
# ANNUAL REPORT
2021-2022

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

PSETA
Public Service Sector Education & Training Authority

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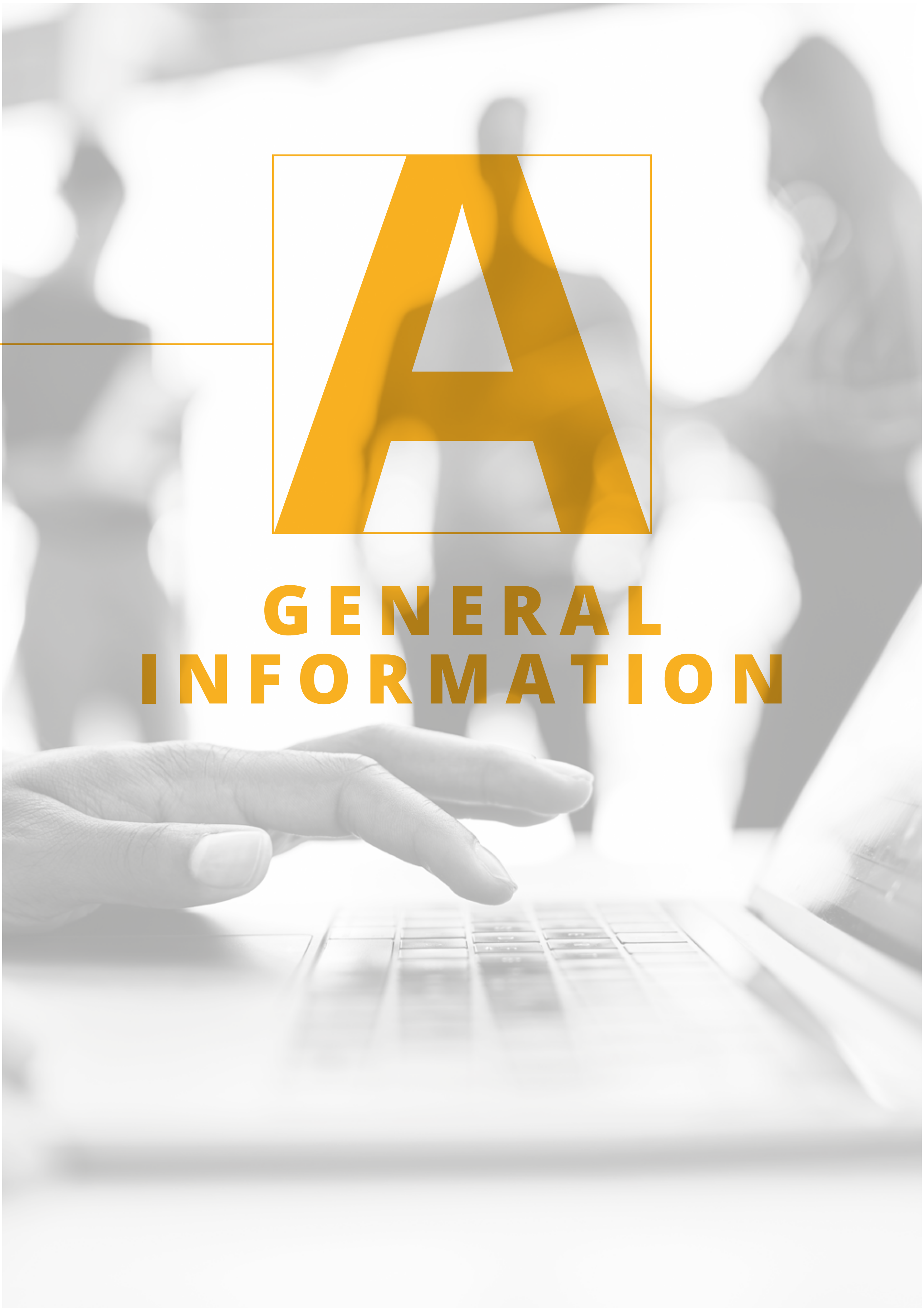


# A

# GENERAL INFORMATION

# 1. PSETA INFORMATION

| | |
|---|---|
| **Registered name of the public entity** | Public Service Sector Education and Training Authority |
| **ISBN number** | ISBN: 978-0-621-50332-6 |
| **RP number** | RP134/2022 |
| **Registered office address** | Woodpecker Building, 177 Dyer Road, Hillcrest, 0083, Pretoria. Gauteng |
| **Postal Address** | P.O. Box 11303, Hatfield, 0028 |
| **Contact telephone numbers** | +27 12 423 5700/5711 |
| **Email address** | communications@pseta.org.za |
| **Website address** | www.pseta.org.za |

## External Auditors

| **Auditor-General South Africa** | |
|---|---|
| **Physical address** | 4 Daventry Street, Lynnwood Bridge Office Park, Lynnwood Manor, Pretoria, South Africa |
| **Postal address** | Box 446, Pretoria 0001 |
| **Telephone** | +27 12 426 8000 |
| **Fax** | +27 12 426 8257 |

## Bankers' Information

| **Bank** | **Address** |
|---|---|
| **ABSA** | Absa Bank<br>Gauteng North Public Sector<br>1263 Heuwel Street<br>Centurion 0157 |
| **South African Reserve Bank** | South African Reserve Bank<br>370 Helen Joseph Street,<br>Pretoria, 0002<br>P O Box 427,<br>Pretoria, 0001 |

## 2. ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| **4IR** | Fourth Industrial Revolution |
| **AA** | Accounting Authority (the Board) |
| **AC** | Audit Committee |
| **AG** | Auditor-General |
| **AGSA** | Auditor-General South Africa |
| **APP** | Annual Performance Plan |
| **CEO** | Chief Executive Officer |
| **CET** | Community Education and Training Colleges |
| **CFO** | Chief Financial Officer |
| **CGICT** | Corporate Governance of Information and Communication Technology |
| **COO** | Chief Operating Officer |
| **CSE** | Corporate Services Executive |
| **DG** | Discretionary Grants |
| **DHET** | Department of Higher Education and Training |
| **DPSA** | Department of Public Service and Administration |
| **EA** | Executive Authority |
| **ERP** | Enterprise Resource Planning |
| **FY** | Financial Year |
| **GCRA** | Gauteng City Region Academy |
| **GRAP** | Generally Recognised Accounting Practice |
| **GSC** | Governance and Strategy Committee |
| **HR** | Human Resources |
| **HRM** | Human Resource Management |
| **ICT** | Information and Communication Technology |
| **MHESI** | Minister of Higher Education, Science and Innovation |
| **MIS** | Management Information System |
| **MPSA** | Minister of Public Service and Administration |
| **MTEF** | Medium Term Expenditure Framework |
| **MTSF** | Medium Term Strategic Framework |
| **NEHAWU** | National Education Health and Allied Workers Union |
| **NQF** | National Qualifications Framework |
| **NSG** | National School of Government |
| **NSDP** | National Skills Development Plan |
| **NT** | National Treasury |
| **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 |
| **SDA** | Skills Development Act |
| **SETA** | Sector Education and Training Authority |
| **SIU** | Special Investigating Unit |
| **SD** | Skills Development |
| **SDA** | Skills Development Act |
| **SDLA** | Skills Development Levies Act |
| **SDP** | Skills Development Provider |
| **SP** | Strategic Plan |
| **SSP** | Sector Skills Plan |
| **TVET** | Technical Vocational Education and Training |
| **WIL** | Work Integrated Learning |
| **WSP** | Workplace Skills Plan |

## 3. ACKNOWLEDGEMENTS

**Dr Blade Nzimande**
Honourable Minister
of Higher Education,
Science & Innovation

**Mr Buti Manamela**
Honourable Deputy Minister
of Higher Education,
Science and Innovation

The Accounting Authority (AA) of the Public Service Sector Education and Training Authority (PSETA) would like to express their appreciation to the Executive Authority, the Minister of Higher Education, Science and Innovation (MHESI), Honourable Dr. Blade Nzimande and the Deputy Minister, Honourable Buti Manamela for the leadership and unwavering support provided to PSETA and collaboration in implementing various skills development programmes.

The PSETA Accounting Authority appreciates the budget allocation made and all levy paying organisations. The achievement of the PSETA's mandate would not be possible without the cooperation of the PSETA's key strategic partners. PSETA remains committed to contributing positively to transform the Public Service into a training space and meeting the outcomes of the National Skills Development Plan 2030.

**Thulani Tshefuta**
Accounting Authority Chairperson

**Bontle Lerumo**
Chief Executive Officer

**Thulani Tshefuta**
Accounting Authority Chairperson

# 4. FOREWORD BY THE CHAIRPERSON

*PSETA partnered with Microsoft South Africa and its implementing partner, Afrika Tikkun Services, on the Global Skills Initiative South Africa (GSISA). This partnership was officially launched by the Minister of Higher Education, Science and Innovation (MHESI) in April 2021. The focus was on building digital skills capabilities in South Africa, and to improve employability of the country's youth in the Information and Communications Technology (ICT) industry.*

## Introduction

I am pleased to present the Annual Report and Financial Statements of the PSETA for the year ended 31 March 2022. In so doing, I would like to confirm that the PSETA Accounting Authority (AA) and its committees have performed their oversight responsibilities as prescribed in the Sector Education and Training Authorities (SETAs) Constitution, the Public Finance Management Act, 1996, and the Skills Development Act, 1998 (as amended).

The PSETA AA Governance Committees played a critical role in supporting the PSETA AA in the execution of its responsibilities. Oversight of the implementation of the five-year Strategic Plan 2020/21-2024/25 and the Annual Performance Plan (APP), which have culminated in this report, were conducted by the AA appointed by the Minister of Higher Education, Science and Innovation (MHESI) to serve until 31 March 2025. Part C: Governance of the Annual Report provides details of the members of the PSETA AA and its Committees.

In this foreword, I will focus on the high-level overview of the strategy and performance of the PSETA, as well as strategic relationships, key challenges and the strategic focus over the medium to long term.

High level overview of the entity's strategy and performance

The PSETA Strategic Plan was developed in accordance with the following Legislative and Policy Prescripts:

a. National Development Plan Vision 2030
b. Medium-Term Strategic Framework 2020-2024
c. Post-School Education and Training White Paper
d. National Skills Development Plan 2030
e. PSETA Sector Skills Plan.

The Strategic Plan is a five-year plan that is implemented through the APP on an annual basis. The 2021/22 PSETA APP had 32 performance targets from the four programmes, namely, (i) Administration, (ii) Skills Planning and Research, (iii)(a) Learning Programmes and Projects (b) Special Projects and Partnerships and (iv) Quality Assurance.

In the 2021/22 financial year, an overall performance achievement of 84% was recorded, the same as the 84% achieved in the 2020/21 financial year. Details of the performance by programme is outlined in Part B: Performance Information of this Annual Report.

## Service Level Agreement

On an annual basis, the PSETA signs a Service Level Agreement (SLA) with the Director-General of the Department of Higher Education and Training (DHET) in terms of Section 10 of the Skills Development Act, 1998 (as amended). The SLA quantifies the National Skills Development Plan (NSDP) outcomes to output indicators. For the 2021/22 financial year, the PSETA had 25 SLA targets. Of these, the organisation achieved 22 targets, representing an annual 88% achievement, compared to 93% achievement in the 2020/21 financial year. These targets are also integrated in the Part B of the Annual Report: Performance information.

## Strategic relationships

The PSETA has established strategic relationships with identified stakeholders at national and provincial levels. These are key to championing and coordinating specific competencies within the public sector.

The relationships and partnerships also include the Department of Public Service and Administration (DPSA), the National School of Government (NSG), Public Entities, Higher Education Institutions, Technical Vocational Education and Training (TVET) Colleges, Community Education and Training (CET) Colleges, Quality Assurance Bodies, Bargaining Councils, Labour Federations and Skills Development Providers, who continue to play an important role in contributing towards the implementation of the priority skills development interventions contained in the Sector Skills Plan (SSP).

PSETA partnered with Microsoft South Africa and its implementing partner, Afrika Tikkun Services, on the Global Skills Initiative South Africa (GSISA). This partnership was officially launched by the Minister of Higher Education, Science and Innovation (MHESI) in April 2021. The focus was on building digital skills capabilities in South Africa, and to improve employability of the country's youth in the Information and Communications Technology (ICT) industry. The GSISA programmes has reached over 54 000 youth, and PSETA has supported 6 821 unemployed learners to participate in the programme. PSETA further partnered with Microsoft South Africa to provide digital skills programmes to public sector employees. The online platform, Batho Pele Digital Skills, enabled by Microsoft Community Training, gives public servants free access to learning content ranging from entry-level digital literacy skills to advanced skills for technical roles.

Altogether, these relationships and partnerships have been central to the realisation of the PSETA's mandate.

## Challenges faced by the Board

### Budget Constraints

The current PSETA funding model has restricted the entity from meeting the skills development needs of stakeholders. The shortcoming of the current funding model is that the organisation is funded through voted funds, which poses a serious constraint in terms of enabling PSETA to carry out its mandate. For the entity to fully realise its mandate, an alternative funding mechanism to increase the PSETA's budget is required. Prescripts such as the Skills Development Act and the Skills Development Levies Act need to be the enablers of the PSETA to discharge its mandate. The PSETA AA has resolved to develop a sustainable funding model and the expected outcome of this project will ensure PSETA has a variety of options in terms of establishing sustainable funding for the entity.

### Strategic focus over medium to long term

PSETA will be focusing on the five strategic focus priorities which are informed by the NSDP and the DHET's Five Year Strategic Outcomes and Medium-Term Strategic Framework 2019 to 2024, namely:

a. Establish strategic partnerships with key stakeholders;
b. Improve research and impact assessment of programmes;
c. Review and realign occupational qualifications;
d. Implement workplace-based learning programmes in building the workplace into a training space; and
e. Reposition the operating model to enhance capability for strategy realisation.

## Appreciation/Acknowledgements

On behalf of the PSETA AA, I would like to express my gratitude to the MHESI, Honorable Dr Blade Nzimande and the Deputy Minister, Honorable Buti Manamela, for the leadership and steadfast support they continue to provide and the collaboration in executing the skills development mandate.

I would also like to acknowledge and appreciate the cooperation and support received from the Minister for Public Service and Administration (MPSA) and the Director

General of the DPSA, Ms Yoliswa Makhasi, in executing critical programmes towards building the capacity of the state.

I extend my deepest appreciation to my AA colleagues for their unwavering commitment to guiding the SETA through this financial year and for responding to challenges and emergencies whenever necessary. I further thank the independent members of the PSETA AA Governance Structures for availing to the entity and the AA their knowledge, skills and expertise.

Furthermore, I wish to thank the CEO, Ms Bontle Lerumo, the Executive Management Team, Management, and all the PSETA staff for their support and dedication to ensuring that PSETA continues to deliver its mandate.

And finally, to our stakeholders, thank you for your contribution in assisting PSETA to achieve its vision of being the heart of developing a skilled, capable and innovative Public Sector workforce.

## Conclusion

The PSETA will continue to play a critical role in contributing towards building a capable, ethical and developmental state.

**Thulani Tshefuta**
Accounting Authority Chairperson
Date: 31 July 2022

**Bontle Lerumo**
Chief Executive Officer

# 5. CHIEF EXECUTIVE OFFICER'S OVERVIEW

## General Financial Overview

PSETA's total budget allocation for the 2021/22 financial year was R126 million, PSETA received its allocation of R120 million from the National Treasury through the DHET, with the remaining budget made up of levy and investment income.

PSETA's annual revenue increased from the previous financial year by 2%, to R128 million (R126 million in 2020/21 financial year). The increase in revenue is largely attributed to the increase in levies.

| Revenue Items | 2021/22 R'000 | 2020/21 R'000 | 2019/20 R'000 |
|---|---|---|---|
| Voted Funds | 120 082 | 118 516 | 112 304 |
| Levies | 4 107 | 2 618 | 8 032 |
| Investment Income | 4 162 | 4 920 | 9 237 |
| Other Income | 40 | 63 | 117 |
| **Total** | **128 391** | **126 117** | **129 690** |

## Spending trends

The PSETA's operational expenditure decreased from the previous financial year by 14%, to R119 million (R138 million in 2020/21 financial year), due to a decrease in discretionary expenditure spending. The PSETA will remain solvent for the foreseeable future with a healthy cash balance. The most significant liabilities of the PSETA are trade and discretionary grant payables, which will be settled in the next twelve (12) months.

The PSETA closed the 2021/22 financial year with R64 million in discretionary grant commitments and R36 million in administration commitments, totalling R100 million worth of commitments. Actual payments during the year to discretionary grant funding was R46 million (R75 million in 2020/21 financial year). The consistency in disbursement of discretionary grant funding is attributed to the stability in the Finance Department and efficiencies within the Learning Programmes Department, which resulted in timeous settlement of outstanding invoices.

| Expenditure type | 2021/22 R'000 | 2020/21 R'000 | 2019/20 R'000 |
|---|---|---|---|
| Discretionary Grants | 46 254 | 75 123 | 71 335 |
| Administration | 73 240 | 62 917 | 60 345 |
| **Total** | **119 494** | **138 040** | **131 680** |

## Capacity constraints and challenges

PSETA had several vacancies in the year ending 31 March 2022, with the total vacancy rate at 25%. Filling of posts were put on hold as the PSETA concluded a job evaluation and benchmarking process. Following approval of the PSETA structure, the organisation has prioritised the filling of vacancies from January 2022.

The continued presence of COVID-19 and the various lockdown arrangements provided the SETA with slight challenges in terms of programme monitoring. During the preceding 2020/21 financial year, the PSETA had put in place measures such as virtual monitoring, e-learning support and learner monitoring to mitigate these challenges. However, towards the end of the financial year under review, the PSETA had resuscitated physical monitoring of projects.

Furthermore, delays by stakeholders in submitting correct learner documents and closing the gaps identified post validation of the learner agreements continue to impact the timeframes for registration of learners. It is important to note that despite these challenges, the implementation of all the programmes was done with no other notable challenges.

PSETA is in the process of implementing an Enterprise Resource Planning (ERP) system. Some of the Phase I modules are in operation and the development of Phase II modules is in progress. The implementation of the ERP system posed delays in the process of registration and completions of learners on the system. The expected go-live for all the modules will be in next financial year.

## Discontinued/to be discontinues activities

PSETA did not discontinue any activities in the 2021/22 financial year.

## Proposed activities

PSETA will continue to focus on strategic partnerships and collaboration with key stakeholders.

## Request for roll over of funds

The request for a roll-over of funds for the 2020/21 financial year of R106.9 million was granted by the National Treasury in the current financial year. The surplus was mainly to cover the commitments disclosed in the audited annual financial statements.

## Supply Chain Management

The Supply Chain Management (SCM) unit is fully functional, and controls are in place and constantly reviewed, to ensure compliance with the various legislative requirements. There were no unsolicited bids during the year.

Audit report matters in the previous financial year and how they would be addressed.

The PSETA tracks the implementation of findings raised by the Auditor General. In tracking the audit matters, management reports quarterly to PSETA AA Governance Structures on the progress made in addressing audit matters to avoid recurrence.

## Outlook for plans to address financial challenges

The PSETA AA has resolved to develop a sustainable funding model and the expected outcome of this project will ensure PSETA has a variety of options in terms of establishing sustainable funding for the entity.

On a further note, the South African Reserve Bank recently increased its lending rate, which will contribute immensely to the revenue base of the entity in relation to the investment held with the Bank.

## Events after the reporting date

There are no events after reporting date reported post the financial year end.

## Economic Viability

The PSETA is in a financially sound position and continues to operate as a going concern.

## Appreciation

A word of gratitude is extended to the Chairperson of the AA and the AA members for the leadership and guidance provided, and to the PSETA Team for their continuous dedication towards contributing to the skills development and transformation of the public service into a training space.

I would also like to thank all the PSETA's stakeholders, the Director-General of the DHET and Team PSETA for their continued support and co-operation.

**Bontle Lerumo**
Chief Executive Officer
Date: 31 July 2022

# 6. 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).
- The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.
- The Auditor General South Africa (AGSA) 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 2022.

Yours faithfully

**Thulani Tshefuta**
Accounting Authority Chairperson

**Bontle Lerumo**
Chief Executive Officer

## 7. STRATEGIC OVERVIEW

### VISION

***To be the heart of developing a capable, skilled and innovative public service sector workforce.***

### MISSION

***To develop a capable, skilled and innovative public service workforce through:***

- Understanding and communicating the skills demand and supply in the sector;
- Effective coordination of skills development interventions based on occupationally-directed qualifications;
- Promotion, monitoring and evaluation of the implementation of Education, Training and skills development in the sector.

### VALUES

***The PSETA values are:***

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

# 8. OUR MANDATE

As a public entity, PSETA is governed by a legal framework, which includes the Constitution of the Republic of South Africa, legislation and policies. This legal framework sets out PSETA's constitutional, legislative and policy mandate and adherence to the framework is central to the operations of PSETA.

## 4.1. Constitutional Mandate

PSETA's constitutional mandate is underpinned by section 29(1) (b) of the Constitution of the Republic of South Africa (Act 108 of 1996), which bestows upon all South African citizens the right to further education. This right must be provided by the State (including organs of State such as PSETA) within reasonable measures.

PSETA's constitutional mandate is also derived from the prescripts of section 195(1) of the Constitution, which states as follows:

(1) Public administration must be governed by the democratic values and principles enshrined in the Constitution, including the following principles:
  - (a) A high standard of professional ethics must be promoted and maintained.
  - (b) Efficient, economic and effective use of resources must be promoted.
  - (c) Public administration must be development oriented.
  - (d) Services must be provided impartially, fairly, equitably and without bias.
  - (e) People's needs must be responded to, and the public must be encouraged to participate in policymaking.
  - (f) Public administration must be accountable.
  - (g) Transparency must be fostered by providing the public with timely, accessible and accurate information.
  - (h) Good human resource management and career development practices, to maximize human potential, must be cultivated.
  - (i) Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness and the need to redress the imbalances of the past to achieve broad representation.

These Constitutional prescripts and values are the cornerstone of PSETA's mandate.

