

ANNUAL REPORT

2018/19



higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



Registered Name

Services Sector Education and Training Authority

Country of incorporation and domicile

South Africa

Physical Address

15 Sherborne Road
Parktown
Johannesburg
2193

Postal address

P.O. Box 3322
Houghton
Johannesburg
2041

Telephone Number

+27 11 276 9600

Email Address

customercare@servicesseta.org.za

Website Address

www.servicesseta.org.za

External Auditors

Auditor-General of South Africa (AGSA)

Bankers

South African Reserve Bank
Standard Bank
Investec
First National Bank

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PRESENTATION OF THE ANNUAL REPORT TO THE MINISTER OF HIGHER EDUCATION, SCIENCE AND TECHNOLOGY



Dr Bonginkosi Emmanuel 'Blade' Nzimande

Minister of Higher Education, Science and Technology

It is my privilege and honour to present - in terms of Section 65 of the Public Finance Management Act, 1999 - the 2018/19 Annual Report of the Services Sector Education and Training Authority (Services SETA) to the Minister of Higher Education, Science and Technology, Dr Blade Nzimande

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

Dr Marinkie Maria Madioppe

Chairperson of the Accounting Authority
Services SETA



PART A: STRATEGIC OVERVIEW

ABBREVIATIONS / ACRONYMS LIST

| | | | |
|---------------|---|------------------|--|
| AA | Accounting Authority | EXCO | Executive Committee |
| ABVA | Association of BEE Verification Agencies | GDP | Gross Domestic Product |
| AET | Adult Education & Training | GRAP | Generally Recognised Accounting Practice |
| AFS | Annual Financial Statements | HET | Higher Education and Training |
| AGSA | Auditor-General of South Africa | HOTELLICA | Hotel, Liquor, Catering, Commercial and Allied Workers Union |
| ANASA | Allied Nursing Association of South Africa | ICT | Information Communication and Technology |
| APP | Annual Performance Plan | IDPS | Integrated Development Plans |
| APSO | Federation of African Professional Staffing Organisations | IEASA | Institute of Estate Agents of South Africa |
| APR | Annual Performance Report | IFEA | International Festivals & Events Association Africa |
| ATR | Annual Training Report | IPAD | Industrial Policy Action Plan |
| AQP | Assessment Quality Partner | LIMS | Learner Information Management System |
| BCEA | Basic Conditions of Employment Act | M&E | Monitoring and Evaluation |
| B-BBEE | Broad-Based Black Economic Empowerment | MG | Mandatory Grant |
| CBA | Cost-benefit analysis | MPAT | Management Performance Assessment Tool |
| CBO | Community Based Organisation | MOU | Memorandum of Understanding |
| CCMG | Contact Centre Management Group | MTSF | Medium Term Strategic Framework |
| CEO | Chief Executive Officer | NGO | Non-Governmental Organisation |
| CFO | Chief Financial Officer | NGP | New Growth Path |
| DHET | Department of Higher Education and Training | NLPEs | Non Levy Paying Employer |
| DG | Discretionary Grants | NLRD | National Learner Records Database |
| DMASA | Direct Marketing Association of South Africa | NSDS | National Skills Development Strategy |
| DSBD | Department of Small Business Development | NSF | National Skills Fund |
| Dti | Department of Trade and Industry | NQF | National Qualifications Framework |
| EAAB | Estate Agency Affairs Board | OFO | Organising Framework for Occupations |
| ECDi | Entrepreneurship and Cooperative Development Institute | OPSA | Association for Office Professionals of South Africa |
| EOHCB | Employers Organisation for Hairdressing, Cosmetology and Beauty | PDIs | Previously Disadvantaged Individuals |
| ERM | Enterprise Risk Management | PFMA | Public Finance Management Act |
| ETQA | Education and Training Quality Assurance | PSET | Post School Education and Training |
| | | QCTO | Quality Council for Trades and Occupations |
| | | RPL | Recognition of Prior Learning |

| | |
|-----------------|--|
| SAIA | South African Institute of Auctioneers |
| SAFPA | South African Funeral Practitioners Association |
| SAPAA | South African Professional Auctioneers Association |
| SAQA | South African Qualifications Authority |
| SATAWU | South African Transport and Allied Workers Union |
| SATSA | South African Textile Services Association |
| SARS | South African Revenue Service |
| SCM | Supply Chain Management |
| SDA | Skills Development Act |
| SDC | Skills Development Centres |
| SDL | Skills Development Levy |
| SDP | Skills Development Provider |
| SEDA | Small Enterprise Development Agency |
| Sefa | Small Enterprise Finance Agency |
| SETA | Sector Education and Training Authority |
| SIC | Standard Industrial Classification |
| SIP | Strategic Integrated Projects |
| SLA | Service Level Agreement |
| SMME | Small, Medium, and Micro Enterprise |
| SP | Strategic Plan |
| SSP | Sector Skills Plan |
| STATS SA | Statistics South Africa |
| TID | Technical Indicator Description |
| TVET | Technical and Vocational Education and Training |
| UASA | United Association of South Africa |
| WSP | Workplace Skills Plan |

Vision, Mission and Values

Vision

To serve, to deliver, for renewal, for prosperity.

Mission

Facilitation of quality skills development for employment and entrepreneurship in the Services Sector for national economic growth.

Values

- Accountability
- Innovation
- Integrity
- Professionalism
- Responsiveness

Legislative and other Mandates

Skills Development Act (SDA)

The Services Sector Education and Training Authority (Services SETA) was established in terms of the Skills Development Act of 1998. It receives levy income in terms of the Skills Development Levies Act (1999). The SETA is required to manage these funds in accordance with the terms of the Public Finance Management Act (PFMA) and various regulations emanating from that Act, including Supply Chain Management Regulations. These Acts are amended from time to time, and such amendments need to be factored into the work of the Services SETA.

South African Qualifications Authority Act

The work of the SETA is further guided by the South African Qualifications Authority Act of 1995. This Act provided for the Services SETA to apply to become an Education Training Quality Assurer (ETQA) in 2000. This legislation was subsequently adjusted by the National Qualifications Framework Act of 2008 and the 2008 amendments to the Skills Development Act (2008) establishing the Quality Council for Trades and Occupations (QCTO).

Public Finance Management Act (PFMA)

The Services SETA is a public entity accountable to the Minister of Higher Education. As a public entity, the SETA must produce a Strategic Plan (SP) and Annual Performance Plan (APP) in accordance with Treasury Regulations emanating from the PFMA. As an organisation accounting to the Minister, it is incumbent on the Services SETA to respond to the broader government policy and strategy framework.

