financial resources that may be required. This is the first time that the entity has conducted such a study since it became a Schedule 3A public entity, operating independently from the DPSA after 01 April 2011.

Furthermore, the entity also approved an Information and Communication Technology (ICT) Strategy to ensure compliance with the requirements outlined in the Framework for the Corporate Governance of Information and Communication Technology published by the DPSA for the Public Service. Although PSETA does not fall within the ambit of the Public Service, the AA adopted this Framework as best practice to strengthen its fiduciary responsibilities as encapsulated in King IV Report on Corporate Governance.

The Discretionary Grant Policy, Criteria and guidelines were also amended to address emerging risks which may have negatively impacted on our ability to achieve set targets. In addition, a DG Plan was developed and implemented which was aimed at providing a planning mechanism for the disbursement of grants, taking into account the project conceptualisation, prioritisation, alignment and aggregation of project cost, up to and including the final approval by the AA.

In order to address the challenges relating to the efficient management of budget and strengthening in-year monitoring, a budget architecture was developed and is being implemented throughout the organisation. This will go a long way in ensuring that every line manager continuously monitors his/her expenditure and remain within the allocated budget.

Lastly, to strengthen governance at management, a Framework which outlines various management structures, their roles, responsibilities and members was approved and is being implemented. This Framework seeks to synergise the work of the Accounting Authority structures and those at management level.

Performance highlights

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

- The PSETA, Special Investigation Unit and the French Embassy formalised a partnership towards collaborative efforts for Human Resource Development. This partnership was as a result of the PSETA - European Union (EU) dialogue which provided a foundation for specific South African Public Entities to engage in a process to identify skills needs and capacity constraints that may not be sufficiently supported in South Africa, and unpack these with their EU counterparts in order to bridge the identified shortcomings. The outcomes of such a partnership is vast and provides opportunities to explore international best practice and to benchmark our human resource development practices.
- A total of eleven (11) research reports were produced which contribute to the establishment of a reliable institutional mechanism for skills planning for the Public Service sector. The research focus areas included that of skills analysis on demand and supply; education and the workplace; qualifications, programmes and quality assurance; as well as cross cutting human resource development issues within the sector. Such information is essential in planning to meet the sector's skills needs and guiding investment in education and training provision.
- Extensive research was undertaken into understanding the hard to fill vacancies within the Public service sector, and specifically within the four (Four) PSETA sub-sectors. The findings of this research informs the identification of scarce skills in the sector and the guides the skills development priorities of the PSETA.
- The DPSA and the PSETA, in collaboration with the Public Affairs Research Institute (PARI) of Wits University undertook a review of the Public Service Human Resource Development Strategic Framework. The revised Framework, once approved, is expected to be released for implementation by the Public Service within the 2018/19 financial year.
- The Sector Skills Plan (SSP) for 2018/19 was approved by the MHET after evaluation by the SETA Panel committee and the DHET internal committee.
- The DHET has tasked PSETA to facilitate the 2000 Chinese learning opportunities from 2015 to 2020, and as part of this programme, five (5) PSETA officials attended a Seminar on Public Administration for African English Speaking in China during the third quarter.
- Approximately 75 skills development providers were monitored. This surpassed the set annual target of 70. Nine quality advocacy sessions were conducted in various provinces in an effort to improve both communication with stakeholders and also quality provisioning. The focus of these sessions was to highlight critical issues that stakeholders need to take note of in relation to improved provision within the public sector.
- The PSETA continued to maintain its GREEN Status report from the NLRD regarding uploading of learners and certification.
- Offer letters were issued to stakeholders whose proposals and/or applications for funding met the set requirements, resulting in all discretionary grant funding being allocated for the financial year. This excluded the surplus funds relating to the 2016/17 financial year which we received during the second quarter.

- Nine-nine percent of the Memoranda of Agreement (MoA) that were dispatched to successful stakeholders were returned to PSETA within an average of one month, which is a great achievement as compared to previous years.
- PSETA entered into agreements with Technical and Vocational Education and Training (TVET) colleges, Government Departments, Skills Development Providers and Non-Governmental Organisation (NGO). The total value of the agreements is R91 716 million.

Key policy developments and legislative changes

The Minister issued a Government Gazette on National Skills Development Plan, 2030, proposing the future landscape for skills development in the country.

Strategic Outcome - Orientated Goals

The following are the PSETA strategic outcome oriented goals for 2017/18 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 on strategically aligning 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 has been improved by enhancing, governance, ICT and Finance systems. PSETA received the first ever unqualified audit opinion for the period under review, a commendable first for the entity in its history.

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 continues to enhance its internal research capacity and a Sector Skills Plan was approved by DHET and implemented. Built internal research capacity, produced eleven research reports and impact assessment reports through partnering with other institutions to conduct sector wide research which informs the SSP priorities.

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 monitoring and verification visits conducted throughout the year. A total of nine quality assurance advocacy sessions were conducted with training providers and provincial departments throughout the country. These sessions were organised through the Offices of The Premier in each province.

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 are improved. Over 32,000 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.

PROGRAMME PERFORMANCE

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.

Strategic Objectives	Performance Indicators	Baseline information	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement 2017/18	Comment on Deviations
Provision of Governance, Risk and Compliance Assurance to ensure a highly effective and efficient entity.	Improved Risk Management Maturity Rating	4	4	4	0	None
	Percentage Approved Internal Audit Operational Plan Implemented	100%	100%	71%	-29%	At 31 March 2018, the audits that were not finalised were on HR Recruitment and termination of service and the ICT governance audit. The HR audit was at reporting stage and will be finalised during first month of the new financial year, whereas the ICT governance audit The ICT governance audit was deferred to the 2018/19 financial year to allow for implementation of the ICT strategy and the ICT governance processes based on the approved ICT governance framework.
	Aggregate score achieved for the Accounting Authority annual external assessment	Aggregate score achieved for Accounting Authority annual external assessment	80%	81%	+1%	There has been improvements on the oversight by the AA

Strategy to overcome areas of under performance

The Internal Audit Department will perform the audit of ICT Governance during the new financial year as the delays in the review of the ICT governance related policies would have been finalised.

Linking performance with budgets

Majority of the budget within this sub-programme was mainly spent on members of the Accounting authority for attending meetings as part of their oversight work.

Programme	2016/17			2017/18		
	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	**9 915**	**8 355**	**1 561**	**9 306**	**8 146**	**1 160**

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 (2) sub-programmes being Financial Accounting and Supply Chain Management.

Strategic Objective: 1.2. Prudent management and allocation of resources

Strategic Objectives	Performance Indicators	Baseline information	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement 2017/18	Comment on Deviation
Prudent management and allocation of financial resources	Unqualified Financial Statements Prepared and Submitted for Audit within set Timeframes:	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit	None	N/A
	Reductions of unauthorised and irregular expenditure incurred.	-91%	95% reduction of unauthorised and irregular expenditure.	81% reduction of unauthorised and irregular expenditure	-14%	Irregular expenditure incurred related to payments made on the 2015/16 irregular contracts.
	No Fruitless and Wasteful Expenditure incurred.	6%	100%	0%	-100%	The Fruitless and Wasteful expenditure is due to amongst other things -Lack of proper handover when staff left the organisation. -Inefficient processes within the Finance Division which led to penalties and interest incurred from service providers as a result of late payments.
	Accurate, Complete and Valid Contract and Commitments Register	NA	95% reduction on number of external audit findings on commitments	100% reduction on number of external audit findings on commitments	+5%	Built capacity of Finance Division and filled all positions.

Strategies to overcome areas of under performance

The irregular expenditure is expected to increase until such time the 2015/16 irregular contracts are fully expended. Improvement plans have been implemented to ensure that the entity remedy the other underperforming areas.

Linking performance with budgets

Finance and Supply Chain Management over spent on its budget by R1 639 000. This was due to the increased external audit fees due to re-auditing and increased consulting fees for the contracted CFO, which was not budgeted for. Consultancy fees were centralised within this sub-programme

Programme	2016/17			2017/18		
	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	**9 259**	**9 257**	**2**	**9 292**	**10 931**	**(1 639)**

SUB-PROGRAMME 1.3: CORPORATE SERVICES

The sub-programme provides efficient and effective corporate services functions to internal departmentswithin the PSETA and external stakeholders by providing the following services: Human Resources, Information and Communication Technology, communication, marketing and stakeholder engagements and auxiliary services.

Strategic Objective 1.3.1: Strategic Human Resources is planned, and implemented to support the organizational performance.

Strategic Objective 1.3.2: Strategic Marketing and Communication interventions to support organizational strategies.

Strategic Objective 1.3.3: ICT governance and processes implemented to support the organizational strategies.

Strategic Objectives	Performance Indicators	Baseline information	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement 2017/18	Comment on Deviation
Strategic Human Resources is planned, and implemented to support the organisational performance	Percentage of Vacancy Rate Maintained	7.8%	Vacancy rate of 8% or less	10.5%	-2.5%	As at 31st March only two (2) posts were vacant. All other posts were filled within two (2) months during the third and fourth quarter, however, there were delays in the filling of the vacancies during the first and second quarters due to various reasons
	Percentage Implementation of Approved Training Plan	25%	100%	74%	-26%	None availability of skills development providers to offer specific training
	Percentage Performance Reviews Conducted	100%	100%	99.6%	-0.4%	There was one employee who was on suspension towards the end of the 2016/17 financial year and at the beginning of the 2017/18 financial year which is the period within which the 2016/17 performance appraisal were submitted. That non-submission negatively impacted on the target as the technical indicator descriptor uses average for the four (4) quarters in the financial year.
Strategic marketing and communication interventions to support organisation strategies	Number of career guidance advocacy sessions	28	28	29	+1	More sessions were conducted based on the requests
	Percentage implementation of approved marketing and communication Plan.	100%	100%	66.7%	-33.3%	Some of the planned activities as per approved marketing and communication plan couldn't be implemented due to circumstances outside our control
ICT governance and processes implemented to support the organization strategies	Percentage Implementation of approved ICT Plan	50%	100%	75%	-25%	Not all improvements in the current ICT systems were implemented due to limited budget.

Strategies to overcome areas of under performance

Decisions have been taken to allocate sufficient budget for the implementation of the ICT Strategy during the 2918/19 financial year. With regards to training and development, a proper Workplace Skills Plan will be prepared and submitted to the line-function SETA by due date to ensure that implementation is timely carried out.

Linking performance with budgets

The underspending is as a result of delayed training implementation which will take place in the next financial year. The marketing and communication plan was also not fully implemented. There were vacancies in the posts of Corporate Service Executive and HR Manager for few months resulting in a saving.

Programme	2016/17			2017/18		
	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	14 619	11 935	2 685	20 009	17 260	2 749

PROGRAMME 2: SKILLS PLANNING, RESEARCH AND PARTNERSHIPS

Strategic Outcome Oriented Goal 2: Improved sector capabilities to lead capacity building interventions through research coordination 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 2.1.1: Coordinate and conduct sector research

Strategic Objective 2.1.2: Improve stakeholder capacity for skills planning in the sector

Strategic Objectives	Performance Indicators	Baseline information	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement 2017/18	Comment on Deviation
Coordinate and conduct sector research	Number of skills planning related research initiatives implemented	10	11	11	0	None
Improve Stakeholder capacity for skills planning in the sector	Number of public entities, departments and legislatures submitting WSPs to PSETA	124	125	142	17	Capacity building sessions and training of SDFs have contributed to increased approval rates of WSPs submitted by national departments, provincial departments, legislatures and public entities.
	Number of stakeholder skills planning capacity building exercises conducted	32	33	33	0	None

Linking performance with budgets

The under-expenditure in this sub-programme was a result of delays in the procurement of service providers, therefore, funds allocated for projects were not spent or committed. Other reasons related to implementation of cost saving measures by partnering with public service stakeholders to host workshops, and research projects being conducted utilising internal research capacity.

Programme	2016/17			2017/18		
	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	**4 750**	**3 949**	**801**	**4 340**	**3 886**	**454**

SUB-PROGRAMME 2.2: PROJECTS MANAGEMENT

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

Strategic Objective 2.2.1: To set standards, and establish disciplines to manage a collection of DG projects in an objective manner in line with PSETA strategy.

Strategic Objectives	Performance Indicators	Baseline information	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement 2017/18	Comment on Deviation
To set standards, and establish disciplines to manage a collection of DG projects in an objective manner in line with PSETA strategy.	Percentage Implementation of Approved Discretionary Grant plan	100%	100%	100%	0	None
	Percentage Accuracy and Completeness of Contracts Register	0	100%	100%	0	None

Linking performance with budgets

The budget allocated under this sub-programme was broken into two (2) parts, namely: operational which took care of admin related activities such as salaries, travel and accomodation for Projects Unit; and Strategic projects, which catered for the implementation of the learning interventions that are contained under Programme 4: Learning Programmes. The reason to have the budget under this subprogramme was mainly due to the fact that it was responsible for coordinating the entire DG process for all the learning interventions.

