

# ANNUAL REPORT 2015 / 16



higher education  
& training

Department:  
Higher Education and Training  
REPUBLIC OF SOUTH AFRICA



Public Service Sector Education & Training Authority



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# PART A

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# 1. PSETA INFORMATION

Registered name of the public entity	Public Service Sector Education and Training Authority
ISBN number	978-1-77018-816-7
RP number	189/2016
Registered office address	353 Festival Road, Hatfield, 0028, Pretoria
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Website address	www.pseta.org.za

## EXTERNAL AUDITORS

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Physical address	300 Middel Street New Muckleneuk Pretoria, South Africa
Postal address	Box 446 Pretoria 0001
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## BANKERS INFORMATION

Bank	Address
ABSA	2 <sup>nd</sup> Floor Lourie Place Hillcrest Office Park 177 Dyer Street Hillcrest, 0083
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## 2. ABBREVIATIONS AND ACRONYMS

<b>AA</b>	Accounting Authority (the Board)
<b>AC</b>	Audit Committee
<b>AG</b>	Auditor-General
<b>AGSA</b>	Auditor-General of South Africa
<b>APP</b>	Annual Performance Plan
<b>ATR</b>	Annual Training Report
<b>BAC</b>	Bid Adjudication Committee
<b>BCP</b>	Business Continuity Plan
<b>CAATS</b>	Computer Assisted Audit Techniques
<b>CIP</b>	Compulsory Induction Programme
<b>CSE</b>	Corporate Services Executive
<b>DDG</b>	Deputy Director-General
<b>DG</b>	Director-General
<b>DHA</b>	Department of Home Affairs
<b>DHET</b>	Department of Higher Education and Training
<b>DIRCO</b>	Department of International Relations and Co-operation
<b>DPSA</b>	Department of Public Service and Administration
<b>ETQA</b>	Education and Training Quality Assurance
<b>EXCO</b>	Executive Committee
<b>ERM</b>	Environment Resources Management
<b>FET</b>	Further Education and Training (now called TVET Colleges)
<b>FY</b>	Financial Year
<b>GPSSBC</b>	General Public Service Sector Bargaining Council
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>GSC</b>	Governance and Strategy Committee
<b>G-SETA</b>	Government Sector Education and Training Authorities
<b>HEI</b>	Higher Education Institutions
<b>HOD</b>	Head of Department
<b>HR</b>	Human Resources
<b>HRD</b>	Human Resource Development
<b>HRDC</b>	Human Resource Development Council
<b>HRDSA</b>	Human Resource Development South Africa
<b>HRM</b>	Human Resource Management
<b>ICT</b>	Information and Communication Technology
<b>KZN</b>	KwaZulu-Natal
<b>MoA</b>	Memorandum of Agreement
<b>MHET</b>	Ministry of Higher Education and Training
<b>MIS</b>	Management Information System
<b>MoU</b>	Memorandum of Understanding
<b>MTEF</b>	Medium-Term Expenditure Framework
<b>MTSF</b>	Medium-Term Strategic Framework
<b>NEC</b>	National Executive Committee
<b>NEHAWU</b>	National Education Health and Allied Workers Union

<b>NQF</b>	National Qualifications Framework
<b>NSA</b>	National Skills Authority
<b>NSF</b>	National Skills Fund
<b>NSG</b>	National School of Government (formerly PALAMA)
<b>NSDS III</b>	National Skills Development Strategy III
<b>NSF</b>	National Skills Fund
<b>NT</b>	National Treasury
<b>OFO</b>	Organising Framework of Occupations
<b>PALAMA</b>	Public Administration, Leadership and Management Academy
<b>PARI</b>	Public Affairs Research Institute
<b>PDP</b>	Personal Development Plan
<b>PFMA</b>	Public Finance Management Act
<b>PIVOTAL</b>	Professional, Vocational, Technical and Academic Learning
<b>POPCRU</b>	The Police and Prisons Civil Rights Union
<b>PS</b>	Public Service
<b>PSA</b>	Public Servants Association of South Africa
<b>PSETA</b>	Public Service Sector Education and Training Authority
<b>PSSC</b>	Public Sector Skills Committee
<b>QCTO</b>	Quality Council for Trades and Occupations
<b>QMR</b>	Quarterly Monitoring Report
<b>RPL</b>	Recognition of Prior Learning
<b>SAQA</b>	South African Qualifications Authority
<b>SARS</b>	South African Revenue Service
<b>SCM</b>	Supply Chain Management
<b>SCOPA</b>	Standing Committee on Public Accounts
<b>SDA</b>	Skills Development Act
<b>SETA</b>	Sector Education and Training Authority
<b>SIU</b>	Special Investigating Unit
<b>SD</b>	Skills Development
<b>SDA</b>	Skills Development Act
<b>SDF</b>	Skills Development Facilitator
<b>SDLA</b>	Skills Development Levies Act
<b>SITA</b>	State Information Technology Agency
<b>SMS</b>	Senior Management Services
<b>SOEs</b>	State-owned Enterprises
<b>SOP</b>	Standard Operating Procedures
<b>SSP</b>	Sector Skills Plan
<b>S&amp;T</b>	Subsistence and Travel
<b>TVET</b>	Technical Vocational Education and Training (Former FET Colleges)
<b>WIL</b>	Work-integrated Learning
<b>WSP</b>	Workplace Skills Plan



### 3. ACKNOWLEDGEMENTS



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



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

#### SUBMISSION OF THE ANNUAL REPORT TO THE EXECUTIVE AUTHORITY

In accordance with the Public Finance Management Act (No. 1 of 1999), it is with great pleasure that we present to you the Annual Report of the Public Service Sector Education and Training Authority.

This report covers the period from 1 April 2015 to 31 March 2016 and provides an overview of the operations, financial performance and developments across all performance targets as per Service Level Agreement (SLA) with the Department of Higher Education and Training.

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

**Mrs Koko Mashigo**  
*PSETA*  
*Accounting Authority (AA) Chairperson*

## 4. FOREWORD BY THE CHAIRPERSON



**Mrs Koko Mashigo**  
Accounting Authority Chairperson

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

### INTRODUCTION

It is my honour and privilege to present to you the Public Service Sector Education and Training Authority (PSETA) 2015/16 Annual Report.

### HIGHLIGHTS OF ACHIEVEMENTS

#### Implementing the Board’s Mandate

The PSETA Board has continued to function and provide strategic leadership to management. The Board executes its oversight role as articulated in the PSETA Constitution, as required by the Skills Development Act, the Public Finance Management and other relevant legislation.

The SETA obtained a qualified report from the Auditor – General (AG) during the period under review.

The Board is committed to ensure that the SETA endeavours to achieve an unqualified report in the 2016/17 financial year.

The SETA achieved 73% of its targets against its APP for 2015/16. Some of the SETAs notable performance highlights in the year under review include:

- The SSP which identifies the priority programmes needed to build the state capabilities identified in Chapter 13 of the NDP;
- Hosting of the successful second PSETA National Colloquium;
- Partnerships with national departments amongst others.

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

The strategy of the PSETA is informed by a number of key driving forces impacting upon the organisation in its quest to respond to the skills deficits in the public service.

The 2015/16 financial year witnessed the Minister of Higher Education and Training extending the National

Skills Development Strategy III for a further two years, up until 31 March 2018. This consequently extended the licence of the SETA's lifespan. The uncertainty of the SETA landscape impacts negatively on the SETA's medium-term and longer-term strategy. We are anticipating that the conclusion of the consultation process embarked upon by the Minister will be finalised soon, to provide definitive direction to the Sector.

## STRATEGIC RELATIONSHIPS

Over the years, the SETA has successfully built strategic relationships with its key stakeholders, both nationally and provincially. As a SETA, receiving minimal skills levy contributions from employers in the sector, we rely on strategic partnerships to deliver on our mandate. Our aim is to enter into key partnerships with leading departments within the Public Service to build state capabilities to deliver on the NDP. These include departments like National Treasury, the Department of Public Service and Administration and the Department of Planning, Monitoring and Evaluation. PSETA also leads in co-ordinating partnerships with other government-aligned SETAs with state training academies and local government under the auspices of the Public Sector Skills Committee (PSSC). The aim of the PSSC is to integrate and co-ordinate skills development initiatives across the public sector.

## CHALLENGES FACED BY THE ACCOUNTING AUTHORITY

The AA is well balanced with constructive and robust engagements taking place. The members are independent in their decision making and provide critical oversight and have demonstrated conviction and courage to confront governance issues.

## THE YEAR AHEAD

The Accounting Authority has learnt some lessons from discretionary grant allocation processes and have resolved that in the medium term, strategic projects with key lead departments in the sector will take priority. This will be focussed on the SSP priorities and key NDP skills priorities. On the demand side, capacity building initiatives to develop the sector's planning capabilities will continue; and on the supply-side, PSETA will capacitate providers, particularly public HEIs, TVET Colleges and state academies to respond to the demands of the Public Service. PSETA is planning an HEI roundtable later in the 2016/17 year

to bring universities, schools of public administration and senior public sector management to discuss strategic partnerships, curricula and other matters of collaboration. PSETA has been instrumental in advocating the Minister's strategy of opening the public sector as a training space. The sector has reported over 22 000 placement opportunities for TVET graduates that require work-integrated learning for acquisition of their qualifications. This investment in the talent pipeline for the sector, will be a longer-term goal that PSETA will continue to strive towards.

## ACKNOWLEDGEMENTS AND APPRECIATION

I would like to acknowledge and thank the Minister of Higher Education and Training and his department for the strategic guidance and oversight. I would like to express my sincere appreciation to the members of the Accounting Authority who have performed a sterling job in their governance and oversight role.

A word of appreciation also goes to the Accounting Authority Committees who are primarily responsible for the technical and specialist work on behalf of the Accounting Authority.

Our stakeholders and strategic partners, thank you for your continued confidence and faith in the PSETA. Finally, I acknowledge and thank the management and staff of the PSETA, under the leadership of the Chief Executive Officer, Mrs Shamira Huluman.

## CONCLUSION

In conclusion, I wish to recommit the PSETA to the advancement of skills with special focus on PSETA's role in opening the public service sector as a training space. In collaboration and partnership with our stakeholders, we will fast track and introduce new initiatives which will contribute to the building of a skilled and capable public service workforce.



**Mrs Koko Mashigo**  
Accounting Authority Chairperson  
Date: 31 July 2016

## 5. CHIEF EXECUTIVE OFFICER'S OVERVIEW



**Mrs Shamira Huluman**  
Chief Executive Officer

*“The skills level of both existing employees and those entering the labour market is viewed as an important pillar of government strategy for attracting investment, industrial expansion and job creation.” – White Paper for Post-School Education Training*

### INTRODUCTION

As a link between post-school education and the workplace, PSETA plays a pivotal role in facilitating the development of quality skills to deliver on the National Development Plan.

PSETA is in a unique position amongst SETAs: almost all the funds for skills development in our sector lie under the managerial control of employers, not the SETA. Further, most government departments have dual reporting lines: they report to PSETA on transversal skills and to their “line SETA” on all other skills. Finally, there are parallel systems and reporting lines where departments report on HRD efforts to DPSA, but to PSETA and DHET on skills development efforts. This has posed a serious challenge to accurate data reporting and must be resolved as soon as possible.

In the context of these overlapping mandates, providing co-ordination and strategic direction have been at the heart of the challenge facing PSETA. How do we help our sector to reach consensus on what the most important needs are, and to focus their expenditure on these needs? How do we establish collaboration across the sector to improve the economy, efficiency and effectiveness of skills development in the public service.

Hence, PSETA has spent the year under review, incubating strategic partnerships to take forward this mandate.

### OVERVIEW OF THE OPERATIONS OF THE ENTITY

The value chain of skills development is to identify the needs (through workplace skills planning and sector skills planning); to plan, develop and deliver the interventions (projects and learning programmes); and to quality assure provision to ensure that what is delivered, is fit for purpose. The latter takes place through a design of qualifications, accreditation of providers, approval of learning programmes, registration of assessors, verification of assessments and certification of learners. These core functions are supported by corporate

services (HR, Marketing and Communications, ICT and facilities management); finance and SCM; and corporate governance (including internal audit, risk management and Accounting Authority governance processes).

PSETA works along the full skills pipeline to achieve this. Our work with TVET Colleges and Higher Education Institutions aims to ensure that they provide generic foundational learning that is responsive to the needs of the public service. Our work with national, provincial and sectoral State Academies (under leadership of the National School of Government) capacitates them to provide job-specific learning. Our work with employer organisations aims to improve their capacity to provide on-the-job learning (including various forms of work-integrated learning, learnerships and artisan programmes).

## GENERAL FINANCIAL OVERVIEW

The MTEF budget allocation of the PSETA in the current financial year, 2015/16, has been approved at R93.843 million. Management in consultation with the National Treasury have agreed that this budget shall be used in line with the provisions of the DPSA HRD Directive 1 of 2013, where two-thirds of the budget is allocated to discretionary grants and one-third to operations. During the 2015/16 financial year, PSETA's budget was within the DPSA vote, but has moved to DHET in the 2016/17 financial year.

The funding model of the PSETA consists of three revenue streams, namely (1) grant transfer from the revenue fund through the DPSA vote; (2) revenue from levy transfer contributed by public entities through SARS; and (3) receipts from the NSF conditional grant. With the roll-over of funds from 2014/15, this year's budget increased to R174 million.

During the 2015/16 financial year, PSETA received a debt forgiveness (write off) from the NSF on funds which were transferred to the SETA to run NSF projects in 2005. The annual financial statements of PSETA have been carrying an amount of R4.6 million which could not be supported by auditable proof that these funds were spent on NSF projects.

The SETA engaged the SIU to investigate any possible irregularities. The investigation was concluded in June 2015.

Based on the NSF write-off letter and the SIU report, SETA removed the liability from its books. This action increased

the revenue by R4.6 million. However, PSETA has a potential liability to pay over an amount of R558 614 to NSF in the event of recovery of the funds from those who were involved in the fraudulent activities, although this is remote.

## SPENDING TRENDS

PSETA's budget for 2015/16 consisted of 67% (R62.8 million) allocated to discretionary grants and 33% (R31 million) allocated for administrative support. The split was a new phenomenon as for the first time since inception, the entity had to command such a huge budget and conduct its own projects. In addition, the roll-over (R43 million) from the previous financial year, strained the resources PSETA has to monitor.

The overall expenditure analysis shows an increase of 39.9% from 2014/15 expenditure. The significant increases on project expenses and compensation of employees is attributable to increased projects undertaken and approved positions that have been filled.

## CAPACITY CONSTRAINTS AND CHALLENGES

The increased budget in 2015/16 required an increase in HR capacity to spend the allocated funds. However, due to thresholds on the administration budget (including compensation of employees), PSETA could not increase staffing dramatically.

PSETA embarked on an organisational re-engineering project with the Department of Public Service Administration in order to develop and produce an organisational structure which would enable the entity to execute its mandate.

The capacity of PSETA to deliver on its mandate, remains a challenge that needs to be resolved in the new financial year. This report describes some of the strategies in this regard.

## ROLL-OVER OF FUNDS

PSETA has signed contracts and MoUs with stakeholders in disbursement of the grants for projects which are straddled over multiple financial years.

Based on the above, a roll-over of R45 million will be submitted to National Treasury for approval.

### **SUPPLY CHAIN MANAGEMENT (SCM)**

PSETA has implemented a new SCM module (flow centric) through the Deloitte SETA Management System. The system is interactive and integrated. The process of procurement is 90% paperless. The findings which were prevalent on SCM processes, have been resolved. However, going forward, attention will be directed at improving turnaround times.

In the year ahead, SCM will be able to access the National Treasury supply database for additional suppliers where the PSETA supplier database is inadequate. This will also include procuring ICT-related requests through the SITA database.

### **AUDIT FINDINGS**

The PSETA has monitored audit findings throughout the year and has reported progress made towards resolving such findings per division. The findings were consolidated to include internal audit findings in a tracking matrix. Management developed the continuous improvement plan which traced the root causes of findings. The governance structures monitor the matrix and 62% of overall findings were resolved. Capacity within the finance division continues to be a serious challenge and threatens stability of the internal control environment. The recruitment of a highly competent CFO remains a priority.

### **ECONOMIC VIABILITY**

The SETAs are licensed to operate for a period of five years. At the end of each five-year period, the Minister of Higher Education and Training makes a determination as to the re-licencing of SETAs. 31 March 2016 marked the

end of the 5-year period of licencing by the MHET and subsequently re-established until 31 March 2018. This is to allow the Ministry to consider the future of the NSDS and SETA landscape.

### **THE YEAR AHEAD**

The 2016/17 financial year will be spent focusing PSETA and sector resources on building the state capabilities identified as priorities in the National Development Plan. This will be achieved through strategic partnerships with lead departments, public entities and legislatures.

### **ACKNOWLEDGEMENTS AND APPRECIATION**

It is fitting at this point to acknowledge and thank the Chairperson, members of the Accounting Authority and its committees for their unwavering support and leadership. The continued guidance provided by the Accounting Authority Committees, especially the Audit Committee, is appreciated.

I would like to thank PSETA's stakeholders and our strategic partners who continue to support the SETA in delivering and achieving its annual targets.

I would also like to express my sincere appreciation to management and staff for their resilience and willingness to meet the objectives of the organisation as we endeavour to be an important contributor in facilitating skills development in the Public Service, to create "a capable and skilled workforce" in South Africa.



**Mrs Shamira Huluman**  
*Chief Executive Officer*  
*Date: 31 July 2016*

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

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

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

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

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


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

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

The Accounting Authority has an oversight role in the establishment and implementation of a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources

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

The Auditor-General has been engaged to express an independent opinion on the Annual Financial Statements. In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the PSETA for the financial year ended 31 March 2016.



**Mrs Shamira Huluman**  
*Chief Executive Officer*  
*Date: 31 July 2016*



**Mrs Koko Mashigo**  
*Chairperson of the Accounting Authority*  
*Date: 31 July 2016*

## 7. STRATEGIC OVERVIEW

### 7.1 VISION

Cutting Edge Skills for Quality Public Services

### 7.2 MISSION

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

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

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

### 7.3 VALUES

Honesty and integrity  
Accountability  
Service excellence  
Fairness and transparency

## 8. LEGISLATIVE AND OTHER MANDATES

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

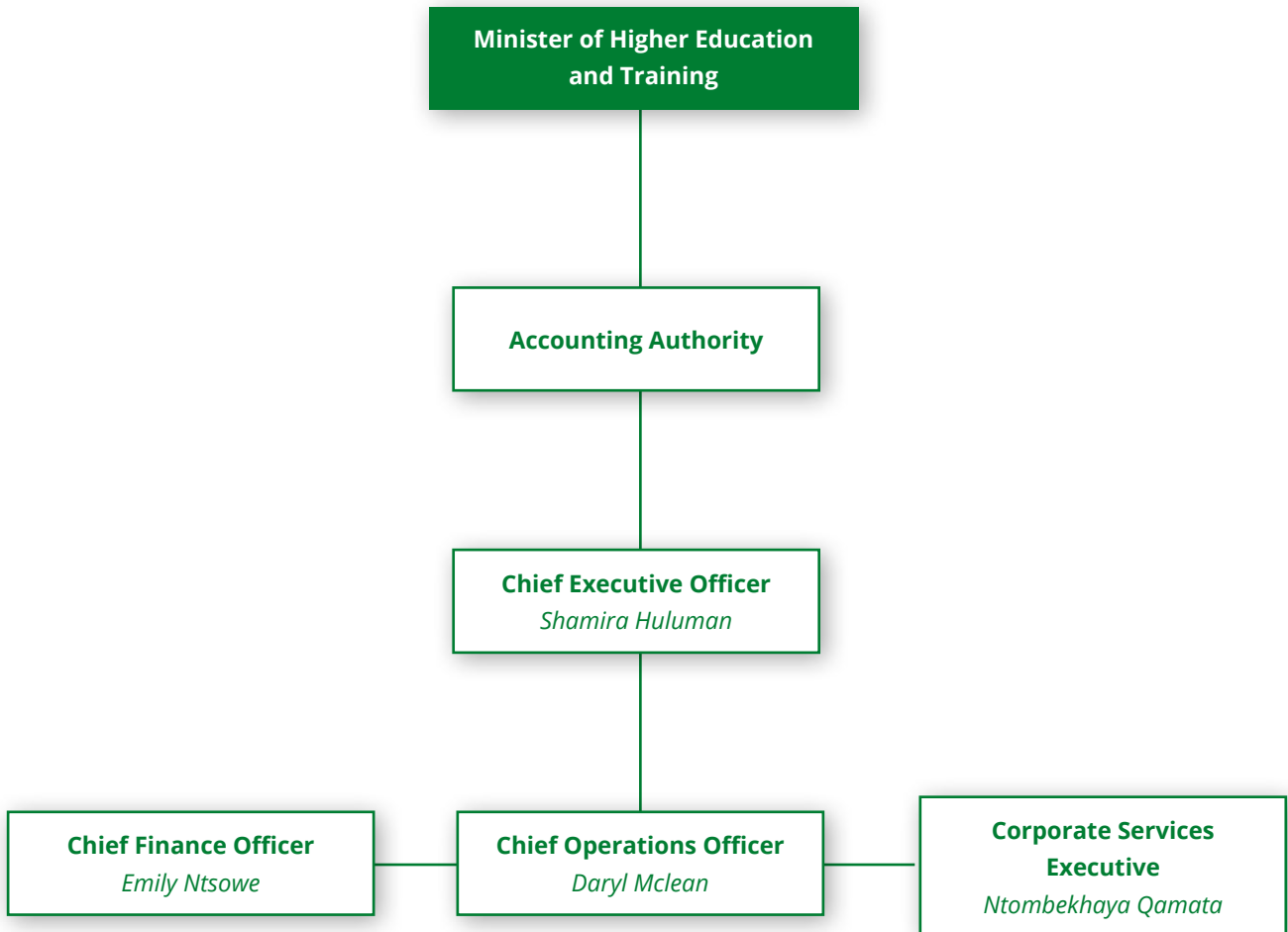
The following are the legislative, policy and other mandates that govern the work of the PSETA:

- The Skills Development Act, No. 97 of 1998 (as amended in 2008 and 2011)
- The Skills Development Levies Act, No. 9 of 1999
- The National Qualifications Framework Act, No. 67 of 2008
- The Public Finance Management Act, No. 1 of 1999 (as amended)
- The National Treasury Regulations (as amended)
- The National Skills Development Strategy (NSDS III)
- The New SETA Grant Regulations – December 2012 (Government Notice No. 35940)
- The Standard Constitution provided for the SETAs
- National Development Plan Vision (NDP) 2030
- The Medium-Term Strategic Framework 2014 – 2019
- The White Paper on Post School Education and Training (PSET)
- The National Human Resource Development Strategy for South Africa (HRDSA), 2030
- National Skills Accord
- National Integrated Human Resource Development Plan (NIHRDP) 2014 – 2018



# 9. ORGANISATIONAL STRUCTURE

## HIGH-LEVEL ORGANISATIONAL STRUCTURE





# **PART B**

## PERFORMANCE INFORMATION

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# 1. AUDITOR-GENERAL'S REPORT

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

findings being reported under Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

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

# 2. SITUATIONAL ANALYSIS

## 2.1 SERVICE DELIVERY ENVIRONMENT

PSETA's scope covers the transversal skills across all national and provincial departments; all skills within departments whose business is unique to government (such as home affairs or international relations); as well as public entities and legislatures. PSETA has defined our overall impact measure for this scope by linking Ministerial Outcome 5 to Ministerial Outcome 12: "a skilled and capable workforce for an efficient, effective, professionalised and developmental public service".