National Skills Development Strategy III (NSDSIII)

The NSDSIII provides a framework for the Services SETA to align its work to the New Growth Path (NGP), the Industrial Policy Action Plan (IPAPII), the National Skills Accord, and other mandates such as Broad-Based Black Economic Empowerment (B-BBEE) and other provisions relating to employment equity and the Charter processes in so far as they impact on the services sector.

Other Mandates

Medium Term Strategic Framework of Government (MTSF)
 National Human Resource Development Strategy
 Youth Development Strategy
 Rural Growth and Development Strategy
 National Skills Development Plan (NSDP)

FOREWORD BY THE CHAIRPERSON OF THE ACCOUNTING AUTHORITY



Dr Marinkie Maria Madiope
Chairperson of the Accounting Authority

It gives me great pleasure to present the Services SETA's Annual Report 2018/19. This financial year has been by-and-large a successful and joyous one for us as the Accounting Authority and staff members of the Services SETA. The current Board inherited a rich culture of high performance as demonstrated by a clean audit over three successive years, followed by an unqualified one in 2016/17. In our first year in office, we were able to resuscitate the culture of effective and efficient financial management and sound controls in line with the Public Finance Management Act. However, the current reporting period saw us regress slightly to a qualified audit. This has largely been due to measures we introduced to improve operational efficiencies.

We are delighted that we were able to address the problem around the commitment schedule which was twice our annual income. Through adopting a staggered approach, we were able to bring this situation to a tolerable level. We were equally able to pay service providers' invoices and learner stipends within a reasonable period. We continued to improve our efficiency by leveraging on ICT to deliver services on time and in a cost-effective manner. Furthermore, we digitised most of our application processes to streamline our stakeholders experiences. This move has garnered favourable responses from our stakeholders: employers, learners, workers and service providers.

Building on the previous year's momentum, we continued to reach out to our stakeholders across the country through a variety of fora: print, electronic and social media, stakeholder engagements sessions and one-on-one engagements. This process enabled us to communicate our challenges more effectively and to attend to their concerns professionally. These initiatives have allowed us to strengthen our relationships with our stakeholders and build an impeccable collaboration and collegiality. The situation has enabled us to understand the needs of our stakeholders and build programme offerings that meet their expectations.

We have strongly embraced the Fourth Industrial Revolution by anchoring our service delivery model and operations around ICT improvements. As pointed out above, we have digitised most of our application processes to simplify laborious processes. We are working on the myriad of ways we can deliver our core business and learning programmes, through ICT, including quality assurance. We are therefore investing our resources in building a reliable and efficient ICT infrastructure, including cyber security to secure sensitive stakeholder information. We are also investing in research on the impact of the Fourth Industrial Revolution on the services sector.

We owe endearment to all our stakeholders learners who have exercised immeasurable patience and support as we were working on these turnaround strategies, often to their inconvenience. We appreciate all contributions and suggestions offered that enabled us to improve our operations model and internal systems. We however, also

recognise that this has been a challenging year focused on cost containment, governance consolidation.

As the appointees of the Accounting Authority of the Services SETA, we continue to serve the needs of our stakeholders with selfless conviction.

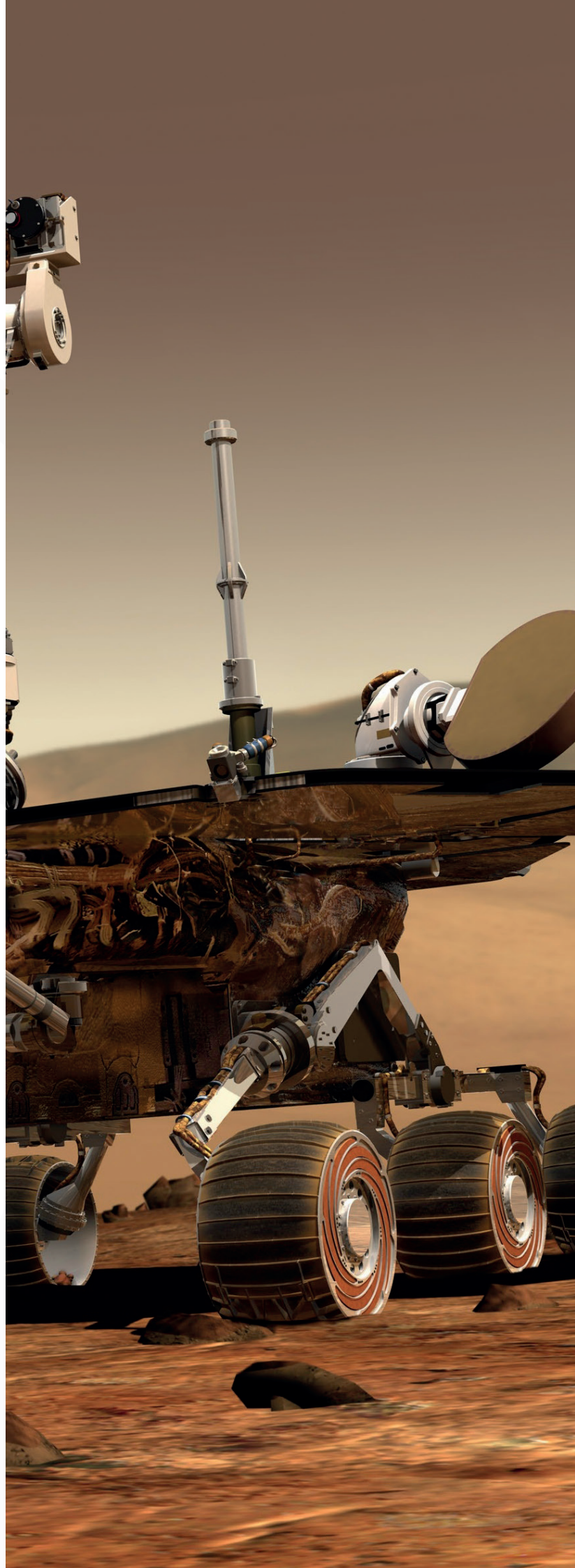
We want to thank our staff members, under the dynamic leadership of the CEO (the first women to hold the position in the history of the Services SETA) who worked long and hard hours to help us turn the Services SETA around. Our overall organisational performance against target surpassed last year's by 16%, leaving us just 3% shy of 100%. This achievement is certainly something to be celebrated.

We are also appreciative of the support and guidance we enjoyed from the National Skills Authority and the Department of Higher Education and Training.

We want to encourage our stakeholders to continue to support us as we do our utmost to revolutionise skills development for the growth of the services sector, leveraging on the Fourth Industrial Revolution and the opportunities it presents us.