## 4.2. Legislative Mandate

### I. SKILLS DEVELOPMENT ACT NO 97 OF 1998 AS AMENDED

PSETA is established in terms of section 9(1) and (2) of the Skills Development Act (Act No. 97 of 1998 as amended). The Skills Development Act is the enabling legislation that guides operations as a sector education and training authority (SETA), as set out in section 10 of the Act.
Section 10 (1) of the Act sets out the functions of sector education and training authorities (SETAs) such as PSETA, as outlined below:

(1) A SETA must, in accordance with any requirements that may be prescribed:
  - (a) develop a sector skills plan within the framework of the national skills development strategy;
  - (b) implement its sector skills plan by:
    - (i) establishing learning programmes;
    - (ii) approving workplace skills plans and annual training reports;
    - (iii) allocating grants in the prescribed manner and in accordance with any prescribed standards and criteria to employers, education and skills development providers and workers; and
    - (iv) monitoring education and skills development provision in the sector.
  - (c) promote learning programmes by:
    - (i) identifying workplaces for practical work experience;
    - (ii) supporting the development of learning materials;
    - (iii) improving the facilitation of learning; and
    - (iv) assisting in the conclusion of agreements for learning programmes, to the extent that it is required.
  - (d) register agreements for learning programmes, to the extent that it is required;
  - (e) perform any functions delegated to it by the QCTO in terms of section 26I;
  - (f) when required to do so as contemplated in section 7(1) of the Skills Development Levies Act, collect the skills development levies, and disburse the levies, allocated to it in terms of sections 8(3) (b) and 9(b), in its sector;
  - (g) liaise with the National Skills Authority on:
    - (i) the national skills development policy;
    - (ii) the national skills development strategy; and
    - (iii) its sector skills plan;
  - (h) submit to the Director-General (of the DHET):
    - (i) any budgets, reports and financial statements on its income and expenditure that it is

required to prepare in terms of the Public Finance Management Act; and
   (ii) strategic plans and reports on the implementation of its service level agreement;
- (i) liaise with the provincial offices and labour centres of the Department and any education body established under any law regulating education in the Republic to improve information:
   (i) about placement opportunities; and
   (ii) between education and skills development providers and the labour market;
   (iii) liaise with the skills development forums established in each province in such manner and on such issues as may be prescribed;
- (j) Subject to section 14, appoint staff necessary for the performance of its functions;
   (j) promote the national standard established in terms of section 30B;
   (ii) liaise with the QCTO regarding occupational qualifications; and
- (k) perform any other duties imposed by this Act or the Skills Development Levies Act or consistent with the purposes of this Act.

## II. SKILLS DEVELOPMENT LEVIES ACT, NO. 9 OF 1999, AS AMENDED

The Skills Development Levies Act (Act No. 9 of 1999 as amended) ("SDLA") also impacts on PSETA operations. The main purpose of the SDLA is to regulate a compulsory levy scheme to fund skills development, education and training in the various sectors of the economy. The intention is to encourage a planned and structured approach to learning and to increase employment prospects for work seekers.

Section 3 of the SDLA compels employers to pay one percent (1%) of their monthly employee remuneration payroll to the South African Revenue Service (SARS) in the form of a levy. These levies are then collected by the relevant SETA, which then distributes levies in their sector.

However, section 4(a) of the SDLA states as follows:

The levy is not payable by -
(a) any public service employer in the national or provincial sphere of government.

This provision impacts on PSETA as its sector encompasses the public services sector and therefore the number of levies PSETA collects is limited.

As a result, PSETA is largely funded by way of funds allocated through Vote 15, under one of the budget programmes of the DHET.

## III. THE SECTOR EDUCATION AND TRAINING AUTHORITIES GRANT REGULATIONS OF 3 DECEMBER 2012

The Sector Education and Training Authorities Grant Regulations (2012 Grant Regulations) are also critical to PSETA's operations.

The main purpose of the 2012 Grant Regulations is to improve the focus, management and effectiveness of a SETA's disbursement and allocation of grants to stakeholders for skills development within its sector.
Regulation 3 provides guidance on the way a SETA must manage its finances, particularly funds received as levies in terms of the Skills Development Levies Act. Regulations 3 (1) (2) and (6) state as follows:
(1) Each SETA must, in compliance with the Public Finance Management Act, establish banking accounts.
(2) A SETA must use all monies received in terms of the Skills Development Levies Act to -
   (a) administer the activities of the SETA;
   (b) pay employers their mandatory grants;
   (c) implement the SSP and APP as contemplated in the Treasury Regulations issued in terms of the Public Finance Management Act, through the allocation of the discretionary grants.
(3) A SETA is required to allocate 80% of its available discretionary grants within a financial year to PIVOTAL programmes that address scarce and critical skills in its sectors.

Regulation 4 provides guidance on the way a SETA should allocate mandatory grants. These are grants that are allocated to employers that pay levies to the SETA and have submitted workplace skills programmes and annual training reports to the SETA. Regulation 4 (4) states as follows:

(4) 20% of the total levies paid by the employer in terms of section 3(1), as read with section 6 of the Skills Development Levies Act, during each financial year will be paid to the employer who submits a WSP and ATR.

Regulation 6 deals with the allocation of discretionary grants by a SETA and prescribes a host of requirements to be met. Regulations 6(4) and (8) in particular, state as follows:
(4) A SETA must, on an annual basis and in accordance with any guidelines issued by DHET, approve a Discretionary Grants Policy, specifying how the SETA discretionary grants will be allocated to meet sector needs as set out in the SSP.
(8) The Discretionary Grants Policy must embrace the principles of transparency, openness, access and fairness.

These provisions are all crucial in providing guidance to PSETA when allocating mandatory and discretionary grants to various stakeholders for skills development programmes, which fall within PSETA's sector.

### IV. NATIONAL QUALIFICATIONS FRAMEWORK ACT, NO. 67 OF 2008

The National Qualifications Framework Act (Act No. 67 of 2008 as amended) ("NQF") provides for the National Qualifications Framework. The NQF is a comprehensive system, approved by the MHESI, for the classification, registration and publication of articulated and quality-assured national qualifications and part-qualifications.
The objectives of the National Qualifications Framework, as set out in sections 5(1)(2) of the NQF Act are as follows:

(1) The objectives of the NQF are to-
   (a) create a single integrated national framework for learning achievements;
   (b) facilitate access to, and mobility and progression within, education, training and career paths;
   (c) enhance the quality of education and training;
   (d) accelerate the redress of past unfair discrimination in education, training and employment opportunities.

(2) The objectives of the NQF are designed to contribute to the full personal development of each learner and the social and economic development of the nation at large.

The PSETA employs the provisions of this Act to design training programmes, to carry out quality assurance of various training programmes, assess learner achievement and accredit training providers, as per its delegated function from the Quality Council for Trades and Occupations (QCTO).

### V. PUBLIC FINANCE MANAGEMENT ACT, NO 1 OF 1999

The Public Finance Management Act (Act No. 1 of 1999, as amended) ("PFMA") is another critical legislation that impacts on PSETA's operations. PSETA is classified as a National Public Entity, under Schedule 3A of the PFMA, and therefore compliance with the prescripts of the PFMA and the Treasury Regulations of 2005 is treated with the utmost importance by PSETA.
The PFMA regulates financial management in all spheres of government and government institutions; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those governments; and to provide for matters connected therewith.

PSETA is governed by an AA, as per the prescripts of section 49 of the PFMA. The duties and functions of the PSETA AA are guided by the prescripts of sections 50 and 51 of the PFMA and include the following:

(a) exercising the duty of utmost care to ensure reasonable protection of the assets and records of the public entity.
(b) acting with fidelity, honesty, integrity and in the best interests of the public entity in managing the financial affairs of PSETA.
(c) ensuring that the public entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control.
(d) ensuring that there is a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77; and
(e) ensuring that there is an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.

The prescripts of the PFMA, Treasury Regulations and the various practice notes and instructions issued by National Treasury are critical in guiding PSETA in its financial management and corporate governance functions.

## 4.3. Relevant Court Rulings

### Business Unity South Africa v Minister of Higher Education and Training and Others:

On 16 October 2019, the Labour Appeal Court handed down a judgment in the matter of Business Unity South Africa (BUSA) v Minister of Higher Education and Training and Others ((JA111/2018) [2019] ZALAC 68).

In this case, the court ruled those certain provisions in the 2012 Grant Regulations were invalid and should be set aside. These provisions are contained in Regulation 4(4).

Regulation 4(4) stated that an employer who had paid levies, as per the provisions of the Skills Development Levies Act, can claim 20% of the levies it has paid from the applicable SETA, in the form of mandatory grants, provided that the employer has also submitted a workplace skills plan and annual training report.

The Court held that the above-mentioned provisions were irrational and not rationally linked to the purpose of the Skills Development Act. The effect of the judgment is that Regulation 4(4) falls away so that the 2012 Grant Regulations must be interpreted and applied as if there is no Regulation 4 (4).

The effect of the Labour Appeal Court judgment is that the percentage or amount or quantum of a mandatory grant is subject to the determination by a SETA (by necessary implication as part of its allocation power or duty under Regulation 4(1) of the 2012 Grant Regulations). Therefore, nothing prevented a SETA, after 31 August 2018 moving forward, from allocating grants equal to 20%.

It must be emphasised that there is currently no regulated percentage for SETAs to pay out the mandatory grants to qualifying employers. Therefore, SETAs continue to pay and accrue mandatory grants at 20% in the 2021/2022 financial year in the absence of a regulated percentage. This means that the SETAs should report it as a contingency liability, pending the final determination of the mandatory grant percentage by the courts because of BUSA case.

## Minister of Finance v Afribusiness NPC [2022] ZACC 4

On 16 February 2022, the Constitutional Court (Concourt) handed down judgment in the application for leave to appeal against a judgment and order of the Supreme Court of Appeal (SCA). This application was brought by the Minister of Finance (Minister) against Afribusiness NPC, and concerns the validity of the Preferential Procurement Regulations, 2017.

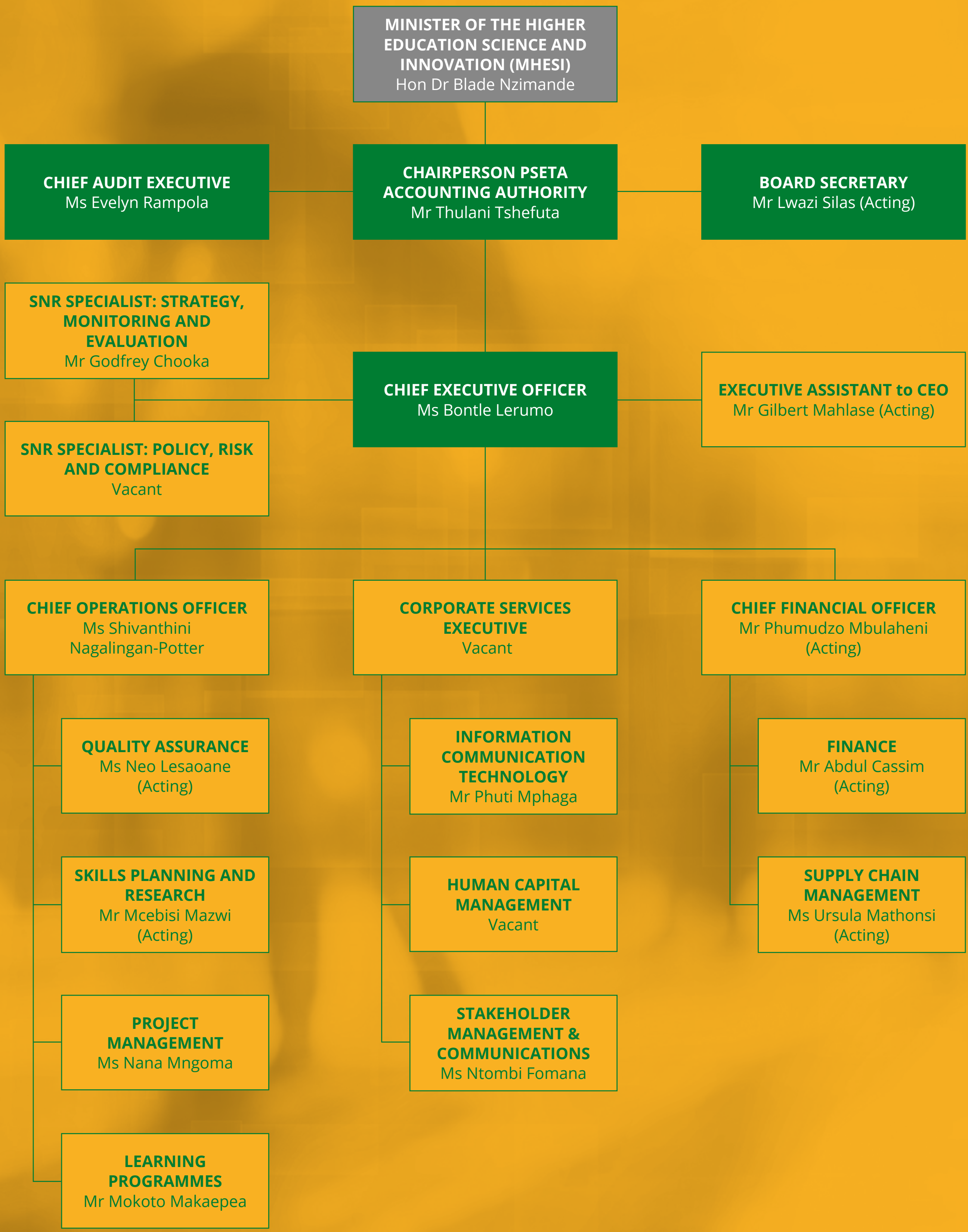
The SCA held that the Minister's promulgation of regulations 3(b); 4 and 9 of the Procurement Regulations was unlawful on the basis that the content of the Regulations exceeded what the Minister could possibly regulate in terms of Section 5 of the Procurement Act and Section 217 of the Constitution. The judgment of the Concourt of 16 February 2022 dismissed the appeal against the SCA judgment. However, in order to address the uncertainty caused by the Concourt judgment, the Minister decided to bring an application to the Court, on an urgent basis, to seek confirmation from the Court that the order of invalidity of the 2017 Regulations has been and continues to be suspended.

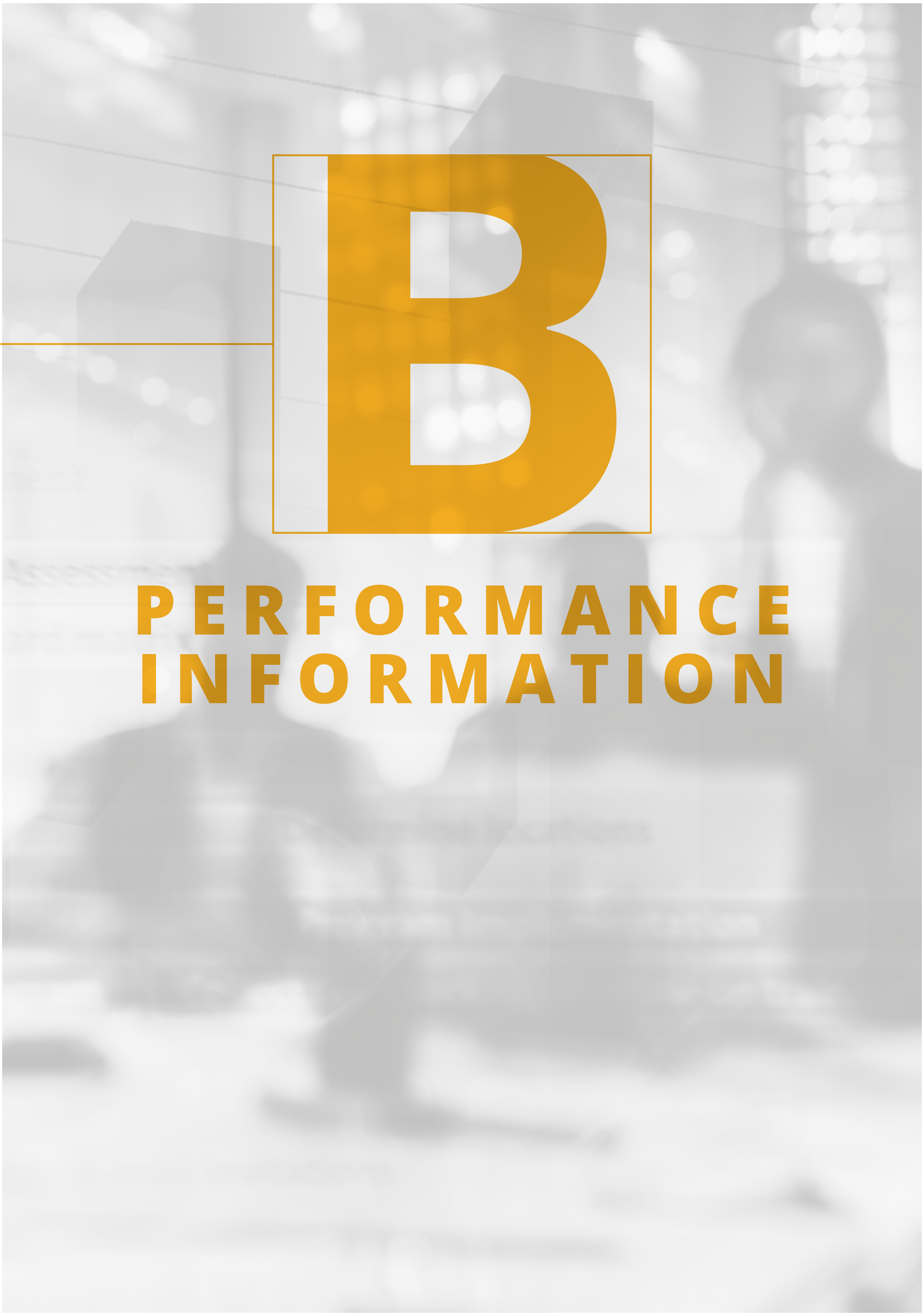
On 30 May 2022, the Concourt handed down judgment which confirmed that the suspension of the declaration of the order of invalidity of the 2017 Regulations is still valid for the remainder of the 12-month period, namely until 15 February 2023. Therefore, this means the following:

1. The 2017 Procurement Regulations in their entirety are still valid;
2. As of 30 May 2022, all exemptions granted to deal with the period of uncertainty following the Court's judgment of 16 February 2022 lapse (according to the condition in the letters of exemptions);
3. As of 30 May 2022, all new quotations must be requested and tenders must be advertised, and dealt with, in accordance with the 2017 Regulations;
4. A quotation requested or a tenders advertised before 30 May 2022 must be dealt with in terms of the exemption and the internal procurement policy in place for the duration of the exemption. An organ of state may, however, decide to withdraw such a request for a quotation or an advert for a tender and request a new quotation or advertise a new tender that will be subject to 2017 Regulations; and
5. The 2017 Regulations will remain in place until 15 February 2023, unless new regulations are promulgated before that date. Therefore, organs of state, such as PSETA, should by 16 February 2023 ensure that procurement policies in line with the Constitutional Court's judgment of 16 February 2022 are in place or, if new Preferential Procurement Regulations are promulgated, when these Regulations take effect.

## 9. ORGANISATIONAL STRUCTURE

### High-level organisational structure





# B

# PERFORMANCE INFORMATION

# 1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

Refer to the detail provided in paragraphs 14-18 in the Auditor General's report, published as part E of this annual report.

# 2. OVERVIEW OF PERFORMANCE

The PSETA performance working environment continued to be affected by the COVID-19 pandemic, which started in the March 2021. The country was under lockdown alert level protocols, as legislated in the regulations contained in the Disaster Management Act. This resulted in not business as usual of most economic activities, which included workplace activities, education, training and development.

Employees had to work from home with available resources to execute their service delivery responsibilities and digital tools were employed under these difficult circumstances. The entity continued to service its stakeholders through virtual engagements and over time the effectiveness and delivery of the mandate improved and was ultimately successful.

## Service Delivery Environment

The role of the Public Service sector is to provide high-quality services to the citizens of the country. A critical enabler to this role is the skills and capability of the individuals that work within the sector. The National Development Plan (NDP) calls for the building of a "capable state" – underpinned by "effectively coordinated state institutions" with skilled public servants who are committed to the public good and capable of delivering consistently high-quality services, while prioritising the nation's developmental objectives. Priority one of the Medium-Term Strategic Framework (MTSF) is a capable, ethical and developmental state, which is at the core of the PSETA's mandate.

Importantly, the COVID-19 pandemic that is continuing under the "new normal" has brought disruption, but also poses new and innovative ways of working – both globally and in South Africa. This has impacted the labour market and skills required for the evolving world of work. South Africa continues to face persistent challenges of inequality, unemployment and poverty. These challenges have over time been worsened by sustained low levels of investment and growth. The unemployment rate has remained stubbornly high and has been increasing prior to the impact of the crisis permeating through the South African economy. The economy has also been experiencing a series of downgrades, thereby making the cost of accessing funds for funding critical programmes of government expensive. The economic outlook for the Public Service sector seems bleak with the risk of higherthan-budgeted public service wages, demands for additional funding from financially distressed state-owned companies, and calls for permanent increases in spending that exceed available resources.

The Economic Reconstruction and Recovery Plan (ERRP) seeks to actively change the economy towards growth. This requires an active and immediate adaptation by parts of the Post School Education and Training (PSET) system. PSETA has responded to the ERRP through the Skills Strategy's 10 interventions. PSETA's ERRP implementation in the sector includes the funding of training interventions and providing work-based experience for the youth which play an important role in providing opportunities to enter the labour market.

The Public Service sector operating environment is highly legislated with a substantial number of role-players that exist to ensure compliance and governance. In addition, the resources and efforts related to skills development in the sector are shared across various stakeholders. Due to the dynamics of the sector, the nature of demand and supply for labour and skills is shaped by a far more complex set of processes than in the private sector. The analysis of key drivers of change, as well as the direction of national strategies and plans impacting on skills demand and supply form the basis for the identification of sectoral priority occupations and interventions. Current labour market shortages and skills gaps across organisations in the Public Service sector provide a secondary base to identifying priority skills, including those that are required to address the challenges and impact of the COVID-19 pandemic.

Worthy to note is the evolution of the Fourth Industrial Revolution (4IR), which has a profound effect on the

Public Service sector and has thus been identified as a key change driver which is impacting skills demand and supply in the sector. ICT advances impact the nature of work profoundly by shaping the types of skills required, and the modes of service delivery in the Public Service Sector. The digitisation of the Public Service Sector marks a shift from physical technologies towards adaptive social technologies to create a favourable environment as a critical success factor in this era. Based on the increased use and accessibility to ICT systems and platforms in the Public Service sector, the opportunity for the utilisation of technology enabled learning platforms to build greater efficiencies in the delivery of training is crucial.

The financial resources available for training and development remain with the sector, as government departments and public entities remain exempt from paying skills development levies. This contributes to budgetary constraints which impacts on the PSETA's ability to meet the demands of the sector. It is important to note that whilst the sector hosts a large number of interns and learners during the course of their experiential learning, a large number of internship and work integrated learning (WIL) learners are not absorbed into employment after completion of their programmes. Further, the sector's training priorities are not centralised and streamlined due to various skills development role players, resulting in lack of coherence in skills development and human resource development efforts.

In moving towards a more capable and professional state, the issues of re-skilling and up-skilling have become more persistent. The future world of work requires individuals to be adept at both technical and soft skills and this requires changes in approaches to training within the public service sector.

Accordingly, the PSETA engages in a wide variety of partnerships with key stakeholders, as well as the supply side providers, to deliver on its mandate. PSETA partnerships are underpinned by forging networks with key stakeholders in the sector, which are defined in terms of scale, structure and their contribution to delivering the strategic objectives and services most crucial to the PSETA functions. The strategic role of the PSETA through these partnerships is to embed skills development within wider organisational development strategies and to build departmental capabilities to plan and manage such skills development activities better. The driving force behind this approach is to ensure that interventions reach larger numbers, more economically, efficiently and effectively.
The Annual Performance Plan (APP) for the 2021/22 financial year was implemented through four (4) programmes listed below:

- **Programme 1: Administration**
  The purpose of this programme is to develop and implement corporate support strategies and systems that contribute towards the achievement of the organisational mandate.