The total allocated budget for the financial year under review is R106, 6 million.

Programme	2016/17			2017/18		
	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	109 023	37 826	71 197	106 657	48 430	58 227

PROGRAM 3: EDUCATION, TRAINING AND QUALITY ASSURANCE

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.

Strategic Objective	Performance Indicators	Baseline information	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target	Comment on Deviation
A system to quality assure training provision is developed and implemented	Number of quality assurance advocacy sessions conducted with training providers	9	9	9	0	None
	Turnaround time in working days to accredit training providers	45	45	46	-1	Out of 73 applications received, 70 out of them were accredited within 45 days whereas 03 were done in 46 days, resulting in non-achievement of the target as the calculation is based on the average of all applications received. There was a delay in filling vacant positions during the first quarter, which negatively impact in the capacity of the Unit.
	Number of accredited providers monitored	63	70	75	5	The department issued stringent instructions to these SDPs reminding them that the monitoring visits are not optional and those that refused to be monitored would have their accreditation suspended.

Strategies to overcome areas of under performance

The underperformance in this area was a result of delays in the accreditation of skills development providers. This was due to capacity constraints, which we have addressed by filling some vacant positions that existed. In addition, the phrasing of the technical indicator descriptor has been correct in the annual l performance plan for the next financial year.

Linking performance with budgets

The underspending is a result of vacant positions that remained unfilled for two (2) quarters and also the implementation of cost saving measures relating to travel and accommodation.

Programme	2016/17			2017/18		
	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	5 104	4 014	1 089	4 613	3 892	721

PROGRAMME 4: LEARNING PROGRAMMES

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

Strategic Objective 4.1.2: Programmes implemented by the sector to open the public service as a training space are supported and reported (both employed and unemployed)

Strategic Objectives	Performance Indicators	Baseline information	Planned Target 2017/18	Actual Achievement 2017/18	Deviation From planned targets	Comment on Deviations
Programmes to address scarce and critical skills needs identified in the SSP are implemented and reported (both employed and unemployed)	Number of public service employees entering PSETA funded learning programmes	L/Ship :2	L/Ship: 200	51	-149	Award process of Discretionary Grant took longer than anticipated. Delays in contract signing (MoA) and the procurement of training providers by the stakeholders.
		SP: 522	SP: 900	983	+83	We utilised surplus funds to enter into new MOAs for training provider.
		Burs: 0	Burs: 60	0	-60	Delays in appointment of training providers by the stakeholder.
	Number public service employees completing PSETA funded learning programmes	L/Ship: 35	L/ship: 150	113	-37	Learners that were anticipated to complete the programme were found to be not yet competent.
		SP : 467	SP: 800	0	-800	The target depended on the Skills Programme entries for the 2017/18. Completion will only be registered in the 2018/19 Financial Year
		Burs: 0	Burs:35	37	+2	The implemetation support of stakeholders to the learners which were in this programme in the previous years, lead to a successful completion of the programme.

Strategic Objectives	Performance Indicators	Baseline information	Planned Target 2017/18	Actual Achievement 2017/18	Deviation From planned targets	Comment on Deviations
	Number of unemployed learners entering PSETA funded learning programmes	L/Ship:30	L/Ship: 200	384	184	More learners were enrolled using surplus funds for 2016/17 that were received from the National Treasury
		TVET WIL:291	TVETWIL:300	300	0	None
		Burs: 50	Burs:150	150	0	None
		Artisans:23	Artisan:40	20	-20	20 learners were enrolled by the Western Cape Dept. of Economic Development and Tourism, however supporting documents remain outstanding, leaving us with a non-achievement unless the situation changes.
	Number of unemployed learners completing PSETA funded learning programmes	L/Ships: 38	L/Ship:50	52	+2	The implementation support of stakeholders and learners who were in this programme in the previous years led to a successful completion of a programme.
		Artisans: 0	Artisan:10	10	0	None
		SP: 0	SP:50	0	-50	This target was based on the 2016/17 DG award for Skills Programme (Unemployed) which never materialised.

Strategic Objectives	Performance Indicators	Baseline information	Planned Target 2017/18	Actual Achievement 2017/18	Deviation From planned targets	Comment on Deviations
Programmes implemented by the sector to open the public service as a training space are supported and reported (both employed and unemployed)	Number of capacity building session conducted to support implementation of learning programmes by sector	NA	20	33	+13	The continued support offered by PSETA to the sector led to the achievement of this target.
	Report on Number of learners who are capacitated through Internship, Learnerships, Bursaries and Artisan development by the public service	4	1	1	0	None
	Number of workplace learning opportunities declared by the sector for placement of unemployed learners	43 430	20 000 workplace opportunities declared by the sector	32 639	12 639	The support offered by PSETA to the sector led to the achievement of this target.

Strategies to overcome areas of under performance

One of the problems identified as a result of average performance is poor planning as we planned the whole Discretionary Grant process during the first and second quarter of the financial year. Secondly, the MOA were drafted in such a way that stakeholders had difficulty to sign them without suggesting significant changes. As a result, the planning for the 2018/19 financial year commenced during the third quarter of the financial year, whereas the MOA were revamped with the assistance of legal practitioners, an initiative which resulted in the turnaround time for sign them documents to an average of 30 days.

Linking performance with budgets

The under expenditure in this programme was due to the implementation of cost savings measures and partnering with stakeholders to use their facilities for holding planned workshops. There was also a vacant post that remained unfilled for few months as we struggled to find a suitable candidate.

Programme	2016/17			2017/18		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expendi-ture R'000	(Over)/Under Expenditure R'000
Total	**5 724**	**5 009**	**715**	**4 613**	**3 892**	**721**

REVENUE COLLECTION

Sources of Revenue	2016/17			2017/18		
	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)	2 475	7 687	(5 212)	7 680	-10 076	(2 396)
Prior Year Surplus	46 999		(46 999)	57 548		(57 548)
Transfers from other government departments (National Treasury)	55 727	55727	-	103 760	103 760	-
NSF Donations Income	-	315	(315)	-	-	-
NSF Realised Income	10 000	5 057	4 943	-	5	(5)
CIP	-	535	(535)	-	-	-
Investment Income	618	1 142	(524)	649	2 762	(2 113)
Other Income	-	16	(16)	85	11	(74)
Total	**115 819**	**70 479**	**45 340**	**169 721**	**116 614**	**53 107**

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 bases over their useful lives.

Infrastructure Projects	2016/17			2017/18		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/ Under Expenditure R'000
Property, plant and equip-ment	860	737	123	800	581	219
Intangible assets	120	102	18	400	357	(43)
Total	**980**	**839**	**141**	**1 200**	**938**	**176**

PART C:

GOVERNANCE

INTRODUCTION

The PSETA was established in terms of the SDA and classified as Schedule public entity in terms of the Public Finance Management Act, 1999 (Act No.1 of 1999) as amended, hereinafter called PFMA. It reports to the Minister of Higher Education and Training and governed by the Standard Constitution which was determined in terms of Regulation R1399. There are a number of statutory bodies that play an oversight role over the functioning of the PSETA.

PORTFOLIO COMMITTEES

The Portfolio Committee on Higher Education and Training exercises oversight over the 21 SETAs, Higher Educational Institutions (HEI) and the DHET, and may invite any SETA to account on its strategic plan and annual performance plans from time to time. The entity has not appeared before the Portfolio Committee or any other Parliamentary Committee during the year under review.

EXECUTIVE AUTHORITY

The Executive Authority (EA) of the PSETA is the Minister of Higher Education and Training, who is responsible for appointing members of the Board and determines their remuneration in accordance with the tariffs set by the Minister of Finance. The entity is required by the DHET to submit, on an annual basis, a Sector Skills Plan and Strategic and Annual Performance Plan. It is also required in terms of the SDA enter into a Service Level Agreement with the DHET and agree on expected deliverables that contribute towards fulfilment of the Ministerial outcomes. Quarterly reports detailing the performance against set targets are submitted to the Department as required in terms of the Treasury Instruction Note.33 which amended part 5 and 30 of the Treasury Regulations, 2005. The EA convenes meetings with SETA Chairpersons and CEO's from time to time to discuss strategic policy imperatives affecting the sector and the Country. These engagements also present an opportunity for the leadership of SETAs to share the challenges that are encountered from time to time.

THE ACCOUNTING AUTHORITY

Introduction

The PSETA's Constitution is the basis on which its Board of Directors which is referred to as Accounting Authority is established. It provides oversight and governance over the entity. The AA comprises 15 members.

Fourteen of the members are drawn from organised la-bour, organised employers and other categories and plus one (1) Ministerial appointee, who serves as the Chair-person. The Accounting Authority provides strategic leadership and guidance to the entity.

It is designed in terms of Section 49 of the PFMA to fulfil fiduciary responsibilities that are contained in sections 50 of 56 of the Act.

ROLE OF THE ACCOUNTING AUTHORITY

Powers and functions

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 PFMA, the SDA and any other applicable legislation;
- Ensure that the entity achieves the objectives contemplated in Item 5 and performs the functions contemplated in Item 6 of the Standard Constitution Regulations;
- Provide effective leadership and ensure that the entity implements the goals of the NSDS;
- Provide Strategic direction to the entity ;
- Liaise with Stakeholders;
- Manage Institutional Risk, Information Communication Technology Governance and monitor Compliance to Laws and Regulations;
- Monitor the performance of the entity ;
- Ensure that members of the AA 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 AA; and
- Maintain integrity, responsibility and accountability at all times.

Accounting Authority Charter

In the year under review, the Accounting Authority has provided strategic direction and leadership by reviewing and approving various and recommending for approval to the Minister the budgets, strategic and annual performance plans as well as monitoring the implementation thereof.

The Accounting Authority is accountable for the entity's Annual Report and ensures that it continues to be a going concern in the foreseeable future in terms of the accounting principle of reporting for the entity is indicated and confirms whether it continues to be a going concern in the foreseeable future.

The AA 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.

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 main member and alter-nate member.

* One NEHAWU could not finish the term.

* One position for organised labour could not be filled.

This resulted in the total number of AA members being thirteen.

Membership, Qualification and Expertise of the Accounting Authority members

Name	Designation	Qualifications	Area of Expertise	Accounting Authority Directorships	Other Committees
Ms Koko Mashigo	Ministerial Appointee –Chairperson	Master's in Public Administration Certificate in Business Manage-ment ; Bachelor of Arts in Education; Bachelor of Education	Public Service Management Project Management Corporate Governance and Oversight	Atlatsa Resources; Mookodi Enterprise; Reflex Trading; Juvuko Transport; Grandeur Indulgence	Executive Committee
Ms Sharlaine Oodit	Ordinary Member-: Category of Role Players	Masters and Labour Law	Strategic Planning Labour Relations and Dis-pute Resolution Policy Development Financial Management	None	Finance Committee Discretionary Grants Sub-Committee
Ms M Kola Resigned in March 2017	Principal Member-: Organised Employer	B.A. Honours; B.A. Education; Corporate Project Management Diploma	Employee Benefits Strategic and Operational Planning Results-based Management Performance Reporting	Chief Strategic Officer – Road Accident Fund	Executive Committee Finance Committee
Ms R Makhubela	Principal Member-: Organised Employer	BSc (MEDUNSA) BSc (Honours) Psychology (MEDUNSA) MSc (Clinical Psychology) (MEDUNSA) Programme in Business Leadership (UNISA) Masters in Business Leadership (UNISA	Diversity Management Public Service. Competency based Human Resources Management for Senior Managers. Leadership Management, responsible for Employment Practices and Leadership Develop-ment policies for Senior Managers in the Public Service	Chief Strategic Officer – Road Accident Fund	Executive Committee Finance Committee

Name	Designation	Qualifications	Area of Expertise	Accounting Authority Directorships	Other Committees
Ms Portia Loyilane	Ordinary Member-: Category of Role Players	MPhil in Disability Studies; Diploma; Introduction to Micro Computers	Gender and Disability Equality Governance and Oversight	Commission For Gender Equality; Organisation of Disabled People; South African Disability Development Trust as Deputy Chairperson; Chairperson of the East-ern Cape Disability Devel-opment Trust; Board member of LARI-MAR; Director of National Lotter-ies Board; Director in the Amathole Economic Development Agency currently known as ASPIRE	None
Ms Marienne Jacobs	Ordinary Member: Organised Employer	B Ed (Psych) B Prim Ed Various course in HR-Labour Relations-Strategic Planning-Performance Management –Leadership and Project Management	Human Resource Management & Development Lead and facilitate strategic planning and team building sessions	None	Executive Committee
Mr Bheki Maduna	Ordinary Member: Organised Employer	B.Com Honours CTA	Financial Management	None	Audit Committee