A number of systemic factors, unique to the public service sector, continue to challenge efforts to achieve this impact at the level of public service workplaces:

- The public service does not contribute levies in terms of the Skills Development Levies Act. There are considerable funds spent in the sector on skills development, but these lie under the managerial control of the departments themselves. There is no legal obligation for such departments to report on the use of these funds to PSETA, and collecting such data from departments to report on "sector-funded" targets, has consistently placed PSETA under tremendous strain. The sectors' performance against such targets is also considerably under-reported.
- Departments do submit workplace skills plans to PSETA, and most also submit these to another "line" SETAs as well. Such "dual" reporting requirements are confusing to much of the sector and requires close collaboration between PSETA and other government SETAs.

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

The above challenges are symptomatic of a complex of overlapping mandates in relation to skills development. DHET sets the national policy framework under the National Skills Development Strategy; DPSA sets the framework for employer goals through a variety of policy objectives; line departments such as Treasury and DPME often regulate skills development for specific occupations or functions; and departments themselves sometimes interpret their own needs outside of any of these policy frameworks. Thus – for example – while DHET is promoting HEI Work-Integrated Learning placements, national and provincial departments prefer to take in interns due to the longer timeframes and because they derive some benefit from the internships.

## 2.2 ORGANISATIONAL ENVIRONMENT

During 2014/15 (and the preceding three years), PSETA's funding was restricted to small grants from the National Skills Fund. These were focused on unemployed learners, rather than sector employees, and predominantly in rural areas. The 2014/15 funding was received during the last quarter of the financial year, which meant that PSETA went into 2015/16 having nearly seven times the budget it had previously coped with. This contributed to some very serious capacity constraints, which are projected

to continue into the 2017/18 year. In addressing this challenge, PSETA is:

- Reducing the partnerships and projects to a more manageable number;
- Streamlining business processes to upgrade the systems;
- Automating business processes and using technology more extensively; and
- Establishing cross-functional collaborations within the organisation to use existing capacity more fully and efficiently.

## 2.3 PERFORMANCE HIGHLIGHTS

PSETA has again, during the past year, made considerable progress toward achieving the impact we are working towards:

- Our Sector Skills Plan has identified the priority programmes needed to build the state capabilities identified in Chapter 13 of the National Development Plan.
- The second PSETA National Colloquium brought together senior figures in government across the public service to mobilise their support behind the strategy.
- Partnerships have been initiated with national departments who have the mandate to build such capabilities (such as Treasury for the finance occupations, or DPME for the planning and monitoring/evaluation capabilities). These departments lead the wider capacity-building efforts, while PSETA leads the skills development components, embedding them in the organisational capacity-building framework.
- Intensive evaluations of workplace skills plans were conducted, and feedback on the alignment of these to the sector strategy was workshopped with 78% of all national and provincial departments.
- Our Discretionary Grant projects encouraged the sector to reduce costs and increase numbers. Co-funding encouraged the sector to put its own resources behind the limited PSETA resources in pursuing common goals. PSETA is currently managing close to 100 projects in different partnerships with the sector.
- Our Learning Programmes unit has begun implementing the strategy of embedding skills development interventions within wider efforts to build the state

capabilities identified as priorities in the National Development Plan. For example, our artisan development projects are specifically embedded in efforts to rebuild the state's technical and professional capabilities. Similarly, our training of monitoring and evaluation practitioners, is through a partnership with the Department of Performance Monitoring and Evaluation, and is specifically aimed at building these capabilities in departments which DPME has identified as priorities.

- Our ETQA division has continued to build the provider capacity needed to deliver the priorities. As a result, learner throughput has increased dramatically – from a few thousand learners in 2012 to more than 28 000 learners in 2015/16.

The new strategic direction PSETA is taking to meet these challenges, is at the early stages, but is already influencing all business operations within the SETA and core business processes with the sector.

- PSETA successfully allocated the discretionary funds to its stakeholders through partnering with them on priority focus areas that are identified in the SSP and also aligned to the NDP's objectives in Chapter 13.
- PSETA strengthened collaboration with public entities and legislature sub-sectors.
- PSETA supported DPME with 71 bursaries for Monitoring and Evaluation Practitioners
- PSETA has accredited training providers in 18, 09 working days.
- Impact assessments of four of PSETA qualifications were completed.
- 28 000 learners were certified.
- PSETA has appointed the CSE to further strengthen the Human Resource management systems in place which is key and a core backbone of the organisational development and performance.
- PSETA finance migrated from PASTEL to AX system in order to improve the processes within the Finance department.

- PSETA's SSP was recommended for approval by the Minister after evaluation by the SETA Panel committee and the DHET internal committee.
- PSETA has in place a policy tracking review register that saw most of the business and finance policies reviewed and approved in the year. Policies that were not reviewed in the year have been prioritized for 2016/17.
- PSETA also partnered with the Public Affairs Research Institute (PARI) to produce credible and evidence-led Sector Skills Plan (SSP).
- The Auditor-General performed the sector audit and it was performed for sector education training authorities (SETAs) with limited work performed on partnerships.

## 2.4 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The National Development Plan has been translated into Medium-Term Strategic Framework goals and output. These have been the focus of the specific PSETA priorities and programmes.

The Strategic Integrated Projects have also continued to evolve. PSETA is leading an inter-departmental collaboration to identify and respond to the state capacity needs in relation to the SIPs.

The White Paper for Post-School Education and Training has informed the interpretation of NSDS targets in the Annual Performance Plan.

The SETAs were relicensed for a further two years until 2018, and NSDS3 will also continue as the policy framework for this period.

## 2.5 STRATEGIC OUTCOME-ORIENTED GOALS

### 2.5.1 Background

PSETA adopted four strategic outcome-oriented goals, which are achieved through the seven programmes detailed in this report.

### 2.5.2 Strategic outcome-oriented goals

The following are the PSETA strategic outcome-oriented goals for 2015/16 and the progress made towards the achievement of the goals:

#### Goal 1: Trained Public Service

The NDP Chapter 13 on "developing a capable state" has identified the priority state capabilities which skills development should support. PSETA has mined both quantitative and qualitative data in identifying the specific skills needed to build these capabilities. Partnerships with key organs of the state that are leading capacity-building interventions in relation to these capabilities, have been established to locate the skills development interventions in wider organisational capacity-building strategies (including the development of competency frameworks which are translated into job profiles, performance agreements and performance appraisals.) PSETA is in the process of formalising these partnerships through signed MoUs. PSETA-funded programmes aligned to these priorities and the scarce skills in the sector were delivered to sector employees through a wide spreading of artisanship, learnerships, bursaries and skills programmes. Progress in the sector-funded programmes is provided by PSETA ETQA, having certificated more than 28 000 learners on PSETA-accredited programmes during 2015/16.

#### Goal 2: Learning opportunities for the unemployed

PSETA has also delivered artisan programmes, learnerships, bursaries and skills programmes for the unemployed. Bridging unemployed graduates into public service employment, has also been a major focus. PERSAL data shows that the public service provided roughly 44 000 work experience opportunities to unemployed young people during 2015/16. Very few of these are reported via PSETA due to the administrative challenges of PSETA needing to collect supporting evidence such as copies of learner IDs for all learners. PSETA has made substantial

progress toward reaching agreement between DHET and DPSA as to how these numbers can be more efficiently reported.

Significant progress has also been made in transforming the supply-side in the sector through exposing TVET lecturers to the public service workplace environments; and through RPL advisor training programmes to roll out recognition of prior learning in the public service. These supply-side interventions aim to ensure that unemployed learners are more “work-ready” when they arrive in public service employment in future.

### **Goal 3: A reputable organisation**

Emerging from a period of administration four years ago, PSETA has had to work hard to rebuild credibility amongst stakeholders. During 2015/16, PSETA engaged top management in the sector at the Second PSETA National Colloquium on Skills; and built the capacity of organised labour to participate in the system by training SDFs and Training Committees in 78% of provincial and national departments. PSETA engaged parts of the sector who were not participating through one-on-one meetings with public entities and legislatures; and followed this up through Breakfast Seminars with the CEOs of the Public

Entities. Partnerships have been initiated with the Offices of the Premier in several provinces, as well as with national departments that are policy owners of particular state capabilities (such as DPSA, Treasury and DPME). These partnerships aim to formalise the leadership of the sector in PSETA processes and the leadership of PSETA in sector processes. At the level of learners, PSETA has continued to participate in career exhibitions nation-wide; and has also signed a MoU to collaborate with the DHET Khetha programme in promoting the public service as a career of choice.

### **Goal 4: A performing organisation**

The PSETA has improved its organisational capabilities to lead the sector by strengthening HR systems; ICT capabilities; marketing and communications; as well as finance, SCM and governance. The automation of PSETA business processes has been completed; ICT governance has been formalised; HR policies and practices have been reviewed; the PSETA organisational design has been reviewed; finance and SCM policies, systems and practices have been revised to address past audit findings; and governance structures and processes have been reviewed to ensure more efficient and effective strategic leadership and oversight.

### 3. PERFORMANCE INFORMATION BY PROGRAMME

#### PROGRAMME 1: SKILLS PLANNING AND RESEARCH

The purpose of the programme is to manage the skills planning processes and conduct research to develop a Sector Skills Plan.

**Strategic Objective:** Sector Skills Plan is developed and approved.

**Performance indicators and targets:**

Sector Skills Planning and Research actively recruited public entities and legislatures to participate through advocacy sessions. The unit also strengthened the capacity of SDFs and labour representatives through training and support interventions. The Sector Skills Plan was submitted and approved and feedback sessions were held with the sector to build their understanding of how to implement it.

Programme 1. Skills Planning and Research

Strategic Objectives	Performance Indicators	Actual Achievement 2014/15	Planned Annual Target for 2015/16	Actual Achievement 2015/16	Deviation from Planned Targets to Actual Achievement for 2015/16	Comments on Deviations
Sector Skills Plan is developed and approved	Number of advocacy session for public entities	N/A	2	6	+4 Achieved	Over and above the two planned sessions, an additional four new Public Entities were engaged on one-on-one advocacy sessions.
	Number of capacity building exercise focussed towards SDFs and labour unions	N/A	10	34	+24 Achieved	In addition to the planned workshops, PSETA rolled out an accredited SDF skills programme.

Programme 1. Skills Planning and Research

Strategic Objectives	Performance Indicators	Actual Achievement 2014/15	Planned Annual Target for 2015/16	Actual Achievement 2015/16	Deviation from Planned Targets to Actual Achievement for 2015/16	Comments on Deviations
Sector Skills Plan is developed and approved	Date by which the approved Annual Research SSP update is submitted	30 September 2014	30 September 2015	3 August 2015	Achieved	Submission date of the SSP was 3 August.
	Number of SSP feedback sessions conducted	N/A	10	12	+2 Achieved	The target of 10 was set on the basis of 9 provinces and one for national departments. The national workshop was further split into 3 workshops to provide specialised engagement with public entities and legislatures as constituencies.

Linking performance with budgets

Skills Planning and Research had a saving of R361 000.00 for the 2015/16 financial year. This was due mainly to savings in compensation of employees, when there was some staff attrition and one post that was not filled timeously. However, all four targets for the financial year under review were achieved.

Programme	2014/15		2015/16		(Over)/Under Expenditure
	Budget	Actual Expenditure	Budget	Actual Expenditure	
Skills Planning and Research	R'000 4 635	R'000 1 636	R'000 3 197	R'000 2 836	R'000 361
<b>Total</b>	<b>4 635</b>	<b>1 636</b>	<b>3 197</b>	<b>2 836</b>	<b>361</b>



## PROGRAMME 2: LEARNING PROGRAMMES

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

- Strategic Objective: 2.1** Programmes to address scarce and critical skills needs identified in the SSP are implemented and reported (for both employed and unemployed).
- Strategic Objective: 2.2** Programmes implemented by the sector to upskill the employed, are supported and reported.
- Strategic Objective: 2.3** Programmes implemented by the sector to open the public service sector as a training space, are supported and reported.
- Strategic Objective: 2.4** Programmes to support TVET Colleges and HEIs to be responsive to the needs of the public service sector, are implemented.

### Performance indicators and targets:

Learnerships, artisanships, bursaries, skills programmes and WIL placements were in some cases funded by PSETA, but in most cases funded by the sector. (This is the distinction between SETA-funded and sector-funded targets.) All but two of the PSETA-funded targets were achieved. PSETA has no legal mechanism to force the sector to report on their targets, and the achievements reported below therefore reflect an under-reporting.

#### PROGRAMME 2: LEARNING PROGRAMMES

Strategic Objectives	Performance Indicators	Actual Achievement 2015/16	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Targets to Actual Achievement 2015/16	Comments on Deviations
Programmes to address scarce and critical skills needs identified in the SSP are implemented and reported (for both employed and unemployed)	Number of public service employees entering PSETA-funded learning programmes	L/Ship: N/A	L/Ship: 200	222	+22 Achieved	The support of implementation offered by PSETA led to the achievement of this target. The partnership arrangement with a key department in terms of co-funding, supported the achievement of this target.
		SP: 64	SP: 700	729	+29 Achieved	The quick take up of skills programmes by the sector, led to the achievement of this target – these address critical skills.
		Burs: 03	Burs: 50	71	+21 Achieved	PSETA strategic partnership arrangement with DPME to address a critical skill, yielded positive results.

PROGRAMME 2: LEARNING PROGRAMMES

Strategic Objectives	Performance Indicators	Actual Achievement 2015/16	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Targets to Actual Achievement 2015/16	Comments on Deviations
		SP: 600	<b>SP: 650</b>	692	+42 Achieved	PSETA reported an achievement on this target as providers are supported accordingly to ensure that implementation and verification processes are within set timelines.
		Burs: NA	<b>Burs: 25</b>	0	-25 Not achieved	Bursary holders only resumed with their studies in quarter 3 and 4 of the year under review. Completion will only be registered in year 2016/17.
	Number of unemployed learners entering PSETA-funded learning programmes	L/Ships:50	<b>L/Ships: 100</b>	144	+44 Achieved	The support of implementation offered by PSETA, led to the achievement of this target – this support to accredited providers and implementing stakeholders.
		TVET WIL: 105	<b>TVET WIL: 400</b>	458	+58 Achieved	The PSETA achieved this target as this is a key deliverable to both the TVET Colleges and SETAs. Workplace readiness to deliver on this target is also an enzyme facilitator.
		HEI WIL:100	<b>HEI WIL: 280</b>	1	-279 Not achieved	Award process of grants took longer than anticipated. The stakeholder could not implement in the current year. Implementation of this target will be reported in year 2016/17.
		New target	<b>Burs: 50</b>	96	+46 Achieved	PSETA's strategy to partner with an institution of higher learning, facilitated the achievement of this target.

PROGRAMME 2: LEARNING PROGRAMMES

Strategic Objectives	Performance Indicators	Actual Achievement 2015/16	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Targets to Actual Achievement 2015/16	Comments on Deviations
		Artisan: 47	<b>Artisans: 40</b>	40	Achieved	PSETA achieved this target through partnership arrangement with key strategic departments that implement trades interventions to address building the state's technical capability.
	Number of unemployed learners completing PSETA-funded learning programmes	Artisans: N/A	<b>Artisans: 20</b>	30	+10 Achieved	The implementation support of stakeholders and learners who were in this programme in the previous years, led to a successful completion of a programme that started in year 2013/14.
Programmes implemented by the sector to upskill the employed, are supported and reported	Number of public service employees entering sector-funded learning programmes	L/ships: 193	<b>L/ship: 220</b>	66	-154 Not achieved	Stakeholder reports in this area were not received. Some stakeholders implement the intervention as non-agreement.
		SP: 640	<b>SP: 500</b>	588	+88 Achieved	588 public service employees entered the sector-funded skills programmes. The sector invests more on addressing critical skills with skills programmes (short courses).
		Burs: 486	<b>Burs: 110</b>	133	+23 Achieved	PSETA physically collected evidence from departments, hence an overachievement. The sector invest in awarding bursaries in order to improve the current stock of skills.
	Number of public service employees completing sector-funded learning programmes	L/ships: 60	<b>L/ship: 70</b>	59	-11 Not achieved	Stakeholders did not submit reports in this area.

PROGRAMME 2: LEARNING PROGRAMMES

Strategic Objectives	Performance Indicators	Actual Achievement 2015/16	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Targets to Actual Achievement 2015/16	Comments on Deviations
		SP: 600	SP: 250	0	-250 Not achieved	Stakeholders did not submit reports in this area.
		Burs:20	Burs:25	10	-15 Not achieved	Stakeholders did not submit reports in this area.
Programmes implemented by the sector to open the public service sector as a training space, are supported and reported	Number of unemployed learners entering sector-funded learning programmes	L/ships: 171	L/Ship: 200	371	+171 Achieved	PSETA physically collected evidence from departments, hence achievement of this target.
		Burs: 170	Burs: 150	231	+81 Achieved	PSETA physically collected evidence from departments, hence achievement of this target.
		Intern: 1258	Interns: 950	1206	+256 Achieved	The sector invests more on placement of interns on internship as this is also a potential of building a pool of required skills. PSETA support the stakeholders by encouraging them to report.
		TVET WIL: 54	TVET WIL: 600	136	-464 Not achieved	Stakeholders did not submit reports in this area. Most host learners that are funded by other institutions.
		New target	HEI WIL: 80	21	-59 Not achieved	Stakeholders did not submit reports in this area. Most universities work closely with private companies.
	Number of workplace learning opportunities declared by the sector for placement of unemployed learners	15 000 workplace opportunities declared by the sector	20 000	DPSA data: 22 502	+2 502 Achieved	PSETA has been paired with a lead department to report on this target. Further to that, PSETA WSP data was analysed to report against this target.