- **Programme 2: Skills Planning and Research**
  The purpose of this programme is to conduct and coordinate research to inform the strategic skills development priorities for the sector. This programme is made up of two organisational business units: Skills Planning; and Research (SPR). The development and annual update of the Sector Skills Plan (SSP), research studies, coordinating research activities and conferences and capacity building of stakeholders in skills planning are core outputs within this programme.

- **Programme 3: Learning Programmes and Projects:**
  The purpose of this programme is to facilitate and manage the implementation of learning programmes for and within the Public Service sector, as per the NSDP goals. This programme includes special projects (including partnerships) and the monitoring, evaluation and reporting of learning interventions.

- **Programme 4: Quality Assurance (QA)**
  The purpose of this programme is to build the provider capacity required to deliver the priority skills for the sector, developing standards, accrediting providers and quality assuring learning. The QA department undertakes the review of legacy qualifications and development of new occupational qualifications and capacitation of providers through advocacy workshops.

## Performance Highlights

The following key achievements were recorded during the reporting period under review:

- PSETA achieved 27 out of 32 performance targets in the APP, representing an overall 84% achievement, the same as the previous financial year 2020/21.
- The current financial year marks the second year of implementation of the NSDP. The SLA signed with DHET quantified NSDP outcomes into SLA targets for the 2021/22 financial year. A total of 25 annual SLA targets were applicable and 22 targets were achieved, representing an 88% achievement. Compared to the 93% achievement in 2020/21 financial period.
- 99.7% trade suppliers paid within 30 days after submission of valid invoices.
- An overachievement of 30 career guidance advocacy sessions conducted in urban and rural areas pertaining to careers within public service, thus making public service a career of choice in occupations in high demand.

- The SETA entered various partnership agreements with TVET Colleges, Universities and Universities of Technology, Bargaining Councils and employers within the sector.
- A total of four SETA-Employer partnerships were formalised through memoranda of understanding (MoUs) with National Treasury, Productivity SA, Department of Home Affairs and Office of the Premier: Northern Cape.
- PSETA partnered with Microsoft South Africa to provide digital skills programmes to public sector employees. The online platform, Batho Pele Digital Skills, enabled by Microsoft Community Training, gives public servants free access to learning content ranging from entry-level digital literacy skills to advanced skills for technical roles.
- Four partnership agreements were formalised with TVET Colleges, namely with Western TVET College, False Bay TVET College, Ikhala TVET College and Boland TVET College.
- Partnership agreements with Higher Education Institutions were formalised with University of Johannesburg, Durban University of Technology, Mangosuthu University of Technology and Vaal University of Technology.
- In pursuance of its support of worker-initiated training projects, the PSETA formalised partnership with the Public Servants Association (PSA) and the National Education, Health and Allied Workers Union (NEHAWU).
- PSETA, in partnership with the Bargaining Councils – General Public Service Collective Bargaining Council (GPSSBC) and Public Service Collective Bargaining Council (PSCBC) – rolled out a Skills Programme on Conflict Management and Ethics and a total of 680 public service employees entered the programme.
- PSETA supported Community Education and Training (CET) Colleges in both the Northern Cape and KwaZulu-Natal provinces with skills development programmes for lecturers.
- PSETA, in partnership with the DPSA, held a graduation ceremony for the Capacity Building Programme in the Public Sector, in May 2021 at the Capital, Menlyn Maine, Pretoria. The graduation ceremony was graced by the attendance of the former Minister for the Public Service and Administration, Honourable Senzo Mchunu, the DPSA Director-General Ms Yoliswa Makhasi, the PSETA CEO Ms Bontle Lerumo and the Chairperson of the PSETA AA Mr Thulani Tshefuta. More than 200 public servants from the 6 provinces have managed to complete the capacity building programme to become Presiding Officers of disciplinary cases in the public service.
- A graduation ceremony was held in September 2021 for the PSETA funded project in partnership with National Treasury and the Limpopo Office of the Premier for 43 unemployed learners that completed a Learnership on Accounting Technician.
- PSETA, in partnership with Gauteng City Region Academy (GCRA), launched, during the public service month, a series of conversations around a new normal in the form of a hybrid team working model. The series of webinars were aimed to uncover challenges being experienced and share points of view about possibilities, culminating with imagining what hybrid teamwork can be like at its best.

## Challenges

Challenges encountered during programme implementation included the following:

- PSETA had a vacancy rate of 25% and posts could not be filled during the year as the entity was awaiting the outcome of the job evaluation and salary benchmarking process. The process to fill vacancies started in January 2022, after the approval of the structure. All vacant posts will be filled in the next financial year.
- PSETA experienced vacancies of the Chief Finance Officer (CFO) and the Corporate Services Executive (CSE) during the year. The Finance Manager, Mr Phumudzo Mbulaheni, has been acting in the position of the CFO. The CSE resigned at the end of January 2022.
- The continued presence of COVID-19 and the various lockdown arrangements provided the SETA with slight challenges in terms of programme monitoring. During the preceding 2020/21 financial year, the PSETA had put in place measures such as virtual monitoring, e-learning support and learner monitoring to mitigate these challenges. However, towards the end of the financial year under review, the PSETA has resuscitated physical monitoring of projects.
- The late allocation of the discretionary grants and contracting processes specifically related to the Skills Programmes on Change Management and Service Delivery led to limited time for implementation and resulted in the training not being concluded by the end of the financial year.
- Delays by stakeholders in submitting correct learner documents and delays in closing the gaps identified post validation of learner agreements continue to impact the timeframes for the registration of learners.
- It is important to note that despite these challenges, the implementation of all the programmes was done with no other notable challenges.
- The migration of the SETA's Management Information System, from the previous Indicium system to the new ERP System, has brought significant delays in the process of registration and completions of learners on the system.

- Further system challenges included the issue of mapping of SETMIS specifications on the current system, and submission of the Annexure 2 (WSP) to the SETA.
- These system challenges have been mitigated through significant additional efforts from the PSETA staff with the service provider to address system issues.

## Organisational Environment

PSETA completed the re-organisation, job evaluation and salary benchmarking exercises and the AA approved the organisational structure that was implemented, effective 1 November 2021. The PSETA concluded the year with a 25% vacancy rate as the filling of vacancies was put on hold pending the approval of the job evaluation and benchmarking process.

Two executive management posts of the CFO and CSE were vacant during the year. The year started with the vacancy of the CFO post and, as a result, the Finance Manager, Mr Phumudzo Mbulaheni, was appointed to act in the position. The CSE, Mr Sipho Ngomane, resigned in January 2022 and the position remained vacant till 31 March 2022. The process of recruitment for the two executive positions will be completed in the next financial year.

The employment contracts of all PSETA employees were extended to 31 March 2030 in line with the SETA licencing period. This is in exception of the CEO, whose tenure is five years.

PSETA continues to improve its operational systems, processes and people to enable it to execute its mandate despite the challenges faced in the Post-School Education and Training (PSET) Service Sector. The Enterprise Resource Planning (ERP) system is being implemented for the organisation to integrate all the systems in PSETA. Some of the Phase I modules are in operation and the development of Phase II modules is in progress. The implementation of the ERP system posed delays in the process of registration and completions of learners on the system. The expected go-live of all the modules will be in next financial year.

The Ethics and Fraud Hotline was operational. Four awareness workshops on fraud and corruption prevention were conducted in the year under review, while ethics and fraud reports were reported to the Audit Committee (AC) and Governance and Strategy Committee (GSC) and these were reported to the AA. No new cases were received from the Hotline in the current financial year.

The long-standing investigation which included the appointment of the Special Investigation Unit (SIU) by the AA with a Presidential Proclamation number R35 of 2017 related to discretionary grants funding irregularities during the 2015/16 financial year has been finalised. PSETA has received a final report from the SIU.

Following receipt of the final report from the SIU, the Office of the Presidency submitted a letter to PSETA. The letter requested PSETA's feedback on the steps that have been taken by PSETA to implement the recommendations contained in the SIU report.

PSETA prepared a submission to the Office of the Presidency during May 2021, containing the steps taken by PSETA to implement the recommendations contained in the SIU report.

The Office of the Presidency has received PSETA's report and has considered its contents. The matter has been concluded on the PSETA side.

## Key Policy Developments and Legislative Changes

They were no policy changes in the current year, however, the Skills Development Circular No 01/2020: Judgement of the Labour Appeal Court of 16/10/2019, which set aside Regulation 4(4) on the allocation of the mandatory grant of the levy paid by an employer is being monitored.

## Progress towards Achievement of Institutional Impacts and Outcomes

The PSETA's Five-Year Strategic Plan 2020/21-2024/25 has four outcomes that seek to address the problem of lack of skills and shortage of technical and professional skills to address service delivery in the public service sector. To contribute to the desired future of sufficient technical and professional skills in the public service sector, in the period under review, the following progress was made towards the achievement of the desired institutional impact and outcomes:

### Outcome 1: Enhanced PSETA capabilities to deliver its strategy

The outcome indicator for this programme is measured by the improved operational performance and an unqualified audit opinion of its annual report, performance information and financial statements.

To enhance PSETA's capabilities to deliver its strategy and achieve a clean audit outcome and impact positively to a public service sector that delivers on its mandate, the following outputs achievements were recorded in the year under review:

- Operational efficiency that has resulted in the performance achievement of 84% of 2021/22 APP targets.
- Clean audit reports in the past three consecutive years from 2019/20 to 2020/21 financial years.
- PSETA successfully hosted its 11th Annual General Meeting in November 2021.
- Improving the PSETA internal control environment by monitoring the continuous reviewing of policies and procedures, as well as upskilling of staff.
- PSETA embarked on the implementation of the ERP system. This will help the entity to have a seamless integration of processes. The system is cloud-based and is accessible from any mobile device. This has further improved access to information and ensured business continuity by employees in various areas outside the office.
- PSETA has an approved structure that was approved in October 2021 and implemented in November 2021.
- In addition, all posts were job evaluated and this was followed by the salary benchmarking exercise for all posts. The evaluated positions within the organisation were compared to the pay levels of other similar organisations in the market. These were completed and implemented in the current financial year.
- The ICT Strategy was approved in October 2021 and implemented as provided for in the DPSA framework on Corporate Governance of Information and Communication Technology (CGICT).
- Continuous improvement in the risk management process practices to sustain an upward trajectory improvement of internal controls.
- PSETA, in collaboration with the Gauteng City Region Academy (GCRA) and HWSETA, hosted a webinar on Employee Wellness and Resilience during the new working normal for Gauteng Provincial Government.

## Outcome 2: Improved credible research for skills planning

The outcome indicator for this programme is measured by the initiatives implemented to inform skills planning in the sector.

To improve credible research for skills planning and impact positively on a public service sector that delivers on its mandate, the following outputs achievements were recorded:

- The PSETA completed a total of six research reports, which provided valuable information and knowledge in informing the PSETA's interventions and the Sector Skills Plan update.
- The research partnership with the WITS University's Researching Education and Learning (REAL) Centre continued and in the period under review three new streams of research commenced: (1) Public sector policy directions and priorities associated with the United Nation's sustainable development goals: Impact on employment and skills demand in the public service sector; and (2) occupation and qualification classification report: A framework to classify occupations and qualifications in the public service sector; and (3) e-learning and skills development within the public service sector.
- PSETA has further commenced work with the Wits REAL Centre to explore competency-based approaches in the public sector.
- The PSETA, in collaboration with the PSCBC, conducted an impact assessment study on workplace-based learning programmes in the public service sector, focussing on TVET learners.
- The PSETA appointed PricewaterhouseCoopers (PWC) for the development of guidelines for the compilation of an organisational competency framework for the public service sector. This project is implemented in partnership with the DPSA and will assist departments with a common guideline providing basic knowledge about organisational competency frameworks, how they work, basic steps for compilation, best practices, completed examples and a common template. Such tools are envisioned to assist practitioners at departmental level and are critical inputs in the chain of necessary interventions to build the capacity of the state
- The SSP Update 2022/23 was approved by the MHESI and used to inform the Strategic Plan update 2022 and the APP 2022/23.
- A research partnership with the Tshwane University of Technology was concluded towards the end of the financial year. This partnership is strategically placed within the University's Institute for the Future of Work. The research output will be focussed on two distinct areas: (1) Skills development for ICT support staff within government and (2) The future public service official. The final research outputs are expected to be concluded in the 2022/23 financial year.
- PSETA conducted capacity-building workshops and participated in various provincial and national skills development fora to strengthen the sector's role and understanding of skills development and human resource development processes.
- PSETA has welcomed the registration of a new public entity which is the Wesgro Group.
- In July 2021, PSETA held its Research Colloquium with stakeholders under the theme Credible research delivery through partnerships in the public service sector. The colloquium aimed to share research findings with stakeholders in the sector and to reflect on what the organisation is trying to accomplish

through research, assessing the progress towards responding to the SETA mandate and planning the direction of PSETA informed by the research findings and outcomes.

### Outcome 3: Increased pool of skills into and within the public sector

The outcome indicator for this programme is measured by the sectoral priority occupations identified in the Sector Skills Plan (SSP) and addressed through implementing relevant programmes.

To increase the entity's pool of skills into and within the public sector and impact positively on a public service sector that delivers on its mandate, the following outputs achievements were realised:

- Discretionary Grants is funding made available for training initiatives that carries forward the goals of the PSETA Sector Skills Plan, objectives of the National Skills Development Plan and the PSETA Service Level Agreement.
- In the 2021/22 financial year, sixteen (16) agreements on various learning programmes to the total value of R42 million were entered into by PSETA and various stakeholders.
- The majority of the PSETA's Discretionary Grants were allocated to APP targets that respond to the Economic Reconstruction and Recovery Plan.
- PSETA has supported the sector through skills development funding to ensure that the skills levels of employees, as well as those of the unemployed, are improved.
- PSETA, in partnership with the Bargaining Councils - GPSSBC and PSCBC, rolled out a Skills Programme on Conflict Management and Ethics and a total of 680 public service employees entered the programme.
- In pursuance of its support of worker-initiated training projects, the PSETA formalised partnerships with the PSA and NEHAWU.
- Special projects aimed at ensuring the participation of key stakeholders and designated groups within the Public Service Sector. The purpose of these projects is to provide opportunities to meet the transformational imperatives and priorities of government like rural projects and projects for people with disabilities. PSETA entered a triparty memorandum of understanding with the Eastern Cape Office of the Premier and Ikhala TVET College for the implementation of a rural development project. Furthermore, an agreement was entered into with Ikhala TVET College to the value of R3 million to train 35 unemployed learners in a WIL programme. The beneficiaries of this project are 35 unemployed youth from rural areas in the province.
- PSETA, in partnership with the Eastern Cape Office of the Premier, launched a learnership programme for 50 unemployed learners with disabilities and youth from a rural area in the province, as well as an internship programme for 60 unemployed youth. The launch took place in June 2021, at Good News Christian Church in King Williams Town. The learnership and internship programmes will complement and reinforce existing work creation initiatives in the province and improve access to the public sector for marginalised sectors such as the youth, rural people and people with disabilities.
- The PSETA continued with the implementation of Recognition of Prior Learning (RPL) programme for the sector. PSETA made an allocation to the value of R8 million for the implementation of an RPL programme on a Public Administration NQF level 5 for 300 public service officials.
- PSETA partnered with Microsoft South Africa to provide digital skills programmes to public sector employees. The online platform, Batho Pele Digital Skills, enabled by Microsoft Community Training, gives public servants free access to learning content ranging from entry-level digital literacy skills to advanced skills for technical roles.
- The courses offered are basic digital skills and digital literacy, Microsoft Office programmes most used in the workplace, such as Teams, Outlook, Word, Excel, PowerPoint, etc, as well as advanced digital skills for more technical individuals.
- PSETA further partnered with Microsoft South Africa and its implementing partner Afrika Tikkun Services on the Global Skills Initiative South Africa (GSISA). This partnership was officially launched in April 2021. The focus was on building digital skills capabilities in South Africa and to improve the employability of the country's youth in the Information and Communications Technology (ICT) industry.
- The GSISA programmes has reached over 54 000 youth, and PSETA has supported 6 821 unemployed learners to participate in the programme.

### Outcome 4: Quality learning interventions in the Public Service Sector.

The outcome indicator for this programme is measured by the number of learning interventions available to address the priorities identified in the Sector Skills Plan (SSP) and the number of Skills Development Providers (SDPs) accredited.

To grow the quality of learning interventions available in the Public Service Sector and impact positively on a public service sector that delivers on its mandate, the following output achievements were realised:

- The PSETA continued to support accredited skills development providers through monitoring and verification visits conducted throughout the year.
- A total of 415 certificates and 4 919 Statements of

Results were issued in the period under review for qualifications and part-qualifications within the PSETA scope.

- Furthermore, PSETA registered a total of 284 Education Training and Development (ETD) practitioners.
- SDPs continued with the uptake of e-learning accreditation, which was initiated in the previous financial year. One e-learning application was approved for the Western Cape Provincial Training Academy.
- In the period under review, two occupational qualifications namely: (1) Occupational Certificate: Diplomatic Mission Administrator and (2) Occupational Certificate: Office Administrator (Public Service Administrator) were registered by the South African Qualifications Authority (SAQA).
- PSETA developed and re-aligned the following four occupational qualifications and submitted them to the QCTO for registration:
  - Advanced Occupational Diploma: Senior Government Official, NQF Level 7,
  - Occupational Certificate: Administrative Attaché, NQF Level 5,
  - Higher Occupational Certificate: Immigration Officer, NQF Level 5,
  - Higher Occupational Certificate: Refugee Status Determination Officer, NQF Level 5.
- The SETA completed the review of the learning material on the SAQA ID: 99054: Occupational Certificate: Diplomat, NQF Level 7 which is used by the DIRCO Academy.
- Various stakeholders were engaged including: DIRCO, Department of Home Affairs, Department of Employment and Labour, Government Communications and Information System, SARS, DPSA, Productivity SA and NSG on the review and development of various occupational qualifications for the sector. In the review of the PSETA Administration qualifications, PSETA further partnered with Productivity SA and Centre for Public Service Innovation.
- PSETA developed two Skills Programmes on Conflict Management and Ethics, and Financial Management to address skills gaps identified in the SSP.
- The roll-out of the External Integrated Summative Assessment (EISA) was delayed and could not be completed by the end of the financial year. The PSETA is in the process of finalising the procurement of the required services to ensure implementation of the EISA in the next financial year.

# 3. PROGRAMME PERFORMANCE INFORMATION

In the 2021/22 financial year, PSETA tabled its APP once and as a result, PSETA will not consider Table 1 (2.4.4.1) which provides for reporting changes made to the original tabled APP as per the issued guidelines for reporting on performance information.

PSETA is using the Table 2 (2.4.4.2) report against the originally tabled APP as the entity did not re-table the APP in the 2021/22 financial year.

The PSETA APP had 32 performance indicators and targets and performance was as follows:

**(i)** **Administration** – 3 out of 5 performance indicators were achieved: 60% Achievement

**(ii)** **Skills Planning and Research** – 3 out of 3 performance indicators were achieved: 100% Achievement

**(iii)** **(a) Learning Programmes and Projects** – 12 out of 14 performance indicators were achieved: 86% Achievement

**(b) Special Projects and Partnerships** – 5 out of 5 performance indicators were achieved: 100% Achievement

**(iv)** **Quality Assurance** – 4 out of 5 performance indicators were achieved: 80% Achievement

This translates to 27 out of 32 achievement of APP targets, which is an overall performance achievement of 84%.

The SLA signed with DHET for the 2021/22 financial year had 25 targets, of which 22 targets were achieved, representing an 88% achievement. These targets are integrated in the performance information tables below:

# PROGRAMME 1. ADMINISTRATION

## 1.1 Programme Purpose

To ensure that the organisation has effective and efficient governance structures that lead, monitor and evaluate organisational performance; ensure prudent financial management, procurement of goods and services and reporting in compliance with relevant acts and regulations; and provide efficient and effective corporate service functions to internal departments within the PSETA and external stakeholders by providing the following services: Human Resources, ICT, improved communication, marketing and stakeholder engagements and auxiliary services.

**1.1.1 Outcome:** Enhanced PSETA capabilities to deliver its strategy.

**1.1.2 Output:** To develop and implement corporate support strategies and systems that contribute towards achievement of the organisational mandate.

**1.1.3 Progress and Achievement:** Three out of five performance indicators were achieved (60% achievement)

| Outcome | Output | Output Indicators | Audited Actual Performance 2019/20 | Audited Actual Performance 2020/21 | Planned Target 2021/22 | Actual Achievement 2021/22 | Deviation from planned target to Actual Achievement | Reasons for Deviation |
|---|---|---|---|---|---|---|---|---|
| **PROGRAMME 1: ADMINISTRATION 2021/22** | | | | | | | | |
| Enhanced PSETA capabilities to deliver its strategy | Report with 100% implementation of planned training initiatives | Percentage Implementation of approved training plan as per submitted Workplace Skills Plan | 88.63% | 0% | 100% | 100% | None | N/A |
| | 100% implementation of the approved stakeholder management and communication plan as per target | Percentage implementation of approved integrated Communication and Stakeholder Relations Management Plan | N/A | 91% | 100% | 100% | None | N/A |
| | Report of learners and work seekers exposed to all information pertaining to careers within public service, thus making public service a career of choice | Number of career guidance advocacy sessions | 34 | 29 | 28 | 30 | +2 | Target Exceeded<br><br>Additional requests for exhibitions were received (no additional financial implications) |
| | 100% implementation of the approved ICT plan | Percentage implementation of approved ICT plan | 85% | 100% | 100% | 16% | 84% | Target Not Achieved. The revised ICT plan was only approved in January 2022 |
| | Valid invoices paid within 30 days of receipt | Percentage valid invoices paid within 30 days of receipt | N/A | 100% | 100% | 99,7% | PSETA paid 876 out of 879 valid invoices which effectively equates to 0,3% or 3 invoices not paid within 30 days. | Target Not Achieved. The ABSA banking system rejected the invoice payment batch due to error from the bank. |

### 1.1.3 Strategies to overcome areas of underperformance

The approved ICT Operational Plan for the 2022/23 financial year will be implemented.

### 1.1.4 Linking performance with budgets Administration

The table below depicts expenditure against the budget for the reporting period under review and the previous financial year for the programme and sub-programmes. There was over expenditure on the overall administration budget of R1 631 000 (3%) because of the ICT expenditure in relation to ERP project.

| Programme 1 | 2020/21 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| | 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 | 59 776 | 46 102 | 13 674 | 54 423 | 56 313 | (1 890) |

# PROGRAMME 2: SKILLS PLANNING AND RESEARCH

## 2.1 Purpose of Skills Planning and Research

The purpose of this programme is to conduct and coordinate research to inform the strategic skills development priorities for the sector. This programme is made up of two organisational business units: Skills Planning; and Research (SPR). The development and annual update of the Sector Skills Plan, research studies, coordinating research activities and conferences and capacity building of stakeholders in skills planning are core outputs within this programme.