Name	Designation	Qualifications	Area of Expertise	Accounting Authority Directorships	Other Committees
Mr Stanley Mkhize	Ordinary Member-; Organised Employer	Masters of Education: Research topic "An Examination of a Cultural Contingency Model of Leadership for SA's Public Sector Organisations". Bachelor of Arts in Education Masters of Management by Research and Dissertation: "The Application of Service Public Val-ue and Business Canvas Model in Government" Bachelor of Education (Hons) Postgraduate Diploma in Educa-tion Management Advancement Pro-gramme (MAP) "Mini MBA"- NQF 6 equivalent Sales and Marketing Manage-ment	Human Resources Manage-ment Skills Development Strategic Planning	None	Governance and Strategy Committee
Mr Terries Salani Ndove	Ordinary Member-: Organised Employer	Master in Business Leadership; Masters in Rural Systems Man-agement; B Agric Honours ; Diploma in Agriculture	Agriculture Management Public Admin and Manage-ment Governance and Oversight	None	Remuneration Com-mittee; Finance Committee;

Name	Designation	Qualifications	Area of Expertise	Accounting Authority Directorships	Other Committees
Ms Johanna Selinah Mahlobo-goane	Ordinary Member-: Organised Labour	National Diploma: Public Administration	Public Admin Labour Relations Union Leadership	None	Executive Committee; Governance and Strategy Committee Remuneration Committee; Discretionary Grants Sub-Committee
Mr Mbongeni Jeffrey Dladla	Ordinary Member-: Organised Labour	Teachers Diploma Leadership Development Certificate	Correctional Services Education Labour Relations Union Leadership	None	Finance Committee Remuneration Committee
Ms Olivia Mashigo	Ordinary Member Organised Labour	B.Com Law LLB LLM in Human Rights Law	Professional Attorney Labour Relations	None	Audit Committee
Ms Ina Kuhn	Ordinary Member-: Organised Labour	BA BA Hons (Criminology) MBA Postgraduate Diploma in Labour Law The Professional Management Diploma of the Open University Business School	Industrial Relations (employee organizations) Collective Bargaining Communication, Corporate Social Responsibility, Marketing support and Members' Affairs Integrated strategic Project Labour Relations	None	Audit Committee

Meeting Attendance

Nine meetings were held during the financial year.

Members of the Accounting Authority

Name	Constituency represented	Date of Appointment	Date of Termination	No. of Meetings Attended
Ms Koko Mashigo	Chairperson Ministerial Appointee	April 2011	31 March 2018	11
Ms Sharlaine Oodit	Member: Category of Other Role Players	April 2013	31 March 2018	6
Ms Portia Loyilane	Member: Category of Role Players	October 2014	31 March 2018	0
Ms Marienne Jacobs	Organised Labour	March 2015	31 March 2018	3
Mr Bheki Maduna	Organised Employer	April 2011	31 March 2018	4
Mr Stanley Mkhize	Organised Employer	March 2015	31 March 2018	5
Mr Terries Salani Ndove	Organised Employer	April 2011	31 March 2018	3
Ms Johanna Selinah Mahlobogoane	Organised Labour	April 2014	31 March 2018	11
Mr Mbongeni Jeffrey Dladla	Organised Labour	April 2011	31 March 2018	11
Ms Olivia Mashigo	Organised Labour	April 2013	31 March 2018	1
Ms Ina Kuhn	Organised Labour	March 2015	31 March 2018	1
Ms M Kola	Organised Employer	April 2011	31 March 2017	0
Ms R Makhubela	Organised Employer	July 2016	31 March 2018	8

*Term of office of all the AA members ended on 31/03/2018.

Alternate members of the Accounting Authority

Name	Constituency represented	Date of Appointment	Date of Termination	No. of Meetings Attended
Dr Emma Louise McKinney	Category of Role Players	October 2014	31 March 2018	10
Mr Lavey Modise	Category of Role Players	April 2013	31 March 2018	0
Ms Bontle Lerumo	Organised Employer	June 2014	31 May 2017	0
Ms Angie Ontong	Organised Employer	March 2015	31 March 2018	8
Mr Sipho Ngomane	Organised Employer	January 2016	31 March 2018	0
Mr Tshepo Mokheranyana	Organised Labour	February 2013	31 March 2018	11
Ms Raehedean Johanna Mankoe	Organised Labour	August 2014	31 March 2018	0
Mr Siyabonga Kobese	Organised Labour	July 2013	31 March 2018	4
Mr Ivan Fredericks	Organised Labour	April 2013	31 March 2018	0
Mr Stanley Mkhize	Organised Employer	April 2014	March 2016	8

*Term of office of the Alternate members ended on 31/03/2018.

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:

- The Accounting Authority Executive Committee.
- The Audit Committee.
- The Governance and Strategy Committee.
- The Finance Committee.
- Remuneration Committee.
- Discretionary Grants Sub-Committee.

The Accounting Authority Executive Committee

Name of member	Meetings held	Meetings attended
Mrs Koko Mashigo	4	4
Ms Bontle Lerumo (Alternate)	4	0
Ms Marienne Jacobs	4	1
Ms Angie Ontong (Alternate)	4	3
Mr Tshepo Mokheranyana (Alternate)	4	4
Ms Johanna Selinah Mahlobogoane	4	4

*Ms B. Lerumo resigned at the beginning of the financial year

The Audit Committee

Name of Member / Alternate	Meetings Held	Meetings Attended
Ms Pumla Mzizi (Independent Chairperson)	4	4
Mr Peter Mukheli (Independent Member)	4	4
Dr Prittish Dala (Independent Member)	4	4
Mr Bheki Maduna (AA member)	4	4
Ms Olivia Mashigo (AA member)	4	0
Mr Ivan Fredericks (Alternate AA member)	4	0
Ms Ina Kuhn (Alternate A member)	4	0

- The AC established two (2) sub-Committees namely: Information and Communication Technology Steering Committee as well as the Risk Management Committee, with both structuring having independent chairpersons.

The Governance and Strategy Committee

Name of Member/Alternate	Meetings held	Meetings attended
Ms Angie Ontong (Chairperson)	5	3
Mr Stanley Mkhize	5	3
Ms Rhulani Makhubela	5	5
Mr Sipho Ngomane (Alternate)	5	0
Ms Raehedean Mankoe (Alternate)	5	5
Mr Siyabonga Kobese (Alternate)	5	1

Finance Committee

Name of member	Meetings held	Meetings attended
Ms Sharlaine Oodit (Chairperson)	7	7
Mr Terries Ndove	7	4
Dr Darion Barclay (Alternate AA member)	7	2
Mr Mbongeni Jeffrey Dladla	7	7
Ms Raehedean Johanna Mankoe	7	7
Ms Josphine Meyer (Specialist on the Committee)	7	7

Remuneration Committee

Name of member	Meetings held	Meetings attended
Ms Johanna Selinah Mahlobogoane (Chairperson)	7	7
Ms Rhulani Makhubela	7	7
Mr Sipho Ngomane	7	0
Mr Tshepo Mokheranyana (Alternate)	7	7
Mr Mbongeni Jeffrey Dladla	7	7
Mr Terries Salani Ndove	7	3
Dr Darion Barclay (Alternate)	7	1

Discretionary Grants Sub-Committee

Name of member	Meetings held	Meetings attended
Ms Angie Ontong (Chairperson)	3	3
Ms Sharline Oodit	3	3
Ms Johanna Selinah Mahlobogoane	3	3

Remuneration of Members of the Accounting Authority

The remuneration of the members of the Accounting Authority and Committees is in line with the circulars on the adjustment of the remuneration levels, service benefit packages for office bearers of certain statutory and other institutions issued by National Treasury on an annual basis. Subsequent to a directive from the Minister of Higher Education and Training, the Accounting Authority reached the decisions listed below:

- Members of the Accounting Authority are remunerated at the Category S rate for all meetings attended as determined by the MHET based on the National Treasury rates.; and
- Members of the Accounting Authority are reimbursed for all out-of-pocket-expenses including travel (According to SARS travel and subsistence guidelines)

Accounting Authority Member Remuneration				
Name	**Meeting fees (R'000)**	**Travel expenses (R'000)**	**Other expenses (R'000)**	**Total (R'000)**
Mrs Koko Mashigo	178	8	-	186
Mrs Sharlaine Oodit	200	0	-	200
Dr Emma Louise McKinney	61	2	-	63
Mr Tshepo Mokheranyana	154	11	-	165
Mr Siyabonga Kobese	63	9	-	72
Ms Johanna Selinah Mahlobogoane (Mkhize)	203	8	-	211
Mr Bheki Maduna	-	4	-	4
Mr Mbongeni Jeffrey Dladla	193	15	-	208
Ms Raehedean Johanna Mankoe	93	5	-	98

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, service benefit packages for office bearers of certain statutory and other institution. Subsequent to a directive from the Minister of Higher Education and Training, the Accounting Authority reached the decisions listed below which were authorised by the Executive Authority:

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

NB: Meeting fees are paid in line with the Accounting Authority Remuneration Policy.

Audit Committee Remuneration				
Name	**Meeting fees (R'000)**	**Travel expenses (R'000)**	**Other expenses (R'000)**	**Total (R'000)**
Ms Pumla Mzizi	92	3	-	95
Mr Peter Mukheli	60	2	-	62
Dr Prittish Dala	68	1	-	69
Total	**220**	**6**	**-**	**226**

RISK MANAGEMENT

PSETA recognises 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.

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, financial and performance are identified, assessed and appropriately mitigated to an acceptable level, address any unfavourable impacts to benefit both current and future opportunities.

The AA is accountable for all fiduciary duties with which risk management is one of them. To ensure that the functions is effectively carried out, the Audit Committee has been entrusted with the responsibility to oversee it, hence, a dedicated Risk Management Committee chaired by an independent person who is not part of the staff establishment was established and functional. The independent chairperson was appointed during fourth quarter.

The PSETA has the approved risk management strategy, policy, plan and charter which guide the process from the beginning to the end. Strategic and operational risk registers are 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 all its activities.

INTERNAL CONTROLS

Internal control is the responsibility of the management of the entity and it is a fundamental requirement in all areas of the operations. Each manager is responsible for identifying areas of weakness and putting into effect mechanisms such as standard operating procedures to strengthen the controls. Management ensures that controls are at all given times adhered to. Oversight is maintained through audit activities, the Risk Management Committee, the Audit Committee and various other governance structures which monitor the effectiveness of internal controls.

INTERNAL AUDIT AND AUDIT COMMITTEE

INTERNAL AUDIT

The PSETA has an Internal Audit Unit reporting functionally to the Audit Committee and operationally to the CEO. Internal Auditing is an independent, objective assurance and consulting activity that is designed to add value and improve an organisation's operations. It helps the entity to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

During the period under review, the internal audit department provided assurance on risk management, internal controls and governance processes through execution of the approved annual plan and additional requests. Internal audits provided assurance on some key aspects of the control environment, compliance with legislation and performance information reporting.

- The following audit projects completed and executed in line with the Internal Audit operational plan: Audit of the 2016/17 Performance Information Report;
- Audit of the control environment: Ethics and Integrity;
- Audit of the control environment: Commitment to competence;'
- Audit of compliance to SDA; and
- Audit of the External Audit Matrix.

The following engagement was performed as requests from the AC and Management:

- The review of specific financial policies.

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 AA;
- Any accounting and audit concerns;
- Legal and regulatory compliance; and
- ICT governance.

Information relating to the meeting attendance by members of the AC is contained in section 4.6.2.

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:

- Constitution of the Republic of South Africa, 1996 (Act No.108 of 1996) as amended;
- Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended;
- Basic Conditions of Employment Act, 1997 (Act No.75 of 1997) as amended;
- Compensation for Occupational Injuries and Diseases Act, 1993 (Act No.130 of 1993);
- Labour Relations Act, 1995 (Act No.66 of 1995) as amended;
- Employment Equity Act, 1998 (Act No. 55 of 1998) as amended;
- Unemployment Insurance Contributions Act, 2002 (Act No. 4 of 2002);
- Occupational Health and Safety Act, 1993 (Act No.85 of 1993);
- Skills Development Act, 1998 (Act No. 97 of 1998);
- Skills Development Levies Act, 1999 (Act No. 9 of 1999); as amended
- Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 2000);
- Preferential Procurement Regulations, 2011 as amended;
- Broad-Based Black Economic Empowerment Act,2003 (Act No. 53 of 2003) as amended;
- Promotion of Access to Information Act, 2000 (Act No.2 of 2000);
- Promotion of Administrative Justice Act, 2000 (Act No.3 of 2000); and
- Protected Disclosures Act, 2002 (Act No.26 of 2002) as amended.