PROGRAMME 2: LEARNING PROGRAMMES

Strategic Objectives	Performance Indicators	Actual Achievement 2015/16	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Targets to Actual Achievement 2015/16	Comments on Deviations
	Number of unemployed learners completing sector-funded learning programmes	L/ships:30	<b>L/Ship: 35</b>	53	+18 Achieved	PSETA physically collected evidence from departments, hence an achievement of this target.
		Burs: 0	<b>Burs: 35</b>	0	-35 Not Achieved	Stakeholders did not submit reports in this area. Bursaries are awarded on a multiyear basis arrangement. No completions for unemployed learners were reported. This target is stakeholder-driven.
		Interns: 612	<b>Interns: 550</b>	407	-143 Not achieved	Stakeholders did not submit reports in this area – target is stakeholder-driven.

**Strategies to overcome underperformance**

The performance information above reflects that PSETA achieved all but two of the PSETA-funded targets. Of these two, the one (learners completing bursaries) could not be achieved due to the 2014/15 funding being received only in March. To achieve the target, PSETA would have needed to fund these bursaries in January 2015, before funds were available. The second target not achieved, was HEI WIL. There appears to be some systemic challenges behind PSETA achieving this target. WIL programmes refer to programmes where learners need to complete a work experience component as part of their qualification. (An example would be teachers or nurses, who must teach a practicum or have some clinical experience before earning their degree.) Yet there are very few public service qualifications within PSETA's scope that have such mandatory requirements. A second challenge has been that the sector itself prefers to take in interns who stay for longer periods than WIL and who have some value to the employer. To address the first challenge, PSETA is reviewing all qualifications within our scope to identify those that have WIL requirements. To address the second, we are engaging employers to encourage uptake.

Many of the sector-funded targets are reported above as not achieved. These do not lie under the direct managerial control of PSETA. The sector does in fact achieve significantly more than the targets reported below. PERSAL data reflects that the sector took in 44 000 interns in the 2015/16 financial year, roughly 7 000 learnerships, and offered many thousands of bursaries. However, departments are under no legal obligation to report these to PSETA and PSETA itself is required to keep detailed supporting evidence (such as copies of learner IDs) for every achievement reported. The "non-achievement" of these targets, in fact, reflects the failure of the sector to report their achievements, as well as systemic challenges in collating and reporting such data, rather than an underachievement per se. PSETA has formally requested DHET to allow us to report the sector-funded targets using PERSAL data only during 2016/17, which would therefore demonstrate the significant overachievement pointed out here.

Linking performance with budgets

### Linking performance with budgets

The 2014/15 budget for Programme 2 was based on the assumption that the Policy Directive on the Utilisation of the 1% Training Budget would be implemented. This funding arrived only at the end of the financial year and therefore had to be contracted and expended during 2015/16. The overlap in training periods resulted in an underspending of R1, 3m which reflects funds to be disbursed in the following financial year.

Programme	2014/15			2015/16		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Learning Programmes	53 924	4 121	49 803	10 403	9 088	1 315
<b>Total</b>	<b>53 924</b>	<b>4 121</b>	<b>49 803</b>	<b>10 403</b>	<b>9 088</b>	<b>1 315</b>

### PROGRAMME 3: EDUCATION, TRAINING AND QUALITY ASSURANCE (ETQA)

The purpose of the programme is to ensure quality of learning in the public service sector.

**Strategic Objective:** 4.3.1 A system to quality assure training provision is developed and implemented.

#### Performance indicators and targets:

PSETA encouraged providers to deliver new PSETA qualifications through a series of advocacy sessions. Ongoing monitoring of provision is required in terms of delegation and the ETQA continued to improve efficiency in provider accreditation. The impact of four qualifications was evaluated and the lessons learned are being fed back into operational processes.

Programme 3. Education, Training and Quality Assurance

Strategic Objectives	Performance Indicators	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Targets to Actual Achievement 2015/16	Comments on Deviations
A system to quality assure training provision is developed and implemented	Number of quality assurance advocacy sessions conducted with training providers	9	9	9	Achieved	Quality assurance advocacy sessions were conducted in all nine provinces as planned (1 session conducted per province).
	Turnaround time in working days to accredit training providers	30	45	Estimate average of 18.09 working days	+26.91 Achieved	All providers were accredited in under 45 working days.
	Number of accredited providers monitored	55	57	75	+18 Achieved	More training providers qualified to be monitored during the course of the year under review.
	Number of PSETA learning programmes assessed for impact	N/A	4	4	Achieved	All targeted PSETA learning programmes were assessed for impact as per Planned Annual Target.

**Linking performance with budget**

ETQA overspent by R695 000.00 during the 2015/16 financial year. This is due to:

- More new and programme approval accreditation applications received and processed;
- More learning programmes implemented by both the primary and secondary training providers, this in response to sector demand for education and training programmes; and
- The Development and Assessment Quality Partner functions intensified because the sector required occupational qualifications and external integrated summative assessment developed.

Programme	2014/15		2015/16			
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Education, Training and Quality Assurance	6 288	3 509	2 779	3 308	4 003	(695)
<b>Total</b>	<b>6 288</b>	<b>3 509</b>	<b>2 779</b>	<b>3 308</b>	<b>4 003</b>	<b>(695)</b>

### PROGRAMME 4: CORPORATE SERVICES

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

**Strategic Objective:** 4.1 Integrated Communication and Stakeholder Relations Management Plan, developed and implemented

**Strategic Objective:** 4.2 ICT governance and processes implemented to support the organisational strategies

**Strategic Objective:** 4.3 Staffing plan to support the PSETA functions developed and approved

#### Performance indicators and targets:

Corporate Services' plans, during this period, were aimed at improving productivity through instilling a culture of effective people management, reputation management and seamless processes through service automation. The Human Resource Plan, the Integrated Communication and Stakeholder Relations Plan and the implementation of ICT Governance Processes were planned to be the key drivers for attaining this goal.

To this end, the Human Resource Plan which detailed how the SETA will manage its people issues, an integrated communication and stakeholder relations plan which maps how we will improve our reputation, as well ICT Governance Frameworks, were approved.



PROGRAMME 4: CORPORATE SERVICES

Strategic Objectives	Performance Indicators	Actual Achievement 2014/15	Planned Target for 2015/16	Actual Achievement 2015/16	Deviation from Planned Targets to Actual Achievement 2015/16	Comments on Deviations
Integrated Communication and Stakeholder Relations Management Plan developed and implemented	Number of career guidance advocacy initiatives	New indicator	26	26	Achieved	Number of career guidance advocacy initiatives reached as per planned target.
Management Plan developed and implemented	Date by which Integrated Communication and Stakeholder Relations Management Plan is reviewed, updated and approved	New indicator	June 2015	June 2015	Achieved	Integrated Communication and Stakeholder Relations Management Plan reviewed, updated and approved.
ICT governance and processes implemented to support the organisational strategies	Number of ICT solutions identified and implemented to support PSETA programmes	New indicator	3	1	-2 Not achieved	PSETA experienced challenges in sourcing suitable service providers.
Integrated Human Resources Plan developed, approved and implemented	Date by which Integrated Human Resources Plan developed and approved	New indicator	June 2015	June 2015	Achieved	Integrated Human Resources Plan developed and approved.

### Strategies to overcome underperformance

Supply Chain Management will put in place an SCM Turnaround Strategy in Quarter 1 of 2016/17 which will include utilisation of SITA database for ICT solutions to complement our own database. The ICT solutions identified, are to be prioritised in Q2 as part of implementation of the approved ICT Governance Frameworks.

Linking performance with budget

### Linking performance with budget

The over expenditure in this financial year is attributed to provisions related to human capital and other operating costs which were mainly influenced by inflation and usage.

Programme	2014/15				2015/16		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	
Corporate Services	12 509	27 708	(15 199)	12 625	13 590	(965)	
<b>Total</b>	<b>12 509</b>	<b>27 708</b>	<b>(15 199)</b>	<b>12 625</b>	<b>13 590</b>	<b>(965)</b>	

### PROGRAMME 5: FINANCE

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

### Performance indicators and targets:

Following the audit of 2014/15 financial year, PSETA put measures in place to enhance systems of internal control. By 31 March 2016, 62% of the audit findings were resolved. PSETA continued to implement cost containment measures throughout the financial year, particularly around traveling, as it is one of the key cost drivers.

Programme 5 Finance						
Strategic Objectives	Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comments on deviation
Prudent management and allocation of financial resources	% reduction on recurring audit findings	N/A - New KPI	85% reduction on recurring audit findings	62% of findings have been resolved from Q1 to Q4	Not Achieved	There was inadequate monitoring over the implementation of the Continuous Implementation Plan

**Linking performance with budget**

During the financial year under review, the entity resolved 62% of the audit findings that lead to qualification in the previous financial year. Improvement plans were implemented to ensure that the entity has and maintains sound systems of internal controls. Our over expenditure is attributable to the advertising costs for the tenders and the consulting costs which were above the budget. The vacancies in the unit have also been filled to minimise the use of consultants.

Programme	2014/15			2015/16		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Finance	R'000 7 937	R'000 4 608	R'000 3 329	R'000 8 048	R'000 8234	R'000 (186)
<b>Total</b>	<b>7 937</b>	<b>4 608</b>	<b>3 329</b>	<b>8048</b>	<b>8234</b>	<b>(186)</b>

**PROGRAMME 6: GOVERNANCE**

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

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

### Performance indicators and targets:

PSETA complies with the PFMA, King III Code and the SETA constitution on corporate governance. The programme enabled us to operate within a clearly defined governance framework and adhere to the highest standards of corporate governance. This supports us to manage stakeholder concerns, build commitments and to focus on service delivery.

PROGRAMME 6: GOVERNANCE							
Strategic Objectives	Performance Indicators	Actual Achievement 2014/15	Annual Target for 2015/16	Planned Target 2015/16	Actual Output Validated 2015/16 (Achievement)	Deviation from Planned Targets to Actual Achievement for 2015/16	Comments on Deviation
Provision of Governance, Risk and Compliance Assurance to ensure a highly effective and efficient entity	Risk management maturity rating	New indicator 2015/16	Attain risk management maturity Level 4	4	3.7	-0.3 Not achieved	An approved resource plan has been put in place to attain Level 4 maturity in 2016/17
	External quality assurance reviews conducted	New indicator 2015/16	1 External quality assessment report (internal auditors)	1	0	-1 Not achieved	As at 31 March 2016 the procurement process was not completed.
			1 External assessment of the AA	1	1	Achieved	External assessment by IODSA conducted

### Strategies to overcome underperformance

Following the audit of 2014/15 financial year, PSETA put measures in place to enhance systems of governance and internal control. At 31 March 2016, much improvement has been made in the maturity of risk management from Level 3.0 to 3.7 although we couldn't achieve our planned Level 4 target which has been retained as our target in 2016/7. PSETA will continue to implement and monitor risk mitigation action plans to reduce identified entity risks to acceptable levels.

### Linking performance with budget

During the financial year under review, there were no unmitigated high risk areas and the Internal Audit function, board and board committees were externally assessed and evaluated. Our over expenditure was as a result of above-budgeted corporate calendar meetings. One of three targets for the year under review, has been achieved.

The recommended improvement action plans from the assessment have been integrated into our risk registers for ongoing monitoring to achieve quality and reduced governance expenditure in the 2016/7 financial year.

Programme	2014/15			2015/16		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Governance	7 412	835	6 577	7 902	8 679	(777)
Total	7 412	835	6 577	7 902	8 679	(777)

### PROGRAMME 7: PROJECTS

The PSETA's Projects Department to effectively initiate, monitor and report on the discretionary-related projects being implemented by other programmes within the PSETA.

**Strategic Objective:** Grants projects and contract management frameworks, developed and implemented.

**Performance indicators and targets:**

The Criteria and Guidelines were developed and approved, and a Grant Funding window was advertised. Memoranda of Understanding were signed with those departments and providers whose applications were successful.

## Programme 7: Projects

Strategic Objectives	Performance Indicators	Actual Achievement 2014/15	Planned Annual Target for 2015/16	Actual Achievement 2015/16	Deviation from Planned targets to Actual Achievement 2015/16	Comments on Deviations
Grants projects and contract management frameworks are developed and implemented.	Date by which grants policy and guidelines are reviewed and approved	September 2014	30 June 2015	27 July 2015	Not achieved	Delays due to internal consultation processes.
	Number of grant disbursements windows managed	-	1	1	Achieved	2015/16 learning interventions advertised as per SLA with executive authority.
	Number of MoUs signed with TVET Colleges/HEIs	-	5	9	+4 Achieved	More applications were received and MoUs signed than the planned annual target.
	Number of MoUs signed with Government departments / public entities	-	5	22	+17 Achieved	More applications received from Government departments than the planned annual target.

**Strategies to overcome under-performance**

During 2016/17, PSETA has set a target for initiating grant disbursement processes already in Q1. Further, these grant processes will be focused on “strategic partnerships” with departments who champion particular state capabilities identified as priorities in Chapter 13 of the NDP. The 2016/17 APP targets establish these partnerships also as from Q1.

**Linking performance with budget**

Programme 7 handles the Discretionary Grant funding. The main challenge was dealing with two years’ budget within a single year, without additional administrative capacity. Over 90% of the funding was committed during the year and the small amount of uncommitted funds will be committed by August 2016. However, this funding has been committed in a way that allows PSETA to amortise the budget burden until 2018, thereby also spreading the administrative burden more evenly over PSETA’s lifespan. The low levels of actual expenditure during 2015/16 partly reflect that funding for the majority of programmes is contractually spread over long timeframes (ranging from a year in the case of learnerships, and WIL up to three years in the case of artisans and some bursary programmes).

Programme	2014/15				2015/16		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	
Projects	39 981	3 183	36 798	129 407	17 390	112 017	
<b>Total</b>	<b>39 981</b>	<b>3 183</b>	<b>36 798</b>	<b>129 407</b>	<b>17 390</b>	<b>112 017</b>	

## 4. REVENUE COLLECTION

### Levy income (public entities)

This revenue stream has reduced significantly compared to the prior year. In the 2014/15 financial year, PSETA had collected R4.8 million. These are levies collected through South African Revenue Services.

### Levy income: Government departments

PSETA has seen a decrease in levy collection from the public service sector. The decrease in levy collection is due to a National Treasury circular suspending implementation of the DPSA HRD Directive 1 of 2013. In light of this, PSETA's largest revenue contributor was its appropriation from the National Treasury that came through the DPSA for R93 million.

### Foreign aid

PSETA has applied for (and provisionally been granted) European Union assistance to the value of 59,450 Euro for the 2016/17 financial year. This is for purposes of supporting a series of international dialogues between public entities with highly specialised skills needs and their international counterparts. The funds will not be transferred to PSETA, but will be managed by the EU Delegation who are responsible for contracting the services required.

## The NSF-realised income

Sources of Revenue	2014/15			2015/16		
	Estimate R'000	Actual Amounts Collected R'000	(Over)/Under Collection R'000	Estimate R'000	Actual Amount Collected R'000	(Over)/Under Collection R'000
Skills Development Levy: Income including interest and penalties (public entities)	2 000	4 884	(2 884)	10 955	1 796	9 159
Skills Development Levy: Income (DPSA Directive 2012) government departments	68 449	47 696	20 753	2 000	5 143	(3 143)
Transfers from other government departments (DPSA Grant)	24 706	24 704	-	93 843	93 843	-
NSF-realised income	37 931	9 535	28 396	23 547	4 399	19 148
Discretionary Grants projects	-	-	-	-	-	-
CIP	-	1 383	(1 383)	-	-	-
Investment income	-	154	(154)	250	718	(468)
Other income	-	41	(41)	1 204	4 706	(3 502)
<b>Total</b>	<b>133 086</b>	<b>88 399</b>	<b>44 687</b>	<b>131 799</b>	<b>110 605</b>	<b>21 194</b>



## 5. CAPITAL INVESTMENT

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

Infrastructure Projects	2014/15			2015/16		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Development of PSETA MIS and QMS system and other	-	987	(987)			
Computers and software	850	334	516	899	492	407
Office furniture, fittings and equipment	-	943	(943)	580	37	543
<b>Total</b>	<b>850</b>	<b>2 264</b>	<b>(1 414)</b>	<b>1 479</b>	<b>529</b>	<b>950</b>

# PART C

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# 1. INTRODUCTION

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

# 2. PORTFOLIO COMMITTEES

On the 9<sup>th</sup> June 2015 the PSETA appeared before the Standing Committee on Public Accounts (SCOPA) for the review of the 2013/14 Annual Report.

The Committee interrogated the 2013/14 Annual Report. The Chairperson emphasised the importance of the SETAs for building a capable state, commenting that there was still a very serious skills deficit and lack of ability of departments and entities to operate within the framework of the law, Public Finance Management Act (PFMA), National Treasury Regulations and other legislation that impacted on the management of public resources.

SCOPA CONCERNS	PSETA PROGRESS REPORT
Compliance to laws and regulations	We have automated all business processes based on legally compliant blueprints- Seta Management System.
Usefulness and reliability of performance information	PSETA appointed Government Technical Advisory Centre (GTAC) – unit of National Treasury to assist in developing strategic plan and annual performance plan in compliance with results-based management approach and FMPPi and Records management filing systems in place.
Complete and accurate financial statements	Revised Finance and SCM policies and procedures for improved internal controls.
Supply Chain Management	Reviewed the SCM policies and procedures and automation of SCM processes.
Records Management	A Records management system is in place.
Staff training	PSETA utilized 100% of its training budget for staff training for 2014/15, and was allocated a grant for bursaries for 15 staff members.
Filling of vacancies	PSETA Selection and Recruitment process is taking an average of 3 months.
Consequence management	PSETA has a disciplinary policy and procedure that is in line with Schedule 8 of the Labour Relations Act. As a public entity we are obliged to follow due process on dismissals on poor performance.
Measures to address AG findings	A Continuous Improvement Plan for 2014/15 to address AG findings is in place.
Effectiveness of Internal Audit/ Audit Committee Accounting Authority Commitments	PSETA has a Combined Assurance Framework, an in-house internal audit function and has established an Independent Audit Committee.

## 3. EXECUTIVE AUTHORITY

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

The PSETA, on an annual basis, submits its Sector Skills Plan, Strategic Plan and Annual Performance Plan and signs a service level agreement with the Minister. Quarterly reports are submitted based on the targets attained to DHET. The Executive Authority convenes SETA Chairperson Forums and CEO Forums, where the Minister has an opportunity to engage with strategic issues affecting SETAs.

## 4. THE ACCOUNTING AUTHORITY

### 4.1 INTRODUCTION

The PSETA's Constitution is the basis on which its Accounting Authority is established. It provides oversight and governance over the entity. The Accounting Authority comprises 15 members, as detailed in section 4.3.

Fourteen of the members are drawn from organised labour and organised employers, and one ministerial appointee, who is the Chairperson. The Accounting Authority provides strategic leadership and guidance.