**2.1.1 Outcome:** Improved credible research for skills planning.

**2.1.2 Output:** To collaborate and conduct labour market research and develop a Sector Skills Plan and to strengthen workplace capabilities in relation to skills planning in the sector

**2.1.3 Progress and Achievement:** All three performance indicators were achieved (100% Achievement)

| Outcome | Output | Output Indicators | Audited Actual Performance 2019/20 | Audited Actual Performance 2020/21 | Planned Target 2021/22 | Actual Achievement 2021/22 | Deviation from planned target to Actual Achievement | Reasons for Deviation |
|---|---|---|---|---|---|---|---|---|
| **PROGRAMME 2: SKILLS PLANNING AND RESEARCH** | | | | | | | | |
| Improved credible research for skills planning. | To collaborate and conduct labour market research and develop a Sector Skills Plan | Number of labour market-related research studies conducted | 11 | 6 | 6 | 6 | 0 | N/A |
| | To strengthen workplace capabilities in relation to skills planning in the sector | Number of organisations' Workplace Skills Plans approved by PSETA | Total=165<br>Small=14<br>Medium=14<br>Large= 137 | Total = 150<br>Small = 13<br>Medium=13<br>Large= 124 | Total = 140<br>Small = 6<br>Medium =10<br>Large = 124 | Total = 162<br>Small = 13<br>Medium=13<br>Large= 136 | Total = 22<br>Small = 7<br>Medium= 3<br>Large= 12 | Target Exceeded<br><br>Departments and public entities with their core functions falling within the scope of other line function SETAs have been increasingly encouraged to submit WSPs to PSETA and were assisted with the dual reporting process |
| Improved credible research for skills planning. | To strengthen workplace capabilities in relation to skills planning in the sector | Number of workplace engagements related to labour market trends and skills planning interventions | 35 | 35 | 34 | 34 | 0 | N/A |

### 2.1.3 Strategies to overcome areas of underperformance
There were no areas of underperformance.

### 2.1.4 Linking performance with budgets Skills Planning and Research
The under expenditure realised in this programme during the year under review was due to savings from cost of employment from two vacancies within the SPR department, as well as savings on goods and services from not travelling, but conducting meetings virtually.

| Programme 2 | 2020/21 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| | Budget R'000 | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 | Budget R'000 | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 |
| Total | 7 597 | 5 694 | 1 903 | 7 247 | 4 618 | 2 629 |

# PROGRAMME 3: LEARNING PROGRAMMES AND PROJECTS

## 3.1 Sub-Programme: Learning Programmes and Projects

The purpose of this programme is to facilitate and manage the implementation of learning programmes for and within the Public Service sector. This programme includes special projects (including partnerships) and the monitoring, evaluation and reporting of learning interventions.

**3.1.1 Outcome**: Increased pool of skills into and within the Public Service sector

**3.1.2 Output:** To implement programmes that address skills identified in the Sector Skills Plan (SSP) and occupationally directed programmes

**3.1.3 Progress and Achievement:** 12 out of 14 performance indicators achieved (86% Achievement)

| Outcome | Output | Output Indicator | Audited Actual Performance 2019/20 | Audited Actual Performance 2020/21 | Planned Target 2021/22 | Actual Achievement 2021/22 | Deviation from planned target to Actual Achievement | Reasons for Deviation |
|---|---|---|---|---|---|---|---|---|
| **PROGRAMME 3.1: LEARNING PROGRAMMES AND PROJECTS** | | | | | | | | |
| Increased pool of skills into and within the Public Service sector | To implement programmes that address skills identified in the SSP and occupationally directed programmes | Number of public service employees entering learning programmes | L/Ship: 261 | L/Ship: 116 | L/Ship: 100 | 100 | 0 | N/A |
| | | | SP: 1149 | SP: 1324 | SP: 1250 | 1340 | 90 | Target Exceeded<br><br>Additional beneficiaries were nominated by employers and were recruited into the programme with no additional financial implications. |
| | | | RPL: 103 | RPL:121 | RPL: 300 | 324 | 24 | Target exceeded<br><br>Additional beneficiaries nominated by employers and recruited into the programme, with no additional financial implications. |
| | | Number of public service employees completing learning programmes. | L/Ship:261 | L/Ship: 222 | L/Ship: 80 | 90 | 10 | Target Exceeded<br><br>Increased number of learners recruited led to increased number of completions with no additional financial implications. |
| | | | SP: 928 | SP: 1062 | SP: 1080 | 471 | (609) | Target not Achieved<br>Implementation delayed due to late awarding of DG grants. Therefore, training completed later than anticipated. |
| | | | N/A | N/A | RPL: 100 | 115 | 15 | Target Exceeded<br><br>Learners from the previous year's projects completed the training in the period under review. |

| Outcome | Output | Output Indicator | Audited Actual Performance 2019/20 | Audited Actual Performance 2020/21 | Planned Target 2021/22 | Actual Achievement 2021/22 | Deviation from planned target to Actual Achievement | Reasons for Deviation |
|---|---|---|---|---|---|---|---|---|
| **PROGRAMME 3.1: LEARNING PROGRAMMES AND PROJECTS** | | | | | | | | |
| Increased pool of skills into and within the Public Service sector | To implement programmes that address skills identified in the SSP and occupationally directed programmes | Number of unemployed learners entering learning programmes. | TVET WIL: 344 | TVET WIL: 110 | TVET WIL: 100 | 100 | 0 | N/A |
| | | | N/A | HEI/HET WIL: 110 | HEI/HET WIL: 130 | 130 | 0 | N/A |
| | | | N/A | N/A | Bursary: 50 | 50 | 0 | N/A |
| | | | Internship: 10 | N/A | Internship: 75 | 75 | 0 | N/A |
| | | Number of unemployed learners completing learning programmes | TVET WIL: 344 | TVET WIL: 246 | TVET WIL: 200 | 408 | 208 | Target Exceeded<br><br>The WIL programme runs over a period of 18 months and beneficiaries who commenced the programme from the previous year's project completed in the period under review |
| | | | N/A | N/A | HEI/HET WIL: 90 | 97 | 7 | Target Exceeded<br><br>Higher number of learners completed the programme with no additional financial implications |
| | | | Artisans: 3 | Artisans: 25 | Artisans: 14 | 9 | (5) | Target not Achieved<br>Learners did not complete the training on time as anticipated |
| | | | Internship: 6 | Internship: 8 | Internship: 7 | 7 | N/A | N/A |

## Non-Seta Funded Targets

The following achievements relate to learners funded by the sector and were achieved in the current year under review and contributed to the PSETA's overall performance during 2021/22 financial year. The PSETA supports the implementation of the learning programme funded by the sector through registration, monitoring and completion of learners.

| Outcome | Output | Output Indicators | Actual Achievement 2021/22 | Comment |
|---|---|---|---|---|
| Increased pool of skills into and within the Public Service sector | To implement programmes that address skills identified in the SSP and occupationally directed programmes | Number of unemployed learners entering learning programmes. | HEI/HET WIL: 2 | Two additional learners were recruited into the WIL project and funded by the institution for the duration of the programme. |

## Sub-Programme 3.2: Special Projects and Partnerships

### 3.2.1 Progress and Achievement: Five (5) out of five (5) performance indicators achieved (100% Achievement)

| Outcome | Output | Output Indicators | Audited Actual Performance 2019/20 | Audited Actual Performance 2020/21 | Planned Target 2021/22 | Actual Achievement 2021/22 | Deviation from planned target to Actual Achievement | Reasons for Deviation |
|---|---|---|---|---|---|---|---|---|
| **PROGRAMME 3.2: SPECIAL PROJECTS AND PARTNERSHIPS** | | | | | | | | |
| Increased pool of skills into and within the Public Service sector | To implement programmes that address skills identified in the SSP and occupationally directed programmes | Number of worker-initiated training (federations/trade unions) interventions supported through capacity building | N/A | 1 | 1 | 1 | 0 | N/A |
| | | Number of rural development projects initiated | N/A | 1 | 1 | 1 | 0 | N/A |
| | | Number of TVET partnerships established | N/A | 5 | 4 | 4 | 1 | N/A |
| | | Number of HEI partnerships established. | N/A | 4 | 4 | 4 | 0 | N/A |
| | | Number of SETA-employer partnerships established | N/A | 2 | 4 | 4 | 0 | N/A |

### 3.2.2 Strategies to overcome areas of underperformance
There were two areas of underperformance:

*Artisan Completions*
The learners who were not able to pass their trade tests for the artisan development programme will be supported to re-write the trade tests where possible.

*Skills Programme completions*
The allocation of the DG for Skills Programmes was significantly delayed and thus the implementation of training commenced late in the period under review. The learners will exit the Skills Programme in the 2022/23 financial year and mitigations have been put in place to ensure that all DG allocations are concluded within the first quarter of a financial year to allow sufficient time.

### 3.2.3 Linking performance with budgets of learning programmes
During the year under review, under-expenditure was realised. However, the funds were committed in the year and owing to the nature of learning programmes, their roll-out may span over multiple years and expenditure realised only when pre-determined milestones have been achieved.

| Programme 3 | 2020/21 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| | 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 | 58 493 | 80 743 | (22 250) | 56 428 | 53 412 | 3 016 |

# PROGRAMME 4: QUALITY ASSURANCE

## 4.1 Programme Purpose

The purpose of this programme is to build the provider capacity required to deliver the priority skills for the sector, developing standards, accrediting providers and quality assuring learning. The Quality Assurance department undertakes the review and realignment of legacy qualifications and development of new occupational qualifications and capacitation of providers through advocacy workshops.

**4.1.1 Outcome:** Quality learning interventions in the Public Service sector.

**4.1.2 Output:** To implement a quality assurance system that allows for effective monitoring, analysis, support and continuous improvement of provisioning within the Public Service sector.

**4.1.3 Progress and Achievement:** Four (4) performance indicators out of five (5) were achieved, representing an 80% achievement.

| Outcome | Output | Output Indicators | Audited Actual Performance 2019/20 | Audited Actual Performance 2020/21 | Planned Target 2021/22 | Actual Achievement 2021/22 | Deviation from planned target to Actual Achievement | Reasons for Deviation |
|---|---|---|---|---|---|---|---|---|
| **PROGRAMME 4: QUALITY ASSURANCE** | | | | | | | | |
| Quality learning interventions in the Public Service sector | To implement a quality assurance system that allows for effective monitoring, analysis, support and continuous improvement of provisioning within the Public Service sector | Percentage of accredited skills development providers implementing PSETA-funded programmes monitored | | 100% | 100% | 100% | 0 | N/A |
| | | Number of TVET colleges and state academies supported | | 0 | 6 | 6 | 0 | N/A |
| | | Number of qualifications developed and/ or re-aligned and submitted to QCTO | | 2 | 4 | 4 | 0 | N/A |
| | | Number of accredited skills development providers monitored | | N/A | 80 | 86 | 6 | Target Exceeded<br><br>Additional SDPs were monitored during the period |
| | | Turnaround time in working days to accredit skills development providers | | N/A | 45 | 27,62 | 17,38 | Target not achieved<br><br>The average turnaround time for the financial year was achieved, however, the quarterly target for the third quarter was not achieved |

### 4.1.4 Strategies to overcome areas of underperformance

Underperformance was realised under one performance indicator measuring the average turnaround time to accredit skills development providers. Despite the annual average turnaround time for the financial year being achieved, the quarterly target for the third quarter was not achieved. This was mainly due to capacity constraints within the Accreditation Sub-Unit. PSETA is currently filling the vacancies and has automated the accreditation process through the new ERP system to improve the SETA's efficiency with processing accreditation applications and overall processes.

### 4.1.5 Linking performance with budgets

The under-expenditure realised in this programme during the year under review was due to savings from cost of employment from multiple vacancies within the Quality Assurance department, as well savings on goods and services from no travel due to the COVID-19 pandemic and remote working arrangements. The under-expenditure was further exacerbated by a delay in the appointment of service providers to develop learning material for registered occupational qualifications.

| Programme 4 | 2020/21 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| | 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 | 10 102 | 5 500 | 4 602 | 9 230 | 5 150 | 4 080 |

# 4. REVENUE COLLECTION

| Sources of Revenue | 2020/21 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| | 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) | 1 570 | 2 618 | (1 048) | 1 680 | 4 107 | (2 427) |
| Prior year surplus | 5 800 | - | 5 800 | - | - | - |
| Transfers from other government departments (National Treasury) | 118 516 | 118 516 | - | 120 080 | 120 082 | (2) |
| Investment income | 10 066 | 4 920 | 5 146 | 4 506 | 4 162 | 344 |
| Other income | 15 | 63 | (48) | 16 | 40 | (24) |
| **Total** | **135 967** | **126 117** | **9 850** | **126 282** | **128 391** | **2 109** |

# 5. CAPITAL INVESTMENT

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

| Infrastructure Projects | 2020/21 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| | 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 equipment | 1 000 | 665 | 335 | 304 | 1 539 | (1 235) |
| Intangible assets | 2 124 | 8 998 | (6 874) | 887 | 5 119 | (4 232) |
| **Total** | **3 124** | **9 663** | **(6 539)** | **1 191** | **6 657** | **(5 467)** |

# C

# GOVERNANCE

# 1. Introduction

The PSETA is a public entity established in terms of the SDA and classified as Schedule 3A in terms of the Public Finance Management Act, 1999 (Act No.1 of 1999) as amended, hereinafter called PFMA. It reports to the MHESI and is governed by the Standard Constitution, which was determined by the MHESI in terms of Regulation R1399. There are several statutory bodies that play an oversight role over the functioning of the PSETA.

# 2. Portfolio Committees

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

# 3. Executive Authority

The Executive Authority (EA) of the PSETA is the MHESI, who is responsible for appointing members of the AA and determines their remuneration in accordance with the tariffs set by the Minister of Finance. PSETA is required by the DHET to submit, on an annual basis, a SSP and Strategic and Annual Performance Plan. PSETA is also required in terms of the SDA to enter into an SLA with the DHET and agree on expected deliverables that contribute towards fulfilment of the Ministerial outcomes. Four (4) quarterly reports detailing the performance against set targets were submitted to the DHET 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 CEOs 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 the SETA to share and discuss the challenges encountered by the organisation.

# 4. The Accounting Authority

## 4.1 Introduction

The PSETA's Constitution is the basis on which its AA is established. It provides oversight and governance over the entity. The AA comprises 15 members drawn from organised labour, organised employers, community organisation and one Ministerial appointee, who is the Chairperson. The AA provides strategic leadership and guidance.

## 4.2 Role of the Accounting Authority

### 4.2.1. Powers and functions

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

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

### 4.2.2. Accounting Authority Charter and progress made on complying with the charter

In the year under review, the AA has provided strategic direction and leadership by reviewing and approving various policies, quarterly performance reports and recommending for approval to the MHESI the budgets, strategic and annual performance plans, as well as monitoring the implementation thereof.

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

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 to protect the organisation's assets and reputation.

### 4.2.3. Composition of the PSETA Accounting Authority

The PSETA AA consists of 15 members nominated as follows:

| Constituency | Organisation |
|---|---|
| Ministerial Appointee | Accounting Authority Chairperson (1 member) |
| Organised Labour | NEHAWU (2 members)<br>POPCRU (2 members)<br>PSA (2 members) |
| Government Departments and Public Entities | National Departments (4 members)<br>Legislature (1 member)<br>Public Entities (1 member) |
| Other Stakeholders | Community Organisations (2 members) |

### 4.2.4 Membership, qualification and expertise of the Accounting Authority members

| Name | Designation | Qualifications | Area of Expertise | Directorships | Sub Committees |
|---|---|---|---|---|---|
| Mr T Tshefuta | Ministerial Appointee – Chairperson | B.A (Public Administration), Leadership Programme, Entrepreneurship Programme, Effective Stakeholder Management, International Executive Development Programme, Post Graduate Diploma in Management | Strategic Management and Leadership, Strategic and Organisational Planning, Government Planning Process, Project Development, Management, Monitoring and Evaluation and Governance. | None | Executive Committee |
| Ms C Brink | Community Organisation | Primary Teaching Certificate, B-Tech Ed. Management | Report Writing, Corporate Governance and Facilitation in Local Government Sphere. | None | Governance and Strategy Committee and Finance Committee |
| Mr L Nzimande | Community Organisation | Bachelor of Education, Certificate in Leadership and Communication | Law Making Processes, Policy Development, Development of Sills, Strategic Management, Research and Report Writing and Strategic Leadership. | None | Remuneration Committee and Audit Committee AA Representative |
| Mr NN Maesela | Organised Labour | Certificate Correction Science Leadership, BA Communication Science and Advanced Diploma in Management | Union Leadership, Labour Relations and Labour Law. | None | Governance and Strategy Committee and Remuneration Committee |
| Mr P Makhafane | Organised Labour | Certificate in Labour Relations Management | Union Leadership, Labour Relations and Labour Law. | None | Remuneration Committee Chairperson and Executive Committee |
| Ms G Seokolo | Organised Labour | University Diploma in Education, Further Diploma in Education, Managing Employment Process, Higher Certificate in Economic Development | Union Leadership, Labour Relations and Labour Law, Negotiations. | None | Executive Committee and Governance and Strategy Committee |
| Mr MA Ramakgale (Appointment date 22 June 2021) | Organised Labour | Bachelor's Degree in Administration, Honours in Public Administration, Masters in Town and Regional Planning, Housing Policy Development and Management Programme, Results – Based Monitoring and Evaluation and Executive Development Programme. | Results Based Monitoring & Evaluation (RBM&E); Strategic and conceptualization planning capabilities; Research, Programme and Project Management; Financial Management, Policy formulation & Implementation; Leadership, Good Governance, and Communication. | None | Remuneration Committee |

| Name | Designation | Qualifications | Area of Expertise | Director-ships | Sub Committees |
|---|---|---|---|---|---|
| Ms N Silinyana (Appointment date 22 June 2021) | Organised Labour | Matric Certificate, National Diploma in Marketing Management, Diploma in Project Management, Bachelor of Commerce Degree in Transport Economics and Diploma in Terminal Management | Strategic Leadership and Management, Labour Relations, Union Leadership, Stakeholder Management and Communication, Transport Economics. | None | Finance Committee |
| Ms AN Kelengeshe | Organised Employer | Bachelor of Social Science, Public Affairs and Administration; Postgraduate Diploma in Law, Employment Law and Social Security; Certificate, Programme in Human Resource Management, Postgraduate Certificate, Management Advancement Programme; Certificate, Programme in Applied Organisational Development; Master of Business Leadership (MBL); Certificate, Legislative Drafting | Human Resource Development, Organisational Development, Labour Relations, Union Leadership. | None | Remuneration Committee |
| Ms L Dludla | Organised Employer | Honours: Social Science | Report Writing, Project Organisation, Report Generation and Analysis, Budget, Coordinating Training, Planning, Strategic Management, Training Development and Facilitating, Compliance and Governance. | None | Governance and Strategy Committee and Executive Committee |
| Mr P Moopelwa | Organised Employer | National Diploma: Public Management and Administration, B-Tech: Public Management and Honours | Financial Management, Strategic management, Operational management, Project management, Human Capital Management, Research, Problem solving, Provisioning of Parliamentary procedural advice and management, Negotiations, Presentations, Leadership and Team Building, Marketing, Legal drafting and Corporate Governance. | None | Finance Committee and Executive Committee |
| Ms T Molefe – Sefanyetso | Organised Employer | Bachelor of Public Administration | Financial Management, Strategic management, Operational management, Project management, Human Capital Management, Research, Decision making, Analytical and Developmental (Self and Others). | None | Governance and Strategy Committee |
| Ms N Nzimande (appointment date 22 June 2021) | Organised Employer | Matric Certificate, B. Com: Economics and Accounting, B. Com: Honours and Master of Business Leadership | Leadership, Customer and service orientation, significant process improvement experience, understanding of organisational workflows, Data Analysis, Reports and Metrics, Problem Solving, and Project management. | None | Finance Committee and Audit Committee AA Representative |
| Ms V Matshidza | Organised Employer | B. Com Degree Advanced Management Development Programme, Postgraduate Certificate in Leadership | Financial Management, Financial Accounting, Management Accounting, Planning, Leadership, Project and Programme Management. | None | Finance Committee |

## 4.5 Meeting Attendance

Seven (7) meetings were held during the financial year.

### 4.5.1. Members of the Accounting Authority

| Name | Designation | Date of Appointment | Date Resigned | Meetings Attended |
|---|---|---|---|---|
| Mr T Tshefuta | Ministerial Appointee –Chairperson | 01 April 2020 | N/A | 7 |
| Ms C Brink | Ordinary Member - Community Organisation | 01 April 2020 | N/A | 7 |
| Mr L Nzimande | Ordinary Member - Community Organisation | 01 April 2020 | N/A | 7 |
| Ms G Seokolo | Ordinary Member – Organised Labour | 01 April 2020 | N/A | 7 |
| Mr P Makhafane | Ordinary Member – Organised Labour | 01 April 2020 | N/A | 6 |
| Mr NN Maesela | Ordinary Member – Organised Labour | 01 April 2020 | N/A | 7 |
| Mr MA Ramakgale | Ordinary Member – Organised Labour | 22 June 2021 | N/A | 3 |
| Ms N Silinyana | Ordinary Member Organised Labour | 22 June 2021 | N/A | 5 |
| Ms AN Kelengeshe | Ordinary Member – Organised Employer | 01 April 2020 | N/A | 3 |
| Ms T Molefe – Sefanyetso | Ordinary Member – Organised Employer | 01 April 2020 | N/A | 3 |
| Mr P Moopelwa | Ordinary Member – Organised Employer | 01 April 2020 | N/A | 6 |
| Ms V Matshidza | Ordinary Member – Organised Employer | 01 April 2020 | N/A | 6 |
| Ms N Nzimande | Ordinary Member – Organised Employer | 22 June 2022 | N/A | 3 |
| Ms L Dludla | Ordinary Member – Organised Employer | 01 April 2020 | N/A | 6 |

### 4.5.2. Alternate members of the Accounting Authority

The process of nominating alternate members has commenced. This process was delayed due to the finalisation of appointing the outstanding principal members to the PSETA AA.