FRAUD AND CORRUPTION

The PSETA has a Fraud Prevention Policy and Fraud Plan approved by the Accounting Authority. A whistle-blowing policy has been implemented with FreeCall facility, an Email, FreePost or FreeFax alternative that can be used to report any suspicious incident by any person, both external and internal. committee for action.

MINIMISING CONFLICT OF INTEREST

Supply Chain Management is a highly regulated area 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 Companies and Intellectual Property Commission (CIPC)'s database in order to verify the directors of the companies that do business with the entity. This principle also applies to meetings of the AA, its committees and staff. A register of close family members of staff is annually updated and monitored by the HR Unit.

Auditors requests the following for Computer Assisted Audit Techniques (CAATS) purposes annually:

- Details of all the employees and AA members;
- 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 of misconduct or negligence of duty from the AA members that required removal from office or termination of membership.

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 members. During the year under review, they were two cases of misconduct or negligence of duty from the employees that required acceptance of resignation from office and termination of employment

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

Health and Safety wardens have been appointed in terms of the internal governance

framework and they will be trained in the next financial year.

BOARD SECRETARY

The Board Secretariat function is performed internally and properly resourced. The roles and responsibilities of the Board Secretary are outlined in entity's Constitution. The Board Secretary functional report to the AA and operationally to the CEO.

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.

AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 31 March 2018.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 51 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Control

The Audit Committee's review of the findings of the Internal Audit (IA) work, was based on the risk assessments conducted in PSETA which revealed certain weaknesses raised with PSETA. The committee is satisfied that the internal audit is operating effectively and complies with the Internal Auditing Standards in performing its work. The committee urged management to provide resource support to ensure that internal audit is enabled to complete the annual plan.

The oversight in terms of the effectiveness of internal control included the tracking of the implementation of the recommendations of both internal audit and the Auditor General South Africa (AGSA) as well as a review of the financial delegations. The following internal audit work was completed during the year under review:

- Audit of the 2016/17 Performance Information Report;
- Audit of the control environment: Ethics and Integrity;
- Audit of the control environment: Commitment to competence;
- Audit of compliance to SDA;
- Audit of the External Audit Matrix; and
- The review of specific financial policies namely Supply chain management and

  Accounting policy.

The following were areas of concern

- Contract Management resulting in challenges relating to commitments;
- Compliance with laws and regulations;
- Fraud Management and Promotion of an ethical culture;
- Internal Controls are often designed, inconsistently implemented or not implemented or not implemented at all; and
- Slow resolution of internal and external audit findings.

In-Year Management and Monthly and Quarterly Reporting

PSETA has reported quarterly to the National Treasury and the Executive Authority as is required by the PFMA. The Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Authority of the organization during the year under review and is satisfied with the content thereof. The committee has provided management with recommendations to improve the quality of performance information and financial management reporting and has confidence in management's commitment to implementing improvements recommended in the past year.

Evaluation of Financial Statements

The Committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with Management and reported to the Accounting Authority;
- reviewed the Auditor-General's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the organization's compliance with legal and regulatory provisions;
- reviewed the information on predetermined objectives to be included in the annual report; and
- reviewed the audited financial statements for any significant adjustments resulting from the audit report.

Risk Management

The Risk Management Committee has been appointed and is chaired by an independent chairperson who reports to the Audit Committee. Based on the quarterly reviews performed, the fraud and risk management system requires improvement. The Committee is concerned with the capacity of the risk management function which will impact service delivery negatively if the situation is not addressed.

Information Communication Technology

There is an independent chairperson who chairs the ICT steering committee. There is progress in terms of compliance with the CGICT framework, improving the ICT process in general, enhancement of the general control environment.

Compliance with Laws and Regulations

The Committee is concerned with the status of compliance with laws and regulations. If the entity does not implement an adequate and effective compliance framework and system, non-compliance and irregular expenditure will continue to occur.

Auditor General's Report

The Audit Committee have reviewed the entity's implementation plan for audit issues raised in the previous year and satisfied that the matters have been adequately resolved except for findings relating to irregular expenditure. 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 on the Annual Financial Statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor General South Africa.

Ms. Pumla Mzizi, CA (SA)

Chairperson: PSETA Audit Committee

Date: 31 July 2018

PART D:

HUMAN RESOURCE MANAGEMENT

INTRODUCTION

The PSETA is still operating on an inherited organisational structure, as originally transferred by the DPSA when it was still one of their chief-directorates prior to 01 April 2011. The lack of the adequate organisational structure that is aligned to the strategy, impacted negatively towards the performance of the entity.

In addressing the above challenge, the PSETA management together with the recognised trade union Nehawu, resolved to embark on the organisational development exercise that is aimed at assessing its capability to fulfil legislative mandate, and this will involve conducting benchmark and comparative studies with similar organisations within the sector and make a determination on the suitable organisational structure, remuneration framework, job grading system with enable job analysis and evaluation, conduct skills audit and develop training interventions, as well as consider benefits that are offered in other similar entities as a way of retaining critical skills.

This process was undertaken through an appointed service provider who will complete the exercise and submit the final report during the first quarter of the new financial year, for the AA to consider and make a decision.

Staff Establishment (as at 31 March 2017)	
Positions	64
Filled	60
Vacant	04
TOTAL	**64**
Positions additional to the establishment (as at 31 March 2018)	
Temporary employees	0
TOTAL	**0**

The PSETA Staff Establishment

As at the end of the 2017/18 financial year the total staff establishment stands at sixty (60) with four (4) vacancies. The target to reduce the vacancy rate was not achieved due to the turnaround time to advertise positions internally first before externally as per the Policy on Staff Recruitment, Selection, Acting Appointments and Probation. In order to speed up the filling of positions management took a decision to review the policy to allow for a parallel recruitment process and it was only approved by the AA during March 2018.

HUMAN RESOURCE STRATEGY

Human Resource Planning

During the last quarter of the financial year under review, two (2) new human resource policies were approved by the AA, namely: Policy on Dress Code and Policy on Incentives, whereas six (6) existing policies were revised and approved, namely: Disciplinary and Grievance matters, Learning and Development, Leave Management, Performance Management and Development, Staff Recruitment, Selection and Appointment; and Bursary Policy.

The vacancy rate stood at 0.6%, with only (4) four positions vacant i.e. Chief Executive Officer, Human Resources Manager, Trades and Artisan specialist, and the Financial Administrator. The recruitment process for three (3) of the four (4) posts has been completed and the new incumbents will commence duty during the first month of the new financial year. However, recruitment of the CEO shall be undertaken by the new AA that will take office on 01 April 2018.

One of the weaknesses within the entity is our inability to retain staff as we do not have adequate financial resources to offer benefits such medical aid and provident fund, in addition to the all-inclusive salary packages. However, we have enlisted the services of an external service provider, as part of the organisational development exercise to benchmark on how other entities similar to ours are offering to their employees. Meanwhile it has to be noted that the outcome of this exercise will require the AA to make financial decision with regard to the implementation.

Employee Relations

The National Education Health and Allied Workers Union (NEHAWU) is the only recognised trade union in terms of the Labour Relations Act, 1995 (Act 97 of 1995) as amended, hereinafter called the LRA, as they have majority members within PSETA. A Recognition Agreement was signed at the beginning of the financial year to strengthen the relations between the employer-employee parties. Collective Agreements including wage negotiations are negotiated at the PSETA Collective Bargaining Committee level. This has strengthened the relations between the employer and NEHAWU.

Training and Development

Training and development is executed by PSETA to ensure that performance is maximised in order to achieve the strategic goal, and therefore the behaviour change brought about by training must be measurable in terms of PSETA requirements. Training conducted during the year under review was result-oriented, and the focus was to enhance specific skills and abilities to perform the job,

During the year under review, eleven (11) bursaries were awarded to employees on the following academic areas: Monitoring and Evaluation, Law, Project Management, Office Administration, Management Development Programme on ICT, Senior Management Development Programme, Public Administration, Education, Training and Development Practitioners Practices, Employee Wellness Programme, Marketing and Communication. Short Course Trainings were also conducted in accordance to the Personal Development Plans.

Performance Management and Development

The Performance Management and Development Policy was revised and approved during the last quarter, to ensure that performance management becomes the vehicle to culture change and assist the entity to achieve its strategic goals and objectives. In addition, to ensure that skills gaps identified during the process are mitigated through targeted training programmes and intervention to eliminate poor performance by both individual employees and the organisation. In order to ensure the alignment between the performances of the individuals to that of the organisation, a process of developing clearly defined outputs and indicators was initiated and employees' performance is objectively measured against set targets. Any performance that equals what was planned is considered to be average and only go beyond that for demonstrating what has been an add-on, for individual employees, in order to ensure the achievement of the strategic goal for the organisation. As compared to prior years, we have improved tremendously with the compliance by recording 99.6%, with only one employee who did not comply due to being on suspension for a number of months.

Employee Wellness Programme (EWP)

The process of appointing the service provider to deal with issues of employee wellness is at an advanced stage, and it is anticipated that the appointed service provider will commence during the first quarter of the new financial year. The aim is to provide comprehensive face-to-face counselling services support to PSETA employees, provide life management services, managerial support services, managerial consultancy referral services, and fully customised employee wellness awareness campaigns.

HUMAN RESOURCE STATISTICS

Personnel by cost programme

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

Level	Personnel Expenditure (R'000)	% of Personnel Expenditure to Total Personnel Cost (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
	2017/18	2017/18	2017/18	2017/18
Top Management	3.541	12%	3	914
Senior Management	9.080	4.05	10	828
Professional Qualified	5.527	7.1%	13	363
Skilled	6.657	6%	16	366
Semi-skilled	4.376	9%	15	238
Unskilled	1238	0.013%	3	146
Total	**30 419**	**38.16%**	**60**	**2655**

Performance rewards

The performance rewards were budgeted for and paid in the 2017/18 financial year based on the appraisals and performance of the previous financial year (2016/17).

Level	Performance Rewards (R'000)	Personnel Expenditure(R'000)	% of Performance Rewards to Total Personnel Cost (R'000)
Top Management	-	3.541	-
Senior Management	-	9.080	-
Professional Qualified	159	5.527	2.9%
Skilled	137	6.657	4.2%
Semi-skilled	174	4.376	2.05%
Unskilled	-	1238	-
TOTAL	**470**	**30 419**	**9.15%**

Expenditure on Training

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)	No. of Employees	Average Training Cost per Employee (R'000)
Skills Planning and Research	3, 470	53	1.54	4	562.66
Learning Programmes	4, 068	118	2.2	6	416.3
ETQA	3, 472	204	5.1	6	385.77
Corporate Services	5, 720	216	3.6	7	447.30
Finance	5, 386	0	0	4	598.44
Governance	5, 582	56	0.52	4	709.62
Projects	2, 721	86	1.42	5	468.83
TOTAL	**30.419**	**733**	**4.57**	**36**	**321. 43**

Approved Posts by Post Level and Vacancy Rates as at 31 March 2018

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

Levels	2016/17 No. of employees	2017/18 Approved posts	2017/18 No. of employees	2017/18 Vacancies	% of vacancies	Comments
Top Management	3	4	3	1	0.25%	CEO position vacant
Senior Management	9	11	10	1	0.09%	HR Manager position vacant
Professional Qualified	13	14	13	1	0.07%	Trade & Artisan specialist, position vacant
Skilled	15	16	16	0	0%	-
Semi-skilled	15	16	15	1	0.06%	Financial Administrator's position vacant
Unskilled	3	3	3	0	0%	-
TOTAL	**59**	**64**	**60**	**4**	**0.06%**	**-**

Employment changes

Salary Bands	Employment at the Beginning of Period	Appointments	Terminations	Employment at the End of the Period
Top Management	3	3	2	3
Senior Management	9	4	2	10
Professional Qualified	13	5	3	13
Skilled	15	1	1	16
Semi-skilled	16	1	1	15
Unskilled	3	0	0	3
TOTAL	**59**	**14**	**9**	**60**

Vacancy rates for the year by Business Units

Programme activity/objective	2016/17 No. of employees	2017/18 Approved posts	2017/18 No. of employees	2017/18 Vacancies	% of vacancies	Comment
Office of the CEO	5	7	6	1	0.14%	CEO position vacant
Internal Audit	2	3	3	0	0%	-
Skills Planning and Research	6	6	6	0	0%	-
Learning Programmes	10	9	8	1	0.11%	Trades & Artisan Specialist position vacant
ETQA	9	8	8	0	0%	-
Corporate Services	14	15	14	1	0.06%	The new incumbent to the post of HR Manager will commence duty on 01/04/2018
Finance	7	10	9	1	0.1% %	The new incumbent to the post of Finance Administrator will commence duty on 01/05/2014
Projects	6	6	6	0	0%	-
TOTAL	**59**	**64**	**60**	**4**	**6%**	

Reasons for staff leaving

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

Reason	Number	% Total No. of Employees Leaving
Death	-	-
Resignation	8	13%
Dismissal	1	0.16%
Retirement	-	-
Ill Health	-	-
Expiry of Contract	-	-
Other	-	-
TOTAL	**9**	**0.15%**

*The staff who resigned left for job offers at other SETAs where the salary and conditions of employment is more attractive.