### 4.2 ROLE OF THE ACCOUNTING AUTHORITY

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

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

#### Accounting Authority Charter and Progress Made on Complying with the Charter

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

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

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

### 4.3 COMPOSITION OF THE PSETA BOARD

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

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

*\*Each constituency nominates a main member and an alternate member.*

### 4.4 MEMBERSHIP, QUALIFICATION AND EXPERTISE OF THE ACCOUNTING AUTHORITY

Name	Designation	Qualifications	Area of expertise	Accounting Authority directorships	Other committees
<b>Mrs K Mashigo</b>	Ministerial Appointee – Chairperson	<ul style="list-style-type: none"> <li>• Masters in Public Administration</li> <li>• Certificate in Business Management</li> <li>• Bachelor of Arts in Education</li> <li>• Bachelor of Education</li> </ul>	Public Service Management Project Management Corporate Governance and Oversight	<ul style="list-style-type: none"> <li>• Atlatsa Resources</li> <li>• Mookodi Enterprise</li> <li>• Reflex Trading</li> <li>• Juvuko Transport</li> <li>• Grandeur Indulgence</li> </ul>	Executive Committee
<b>Mrs S Oodit</b>	Ordinary Member: Category of Role Players	<ul style="list-style-type: none"> <li>• Masters and Labour Law</li> </ul>	Strategic Planning Labour Relations and Dispute Resolution Policy Development Financial Management	N/A	Finance Committee Discretionary Grants Sub-Committee

Name	Designation	Qualifications	Area of expertise	Accounting Authority directorships	Other committees
<b>Ms P Loyilane</b>	Ordinary Member: Category of Role Players	<ul style="list-style-type: none"> <li>• MPhil in Disability Studies</li> <li>• Diploma: Introduction to Micro Computers</li> </ul>	Gender and Disability Equality Governance and Oversight	<ul style="list-style-type: none"> <li>• Commission For Gender Equality</li> <li>• Organisation of Disabled People</li> <li>• South African Disability Development Trust as Deputy Chairperson</li> <li>• Chairperson of the Eastern Cape Disability Development Trust</li> <li>• Board member of LARIMAR</li> <li>• Director of National Lotteries Board</li> <li>• Director in the Amathole Economic Development Agency, currently known as ASPIRE</li> </ul>	None
<b>Ms M Kola</b>	Ordinary Member: Organised Employer	<ul style="list-style-type: none"> <li>• B.A. Honours</li> <li>• B.A. Education</li> <li>• Corporate Project Management Diploma</li> </ul>	Employee Benefits Strategic and Operational Planning Results-based Management Performance Reporting	<ul style="list-style-type: none"> <li>• Chief Strategic Officer – Road Accident Fund</li> </ul>	Executive Committee Finance Committee
<b>Ms M Jacobs</b>	Ordinary Member: Organised Employer	<ul style="list-style-type: none"> <li>• B. Ed (Psych)</li> <li>• B. Prim Ed</li> <li>• Various courses in HR, Labour Relations, Strategic Planning, Performance Management, Leadership and Project Management</li> </ul>	Human Resource Management & Development Lead and facilitate strategic planning and team building sessions	N/A	Executive Committee
<b>Mr B Maduna</b>	Ordinary Member: Organised Employer	<ul style="list-style-type: none"> <li>• B.Com Honours</li> <li>• CTA</li> </ul>	Financial Management	N/A	Audit Committee

Name	Designation	Qualifications	Area of expertise	Accounting Authority directorships	Other committees
Mr S Mkhize	Ordinary Member; Organised Employer	<ul style="list-style-type: none"> <li>• Masters of Education: Research topic "An Examination of a Cultural Contingency Model of Leadership for SA's Public Sector Organisations".</li> <li>• Bachelor of Arts in Education</li> <li>• Masters of Management by Research and Dissertation: "The Application of Service Public Value and Business Canvas Model in Government"</li> <li>• Bachelor of Education (Hons)</li> <li>• Postgraduate Diploma in Education</li> <li>• Management Advancement Programme (MAP) "Mini MBA"- NQF 6 equivalent</li> <li>• Sales and Marketing Management</li> </ul>	Human Resources Management Skills Development Strategic Planning	N/A	Governance and Strategy Committee
Mr T S Ndove	Ordinary Member; Organised Employer	<ul style="list-style-type: none"> <li>• Master in Business Leadership</li> <li>• Masters in Rural Systems Management</li> <li>• B. Agric. Honours</li> <li>• Diploma in Agriculture</li> </ul>	Agriculture Management Public Administration and Management Governance and Oversight	N/A	Remuneration Committee Finance Committee

Name	Designation	Qualifications	Area of expertise	Accounting Authority directorships	Other committees
<b>Dr A Mahapa</b>	Ordinary Member: Organised Employer	<ul style="list-style-type: none"> <li>• PhD in Psychology</li> <li>• Masters in Psychology of Education</li> <li>• B.Ed. in Education, Training and Development</li> <li>• Higher Education Diploma</li> <li>• Post-Graduate Diploma in Labour Law</li> <li>• Secondary Teachers Diploma</li> </ul>	International Relations Education Labour Relations Public Service Management	N/A	Remuneration Committee Governance and Strategy Committee
<b>Mr M M Shingange</b>	Ordinary Member: Organised Labour	<ul style="list-style-type: none"> <li>• Diploma Pharmacy Assistant</li> </ul>	Labour Relations Union Leadership	<ul style="list-style-type: none"> <li>• Vice Chairperson of Labour of the PHSDSBC</li> </ul>	Executive Committee Remuneration Committee
<b>Ms S J Mahlobogoane</b>	Ordinary Member: Organised Labour	<ul style="list-style-type: none"> <li>• National Diploma:</li> <li>• Public Administration</li> </ul>	Public Administration Labour Relations Union Leadership	N/A	Executive Committee Governance and Strategy Committee Remuneration Committee Discretionary Grants Sub-Committee
<b>Mr MJ Dladla</b>	Ordinary Member: Organised Labour	<ul style="list-style-type: none"> <li>• Teachers Diploma</li> <li>• Leadership Development Certificate</li> </ul>	Correctional Services Education Labour Relations Union Leadership	N/A	Finance Committee Remuneration Committee
<b>Ms O Chauke</b>	Ordinary Member: Organised Labour	<ul style="list-style-type: none"> <li>• B.Com Law</li> <li>• LLB</li> <li>• LLM in Human Rights Law</li> </ul>	Professional Attorney Labour Relations	N/A	Audit Committee



Name	Designation	Qualifications	Area of expertise	Accounting Authority directorships	Other committees
Ms I Kuhn	Ordinary Member: Organised Labour	<ul style="list-style-type: none"> <li>• BA</li> <li>• BA Hons (Criminology)</li> <li>• MBA</li> <li>• Postgraduate Diploma in Labour Law</li> <li>• The Professional Management Diploma of the Open University Business School</li> </ul>	Industrial Relations (employee organisations) Collective Bargaining Communication, Corporate Social Responsibility, Marketing support and Members' Affairs Integrated Strategic Project Labour Relations	N/A	Audit Committee

#### 4.5 MEETING ATTENDANCE

Nine meetings were held during the financial year.

Name	Designation	Date of appointment	Date resigned	Number of meetings attended
Mrs K Mashigo	Chairperson: Ministerial Appointee	April 2011	-	9
Mrs S Oodit	Member: Category of Other Role Players	April 2013	-	2
Ms P Loyilane	Member: Category of Role Players	October 2014	-	0
Ms M Kola	Employer Representative	April 2011	-	3
Ms M Jacobs	Employer Representative	March 2015	-	1
Mr B Maduna	Employer Representative	April 2011	-	6
Mr S Mkhize	Employer Representative	March 2015	-	3
Mr T S Ndove	Employer Representative	April 2011	-	3
Dr A Mahapa	Employer Representative	April 2011	March 2016	3
Mr M M Shingange	Labour Representative	July 2014	-	1
Ms S J Mahlobogoane	Labour Representative	April 2014	-	9
Mr M J Dladla	Labour Representative	April 2011	-	7
Ms O Chauke	Labour Representative	April 2013	-	1
Ms I Kuhn	Labour Representative	March 2015	-	4

**Board alternates: meeting attendance**

Name	Designation	Date of appointment	Date resigned	Number of meetings attended
Dr E L McKinney	Category of Role Players	October 2014	-	3
Mr L Modise	Category of Role Players	April 2013	-	0
Ms B Lerumo	Organised Employer	June 2014	-	2
Ms S Oosterwyk	Organised Employer	October 2013	-	0
Ms A Ontong	Organised Employer	March 2015	-	3
Mr S Ngomane	Organised Employer	January 2016	-	1
Mr T Mokheranyana	Organised Labour	February 2013	-	6
Ms R J Mankoe	Organised Labour	August 2014	-	0
Mr S Kobese	Organised Labour	July 2013	-	3
Mr I Fredericks	Organised Labour	April 2013	-	0
Mr Z Skade	Organised Labour	July 2014	March 2016	0
Mr S Mkhize	Organised Employer	April 2014	March 2016	0

**4.6 ACCOUNTING AUTHORITY COMMITTEES**

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

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

**4.6.1 The Accounting Authority Executive Committee**

Name of member	Meetings held	Meetings attended
Mrs K Mashigo	8	7
Ms M Kola	8	0
Ms B Lerumo (alternate)	8	3
Ms M Jacobs	8	2
Ms A Ontong (alternate)	8	1
Mr MM Shingange	8	0
Mr T Mokheranyana (alternate)	8	7
Ms J Mahlobogoane	8	8
Ms R Mankoe (alternate)	8	0

#### 4.6.2 The Audit Committee

Name of member/alternate	Meetings held	Meetings attended
Ms P Mzizi (independent Chairperson)	12	12
Mr P Mukheli (independent member)	12	12
Mr P Dala (independent member)	12	9
Mr B Maduna	12	8
Ms O Chauke	12	3
Mr I Fredericks (alternate)	12	0
Ms I Kuhn	12	3

#### 4.6.3 Membership, qualifications of the Audit Committee

Name	Designation	Qualifications
Ms P Mzizi	Audit Committee Chairperson	<ul style="list-style-type: none"> <li>• B BusSci Honours</li> <li>• B Compt Honours</li> <li>• CA (SA)</li> <li>• B Com Honours in Transport Economics</li> </ul>
Mr P Mukheli	Independent member	<ul style="list-style-type: none"> <li>• B Com (Accounting)</li> <li>• B Com Honours (Auditing)</li> </ul>
Mr P Dala	Independent member	<ul style="list-style-type: none"> <li>• Master of Information Technology</li> <li>• BSc Honours Computer Science</li> <li>• BA Information Technology</li> <li>• Certificates: <ul style="list-style-type: none"> <li>- CISA</li> <li>- CISM</li> <li>- CISSP</li> <li>- PCI QSA</li> <li>- ISO 27001</li> <li>- QAR</li> <li>- CGEIT</li> <li>- CEH</li> <li>- CHFI</li> </ul> </li> </ul>
Ms I Kuhn	Board member	<ul style="list-style-type: none"> <li>• MBA</li> <li>• BA</li> <li>• BA Hons (Criminology)</li> <li>• Postgraduate Diploma in Labour Law</li> <li>• Certificate: Professional Management Programme</li> <li>• The Professional Management Diploma of the Open University Business School.</li> </ul>
Ms O Chauke	Board member	<ul style="list-style-type: none"> <li>• B Com Law</li> <li>• LLB</li> </ul>
Mr B Maduna	Board member	<ul style="list-style-type: none"> <li>• B Com Honours</li> <li>• CTA</li> </ul>

#### 4.6.4 The Governance and Strategy Committee

Name of member/alternate	Meetings held	Meetings attended
Ms A Ontong – alternate (Chairperson)	6	5
Mr S Mkhize	6	6
Dr A Mahapa	6	1
Mr S Ngomane (alternate)	6	0
Ms S J Mahlobogoane	6	3
Ms R Mankoe (alternate)	6	5
Mr S Kobese (alternate)	6	5

#### 4.6.5 Finance Committee

Name of member	Meetings held	Meetings attended
Mrs S Oodit (Chairperson)	7	7
Ms S Oosterwyk	7	2
Mr T Ndove	7	0
Ms M Kola	7	0
Mr J Dladla	7	4
Ms R Mankoe	7	5
Ms J Meyer (Specialist)	7	1
Ms B Lerumo (Specialist)	7	2

#### 4.6.6 Remuneration Committee

Name of member	Meetings held	Meetings attended
Ms J Mahlobogoane (Chairperson)	7	7
Mr M M Shingange	7	0
Mr T Mokheranyana (alternate)	7	6
Mr MJ Dladla	7	4
Mr Z Skade	7	0
Mr T Ndove	7	2
Mr S Mkhize (alternate)	7	1
Dr A Mahapa	7	1
Mr S Ngomane	7	3

#### 4.6.7 Discretionary Grants sub-committees

Name of member	Meetings held	Meetings attended
Ms A Ontong (Chairperson)	3	1
Mr S Mkhize (Alternate)	3	2
Mrs S Oodit	3	3
Ms J Mahlobogoane	3	3

## 4.7 REMUNERATION OF MEMBERS OF THE ACCOUNTING AUTHORITY

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

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

Accounting Authority member remuneration				
Name	Meeting fees	Travel expenses	Other expenses	Total
	(R'000)	(R'000)	(R'000)	(R'000)
Mrs K Mashigo	254	10	-	264
Mrs S Oodit	73	-	-	73
Dr E McKinney	31	7	-	38
Mr T Mokheranyana	119	10	-	129
Mr Kobese	59	8	-	67
Mr S Mkhize	201	7	-	208
Mr B Maduna	-	5	-	5
Mr M Shingange	11	-	1	12
Mr J Dladla	92	17	0	109
Ms R J Mankoe	68	1	-	69
<b>Total</b>	<b>908</b>	<b>66</b>	<b>-</b>	<b>974</b>

## 4.8 REMUNERATION OF MEMBERS OF THE AUDIT COMMITTEE

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

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

Audit Committee remuneration				
Name	Meeting fees	Travel expenses	Other expenses	Total
	(R'000)	(R'000)	(R'000)	(R'000)
Ms P Mzizi	141	4	-	145
Mr P Mukheli	90	4	-	94
Mr P Dala	13	0	0	13
<b>Total</b>	<b>244</b>	<b>8</b>	<b>-</b>	<b>252</b>

## 5. RISK MANAGEMENT

PSETA management is cognisant of the fact that delivery of performance objectives requires the attentive identification and mitigation of all strategic and operational risks in line with the mandate, vision, mission, objectives and strategic plans.

Risk management has been embedded and integrated into the SETA's strategic planning, budgeting and operational processes and is taken into account in the funding and reporting processes on the basis of evaluating the likelihood and impact of risk.

An ERM policy framework is in place and, together with the combined assurance plan, deploys three lines of defence:

- Board and ExCom accountability and first-line management supported by internal controls, risk management and governance structures.

- Regular monitoring of risks and performance across all departments and business processes.
- Independent assurance provided by Internal Audit and the AGSA.

The Accounting Authority has ultimate responsibility of risk management with oversight provided by the Audit Committee and Risk Management Committee to ensure that the risk management programme is in place, is adequate, effective and provides a realistic view of all risks facing the entity.

A full risk register is available for inspection with identified strategic and operational risks. More details on the risk description, risk context and root causes, risk type, inherent and residual risk status, control procedures and risk response plans, are tabulated in our Risk Registers, which is available on request and the intranet.

## 6. INTERNAL CONTROLS

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

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

## 7. INTERNAL AUDIT AND AUDIT COMMITTEE

### 7.1 INTERNAL AUDIT

PSETA has an Internal Audit department within the Office of 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 PSETA accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

During the period under review, the internal audit department provided assurance on risk management, internal controls and governance processes through execution of the approved annual plan and additional requests. Internal audits provided assurance governance, human resources management, finance and compliance. Audit projects completed and executed, in line with the Internal Audit operational plan, are:

- Audit of Quarter 4 2014/15 performance information;
- Audit of Quarter 1 2015/16 performance information;
- Audit of the Internal Controls within Finance;
- Projects implemented from the National Skills Fund;
- Review of the draft Non-current Assets Management Policy;
- Audit of quarterly financial statements Q3;
- Follow-up on recommendations made to the Accounting Authority with respect to governance; and
- Follow-up audit of the review of internal controls and policies within the HR department.

Ad-hoc projects requests by the Audit Committee:

- Audit of Annual Financial Statements 2014/15;
- Audit of 2015/16 Discretionary Grants process; and
- Review of the MIS Deloitte contract.

The Internal Audit department completed 8 of the 9 planned projects after having had to revise the plan twice during the period under review. The revision was necessitated by reduction of capacity as a result of staff resignation and challenges that were faced with filling of vacancies.

The risks that were not audited were in the areas of ICT; and governance and compliance to legislations such as the Skills Development Act, the OHS and the National Qualifications Framework. These audits will be performed in the 2016/17 financial year. The Auditor-General, National Skills Fund Internal Audit and the QCTO have provided some assurance in these areas.

### 7.2 AUDIT COMMITTEE

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

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

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

## 8. COMPLIANCE WITH LAWS AND REGULATIONS

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

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

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

## 9. FRAUD AND CORRUPTION

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

A whistle-blowing policy was recently approved after we secured a leading independent tip-offs anonymous service provider to allow staff and external stakeholders to report workplace dishonesty, while remaining totally anonymous.

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

In addition to the above, a FreeCall facility, an E-mail, FreePost or FreeFax alternative can be used. It is fully equipped with trained operators who receive calls in English 24 hours per day, 7 days per week. The other official South African languages are accommodated during business hours.

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



## 10. MINIMISING CONFLICT OF INTEREST

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

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

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

Auditors request the following for CAATS purposes annually:

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

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

## 11. CODE OF CONDUCT

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

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

## 12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

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

## 13. BOARD SECRETARY

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

## 14. SOCIAL RESPONSIBILITY

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

### Take a Girl Child to Work Day

Cell C's Take a Girl Child to Work Day® took place on Thursday, 28 May 2015. The project is targeted at Grade 10 to 12 South African girl learners, given the opportunity to visit a place of work and to experience first-hand, the "world of work" and various career opportunities available in the industry and within the Public Service sectors.

In its thirteenth year, the initiative has enjoyed unrivalled success as being the platform to address the needs and aspirations of girls of high school going age. In the year under review, PSETA once again partnered with Memezelo Secondary, a school from the previously disadvantaged community of Soshanguve. We hosted five girl learners under the theme called Dream. Believe. Achieve.

### Nelson Mandela Day

Nelson Mandela Day is a collaborative annual event that targets rural and disadvantaged areas with the aim of actively directing young people towards becoming central to the envisaged skilled and capable workforce that supports an inclusive growth path in the country.

The Department of Higher Education and Training's sixth Nelson Mandela Day Career Development Festival took place at Esikhawini Campus of the Umfolozi TVET College near Richards Bay from 15 to 18 July 2015. The event was attended by 9 000 participants, 7 500 learners from grades 9 to 12 and 1 500 youth.

Exhibitions were held from 15 to 17 July with the 18 July celebrations held at the University of Zululand's Kwa Dlangezwa Campus. The Minister of Higher Education and Training, Dr Nzimande, delivered the key note address.

# 15. AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 31 March 2016.

## Audit Committee Responsibility

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

## The Effectiveness of Internal Control

In line with the PFMA, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by evaluating internal controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. The Audit Committee's review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the entity revealed certain weaknesses, which were then raised with the entity.

The following Internal Audit work was completed during the year under review:

- Audit of Quarter 4 2014/15 Performance Information;
- Audit of Annual Financial Statements 2014/15;
- Audit of Quarter 1 2015/16 Performance Information;
- Projects Implemented from the National Skills Fund;
- Review of the Draft Non-Current Assets Management Policy;
- Audit of the 3<sup>rd</sup> Quarterly Financial Statements;
- Follow-up on recommendations made to the Accounting Authority;
- Follow-up Audit of the review of Internal Controls and Policies within the HR Department;
- Audit of 2015/16 Discretionary Grants;
- Review of the MIS Deloitte Contract.

From the above reports of the Internal Auditors and reports of the AGSA it was noted that matters were reported indicating deficiencies in the system of Internal Controls in areas pertaining to Financial Reporting; reporting on Pre-determined Objectives and Compliance with Laws and Regulations. Through the analysis of the audit reports and engagement with the organization the Audit Committee can report that the system on Internal Control for the period under review was not adequate and effective.

## In-Year Management and Quarterly Reporting

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

## Evaluation of Financial Statements

The Audit Committee has:

- Reviewed and discussed the External Audit outcomes on the Audited Annual Financial Statements to be included in the Annual Report, with the Auditor General South Africa,
- Reviewed the Auditor General South Africa's Management Report and Management's responses thereto, and
- Reviewed significant adjustments resulting from the audit.

## Risk Management

Despite the capacity challenges, the fraud and risk management system is adequate and effective. PSETA is in the process of embedding risk management in the business processes of the entity so as to strengthen the system of internal controls.

## Internal Audit

Despite the delays in filling the vacancies within Internal Audit, the Audit Committee is satisfied that the Internal Audit function operated effectively during the year under review.

**Auditor General South Africa**

The Audit Committee have reviewed the implementation plan for audit issues raised in the previous year and concluded that it is adequate but not effective as some of the issues have not been adequately resolved.

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

The Audit Committee concurs and accepts the conclusions of the Auditor General South Africa on the Annual Financial Statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor General South Africa.

**General**

The Audit Committee strongly recommends that PSETA must priorities the adequate and effective implementation and frequent monitoring of the audit action plans for both Internal and External Audit in order to achieve the required effectiveness in governance, accountability and the clean administration.

**Conclusion**

The Audit Committee wishes to extend its appreciation to the Executive Authority, Accounting Authority and Management, Internal Auditors and Auditor General South Africa for their tireless efforts, commitment and support throughout the year.



**Ms P Mzizi**

*Chairperson: PSETA Audit Committee*

*Date: 31 July 2016*



**PART D**  
HUMAN RESOURCE  
MANAGEMENT

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# 1. INTRODUCTION

The year 2016 marked the end of the 5-year period of licencing by the MHET. The entity expected, as was the case with the prior 5-year periods of licencing, that a new period with a broadened mandate and more focussed strategy would be announced by the MHET. In anticipation of this, the organisation prepared for major change by embarking on a change process to ready the organisation for this expectation. To this end, the PSETA, in partnership with the DPSA, developed a functional structure for the organisation to ensure alignment and compliance of functions that are in keeping with good governance principles, while preparations for an entity-wide Organisational Development exercise have been planned for, to bring about efficiency in staff utilisation. This has, however, not materialised as the mandate of SETAs were extended by two years only.

The effect of the short licencing period is that the staff turnover and utilisation has been challenging for the organisation. During the previous period, the entity had 15 vacancies. While the official comparison now indicates only nine vacancies, which is an improvement, the numbers do not tell the whole story.

The positive changes in the staff appointments is that the key position of the Corporate Services Executive has been confirmed and three employees were promoted from within the entity during the year.