## 4.6 Accounting Authority Committees

The Accounting Authority utilises the following governance structures that are established in terms of the PSETA Constitution to assist in carrying out its roles and responsibilities:

a. Executive Committee
b. Governance and Strategy Committee
c. Finance Committee
d. Remuneration Committee
e. Audit Committee
f. Risk Management Committee (Sub-Committee of the Audit Committee)
g. Information Communication Technology Steering Committee (Sub-Committee of the Audit Committee)

### 4.6.1 The Executive Committee

| Name of member | Meetings held | Meetings attended |
|---|---|---|
| Mr T Tshefuta | 6 | 6 |
| Ms G Seokolo | 6 | 6 |
| Mr P Moopelwa | 6 | 5 |
| Mr P Makhafane | 6 | 4 |
| Ms V Matshidza (Replaced 06 August 2021) | 6 | 1 |
| Ms Dludla (Appointed 06 August 2021) | 6 | 3 |

### 4.6.2 The Audit Committee

Members were appointed on 1 April 2020 for a period of five years.

| Name of Member / Alternate | Meetings Held | Meetings Attended |
|---|---|---|
| Dr P. Dala (Chairperson) | 8 | 8 |
| Ms N. Nyakaza | 8 | 4 |
| Mr Z. Myeza | 8 | 8 |
| Ms T Molefe – Sefanyetso – AA Representative (Appointed on temporary basis on 28 May 2021 and later replaced on 6 August 2021) | 8 | 2 |
| Ms N Nzimande AA Representative (Appointed 6 August 2021) | 8 | 3 |
| Mr L Nzimande - AA Representative | 8 | 8 |

### 4.6.3 Governance and Strategy Committee

| Name of Member/ Alternate | Meetings held | Meetings attended |
|---|---|---|
| Ms L Dludla (Chairperson) | 4 | 4 |
| Ms C Brink | 4 | 4 |
| Mr NN Maesela | 4 | 4 |
| Ms T Molefe-Sefanyetso | 4 | 1 |
| Ms G Seokolo (Appointed 6 August 2021) | 4 | 3 |

### 4.6.4 Finance Committee

| Name of member | Meetings held | Meetings attended |
|---|---|---|
| Mr P Moopelwa (Chairperson) | 6 | 4 |
| Ms V Matshidza | 6 | 4 |
| Ms A Kelengeshe (Replaced 6 August 2021) | 6 | 2 |
| Ms C Brink | 6 | 6 |
| Mr NN Maesela (Replaced 6 August 2021) | 6 | 2 |
| Ms N Silinyana (Appointed 6 August 2021) | 6 | 4 |
| Ms N Nzimande (Appointed 6 August 2021) | 6 | 1 |

### 4.6.5 Remuneration Committee

| Name of member | Meetings held | Meetings attended |
|---|---|---|
| Mr P Makhafane | 8 | 8 |
| Ms A Kelengeshe | 8 | 4 |
| Ms L Dludla (Replaced 6 August 2021) | 8 | 1 |
| Mr L Nzimande | 8 | 7 |
| Mr NN Maesela (Appointed 6 August 2021) | 8 | 7 |
| Mr MA Ramakgale (Appointed 6 August 2021) | 8 | 2 |

### 4.6.6. Risk Management Committee

| Name of member | Meetings held | Meetings attended |
|---|---|---|
| Ms L Francois (Appointed 30 April 2021) | 6 | 6 |

### 4.6.7. Information Communication Technology Steering Committee

| Name of member | Meetings held | Meetings attended |
|---|---|---|
| Mr S Ndaba (Appointed 28 May 2021) | 7 | 7 |

## 4.7 Remuneration of members of the Accounting Authority

The remuneration of the members of the AA 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. After a directive from the MHESI, the AA reached the decisions listed below:

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

NB: Meeting fees (preparatory and attendance) are paid as per the AA Remuneration Policy which is in line with the rates published by the National Treasury each year.

| Accounting Authority Member Remuneration | | | | |
|---|---|---|---|---|
| Name | Meeting fees (R'000) | Travel expenses (R'000) | Other expenses (R'000) | Total (R'000) |
| Mr T Tshefuta | 174 | - | - | 174 |
| Ms C Brink | 145 | - | - | 145 |
| Mr L Nzimande | 167 | - | - | 167 |
| Ms G Seokolo | 154 | 7 | - | 161 |
| Mr P Makhafane | 148 | - | - | 148 |
| Mr NN Maesela | 164 | 4 | - | 168 |
| Mr N Silinyana | 54 | - | - | 54 |
| Ms AN Kelengeshe | - | - | - | - |
| Ms T Molefe – Sefanyetso | - | - | - | - |
| Mr P Moopelwa | - | 4 | - | 4 |
| Ms V Matshidza | - | - | - | - |
| Mr MA Ramakgale | 28 | - | | 28 |
| Ms L Dludla | - | - | - | - |
| **Total** | **1 034** | **15** | | **1 049** |

## 4.8 Remuneration of members of the Audit Committee

The remuneration of the members of the Audit Committee (AC) 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. After a directive from the MHESI, the AA reached the decisions listed below which were authorised by the Executive Authority:

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

NB: Meeting fees (preparatory and attendance) are paid as per the AA Remuneration Policy which is in line with the rates published by the National Treasury each year.

| Audit Committee Remuneration | | | | |
|---|---|---|---|---|
| Name | Meeting fees (R'000) | Travel expenses (R'000) | Other expenses (R'000) | Total (R'000) |
| Dr P Dala (Chairperson) | 183 | - | - | 183 |
| Mr Z. Myeza | 59 | - | - | 59 |
| Ms N Nyakaza | 38 | - | - | 38 |
| Mr SL Ndaba | 114 | - | - | 114 |
| Ms ZL Francois | 101 | - | - | 101 |
| **Total** | **495** | | | **495** |

# 5. Risk Management

The PSETA AC independently monitors the effectiveness of the entity's system of risk management. The committee has oversight of risk management as per the quarterly and annual reports tabled to the committee on improvements on risk mitigations. The entity has a Risk Management Committee (RMC) chaired by an independent chairperson that provides assurance by managing all risks within the organisation. The RMC met six times in the year under review to monitor the implementation and impact of risk mitigation strategies and reported to the AC.

The PSETA RMC reviewed enabling documents such as the Risk Management Policy Framework, risk appetite and tolerance statement, combined assurance framework and the ethics reporting policy that will be considered by the AC and AA in the new financial year. The entity developed strategic and operational, COVID-19 and Fraud Risk registers and managed and reported all the risks mitigated within the mentioned categories.

The strategic risk register focussed on the achievement of the strategic outcome and risks that could negatively affect the organisation in achieving its set APP indicators and targets; and the operational risk register focused on the day-to-day processes and risk exposures of the organisation. The implemented risk mitigation plans became additional controls to enhance the control environment of the organisation.

This approach ensured that all entity-wide risks that could affect people, business systems and processes, reputation, financial and performance were identified, assessed and appropriately mitigated to an acceptable level, to address any unfavourable impacts to benefit both current and future opportunities.

The strategic and operational risk registers set out control procedures, risk responses, treatment and implementation action plans with responsibility and timelines identified for each risk.

The integrated combined assurance model ensured that the entity addressed all significant risks facing the entity and monitored the relationship between the entity's internal and external assurance providers.

Strategic and operational risks that had medium and low residual risk values were monitored to ensure that they are not escalating and those that have high residual risk values were managed through implementation of the risk mitigation plan and reported accordingly to the AC and the AA.

The implementation of risk mitigation plans has helped the organisation to improve the internal control environment as the implemented plans are added to the existing internal controls. The improvement in internal control has enabled the entity to better manage its operational and financial resources, which translated into the improved achievement of planned performance indicators and targets.

## 5.1 Business continuity and IT disaster recovery

The PSETA did not review its business continuity plans during the period under review. The emergence of COVID-19 has shown that it is vital for organisations to respond to situations speedily to mitigate the impact and risks and to innovate to continue with service delivery. To continue with skills development, the PSETA had to employ new strategies such as the adoption of a work-from-home strategy, which was able to sustain the business during the high COVID-19 alert levels.

The organisation also maintains an up-to-date ICT Service Continuity plan where all its critical ICT infrastructure and applications are hosted in the cloud. This improves business continuity and disaster recovery and fosters better collaborations as the data is saved in the cloud and can be accessed anywhere. The strategy is informed by the Fourth Industrial Revolution (4IR) which is driven by a fusion of technologies that have blurred the lines between the physical, digital and biological spaces enabled by technologies such as Artificial Intelligence (AI), cloud computing, the Internet of Things (IoT), Big Data, and robotics, among others. The adoption of these technologies by the PSETA enables a process for bringing together digital power and practices to enable digital capabilities across the organisation.

# 6. 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 policies and standard operating procedures to strengthen 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 that monitor the effectiveness of internal controls.

Management monitors controls through the Risk Management and Compliance function where they identify risks, put in place controls and develop mitigating action plans with target dates for monitoring of improvement of controls in the risk registers.

# 7. Internal Audit And Audit Committee

## 7.1. Internal Audit

The PSETA has an Internal Audit Unit reporting functionally to the Audit Committee and administratively 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 Unit performed work that emerged from risks that were identified during planning and as requested by governance structures. Out of the 20 planned audits, five were carried over into the 2022/23 financial year.

The following audit projects were executed and completed in line with the approved Internal Audit operational plan for the year:

a. Audit of Certifications Process Ref 2020/21 - 05
b. Audit of annual performance information Ref 2021/22-01
c. Audit of GRAP compliance and follow-up on AGSA findings Ref 2021/22- 02
d. Audit of adequacy of project management on ERP Ref 2021/22-05
e. Audit of Compliance to POPI Act Ref AC001
f. Follow-up audit on HR Matrix Ref 2021/22- 13
g. Audit of Nkungumathe project Ref AC 002
h. Audit of Governance Processes Ref 2021/22- 10
i. Follow-up audit on accreditations process Ref 2021/22- 12
j. Follow-up audit on certifications process Ref 2021/22-14
k. Audit of ERP project management adherence to PMBOK Ref AC 004
l. Audit of Supply Chain Management Ref 2021/22 -11
m. Audit of performance information for quarter 3 Ref 2021/22- 03
n. Audit of learning programs Ref 2021/22 - 07
o. Audit of Discretionary Grants Ref 2021/22 - 04

## 7.2. Audit Committee

The independent Audit Committee (AC) reports to the Accounting Authority. The AC is responsible for, amongst others:

a. The effectiveness of internal audit and internal controls;
b. Risk management;
c. The adequacy, reliability, accuracy and regularity of financial information provided to the AA;
d. Any accounting and audit concerns;
e. Legal and regulatory compliance; and
f. ICT governance.

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

# 8. Compliance With Laws and Regulations

The PSETA is a public entity tasked with a skills development mandate for the public service sector and control of public funds. It is, therefore, obliged to act in compliance with public laws and regulations and the entity has developed its compliance universe which has been utilised to develop a quarterly compliance management and monitoring plan to ensure consistent focus on compliance.

Compliance management is the responsibility of management and has been embedded in the organisations' day-to-day activities, including policies, procedures and performance agreements. Improvements in the compliance management system are evidenced by the reduction of audit findings.

During the 2021/22 financial year, there were no significant changes to existing legislation nor regulations applicable to the SETA, however, focus was placed on ensuring that an action plan was being monitored to ensure compliance with the Protection of Personal Information (POPI) Act that came into effect from 1 July 2021.

PSETA has an approved POPI policy framework, has appointed responsible persons and governance committees and, therefore, a mechanism for monitoring POPI compliance is now firmly in place.

# 9. Fraud and Corruption

A Fraud Prevention Plan and the Fraud Prevention and Corruption Prevention Control Policy are in place. The PSETA has an independent service provider that administers the Ethics and Fraud Hotline toll number 0800 202 586, which is widely promoted and included on the PSETA website. Cases reported through the hotline are communicated to the PSETA AA and its delegated committees, the AC and the RMC.

Fraud reporting is governed by the Whistle-blower Policy and fraud prevention is a standard agenda item at the RMC and AC committees that assess reported matters and refer them for further investigation, if necessary, after preliminary investigation by the Chief Risk Officer. Complex fraud matters are referred to external service providers with the requisite skills and expertise to ensure that investigations are conducted adequately and effectively. All reports are documented and reported. No reports on fraud were received through the hotline during the 2021/22 financial year.

The entity conducts fraud awareness workshops quarterly to ensure that employees are educated about its fraud policies and procedures on how to identify and report cases. During the 2021/22 financial year, four awareness sessions were conducted. These awareness sessions are conducted by an independent service provider managing the ethics and fraud hotline.

## 10. Minimising Conflict of Interest

Formal declarations of interests by AA members are noted, and records kept by the Board Secretary. Further, on an annual basis, PSETA AA members submit annual declarations.

The Governance Structure Committee Policy prohibits awards of bids to any persons in the service of the PSETA or an entity which has direct or indirect interest in its business activities.

Disclosure of interest is done annually by PSETA employees, for the 2021/22 financial year, all PSETA employees submitted their annual declaration forms. The forms were scrutinised to identify potential conflict of interests.

Management reports on a quarterly basis to the Governance Structure Committee on conflicts of interests reported during the quarter.

## 11. Code of Conduct

The PSETA's Code of Conduct, set out in the PSETA's Constitution, is applicable to its AA and committee members. There is also a code of conduct for staff members.

The primary purpose of the entity's codes of conduct is to promote a culture of ethics, honesty and professionalism within the organisation and among its employees and stakeholders.

New employees are inducted and provided with a copy of the policy to ensure compliance. Any violation of any part of the code of conduct may be cause for appropriate disciplinary action in terms of the Disciplinary Policy and Procedures.

## 12. Health, Safety and Environmental Issues

The entity complied with the Occupational Health and Safety Act by establishing a COVID-19 Committee that is responsible for occupational health and safety matters as well. A Compliance Officer was appointed to assist the organisation with compliance of COVID-19 regulations and the Health and Safety Act in general.

The organisation complied with COVID-19 regulations by providing all the necessary equipment to staff members, developing and implementing the Risk Adjusted Strategy, as well as complying with the COVID-19 policy and assessments, supported by the guidelines which assisted in hybrid working.

## 13. 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 is to the PSETA AA and operationally to the CEO. During the period under review, the post of the Board Secretary was vacant, and Mr Lwazi Silas, the Board Administrator was appointed as the Acting Board Secretary.

## 14. Social Responsibility

PSETA hosted six girl learners (Grade 10 to 12) from Mothotlung Secondary School, in March 2022, at the PSETA offices. The purpose of the session was to afford the learners an opportunity to be exposed to the working world for a half-day, as well as to provide an opportunity for them to consider how the career choices they make today will shape their future.

The Cell C Take a Girl Child to Work Day® Online programme was created to help learners develop useful skills and learn important concepts they will need on their educational and career journey. The learners had an opportunity to watch videos, access resources and complete quizzes and exercises along the way. The programme aims to remind girl learners that they have the power to make their greatest dreams come true by believing in themselves.

The session was attended by the PSETA female management team, including the CEO and COO. The young scholars were encouraged to believe in themselves and realise their dreams.

## 15. Audit Committee Report

The Audit Committee is pleased to present its report for the financial year ended 31 March 2022.

### Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from sections 51(1) (a) (ii), 76 (4) (d) and 77 of the Public Finance Management Act (PFMA) as well as Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter and has regulated its affairs in compliance with this Charter as well as discharged all its responsibilities as contained therein.

### The Effectiveness of Internal Control

Internal Audit continues to provide assurance in terms of control, governance, and risk management as per the approved risk-based audit plan. At the end of the financial year, the following audit engagements were reported as complete as per the approved risk-based audit plan:

- Audit of Certifications; Audit of Nkungumathe;
- Annual Audit of Annual Performance Information - 2020/21; Audit of GRAP Compliance and Follow-Up on AGSA Findings; Audit of Adequacy of ERP Project Governance;
- Audit of ERP Project Management (PMBOK); Audit of Compliance - POPI Act;
- Audit of Human Resources Matrix; Audit of Governance;
- Follow-Up Audit of Accreditation; Follow-Up Audit of Certifications;
- Audit of Quarterly Performance Information for Quarter 3 of 2021/22; Audit of Supply Chain Management;
- Audit of Learning Programs; and
- Audit of Discretionary Grants.

The Audit Committee's review of the findings identified by the internal and external auditors reveals that the control environment is generally adequate and effective, with room for improvement. Similarly risk management and governance processes are generally adequate and effective, with room for improvement.

The Audit Committee in executing its oversight responsibilities in relation to control, governance, and risk management at PSETA has identified the following key areas of concern that should be addressed:

- Human resource management;
- Compliance monitoring; and
- Record keeping.

### In-Year Management and Monthly/ Quarterly Reports

PSETA has reported quarterly to the National Treasury and the Executive Authority as is required by the PFMA. The Audit Committee as well as assurance providers provided management with recommendations, which was implemented, to improve the quality of financial and non-financial information (performance information, information communication technology, risk management, human resource management, legal and compliance) and reporting during the year under review. The Audit Committee was satisfied with the content and quality of the financial and non- financial quarterly reports submitted during the year under review.

### Evaluation of Financial Statements

The Audit Committee has:

- Reviewed the unaudited financial statements with due consideration of the independent assurance provided by Internal Audit as well as the assurance provided by Management;
- Reviewed changes in accounting policies and practices; Reviewed compliance with legal and regulatory provisions;
- Reviewed the basis for the going concern assumption, including any financial sustainability risks and issues;
- Reviewed the unaudited information on predetermined objectives with due consideration of the independent assurance provided by IA as well as the assurance provided by Management;
- Reviewed the Auditor-General South Africa (AGSA) audit and management reports, with due consideration of the responses provided by Management; and
- Reviewed the audited financial statements as well as the information on predetermined objectives to be included in the annual report for any significant adjustments resulting from the audit and reported to the Accounting Authority.

### Auditor General's Report

The Audit Committee concurs with the conclusions of the Auditor General South Africa (AGSA) on the annual financial statements and is of the opinion that the audited annual financial statements may be read together with the audit report of the AGSA.

We would like to express our appreciation to the Accounting Authority for their leadership and support as well as all other assurance providers and most importantly Management for their commitment in maintaining the "clean" audit outcome (unqualified with no material findings).

P.Dala

**Dr. Prittish Dala**
Chairperson PSETA Audit Committee
Date: 5 August 2022

## 16. B-BBEE Compliance Performance Information

In the year under review, the PSETA finalised and submitted BEE verification for the 2020/21 financial period to the B-BBEE Commission in October 2021. PSETA further submitted its verification reports for the 2019/20 financial year.

An accredited service provider was appointed to perform the independent B-BBEE verification exercise on PSETA and a compliance B-BBEE Level 8 Contributor was achieved.

The following table depicts the compliance status of the entity to B-BBEE:

| **PSETA applied and relevant Code of Good Practice (B-BBEE Certificate Level 8) with regards to the following:** | | |
|---|---|---|
| **Criteria** | **Response Yes / No** | **Discussion (Include a discussion on your response and indicate what measures have been taken to comply)** |
| Determining qualification criteria for the issuing of licences, concessions, or other authorisations in respect of economic activity in terms of any law? | Yes | PSETA offered learnership qualification certificates to learners who qualified after completing a learnership programme in accordance with the Skills Development Act. |
| Developing and implementing a preferential procurement policy? | Yes | PSETA has a preferential procurement plan which is in line with Preferential Procurement Policy Framework Act. For the financial year ended March 2020, PSETA's total measured procurement spend was utilised as follows:<br>1. 51.12% was spent on B-BBEE compliant supplier/service providers.<br>2. 5.64% on qualifying small entities<br>3. 16.95% on exempted micro enterprises<br>4. 46.79% on at least 51% black-owned entities<br>5. 6.91% on at least black women-owned on entities |
| Determining qualification criteria for the sale of state-owned enterprises? | No | N/A |
| Developing criteria for entering partnerships with the private sector? | No | PSETA does not have Public Private Partnerships (PPP) |
| Determining criteria for the awarding of incentives, grants, and investment schemes in support of Broad Based Black Economic Empowerment? | Yes | PSETA offers discretionary grants for qualifying learner to learn through accredited training providers. |

# D

# HUMAN RESOURCE MANAGEMENT

# 1. INTRODUCTION

The PSETA re-organised its organisational structure to ensure that the structure is aligned to the PSETA strategy. The structure was approved by the PSETA AA in October 2021 and will assist the organisation to be responsive to the future world of work.

All posts in the new structure were job evaluated and the evaluation was followed by the salary benchmarking exercise for all posts. The purpose of the salary bench marking was to compare the pay levels against other similar organisations in the market. The outcome of the job evaluation exercise and salary bench marking were approved by the AA in October 2021 and implemented in November 2021.

# 2. HUMAN RESOURCE STRATEGY

## Human Resource Planning

During the financial year under review, the PSETA did not review any human resources management and development policies.

In the next financial year, the PSETA will embark on a process of reviewing current human resource policies, identifying gaps within the human resource value chain and develop policies that will address the purpose of the entity.

## Employee Relations

The Collective Bargaining Committee (CBC) has been established in terms of the Recognition Agreement as the forum that deals with issues of mutual interest. The CBC comprises the independent chairperson, employer and labour representatives. NEHAWU is the only registered labour union in PSETA.

During the 2021/22 financial year, the PSETA Management implemented the third and final leg of the signed multi-year Collective Agreement for Bargaining Unit employees. The Collective Agreement comprises annual cost of living salary adjustments plus benefits.

## Training and Development

The PSETA regards training and development as any activity directed at providing the knowledge, skills, moral values and understanding required in the normal course of life. The concepts of training and development, however, guide an individual and prepares them to perform specific activities as directed by the job they occupy or aspire to.

The new world economy forces organisations to become more competitive and to develop a more flexible workforce. This requires employees to operate as knowledge workers. As a result, PSETA is not exempt from ensuring the development of new skills such as decision-making, problem-solving, resolving conflict, negotiating and leadership.

The creation of a learning culture within PSETA responds to the strategic objective of the entity and contributes to the better achievement of its goal.

During the financial year under review (2021/22), a detailed Workplace Skills Plan was submitted and approved by the PSETA.

## Performance Management and Development

PSETA has an approved Performance Management and Development Policy. The performance moderation process for the 2020/21 and 2021/22 financial years will be finalised in the next year.

## Employee Wellness Programme (EWP)

PSETA appointed ICAS to manage the organisation's Employee Wellness Programme, effective from November 2020 for a period of 36 months. The programme was officially launched with all the employees on 4 February 2021. Some of the services that ICAS is contracted to perform is to deliver comprehensive face-to-face counselling services support to PSETA employees, providing life management services, managerial support services, managerial consultancy referral services and fully customised employee wellness awareness campaigns.