Dr Marinkie Maria Madiopo
Chairperson of the Accounting Authority
Services SETA



CHIEF EXECUTIVE OFFICER'S OVERVIEW



Amanda Buzo-Gqoboka
Chief Executive Officer

Introduction

In the current financial year 2018/19, the Services SETA underwent a significant change in management and governance, which came with the introduction of a new Accounting Authority and later in the year a new Chief Executive Officer. These changes further strengthened the need for the new guard to support the vision, mission and values of the Services SETA, which seek to facilitate quality skills development for the employment and entrepreneurship in the Services Sector for national economic growth.

Key Initiatives

For the current year, I have chosen to focus on a number of projects which I found personally important to ensure that the SETA offers value for money programmes for its recipients. The first of which is to improve learner company inductions, to include all key departments that impact on the learners, such as finance department (stipend management), legal department (contracting and statutory requirements and CORE Business learning programme coordination and facilitation.

The second programme is to strengthen and align the Services SETA operations to technology advancements.

This has seen the full implementation of the Learner Management Information System (LMIS) as of the 1st of April 2019. Another key project is the development of an e-learning platform and policy for the delivery of learning programmes. This development has been met with positivity from our stakeholders, and is envisaged to be implemented in the beginning of 2020.

Another project that has been developed for implementation is the rolling out of a Workplace Readiness Programme for interns that are funded by the Services SETA. This programme came as a request from industries who bemoaned a challenge with the interns that they place in their workplaces, who have a challenge with adjusting to the world of work. This programme will focus on key soft skills, such as communication skills and time management amongst others.

The establishment of the Entrepreneurship and Cooperative Development Institute, has through the assistance of industry and subject matter experts, developed implementation plans to support township and rural economic revitalisation, cooperative and SMME support. These projects were identified due to a realisation that the job market is shrinking every year, while the unemployment rate continues to rise, and it would not be sustainable to train only for employment.

New Operational Developments

The gazettement of the new Workplace Based Learning Programme Agreement Regulations, 2018, and the new direction from the QCTO to prioritise Occupational Qualifications, has had a significant impact on the operations and plans of the organisation. As the regulations came into effect on 1 April 2019, this meant the manner in which Services SETA implements learning programmes needed to change. This was successfully managed through the full implementation of the LMIS platform for learner registrations. The new drive for occupational qualifications, saw the Services SETA identifying 14 qualifications, through stakeholder engagements, that will be realigned to occupational qualifications by the end of 2020.

Performance of the SETA

A significant improvement has been achieved in overall organisational performance against performance indicators and targets between the previous and current financial years with an increase from 81% to 97% of performance indicators achieved. This is the highest level of achievement for the Services SETA, to date, and is a great indicator that the organisation is fulfilling its mandate for skills development. The achievement also came in a year where the organisation also faced industrial action, however the staff, still maintained a high performance attitude towards their roles and responsibilities, and as the chief executive officer, I am grateful for this and will support the organisation to the best of my abilities, that this culture is maintained.

Audit Outcomes

Unfortunately, the organisation has regressed from the prior year Clean Audit Opinion, and has been issued with a Qualified Audit Opinion. This opinion came as a result of an error in the commitments schedule supporting the annual financial statements. It would be fair to note that there were no significant findings that were raised on the audit of predetermined objections, and the Services SETA was given an unqualified conclusion on its performance information.

Acknowledgement

Management thanks the Accounting Authority for its continued support, guidance and oversight. Furthermore, we have seen greater participation and involvement from our stakeholders and we are appreciative of this as we recognise that for us to achieve our mandate, we need stakeholder participation.

In a year that has been dogged by negative media reports and change management challenges, I would like to also acknowledge the hard work of the Services SETA team. The goals and objectives of this organisation can only be achieved to the extent that we have a dedicated team. I would also like to convey my gratitude to the Department of Higher Education, Science and Technology, for their continued support, guidance and leadership.



Amanda Buzo-Gqoboka
Chief Executive Officer

Services Sector Profile

The Services SETA is one of the 21 Sector Education, and Training Authorities (SETAs) established in terms of the Skills Development Act of 1998. It is the largest SETA in terms of the scope. It covers 70 Standard Industrial Classification (SIC) codes or industries. There are six Chambers and 16 subsectors, see Table 1.

Table 1. The Services SETA's Chambers and Subsectors

| Services SETA Sector Chambers and Sub-sectors | | |
|--|----------|---|
| Sub-sector title | SIC code | Gazetted industry descriptor |
| Chamber 1: Cleaning and Hiring Services Chamber 1: Cleaning and Hiring Services | | |
| Hiring Services | 86025 | Office machinery, equipment and rental leasing |
| | 50500 | Renting of construction or demolition equipment with operators |
| | 85000 | Renting of machinery and equipment, without an operator and of personal and household |
| | 85200 | Renting of other machinery and equipment |
| | 85300 | Renting of personal and household goods n.e.c. |
| | 99029 | Function and catering equipment hire |
| | 99035 | Miscellaneous item hire |
| | 99036 | Truck hire |
| | 99037 | Video hire |
| | 99052 | Truck and plant hire |
| Household Services | 99025 | Dry cleaning and laundering |
| | 99026 | Garden maintenance services |
| Domestic services | 99027 | Domestic services |
| Cleaning Services | 99002 | General cleaning |
| | 99047 | Pet care |
| | 99018 | Cleaning of carpet and upholstery |
| | 99019 | Cleaning equipment and consumable supply |
| Chamber 2: Communication and Marketing Services | | |
| Marketing Services | 9001 | Marketing services |
| | 9002 | Marketing communications (Incl. Public relations) |
| | 9008 | Direct Marketing |
| | 88130 | Market research and public opinion polling |
| | 99038 | Brand marketers |
| Call centres | 99055 | Call centre management of people |
| Postal services | 75110 | National postal activities |
| | 75111 | Banking via the post office |
| | 75121 | Mail handling |