Staff establishment (as at 31 March 2016)		
Positions	64	
Filled	55	
Vacant	9	More detail on these vacancies is explained in the tables that follow
<b>TOTAL</b>	<b>64</b>	
Positions additional to the establishment (as at 31 March 2016)		
Temporary employees	3	
<b>TOTAL</b>	<b>3</b>	

## The PSETA staff establishment

Fixed-term employment contracts of staff have been extended to 31 March 2018 in line with the extended

mandate of the entity. While this will bring a small measure of job security and certainty, it is not enough to address the staff attrition.

The organisation improved on consequence management practices, compared to the previous reporting period. During the year, one formal serious disciplinary matter was initiated, but could not be concluded as the employment contract expired.

Performance moderation, with more stringent measures for rewarding performance, was instituted. It resulted in fewer employees qualifying for performance bonuses and raised the bar on performance expectations with supporting evidence. Performance bonuses was paid to high performing employees as per the performance management system which is in place.

Four critical HR policies were reviewed and have been approved by the AA, namely the PMDS Policy, Leave Policy, Staff Recruitment, Selection and Probation Policy and the Bursary Policy. These were critical for alignment with current legislative changes and to mitigate risks identified through policy shortcomings. The Employee Wellness Policy was approved as a new policy in the performance year. Training on the policies is planned for the next year.

Finally a concept of Learning Fridays was introduced to embed a training culture within the organisation. This is training provided by more experienced colleagues and outsiders free-of-charge.

The Employee Wellness Policy has been approved. The programme envisages a telephonic counselling session as entry point for employees in distress.

## RETENTION OF STAFF

The licencing period and mandate of the PSETA up to 30 March 2018, has provided an opportunity to extend staff contracts for a further two years.

The uncertainty that prevailed before the publication of the Government Gazette, is not expected to change significantly. The expectations of staff retention and the ability to attract staff, will remain until certainty is

established. The strategic risk resulting from this is that, the PSETA is limited in its forward planning on staff utilisation. The risk to the Sector is that there is a smaller pool of highly skilled and sought after individuals that push up the wage-bill as Sector players compete for the same skills and SETAs employ the same individuals at increased costs.

The solution is that the MHET must provide clarity on its positioning of SETAs, sooner rather than later, so that the SETAs may prepare staff to embrace change and participate meaningfully in whatever solutions and models that may be proposed.

## 2. HUMAN RESOURCE STATISTICS

### PERSONNEL BY COST PROGRAMME

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

Level	Personnel expenditure	% of personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee
	(R'000)	(R'000)		(R'000)
	2015/16	2015/16	2015/16	2015/16
Top management	3,904	15,22	4	976,00
Senior management	7,379	28,77	9	819,89
Professional qualified	5,863	22,86	12	488,58
Skilled	5,274	20,56	12	439,50
Semi-skilled	2,979	11,61	14	212,79
Unskilled	251	0,98	4	62,75
<b>Total</b>	<b>25,650</b>	<b>100,00</b>	<b>55</b>	

### PERFORMANCE REWARDS

The performance rewards were budgeted for and paid in the 2015/16 financial year based on the appraisals and performance of the previous financial year (2014/15).

Level	Performance Rewards	Personnel Expenditure	% of Performance Rewards to Total Personnel Cost
	(R'000)	(R'000)	(R'000)
Top Management	0	3,904	0
Senior Management	0	7,379	0
Professional Qualified	202	5,863	3,44
Skilled	254	5,274	4,81
Semi-skilled	73	2,979	2,45
Unskilled	0	251	0
<b>TOTAL</b>	<b>529</b>	<b>25,650</b>	<b>2.07</b>

## EXPENDITURE ON TRAINING

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

Programme activity/objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost (R'000)	Number of employees	Average training cost per employee (R'000)
Corporate services	25,650	372	1,45%	8	46,5
<b>TOTAL</b>	<b>25,650</b>	<b>372</b>	<b>1,45%</b>	<b>8</b>	<b>46,5</b>

## APPROVED POSTS BY POST LEVEL AND VACANCY RATES AS AT 31 MARCH 2016

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

Levels	2014/2015 Number of employees	2015/2016 Approved posts	2015/2016 Number of employees	2015/2016 Vacancies	% of vacancies	Comments
Top management	3	4	4	0	0%	The COO and CSE positions were vacant and have subsequently been filled in the year.
Senior management	9	10	8	2	20%	The Sector Skills Planning and Research Manager position and the Financial Manager positions are vacant.
Professional qualified	11	14	12	2	14,28%	The Financial Accountant and Projects Specialist positions were vacant.
Skilled	12	17	16	1	5,88%	The vacancy is Personal Assistant to COO.
Semi-skilled	11	15	12	3	20%	Vacancies are Payroll Administrator, and Skills Planning Administrator and Internal Auditor.
Unskilled	3	4	3	1	25%	The vacancy is the Security Guard.
<b>TOTAL</b>	<b>49</b>	<b>64</b>	<b>55</b>	<b>9</b>	<b>14,06%</b>	



## EMPLOYMENT CHANGES

The list includes all staff movements but excludes three temporary posts additional to the approved post establishment.

Salary bands	Employment at the beginning of period	Appointments	Terminations	Employment at the end of the period
Top management	2	2	0	4
Senior management	9	0	1	8
Professional qualified	9	2	1	10
Skilled	12	1	0	13
Semi-skilled	12	6	1	17
Unskilled	3	0	0	3
<b>TOTAL</b>	<b>47</b>	<b>11</b>	<b>3</b>	<b>55</b>

## VACANCY RATES FOR THE YEAR BY BUSINESS UNITS:

The vacancy of PA to COO has been unfrozen and is regarded as a new vacancy not previously counted. This account for the 9th vacancy.

Programme activity/objective	2014/15 Number of employees	2015/16 Approved posts	2015/16 Number of employees	2015/16 Vacancies	% of vacancies	Comment
Office of the CEO	3	6	5	1	17%	Personal Assistant to COO
Internal Audit	3	3	2	1	33%	Internal auditor post is vacant – filled in April 2016
Sector Skills Planning and Research (SSP&R)	6	7	5	2	29%	SSPR Manager and SSP&R Administrator vacant
Learning Programmes (LP)	7	10	10	0	0%	All posts are filled
ETQA	6	9	9	0	0%	All posts are filled
Corporate Services	13	15	14	1	7%	Security Officer is vacant

Programme activity/objective	2014/15 Number of employees	2015/16 Approved posts	2015/16 Number of employees	2015/16 Vacancies	% of vacancies	Comment
Finance	6	9	6	3	33%	3 Vacancies are Financial Manager, Financial Accountant (two positions outsourced, but filled as at 1 April 2016) and the Payroll Administrator (converted to PA to CFO)
Projects	5	6	5	1	17%	Projects Specialist is vacant
<b>TOTAL</b>	<b>49</b>	<b>64</b>	<b>55</b>	<b>9</b>	<b>14%</b>	<b>Vacancy rate for the year</b>

### REASONS FOR STAFF LEAVING

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

Reason	Number	% Total number of employees leaving
Death	0	-
Resignation	2	67%
Dismissal	-	-
Retirement	-	-
Ill Health	-	-
Expiry of contract	1	33%
Other	-	-
<b>TOTAL</b>	<b>3</b>	<b>100%</b>

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

**Labour Relations: Misconduct and disciplinary action**

Verbal warning	0
Written warning	1
Final written warning	0
Dismissal	0
<b>TOTAL</b>	<b>1</b>

**EQUITY TARGETS AND EMPLOYMENT EQUITY STATUS AS AT 31 MARCH 2016**

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

Levels	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	0	1	-	1	-	1	1	-
Senior management	2	2	1	1		1	-	-
Professional qualified	4	3	-	2	-	-	-	1
Skilled	3	4	-	1	-	1	-	-
Semi-skilled	5	4	-	-	-	1	-	-
Unskilled	1	1	-	1	-	-	-	-
<b>TOTAL</b>	<b>15</b>	<b>15</b>	<b>1</b>	<b>6</b>	<b>0</b>	<b>4</b>	<b>1</b>	<b>1</b>

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	-	-	-	1	1	-	-
Senior management	4	3	-	1	1	-	-	1
Professional qualified	8	6	-	1	-	1	-	-
Skilled	12	8	-	1	-	1	-	1
Semi-skilled	8	9	-	-	-	-	-	1
Unskilled	2	2	-	1		-	-	-
<b>TOTAL</b>	<b>36</b>	<b>28</b>	<b>-</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>-</b>	<b>3</b>

Level	Disabled staff			
	MALE		FEMALE	
	Current	Target	Current	Target
Top management	-	1	-	-
Senior management	-	1	-	1
Professional qualified	-	-	-	1
Skilled	-	-	-	-
Semi-skilled	-	-	-	1
Unskilled	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>3</b>

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

## EMPLOYMENT EQUITY

The PSETA has not done well on employment equity. The expected re-licencing and more secure income will assist the PSETA to deal with these requirements in the future. The advertised posts did not specifically target employment equity although the target for the appointment of designated groups is specifically indicated.



# PART E

## FINANCIAL INFORMATION

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

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the financial statements of the PSETA set out on pages 70 to 126, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting authority's responsibility for the financial statements

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

### Auditor-general's responsibility

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

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

### Basis for qualified opinion

#### Employer grant and project expenses and Provisions

6. The entity did not provide for services received even though a present obligation exists, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation in accordance with Standards of Generally Recognised Accounting Practice, GRAP 19, Provisions, Contingent Liabilities and Contingent Assets. Consequently, both the employer grant and project expenses and provisions are understated by R671 649. Additionally, there is a consequential impact on the surplus for the period and on the accumulated surplus.

## Commitments

7. The entity did not adequately disclose commitments in accordance with Standards of Generally Recognised Accounting Practice, GRAP 1, Presentation of financial statements and the Grant Regulations. The entity incorrectly increased opening balances and understated the utilised portion of the contract. Consequently, the commitments are overstated by R 498 771.

## Qualified opinion

8. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the PSETA as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA and the SDA.

## Emphasis of matters

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

## Restatement of corresponding figures

10. As disclosed in note 19 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of errors discovered during 2016 in the financial statements of the PSETA at, and for the year ended, 31 March 2015.

## Report on other legal and regulatory requirements

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

## Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2016:
- Programme 1: Skill Planning and Research on pages 19 to 20
  - Programme 2: Learning Programmes on pages 21 to 28
  - Programme 3: Educational, Training and Quality Assurance on pages 26 to 28
  - Programme 7: Projects on pages 33 to 35
13. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information (FMPP)*.
14. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
15. The material findings in respect of the selected programmes are as follows:

### Programme 2: Learning Programmes

#### **Usefulness of reported performance information**

16. I did not identify any material findings on the usefulness of the reported performance information

#### **Reliability of reported performance information**

17. The FMPP requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported achievements against planned targets of 22% of the indicators

were not reliable when compared to the evidence provided.

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

- Programme 1: Skill planning and research on pages 19 to 20
- Programme 3: Educational, training and quality assurance on pages 26 to 28
- Programme 7: Projects on pages 33 to 35

### Additional matters

19. I draw attention to the following matters:

#### ***Achievement of planned targets***

20. Refer to the annual performance report on pages 19 to 35 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the reliability of the reported performance information in paragraph 17 of this report.

#### ***Adjustment of material misstatements***

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 1: Skill planning and research; programme 2: Learning programmes and programme 7: Projects. As management subsequently corrected only some of the misstatements, I raised material findings on the reliability of the reported performance information.

### Compliance with legislation

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

#### **Annual financial statements, performance and annual reports**

23. The financial statements submitted for auditing were not prepared in accordance with the prescribed

financial reporting framework as required by section 55(1) (b) of the Public Finance Management Act. Material misstatements of contingent liabilities identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

### Expenditure management

24. Effective steps were not taken to prevent irregular expenditure, amounting to R112 914 as disclosed in note 22 of the annual financial statements, as required by section 51(1) (b) (ii) of the PFMA.

### Internal control

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

### Leadership

26. There was inadequate oversight and leadership as evidenced by the misstatements identified in the financial statements and performance reporting. The entity did not have sufficient monitoring controls to ensure the proper implementation of the overall process of reporting.

27. Management is not held accountable for the implementation of action plans. This resulted in a lack of improvement in internal controls relating to financial and performance management and reporting.

### Financial and performance management

28. Management did not ensure adequate integration and reconciliation of information between the projects and finance units, which resulted in material misstatements.

### Other reports

29. I draw attention to the following engagements that could potentially impact on the entity's financial,



performance and compliance related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed.

### Investigations

30. The special investigation unit (SIU) as per the presidential proclamation (Government Gazette: No. 35860) was tasked with investigating matters relating to the 2005-06 fraudulent activities that occurred as a result of the misappropriation of funds that were granted to PSETA by the NSF for project-related expenses in order for PSETA to carry out its mandate.
31. The SIU reported the following findings relating to the current year:
  - Payments of R1 466 319.10 were made from the NSF account to accounts that allegedly belonged to relatives and friends of the former PSETA financial manager. The former financial manager is currently serving a 15-year jail sentence.
  - Overpayments to the value of R1 142 260, 26 were made to 91 learners on a learnership programme in 2005-06. Of the 91, the SIU was able to trace 40 learners.
32. The SIU has completed the investigation and has issued a report of these findings.

*Auditor General*

Pretoria  
29 July 2016



**AUDITOR - GENERAL**  
**SOUTH AFRICA**

*Auditing to build public confidence*

## Statement of financial position

for the period ended 31 March 2016

		Mar-16	Mar-15
		R'000	Restated R'000
Note			
	<b>ASSETS</b>		
	<b>Current assets</b>	<b>120 733</b>	<b>67 482</b>
	Trade and other receivables from exchange transactions	2 772	660
	Trade and other receivables from non-exchange transactions	3 78	547
	Consumables	53	104
	Cash and cash equivalents	4 119 830	66 171
	<b>Non-current assets</b>	<b>1 915</b>	<b>2 557</b>
	Property, plant and equipment	5 1 334	1 517
	Intangible assets	6 581	1 040
	<b>TOTAL ASSETS</b>	<b>122 648</b>	<b>70 039</b>
	<b>LIABILITIES</b>		
	<b>Current liabilities</b>	<b>19 578</b>	<b>13 754</b>
	<b>Exchange transactions</b>	<b>5 833</b>	<b>4 712</b>
	Trade and other payables from exchange transactions	7 5 735	4 378
	Operating lease liability	98	334
	<b>Non-exchange transactions</b>	<b>13 001</b>	<b>8 446</b>
	Grants and transfers payable	8 4 745	1 981
	SARS Payable	9 158	74
	Deferred Income Liability – NSF	10 7 295	5 588
	Deferred Income Liability – CIP	11 803	803
	<b>Provisions from exchange transactions</b>	<b>12 744</b>	<b>596</b>
	<b>TOTAL LIABILITIES</b>	<b>19 578</b>	<b>13 754</b>
	<b>NET ASSETS</b>	<b>103 070</b>	<b>56 285</b>
	<b>Funds and reserves</b>		
	Administration reserve	1 915	2 557
	Discretionary reserve	101 155	53 728
	<b>NET ASSETS</b>	<b>103 070</b>	<b>56 285</b>

## Statement of financial performance

for the period ended 31 March 2016

		Mar-16	Mar-15
	Note	R'000	Restated R'000
<b>REVENUE</b>			
<b>Revenue from non-exchange transactions</b>			
		<b>105 181</b>	<b>88 204</b>
Skills Development Levy: Income	<b>13.1</b>	6 877	52 385
Skills Development Levy: Penalties and interest	<b>13.2</b>	62	195
Transfers from other government entities – DPSA	<b>13.3</b>	93 843	24 706
NSF Projects realised income		4 119	9 293
NSF: Donations income		280	242
CIP projects realised income		-	1 383
<b>Revenue from exchange transactions</b>			
		<b>5 424</b>	<b>195</b>
Investment income	<b>14.1</b>	718	154
Other Income	<b>14.2</b>	4 706	41
<b>Total Revenue</b>			
		<b>110 605</b>	<b>88 399</b>
<b>EXPENSES</b>			
Employer grants and project expenses	<b>15</b>	17 479	1 495
Administration expenses	<b>16</b>	13 666	9 826
Audit Fees		1 306	1 539
Cost of Employment	<b>16.1</b>	25 650	20 922
Depreciation and Amortisation	<b>18</b>	1 114	609
Repairs and Maintenance		486	545
Impairment		-	3
NSF Projects expenses		4 119	9 293
CIP Project Expenses	<b>11</b>	-	1 383
<b>Total Expenses</b>			
		<b>63 820</b>	<b>45 615</b>
<b>NET (DEFICIT)/SURPLUS FOR THE YEAR</b>			
	<b>17</b>	<b>46 785</b>	<b>42 784</b>

## Statement of changes in net assets

for the period ended 31 March 2016

		Administration reserve	Employer grant reserve	Discretionary reserve	Accumulated surplus Restated	Total Restated
	Notes	R'000	R'000	R'000	R'000	R'000
Balance as at 01 April 2014		975	-	12 526	-	13 501
Balance as previously stated		975	-	12 395	-	13 370
Adjustment of donations income	19.6			131		131
<b>Surplus for the year as restated</b>					<b>42 784</b>	<b>42 784</b>
Surplus as previously stated					43 091	43 091
SARS payable transfer to DG	19.8				50	50
Leave Provision adjustment	19.1				(570)	(570)
Staff debtors adjustment	19.9				65	65
Adjustment of donations income	19.6				148	148
Allocation of non- appropriated surplus as restated		10 307	1 032	31 445	(42 784)	-
Employer grant reserves transferred to discretionary reserves		-	(1 032)	1 032	-	-
Excess admin reserve transferred to discretionary reserves restated		(8 725)	-	8 725	-	-
<b>Balance as at 01 April 2015 restated</b>		<b>2 557</b>	<b>-</b>	<b>53 728</b>	<b>-</b>	<b>56 285</b>
Surplus/(deficit) for the year		-	-	-	46 785	46 785
Allocation of unappropriated surplus/deficit for the year	17	(3 615)	216	50 184	(46 785)	-
Allocation of discretionary reserves to administration reserves		3 232		(3 232)	-	-
Employer grant reserves transferred to discretionary reserves			(216)	216		
Excess admin reserve transferred to discretionary reserves restated		(259)		259		
<b>Balance at 31 March 2016</b>		<b>1 915</b>	<b>-</b>	<b>101 155</b>	<b>-</b>	<b>103 070</b>

## Cash flow statement

for the period ended 31 March 2016

		Mar-16	Mar-15 Restated
	Note	R'000	R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Operating activities</b>			
Cash receipts from stakeholders		<b>117 996</b>	<b>85 486</b>
Levies, interest and penalties received		13 442	50 611
Government grants and donor funding		93 843	24 706
Other cash receipts from stakeholders		10 711	10 169
Cash paid to stakeholders, suppliers and employees		<b>(64 470)</b>	<b>(44 996)</b>
Grants and project payments		(16 688)	(1 564)
CIP Expenditure		-	(1 383)
Special projects		(4 399)	(8 854)
Compensation of employees		(25 809)	(20 263)
Payments to suppliers and other		(17 574)	(12 932)
		-	-
Cash generated/(utilised) in operations	18	<b>53 526</b>	<b>40 490</b>
Interest received		<b>594</b>	154
SARS interest received/(paid)		-	-
<b>Net cash outflow from operating activities</b>		<b>54 120</b>	<b>40 644</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(446)</b>	<b>(1 277)</b>
Purchase of intangible assets		<b>(83)</b>	<b>(987)</b>
Proceeds on disposal of PPE		<b>68</b>	-
<b>Net cash outflow from investing activities</b>		<b>(461)</b>	<b>(2 264)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Government grants and donor funding		-	-
<b>Net cash outflow from financing activities</b>		-	-
<b>Net increase in cash and cash equivalents</b>		<b>53 659</b>	<b>38 380</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>66 171</b>	<b>27 791</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>119 830</b>	<b>66 171</b>

## Statement of comparison of budget and actual amounts

for the period ended 31 March 2016

	Approved budget	Final budget	Actual Amounts	Difference between final budget and actual	Reference
	R'000	R'000	R'000	R'000	
<b>Revenue from non-exchange transactions</b>	<b>130 345</b>	<b>130 345</b>	<b>105 181</b>	<b>25 164</b>	
Skills Development Levy: income	10 955	10 955	1 734	9 221	
Skills Development Levy: income, interest & penalties			62	-62	Note 25.1
Levies from departments	2 000	2 000	5 143	-3 143	Note 25.2
Transfers from other government entities	93 843	93 843	93 843	-	
NSF Projects realised income	23 547	23 547	4 399	19 148	Note 25.3
CIP Projects realised income	-	-	-	-	
<b>Revenue from exchange transactions</b>	<b>1 454</b>	<b>1 454</b>	<b>5 424</b>	<b>-3 970</b>	
Investment income	250	250	718	-468	Note 25.4
Other income	1 204	1 204	4 706	-3 502	Note 25.5
<b>Total revenue</b>	<b>131 799</b>	<b>131 799</b>	<b>110 605</b>	<b>21 194</b>	
<b>EXPENSES</b>					
Compensation to Employees	-27 357	-28 186	-25 650	-2 536	Note 25.6
Communications	-702	-602	-988	386	Note 25.7
Consultants, contractors and special services	-2 410	-3 540	-3 573	33	
Maintenance and repairs	-296	-296	-486	190	Note 25.8
Operating Lease	-2 952	-2 952	-2 372	-580	Note 25.9
Travel & Subsistence	-3 678	-2 835	-2 813	-22	
Employer grants	-98 822	-104 434	-17 479	-86 955	Note 25.10
Operating expenses	-7 070	-6 130	-5 382	-748	Note 25.11
Printing & Stationery	-643	-487	-536	49	
Catering	-397	-402	-422	20	
NSF projects		-23 547	-4 119	-19 428	Note 25.3
<b>CAPEX</b>	<b>-580</b>	<b>-1 479</b>	<b>-529</b>	<b>-950</b>	Note 25.12
<b>Total Expenditure</b>	<b>-144 907</b>	<b>-174 890</b>	<b>-64 349</b>	<b>-110 541</b>	
<b>Rolled-over surplus*</b>	43 091	43 091	43 091	-	
<b>Surplus/Deficit</b>			<b>89 347</b>	<b>-89 347</b>	

\* PSETA revised its current year budget subsequent to National Treasury's approval for the roll-over of surplus funds realised by PSETA during the 2014/15 financial period.