## 3. HUMAN RESOURCE STATISTICS

### Personnel Cost by Programme/Activity/Objective

| Programme | Total Expenditure (R'000) | Personnel Expenditure (R'000) | Personnel Expenditure as % of Total Expenditure (R'000) | No. of Employees | Average Personnel Cost per Employee (R'000) |
|---|---|---|---|---|---|
| | 2021/22 | 2021/22 | 2021/22 | 2021/22 | 2021/22 |
| Administration | 56 054 | 23 481 | 42% | 27 | 870 |
| Skills Planning and Research | 4 707 | 3 142 | 67% | 4 | 786 |
| Learning Programmes | 53 597 | 5 798 | 11% | 8 | 725 |
| Projects Management | 3 661 | 3 625 | 99% | 4 | 906 |
| Quality Assurance | 5 214 | 4 554 | 87% | 5 | 911 |
| **Total** | **119 572** | **40 600** | **34%** | **48** | **846** |

### Personnel Cost by Salary Band

| Level | Personnel Expenditure (R'000) | % of Personnel Expenditure to Total Personnel Cost | No. of Employees | Average Personnel Cost per Employee (R'000) |
|---|---|---|---|---|
| | 2021/22 | 2021/22 | 2021/22 | 2021/22 |
| Top Management | 7 783 | 19% | 5 | 1 557 |
| Senior Management | 8 285 | 20% | 7 | 1 184 |
| Professional Qualified | 9 234 | 23% | 9 | 1 026 |
| Skilled | 8 657 | 21% | 10 | 866 |
| Semi-skilled | 5 987 | 15% | 14 | 428 |
| Unskilled | 654 | 2% | 3 | 218 |
| **Total** | **40 600** | **100%** | **48** | **846** |

### Performance rewards

| Level | Performance Rewards (R'000) | Personnel Expenditure (R'000) | % of Performance Rewards to Total Personnel Cost (R'000) |
|---|---|---|---|
| Top Management | 88 | 7 783 | 1% |
| Senior Management | 34 | 8 285 | 0% |
| Professional Qualified | 257 | 9 234 | 3% |
| Skilled | 195 | 8 657 | 2% |
| Semi-skilled | 126 | 5 987 | 2% |
| Unskilled | 25 | 654 | 4% |
| **Total** | **725** | **40 600** | **2%** |

## Training costs

Staff training costs were centralised to Corporate Services Division.

| Objective | Personnel Expenditure (R'000) | Training Expenditure (R'000) | Training expenditure as a % of personnel costs | Number of Employees | Average training cost per employee (R'000) |
|---|---|---|---|---|---|
| Corporate Services | 40 600 | 1 595 | 4% | 48 | 33 |
| **Total** | **40 600** | **1 595** | **4%** | **48** | **33** |

## Employment and Vacancies as at 31 March 2022

The indicated vacancy rates as indicated are for all approved posts.

| Programme | 2020/21 No. of employees | 2021/22 Approved posts | 2021/22 No. of employees | 2021/22 Vacancies | % of vacancies |
|---|---|---|---|---|---|
| Administration | 29 | 37 | 26 | 11 | 30% |
| Skill Planning and Research | 6 | 6 | 4 | 2 | 33% |
| Learning Programmes | 9 | 9 | 9 | 0 | - |
| Project Management | 5 | 4 | 4 | 0 | - |
| Quality Assurance | 7 | 8 | 5 | 4 | 50% |
| **Total** | **54** | **64** | **48** | **16** | **25%** |

| Programme | 2020/21 No. of employees | 2021/22 Approved posts | 2021/22 No. of employees | 2021/22 Vacancies | % of vacancies |
|---|---|---|---|---|---|
| Top Management | 3 | 5 | 3 | 2 | 40% |
| Senior Management | 10 | 11 | 6 | 5 | 45% |
| Professional Qualified | 12 | 13 | 10 | 3 | 23% |
| Skilled | 12 | 16 | 12 | 4 | 25% |
| Semi-skilled | 14 | 16 | 14 | 2 | 13% |
| Unskilled | 3 | 3 | 3 | 0 | - |
| **Total** | **54** | **64** | **48** | **16** | **25%** |

## Employment changes

| Salary Bands | Employment at the Beginning of Period | Appointments | Terminations | Employment at the End of the Period |
|---|---|---|---|---|
| Top Management | 3 | - | 1 | 2 |
| Senior Management | 10 | - | 3 | 7 |
| Professional Qualified | 12 | - | 2 | 10 |
| Skilled | 12 | - | - | 12 |
| Semi-skilled | 14 | - | - | 14 |
| Unskilled | 3 | - | - | 3 |
| **Total** | **54** | **-** | **6** | **48** |

PSETA had several vacancies in the year ending 31 March 2022, with the total vacancy rate at 25%. The filling of posts was put on hold as the PSETA concluded a job evaluation and benchmarking process. Following approval of the PSETA structure, the organisation has prioritised the filling of all vacancies from January 2022.

## Reasons for staff leaving

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

| Reason | Number | % Total No. of Employees Leaving |
|---|---|---|
| Death | 1 | 17% |
| Resignation | 5 | 83% |
| Dismissal | 0 | - |
| Retirement | 0 | - |
| Ill Health | 0 | - |
| Expiry of Contract | 0 | - |
| Other | 0 | - |
| **Total** | **6** | **100%** |

Staff members left the PSETA for better career prospects, the process to fill vacancies commenced in January 2022.

## Labour relations: Misconduct and disciplinary action

| Description | Number |
|---|---|
| Verbal Warning | - |
| Written Warning | - |
| Final Written Warning | - |
| Dismissal | - |
| **Total** | **-** |

## Equity targets and employment equity status as at 31 March 2022

The list includes all employees to the establishment.

| Levels | MALE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | AFRICAN | | COLOURED | | INDIAN | | WHITE | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Professional Qualified | 4 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Skilled | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Semi-skilled | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unskilled | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **16** | **0** | **0** | **0** | **1** | **0** | **0** | **0** |

| Levels | FEMALE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | AFRICAN | | COLOURED | | INDIAN | | WHITE | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 2 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Senior Management | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Professional qualified | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Skilled | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Semi-skilled | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unskilled | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **30** | **0** | **0** | **0** | **1** | **0** | **0** | **0** |

| Levels | Disabled Staff | | | |
|---|---|---|---|---|
| | MALE | | FEMALE | |
| | Current | Target | Current | Target |
| Top Management | - | - | - | - |
| Senior Management | - | - | - | - |
| Professional qualified | - | - | - | - |
| Skilled | - | - | - | - |
| Semi-skilled | - | - | - | - |
| Unskilled | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** |

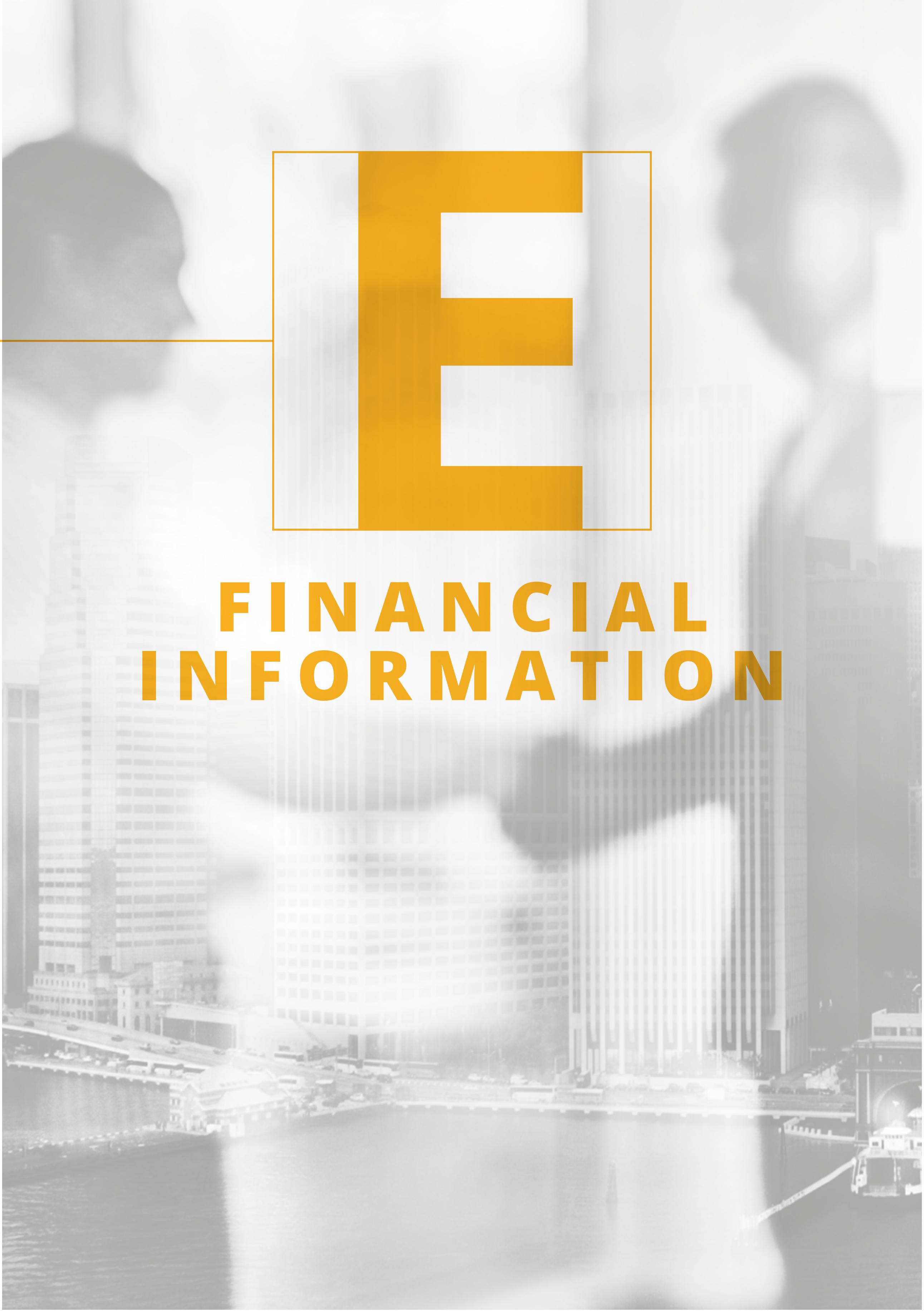
None of the staff members have declared any disabilities. No new recruits have been identified with disabilities.

## Employment Equity

The current workforce profile is 30 females and 18 males. Amongst the identified barriers of transformation is the recruitment and attracting of people with disabilities.

# E

# FINANCIAL INFORMATION



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

## 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 60 to 106, which comprise the statement of financial position as at 31 March 2022, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as 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 2022, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practices (GRAP) and the requirements of the Public Finance Management Act of South Africa Act 1 of 1999 (PFMA) and the Skills Development Act of South Africa Act 97 of 1998 (SDA).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other 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 matter

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

**Prior period errors**

7. As disclosed in note 31 of the financial statements, the corresponding figures for 31 March 2021 were restated as a result of errors in the financial statements.

### Responsibilities of the accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of PFMA and 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.

9. In preparing the financial statements, the accounting authority is responsible for assessing the public entity'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 appropriate governance structure 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

10. 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.

11. 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

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

13. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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.

14. 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 programme presented in the public entity's annual performance report for the year ended 31 March 2022:

| Programmes | Pages in the annual performance report |
|---|---|
| Programme 3 – learning programmes and projects | 30 - 32 |

15. 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.

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
- Programme 3 - learning programmes and projects

### Other matter

17. I draw attention to the matter below.

**Achievement of planned targets**

18. Refer to the annual performance report on pages 30 to 32 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

## Report on the audit of compliance with legislation

### Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
20. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

## Other information

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

22. 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 on it.

23. 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.

24. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

25. 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. I did not identify any significant deficiencies in internal control.

Auditor - General

Pretoria
31 July 2022

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 accounting authority
   - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Public Service Sector Education and Training Authority 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 my 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 operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine 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 provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

# ACCOUNTING AUTHORITY RESPONSIBILITIES AND APPROVAL

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

The annual financial statements have been prepared by management in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement.

Although the board of members are primarily responsible for the financial affairs of the entity, they are supported by the entity's management.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors.

The annual financial statements set out on pages 60 to 106, which have been prepared on the going concern basis by management and recommended by the CEO, were approved by the board of members on 29 July 2022 and were signed on its behalf by:

**Thulani Tshefuta**
Accounting Authority Chairperson

**Bontle Lerumo**
Chief Executive Officer

# STATEMENT OF FINANCIAL POSITION

## AS AT 31 MARCH 2022

| *Figures in Rand* | Note(s) | 2022 R'000 | 2021 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Receivables from exchange transactions | 3 | 1 623 | 1 562 |
| Inventories | | 25 | - |
| Cash and cash equivalents | 4 | 124 856 | 129 999 |
| | | **126 504** | **131 561** |
| **Non-Current Assets** | | | |
| Property,plant and equipment | 5 | 2 721 | 2 091 |
| Intangible assets | 6 | 6 231 | 6 399 |
| | | **8 952** | **8 490** |
| **Total Assets** | | **135 456** | **140 051** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Payables from exchange transactions | 7 | 3 101 | 3 836 |
| Provisions | 10 | 1 191 | 725 |
| Operating lease liability | 12 | 1 104 | 436 |
| **Non-exchange transactions** | | | |
| Payables from non-exchange transactions | 8 | 5 012 | 19 096 |
| Employer Grants Payables | 9 | 1 022 | 822 |
| Provisions | 11 | 183 | 190 |
| | | **11 613** | **25 105** |
| **Total Liabilities** | | **11 613** | **25 105** |
| **Net Assets** | | **123 843** | **114 946** |
| Reserves | | | |
| Administration reserve | | 8 952 | 8 490 |
| Discretionary Reserve | | 114 891 | 106 456 |
| **Total Net Assets** | | **123 843** | **114 946** |

# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2022

| *Figures in Rand* | Note(s) | 2022 R'000 | 2021 R'000 |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from non-exchange transactions** | | | |
| **Transfer revenue** | | | |
| Skills Development Levy: Income | 13 | 4 043 | 2 559 |
| Skills Development Levy :Penalties and Interest | 13 | 64 | 59 |
| Voted funds received from National Treasury | 13 | 120 082 | 118 516 |
| **Total revenue from non-exchange transactions** | | **124 189** | **121 134** |
| Revenue from exchange transactions<br>Other income | 14 | 40 | 63 |
| Investment Income | 14 | 4 162 | 4 920 |
| **Total revenue from exchange transactions** | | **4 202** | **4 983** |
| **Total revenue** | | **128 391** | **126 117** |
| **Expenditure** | | | |
| Administration expenses | 16 | (22 024) | (16 502) |
| Audit Fees | 16 | (2 514) | (2 073) |
| Cost of employment | 16 | (40 631) | (39 276) |
| Depreciation and amortisation | 5 & 6 | (6 190) | (4 577) |
| Employer Grant and Project Expenses | 15 | (46 254) | (75 123) |
| QCTO Expenditure | | (37) | (55) |
| Repairs and maintenance | 16 | (1 829) | (836) |
| Staff Debt Write-off | | (15) | - |
| **Total expenditure** | | **(119 494)** | **(138 442)** |
| **Surplus(deficit) for the year** | | **8 897** | **(12 325)** |

# STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2022

| *Figures in Rand* | Administrative Reserve R'000 | Employer Grants reserve R'000 | Discretionary reserve R'000 | Total reserves R'000 | Accumulated surplus / (Deficit) R'000 | Total net assets R'000 |
|---|---|---|---|---|---|---|
| **Balance at 01 April 2020** | **3 404** | **-** | **12 3867** | **12 7271** | **-** | **12 7271** |
| Changes in net assets | | | | | | |
| Restated Surplus for the year | - | - | - | - | (12 325) | (12 325) |
| Allocation of unappropriated surplus for the year | - | 408 | (12 733) | (12 325) | 12 325 | - |
| Employer grant reserves transferred to discretionary reserves | - | (407) | 408 | - | - | - |
| Excess reserves transferred | 5 086 | - | (5 086) | - | - | - |
| Other 2 | - | - | - | - | - | - |
| Total changes | 5 086 | - | (17 411) | (12 325) | - | (12 325) |
| **Balance at 01 April 2021** | **8 490** | **-** | **106 456** | **114 946** | **-** | **114 946** |
| Changes in net assets | | | | | | |
| (Deficit) Surplus for the year | - | - | - | - | 8 897 | 8 897 |
| Allocation of unappropriated surplus for the year | - | 593 | 8 304 | 8 897 | (8 897) | - |
| Employer grant reserves transferred to discretionary reserves | - | (593) | 593 | - | - | - |
| Excess reserves transferred | 462 | - | (462) | - | - | - |
| **Total changes** | **462** | **-** | **8435** | **8 897** | **-** | **8 897** |
| **Balance at 31 March 2022** | **8 952** | **-** | **114 891** | **123 843** | **-** | **123 843** |

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31 MARCH 2022

| *Figures in Rand* | Note(s) | 2022<br>R'000 | 2021<br>R'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Receipts** | | | Restated |
| Levies, Interest and penalties received | | 4 099 | 2 644 |
| Voted Funds received from National Treasury | 13 | 120 082 | 118 516 |
| Interest income | | 4 120 | 4 991 |
| Other cash receipts from stakeholders | | 40 | 63 |
| | | 128 341 | 126 214 |
| **Payments** | | | |
| Compensation of employees | | (40 405) | (38 376) |
| Payments to suppliers and others | | (26 283) | (21 118) |
| Grants and project payments | | (60 138) | (63 826) |
| | | (126 826) | (123 320) |
| **Net cash flows from operating activities** | 19 | **1 515** | **2 894** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 5 | (1 539) | (665) |
| Purchase of other intangible assets | 6 | (5 119) | (8 998) |
| **Net cash flows from investing activities** | | (6 658) | (9 663) |
| **Net increase/(decrease) in cash and cash equivalents** | | **(5 143)** | **(6 769)** |
| Cash and cash equivalents at the beginning of the year | | 129 999 | 136 768 |
| **Cash and cash equivalents at the end of the year** | 4 | **124 856** | **129 999** |

The line item Levies, Interest and Penalties received for 2021 has been reduced by R5,339 Million and the corresponding Payments to suppliers and others figure has been reduced by R5,339 Million to show the actual cash receipt for Levies in the prior year. The net effect on the receipts and payments in cash flows from operating activities is R0. This information has been shown in the prior period error note 31.

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

**Budget on Cash Basis**

| *Figures in Rand* | Approved budget R'000 | Adjustments R'000 | Final Budget R'000 | Actual amounts on comparable basis R'000 | Difference between final budget and actual R'000 | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | | |
| **REVENUE** | | | | | | |
| Skills Development Levy :income, interest and penalties | 1 680 | -(4 956) | **1 680** | 4 107 | **2 427** | 30.1 |
| Voted Funds received from | 125 036 | | **120 080** | 120 082 | **2** | |
| National Treasury | | | | | | |
| Other income | 16 | - | **16** | 40 | **24** | |
| Interest received - investment | 4 506 | - | **4 506** | 4 162 | **(344)** | |
| **Total revenue** | **131 238** | **(4 956)** | **126 282** | **128 391** | **2 109** | |
| **GRANTS AND PROJECT EXPENDITURE** | | | | | | |
| Mandatory Grants | (226) | | **(226)** | (417) | **(191)** | |
| Discretionary Grants | (52 831) | - | **(52 831)** | (45 837) | **6 994** | 30.2 |
| **Total grants and project expenditure** | **(53 057)** | **-** | **(53 057)** | **(46 254)** | **6 803** | |
| **EXPENDITURE** | | | | | | |
| Cost of Employment | (46 065) | 3 956 | **(42 109)** | (40 631) | **1 478** | 30.3 |
| Advertising, marketing and promotions, communications | (777) | - | **(777)** | (685) | **92** | |
| AGM and Annual Report and related costs | (382) | 336 | **(46)** | - | **46** | |
| Audit fees | (2 267) | - | **(2 267)** | (2 514) | **(247)** | |
| Bank charges | - | (47) | **(47)** | (38) | **9** | |
| Catering and refreshments | - | (334) | **(334)** | (54) | **280** | |
| Consumables | - | (107) | **(107)** | - | **107** | |
| Consulting and professional fees | (6 281) | (111) | **(6 392)** | (5 547) | **845** | 30.4 |
| Depreciation | - | - | **-** | (6 190) | **(6 190)** | 30.5 |
| Governance Fees | (3 170) | 1 230 | **(1 940)** | (1 654) | **286** | |
| Insurance | - | (75) | **(75)** | (118) | **(43)** | |
| Legal fees | (1 401) | - | **(1 401)** | (1 506) | **(105)** | |
| Operating lease rentals | (7 687) | - | **(7 687)** | (6 674) | **1 013** | |
| Loss on disposal of assets | - | - | **-** | (8) | **(8)** | |
| Printing and stationery | (795) | - | **(795)** | (592) | **203** | |
| Rates and Taxes,water and electricity and security | - | (476) | **(476)** | (1 270) | **(794)** | 30.6 |
| Staff recruitment | (179) | - | **(179)** | (92) | **87** | |
| Staff Welfare | (732) | - | **(732)** | (41) | **691** | 30.7 |
| Storage Costs | - | (78) | **(78)** | (29) | **49** | |
| Sundry items | (1 292) | (1 575) | **(2 867)** | (1 055) | **1 812** | 30.8 |
| Telephones | (476) | - | **(476)** | (577) | **(101)** | |
| Training and Staff Development | (913) | - | **(913)** | (1 595) | **(682)** | 30.9 |
| Travel and subsistence | (625) | (22) | **(647)** | (311) | **336** | |
| Repairs and maintenance | (1 212) | (252) | **(1 464)** | (1 996) | **(532)** | |
| QCTO Expenditure | (47) | - | **(47)** | (37) | **10** | |
| Workshops | - | (110) | **(110)** | - | **110** | |

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

**Budget on Cash Basis**

| *Figures in Rand* | Approved budget R'000 | Adjustments R'000 | Final Budget R'000 | Actual amounts on comparable basis R'000 | Difference between final budget and actual R'000 | Reference |
|---|---|---|---|---|---|---|
| Licences and subscriptions | (2 437) | 2 437 | -- | | - | |
| Equipment rentals | (253) | 253 | -- | | - | |
| Postage and courier | - | (69) | (69) | (26) | 43 | |
| **Total operations expenditure** | **(76 991)** | **4 956** | **(72 035)** | **(73 240)** | **(1 205)** | |
| **Net Surplus/(Deficit)** | **1 190** | **-** | **1 190** | **8 897** | **7 707** | |
| Capex | (1 190) | - | (1 190) | (6 658) | (5 468) | 30.10 |
| **NET Surplus / (Deficit) after capex** | **-** | **-** | **-** | **2 239** | **2 239** | |

The original budget was revised during the 2020/21 financial year as a result of National Treasury's approval of the PSETA's request to retain surplus funds. The final budget amounted to R135 967 000, hence expenditure did not exceed total budgeted revenue.

# ACCOUNTING POLICIES

## 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. Non- exchange revenue transactions include the receipt of levy income from Department of Higher Education Training, income from National Skills Funds and contributions received from public entities who contributes voluntarily to PSETA.

**1.3.1.1 Levy income**
The PSETA recognises levy income on receipt. The accounting policy for the recognition and measurement of skill development levy income is based on the Skills Development Act (SDA), Act 97 of 1998, as amended, and the Skills

Development levies Act (SDLA), Act 9 of 1999, as amended. In terms of section 3 (1) and 3 (4) of the SDLA (1999) as amended, registered member companies of the SETA pay a Skills Development Levy of 1% of the total payroll cost to the South African Revenue Services (SARS), who collect levies on behalf of the Department. Companies with an annual payroll cost less than R500 000 are exempted in accordance with section 4 (b) of the SDLA (1999) as amended, effective 1 August 2005.

80% of Skills Development levies are paid over to the SETA (net of the 20% contribution to the NSF). 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 tothePSETA as required by section 8 of the SDLA (1999) as amended.

#### 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 Plan (NSDP) effective 1 April 2020, 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 over payments, 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 over payments.

Discretionary grants and project expenditure

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

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

Project expenditure comprises:
- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the project; and
- other costs as are specifically charge able 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 provincial government
- The Skills Development Act,
- The Skills Development Levies Act
- Irregular Expenditure Framework
- PSETA's SCM Policy (only upon contravention of legislative prescripts is Irregular expenditure recognised against the respective class of expense in the period in which it was incurred. These are then recorded in the irregular expenditure register.)