| Services SETA Sector Chambers and Sub-sectors | | |
|---|----------|--|
| Sub-sector title | SIC code | Gazetted industry descriptor |
| | | |
| Labour recruitment Services | 88918 | Permanent employment agencies |
| | 88910 | Labour recruitment and provision of staff |
| | 88916 | Private employment agencies and temporary employment services |
| | 88917 | Temporary employment services |
| Collective services | 95120 | Activities of professional organisations |
| | 95155 | Professional bodies n.e.c |
| | 95991 | Bargaining councils and dispute resolution |
| | 95992 | Associations, federations and umbrella bodies |
| Chamber 4: Management and Business Services | | |
| Business services | 61421 | Import and export of various metals |
| | 88000 | Other business activities |
| | 88141 | General consulting services |
| | 88900 | Business activities n.e.c. |
| | 96490 | Other recreational activities |
| | 99000 | Other service activities |
| | 99014 | Quality management and related services |
| | 99016 | Ngo management and services |
| | 99015 | Non financial business management and management consulting |
| | 99090 | Other service activities n.e.c. |
| Project management Services | 99039 | Generic project management |
| | 99056 | Event and conference management excluding the operation of convention centres |
| Chamber 5: Personal Care Services | | |
| Hair care Services | 99022 | Ladies hairdressing |
| | 99023 | Men's and ladies hairdressing |
| Beauty treatment Services | 99024 | Beauty treatment |
| | 99041 | Nail technology including nail technologist, nail technicians and distributors and agencies of nail products |
| | 99042 | Non allied registered perfumery including aromatic oils and related products, perfumery consultants, salespeople and agencies of nail products |
| | 99043 | Health and skin care incl. health and skin care therapists, stress therapists and somatologists, slimming salons and distributors of slimming products including slimming machines |
| | 99044 | Make up artistry |
| | 99045 | Personal Services Agencies |

| Services SETA Sector Chambers and Sub-sectors | | |
|---|----------|---|
| Sub-sector title | SIC code | Gazetted industry descriptor |
| Beauty treatment Services | 99050 | Distributors of slimming products including slimming machines |
| | 99051 | Distributors of makeup products and related merchandise |
| Funeral services | 34260 | Cutting, shaping and finishing of stone |
| | 99030 | Funeral and related activities |
| | 99033 | Coffin making by funeral enterprises |
| | 99034 | Manufacture of Funeral and Tombstones |
| Fashion Services | 99046 | Modelling agencies |
| | 99054 | Fashion design not related to clothing |
| Chamber 6: Real Estate and Related Services | | |
| Real Estate and Related services | 50411 | Decorating Business/interior designers and decorators |
| | 84000 | Real estate activities |
| | 84100 | Real estate activities with own or leased properties |
| | 84200 | Real estate duties on a fee or contract basis |
| | 84201 | Real estate valuation services |
| | 84202 | Property management services |
| | 84203 | Estate agencies |
| | 99053 | Valuers, including auctioneers |

The services sector, as defined above, contributes 18% to the South African Gross Domestic Product (GDP), that is, R510,106,000 of the R2,842,411,000 national fiscus. In employment terms, the sector creates employment opportunities for 3,293,510 individuals; that is 28% of the national employment rate. The majority of employees are African (70%), male (57%) and less than 35 years of age (61%).

As of May 2018, approximately 176,793 employers were falling within the Services SETA demarcation. The Management and Business Services Chamber is the largest chamber with 143,856 (81%) employers, followed by the Real Estate and Related Services Chamber with 13,167 (7%) employers. The Communication and Marketing Services Chamber is the smallest with 3,678 employers. The majority of which are located in the Gauteng, Western Cape and KwaZulu-Natal provinces.



Planning Department Overview

Strategic Overview

The Planning Department comprises of the Sector Skills and Strategic Planning, Performance Verification and Reporting, the Impact Assessment functions, and Chamber Operations. For this reporting period, the Department made a significant contribution to the performance of the organisation, particularly in the following areas:

1.1 Skills Planning Research collaboration

In order to strengthen planning for skills development across the Post-Education and Training (PSET) system, the Services SETA commissioned a number of research studies to help it identify and understand the skills needs of the services sector. The following studies have been concluded in the current reporting period:

| NO | PROJECT TITLE | PROJECT PURPOSE / SCOPE |
|----|--|--|
| 1 | Quantitative interviews on skills demand and supply in the services sector | A trend analysis of the skills demand and supply in the services sector industry, using the DHET-issued employer interview guide. |
| 2 | Skills Demand forecasting for the services sector in South Africa | To produce a skills-demand forecasting model that can provide accurate numbers for skills demand in the service sector. |
| 3 | NVC Study | To undertake an impact evaluation of the new venture creation intervention on emerging and aspirant entrepreneurs. |
| 4 | Future Jobs Study | To identify plausible future work, jobs and skills scenarios in the services industry; jobs that may change between now and 2030; jobs that are at risk between now and 2030; new jobs that might emerge between now and 2030. |
| 5 | Formative evaluation of Skills Development Centres (SDC) Study | To conduct a formative evaluation of the Services SETA SDCs to provide critical information and recommendations that will be used to develop an operational model that can be utilised to effectively and efficiently manage SDCs. |

The Services SETA has additionally partnered with the Department of Higher Education, Science & Technology (DHET) and Bank SETA to establish The Collaborative Research Working Group, comprised of DHET entities. The aim of the partnership is to undertake wide-ranging research across the spectrum, through Research Chair partnerships with public Universities. The research partnerships cover areas such as impact assessment, evaluation, governance and labour market intelligence. The completion of these studies is 31 March 2020. The Following projects are worth highlighting:

| NO | PROJECT TITLE | PROJECT PURPOSE |
|----|---|---|
| 1 | Development of a high-level Monitoring and Evaluation Framework for SETAs | Develop a high-level Monitoring & Evaluation (M&E) framework for all SETAs and support all other components of the Research Chair. To be used by DHET, SETAs and parties appointed, to continuously monitor and regularly evaluate the functioning of SETAs and their impact, enable SETAs to be accountable to stakeholders and in equal measure, to learn from M&E findings to increase their positive impact within their sphere of influence. |