# 1. Accounting Policies

## 1.1 Basis of preparation and Going concern assumption

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

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

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

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

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

## 1.2 Presentation Currency and level of rounding

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

## 1.3 Revenue recognition

### 1.3.1 Revenue from non-exchange transactions

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

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

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

### 1.3.1.1 Levy income

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

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

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

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

### 1.3.1.2 Interest and Penalties

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

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

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

### 1.3.2 Revenue from exchange transactions

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

#### 1.3.2.1 Investment income

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

## 1.4 Grants and project expenditure

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

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

### **Mandatory grants**

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

### **Retrospective amendments by SARS**

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

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

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

The PSETA may in terms of the Grant Regulations, out of funds set aside for discretionary and projects, investment income and any surplus monies from administration allocation and unclaimed mandatory grants, determine



and allocate discretionary grants to employers, education and training providers and workers of the employers. The allocations of discretionary grants and projects are dependent on employers submitting the prescribed application, in the prescribed format and within the prescribed cut-off period. The discretionary grant and project expenditure payable and the related expenditure are recognised when the application has been approved and the conditions for grant payment, as set out in the PSETA grants policy have been met.

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

Project expenditure comprises:

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

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

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

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

### 1.5 Prepayments

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

### 1.6 Irregular expenditure

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

### 1.7 Fruitless and wasteful expenditure

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

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

### 1.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and adjusted for any impairment. Property, plant and equipment acquired at no cost are stated at fair value as at the date of acquisition less any subsequent accumulated depreciation.

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

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

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

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

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

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

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

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

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

### 1.9.1 Key accounting judgments

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

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

The Seta reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period, refer to note number 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 asset so that it will be available for use or sale
- there is an intension to complete and use or sell it
- there is an ability to use or sell the asset
- it will generate probable future economic benefits or service potential
- there are available technical, financial and other resources to complete the development and to use or sell it
- the expenditure attributable to the asset during its development can be measured reliably

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

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

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

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

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

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

Intangible assets are derecognised when:-

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

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

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

## 1.11 Leasing

### 1.11.1 Operating leases

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

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

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

## 1.12 Provisions

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

### 1.12.1 Provision for employee entitlements

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

### 1.12.2 Other provisions

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

Termination benefits are recognised only when the payment is made.

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

### 1.13 Contingent Liabilities

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

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

### 1.14 Financial instruments

#### Recognition

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

#### 1.14.1 Financial assets

##### 1.14.1.1 Investments and loans

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

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

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

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

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

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

##### 1.14.1.2 Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at 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% (2015: 10.5%)
• Employer grant fund levy	20.0% (2015: 20%)
• Discretionary grants and projects	49.5% (2015: 49.5%)
• Contributions to the National Skills Fund	20.0% (2015: 20%)

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

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

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

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

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

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

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

### **1.16 Related party transactions**

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

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

### **1.17 Capital Commitments**

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

### **1.18 Comparatives**

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

### **1.19 Inventory**

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

### **1.20 Taxation**

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

## Notes to the financial statements

for the period ended 31 March 2016

### 2. Trade and other receivables from exchange transactions

Note	Mar-16	Mar-15
	R'000	R'000
Operating Lease Rental Deposit	342	342
Prepayment – Operating Lease	232	245
Staff debtors	137	73
Staff debtors write-off	(65)	
Sundry Receivables (Accrued Interest)	124	-
Staff Advances	2	-
	<b>772</b>	<b>660</b>

### 3. Trade and other receivables from non-exchange transactions

Inter-seta receivable:	-	<b>545</b>
Administration	-	72
Mandatory	-	136
Discretionary	-	337
Mandatory grants receivable	78	2
Closing balance	<b>78</b>	<b>547</b>

### 4. Cash and Cash Equivalents

Administration Bank account	62 068	13 084
Levies bank account	52 277	52 023
NSF current account	193	617
NSF call account	5 292	447
Cash on hand	-	-
Cash and cash equivalents at end of the period	<b>119 830</b>	<b>66 171</b>

## Notes to the financial statements

for the period ended 31 March 2016

### 5. Property, plant and equipment

#### 5.1 Property, plant and equipment

31 March 2016			
	Cost	Accumulated depreciation/ impairment	Carrying amount Mar-16
	R'000	R'000	R'000
Computer equipment	1 854	(1 336)	518
Office furniture and fittings	903	(224)	679
Office equipment	152	(35)	117
Motor Vehicle	80	(60)	20
<b>Balance at 31 March 2016</b>	<b>2 989</b>	<b>(1 655)</b>	<b>1 334</b>

Movement summary 31 March 2016						
	Carrying Amount Mar-15	Additions	Disposals	Depreciation charge	Accumulated Depreciation on disposals	Carrying Amount Mar-16
	R'000	R'000	R'000	R'000	R'000	R'000
Computer equipment	546	410	(85)	(381)	28	518
Office furniture and fittings	830	-	-	(151)	-	679
Office Equipment	105	36	-	(24)	-	117
Motor Vehicle	36	-	-	(16)	-	20
<b>Closing Balance</b>	<b>1 517</b>	<b>446</b>	<b>(85)</b>	<b>(572)</b>	<b>28</b>	<b>1 334</b>

#### 5.2 Property, plant and equipment

March 2015			
	Cost	Accumulated depreciation/ impairment	Carrying amount Mar-15
	R'000	R'000	R'000
Computer equipment	1 529	(983)	546
Fixture and Fitting	-	-	-
Office furniture	903	(73)	830
Office equipment	116	(11)	105
Motor Vehicle	80	(44)	36
<b>Balance at 31 March 2015</b>	<b>2 628</b>	<b>(1 111)</b>	<b>1 517</b>



## Notes to the financial statements

for the period ended 31 March 2016

Movement summary 31 March 2015						
	Carrying Amount Mar-14 Restated	Additions	Disposals	Depreciation charge	Accumulated Depreciation on disposals	Carrying Amount Mar-15
	R'000	R'000	R'000	R'000	R'000	R'000
Computer equipment	620	334	(31)	(391)	14	546
Fixture and Fitting	-	-	-	-	-	-
Office furniture	108	840	(89)	(66)	37	830
Office Equipment	11	103	-	(9)	-	105
Motor Vehicle	52	-	-	(16)	-	36
<b>Closing Balance</b>	<b>791</b>	<b>1 277</b>	<b>(120)</b>	<b>(482)</b>	<b>51</b>	<b>1 517</b>

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

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

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

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

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

### 6. Intangible Assets

31 March 2016			
	Cost	Accumulated amortisation/ impairment	Carrying amount Mar-16
	R'000	R'000	R'000
Computer Software	1 388	(807)	581
<b>Balance at 31 March</b>	<b>1 388</b>	<b>(807)</b>	<b>581</b>

Movement summary 31 March 2016					
	Carrying Amount Mar 15	Additions	Amortisation	Impairment	Carrying Amount Mar-16
	R'000	R'000	R'000	R'000	R'000
Computer Software	1 040	83	(542)	-	581
<b>Closing Balance</b>	<b>1 040</b>	<b>83</b>	<b>(542)</b>	<b>-</b>	<b>581</b>

## Notes to the financial statements

for the period ended 31 March 2016

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

Movement summary 31 March 2015					
	Carrying Amount Mar-14	Additions	Amortisation	Impairment	Carrying Amount Mar-15
	R'000	R'000	R'000	R'000	R'000
Computer software	184	987	(128)	(3)	1 040
<b>Closing Balance</b>	<b>184</b>	<b>987</b>	<b>(128)</b>	<b>(3)</b>	<b>1 040</b>

### 7. Trade and other payables from exchange transactions

	Note	Mar-16	Mar-15 Restated
		R'000	R'000
Trade and other payables		2 058	2 408
Accruals – Discretionary		791	-
Trade accruals - administration		1 716	138
Leave pay accrual		1 148	1 454
NSF Creditors & Project Payables	22		378
		<b>5 735</b>	<b>4 378</b>

### 8. Grants and transfers payable

	Mar-16	Mar-15 Restated
	R'000	R'000
Skills development grants payable – mandatory	5	6
Skills development grants payable – discretionary	9	2
Skills development grants payable – levies received from departments	1 273	-
SARS Reversal	3 436	-
Inter-seta payables:	22	1 973
Administration	3	259
Mandatory	6	493
Discretionary	13	1 221
Accruals – Discretionary	-	-
	<b>4 745</b>	<b>1 981</b>

## Notes to the financial statements

for the period ended 31 March 2016

### 9. SARS Provisions

	Administration Provisions	Mandatory grants Provisions	Discretionary grants Provisions	Total Mar-16 R'000	Total Mar-15 R'000
Restated carrying amount	10	44	20	74	54
Opening carrying amount					104
Transfer to Discretionary Grant reserves					(50)
Adjustment – over provision	-	-	-	- (5)	25
Amounts received	11	39	36	86	
Transfer to Discretionary Grant reserves	-	-	(2)	(2)	
<b>Closing carrying amount</b>	<b>21</b>	<b>83</b>	<b>54</b>	<b>158</b>	<b>74</b>

### 10. Deferred Income Liability – National Skills Fund (NSF)

	Note	Mar-16 R'000	Mar-15 (Restated) R'000
<b>Reconciliation – National Skills Funds</b>			
National Skills Fund – Special Projects post (2010)	10.1	7 295	970
National Skills Fund – Special Projects pre (2010)	10.2	-	4 618
		<b>7 295</b>	<b>5 588</b>
<b>10.1 National Skills Fund - Special Projects post (2010)</b>			
<b>Deferred Income Liability-NSF</b>			
Opening balance		970	231
Draw downs and interest received		10 724	10 274
NSF funding received		10 408	10 128
Interest received		316	146
Utilised and recognised as revenue-conditions met		(4 119)	(9 293)
Utilised and recognised as revenue-assets acquisition		(280)	(242)
		<b>7 295</b>	<b>970</b>
<b>NSF project expense detail</b>			
Direct project costs		4 062	6 349
Other Project expenses		57	1 923
Project Audits		-	-
Travel & Subsistence		-	1 021
		<b>4 119</b>	<b>9 293</b>
<b>10.2 National skills Fund- special projects (pre 2010)</b>			
Opening balance		4 618	4 618
Write off NSF Liability*		(4 618)	
<b>Total Closing Balance NSF Deferred Income Liability</b>		<b>-</b>	<b>4 618</b>

\* In September 2015 the approval was obtained from the Department of Higher Education and Training for the write-off the debt owed by PSETA to the NSF to the amount of R2.009 million. Further, the Accounting Authority condoned the irregular expenditure of R2.609 million as the money was irrecoverable from the liable parties.

## Notes to the financial statements

for the period ended 31 March 2016

### 11. Deferred Income Liability Compulsory Induction Programme (CIP)

		Mar-16	Mar-15
	Note	R'000	R'000
Opening balance		803	2 186
Amount used		-	(1 383)
<b>Closing balance</b>		<b>803</b>	<b>803</b>

### 12. Provisions

	Performance Bonus	Workmen's Compensation	Total Mar-16	Total Mar-15 Restated
			R'000	R'000
Open carrying amount	556	40	596	527
Amounts utilised	(517)	(40)	(557)	(527)
Amounts raised	685	20	705	596
<b>Closing carrying amount</b>	<b>724</b>	<b>20</b>	<b>744</b>	<b>596</b>

### 13. Revenue from non-exchange transactions

		Mar-16	Mar-15
	Note	R'000	R'000
<b>13.1 Skills Development Levy: Income</b>			
<b>Administration</b>			
Levies received from SARS		73	885
Inter-SETA transfers in		(72)	70
Inter-SETA transfers out		256	(260)
		<b>257</b>	<b>695</b>
<b>Employer grants</b>			
Levies received from SARS		(44)	1 471
Inter-SETA transfers in		(136)	134
Inter-SETA transfers out		488	(495)
		<b>308</b>	<b>1 110</b>
<b>Discretionary grants</b>			
Levies received from SARS		299	3 775
Inter-SETA transfers in		(337)	333
Inter-SETA transfers out		1 207	(1 224)
		<b>1 169</b>	<b>2 884</b>

## Notes to the financial statements

for the period ended 31 March 2016

### 13. Revenue from non-exchange transactions (continued)

#### Levies from Departments (SARS contribution)

Administration  
Discretionary

Note	Mar-16	Mar-15
	R'000	R'000
	1 971	18 284
	3 172	29 412
	<b>5 143</b>	<b>47 696</b>
	<b>6 877</b>	<b>52 385</b>
	50	141
	12	54
	<b>62</b>	<b>195</b>
	23 461	24 706
	32 845	
	15 640	
	21 897	
	<b>93 843</b>	<b>24 706</b>

#### 13.2 Skills Development Levy: Interests and penalties

Skills Development Levy Income:

Penalties  
Interest

#### 13.3 Transfers from other government entities – DPSA

First tranche  
Second tranche  
Third Tranche  
Fourth Tranche

### 14. Revenue from exchange transactions

#### 14.1 Investment income

Administration bank account  
Levies bank account

#### 14.2 Other income

Refunds received  
Insurance recoveries  
NSF payable write-off  
NSF payable condonement  
Donations (non-exchange revenue)

Note	Mar-16	Mar-15
	R'000	R'000
	318	25
	400	129
	<b>718</b>	<b>154</b>
	20	-
	68	40
	2 009	-
	2 609	
	-	1
	<b>4 706</b>	<b>41</b>

## Notes to the financial statements

for the period ended 31 March 2016

### 15. Employer grants and project expenses

	Mar-16	Mar-15
Note	R'000	R'000
Mandatory grants	92	78
Bank Charges - discretionary	0	3
Discretionary grants	17 387	1 414
	<b>17 479</b>	<b>1 495</b>

### 16. Administration Expenses

	Mar-16	Mar-15
Note	R'000	Restated R'000
Loss on disposal of property, plant and equipment	57	70
Operating lease rentals	2 372	2 460
Advertising, marketing and promotions, communication	988	1 083
Remuneration to members of the audit committee	208	145
Bank charges	28	21
Consultancy and service provider fees	3 573	2 098
Legal fees	-	140
Travel and subsistence	2 813	1 356
Staff training and development	372	661
Remuneration to members of the board	802	97
Printing and Stationery	536	309
Conference costs	-	171
Insurance	111	66
Rates & taxes, water & lights and security	446	358
Catering	422	347
Workshops	419	19
Staff recruitment	161	115
Staff debt write-off	65	-
Storage cost	80	42
Sundry items	213	268
	<b>13 666</b>	<b>9 826</b>

#### 16.1 Cost of employment

##### Salaries and wages

	25 198	20,729
Basic Salaries	18 600	14 746
PAYE	6 352	4 704
Temporary Staff	1	6
Incentive (Bonus)	518	556
Leave accrual	-307	677
Workmen's Compensation	34	40
UIF	194	169
SDL	258	24
	<b>25 650</b>	<b>20 922</b>

## Notes to the financial statements

for the period ended 31 March 2016

### 17. Allocation of Net surplus\ (deficit) for the year to reserves per segment

31 March 2016					
	Total per Statement of financial performance				
	Administration	Mandatory	Discretionary grants	Special projects	
	R'000	R'000	R'000	R'000	R'000
<b>Total revenue</b>	<b>110 605</b>	<b>38 607</b>	<b>308</b>	<b>62 673</b>	<b>9 017</b>
Skills development levy: income					-
Admin levy income (10.5%)	257	257	-	-	-
Grant levy income (20%) Mandatory	308	-	308	-	-
Grant levy income (49.5%) Discretionary	1 169	-	-	1 169	-
Levies from government departments	5 143	1 971	-	3 172	-
Skills Development Levy: penalties and interest	62	-	-	62	-
Transfers from other government entities	93 843	35 973	-	57 870	-
NSF Realised Income	4 119	-	-	-	4 119
NSF Donations income	280	-	-	-	280
CIP Realised Income	-	-	-	-	-
Investment income	718	318	-	400	-
Other Income	4 706	88	-	-	4 618
<b>Total expenses</b>	<b>(63 820)</b>	<b>(42 222)</b>	<b>(92)</b>	<b>(17 387)</b>	<b>(4 119)</b>
Administration expenses	(42 222)	(42 222)	-	-	-
NSF Projects expenses	(4 119)	-	-	-	(4 119)
CIP Expenses	-	-	-	-	-
Employer grants and project expenses	(17 479)	-	(92)	(17 387)	-
Net surplus/(deficit) per Statement of financial performance allocated					
	46 785	(3 615)	216	45 286	4 898

## Notes to the financial statements

for the period ended 31 March 2016

31 March 2015					
	Total per Statement of financial performance	Administration		Discretionary grants	Special projects
	Restated	Restated	Mandatory	Restated	Restated
	R'000	R'000	R'000	R'000	R'000
<b>Total revenue</b>	<b>88 399</b>	<b>43 751</b>	<b>1 110</b>	<b>32 620</b>	<b>10 918</b>
Skills development levy: income					-
Admin levy income (10.5%)	695	695	-	-	-
Mandatory levy income (20%)	1 110	-	1 110	-	-
Discretionary levy income (49.5%)	2 884	-	-	2 884	-
Levies from government departments	47 696	18 284	-	29 412	-
Skills Development Levy: penalties and interest	195	-	-	195	-
Transfers from other government entities	24 706	24 706	-	-	-
NSF Realised Income	9 293	-	-	-	9 293
NSF Donations Income	242	-	-	-	242
CIP Realise Income	1 383	-	-	-	1 383
Investment Income	154	25	-	129	-
Other Income	41	41	-	-	-
<b>Total expenses</b>	<b>(45 615)</b>	<b>(33 444)</b>	<b>(78)</b>	<b>(1 417)</b>	<b>(10 676)</b>
Administration expenses	(33 444)	(33 444)	-	-	-
NSF Projects expenses	(9 293)	-	-	-	(9 293)
CIP expenses	(1 383)	-	-	-	(1 383)
Employer grants and project expenses	(1 495)	-	(78)	(1 417)	-
Net surplus/(deficit) per Statement of financial performance allocated					
	<b>42 784</b>	<b>10 307</b>	<b>1 032</b>	<b>31 203</b>	<b>242</b>



## Notes to the financial statements

for the period ended 31 March 2016

### ANNEXURE - SEGMENT REPORTING

#### Information about the surplus, assets and liabilities reconciliations

2016						
	Administration	Mandatory	Discretionary	Special Projects	Unallocated	Total
	R'000	R'000	R'000			R'000
<b>REVENUE</b>						
<b>Revenue from non-exchange transactions</b>						
Skills development levy: Income	2 228	308	4 341			6 877
Skills development levy: Penalties and interest	-	-	62			62
Transfer from DPSA	35 973		57 870			93 843
NSF Projects realised income				4 119		4 119
NSF: Donation income				280		280
CIP Projects realised income						-
						-
<b>Revenue from exchange transactions</b>						
Investment income	318	-	400			718
Other income	88	-	-	4 618		4 706
<b>Total segment revenue</b>	<b>38 607</b>	<b>308</b>	<b>62 673</b>	<b>9 017</b>	<b>-</b>	<b>110 605</b>
<b>EXPENSES</b>						
Employer grants and project expenses		92	17 387			17 479
Administration expenses	13 666					13 666
Audit Fees	1 306					1 306
Cost of Employment	25 650					25 650
Depreciation and Amortisation	1 114					1 114
Repairs and Maintenance	486					486
Impairment	-					-
NSF Projects expenses	-			4 119		4 119
CIP Project Expenses	-					-
<b>Total segment expenditure</b>	<b>42 222</b>	<b>92</b>	<b>17 387</b>	<b>4 119</b>	<b>-</b>	<b>63 820</b>
<b>Total surplus</b>	<b>(3 615)</b>	<b>216</b>	<b>45 286</b>	<b>4 898</b>	<b>-</b>	<b>46 785</b>