Labour Relations: Misconduct and Disciplinary Action

Description	Number
Verbal Warning	1
Written Warning	-
Final Written Warning	1
Dismissal	1
TOTAL	**3**

Equity Targets and Employment Equity Status as at 31 March 2018

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

Levels	**MALE**							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	-	-	-	1	-	-	-
Senior Management	5	-	-	-	-	-	-	-
Professional Qualified	3	-	-	-	1	-	-	-
Skilled	6	-	-	-	-	-	-	-
Semi-skilled	5	-	-	-	-	-	-	-
Unskilled	1	-	-	-	-	-	-	-
TOTAL	**21**	**-**	**-**	**-**	**2**	**-**	**--**	**-**

Levels	**FEMALE**							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	-	-	-	-	-	-	-
Senior Management	3	-		-	2	-	-	-
Professional qualified	9	-	-	-	-	-	-	-
Skilled	10	-	-	-	-	-	-	-
Semi-skilled	9	-	-	-	-	1	-	-
Unskilled	2	-	-	-	-	-	-	-
TOTAL	**34**	-	**-**	**-**	**2**	**1**	**-**	**-**

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 in complying with the employment equity act, 1998 in as far as employing people with disabilities as we currently do not have any in our staff establishment. Efforts will be made during the new financial year to specifically target such individuals as and when certain positions become vacant and encourage them to apply through the engagement of structures such as Disabled People of South Africa and other formations. The number of female employees employed during the period under review is thirty seven (37) which represent 57.8% compare to twenty three (23) males which represent 42.2%. The number of employed females is a great achievement by PSETA in terms of supporting government initiatives to empower female employees by appointing them on key positions and other occupational levels within the workplace.

PART E:

FINANCIAL INFORMATION

Annual Financial Statements for the year ended

31 March 2018

Report of the Auditor-General to Parliament on the Public Service Sector Education and Training Authority (PSETA)

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 set out on pages **63 to 103,** which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts 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 Public Service Sector Education and Training Authority as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) 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 this auditor's report.

4. I am independent of the public 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 matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

7. As disclosed in note 27 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2018.

Irregular expenditure

8. As disclosed in note 22 to the financial statements, irregular expenditure of R85 213 000 that was incurred in previous years was still under investigation.

Responsibilities of the accounting authority for the financial statements

9. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.

10. In preparing the financial statements, the accounting authority is responsible for assessing the 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 accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

11. 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 the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

13. 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.

14. 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/measures 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.

15. 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 public entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 2 – skills planning, research and partnerships	25 – 27
Programme 3 – education, training and quality assurance	28 – 29
Programme 4 – learning programmes	30 – 33

16. 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.

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

- **Programme 2** – Skills planning, research and partnerships
- **Programme 3** – Education training and quality assurance
- **Programme 4** – Learning programmes

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

19. Refer to the annual performance report on **pages 20 to 33** for information on the achievement of planned targets for the year and explanations provided for the under-achievement or over-achievement of a significant number of targets.

Adjustment of material misstatements

20. 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. 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 the audit of compliance with legislation

Introduction and scope

21. 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 public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

22. The material findings on compliance with specific matters in key legislations are as follows:

Expenditure management

23. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R233 000, as disclosed in note 23 to the annual financial statements,

as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by late payment of invoices Which resulted interest and penalties.

Other information

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report, accounting authority's report, chairperson's report, chief executive officer's report and departmental report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

25. 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.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.

26. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

27. 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 on it. 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.

Leadership

Action plans to address internal control deficiencies

28. Management prepared an action plan to address prior year findings, but not all actions were fully implemented. This resulted in the recurrence of fruitless and wasteful expenditure due to late payments.

Financial and performance management

Compliance monitoring

29. The accounting authority did not implement adequate controls to detect and prevent noncompliance with legislation, specifically sections 51(1)(b)(ii) and 55(1)(a) of the PFMA.

Other reports

30. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

31. The Special Investigating Unit investigated an alleged irregularities in process of evaluating and awarding discretionary grants to the amount of R56 895 000 at the request of the PSETA. The investigation covered the period 1 April 2015 to 31 March 2016, and the preliminary investigation concluded on 30 April 2017. The investigation 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. Furthermore, a proclamation was signed by the then president of South Africa on 23 October 2017 authorising the Special Investigating Unit to investigate certain matters in respect of the affairs of the PSETA. The investigation is still in progress.

Auditor General

Auditor-general

Pretoria

31 July 2018

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

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 public 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 this 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 public entity's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
   - conclude on the appropriateness of the board of directors, which constitutes 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 the 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 this auditor's report. However, future events or conditions may cause a public entity to cease continuing 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, where applicable, related safeguards.

Statement of Financial Position for year ended 31 March 2018

Figures in Rand thousand	Note(s)	2018	2017 Restated*
ASSETS			
Current Assets			
Trade and other receivables from exchange transactions	2	1 247	861
Trade and other receivables from non-exchange transactions	3	2	2
Consumables		14	8
Cash and cash equivalents	4	142 883	103 067
		144 146	103 938
Non-Current Assets			
Property, plant and equipment	5	1 273	1 560
Intangible assets	6	341	173
		1 614	1 733
Total Assets		145 760	105 671
CURRENT LIABILITIES			
Exchange Transactions			
Trade and other Payables - exchange transactions	7	5 896	6 034
Provisions - exchange transactions	12	29 893	9 492
Operating lease liability	8	25	75
Non-exchange transactions			
Employer Grants Payables	9	654	190
Deferred Income Liability - NSF	10	510	440
Deferred Income Liability - CIP	11	5	5
Provisions	13	163	190
		37 146	16 426
Total Liabilities		37 146	16 426
Net Assets		108 614	89 245
Reserves Aministration reserve		1 614	1 735
Discretionary Reserve		107 000	87 510
Total Net Assets		108 614	89 245

*See Note 27

Statement of Financial Performance for year ended 31 March 2018

Figures in Rand thousand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from non-exchange transactions			
Transfer revenue			
Skills Development Levy: Income	14	9 883	7 463
Skills Development Levy :Penalties and Interest	14	193	224
Transfers from other government entities:National Treasury	14	103 760	55 727
NSF Projects realised income	10	5	5 057
NSF Donations Income	10	-	315
CIP Projects realised income	11	-	535
Total revenue from non-exchange transactions		113 841	69 321
Revenue from exchange transactions			
Other income	15	11	16
Investment Income	15	2 762	1 142
Total revenue from exchange transactions		2 773	1 158
Total revenue		116 614	70 479
Expenditure			
Administration expenses	17	(16 989)	(11 688)
Audit Fees	17	(1 962)	(1 668)
CIP Projects Expenses	11	-	(535)
Cost of employment	17	(30 419)	(30 530)
Depreciation and amortisation	5&6	(1 053)	(1 306)
Employer grants and projects expenses	16	(45 545)	(36 150)
Finance costs		(224)	(90)
NSF Projects Expenses	10	(5)	(5 057)
QCTO Expenditure		(21)	(36)
Repairs and maintenance	17	(976)	(553)
Staff Debt Write-off		(50)	-
Total expenditure		(97 244)	(87 613)
Surplus (deficit) for the year		19 370	(17 134)

*See Note 27

Statement of Changes in Net Assets for year ended 31 March 2018

Figures in Rand thousand	Administrative Reserve	Employer Grant Reserve	Discretionary Reserve	Total reserves	Accumulated Surplus/Deficit	Total
Balance at 01 April 2016	2 214	-	104 163	106 377	-	106 377
Changes in net assets Surplus for the year	-	-	-	-	(17 134)	(17 134)
Allocation of unappropriated surplus for the year	(24 280)	1 102	6 044	(17 134)	17 134	-
Employer grant reserves transferred to discretionary reserves	-	(1 103)	1 103	-	-	-
Excess admin reserves transferred to discretionary reserve	23 800	-	(23 800)	-	-	-
Total changes	**(480)**	**-**	**(16 653)**	**(17 133)**	**-**	**(17 133)**
Restated* Balance at 01 April 2017	1 734	-	87 510	89 244	-	89 244
Changes in net assets Surplus for the year	-	-	-	-	19 370	19 370
Allocation of unappropriated surplus for the year	-	1 542	17 828	19 370	(19 370)	-
Employer grant reserves transferred to discretionary reserves	-	(1 543)	1 543	-	-	-
Excess admin reserves transferred to discretionary reserves	(120)	-	120	-	-	-
Total changes	(120)	-	19 491	19 371	-	19 371
Balance at 31 March 2018	1 614	-	107 001	108 615	-	108 615

*See Note 27

Cash Flow Statement for year ended 31 March 2018

Figures in Rand thousand	Note(s)	2018	2017 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Levies, Interest and penalties received		10 050	7 831
Government Grants and Donor Funding		103 760	55 727
Interest income		2 293	1 169
Other cash receipts from stakeholders		78	223
		116 181	64 950
Payments			
Compensation of employees		(30 770)	(31 045)
Payments to suppliers and others		(22 854)	(15 011)
Interest paid		(224)	(90)
Special projects		(1 001)	(4 188)
Grants and project payments		(20 578)	(30 556)
		(75 427)	(80 890)
Net cash flows from operating activities	20	40 754	(15 940)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(581)	(737)
Purchase of other intangible assets	6	(357)	(102)
Proceeds on disposal of PPE		-	16
Net cash flows from investing activities		(938)	(823)
Net increase/(decrease) in cash and cash equivalents		39 816	(16 763)
Cash and cash equivalents at the beginning of the year		103 067	119 830
Cash and cash equivalents at the end of the year	4	142 883	103 067

*See Note 27

Statement of Comparison of Budget and Actual Amounts for year ended 31 March 2018

Budget on Cash Basis						
Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note(s)
Statement of Financial Performance						
REVENUE						
Skills Development Levy:income, interest and penalties	2 000	5 680	7 680	10 076	2 396	28.1
Transfers from other government entities - National Treasury	103 760	57 548	161 308	103 760	(57 548)	28.2
NSF Projects realised income	-	-	-	5	5	
Investment income	648	-	648	2 762	2 114	28.3
Other income	225	(140)	85	11	(74)	
Total revenue	**106 633**	**63 088**	**169 721**	**116 614**	**(53 107)**	
GRANTS AND PROJECT EXPENDITURE						
Mandatory Grants	-	(160)	(160)	(131)	29	
Discretionary Grants	(50 599)	(63 051)	(113 650)	(45 414)	68 236	28.4
Donor Funding Expenditure	-	(8)	(8)	(5)	3	
Total grants and project expenditure	**(50 599)**	**(63 219)**	**(113 818)**	**(45 550)**	**68 268**	

EXPENDITURE

Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note(s)
Cost of Employment	(36 604)	3 000	(33 604)	(30 419)	3 185	28.5
Advertising, marketing and promotions, communications	(650)	(50)	(700)	(1 297)	(597)	28.6
AGM and Annual Report and related costs	(250)	-	(250)	(40)	210	28.7
Audit fees	(1 400)	-	(1 400)	(1 962)	(562)	28.8
Bank charges	(68)	-	(68)	(39)	29	
Catering and refreshments	(369)	(14)	(383)	(353)	30	
Conferences / Venues	(307)	144	(163)	-	163	28.9

Statement of Comparison of Budget and Actual Amounts
for year ended 31 March 2018

Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note(s)
Consumables	-	(130)	(130)	(29)	101	
Consulting and professional fees	(2 509)	(1 145)	(3 654)	(3 709)	(55)	28.10
Finance costs	-	-	-	(224)	(224)	
Governance Fees	(865)	(435)	(1 300)	(1 621)	(321)	28.11
Insurance	(144)	-	(144)	(120)	24	
Legal fees	(310)	(328)	(638)	(1 485)	(847)	28.12
Operating lease rentals	(3 856)	1 192	(2 664)	(2 607)	57	
Loss on disposal of assets	-	-	-	(5)	(5)	
Printing and stationery	(316)	(200)	(516)	(664)	(148)	28.13
Rates and Taxes, water and electricity and security	(1 400)	-	(1 400)	(985)	415	28.14
Staff recruitment	(150)	-	(150)	(372)	(222)	28.15
Staff Welfare	(45)	(570)	(615)	(24)	591	28.16
Storage Costs	(55)	-	(55)	(34)	21	
Sundry items	(239)	-	(239)	(76)	163	28.17
Telephones	(400)	-	(400)	(321)	79	

Statement of Comparison of Budget and Actual Amounts for year ended 31 March 2018

Budget on Cash Basis

Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note(s)
Training and Development Governance	(76)	(114)	(190)	(225)	(35)	
Training and Staff Development	(190)	(880)	(1 070)	(508)	562	28.18
Travel and subsistence	(5 068)	1 453	(3 615)	(2 394)	1 221	28.19
Repairs and maintenance	(150)	(691)	(841)	(976)	(135)	
QCTO Expenditure	(42)	-	(42)	(21)	21	
Workshops	(120)	(221)	(341)	(77)	264	28.20
Depreciation	-	-	-	(1 053)	(1 053)	
Postage and courier	(132)	-	(132)	(54)	78	
Total operations expenditure	(55 715)	1 011	(54 704)	(51 694)	3 010	
Net Surplus/(Deficit)	320	880	1 200	19 370	18 170	
Capex	(320)	(880)	(1 200)	(938)	262	28.21
NET Surplus / (Deficit) after capex				18 432	18 432	

The original budget was revised during the 2017/18 financial year as a result of National Treasury's approval of the PSETA's request to retain surplus funds.

Accounting Policies for year ended 31 March 2018

1.Presentation of Annual Financial Statements

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.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

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. Nonexchange 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 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,

Accounting Policies for year ended 31 March 2018

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.

These levies are allocated as follows:

33.33%: Administration

66.67%: Discretionary Grants

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 Transfer from other government entities

The PSETA recognises revenue and a corresponding asset in respect of transfers received from transfers through the National Treasury when the transferred resources meet the definition of revenue and an asset and satisfy the criteria for recognition as revenue and an asset.

1.3.1.4 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.

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.

Accounting Policies for year ended 31 March 2018

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

- the PFMA,
- the State tender Board Act, 1968; or any provincial legislation providing for the procurement procedures in that provincialgovernment
- 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 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)

Accounting Policies for year ended 31 March 2018

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 entityor from other rights and obligations

An intangible asset is recognised when:-

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

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

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

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

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

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

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

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

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

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

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

Intangible assets are derecognised when:

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

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

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

1.11 Leasing

1.11.1 Operating leases

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

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

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

1.12 Provisions

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

1.12.1 Provision for employee entitlements

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

1.12.2 Other provisions

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

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

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

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

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

1.14.1.2 Loans and receivables

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

1.14.1.3 Effective interest rate method

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

1.14.1.4 Impairment and 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.

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%
- Employer grant fund levy	20.0%
- Discretionary grants and projects	49.5%
- Contributions to the National Skills Fund	20.0%

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%
- Discretionary grants and projects	66.67%

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, and for amounts which the Board's approval has been obtained but not yet contracted for.

1.18 Comparatives

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

1.19 Inventory

Inventory 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)

Notes to the Annual Financial Statements for year ended 31 March 2018

Figures in Rand thousand	2018	2017
2. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Staff advances	17	3
Operating lease rental deposits	342	342
Sundry Debtors: Leasehold Improvements	22	110
Staff Debtors	41	78
Prepayment - Operating lease	259	231
Accrued Income - Investment Income	566	97
	1 247	861
3. TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Mandatory grant receivable	2	2
4. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Bank balances	142 883	103 067

Figures in Rand thousand

5. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	965	(552)	413	904	(374)	530
Motor vehicles	247	(80)	167	80	(76)	4
Office equipment	184	(96)	88	184	(65)	119
Computer equipment	2 761	(2 156)	605	2 424	(1 517)	907
Total	**4 157**	**(2 884)**	**1 273**	**3 592**	**(2 032)**	**1 560**

Reconciliation of property, plant and equipment – 2018	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	530	61	-	(178)	413
Motor vehicles	4	167	-	(4)	167
Office equipment	119	-	-	(31)	88
Computer Equipment	907	353	(5)	(650)	605
	1 560	**581**	**(5)**	**(863)**	**1 273**

Reconciliation of property, plant and equipment – 2017	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	680	-	-	(150)	530
Motor vehicles	20	-	-	(16)	4
Office equipment	117	36	(4)	(30)	119
Computer Equipment	776	701	(12)	(558)	907
	1 593	**737**	**(16)**	**(754)**	**1 560**

Notes to the Annual Financial Statements for year ended 31 March 2018

Figures in Rand thousand

PROPERTY, PLANT AND EQUIPMENT (continued)

The PSETA has reviewed the residual values and useful lives of all the items of property, plant and equipment. The useful lives of these assets have been extended until 31 March 2020 in line with the life expectancy of the SETA.

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.

6. INTANGIBLE ASSETS

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer Software and licences	1 458	(1 117)	341	1 101	(928)	173

Reconciliation of intangible assets – 2018	Opening balance	Additions	Amortisation	Total
Computer Software and licences	173	357	(189)	341

Reconciliation of intangible assets – 2017	Opening balance	Additions	Amortisation	Total
Computer Software and licences	622	102	(551)	173

The PSETA has reviewed the residual values and useful lives of all the items of intangible assets. The useful lives of these assets have been extended until 31 March 2020 in line with the life expectancy of the SETA.

Notes to the Annual Financial Statements for year ended 31 March 2018

Figures in Rand thousand	2018	2017
7. TRADE AND OTHER PAYABLES - EXCHANGE TRANSACTIONS		
Trade payables	3 393	4 438
Discretionary Grant Accrual	1 463	-
SARS	-	43
Trade Accruals - administration	371	406
Leave pay accrual	669	1 147
	5 896	6 034
8. OPERATING LEASE LIABILITY		
Operating lease liability	25	75
9. EMPLOYER GRANTS PAYABLE		
Skills development grants payable - mandatory grants	10	42
Skills development grants payable - discretionary grants	-	9
Inter-seta payables		
Adminstration	3	18
Mandatory	5	35
Discretionary	14	86
	22	139
DHET Levy creditor	622	-
	654	190
10. DEFERRED INCOME LIABILITY - NSF		
National Skills Fund		
Opening balance	440	5 589
Draw downs and interest received		
Interest received and capitalised	75	223
	75	223
Utilised and recognised as revenue - conditions met	(5)	(5 057)
Utilised and recognised as revenue as revenue-assets acquisition	-	(315)
	510	440
10.1 NSF project expense detail		
NSF Project Expenses	-	4 944
Other project expenses	5	113
	5	5 057
11. DEFERRED INCOME LIABILITY - COMPULSORY INDUCTION PROGRAMME (CIP)		
Opening balance	5	540
Amount used	-	(535)
Closing balance	**5**	**5**

Notes to the Annual Financial Statements for year ended 31 March 2018

Figures in Rand thousand	2018	2017

12. PROVISIONS - EXCHANGE TRANSACTIONS

Reconciliation of provisions - exchange transactions - 2018

	Opening Balance	Utilised during the year	Raised in current year	Total
Donor Funding	1 051	(1 001)	-	50
Discretionary Grants	7 156	(7 156)	28 520	28 520
Performance Bonus	1 285	(472)	510	1 323
	9 492	(8 629)	29 030	29 893

Reconciliation of provisions - exchange transactions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Donor Funding	474	577	-	1 051
Discretionary Grants	2 043	5 217	(104)	7 156
Performance Bonus	724	1 285	(724)	1 285
	3 241	7 079	(828)	9 492

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.

13. PROVISIONS - NON-EXCHANGE TRANSACTIONS

Reconciliation of provisions - exchange transactions - 2018

	Opening Balance	Utilised during the year	Total
Provisions	190	(27)	163

Reconciliation of provisions - exchange transactions - 2017

	Opening Balance	Total
Provisions	190	190

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 recognized as levy income.

Notes to the Annual Financial Statements for year ended 31 March 2018

Figures in Rand thousand	2018	2017
14. REVENUE FROM NON-EXCHANGE TRANSACTIONS		
14.1 Skills Development Levy Income		
Administration		
Levies received from SARS	875	629
Inter-SETA transfers out	-	(17)
R500k Provision	3	(6)
	878	606
Employer grants		
Levies received from SARS	1 666	1 263
Inter-SETA transfers out	-	(17)
R500k Provision	7	(11)
	1 673	1 235
Discretionary grants		
Levies received from SARS	4 132	2 906
Inter-SETA transfers out	-	(82)
R500k Provision	17	(10)
	4 149	2 814
Levies from Departments		
Administration	1 061	937
Discretionary	2 122	1 871
	3 183	2 808
Total	**9 883**	**7 463**
14.2 Skills development Levy income: Interest and penalties		
Skills Development Levy Income:		
Penalties	173	98
Interest	20	126
	193	224
14.3 Transfer from other government entities - National Treasury		
First tranche	25 940	13 932
Second tranche	25 940	13 932
Third tranche	25 940	13 932
Fourth tranche	25 940	13 931
	103 760	55 727

Notes to the Annual Financial Statements for year ended 31 March 2018

Figures in Rand thousand	2018	2017
15. REVENUE FROM EXCHANGE TRANSACTIONS		
15.1 Investment income		
Interest received in the bank accounts	2 762	1 142
15.2 Other income		
Recovery of Wasteful Expenditure	11	-
Insurance recoveries	-	16
	11	16
16. EMPLOYER GRANT AND PROJECT EXPENSES		
Mandatory grants	131	133
Discretionary grants	45 414	36 017
	45 545	36 150
17. ADMINISTRATION EXPENSES		
17**.1 General Administration Expenses**		
Loss on disposal of property, plant and equipment	5	14
Operating lease rentals	2 607	2 524
Advertising, Marketing and Promotions	1 297	612
Bank charges	39	29
Catering and refreshments	353	384
Consulting and professional fees	3 709	1 808
Legal Fees	1 485	198
Travel & Subsistence	2 394	2 193
Training	733	197
Governance Fees	1 621	1 568
Printing and Stationery	664	581
Insurance	120	114
Rates and taxes, water & lights and security	985	738
Staff Recruitment	372	57
Storage Cost	34	31
Workshop	77	164
Sundry items	467	476
Cleaning	27	-
	16 989	11 688

Notes to the Annual Financial Statements for year ended 31 March 2018

ADMINISTRATION EXPENSES (continued)

Figures in Rand thousand	2018	2017
17.2 Audit Fees		
Audit fees (External)	1 962	1 668
17.3 Cost of Employment		
Basic salary	21 968	21 333
PAYE	7 547	7 326
Other staff costs	173	-
Incentive (Bonus)	510	1 285
Leave accrual	(478)	11
Union Fees	45	4
Workmens Compensation	149	61
Salaries and wages	29 914	30 020
UIF	207	214
SDL	298	296
	30 419	30 530
17.4 Repairs and Maintenance		
Motor vehicle Repairs	27	25
Computer Equipment Maintenance	416	327
Equipment Rental	83	86
Building Repairs	450	111
Furniture and Equipment Repairs	-	4
	976	553

Notes to the Annual Financial Statements for year ended 31 March 2018

Figures in Rand thousand	2018	2017

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

31 March 2018	Total per Statement of Financial Performance	Administration	Mandatory	Discretion-ary	Special Projects
	R '000	R '000	R '000	R '000	R '000
Total Revenue					
Skills development levy: Income					
Admin levy income (10.5%)	878	878	-	-	-
Grant levy income (20%) Mandatory	1 673	-	1 673	-	-
Grant levy income (20%) Discretionary	4 149	-	-	4 149	-
Levies from government departments	3 183	1 061	-	2 122	-
Skills developemnt levy: penalties and interest	193	-	-	193	-
Transfer from other government entities	103 760	46 982	-	56 778	-
NSF Realised Income	5	-	-	-	5
Investment Income	2 762	2 762	-	-	-
Other Income	11	11	-	-	-
	116 614	51 694	1 673	63 242	5
Total Expenses					
Administration expenses	(51 673)	(51 673)	-	-	-
QCTO Expenditure	(21)	(21)	-	-	-
NSF Project expenses	(5)	-	-	-	(5)
Employer grants and project expenses	(45 545)	-	(131)	(45 414)	-
	(97 244)	**(51 694)**	**(131)**	**(45 414)**	**(5)**
Net surplus/(deficit per Statement of financial performance allocated	**19 370**	**-**	**1 542**	**17 828**	**-**