| NO | PROJECT TITLE | PROJECT PURPOSE |
|----|---|--|
| 2 | Evaluating skills development for enterprise development in a township economy | To develop an M&E framework for skills development for enterprise development in a township economy. The framework will enable SETAs to perform contextual diagnostics to assess the probability of favourable outcomes for enterprise development training in different contexts, develop strategies for creating more enabling environments in designated contexts and learn from the M&E findings to increase their impact. |
| 3 | Development of a Cost-Benefit Analysis (CBA) Tool for SETA (Research partnership with Rhodes University) | Develop a tool for conducting a Cost-Benefit Analysis of the SETA projects, to be used with the high-level M&E Framework. The CBA tool will focus on work-based learning projects, but its methodology, basic principles and features can also be used for the CBA of other projects undertaken by SETAs. |
| 4 | Develop Performance Standards for the assessment of SETA Performance | To develop performance standards to be used in the assessment of SETA Performance. It will be guided by the High high-level M&E Framework and by an evaluation of the existing performance assessment framework(s) in place, in particular, the Management Performance Assessment Tool (MPAT). |
| 5 | Develop a Tracer Study | To investigate the destinations of learners who complete workplace based learning programmes that are funded by SETAs. An additional objective is to develop a standardised research methodology which can be used to track the completers of WBL programmes regularly, across all 21 SETAs . |
| 6 | Development of a Framework for Monitoring, Evaluation and Implementation of Discretionary Grants (DGs) | Develop a specific framework for the M&E of the implementation of the DG, for all SETAs. The aim is to develop effective and innovative <i>methodological approaches</i> for evaluating DG implementation, to allow SETAs to collectively build an understanding of <i>what works, in what context and why</i> ; as well as <i>what has not worked, and why?</i> To inform improvements. |
| 7 | Development of M&E Framework for the Mandatory Grants (MGs) | This framework will assist SETAs and stakeholders in understanding known challenges in implementing the MG and assess the success of measures to address them. The results should inform the annual reviews of Policy, Strategic Plans, Sector Skills Plans (SSPs) and APPs, introducing a stronger learning and transformative strategic focus. |
| 8 | Evaluate SETA Governance | To undertake an evaluation of SETA governance. By focusing on governance, this evaluation will look at an important consideration in the functioning, effectiveness and impact of SETAs, and their sustainability. |
| 9 | Develop a Capacity Development Programme for SETAs | Develop and implement a capacity development programme for SETA representatives (research and M&E staff) in the form of an accredited 'long short course'. It will complement and finish off the M&E tools and frameworks from the rest of the programme. |

| NO | PROJECT TITLE | PROJECT PURPOSE |
|----|--|--|
| 10 | Organising Framework for Occupation (OFO) Mapping Research | To conduct in-depth research to improve the accuracy of the job to OFO mapping. Part of this process will be the development of an electronic tool to assist employers with the mapping process; to conduct in-depth research to better understand occupations in their complex and dynamic totality; and the delivery of a research report that investigates a selection of occupations in more detail and depth resulting in a more granular understanding of these occupations. |

1.2 Strengthen Services SETA capacity for Supply

Driven largely by Chamber Operations, that is positioned as the direct link between the SETA and the industry, the following highlights and achievements for the period under review are worth noting:

The reviewing and realignment or development of current Services SETA occupational qualifications:

- Labour Relations Practice qualifications into Labour Inspector Occupational Qualification.
- The development of the Occupational Qualification: Embalmer.
- Approval for the realignment/development of the Small Business Advisor/Consultant: Occupational qualification.
- Approval for the realignment/development of a Market Researcher: Occupational qualification.
- Approval for the realignment/development of a Digital Marketer: Occupational qualification/ part-qualification to enhance the skills of existing employees and contribute to economic growth.
- The development of the Occupational Qualification: Stonemason, which will help tombstone manufacturers obtain a qualification.

The registration of an Image Consultant as an occupation on the OFO will result in the participation of the image consulting industry in skills development after a very long time. This industry is now working with the Services SETA on the development of an occupational qualification which will lead to the formalisation of training and recognition of practitioners in the industry.

Other significant areas of success in aligning industry needs to the SETA's offering include:

- The approval of a targeted approach to DG allocations for the postal services industry.
- The implementation of a Candidacy programme for the real estate industry.
- The approval for, and implementation of a project to support the auctioneering sub-sector, with a view to, among others, strengthen capacity for the supply of skills in the auctioneering sub-sector; the implementation of training for the current workforce and new entrants in the auctioneering sub-sector.
- The approval for, and the opening of, a DG window for the Management and Business Services Chamber in line with the targeted approach.

CORE BUSINESS OPERATIONS

Learning Programmes Project Coordination Division

The success story for the 2018-2019 reporting year is the improved project coordination services, which has resulted in the overall improvement in the achievement rate of all learner enrolment and completion targets. It is envisaged that the new Workplace-Based Learning Programme Agreement Regulations and full ICT operationalisation will significantly improve the organisation's operations, and its ability to achieve its annual targets.

Qualifications Development Division

Significant achievements in the current year are among others:

- The registration of six Occupational Qualifications;
- The submission of four Occupational Qualifications for registration and
- The ongoing development/re-alignment of eight occupational qualifications.

The Services SETA has managed to remedy a multiple number of challenges to the uploading of learner records on the National Learner Records Database (NLRD), through an integrated operational and ICT strategy, which yielded the following and resulted in the SETA receiving an 89.5% green status.

Accreditation Division

The Services SETA implemented programmes aimed at strengthening the supply side of skills development, with a particular focus on Skills Development Providers. The purpose of the quality assurance function is to accredit skills development providers and fulfil the QCTO delegated quality assurance function. Processing applications for accreditation is a primary function falling under this programme. A total of 1,079 applications were received and evaluated; with 889 being assisted in attaining accreditation. Special effort was also initiated to assist first-time applicants with the accreditation process. An independent service provider ensured that all requirements were met before applications were submitted. As a result, a total of 203 first-time applicants were accredited and issued with learning material.

Provincial Operations Division

Outreach Programmes

The Services SETA through its provincial operations, and initiated by both national and provincial government departments, hosted and supported over 40 outreach programmes. This included career guidance events for school-going and out-of-school youth and youth capacity development events. The Services SETA initiated 18 of these career guidance events and delivered information in collaboration with other partners in the post-school education and training system (PSET). These resulted in 12,000 youth, mainly in rural areas, orientated on opportunities the PSET system offers including Services SETA offerings.

Stakeholder Education

Through its ten provincial operations nodes, Services SETA provisioned stakeholder education aimed at increasing capacity of the services sector in relation to the supply-side of the organisation's value chain. It also supports Technical and Vocational Education and Training Colleges (TVET) as well as small to medium enterprises seeking accreditation to offer programmes.

Stakeholder Engagements

Consultative provincial stakeholder engagements sessions were conducted by the Services SETA Accounting Authority (AA) during the year under review. Through these engagements, stakeholders were presented to the newly constituted Accounting Authority as well as the appointed Chief Executive Officer of the organisation. Also, in these sessions, the organisation's previous performance report, as well as the organisational status (reviewed year) and strategic programmes and operational plans, were shared with stakeholders.