## Notes to the financial statements

for the period ended 31 March 2016

2016						
	Administration	Mandatory	Discretionary	Special Projects	Unallocated	Total
	R'000	R'000	R'000			R'000
<b>ASSETS</b>						
Property, Plant and Equipment	1 334	-	-			1 334
Intangible Assets	581					581
Consumables	53	-	-			53
Trade and other receivables from exchange transactions	772	-	-			772
Trade and other receivables from non-exchange transactions	-	78	-			78
Cash and cash equivalents (Unallocated asset)	-	-	-		119 830	119 830
<b>Total assets</b>	<b>2 740</b>	<b>78</b>	<b>-</b>		<b>119 830</b>	<b>122 648</b>
<b>LIABILITIES</b>						
<b>Exchange transactions</b>						
Trade and other payables from exchange	4 922		791	22		5 735
Operating lease liability	98					98
<b>Non-exchange transactions</b>						
Grants and transfers payable	3	11	4 731			4 745
SARS Payable	21	83	54			158
Deferred Income Liability - NSF				7 295		7 295
Deferred Income Liability - CIP				803		803
						-
Provisions from exchange transactions	744		-			744
<b>Total liabilities</b>	<b>5 788</b>	<b>94</b>	<b>5 576</b>	<b>8 120</b>	<b>-</b>	<b>19 578</b>
<b>NET ASSETS</b>						
Administration reserves	1 915	-	-	-		1 915
Discretionary reserves	-	-	101 155			101 155
<b>Net Assets</b>	<b>1 915</b>	<b>-</b>	<b>101 155</b>	<b>-</b>	<b>-</b>	<b>103 070</b>
<b>Total Liabilities and Reserves</b>	<b>7 703</b>	<b>94</b>	<b>106 731</b>	<b>8 120</b>	<b>-</b>	<b>122 648</b>

## Notes to the financial statements

for the period ended 31 March 2016

2015						
	Administration	Mandatory	Discretionary	Special Projects	Unallocated	Total
	R'000	R'000	R'000			R'000
<b>REVENUE</b>						
<b>Revenue from non-exchange transactions</b>						
Skills development levy: Income	18 979	1 110	32 296			52 385
Skills development levy: Penalties and interest	-	-	195			195
Transfer from DPSA	24 706					24 706
NSF Projects realised income				9 293		9 293
NSF: Donation income				242		242
CIP Projects realised income				1 383		1 383
						-
<b>Revenue from exchange transactions</b>						
Investment income	25	-	129			154
Other income	41	-	-			41
<b>Total segment revenue</b>	<b>43 751</b>	<b>1 110</b>	<b>32 620</b>	<b>10 918</b>	<b>-</b>	<b>88 399</b>
<b>EXPENSES</b>						
Employer grants and project expenses	-	78	1 417			1 495
Administration expenses	9 826					9 826
Audit Fees	1 539					1 539
Cost of Employment	20 922					20 922
Depreciation and Amortisation	609					609
Repairs and Maintenance	545					545
Impairment	3					3
NSF Projects expenses				9 293		9 293
CIP Project Expenses				1 383		1 383
<b>Total segment expenditure</b>	<b>33 444</b>	<b>78</b>	<b>1 417</b>	<b>10 676</b>		<b>45 615</b>
<b>Total Surplus</b>	<b>10 307</b>	<b>1 032</b>	<b>31 203</b>	<b>242</b>		<b>42 784</b>

## Notes to the financial statements

for the period ended 31 March 2016

2015						
	Administration	Mandatory	Discretionary	Special Projects	Unallocated	Total
	R'000	R'000	R'000			R'000
<b>ASSETS</b>						
Property, Plant and Equipment	1 517	-	-			1 517
Intangible Assets	1 040					1 040
Consumables	104	-	-			104
Account receivables from exchange transactions	660	-	-			660
Account receivables from non-exchange transactions	547	-	-			547
Cash and cash equivalents (Unallocated asset)	3 888	543	54 677	7 063	-	66 171
<b>Total assets</b>	<b>7 756</b>	<b>543</b>	<b>54 677</b>	<b>7 063</b>	<b>-</b>	<b>70 039</b>
<b>LIABILITIES</b>						
<b>Exchange transactions</b>						
Trade and other payables from non-exchange	4 000	-		378		4 378
Operating lease liability	334					334
						-
<b>Non-exchange transactions</b>						
Grants and transfers payable	259	499	1 223			1 981
SARS Payable	10	44	20			74
Deferred Income Liability - NSF				5 588		5 588
Deferred Income Liability - CIP				803		803
						-
Provisions from exchange transactions	596					596
<b>Total liabilities</b>	<b>5 199</b>	<b>543</b>	<b>1 243</b>	<b>6 769</b>	<b>-</b>	<b>13 754</b>
<b>NET ASSETS</b>						
Administration reserves	2 557	-	-	-		2 557
Discretionary reserves	-	-	53 728			53 728
<b>Net Assets</b>	<b>2 557</b>	<b>-</b>	<b>53 728</b>	<b>-</b>	<b>-</b>	<b>56 285</b>
<b>Total Liabilities and Reserves</b>	<b>7 756</b>	<b>543</b>	<b>54 971</b>	<b>6 769</b>	<b>-</b>	<b>70 039</b>

## Notes to the financial statements

for the period ended 31 March 2016

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

		Mar-16	Mar-15 Restated
	Note	R'000	R'000
Net surplus as per statement of financial performance		<b>46 785</b>	<b>42 784</b>
Adjusted for non-cash items:			
Depreciation and amortisation		1 114	609
Impairment of the software		-	3
(Gains)/loss on disposal of property, plant and equipment		57	70
Increase in provisions		148	639
Staff debt write-off		65	
Adjusted for items separately disclosed			
Investment income	<b>14.1</b>	(718)	(154)
Finance income		-	-
Adjusted for working capital changes:			
Decrease/(Increase) in receivables		357	(1 093)
Increase/(Decrease) in payables		5 903	(2 562)
(Increase)/Decrease in consumables		51	(101)
Increase/(Decrease) in operating lease liability		(236)	295
<i>Cash generated/ (utilised) in operations</i>		<b>53 526</b>	<b>40 490</b>

### 19. Prior period error restatements

#### 19.1 Correction of an error – Leave-pay accrual

In 2014/15 financial year, PSETA maintained incorrect leave balances for employees that impacted the leave provision recognised in the financial statements. The resultant effect is that the leave-pay provision was understated in the prior year. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements.

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

	2014/2015
	R'000
<b>Statement of Financial Position</b>	<b>(570)</b>
Leave-pay accrual	(570)
<b>Statement of Financial Performance</b>	<b>570</b>
Leave provision expense	570

#### 19.2 Correction of error – NSF Creditors

In the 2014/15 financial year PSETA classified payables from exchange as non-exchange transactions. The resultant effect was that payables from exchange were understated whilst the payables from non-exchange were overstated. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements.

## Notes to the financial statements

### for the period ended 31 March 2016

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

	2014/2015
	R'000
<b>Statement of Financial Position</b>	
<b>Trade and other payables from exchange</b>	<b>298</b>
NSF Creditors & Projects Payables	298
<b>Statement of Financial Position</b>	
<b>Trade and other payables from non-exchange</b>	<b>(298)</b>
NSF Creditors & Projects Payables	(298)

#### 19.3 Correction of error – Other receivables (staff debtors)

In the 2014/15 financial year PSETA classified staff debtors as receivables from exchange as non-exchange transactions. The resultant effect was that receivables from exchange were understated whilst the receivables from non-exchange were overstated. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements.

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

	2014/2015
	R'000
<b>Statement of Financial Position</b>	
<b>Trade and other receivables from exchange</b>	<b>8</b>
Other receivables – Staff debtors	8
<b>Statement of Financial Position</b>	
<b>Trade and other receivables from non-exchange</b>	<b>(8)</b>
Other receivables – Staff debtors	(8)

#### 19.4 Correction of error – Related parties: Transactions with other national public entities

In the 2014/15 financial year PSETA disclosed that an amount of R9.307 million was paid to NSF. The disclosure was incorrect as the amount disclosed related to the payments made on NSF projects and not repaid to NSF. The resultant effect is that the transactions between the NSF and PSETA were incorrectly disclosed. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements.

## Notes to the financial statements

for the period ended 31 March 2016

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

*Transactions with other national public entities*

<b>2014/2015 (Restated)</b>				
	<b>Amounts Received</b>	<b>Amount Paid</b>	<b>Amount Payable</b>	<b>Amount Receivable</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
National Skills Fund	10 757	-	-	-
DPSA	93 843	-	-	-
<b>Total</b>	<b>104 600</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>2014/2015</b>				
	<b>Amounts Received</b>	<b>Amount Paid</b>	<b>Amount Payable</b>	<b>Amount Receivable</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
National Skills Fund	10 218	(9 703)	-	-
DPSA	24 706	-	-	-
<b>Total</b>	<b>34 924</b>	<b>(9 703)</b>	<b>-</b>	<b>-</b>

### 19.5 Correction of error – Deferred Income: National Skills Funds- Special projects (pre-2010)

In the 2014/15 financial year PSETA disclosed an amount of R5.947 million as National Skills Funds Special projects (pre 2010). The disclosure was incorrect as an amount of R1.329 million from the R5.947 million relates to National Skills Funds Special projects (post 2010). The resultant effect is that disclosure was incorrectly presented. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements.

#### Restated

##### 10.2 National skills Fund- special projects (pre 2010)

	<b>Note</b>	<b>Mar-15 R'000</b>
Opening balance		4 618
<b>Total Closing Balance NSF Deferred Income Liability</b>		<b>4 618</b>

##### 10.2 National skills Fund- special projects (pre 2010)

	<b>Note</b>	<b>Mar-15 R'000</b>
Opening balance		4 618
Unutilised		1 264
<b>Total Closing Balance NSF Deferred Income Liability</b>		<b>5 882</b>

## Notes to the financial statements

### for the period ended 31 March 2016

#### 19.6 Correction of error – National Skills Fund Expenses

During the current year, it was identified that the cost of acquiring assets using NSF funds was incorrectly accounted for as far back as 2013/14. The correct accounting treatment of the acquisition cost is to recognise revenue in full and not to realise income based on the usage of the assets i.e. depreciation. Consequentially, the Deferred Income Liability will be reduced by the full cost of acquisition and not limited to the asset usage. The resultant effect is that the NSF expenses were overstated, NSF realised income understated and the Deferred Income Liability overstated. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements

	Mar-15	Mar-14
	R'000	R'000
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>		
<b>Revenue from non-exchange transactions</b>		
NSF Projects realised income	(94)	(48)
NSF Donations income	242	179
<b>Expenses</b>		
Depreciation and Amortisation	157	48
NSF Projects expenses	(94)	(48)
Repairs and maintenance	(63)	-
<b>Statement of Financial Position</b>		
Deferred Income Liability – NSF	(148)	(131)

#### 19.7 Correction of error – NSF Accruals

In the 2014/15 financial year PSETA did not accrue for an NSF in the annual financial statements. The resultant effect was that payables from exchange were understated whilst the Deferred Income Liability was overstated. The effect on retained earnings is zero, due to the matching of the realised income against the NSF expense. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements.

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

	2014/2015
	R'000
<b>Statement of Financial Position</b>	
<b>Trade and other payables from exchange</b>	
NSF Creditors & Project Payables	80
<b>Statement of Financial Position</b>	
<b>Trade and other payables from non-exchange</b>	
Deferred Income Liability – NSF	(80)



## Notes to the financial statements

### for the period ended 31 March 2016

#### 19.8 Correction of error – Transfers to DG Reserves

In the 2014/15 financial year PSETA has levies in their bank account relating to the contributions that were contributed by exempt employers. PSETA did not transfer recognise the contributions that were more than five (5) years old as revenue. The resultant effect was that PSETA's revenue from non-exchange was understated, whilst the SARS payable was overstated. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements.

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

	2014/2015
	R'000
<b>Statement of Financial Performance</b>	
<b>Revenue from non-exchange</b>	<b>(50)</b>
Administration expenses	(50)
<b>Statement of Financial Position</b>	
<b>Trade and other payables from non-exchange</b>	<b>50</b>
SARS Payables	50

#### 19.9 Correction of error – Recognition of staff debt

In the 2014/15 financial year PSETA staff was paid subsistence and travel allowance that was not aligned to the approved policy. This resulted in an over-payment of the allowance. The resultant effect was that PSETA's receivables from exchange were understated whilst the DG expenses were overstated. To comply with GRAP 3, PSETA has corrected this prior period error in the comparative information presented in the financial statements.

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

	2014/2015
	R'000
<b>Statement of Financial Performance</b>	
<b>Expenses</b>	<b>(65)</b>
Employer grants and project expenses	(65)
<b>Statement of Financial Position</b>	
<b>Trade and other receivables from non-exchange</b>	<b>65</b>
Staff debtors	65

## Notes to the financial statements

### for the period ended 31 March 2016

#### 20. Contingent liabilities

##### Retention of Cash Surpluses

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

As of the 31<sup>st</sup> March 2016 the cash flow from operating activities and net investing activities was:

	<b>R'000</b>
Cash flow from Operating Activities	54 120
Cash flow from net investing Activities	
Assets	(461)
<b>Surplus/Deficit</b>	<b>53 659</b>

A submission has been made to the National Treasury on the 31<sup>st</sup> May 2016 to retain this surplus

##### Contracts awaiting closure or extension

As at the reporting date, PSETA was in the process of extending and/or closing out contracts with expiry dates of 31 March 2016. With the possible renewals/extensions of these contracts, PSETA has a potential liability of R1, 8 million (as disclosed under the Commitments Note: 21)

##### NSF Liability

PSETA received a letter from DHET regarding the write-off of the debt owed by PSETA to NSF from the previous financial years, which resulted in the qualified opinion on PSETA's financial records. The letter indicated that PSETA has been forgiven for a debt of R2.009 million. The letter further stipulated that PSETA needs to recover funds that were utilised on fraudulent activities from the perpetrators and pay it over to NSF. PSETA therefore has a potential liability to pay over an amount of R558 614.00 to NSF once recovered from those who were involved in the fraudulent activities.

## Notes to the financial statements

for the period ended 31 March 2016

### 21. Commitments

#### 21.1 Discretionary Projects

##### Detailed Discretionary Projects Commitments

Name of supplier	Opening Balance as reported	Adjustments	Restated Opening Balance	New Project & Contracts Movements 2015/16	Year to date Payments	Adjustments (write-backs)	Adjustments (expired contracts)	Commitments as at March 2016
Bepe Development - NSF	299,400	-	299,400	-	185,400	-114,000	-	-
Umfolozi College FET (learner allowance) - NSF	74,300	-74,300	-	-	-	-	-	-
Umfolozi College FET (learner allowance) - NSF	95,400	60,500	155,900	-	60,000	-	95,900	-
Umfolozi College FET (trade testing) - NSF	415,000	-	415,000	-	290,500	-	-	124,500
Msinga Municipality -NSF	36,000	-	36,000	-	-	-36,000	-	-
Department of Sports Arts and Culture - NSF	44,000	-44,000	-	-	-	-	-	-
Mutale Municipality - NSF	24,000	-	24,000	-	-	-24,000	-	-
Atte-The Training Edge - NSF	442,000	-	442,000	-	400,954	-	41,046	-
Faranang Business and Training Solutions - NSF	-	-	-	-	-	-	-	-
Vhembe FET College for Learners - NSF	79,264	-	79,264	-	-	-	79,264	-
Umfolozi College FET (Public Management)	300,000	-	300,000	-	-	-	300,000	-
Government Communication and Information System - NSF	92,000	-	92,000	-	48,000	-	44,000	-
Bepe Development - NSF	730,000	-	730,000	-	642,183	-	-	87,817

## Notes to the financial statements

for the period ended 31 March 2016

Name of supplier	Opening Balance as reported	Adjustments	Restated Opening Balance	New Project & Contracts Movements 2015/16	Year to date Payments	Adjustments (write-backs)	Adjustments (expired contracts)	Commitments as at March 2016
King Sabata Dalindyebo FET (EC DoJ) - NSF	56,000	-	56,000	-	56,000	-	-	-
Vhembe FET College Learners - NSF	554,000	-48,000	506,000	-	160,000	-	346,000	-
Umfolozu College FET Learners (Projects) - NSF	592,000	-40,000	552,000	-	288,000	-	-	264,000
Eastern Cape Department of Transport - NSF	1,079,500	-500	1,079,000	682,192	880,596	-	-	880,596
EC DoJ (Stipends) -NSF	42,000	-	42,000	-	42,000	-	-	-
FEMCO	109,800	-	109,800	-	47,400	-	-	62,400
External Verification and Evaluation - NSF	392,305	-15,307	376,998	-	110,928	-	-	266,070
Gauteng Department of Health Learner stipends - NSF	376,000	-	376,000	-	274,800	-	-	101,200
Tshwane South for FET (tuition fees) - NSF	29,320	-	29,320	-	-	-	29,320	-
Tshwane South for FET Learners allowance & Trade Testing - NSF	229,080	114,000	343,080	-	343,080	-	-	-
Tshwane South for FET Learners -NSF	646,700	13,400	660,100	-	15,000	-	645,100	-
Office of the Public Service Commission - NSF	270,000	-	270,000	-	168,000	-	-	102,000
Civilian Secretariat for Police - NSF	252,000	-56,000	196,000	-	188,000	-8,000	-	-

## Notes to the financial statements

for the period ended 31 March 2016

Name of supplier	Opening Balance as reported	Adjustments	Restated Opening Balance	New Project & Contracts Movements 2015/16	Year to date Payments	Adjustments (write-backs)	Adjustments (expired contracts)	Commitments as at March 2016
The Western Cape Government (Department of Transport and Public Works)	2,787,000	-	2,787,000	-	696,750	-	-	2,090,250
- NSF	-	-	-	160,000	40,000	-	-	120,000
Barend van As	26,948	-26,948	-	-	-	-	-	-
KZN Department of Health	34,194	-34,194	-	-	-	-	-	-
Quality Executive Development -NC	1,890	-1,890	-	-	-	-	-	-
Tlotlangthuto Training & Consulting -NC	14,276	-14,276	-	-	-	-	-	-
Saint Colonel Graduate Institute	195,000	-195,000	-	-	-	-	-	-
Northern Cape Rural FET College	12,400	-12,400	-	-	-	-	-	-
Tshwane South College FET	5,000	-5,000	-	-	-	-	-	-
Talent Emporium Academy Limpopo	2,000	-2,000	-	-	-	-	-	-
Tru-Thoughts Trading & Projects	35,000	-35,000	-	-	-	-	-	-
Tru-Thoughts Trading & Projects	900,000	-60,000	840,000	-	90,000	-	-	750,000
PARI	24,000	-24,000	-	-	-	-	-	-
PSETA Interns (Sibeko, Mahlase and Legodi)	32,000	-32,000	-	-	-	-	-	-
PSETA Interns (Mapulane, Moswathe and Madzivhandila)	4,000	-4,000	-	-	-	-	-	-
PSETA Interns								

## Notes to the financial statements

for the period ended 31 March 2016

Name of supplier	Opening Balance as reported	Adjustments	Restated Opening Balance	New Project & Contracts Movements 2015/16	Year to date Payments	Adjustments (write-backs)	Adjustments (expired contracts)	Commitments as at March 2016
Talent Emporium Learners-KZN	40,000	-40,000	-	-	-	-	-	-
Talent Emporium Learners-Limpopo	84,000	-84,000	-	-	-	-	-	-
Palama	803,000	-	803,000	-	-	-	-	803,000
General Public Service Bargaining Council	360,000	-80,000	280,000	-	252,583	-	-	27,417
Rural Development and Land Reform	2,656,000	-	2,656,000	-	1,826,000	-	-	830,000
Boland TVET College - DG	-	-	-	1,140,000	799,380	-	-	340,620
Edulet Skills Development - DG	-	-	-	418,080	334,464	-	83,616	-
Cale Development cc T/A Sowing Seed - DG	-	-	-	832,250	832,250	-	-	-
Network for Career Development (Mentor Training) - DG	-	-	-	957,600	957,600	-	-	-
Network for Career Development (Student support Managers) - DG	-	-	-	638,400	638,400	-	-	-
PARI - DG	-	-	-	711,850	711,850	-	-	-
Resonance Institute of Learning - DG	-	-	-	702,210	662,218	-	39,992	-
Gert Sibande FET College	-	-	-	774,000	249,000	-	-	525,000
Department of Human Settlement	-	-	-	360,000	120,000	-	-	240,000
Letaba TVET College	-	-	-	1,548,000	498,000	-	-	1,050,000