Notes to the Annual Financial Statements for year ended 31 March 2018

ALLOCATION OF NET SURPLUS/(DEFICIT) FOR THE YEAR TO RESERVES (continued)

Figures in Rand thousand				2018	2017
31 March 2017	**Total per Statement of Financial Performance**	**Administration**	**Mandatory**	**Discretion-ary**	**Special Projects**
	R '000	R '000	R '000	R '000	R '000
Total Revenue					
Skills development levy: Income					
Admin levy income (10.5%)	606	606	-	-	-
Grant levy income (20%) Mandatory	1235	-	1 235	-	-
Grant levy income (20%) Discretionary	2814	-	-	2 814	-
Levies from government departments	2808	937	-	1 871	-
Skills developemnt levy: penalties and interest	224	-	-	224	-
Transfer from other government entities	55727	18 575	-	37 152	-
NSF Realised Income	5 057	-	-	-	5 057
NSF Donations Income	315	315	-	-	-
CIP Realised Income	535	-	-	-	535
Investment Income	1 142	1 142	-	-	-
Other Income	16	16	-	-	-
	70 479	**21 591**	**1 235**	**42 061**	**5 592**
Total Expenses					
Administration expenses	(45 835)	(45 835)	-	-	-
QCTO Expenditure	(36)	(36)	-	-	-
NSF Project expenses	(5 057)	-	-	-	(5 057)
CIP Expenses	(535)	-	-	-	(535)
Employer grants and project expenses	(36 150)	-	(133)	(36 017)	-
	(87 613)	(45 871)	(133)	(36 017)	(5 592)
Net surplus/(deficit per Statement of financial performance allocated	**(17 134)**	**(24 280)**	**1 102**	**6 044**	**-**

Notes to the Annual Financial Statements for year ended 31 March 2018

19. SEGMENT INFORMATION

Segment surplus or deficit, assets and liabilities
2018

	Administration	Mandatory	Discretionary	Special projects	Total
Revenue from non-exchange transations					
Skills Development Levy: income	1 939	1 673	6 271	-	9 883
Skills Development Levy: penalties and interest	-	-	193	-	193
Transfers from other government entities - National Treasury	46 961	-	56 799	-	103 760
NSF Projects - Realised Income	-	-	-	5	5
Revenue from exchange transactions	-	-	-	-	-
Other Income	11	-	-	-	11
Investment Income	-	-	2 762	-	2 762
Total revenue	48 911	1 673	66 025	5	116 614
Entity's revenue					116 614
Expenditure					
Employer Grant and Project expenses	-	130	45 415	-	45 545
General Administration Expenses	16 989	-	-	-	16 989
Audit fees	1 962	-	-	-	1 962
Cost of employment	30 419	-	-	-	30 419
Depreciation and Amortisation	1 053	-	-	-	1 053
Finance Costs - Overdue Accounts	224	-	-	-	224
Repairs and Maintenance	976	-	-	-	976
Staff Debt Written Off	50	-	-	-	50
QCTO Expenditure	21	-	-	-	21
NSF Projects Expenses	-	-	-	5	5
Total expenses	51 694	130	45 415	5	97 244
Net surplus/(deficit) for the year					**19 370**
Assets					
Current Assets	-	-	-	-	-

Notes to the Annual Financial Statements for year ended 31 March 2018

SEGMENT INFORMATION (continued)

Figures in Rand thousand	Administration	Mandatory	Discretionary	Special projects	Total
Trade and other receivables from exchange transactions	1 247	-	-	-	1 247
Trade and other receivables from non-exchange transactions	-	2	-	-	2
Consumables	14	-	-	-	14
Cash and cash equivalents	142 883	-	-	-	142 883
Non Current Assets	-	-	-	-	-
Property, plant and equipment	1 273	-	-	-	1 273
Intangible assets	341	-	-	-	341
Total assets	**145 758**	**2**	**-**	**-**	**145 760**
Total assets as per Statement of financial Position					**145 760**
Liabilties and reserves					
Exchange Transactions	-	-	-	-	-
Trade and other payables-exchange transactions	3 222	-	2 674	-	5 896
Operating lease liability	25	-	-	-	25
Provisions	1 323	-	28 520	50	29 893
Non-exchange transactions	-	-	-	-	-
Employer Grants Payables	-	654	-	-	654
Deferred Income Liability – NSF	-	-	-	510	510
Deferred Income Liability – CIP	-	-	-	5	5
Provisions	-	163	-	-	163
Administration Reserve	1 614	-	-	-	1 614
Discretionary reserve	-	-	107 000	-	107 000
Total segment liabilities and reserves	**6 184**	**817**	**138 194**	**565**	**145 760**
Total liabilities and reserves					**145 760**

Notes to the Annual Financial Statements for year ended 31 March 2018

SEGMENT INFORMATION (continued)

2017

Figures in Rand thousand	Administration	Mandatory	Discretionary	Special projects	Total
Revenue from non-exchange transactions					
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	-	-	-	5 057	5 057
NSF Donations income	315	-	-	-	315
CIP Projects realised income	-	-	-	535	535
Revenue from exchange transactions	-	-	-	-	-
Other Income	16	-	-	-	16
Investment Income	-	-	1 142	-	1 142
Total segment revenue	**20 449**	**1 235**	**43 203**	**5 592**	**70 479**
Entity's revenue					**70 479**
Expenditure					
Employer grants and project expenses	-	133	36 017	-	36 150
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
QCTO Expenditure	36	-	-	-	36
NSF Projects Expenses	-	-	-	5 057	5 057
CIP Projects Expenses	-	-	-	535	535
Total expenditure	45 871	133	36 017	5 592	87 613
Net surplus/(deficit) for the year					(17 134)

Notes to the Annual Financial Statements for year ended 31 March 2018

Figures in Rand thousand	Administration	Mandatory	Discretionary	Special Projects	Total
SEGMENT INFORMATION (continued)					
Assets					
Current Assets	-	-	-	-	-
Trade and other receivables from exchange transactions	861	-	-	-	861
Trade and other receivables from non-exchange transactions	-	2	-	-	2
Consumables	8	-	-	-	8
Cash and cash equivalents	103 067	-	-	-	103 067
Non-current Assets	-	-	-	-	-
Property, plant and equipment	1 560	-	-	-	1 560
Intangible assets	173	-	-	-	173
Total segment assets	**105 669**	**2**	**-**	**-**	**105 671**
Total assets as per Statement of financial Position					**105 671**
Liabilities and reserves					
Exchange Transactions	-	-	-	-	-
Trade and other payables-exchange transactions	3 150	-	1 272	1 612	6 034
Operating lease liability	75	-	-	-	75
Provisions	1 285	-	7 156	1 052	9 493
Non-exchange transactions	-	-	-	-	-
Employer Grants Payables	-	190	-	-	190
Deferred Income Liability - NSF	-	-	-	440	440
Deferred Income Liability - CIP	-	-	-	5	5
Provisions	-	190	-	-	190
Funds and Reserves	-	-	-	-	-
Administration Reserve	1 734	-	-	-	1 734
Discretionary reserve	-	-	87 510	-	87 510
Total segment liabilities and reserves	**6 244**	**380**	**95 938**	**3 109**	**105 671**
Total liabilities and reserves					**105 671**

Notes to the Annual Financial Statements for year ended 31 March 2018

Figures in Rand thousand	2018	2017
20.CASH GENERATED FROM (USED IN) OPERATIONS		
Surplus (deficit)	19 370	(17 134)
Adjustments for:		
Depreciation and amortisation	1 053	1 304
Gain on sale of assets and liabilities	-	14
Loss on disposal of PPE	5	-
Interest expense	224	90
Debt impairment	50	-
Movements in operating lease assets and accruals	(88)	110
Movements in provisions	20 401	6 282
Movement in Consumables	(6)	45
Movement Trade and other receivables from exchange transactions	(375)	(89)
Staff Debt Write-off	(50)	-
Movement in Donor Funding Payable - NSF	75	2 025
Movement in Trade and other Payables - exchange transactions	609	(7 377)
Movement in Employer Grant Payables	(464)	(1 225)
Movement in Operating Lease Liability	(50)	15
	40 754	**(15 940)**

21. 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

22. IRREGULAR EXPENDITURE

		Restated
Opening balance	85 213	15 674
Add: Irregular Expenditure - current year	15 179	69 551
Less: Amounts recovered (not condoned)	(6)	(12)
Less: Amounts not recoverable	(50)	-
	100 336	**85 213**

The irregular expenditure opening balances of the 2016/17 and 2017/18 financial years were adjusted as management identified errors within those balances. The opening balance for 2016/17 was restated from R 15 683 000 to R15 674 000 (adjustment of R 9 000) while the opening balance for 2017/18 was adjusted from R 80 834 000 to R 85 213 000 (adjustment of .R 4 379 000). The adjustment to opening balances had no impact on reserves.

The current year irregular expenditure is due to non-adherence to the Discretionary grant evaluation processes in the allocation of the discretionary grants. The evaluation took place during the 2015/16 financial year.

Due to non-adherence of the Discretionary grant evaluation process in the 2015/16 financial year, the SIU was approached to investigate the evaluation process. The irregular expenditure disclosed in note 22 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.

Former President Jacob Zuma had on 23 October 2017 in terms of section 2 (2) of the Special Investigating Unit and Special Tribunals Act, 1996, signed a Proclamation authorising the Special Investigating Unit (SIU) to investigate certain matters in respect to the affairs of the Public Service Sector Education and Training Authority (PSETA). The investigation is in progress.

During the 2017/18 financial year, an amount of R5 600 had been recouped from employees, while a further R50000 relating to staff debt had been approved to be written off.

Notes to the Annual Financial Statements for year ended 31 March 2018

IRREGULAR EXPENDITURE (continued)

	2018	2017 Restated
The balance of irregular expenditure comprises the following		
Opening balance	85 213	15 674
Procurement (Contravention of TR16A.6.4)	-	8
Irregularies in the evaluation and awarding of projects	15 179	45 730
Irregular expenditure due to excess administration expenditure	-	23 813
Staff Debt Write-off	(50)	-
Staff debt recovery	(6)	(12)
Closing balance	100 336	85 213

23. FRUITLESS AND WASTEFUL EXPENDITURE

		Restated
Opening Balance	133	38
Add: Fruitless and wasteful expenditure incurred during the year	233	95
	366	133

The fruitless and wasteful opening balances of the 2016/17 and 2017/18 financial years were adjusted as management identified errors within those balances. The opening balance for 2016/17 was restated from R 308 000 to R38 000 (adjustment of R 270 000) while the opening balance for 2017/18 was adjusted from R 403 000 to R 133 000 (adjustment of R 270 000). The adjustment to opening balances had no impact on reserves.

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 finalized.

24. 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.