Workplace Skills Plan Department

The Services SETA's Mandatory Grant application process opened on the 1st March 2018 and closed on 31 April 2018, as per the legislated deadline. The number of submissions increased as compared to the previous year.

| Provincial Spread | Small | Medium | Large | Total | % |
|------------------------|--------------|------------|------------|--------------|-------------|
| All Submissions | 2 742 | 882 | 617 | 4 241 | 100% |
| Eastern Cape | 154 | 50 | 27 | 231 | 5% |
| Free State | 50 | 23 | 10 | 83 | 2% |
| Gauteng | 1 703 | 549 | 372 | 2 624 | 62% |
| KwaZulu Natal | 333 | 91 | 85 | 509 | 12% |
| Limpopo | 25 | 5 | 8 | 38 | 1% |
| Mpumalanga | 31 | 10 | 11 | 52 | 1% |
| North West | 27 | 11 | 7 | 45 | 1% |
| Northern Cape | 4 | 2 | 3 | 9 | 0% |
| South Africa National | 11 | 7 | 2 | 20 | 0% |
| Western Cape | 404 | 134 | 92 | 630 | 15% |

Industry-funded Learning Programme Unit

The Services SETA's Industry Funded Learning Programme Unit processes the registration of learners and learnerships for employers that fall within the scope of the Services SETA. The registrations are processed and managed through the Services SETA online Learner Information Management System (LMIS).

The Unit received 1,311 industry-funded applications for the year 2018/19. Employer investment in skills development continues to grow within the Sector as

Industry-Funded Programmes are critical to employers B-BBEE scorecards and tax incentives. The number of applications is expected to grow significantly in the New Year. The Learnership Regulations (2007) were repealed and replaced with The SETAs Workplace-Based Learning Programme Agreement Regulations (2018). The new regulations will come into effect on 1 April 2019. All industry-funded work-integrated learning programmes registration for Services SETA employers will be registered by the Unit.



Special Projects and Infrastructure Projects

Background

The Special Projects Unit continues to drive transformation using skills development as an instrument. The mandate has tremendously grown beyond public institutions and non-profit organisations. While the objective is to advocate transformation, the Special Projects Unit has resolved to ultimately respond to the National Development Plan, Human Resources Development Strategy and National Skills Development Strategy.

The approach has seen the Services SETA partner with big corporates in South Africa to rigorously respond to the unemployment scourge. Such partnerships have the potential to respond to various categories of the population, focusing mainly on Youth as the most affected category in the main.

Rural prioritisation remains at the helm of the Special Projects Unit's mandate. The Services SETA has reached far-ends of the country with a new approach to penetrate rural areas through Tribal Authorities, as informed by the economic situation in the country. The thinking behind the strategy is to propel entrepreneurship through which jobs will be created, and economic participation by the youth sector will be amassed.

The year under review has seen the strengthening of relations with government departments and institutions of higher learning. The appetite shown by the government in skills development initiatives has encouraged the Services SETA to form more partnerships for the benefit of the country at large.

In supporting learning programmes to increase access for training opportunities contributing to skills development throughout, Services SETA has expanded on the infrastructure of skills development centres. In addition to the skills development centres, the Services SETA has recognised a need to support one of the objectives of the White Paper for Post School Education and Training, which is that of catering for the needs of millions of adults and youth who are unemployed, poorly educated and not studying through the establishment of Community Colleges.

Rural Development Projects

The approach to capacitate informal and formal formations in rural areas has shown progress in building an inclusive economy through skills development initiatives. Limpopo and KwaZulu Natal took priority where relationships were developed with Tribal Authorities. Linked to funded interventions, the Services SETA established SDCs as structures to facilitate Skills Development and positively respond to the challenges identified in relation to unemployment and the lack of requisite skills to support economic drivers within the different municipal areas, with special emphasis on the rural areas. To this end, the SDCs in Kokstad and Cala have been finalised and handed over for operationalisation purposes.

The following SDCs and Artisan Development Academies have been reported active in the year under review:

| No. | Project Name | Partner | Province |
|-----|--|--|----------------|
| 1 | Motheo National Artisan Development Academy | Motheo TVET College | Free State |
| 2 | Greater Kokstad Municipality Skills Development Centre | Greater Kokstad Local Municipality | Kwa-Zulu Natal |
| 3 | Cala Skills Development Centre | Sakhisizwe Local Municipality | Eastern Cape |
| 4 | Prieska Skills Development Centre | Northern Cape Department of Public Works | Northern Cape |
| 5 | Ngqeleni Chicken Community Project | Mqwangqweni Tribal Authority | Eastern Cape |
| 6 | Nkonkobe Skills Development Centre | Raymond Mhlaba Local Municipality | Eastern Cape |

| No. | Project Name | Partner | Province |
|-----|--|--|----------------|
| 7 | Beaufort West Skills Development Centre | Beaufort West Local Municipality | Western Cape |
| 8 | Mkuze Skills Development Centre | UMkhanyakude District Municipality | Kwa-Zulu Natal |
| 9 | Paul Pietersburg (Dumbe) Skills Development Centre | KZN Department of Social Development | Kwa-Zulu Natal |
| 10 | Mount Coke Skills Development Centre | Buffalo City Metropolitan Municipality | Eastern Cape |
| 11 | Lesedi Skills Development Centre | Lesedi Local Municipality | Gauteng |
| 12 | Hair and Skin Care Institute | University of Cape Town (UCT) | Western Cape |
| 13 | Ga-Phasha | Ga-Phasha | Limpopo |
| 14 | Ga-Mafefe | Ga-Mafefe Tribal Authority | Limpopo |
| 15 | Elsiesriver | DHET CET | Western Cape |

Municipalities

The interests shown by municipalities in terms of driving skills development has enabled these institutions to respond to their Integrated Development Plans (IDPs) by mobilising youth within their municipal boundaries. The Services SETA positively responded to the call to address unemployment through Skills Development with municipalities being key drivers. The following municipalities were committed in the prior year and implemented in the year under review.

| No. | Municipality Name | Province |
|-----|--|----------------|
| 1 | Buffalo City Metropolitan Municipality | Eastern Cape |
| 2 | Engcobo Municipality | Eastern Cape |
| 3 | Lesedi Municipality | Gauteng |
| 4 | Ngqushwa Municipality | Eastern Cape |
| 5 | Ngwathe Municipality | Free State |
| 6. | UPhongolo Municipality | Kwa Zulu Natal |
| 7. | Rand West Municipality | Gauteng |
| 8. | Thabo Mofutsanyane Municipality | Free State |



ENTREPRENEURSHIP AND THE COOPERATIVE DEVELOPMENT INSTITUTE (ECDi)

High unemployment, low economic growth, structural inequality and spatial divides are recognised contextual challenges facing South Africa. Technology is changing the world of work as we know it, and various occupations or part-occupations are becoming obsolete, while new ones emerge. This has significant implications for skills demand in an ever-changing world. The reality is that the formal sector cannot absorb the 6.1 million unemployed people.