## Notes to the financial statements

for the period ended 31 March 2016

Name of supplier	Opening Balance as reported	Adjustments	Restated Opening Balance	New Project & Contracts Movements 2015/16	Year to date Payments	Adjustments (write-backs)	Adjustments (expired contracts)	Commitments as at March 2016
Letaba TVET College: Internship	-	-	-	1,290,000	622,500			667,500
Department of Public Health and Social Development Sectoral Bargaining Council: Internship	-	-	-	96,000	48,000			48,000
Sekhukhune FET College	-	-	-	1,548,000	498,000			1,050,000
Limpopo Office of the Premier	-	-	-	540,000	168,000			372,000
Mpumalanga Provincial Treasury	-	-	-	720,000	240,000			480,000
Atcor- Learnership	-	-	-	1,300,484	130,048			1,170,436
Atcor- Stipend	-	-	-	1,500,000	572,542			927,458
Department of Culture Sports & Recreation	-	-	-	1,440,000	234,000			1,206,000
Vhembe TVET College	-	-	-	1,548,000	240,000			1,308,000
Boland TVET College	-	-	-	1,548,000	240,000			1,308,000
KZN Office of the Premier	-	-	-	1,440,000	240,000			1,200,000
Government Communication and Information System	-	-	-	720,000	114,000			606,000
Department of Culture Arts and Traditional Affairs	-	-	-	720,000	120,000			600,000
Department of Public Works - KZN	-	-	-	180,000	-			180,000
KZN Office of the Premier: Internship	-	-	-	1,200,000	500,000			700,000
KZN Social Development - Internship	-	-	-	1,200,000	-			1,200,000
Government Communication & Information System- Internship	-	-	-	1,200,000	300,000			900,000

## Notes to the financial statements

for the period ended 31 March 2016

Name of supplier	Opening Balance as reported	Adjustments	Restated Opening Balance	New Project & Contracts Movements 2015/16	Year to date Payments	Adjustments (write-backs)	Adjustments (expired contracts)	Commitments as at March 2016
Department of Culture Arts and Traditional Affairs- Internship	-	-	-	576,000	108,000	-	-	468,000
Department of Public Works- Internship KZN	-	-	-	768,000	-	-	-	768,000
Office of the Premier Provincial Development- Learnership FS	-	-	-	1,800,000	499,500	-	-	1,300,500
Civilian Secretariat for Police (Finance for non-financial management)	-	-	-	199,875	133,200	-	-	66,675
KZN Department Of Public Works (Student Support Managers)	-	-	-	207,873	-	-	-	207,873
Department of Culture Sports and Recreation (Executive Management Development Programme)	-	-	-	400,000	40,000	-	-	360,000
Department of Culture Sports and Recreation (Mentor and coaching)	-	-	-	130,000	117,000	-	-	13,000
Department of Culture Sports and Recreation (Finance for non-financial management)	-	-	-	130,000	117,000	-	-	13,000
Department of Culture Sports and Recreation (Policy Development & Mgt)	-	-	-	130,000	117,000	-	-	13,000



## Notes to the financial statements for the period ended 31 March 2016

Name of supplier	Opening Balance as reported	Adjustments	Restated Opening Balance	New Project & Contracts Movements 2015/16	Year to date Payments	Adjustments (write-backs)	Adjustments (expired contracts)	Commitments as at March 2016
National Department Of Human Settlement (Executive Development Programme)	-	-	-	200,000	-	-	-	200,000
Ehlanzeni TVET College	-	-	-	240,000	-	-	240,000	-
Central Johannesburg College	-	-	-	119,700	-	-	119,700	-
Pandelani Investment Holdings	-	-	-	1,450,000	450,000	-	-	1,000,000
Vutivhi	-	-	-	1,650,000	165,000	-	-	1,485,000
Ifalezwe Learning Express	-	-	-	550,000	55,000	-	-	495,000
Cale Development cc T/A Sowing Seed - DG	-	-	-	1,605,000	802,500	-	-	802,500
Reflections Development	-	-	-	1,650,000	165,000	-	-	1,485,000
Saint Colonel Graduate Institute	-	-	-	1,100,000	110,000	-	-	990,000
Shabiso Business Enterprise	-	-	-	2,250,000	900,000	-	-	1,350,000
Rhodes University	-	-	-	646,507	64,651	-	-	581,856
Civilian Secretariat for Police	-	-	-	288,000	-	-	-	288,000
Mopani South East TVET College	-	-	-	812,000	-	-	-	812,000
South African Board for Sheriffs	-	-	-	144,000	-	-	-	144,000
Department of Community safety and transport management	-	-	-	720,000	-	-	-	720,000
Goldfields TVET College	-	-	-	774,000	-	-	-	774,000
College of Cape Town	-	-	-	2,322,000	-	-	-	2,322,000
Department of health - KZN	-	-	-	4,176,000	-	-	-	4,176,000

## Notes to the financial statements

for the period ended 31 March 2016

Name of supplier	Opening Balance as reported	Adjustments	Restated Opening Balance	New Project & Contracts Movements 2015/16	Year to date Payments	Adjustments (write-backs)	Adjustments (expired contracts)	Commitments as at March 2016
Durban university of Technology				360,000	-			360,000
Fort Hare Training Solution				456,000	-			456,000
Harvitex CC				320,000	-			320,000
CODHSTA				48,200	-			48,200
Jametsa (PTY) LTD				300,000	-			300,000
Kalideen Management Services				375,000	-			375,000
Oxbridge Training Institute				2,610,000	-			2,610,000
Office of the Pubic Services Commission				90,000	-			90,000
National Department Of Human Settlement				507,600	-			507,600
Harvitex CC				539,600	-			539,600
Josmap Training Institute				761,400	-			761,400
Mowils Consultants				600,000	-			600,000
Office of the Pubic Services Commission				237,500	-			237,500
National Department Of Human Settlement				493,800	-			493,800
Department of international relation				375,000	-			375,000
Mopani South East TVET College				976,397	-			976,397
Mpumalanga department of health				480,000	-			480,000
Palladian Consulting				250,125	25,013			225,113

## Notes to the financial statements

for the period ended 31 March 2016

Name of supplier	Opening Balance as reported	Adjustments	Restated Opening Balance	New Project & Contracts Movements 2015/16	Year to date Payments	Adjustments (write-backs)	Adjustments (expired contracts)	Commitments as at March 2016
King Sabata Dalindyebo FET (EC DoJ) - NSF				48,000	-			48,000
KZN Provincial treasury				720,000	-			720,000
KZN Department of Transport				900,000	-			900,000
Office of the Premier NW				720,000	-			720,000
KZN Department of Human Settlements				1,440,000	-			1,440,000
KwaZulu-Natal Department of Public Works				348,000	-			348,000
Mangosuthu University of Technology				1,140,000	-			1,140,000
Department of Sports, Recreation, Arts and Culture				320,000	-			320,000
University of Johannesburg				3,840,000	-			3,840,000
Department of Sports, Recreation, Arts and Culture E.C				430,000	-			430,000
Department of Roads and Public Works - E.C				338,520	-			338,520
KZN Office of the Premier: Internship				-	500,000			700,000
Projects total	15,276,777	-740,915	14,535,862	73,379,163	21,545,290	-182,000	2,063,938	641,237,98

## Notes to the financial statements

for the period ended 31 March 2016

### 21.2 Administration Commitments

#### Detailed Operational Commitments

Name of supplier	Opening Balance as reported	Adjustments	Restated Opening Balance	New Project & Contracts Movements 2015/16	Year to date Payments	Adjustments (write-backs)	Adjustments (expired contracts)	Commitments as at March 2016
Steiner Hygiene (Pty) Ltd	61,840	-	61,840	-	58,754	-	-	3,086
Marsh & McLennan Companies	142,441	-	142,441	-	101,963	-	-	40,478
Vodacom	62,141	-	62,141	-	45,220	-	-	16,921
Metrofile	64,885	32,823	97,708	-	83,111	-	-	14,597
Fidelity Security Services	40,558	-	40,558	-	25,562	-	-	14,996
Active Brand	100,708	-	100,708	-	70,237	-	-	30,471
Deloitte – MIS	1,350,000	-	1,350,000	-	832,645	-	-	517,355
Deloitte - Secondment of Staff	42,824	255,283	298,107	1,800,000	1,881,025	-	-	217,082
VOX Telecommunications	-	296,605	296,605	-	109,173	-	-	187,432
Finance total	1,865,397	584,711	2,450,108	1,800,000	3,207,691	-	-	1,042,417

Presently the total commitment stands at R64.46m as verified.

## Notes to the financial statements

### for the period ended 31 March 2016

#### 21.3 Operating Lease Commitment

	Mar-16	Mar-15
	R'000	R'000
Total of future minimum lease payments under non-cancellable leases:		
Not later than one year	629	2 358
Later than one year and not later than five years	-	629
	<b>629</b>	<b>2 987</b>

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

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

PSETA is currently negotiating for an extension of lease period for period ending 31 March 2018.

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

##### 22.1 Material losses through criminal conduct

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

##### 22.2 Irregular expenditure

	Mar-16	Mar-15
	R'000	R'000
Opening balance	4 717	10 703
Irregular expenditure – current year	113	99
- Procurement (Contravention of TR16A.6.4)	37	-
- Travel & Subsistence	58	63
- Salary	18	36
Less: Amount condoned	(2 609)	(6 085)
Less: Write-off	(2 009)	-
Less: Transfer to receivable	(63)	-
Irregular expenditure awaiting condonance	149	4 717
Analysis of expenditure awaiting condonance per age classification		
Current Year	113	99
Prior Year	36	4 618
	149	4 717

## Notes to the financial statements

### for the period ended 31 March 2016

#### 22.3 Fruitless and wasteful expenditure

	Mar-16	Mar - 15
	R'000	Restated R'000
Opening balance	355	19
Current	18	336
Condoned	-	-
Less: written-off	(65)	-
<b>Closing balance</b>	<b>308</b>	<b>355</b>

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

#### 23. Related party transactions

Transactions with employer companies represented at the PSETA board

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

##### 23.1 Accounting Authority Members – 31 March 2016

Name	Board Fees	Private kilometers claimed	Total
Ms. Mashigo <i>Chairperson of the Accounting Authority</i>	254	10	264
Mr. Kobese <i>Member of the Accounting Authority</i>	59	8	67
Mr. Maduna <i>Member of the Accounting Authority</i>	-	5	5
Ms. Mkhize <i>Member of the Accounting Authority</i>	201	7	208
Mr. Mokheranyane <i>Member of the Accounting Authority</i>	119	10	129
Dr McKinney <i>Member of the Accounting Authority</i>	31	7	38
Mr. Dladla <i>Member of the Accounting Authority</i>	92	17	109
Ms. Mankoe <i>Member of the Accounting Authority</i>	68	1	69
Mr. Shingange <i>Member of the Accounting Authority</i>	11	1	12
Ms Oodit <i>Member of the Accounting Authority</i>	73	0	73
<b>Total</b>	<b>908</b>	<b>66</b>	<b>974</b>

## Notes to the financial statements

### for the period ended 31 March 2016

#### 23.2 Audit Committee Members

For the year ended 31 March 2016			
Name	Audit Committee Fees	Private Kilometres claimed	Total
Ms. P. Mzizi <i>Audit Committee Chairperson</i>	141	4	145
Mr. P. Mukheli <i>Audit Committee Member</i>	90	4	94
Mr. P. Dala <i>Audit Committee Member</i>	13	-	13
<b>Total</b>	<b>244</b>	<b>8</b>	<b>252</b>

#### 23.3 Key Management Personnel

The key management personnel were paid as follows:

Name	Position	Engagement Date	Salary	Performance		Total
				Bonus (2014/15)	Other Allowances	
Mrs. S. Huluman	Chief Executive Officer	01-Aug-10 - current	*1 523	-	138	1 661
Ms. M.E Ntsowe	Chief Financial Officer	01-Jan-14 - current	997	-	9	1 006
Mr D McLean	Chief Operations Officer	01-Jun-15 - current	830	-	10	840
Ms. N Qamata	Corporate Service Executive	01 Nov-15 - current	393	-	4	397
<b>Total</b>			<b>3 743</b>	<b>-</b>	<b>161</b>	<b>3 904</b>

*\*The Accounting Authority approved the salary adjustment for the CEO per Ministerial Directive, effective 1 April 2015. The Department of Higher Education and Training issued a Ministerial determination in 2011 instructing SETA Accounting Authorities to adjust the salaries of CEO's to be equivalent to that of a Director General in the Public Service.*

#### 23.4 Transactions with other SETAs

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

## Notes to the financial statements

### for the period ended 31 March 2016

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

	Mar-16		Mar - 15	
	Amount receivable/ (payable)	Transfers in/(out) during the year	Amount receivable/ (payable)	Transfers in/(out) during the year
	R'000	R'000	R'000	R'000
<b>Payables</b>	<b>(22)</b>	<b>(22)</b>	<b>(1 973)</b>	<b>(1961)</b>
Fasset	-	-	(56)	(52)
W&R Seta	-	-	(18)	(14)
Services Seta	-	-	(4)	-
TETA	-	-	(1)	(1)
FoodBev Seta	-	-	(40)	(40)
Sasseta	-	-	(2)	(2)
LG SETA	-	-	(1 852)	(1 852)
Other	(22)	(22)		
<b>Total</b>	<b>(22)</b>	<b>(22)</b>	<b>(1 973)</b>	<b>(1 961)</b>
<b>Receivables</b>	<b>0</b>	<b>0</b>	<b>545</b>	<b>538</b>
Services Seta	0	0	39	32
Fasset	0	0	506	506
<b>Total</b>	<b>0</b>	<b>0</b>	<b>545</b>	<b>538</b>

Transactions with other national public entities

	Amounts Received	Amount Paid	Amount Payable	Amount Receivable
	R'000	R'000	R'000	R'000
<b>2015/2016</b>				
National Skills Fund	10 724	-	-	-
DPSA	93 843	-	-	-
<b>Total</b>	<b>104 567</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2014/2015</b>				
National Skills Fund	10 218	-	-	-
DPSA	24 706	-	-	-
<b>Total</b>	<b>34 924</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Notes to the financial statements for the period ended 31 March 2016

### 24. Events after reporting date

There were no events that occurred after the reporting date that have a material impact in the financial statements.

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

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

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

Less levies were received than budgeted as less public entities registered with PSETA with regard to the payment of levies.

#### 25.2 Levies from departments

More levies were received by PSETA. The contributions received from the departments relate to the 2014/15 financial year.

#### 25.3 NSF Projects realised income and related expenses

The actual amounts are less than budgeted for because most of the projects are reaching completion. New projects are being initiated and going through the approval process which will improve budget outflow in the new financial year.

#### 25.4 Investment income

Interest received was more than what was budgeted for as a result of funds in the PSETA accounts which were not yet utilised for learning interventions, therefore attracting interest.

#### 25.5 Other income

During the month of September, PSETA received authorisation from DHET to write off the NSF project expenses that related to the years pre 2010, as a result, the write off was not budgeted for. The Accounting Authority further condoned the irregular expenditure relating to the monies that were fraudulently taken from PSETA. These amounts are included in other income.

#### 25.6 Compensation to employees

Compensation of employees was less than budgeted for. The reason for the saving was due to vacant positions at the end of the financial year. The vacant positions were filled on 1 April 2016.

#### 25.7 Communications

The actual amounts are more than budgeted for as most of the marketing campaigns were effective

### 26. New Standards and Interpretations

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

## Notes to the financial statements

### for the period ended 31 March 2016

#### STANDARD/INTERPRETATION

##### New Standards Effective

##### **GRAP 18: Segment Reporting**

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

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

The effective date of the standard is for years beginning on or after 01 April 2015

The impact of the standard is not material to entity's annual statements for the current period. However, in preparing for full adoption, PSETA has presented its note (Note 17) on allocations per segment.

##### **GRAP 105: Transfer of functions between entities under common control**

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015. In preparing the AFS PSETA did not have transfer of functions from any other SETA, as a result this standard was not adopted. Therefore, the impact of the standard is not material to entity's annual statements for the current period.

##### **GRAP 106: Transfer of functions between entities not under common control**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, the acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

## Notes to the financial statements for the period ended 31 March 2016

The effective date of the standard is for years beginning on or after 01 April 2015. In preparing the AFS PSETA did not have transfer of functions from any other entity; as a result this standard was not adopted. Therefore, the impact of the standard is not material to entity's annual statements for the current period.

### **GRAP 107: Mergers**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions.

It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

The effective date of the standard is for years beginning on or after 01 April 2015. For the year under review, PSETA did not have any transaction that meets definition for merger; as a result this standard was not adopted.

The impact of the standard is not material to the entity's annual statements for the current period.

### **Standards 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 2016 or later periods:

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

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

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

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

The standard elaborates on the definitions and identification of:

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

## Notes to the financial statements for the period ended 31 March 2016

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

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

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

The entity expects to adopt the standard for the first time in the 2017 annual financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Notes to the financial statements for the period ended 31 March 2016

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

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

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service

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

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

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

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

## Notes to the financial statements

for the period ended 31 March 2016

### 27. Financial instruments

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

	Floating rate		Fixed Rate		Non-interest bearing		TOTAL
	Amount	Effective interest rate	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in years	Amount	Weighted average period for which until maturity in years	
	R'000				R'000		R'000
<b>31 March 2016</b>							
<b>ASSETS</b>							
Cash	119 830	0.63%	-	-	-	-	119 830
Accounts receivable	-	-	-	-	850	1 year	850
<b>Total financial assets</b>	<b>119 830</b>	<b>0.63%</b>	<b>-</b>	<b>-</b>	<b>850</b>	<b>-</b>	<b>120 680</b>
<b>LIABILITIES</b>							
Accounts payable	-	-	-	-	(5 735)	1 year	(5 735)
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5 735)</b>	<b>-</b>	<b>(5 735)</b>
	<b>119 830</b>				<b>(4 885)</b>		<b>114 945</b>

## Notes to the financial statements

for the period ended 31 March 2016

	Floating rate		Fixed Rate		Non-interest bearing		TOTAL
	Amount	Effective interest rate	Amount	Weighted average effective interest rate %	Amount	Weighted average period for which until maturity in years	
	R'000		R'000		R'000		R'000
<b>31 March 2016</b>							
<b>31 March 2015 (Restated)</b>							
<b>ASSETS</b>							
Cash	66 171	0.23%	-	-	-	-	66 171
Accounts receivable	-	-	-	-	1 207	1 year	1 207
<b>Total financial assets</b>	<b>66 171</b>	<b>0.23%</b>	<b>-</b>	<b>-</b>	<b>1 207</b>	<b>-</b>	<b>67 378</b>
<b>LIABILITIES</b>							
Accounts payable	-	-	-	-	(4 378)	1 year	(4 378)
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4 378)</b>	<b>-</b>	<b>(4 378)</b>
	<b>66 171</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3 171)</b>	<b>-</b>	<b>63 000</b>

## Notes to the financial statements

### for the period ended 31 March 2016

#### Credit risk

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

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

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

#### Cash & cash equivalents

	2015/16		2014/15	
	Gross	Impairment	Gross	Impairment
Not past due	119 830	-	66 171	-
Past due 0 - 30 days	-	-	-	-
Past due 31 - 120 days	-	-	-	-
Past due 1 year	-	-	-	-

#### Liquidity risk

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

	2015/16					
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
Trade and other payables from exchange transactions	5 735	5 735	5 735	-	-	-

	2014/15					
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
Trade and other payables from exchange transactions	4 378	4 378	4 378	-	-	-



## Notes to the financial statements for the period ended 31 March 2016

### *Market risk*

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

### *Fair values*

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

### *Cash and cash equivalents*

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

### *Accounts receivable*

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

### *Investments*

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

### *Borrowings*

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

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

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

### *Accounts payable*

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

## Notes to the financial statements for the period ended 31 March 2016

### 28. PSETA's Future Continued Operations

All SETAs operate on a two year extended license, linked to the life-cycle of the National Skills Development Strategy (NSDS). NSDS III expires on 31 March 2018 and the PSETA license will expire at the same time.

### 29. Significant events

An amount of R 4.618 million was owing by PSETA to NSF which was reflected in the audited annual financial statements for the financial year ending 31 March 2015. This balance had been long outstanding and as a result, it was raised as a finding by the Auditor General year-on-year. On the 2<sup>nd</sup> of September 2015, PSETA received a letter from DHET informing PSETA that the debt for R2.009 million can be written off. Further, the Accounting Authority condoned the irregular expenditure of R2.609 million due to the confirmation by the SIU investigation that the amount is irrecoverable by the SETA from the third parties involved. This resulted in PSETA writing off the total amount owing to NSF in its financial statements for the financial year ending 31 March 2016.