Remuneration of management

Accounting Authority Members

2018

Committee Member	Meeting fee	Travel Expense	Total
Ms Mashigo - Chaiperson of the Accounting Authority	178	8	186
Mr Kobese	63	9	72
Mr Maduna	-	4	4
Ms Mkhize	203	8	211
Mr Mokheranyane	154	11	165
Dr McKinney	61	2	63
Mr Dladla	193	15	208
Ms Mankoe	93	5	98
Ms Oodit	200	-	200
Mr.Hlomane	63	1	64
	1 208	63	1 271

* See Note 27

Notes to the Annual Financial Statements for year ended 31 March 2018

Figures in Rand thousand	2018	2017

RELATED PARTIES (continued)

Accounting Authority Members

2017

Committee Member	Meeting Fee	Travel Expense	Total
Ms Mashigo - Chairperson of the Accounting Authority	213	9	222
Mr Kobese	32	4	36
Mr Maduna	-	7	7
Ms Mkhize	194	8	202
Mr Mokheranyane	168	13	181
Mr Dladla	172	15	187
Ms Mankoe	131	4	135
Ms Oodit	109	-	109
	1 019	60	1 079

Audit Committee Members

2018

Committee Member	Meeting Fee	Travel Expense	Total
P. Mzizi - Chairperson	92	3	95
P. Mukheli	60	2	62
P. Dala	68	1	69
	220	6	226

2017

Committee Member	Meeting Fee	Travel Expense	Total
P. Mzizi - Chairperson	159	3	162
P. Mukheli	75	2	77
P. Dala	86	2	88
	320	7	327

Key management personnel

2018

Name	Position	Engagement date	Salary	Other allowances	Termination benefits	Total
Mrs. S. Huluman	CEO	01 Aug-10 - 31 May 2017	266	23	67	356
Mr F Shamsoodeen	CFO	19 September 2017 - Current	609	5	-	614
Mr M Thibela	CEO (Acting)	04 May 2017 - Current	1 036	498	-	1 534
Ms N Qamata	CSE	01 Apr-15 – July 2017	298	2	-	300
Ms. M Nkabinde	CSE	01 November current	475	15	-	490
		-	2 684	543	67	3 294

** See Note 27*

Notes to the Annual Financial Statements for year ended 31 March 2018

Figures in Rand thousand	2018	2017

RELATED PARTIES (continued)

2017

Name	Position	Engagement date	Salary	Other allowances	Total
Mrs. S. Huluman	CEO	01 Aug-10 current	1 711	140	1 851
Ms M.E Ntsowe	CFO	01 Jan 14 - 30 Apr 16	173	1	174
Mr D McLean	COO	01 Jun 15 - 15 Dec 16	811	9	820
Ms N Qamata	CSE	01 April 15 current	1 064	9	1 073
Mr T Khubana	CFO (Acting)	01 may 16 - 30 Sep 16	535	105	640
Mr O Mafora	CFO	01 October 16 - 31 Mar 17	531	5	536
	-	-	4 825	269	5 094

Transactions with other SETAs

2018

	Amount Receivable/ (Payable)	Total
Payables		
LGSETA	(22)	(22)
	(22)	(22)

2017

	Amount Receivable/ (Payable)	Transfers in/ (out) during the year	Total
Payables			
MERSETA	(67)	(67)	-
SERVICESETA	(49)	(49)	-
LGSETA	(22)	-	(22)
	(138)	**(116)**	**(22)**

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.

Notes to the Annual Financial Statements for year ended 31 March 2018

RELATED PARTIES (continued)

Figures in Rand thousand	2018	2017
Transactions with other national public entities and state institutions 2018	Amounts Received	Total
Name National Treasury	103 760	103 760
2017	Amounts Received	Total
Name National Treasury	55 727	55 727

25. COMMITMENTS

	Amounts Received	Total
Operating lease commitments		
Minimum lease payments due - within one year	683	2 929
- in second to fifth year inclusive	-	785
	683	3 714

The operating lease liability is the difference between actual payments and straight – lining as recognized 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%

DG Commitments

	Opening Balance 01 April 2017	Opening Balance Adjustments	Expenditure In-curred	Write Backs	New Contracts	Closing balance 31 March 2018
Type of Programme						
Artisans	2 295	84	(2 586)	(69)	15 000	14 724
Bursary	3 142	(235)	(8 197)	(733)	20 400	14 377
HRD Review	195	-	(195)	-	-	-
Internship	1 200	1 363	(2 448)	(115)	-	-
Learnership	4 071	22	(10 854)	(1 597)	32 501	24 143
Research	154	115	-	(269)	1 000	1 000
Skills Programme	2 403	(84)	(4 350)	(2 106)	8 404	4 267
Workplace Intergrated Learning	8 788	4 633	(16 784)	(1 561)	14 411	9 487
Total Discretionary Commitments	22 248	5 898	(45 414)	(6 450)	91 716	67 998

Notes to the Annual Financial Statements for year ended 31 March 2018

COMMITMENTS (continued)

Donor Funding Commitments

Figures in Rand thousand	Opening balance 01 April 2017	Opening Balance Adjustment	Expenditure Incurred	Write-backs	Closing balance 31 March 2018
Type of Programme					
Artisans	697	697	-	(1 394)	-
Material development	700	300	-	(1 000)	-
Workplace Intergrated Learning	274	1 029	-	(1 303)	-
Total Donor Funding Commitments	**1 671**	**2 026**	**-**	**(3 697)**	**-**

26. CONTINGENCIES

A contingent liability is disclosed in relation to a dispute with a service provider who insists that PSETA should pay him an amount of R1 000 000 relating to a contract entered into as he states that the delays in providing services were not his company's fault, and rather that of the 3rd party to the contract.

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 realized in the previous financial year without obtaining the prior written approval of National Treasury. During May 2017, National treasury Issued Instruction No. 6 of 2017/18 which gave more detail to the surplus definition. According to this instruction, a surplus is based on the formula used below:

As of the 31 March 2018 the cash surplus was calculated as follows:

Cash and cash equivalents	142 883
Add: Receivables	1 249
Less: Current Liabilities	(37 146)
Less: Commitments	(68 681)
	38 305

Submission regarding the cash surplus was made to the National Treasury for the 2017/18 financial year on the 31 May 2018.

27. PRIOR PERIOD ERRORS

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

The above necessitated the adjustments below:

27.1) The discretionary grant expenditure was overstated in the prior year, due to provisions being raised on incorrect amounts and discretionary grant expenditure being recorded more than once. This necessitated a reversal of provision/creditor and decrease in expenditure in the prior year.

27.2) The NSF expenditure was overstated in the prior year, due to provisions being raised on incorrect amounts. This necessitated a reversal of provision, an increase in NSF Liability, a decrease in related expenditure and a decrease in NSF realised income in the prior year.

27.3) The irregular expenditure opening balances of the 2016/17 and 2017/18 financial years were adjusted as management identified errors within those balances. The opening balance for 2016/17 was restated from R 15 683 000 to R15 674 000 (adjustment of R 9 000) while the opening balance for 2017/18 was adjusted from R 80 834 000 to R 85 213 000 (adjustment of .R 4 379 000). The adjustment to opening balances had no impact on reserves.

27.4) The fruitless and wasteful opening balances of the 2016/17 and 2017/18 financial years were adjusted as management identified errors within those balances. The opening balance for 2016/17 was restated from R 308 000 to R38 000 (adjustment of R 270 000) while the opening balance for 2017/18 was adjusted from R 403 000 to R 133 000 (adjustment of R 270 000). The adjustment to opening balances had no impact on reserves.

Notes to the Annual Financial Statements for year ended 31 March 2018

PRIOR PERIOD ERRORS (continued)

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Figures in Rand thousand	2018	2017
Impact on Statement of financial position	**Note(s)**	
Donor Funding Receivable (Payable)	27.2	(2 025)
Trade and Other Payables: Exchange	27.1	232
Provisions - exchange transactions	27.1	7 830
Total		6 037
Impact on Statement of financial performance and discretionary reserve	**Note(s)**	
Employer Grants and Project Expenses	27.1	6 037
NSF Projects Realised Income	27.2	(2 025)
NSF Projects Expense	27.2	2 025
Total		6 037

28. 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.

28.1 Skills development levy: income, interest and penalties

More levies were received than budgeted, however consistent to that of the prior year. The actual amounts received are not within the control of the PSETA. The variance between the current and prior year is as a result of additional levies received due to the SARS reversals

28.2 Transfers from other government entities

PSETA had only budgeted to receive money from DHET through the National Treasury Vote. The vote was increased during the year by the surplus retention and budget revised accordingly. The amount received is in line with the revised approved budget amount.

28.3 Investment income

Investment income has increased due to high cash balances. Non-implementation of the discretionary projects has contributed to the cash balances

Grants and Projects Expenditure

28.4 Discretionary Grants

Discretionary grants expenditure incurred for the current financial year is also below budget. The discretionary grant allocation for the year only happened towards the end of the year which resulted in low spending. The movement in the expenditure is a result of the projects emanating from the prior financial years and newer projects in the latter part of the year.

Administration Expenditure

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

28.5 Cost of employment

The underspending and also due to vacancies during the year. Most vacant positions were filled towards the end of the 2017/18 financial year.

28.6 Advertising, marketing and promotions, communications

The increase in the current year is attributed to the aggressive marketing strategy adopted by the communications team to promote the PSETA.

28.7 AGM, annual report and related costs

Costs incurred were last than what was anticipated during the budgeting process due to efficient procurement processes.

28.8 Audit Fees

The audit fee per the budget approved as tabled by the AG was in excess of the approved budget line mainly due to the reauditing of some areas during the final 2017/18 audit. An interim audit was also conducted during the year which contributed to the higher audit cost.

Notes to the Annual Financial Statements for year ended 31 March 2018

EXPLANATION OF MATERIAL VARIANCES BETWEEN ACTUAL RESULTS AND FINAL BUDGET (continued)

28.9 Conference and venues

The use of other state organs venues resulting in a saving.

28.10 Consultancy and service provider fees

The late appointment of the OD service provider contributed to the savings.

28.11 Governance fees

The special meetings and the appointment of the ICT steering committee chairperson during the year contributed to higher than usual expenditure.

28.12 Legal fees

The dismissal of HR manager and the subsequent CCMA processes led to the increase in the expenditure.

28.13 Printing and stationery

The organisation procured larger than usual amount of printing paper towards the end of the financial year to cater for the shortage of printing paper constantly experienced at the entity.

28.14 Rates &taxes, water &lights and security The savings is due to the utility's consumption drop.

28.15 Staff recruitment

Due to the larger number of vacancies a higher number of recruitment processes had to be initiated during the year.

28.16 Staff Welfare

Delays were experienced regarding the appointment of a service provider to provide staff welfare during the financial year.

28.17 Sundry items

General sundry item costs incurred were more than planned.

28.18 Training and Staff Development

The learning interventions applied for and taken by the staff members were processed towards the end of the year which resulted in low spending.

28.19 Travel and subsistence

Due to minimal implementation of new projects for the current financial year, a saving was realised.

28.20 Workshops

Savings were realised due to minimal implementation of new projects

28.21 Capital Expenditure

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

29. INVESTIGATIONS

Due to non-adherence of the Discretionary grant evaluation process in the 2015/16 financial year, the SIU was approached to investigate the evaluation process. The irregular expenditure disclosed in note 22 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.

Former President Jacob Zuma had on 23 October 2017 in terms of section 2 (2) of the Special Investigating Unit and Special Tribunals Act, 1996, signed a Proclamation authorising the Special Investigating Unit (SIU) to investigate certain matters in respect to the affairs of the Public Service Sector Education and Training Authority (PSETA). The investigation is in progress.

Notes to the Annual Financial Statements for year ended 31 March 2018

30. FINANCIAL INSTRUMENTS DISCLOSURE

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

	Floating rate		Fixed interest rate			Non - interest bearing		
	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	Total
	R '000	%	R '000	%	R '000		R '000	R '000
31 March 2018								
Assets								
Cash	142 883	1.93%	-		-	-		142 883
Accounts receivable	-		-		-	1 249	1 year	1 249
Total financial assets	142 883		-		-	1 249		144 132
Liabilities								
Accounts payable	-		-		-	5 896	1 year	5 896
Total financial liabilities	-		-		-	5 896		5 896
31 March 2017								
Assets								
Cash	103 067	1.11%	-		-	-		103 067
Accounts receivable	-		-		-	863	1 year	863
Total financial assets	103 067		-		-	863		103 930
Liabilities								
Accounts payable	-		-		-	6 034	1 year	6 034
Total financial liabilities	-		-		-	6 034		6 034

Notes to the Annual Financial Statements for year ended 31 March 2018

FINANCIAL INSTRUMENTS DISCLOSURE (continued)

Cash and cash equivalents

	31 March 2018		31 March 2017	
	Gross	Impairment	Gross	Impairment
	R '000	R '000	R '000	R '000
Not past due	142 883	-	103 067	-
Past due 0 - 30 days	-	-	-	-
Past due 31 - 120 days	-	-	-	-
Past due 1 year	-	-	-	-

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 shortterm maturity of these financial assets.

Accounts payable

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

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.

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 :

- he 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 interestbearing 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.

Notes to the Annual Financial Statements for year ended 31 March 2018

31. RISK MANAGEMENT

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.

31 March 2018

	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	5 896	5 896	5 896	-	-	-

31 March 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	6 034	6 034	6 034	-	-	-

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.

Market risk

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

32. 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 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 re-licensed by the 31st March 2020, all existing commitments will be transferred as per the transitional arrangements prescribed by DHET.

33. NEW STANDARDS AND INTERPRETATIONS

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.

Notes to the Annual Financial Statements for year ended 31 March 2018

NEW STANDARDS AND INTERPRETATIONS (continued)

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.

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, de-recognition, 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.

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

Notes to the Annual Financial Statements for year ended 31 March 2018

NEW STANDARDS AND INTERPRETATIONS (continued)

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;

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.

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

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