New Venture Creation and Business Advisory occupational qualifications fall under the scope of the Services SETA as do several other qualifications relevant to emerging, small and growing businesses and cooperatives. This includes business administration, project management, general management, human resources, labour relations, communication and brand management, as well as sales and marketing. Furthermore, the services sector has high opportunities for entrepreneurial activity.

The Vision

Towards the end of 2016/17, the Services SETA Accounting Authority resolved to establish a national Entrepreneurship and Cooperative Development Institute (ECDi) to offer new and innovative skills development content, products and services to entrepreneurs, both virtually and physically.

Following comprehensive stakeholder engagement reaching more than 200 individuals from over 100 entities during the 2017/18 financial year, the ECDi Programme of Action was conceptualised and is informed by extensive literature and research gathering evidence of impacts, successes and failures. Solutions were mapped against segmented problems facing entrepreneurs and businesses at different levels of capital intensity and stages of their life cycle. Furthermore, solutions were evaluated against critical success factors and criteria including relevance, scale, impact, access and sustainability.

An Advisory Committee of experts was established under the auspices of the Services SETA Accounting Authority to inform the development and production of the conceptual framework. The adopted 9-point Programme of Action was officially announced at an Inaugural ECDi Conference held on 01 March 2018. The Conference was attended by more than 500 delegates, including entrepreneurial ecosystem stakeholders, policy-makers, researchers, implementers, intermediaries and entrepreneurs.

In 2018, a new Division was established within the Services SETA to lead the design, development and testing of the ECDi Programme of Action. The initial plan was to build the Institute in Centurion, Johannesburg, but these plans were later deferred due to insufficient available funding. Similarly, the development plan of the ECDi Programme of Action had to be amended and phased over a longer period. This is now at least a three- to five-year process. As such, ECDi content, products and services are not yet readily available. Throughout the development process, stakeholders will be engaged to inform the design and relevance of content, products and services.

It is not the individual components of the Programme of Action that make it ground-breaking, but the combination, integration, scale and approach adopted.

The Model

The ECDi Programme of Action is centred upon two goals, namely enhancing the entrepreneurial ecosystem and empowering entrepreneurs. The ultimate impact of these goals is job creation and revenue growth through promotion, development and acceleration of entrepreneurs, small businesses and cooperatives, and equity and economic inclusivity through transformational imperatives that target black, youth, women and disabled entrepreneurs in townships and rural areas.

The ECDi model is similar to that of the SETAs. In fulfilling its mission, the SETAs fund and facilitate skills development through the provision of grants awarded according to researched gaps or mismatches between the supply and demand of skills. The organisation does not implement skills development, but rather functions as a bridge or primary intermediary between the demand- and supply-side, the world of work and the world of education. Many SETAs also have the authority to quality assure occupational level qualifications through the accreditation of skills development providers, and quality assure external moderation of learner achievements.

Similarly, therefore, the ECDi shall fund and facilitate skills development 'support' within and across the entrepreneurial ecosystem. Skills development 'support' can be interpreted in so many different ways having little to no impact. However, informed by well-researched information, the ECDi Programme of Action seeks to achieve high impact solutions, that will then be used as a core and standard example of what constitutes 'support' for entrepreneurs.

The ECDi shall also enhance quality and refer supply and demand within and across the entrepreneurial ecosystem through partnerships. The objective is to standardise fundable products and services that offer peer, mentored and applied learning to emerging, small and growing businesses. The intention is to leverage on what already exists and fill supply gaps, enhancing relevance, quality and innovation.

Partnership is an important mechanism through which the Programme of Action will be developed and delivered. On 5 December 2017, the Services SETA concluded a Memorandum of Understanding (MOU) with the Department of Small Business Development (DSBD) and its agencies, the Small Enterprise Development Agency (SEDA) and the Small Enterprise Finance Agency (sefa). The Department of Higher Education and Training (DHET) and Services SETA also established an InterSETA Collaborative Partnership to support the development of the ECDi Programme of Action in 2018.

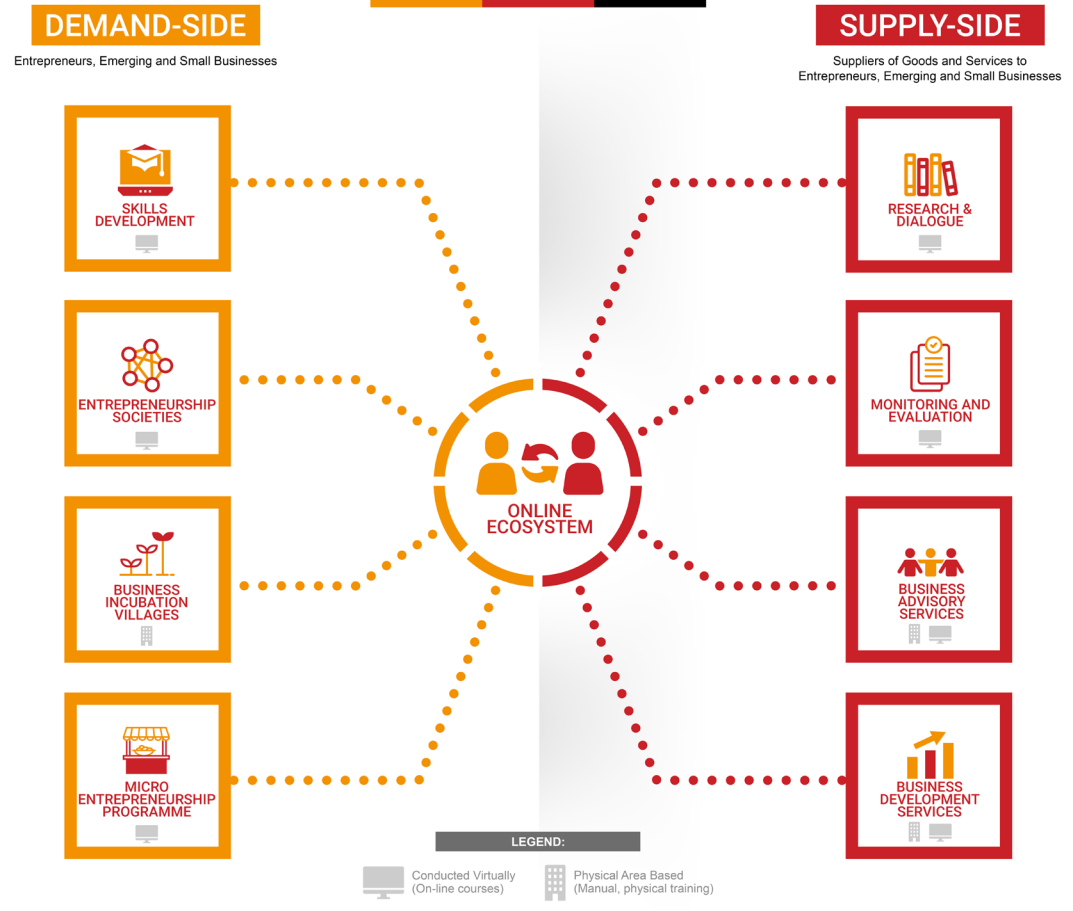
The reality

Entrepreneurs need access to three things: to information, to markets, and to finance. Skills and competencies form the foundation of all of these. Entrepreneurs, therefore, need technical, managerial and entrepreneurial skills. The nature of the business determines the technical skills requirements. Managerial and entrepreneurial skills are not the same and are needed at different stages of the business life cycle. Entrepreneurial skills, appetite and aptitude, are needed right from the outset. Even if these are present, what is vital is a viable business concept – a product or service that people actually want to buy.