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

## 1.7 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 fairvalue 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 costless accumulated depreciation and any impairment losses.

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

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

### 1.9 Key accounting judgments

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

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

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

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

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

### 1.10 Intangible Assets

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

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

Intangible assets are initially recognised at cost. An intangible asset acquired through a non-exchange 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 assets that it will be available for use or sale
- there is an intention 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 sellit
- 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 (or the lifespan of the intangible asset) is used when calculating the amortisation of intangible assets.

## 1.11 Leasing

### 1.11.1 Operating leases

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

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

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

## 1.12 Provisions and contingencies

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 Other provisions

Provisions included in the Statement of Financial Position are provisions for performance awards and provision for exempt companies. Provisions for performance awards are based on estimated performance levels and salary rates prevalent at the reporting date.

PSETA recognises a provision for the repayment of levies contributed by companies exempted from contributing skills development levy but continue to do so

### 1.12.2 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.

### 1.12.3 Contingent Assets

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

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

## 1.13 Employee benefits

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.

Liabilities for annual leave are recognised as they accrue to employees. The entity recognises the leave obligation during the vesting period based on the best available estimate of the accumulated leave expected to vest. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee. The leave liability is recognised as an accrual.

PSETA provides for retirement benefits for some of its permanent employees through a defined contribution scheme to SANLAM.

## 1.14 Financial instruments Recognition

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

### 1.14.1 Financial assets

#### 1.14.1.1 Investments and loans

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

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

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

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

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

Al lfinancial 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% |

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 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 Administrative expenditure

Administrative expenditure including inter alia Audit fees have been presented in accordance with the standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. PSETA’s administrative expenditure has been paid using voted funds received from National Treasury.

### 1.17 Events after reporting period

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred. The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements

### 1.18 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.

# ACCOUNTING POLICIES
(CONTINUED)

### 1.19 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.

### 1.20 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.

### 1.21 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.

### 1.22 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)

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## 2. PREPAYMENTS

### Standards and interpretations effective in the current year

The effective date of these standards are 1 April 2019. These include the following Standards and Interpretations that are applicable to the SETA and have been assessed to have no material impact on the financial statements:

**GRAP 20: Related Party disclosures**
This standard prescribes the disclosure of information relevant to draw attention to the possibility that an entity's financial statements contain the disclosure necessary to draw attention to the possibility that its financial position and surplus or deficit may have been impacted by the existence of connected parties and by transactions and outstanding balances with such parties.

**GRAP 32: Service Concession Arrangements: Grantor**
The purpose is to prescribe the accounting for service concession arrangements by the Grantor. It is unlikely that the standard will have a material impact on PSETA'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. It is unlikely that the standard will have a material impact on PSETA's annual financial statements.

**GRAP109: Accounting by Principals and Agents**
GRAP 109 outlines principles to assess whether an entity is party to a principal-agent arrangement. It is unlikely that the standard will have a material impact on PSETA's annual financial statements.

**IGRAP17: Service concession arrangements: where a Grant or controls a significant residual interest in an asset**
The purpose is to prescribe the accounting for service concession arrangements by the Grantor. It is unlikely that the standard will have a material impact on PSETA's annual financial statements.

### Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2020 or later periods:

**GRAP104 (amended):Financial Instruments**
It is unlikely that the standard will have a material impact on PSETA's annual financial statements.

| *Figures in Rand* | 2022 R'000 | 2021 R'000 |
|---|---|---|

## 3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

| | | |
|---|---|---|
| Operating lease rental deposits | 1 042 | 1 042 |
| Sundry Debtors | - | 4 |
| Staff Debtors | - | 11 |
| Prepayment - Operating lease | 518 | 484 |
| Accrued Income | 63 | 21 |
| | **1 623** | **1 562** |

## 4. CASH AND CASH EQUIVALENTS

| | | |
|---|---|---|
| Cash and cash equivalents consist of: | | |
| Bank balances | 33 200 | 12 008 |
| Investment with CPD | 91 656 | 117 991 |
| | **124 856** | **129 999** |

## 5. PROPERTY,PLANT AND EQUIPMENT

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation R'000 | Accumulated depreciation and accumulated impairment R'000 | Carrying value R'000 | Cost / Valuation R'000 | Accumulated depreciation and accumulated impairment R'000 | Carrying value R'000 |
| Furniture and fixtures | 1 691 | (963) | 728 | 1 252 | (830) | 422 |
| Motor vehicles | 482 | (372) | 110 | 482 | (318) | 164 |
| Office equipment | 262 | (189) | 73 | 262 | (172) | 90 |
| Computer equipment | 5 013 | (3 203) | 1 810 | 3 913 | (2 498) | 1 415 |
| **Total** | **7 448** | **(4 727)** | **2 721** | **5 909** | **(3 818)** | **2 091** |

**Reconciliation of property, plant and equipment - 2022**

| | Opening balance R'000 | Additions R'000 | Depreciation R'000 | Total R'000 |
|---|---|---|---|---|
| Furniture and fixtures | 422 | 439 | (133) | 728 |
| Motor vehicles | 164 | - | (55) | 110 |
| Office equipment | 90 | - | (17) | 73 |
| Computer Equipment | 1 415 | 1 100 | (706) | 1 810 |
| | **2 091** | **1 539** | **(911)** | **2 721** |

**Reconciliation of property, plant and equipment - 2021**

| | Opening balance R'000 | Additions R'000 | Depreciation R'000 | Total R'000 |
|---|---|---|---|---|
| Furniture and fixtures | 507 | - | (85) | 422 |
| Motor vehicles | 246 | - | (82) | 164 |
| Office equipment | 112 | - | (22) | 90 |
| Computer Equipment | 1 250 | 665 | (500) | 1 415 |
| | **2 115** | **665** | **(689)** | **2 091** |

## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

Repairs and maintenance disclosed in relation to property, plant and equipment has been disclosed in Administrative Expenses note 16.4 in line with the requirements of GRAP 17.

The PSETA has reviewed the residual values at year end and did not need to re-estimate it.

### Change in Accounting Estimate

The useful lives of some items of property, plant and equipment were reviewed and restated to reflect the actual pattern of service potential derived from the assets. They were revised as follows :

Computer Equipment:24monthsto36months Motor Vehicles: 24 months to 36 months
Office Equipment: 12 months to 24 months, 48 months to 60 months, or60 months to 72 months depending on the assets age at the beginning of the financial year.

Furniture and Fittings: 24 months to 36 months, or 60 months to 72 months depending on the assets age at the beginning of the financial year.

The change in useful life has resulted in the following:

| Item of Property,plant and equipment | Decrease in depreciation current year R'000 | Increase in depreciation future years R'000 |
|---|---|---|
| Computer Equipment | 235 948 | 235 948 |
| Motor Vehicles | 27 356 | 27 356 |
| Office Equipment | 4 743 | 4 743 |
| Furniture and Fittings | 14 383 | 14 383 |
| | **282 430** | **282 430** |

## 6. INTANGIBLE ASSETS

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation R'000 | Accumulated amortisation and accumulated impairment R'000 | Carrying value R'000 | Cost / Valuation R'000 | Accumulated amortisation and accumulated impairment R'000 | Carrying value R'000 |
| Computer Software and licences | 17236 | (11005) | 6231 | 12179 | (5780) | 6399 |

### Reconciliation of intangible assets - 2022

| | Opening balance R'000 | Additions R'000 | Disposals R'000 | Amortisation R'000 | Total R'000 |
|---|---|---|---|---|---|
| Computer Software and licences | 6399 | 5119 | (8) | (5279) | 6231 |

### Reconciliation of intangible assets - 2021

| | Opening balance R'000 | Additions R'000 | Amortisation R'000 | Total R'000 |
|---|---|---|---|---|
| Computer Software and licences | 1 289 | 8 998 | (3 888) | 6 399 |

The PSETA has reviewed the residual values and useful lives of all the items of intangible assets.

**Change in accounting estimate**

The useful lifes of some intangible assets have been revised to reflect the actual pattern of service potential derived from the assets. They were revised from 12 months to 24 months.

The change in useful life has resulted in a decrease in depreciation of R3 185 292.81 for the current period and an increase in depreciation of R3 185 292.81 in future periods.

| *Figures in Rand* | **2022** R'000 | **2021** R'000 |
|---|---|---|

## 7. PAYABLES FROM EXCHANGE TRANSACTIONS

| | | |
|---|---|---|
| Trade payables | 198 | 820 |
| Trade Accruals - administration | 842 | 716 |
| Leave pay accrual | 2 061 | 2 300 |
| | **3 101** | **3 836** |

## 8. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

| | | |
|---|---|---|
| Discretionary grant accruals | 4 466 | 14 712 |
| Discretionary grant payables | 546 | 4 384 |
| | **5 012** | **19 096** |

The increase in payables and accruals in mainly attributed to the large number of invoices relating to services rendered before year end only being received after year end from suppliers.

## 9. EMPLOYER GRANTS PAYABLE

| | | |
|---|---|---|
| Skills development grants payable - mandatory grants | 395 | 195 |
| Inter-seta payables Administration | 1 | 1 |
| Mandatory | 2 | 2 |
| Discretionary | 3 | 3 |
| | 6 | 6 |
| DHET Levy creditor | 622 | 622 |
| | **1023** | **823** |

## 10. PROVISIONS

**Reconciliation of provisions - 2022**

| | Opening Balance R'000 | Additions R'000 | Utilised during the year R'000 | Total R'000 |
|---|---|---|---|---|
| Performance Bonus | 725 | 1 191 | (725) | 1 191 |

**Reconciliation of provisions - 2021**

| | Opening Balance R'000 | Additions R'000 | Reversed during the year R'000 | Total R'000 |
|---|---|---|---|---|
| Performance Bonus | 642 | 725 | (642) | 725 |

The performance bonus provision relates to staff performance and a reasonable estimate of this is made. The performance bonus provision amount includes an amount for 2020/2021 and 2021/2022 Financial years as both years have not yet been paid.

## 11. PROVISIONS - NON-EXCHANGE TRANSACTIONS

**Reconciliation of provisions - 2022**

| | Opening Balance R'000 | Reversed during the year R'000 | Total R'000 |
|---|---|---|---|
| Exempt employer provision | 190 | (7) | 183 |

**Reconciliation of provisions - 2021**

| | Opening Balance R'000 | Additions R'000 | Total R'000 |
|---|---|---|---|
| Exempt employer provision | 164 | 26 | 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.

| *Figures in Rand* | 2022 R'000 | 2021 R'000 |
|---|---|---|
| **12. OPERATING LEASE LIABILITY** | | |
| Operating Lease Liability | 1 104 | 436 |

| *Figures in Rand* | 2022 R'000 | 2021 R'000 |
|---|---|---|

## 13. REVENUE FROM NON-EXCHANGE TRANSACTIONS

### 13.1 Skills Development Levy Income

| | | |
|---|---|---|
| **Administration** | | |
| Levies received from SARS | 530 | 339 |
| R500k Provision | 1 | (3) |
| | **531** | **336** |
| **Employer grants** | | |
| Levies received from SARS | 1 008 | 648 |
| R500k Provision | 2 | (7) |
| | **1 010** | **641** |
| **Discretionary grants** | | |
| Levies received from SARS | 2 498 | 1 598 |
| R500k Provision | 4 | (16) |
| | **2 502** | **1 582** |
| **Total** | **4 043** | **2 559** |

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

| | | |
|---|---|---|
| **Skills Development Levy Income:** | | |
| Penalties | 52 | 39 |
| Interest | 12 | 20 |
| | **64** | **59** |

### 13.3 Voted funds received from National Treasury

| | | |
|---|---|---|
| First tranche | 30 020 | 29 629 |
| Second tranche | 30 020 | 29 629 |
| Third tranche | 30 021 | 29 629 |
| Fourth tranche | 30 021 | 29 629 |
| | **120 082** | **118 516** |

| *Figures in Rand* | 2022 R'000 | 2021 R'000 |
|---|---|---|

## 14. REVENUE FROM EXCHANGE TRANSACTIONS

### 14.1 Investment income

| | | |
|---|---|---|
| Interest received in the bank accounts | 4 162 | 4 920 |

### 14.2 Other income

| | | |
|---|---|---|
| Grant received for training | 40 | 58 |
| Recovery of wasteful expenditure | - | 1 |
| Insurance recoveries | - | 4 |
| | **40** | **63** |

## 15. EMPLOYER GRANT AND PROJECT EXPENSES

| | | |
|---|---|---|
| Mandatory grants | 417 | 233 |
| Discretionary grants | 45 837 | 74 890 |
| | **46 254** | **75 123** |

## 16. ADMINISTRATION EXPENSES

### 16.1 General Administration Expenses

| | | |
|---|---|---|
| Loss on disposal of property, plant and equipment | 8 | - |
| Operating lease rentals | 6 674 | 5 513 |
| Advertising, Marketing and Promotions | 685 | 839 |
| Bank charges | 38 | 31 |
| Catering and refreshments | 54 | 22 |
| Consulting and professional fees* | 5 547 | 3 717 |
| Legal Fees | 1 506 | 1223 |
| Travel & Subsistence | 311 | 21 |
| Training | 1 595 | 252 |
| Governance Fees | 1 654 | 1 878 |
| Printing and Stationery | 592 | 19 |
| Insurance | 118 | 15 |
| Rates and taxes, water & lights and security | 1 270 | 964 |
| Staff Recruitment | 92 | 339 |
| Storage Cost | 29 | 22 |
| Sundry items | 801 | 875 |
| Licences and subscriptions | 603 | 340 |
| Cleaning | 280 | 357 |
| Equipment rentals | 167 | 75 |
| | **22 024** | **16 502** |

* Consultancy and Professional fees consist primarily of payments made to the service provider in relation to support services for the ERP and Payroll system

| *Figures in Rand* | 2022 R'000 | 2021 R'000 |
|---|---|---|

## 16. ADMINISTRATION EXPENSES (continued)

### 16.2 Audit Fees

| | | |
|---|---|---|
| Audit fees (External) | 2 514 | 2 073 |

### 16.3 Cost of Employment

| | | |
|---|---|---|
| Basic salary | 25 940 | 25 460 |
| PAYE | 10 615 | 9 794 |
| Incentive(Bonus) | 1 191 | 83 |
| Leave accrual | (239) | 893 |
| Union Fees | 39 | 43 |
| Workmens Compensation | (93) | 175 |
| Provident fund (defined contribution plan)* | 1 065 | 1 080 |
| Medical | 770 | 671 |
| Housing | 722 | 609 |
| Salaries and wages | 40 010 | 38 083 |
| UIF | 222 | 204 |
| SDL | 399 | 264 |
| | **40 631** | **39 276** |

*PSETA provides for retirement benefits for all its permanent employees through a defined contribution scheme to the Sanlam fund.

### 16.4 Repairs and Maintenance

| | | |
|---|---|---|
| Motor vehicle Repairs | 30 | 29 |
| Computer Equipment Maintenance | 1 207 | 489 |
| Building Maintenance | 592 | 318 |
| | **1 829** | **836** |

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

| 31 March 2022 | Total per Statement of Financial Performance | Administration | Mandatory | Discretionary | Special Projects |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| **Total Revenue** | | | | | |
| **Skills development levy: Income** | | | | | |
| Admin levy income (10.5%) | 531 | 531 | - | - | |
| Grant levy income (20%) Mandatory | 1 010 | - | 1 010 | - | |
| Grant levy income (49.5%) | 2 502 | - | - | 2 502 | |
| Discretionary Skills development levy penalties and interest | 64 | - | - | 64 | |
| Voted Funds received from National Treasury | 120 082 | 68 507 | - | 51 575 | |
| Investment Income | 4 162 | 4 162 | - | - | |
| Other Income | 40 | 40 | - | - | |
| | **128 391** | **73 240** | **1 010** | **54 141** | |
| **Total Expenses** | | | | | |
| Administration expenses | (73 203) | (73 203) | - | - | |
| QCTO Expenditure | (37) | (37) | - | - | |
| Employer grants and project expenses | (46 254) | - | (417) | (45 837) | |
| | **(119 494)** | **(73 240)** | **(417)** | **(45 837)** | |
| **Net surplus/(deficit per Statement of financial performance allocated** | **8 897** | **-** | **593** | **8 304** | |

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

| 31 March 2021 | Total per Statement of Financial Performance | Administration | Mandatory | Discretionary | Special Projects |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| **Total Revenue** | | | | | |
| **Skills development levy: Income** | | | | | |
| Admin levy income (10.5%) | 336 | 336 | - | - | - |
| Grant levy income (20%) Mandatory | 641 | - | 641 | - | - |
| Grant levy income (49.5%) | 1 582 | - | - | 1 582 | - |
| Discretionary Skills development levy penalties and interest | 59 | - | - | 59 | - |
| Voted Funds received from National Treasury | 118 516 | 58 000 | - | 60 516 | - |
| Investment Income | 4 920 | 4 920 | - | - | - |
| Other Income | 63 | 63 | - | - | - |
| | **126 117** | **63 319** | **641** | **62 157** | **-** |
| **Total Expenses** | | | | | |
| Administration expenses | (63 264) | (63 264) | - | - | - |
| QCTO Expenditure | (55) | (55) | - | - | - |
| Employer grants and project expenses | (75 123) | - | (233) | (74 890) | - |
| | **(138 442)** | **(63 319)** | **(233)** | **(74 890)** | **-** |
| **Net surplus/(deficit per Statement of financial performance allocated** | **(12 325)** | **-** | **408** | **(12 733)** | **-** |

## 18. NEW STANDARDS AND INTERPRETATIONS

### Standards and interpretations effective in the current year

In the current year, the PSETA adopted the following standards and interpretations effective this financial year and that are relevant to its operations.

**GRAP1 Presentation of Financial Statements**
Theimpact of thisstandard was not material on PSETA's operations

**GRAP20 Related Party Disclosure**
Discloses are made in notes 22.

**GRAP34 Separate financial statements**
Not applicable to the PSETA

## 18. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

**GRAP35 Consolidated financial statements**
Not applicable to the PSETA

**GRAP36 Investments in Associates and Joint Ventures**
Not applicable to the PSETA

**GRAP 37 Joint Arrangements**
The PSETA currently has no arrangements falling under this.

**GRAP38 Disclosure of Interests in Other Entities**
Not applicable to the PSETA

**GRAP 110 Living and non living resources**
Not applicable to the PSETA

**IGRAP 1 Applying the probability test on initial recognition of revenue**
The impact of this standard was not material

**IGRAP20 Accounting for Adjustments to revenue**
The impact of this standard was not material for PSETA

**Directive 14 Application of Standards of GRAP by Public Entities That Apply IFRS Standards-Effective for accounting periods starting 1 April 2021**
Not applicable to the PSETA

### Standards and interpretations issued But Not Yet Effective

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

**GRAP104 Financial Instruments**
No effective date set

**Guideline on Accounting for Landfill Sites**
No effective date set

**Guideline on the application of Materiality to Financial Statements**
No effective date set

| *Figures in Rand* | 2022 R'000 | 2021 R'000 |
|---|---|---|

## 19. CASH GENERATED FROM OPERATIONS

| | | |
|---|---|---|
| Surplus(deficit) | 8 897 | (12 325) |
| Adjustments for: | | |
| Depreciation and amortisation | 6 190 | 4 577 |
| Movements in provisions | 459 | - |
| Movement in tax receivable and payable | - | 107 |
| Movement in Consumables | (25) | 14 |
| Movement Trade and other receivables from exchange transactions | (61) | (822) |
| Movement in Operating Lease Liability | 668 | 435 |
| Movement in Trade and other Payables -exchange and non-exchange transactions | (14 821) | 10 801 |
| Movement in Employer Grant Payables | 200 | 107 |
| Losson Disposal of PPE | 8 | - |
| | **1 515** | **2 894** |

## 20. MATERIAL LOSSES THROUGH CRIMINAL CONDUCT

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

## 21. IRREGULAR EXPENDITURE

| | | |
|---|---|---|
| Opening balance | 77 150 | 76 442 |
| Irregular Expenditure under investigation | 520 | 708 |
| Amounts not condoned and removed | (81) | - |
| | **77 589** | **77 150** |

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. Majority of the irregular expenditure disclosed in note 20 above relates to this investigation.

The preliminary investigation has been concluded which confirmed that the discretionary grants allocation process was irregular.The Accounting Authority took a decision to seek the Presidential proclamation through the SIU for further investigation to establish possibility of recouping funds where PSETA suffered losses as a result of this irregularity.

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 has been finalised and is awaiting the signature of President Cyril Ramaphosa.

The current year irregular expenditure incurred consists of the irregular appointment of AA members identified during the AGSA audit of the DHET.

The DHET has applied for a blanket condonation for all SETA's of the irregular expenditure from appointment of AA members, National Treasury has not yet given feedback in this regard.

| *Figures in Rand* | 2022<br>R'000 | 2021<br>R'000 |
|---|---|---|

## 21. IRREGULAR EXPENDITURE (CONTINUED)

| | | |
|---|---|---|
| The balance of irregular expenditure comprises the following | | |
| Opening balance | 77 150 | 76 442 |
| Irregular appointments | 520 | 708 |
| Amounts removed | (81) | - |
| **Closing balance** | **77 589** | **77 150** |

Irregular expenditure transactions, amounting to R80 492 was sentto the National Treasury for condonation. This was done after investigation of these matters as no losses were reported and the transactions were not related to fraudulent, corrupt or criminal acts. The transactions referred to the relevant authority relates to the contravention of other applicable legislation such asthe PFMA and treasury regulations. The PSETA has received a response from National Treasury confirming that the expenditure would not be condoned, however PSETA has affected provisions 44 (c), 58 and 59 of the irregular expenditure framework which allows entities to remove the uncondoned irregular expenditure from the register as well as the notes of the AFS

## 22. FRUITLESS AND WASTEFUL EXPENDITURE

| | | |
|---|---|---|
| Fruitless and wasteful expenditure | 14 | 11 |
| Add: Fruitless and wasteful expenditure incurred during the year | - | 4 |
| Fruitless and wasteful expenditure recovered during the year | - | (1) |
| Written off | (14) | - |
| | **-** | **14** |

The fruitless and wasteful expenditure relates to an overpayment of AA member during the year and expenses incurred for overbookings and traffic fines for prior years. This expenditure has been written off in the current year.

## 23. RELATED PARTIES

### Relationships

**1. Controlling entity**
The SETA's controlling entity is DHET

**2. Entities under common control**
By virtue of the fact that PSETA is a National Public Entity controlled by DHET, it is considered related to other setas, the QCTO, TVET Colleges, Universities and the NSF. The transactions are consistent with normal operating relationships between the entities and are undertaken on terms and conditions that are normal for such. Where there were transactions and balances arising due to the movement of funds between entities under common control of the DHET, these amounts are disclosed below:

**3. Transactions with employer companies represented at the PSETA board**
Employer representatives of the PSETA Board do not receive allowances for attending Board Meetings except for Ministerial appointees and labour representatives who receive board attendance fees as determined by the Minister of Higer Education and Training. Members may claim travel expenses incurred as a result of attendance of PSETA meetings.

**4. Accounting Authority Members**

**2022**

| Name | Meeting fee R'000 | Travel Expense R'000 | Total R'000 |
|---|---|---|---|
| T Tshefuta - Chairperson of AA | 174 | - | 174 |
| C Brink | 145 | - | 145 |
| L Nzimande | 167 | - | 167 |
| GA Seokolo | 154 | 7 | 161 |
| N Maesela | 164 | 4 | 168 |
| PB Makhafane | 148 | - | 148 |
| P Moopelwa | - | 4 | 4 |
| MA Ramakgale | 28 | - | 28 |
| S Nomabanda | 54 | - | 54 |
| | **1 034** | **15** | **1 049** |

**2021**

| Name | Meeting fee R'000 | Travel Expense R'000 | Total R'000 |
|---|---|---|---|
| T Tshefuta - Chairperson of AA | 267 | - | 267 |
| AA C Brink | 182 | - | 182 |
| L Nzimande | 184 | - | 184 |
| J Kruger | 104 | - | 104 |
| GA Seokolo | 196 | 3 | 199 |
| NN Maesela | 182 | 2 | 184 |
| PB Makhafane | 106 | - | 106 |
| N Mzizi | 54 | - | 54 |
| PMoopelwa | - | 6 | 6 |
| ADV D Mushwana - Former Chairperson of the Accounting Authority | 7 | - | 7 |
| | **1 283** | **11** | **1 294** |

## 23. RELATED PARTIES (CONTINUED)

### 5. Independent Committee Members

**2022**

| Name | Meeting fee R'000 | Total R'000 |
|---|---|---|
| P. Dala - Audit Committee Chairperson | 183 | 183 |
| N Nyakaza | 38 | 38 |
| Z Myeza | 59 | 59 |
| S Ndaba (ICT Chairperson) | 114 | 114 |
| Z Francois (RMC Chairperson) | 101 | 101 |
| | **495** | **495** |

**2021**

| Name | Meeting fee R'000 | Travel Expense R'000 | Total R'000 |
|---|---|---|---|
| P. Dala - Audit Committee Chairperson | 218 | - | 218 |
| N Nyakaza | 88 | 1 | 89 |
| Z Myeza | 18 | - | 18 |
| | **324** | **1** | **325** |

### 6. Key management personnel

**2022**

| Name | Position | Salary R'000 | Performance bonus R'000 | Other allowances R'000 | Total R'000 |
|---|---|---|---|---|---|
| Ms. B. Lerumo | CEO | 1 978 | - | 15 | 1 993 |
| Mr P Mbulaheni | CFO@ | 1 248 | 27 | 284 | 1 559 |
| Ms S Nagalingam-Potter | COO | 1 525 | 27 | 13 | 1 565 |
| Mr S Ngomane | CSE+ | 1 305 | - | 11 | 1 316 |
| Mr F Shamsoodeen | CSE^ | 106 | 34 | - | 140 |
| Ms M Nkabinde | CSE* | 18 | - | - | 18 |
| Ms E Rampola | CAE# | 1 274 | - | 6 | 1 280 |
| | | **7 454** | **88** | **329** | **7 871** |

* Otherallowances include travel,cellphoneand acting allowances.
@Mr P Mbulaheni, the current Finance Manager, acted as CFO from the 22 February 2021 to date
^Mr F Shamsoodeen was the previous CFO (outstanding benefits accrued to previous CFO for the 2019/20 and2020/21 financial years).
*Ms M Nkabinde was the previous CSE (outstanding benefits accrued to previous CSE for the 2019/20 financial year).
+Mr S Ngomane was the CSE during the year but has since resigned in January 2022.
#The outcome of the job evaluation approved by the board in October 2021 changed the position from a manager level to an executive level.

## 23. RELATED PARTIES (CONTINUED)

### 6. Key management personnel (continued)

**2021**

| Name | Position | Salary R'000 | Other allowances R'000 | Total R'000 |
|---|---|---|---|---|
| Ms B. Lerumo | CEO | 1 936 | 12 | 1 948 |
| Mr F Shamsoodeen | CFO$ | 1 310 | 11 | 1 321 |
| Ms S Nagalingam-Potter | COO# | 1 201 | 153 | 1 354 |
| Mr S Ngomane | CSE+ | 529 | 5 | 534 |
| Mr P Mphaga | CSE^ | 1 058 | 92 | 1 150 |
| Mr P Mbulaheni | CFO@ | 1 076 | 4 | 1 080 |
| | | **7 110** | **277** | **7 387** |

* Otherallowances include travel,cellphoneand acting allowances.
# Ms S Nagalingam-Potter, the previous skills planning manager, acted from 1 April 2020 to 30 September 2020 and was subsequently appointed as COO from 1 October 2020.
^Mr P Mphaga, the current ICT manager, acted as CSE from 17 April 2020 to 30 September 2020. @Mr P Mbulaheni, the current Finance Manager, acted as CFO from the 22 February 2021 to current.
+Mr Sipho Ngomane was appointed as the CSE from 1 November 2020.
$Mr F Shamsoodeen resigned as CFO on the 19 February 2021

## 23. RELATED PARTIES (CONTINUED)

**7. Transactions with TVET Colleges and Universities**

**2022**

| Name | Position | Intervention R'000 | Remaining Commitment R'000 | Total R'000 |
|---|---|---|---|---|
| College of Cape Town | Artisan | 3 116 | - | 3 116 |
| College of Cape Town | Artisan | 2 662 | - | 2 662 |
| Majuba TVET College | Artisan | 4 043 | - | 4 043 |
| WIts Commercial Enterprise | Research | 6 548 | - | 6 548 |
| Tshwane South TVET College | Artisan | 1 660 | - | 1 660 |
| Tshwane South TVET College | Artisan | 1 658 | - | 1 658 |
| Cape Peninsula University of Technology | Workplace Integrated Learning | 2 591 | - | 2 591 |
| Boland TVET College | Workplace Integrated Learning | 639 | - | 639 |
| Ikhala TVET College | Workplace Integrated Learning | 1 078 | - | 1 078 |
| University of Johannesburg | Bursary | 4 000 | - | 4 000 |
| Western TVET College | Workplace Integrated Learning | 622 | - | 622 |
| Falsebay TVET College | Workplace Integrated Learning | 767 | - | 767 |
| Gert Sibande TVET College | Artisan | 509 | - | 509 |
| Tshwane University of Technology | - | 1 500 | - | 1 500 |
| | | **31 391** | **-** | **31 391** |

**2021**

| Name | Position | Intervention R'000 | Remaining Commitment R'000 | Total R'000 |
|---|---|---|---|---|
| College of Cape Town | Artisan | 4 193 | - | 4 193 |
| College of Cape Town | Artisan | 3 615 | - | 3 615 |
| Majuba TVET College | Artisan | 5 775 | - | 5 775 |
| Wits Commercial Enterprise | Research | 7 158 | - | 7 158 |
| Flavius Mareka TVET College | Bursary | 3 234 | - | 3 234 |
| Motheo TVET College | Workplace Integrated Learning | 3 256 | - | 3 256 |
| Lovedale TVET College | Workplace Integrated Learning | 1 813 | - | 1 813 |
| Boland TVET College | Workplace Integrated Learning | 893 | - | 893 |
| Esayidi TVET College | Workplace Integrated Learning | 3 078 | - | 3 078 |
| Northlink TVET College | Workplace Integrated Learning | 1 428 | - | 1 428 |
| Ikhala TVET College | Workplace Integrated Learning | 549 | - | 549 |
| Flavius Mareka TVET College | Workplace Integrated Learning | 549 | - | 549 |
| Tshwane North TVET College | Workplace Integrated Learning | 609 | - | 609 |
| Coastal KZN TVET College | Workplace Integrated Learning | 1 018 | - | 1 018 |
| Durban University of Technology | Workplace Integrated Learning | 99 | - | 99 |
| Esayidi TVET College | Workplace Integrated Learning | 549 | - | 549 |
| Mnambithi TVET College | Workplace Integrated Learning | 1 019 | - | 1 019 |
| Tshwane South TVET College | Artisan | 2 310 | - | 2 310 |
| Tshwane South TVET College | Artisan | 2 310 | - | 2 310 |
| | | **43 455** | **-** | **43 455** |

The related parties note has been adjusted to show PSETA's commitments with TVET Colleges and Universities.

## 23. RELATED PARTIES (CONTINUED)

### 8. Transactions with other SETAs

**2022**

| Name | Amount receivable/ (Payable) R'000 | Total R'000 |
|---|---|---|
| W&R SETA | (6) | (6) |
| | **(6)** | **(6)** |

**2021**

| Name | Amount receivable/ (Payable) R'000 | Total R'000 |
|---|---|---|
| W&R SETA | (6) | (6) |

nterseta 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.

### 9. Transactions with other national public entities and state institutions

**2022**

| Name | Amounts Received R'000 | Total R'000 |
|---|---|---|
| National Treasury | 120 082 | 120 082 |

**2021**

| Name | Amounts Received R'000 | Total R'000 |
|---|---|---|
| National Treasury | 118 516 | 118 516 |

| *Figures in Rand* | 2022 R'000 | 2021 R'000 |
|---|---|---|

## 24. COMMITMENTS

| | | |
|---|---|---|
| Operating lease commitments | | |
| Minimum lease payments due | | |
| - within one year | 6 651 | 6 230 |
| - in second to fifth year inclusive | 18 043 | 24 856 |
| | **24 694** | **31 086** |

The operating lease relates to the rental of building and parking of Ground and 1st floor of Woodpecker Office Block, 179 Lunnon Road, Hillcrest, Pretoria used for office accommodation and Rental of office printers.

The office lease agreement entered into effective 1 October 2020 for a period of 5 years, expiring on the 30 September 2025. The printers lease is for a period of 36 months starting 4 September 2020.

### DG Commitments

| Type of Programme | Opening balance 01 April 2020 R'000 | Adjustments R'000 | Expenditure Incurred R'000 | Write Backs R'000 | New Contracts R'000 | Addendums R'000 | Closing balance 31 March 2022 R'000 |
|---|---|---|---|---|---|---|---|
| Artisans | 20 403 | - | (7 489) | (498) | 1 936 | 225 | 14 577 |
| Bursary | 7 310 | (90) | 90 | (6 490) | 6 540 | - | 7 360 |
| Internship | 583 | - | (2 547) | - | 17 014 | - | 15 050 |
| Qualifications | 466 | - | (752) | - | 1 212 | 73 | 999 |
| Development Learnership | 7 161 | (112) | (6 359) | (1 719) | 4 273 | 87 | 3 331 |
| Recognition of prior learning | 2 821 | - | (5 620) | (905) | 8 547 | - | 4 843 |
| Research | 7 558 | - | (1 010) | - | 4 117 | - | 10 665 |
| Skills Programme | 1 147 | (221) | (3 431) | (227) | 4 540 | 150 | 1 958 |
| Workplace Intergrated Learning | 11 822 | (283) | (18 719) | (963) | 13 738 | 101 | 5 696 |
| **Total Discretionary Commitments** | **59 271** | **(706)** | **(45 837)** | **(10 802)** | **61 917** | **636** | **64 479** |

### Other Commitments

| Operational Expenditure | 2021 R'000 |
|---|---|
| Approved and contracted | - |
| Capital Expenditure | |
| Approved and contracted | 8 215 |
| Total capital commitments | 8 215 |

### Capital Expenditure

The PSETA entered into a contract to appoint a service provider to assist in the development of an Enterprise Resource Planning solution. The services are not expected to extend beyond the next 12 months.

| *Figures in Rand* | 2022<br>R'000 | 2021<br>R'000 |
|---|---|---|

## 25. CONTINGENCIES

**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 September 2021, National treasury Issued Instruction No. 12 of 2020/21 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 2022 the cash surplus was calculated as follows: | | |
| Cash and cash equivalents | 124 856 | 129 999 |
| Add: Receivables | 1 623 | 1 562 |
| Less: Current Liabilities | (11 613) | (25 105) |
| | **114 866** | **106 456** |

Notwithstanding the surplus calculated above, PSETA has commitments at year end through contracts with several service providers, some of which have been disclosed in note 23 above. Reflected below is the accumulated surplus after taking into account the impact of PSETA's year end commitments.

| | |
|---|---|
| Committed amounts at 31 March 2022 | |
| Surplus calculated above | 114 866 |
| Commitments | (99 859) |
| **Net surplus (Deficit) after commitments** | **15 007** |

The submission regarding the request to retain the cash surplus will be made to the National Treasury for the 2021/22 financial year upon completion of the audit by the Auditor General.

**Other contingent liabilities**

Salary deduction claim

During August 2019, PSETA received court papers issued out of the Labour Court by a union regarding the salary deductions that PSETA implemented during January and February 2019, following the strike action that took place between 30 October and 07 November 2018. The total amount of the salary deductions was R337 732.47.

Acting Allowance claim

A Specialist acted as a Manager from 09 March 2018 to 03 March 2019 without being compensated an acting allowance because the position was not vacant as per PSETA policies. The Specialist is claiming an amount of R202 080.39acting allowance for the period 08 February 2018 up to 03 March 2019. The matter has yet to be set down for hearing at the Labour Court.

## 25. CONTINGENCIES (CONTINUED)

Mandatory Grants

InOctober2019, an association of private entities won a court case against DHET where the department's decision to decrease the mandatory grant levies and grants percentage was decreased from 50% to 20% in terms of section 4(4) of the Seta grant regulations was set aside. The court did not decide on the mandatory levy or grant percentage to be applied from the court date onwards. The effect of the ruling is that the Minister would have to decide on the percentage for mandatory grants in consultation with the sector. The Minister has not yet made the decision in regard to the mandatory grant percentage. DHET continued to show the mandatory levies portion as 20% in 2019/20 year in the levy download information. The SETA continued to pay and accrue mandatory grants at 20% in the 2019/20 financial year in the absence of a revised percentage which is aligned to the approved annual performance plan. The mandatory grant expenditure as well as the mandatory grant liability were calculated using mandatory grant percentage of 20%. The SETA therefore discloses a contingent liability in regard to the amount of the mandatory grants payable to qualifying levy payers from the date of the court decision to the year end. This is disclosedasaliabilityastheintentionofthelitigantswastoincreasethemandatorygrantpercentagefrom20%.The timing and amount of this contingent liability is uncertain and no reasonable estimate can be made at this point. PSETA has assessed the potential impact of a significant change to the percentage of Mandatory levies and considered this impact to not be material. Currently the department is in discussions with the entity in regard to the mandatory grant percentage.

High Court matter

PSETA has received court papers for a notice of motion out of the Pretoria High Court. The court papers were issued by a skills development provider who has applied for extension of scope for certain unit standards with the ETQA Department of PSETA. The application for extension of scope was rejected, as the unit standards that the skills development provider had sought accreditation for, are classified and the National Department of International Relations and Cooperation ("DIRCO") is the only institution that is accredited to offer these unit standards. The skills development provider then appealed to the Quality Council for Trades and Occupations ("QCTO") after the application for extension of scope was rejected by PSETA. After not receiving any feed back on the appeal, The skills development provider has now applied for judicial review of the decision to not extend its application for scope, at the Pretoria High Court. PSETA has held a meeting with the other respondents in this matter,namely the QCTO and the SAQA ("South African Qualifications Authority"). The parties have agreed to oppose the case at the Pretoria High Court. Potential legal costs and disbursements are approximately R400 000.00 (four hundred thousand Rand)

The total known potential contingent liabilities amount to R539813.36

**Other contingent assets**

Non-implementation of learnership programme

During the 2018/2019 financial year, PSETA awarded a discretionary grant to a company for the implementation of a Learnership Programme. The Parties then entered into a Memorandum of Agreement with an effective date of 28 May 2018. The Learnership Programme was meant to endure for a period of 12 months. The total amount of the grant that was awarded for the implementation of the Learnership Programme was R10, 017 000.00. (Ten million and seventeen thousand Rand). To date, PSETA has made 2 tranche payments, amounting to R7, 011,900.00 (seven million, eleven thousand and nine hundred Rand).During 2019, PSETA officials attended to the various Learner workplaces where the Learners were being trained and produced a monitoring report with findings. The findings in the report, revealed that the company has been in breach of its contractual obligations, as set out in the MoA. PSETA has now terminated the MoA entered into with the SDP and has received a court order out of the High Court, to attach the SDP's assets for recovery of the tranche payments made to the company.

PSETA is currently tracing the debtor to effect the court judgement. Service provider dispute

## 25. CONTINGENCIES (CONTINUED)

During the 2017/18 financial year, PSETA awarded a discretionary grant to a service provider. The Apprenticeship Programme was meant to endure up to 31 May 2022.The total amount of the grant that was to be awarded for the successful implementation of the Apprenticeship Programme was R6 000 000.00 (six million Rand). To date, PSETA has made 3 tranche payments to the skills development provider, amounting to approximately R4, 200, 000.00 (four million, two hundred thousand Rand)During the implementation of the Apprenticeship Programme, the skills development provider, committed several breaches of contract. PSETA sent written notice to the skills development provider, in order to enable it to remedy its breach. The skills development provider has not remedied the breach. PSETA believes that it has now exhausted all contractual remedies in its effort to give Protech Training an opportunity to remedy its breach of contract. We are now proceeding with issuing legal processes in this matter.

Total known potential contingent assets amount to R11 211 900.00

## 26. 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 has been finalised and is awaiting the signature of President Cyril Ramaphosa.

## 27. 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 2022** | | | | | | | | |
| **Assets** | | | | | | | | |
| Cash | 124 856 | 3.28% | - | | | | | 124 856 |
| Accounts receivable | - | | - | | - | 1 623 | 1 year | 1 623 |
| **Total financial assets** | **124 856** | | **-** | | **-** | **1 623** | | **126 479** |
| **Liabilities** | | | | | | | | |
| Accounts payable | - | | - | | - | 11 613 | 1 year | 11613 |
| **Total financial liabilities** | **-** | | **-** | | **-** | **11 613** | | **11 613** |
| **31 March 2021** | | | | | | | | |
| **Assets** | | | | | | | | |
| Cash | 129 999 | 3.78% | - | | | | | 129 999 |
| Accounts receivable | - | | - | | - | 1 562 | 1 year | 1 562 |
| **Total financial assets** | **129 999** | | **-** | | **-** | **1 562** | | **131 561** |
| **Liabilities** | | | | | | | | |
| Accounts payable | - | | - | | - | 25 105 | 1 year | 25 105 |
| **Total financial liabilities** | **-** | | **-** | | **-** | **25 105** | | **25 105** |

**Cash and cash equivalents**

| | 31 March 2022 | | 31 March 2021 | |
|---|---|---|---|---|
| | Gross R'000 | Impairment R'000 | Gross R'000 | Impairment R'000 |
| Not past due | - | - | 129 999 | - |
| 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.

## 27. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

**Accounts receivable**

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

**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 interest-bearing borrowings with variable interest rates approximates their carrying amounts.
- the current rates available for debt with the same maturity profile and effective interest rate with similar cash flows (where applicable).

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

## 28. 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 2022 | Carrying amount R'000 | Contractual cash flows R'000 | 6 months or less R'000 | 6-12 months R'000 | 1-2 years R'000 | More than 2 years R'000 |
|---|---|---|---|---|---|---|
| Trade and other payables from exchange transactions | 3 101 | 3 101 | 3 101 | - | - | - |
| Trade and other payables from non-exchange transactions | 5 012 | 5 012 | 5 012 | - | - | - |

| 31 March 2021 | Carrying amount R'000 | Contractual cash flows R'000 | 6 months or less R'000 | 6-12 months R'000 | 1-2 years R'000 | More than 2 years R'000 |
|---|---|---|---|---|---|---|
| Trade and other payables from exchange transactions | 3 836 | 3 836 | 3 836 | - | - | - |
| Trade and other payables from non-exchange transactions | 19 096 | 19 096 | 19 096 | - | - | - |

### 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 inthe future.

## 29. GOING CONCERN

All SETAs operate on a license term, linked to the life-cycle of the National Skills Development Strategy (NSDS). The entity is currently established until 31 March 2030. There are no known instances which cast doubt on the SETA's ability to continue as a going concern for the next 12 months. 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. The COVID 19 pandemic has not had a material affect on the operations of PSETA for the year.

## 30. 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 R633 007 materiality have been explained below.

### 30.1 Skills Development Levy: income,interest and penalties

Additional levies received in the current year as expectation that more levy payers would resign from PSETA did not occur.

**Grants and Projects Expenditure**

### 30.2 Discretionary Grants

Discretionary grants expenditure incurred for the current financial year is below budget. A lot of funds disbursed covered prior year accruals..

**Administration Expenditure**

### 30.3 Cost of employment

This is due to savings from vacancies in the year

### 30.4 Consultancy and Professional fees

Saving due to the entire ERP project fee being committed in prior financial year.

### 30.5 Depreciation

Depreciation is a non-cash expense and as such it is not budgeted for.

### 30.6 Rates and Taxes, Water and Electricity and Security

Over spending due to Electricity, Rates and Water tariffs being higher than expected in current year.

## 29. GOING CONCERN (CONTINUED)

### 30.7 Staff Welfare

A saving was realised due to significantly less spending on staff welfare due to employees working remotely.

### 30.8 Sundry

A saving was realised due to less sundry expenditure as employees are working remotely

### 30.9 Training and staff development

Over spending due to additional training incurrent year due to employees not training as much in prior year.

### 30.10 CAPEX

Additional capital expenditure was realised due to the ERP system that is being implemented at PSETA.

## 31. 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:

1.1) In the Cash Flow statement, the line item Levies, Interest and Penalties received for 2021 has been reduced by R5,339 Million and the corresponding Payments to suppliers and others figure has been reduced by R5,339 Million to show the actual cash receipt for Levies in the prior year. The net effect on the receipts and payments in cash flows from operating activities is R0. The prior period error did not affect any of the other statements or notes to the Annual Financial Statements and hence the change is shown on the Cash Flow statement only.

1.2) A provision for bonus was not made for an amount of R724 665.

1.3) Leasehold smoothing and the related operating lease liability was overstated by R435 644.03 in the prior year. Leasehold smoothing has also been now shown under one line item instead of a separate line item for leasehold smoothing under the administrative expenditure note.

1.4) Leasehold expenditure was understated in the prior year and overstated in the current year by R112 700.00 due to invoices only being received in the current financial year.

| | Note | 2021<br>R'000 |
|---|---|---|
| **Effect on statement of financial position (2020/21)** | | |
| Increase in provisions | 31.2 | 725 |
| Decrease in Discretionary Reserve | 31.2 | (725) |
| Decrease in Operating lease liability | 31.3 | (436) |
| Increase in Discretionary Reserve | 31.3 | 436 |
| Increase in Payables from exchange transactions | 31.4 | 113 |
| Decrease in Discretionary Reserve | 31.4 | (113) |
| **Effect on statement of financial performance (2020/21)** | | |
| Increase in cost of employment | 31.2 | 725 |
| Decrease in operating lease rentals | 31.3 | (436) |
| Increase in operating lease rentals | 31.4 | 113 |

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