The reality is that few people have the innate ability to innovate the next BIG idea. The other reality is that entrepreneurs learn and consume information in different ways. Mostly, they prefer to learn practically and through observation, mentorship and peers. This necessitated finding a balance between formal and informal learning and providing short-format digital content. While qualifications are a significant enabler for employment qualifications, it may not have the same significance and relevance for entrepreneurship. Entrepreneurship and cooperative development may not be the panacea to unemployment, but with the right 'support' products, it has the potential to make a real impact. Exactly what is meant by the right 'support' is what the ECDi is all about.



THE PROGRAMME OF ACTION INTERVENTIONS



The Programme of Action

1. **Research and Dialogue:** Communities of Practice, comprised of practitioners and policymakers, established as learning networks to exchange and shape best practice across various disciplines within the entrepreneurial ecosystem. These learnings will influence the research agenda, investments in research and the use of findings shared through online repositories, seminars and conferences.
2. **Societies:** Online toolkits for establishing peer learning networks in schools, colleges, universities, workplaces and communities. These peer networks are organised by self-identified entrepreneurial champions and enable shared learning and problem-solving, promoting early-stage entrepreneurial activity. eTools and eLearning content will be readily available to society champions and members that register through the online ecosystem.
3. **Business Advisory Services:** A set of standardised business advisory services products that provide applied learning and support to emerging, small and growing businesses in the form of advising, consulting, mentoring and coaching. Funding of these products will be promoted across all SETAs and economic sectors, similar to existing learning programmes. Establishing an online supply-side network of qualified business advisors will further enable automated matching of supply and demand and the promotion of adequacy and quality of supply

4. Online Ecosystem: A single integrated and interactive online government portal for entrepreneurs and ecosystem practitioners that will enable automated matching of supply and demand. This portal seeks to integrate and maintain emerging, small and growing business data and information across existing government systems. Over time this system will also integrate eTools, eLearning content and eServices - One Portal - One Database - One Virtual Incubator.
5. Business Incubation Villages: Partnering with public entities and municipalities to establish business incubation sites. Offering subsidised business premises, shared services and business development services to resident startups and small businesses for one to three years, accelerating skills and business development and providing shared services and business development services to visiting emerging, small and growing businesses.
6. Micro-Entrepreneurship Programme: Viable business concepts for micro-enterprises developed as businesses-in-a-box for easy and affordable implementation and replication in rural communities and townships. Offering technical know-how and step-by-step guidelines for starting up and growing a micro-enterprise that generates products and services for which there is local demand. This is ideal for youth wanting to be self-employed and potentially employing others but not knowing where to start.
7. Business Development Services: A set of standardised business development service products that provide a package of business services, over and above business advisory services, to high-growth and high-potential, small and growing businesses aimed at exponentially and rapidly increasing their skills and business development, the scale of production, revenue and job creation.
8. Skills Development: eTools and short-format modular eLearning content, aligned to the stages of a business life cycle, specifically to startups, for business growth and established businesses. Readily available on the online ecosystem. A business-to-business internship programme that renders services to emerging, small and growing businesses as clients under the supervision of a network of expert mentors and after simulated learning in disciplines such as human resources, labour relations, communication and brand management, sales and marketing, bookkeeping and accounting, business administration, project management and operations management; and
9. Monitoring and Evaluation: A country-level scorecard and results framework that standardises and collects data and information at outcomes level. A programme-level scorecard and results framework that collects data and information at output level and integrates into the country-level scorecard. Routine measurement and monitoring are essential to enable continuous investment and improvement.

THE TRANSFORMATION AGENDA OF THE SERVICES SETA

The Services SETA considers B-BBEE and transformation vital to achieving its mission and vision. It is regarded as the first SETA to comply with the Broad-Based Black Economic Empowerment Amendment Act.

The Services SETA is measured on the Generic Specialised Scorecard as Gazetted by the Department of Trade and Industry (the dti). Services SETA is currently a Level-4 B-BBEE contributor, with its BEE certificate expiring on 27 September 2019.

Management Control

The organisation is currently represented by 85.7% black members which is an improvement from 78% as observed in the previous financial year. Black female member representation has decreased from 67% as recorded in the previous financial year, to 35.7%. This, however, does not negatively affect the scores under the measurement element and it has appointed an African female as the Chief Executive Officer.

Employment Equity

The Services SETA has finalised an Employment Equity Plan, which was informed by a robust and successful workplace analysis that identified barriers that hinder progress on Employment Equity and provides an opportunity to explore solutions. The organisation is confident about achieving the targets and recruitment activities as part of the Plan.

Disability inclusiveness remains a top priority, and Services SETA ensures that each occupational level is fairly represented as guided by the economic active population targets generated by Statistics South Africa (STATS SA). In addition, it continues to promote women in leadership roles and provides all the necessary support they may need, such as Women in Leadership Development Programmes.

Skills Development

Services SETA's employees are the cornerstone of the organisation. It aims to empower its employees through continuous investment in skills development programmes and bursary offerings. It is also exploring

avenues to enhance the qualifications in the A and B occupational level through learnership programmes with the required credit-bearing unit standards.

Part of the SETA mandate is to promote workplace-based learning through internships. Services SETA is not exempt from this and has employed a total of 59 interns participating in a 12-month internship programme. Each intern's progress is closely monitored and tracked by their mentor to ensure effective skills transfer takes place, and to increase the chances of absorption by the industry. The Services SETA strives to meet and exceed its APP targets for bursary and learnership allocations.

Preferential Procurement

This measurement is based on suppliers that are awarded contracts through the Services SETA's procurement processes that are aligned to the Preferential Procurement Policy Framework Act Regulation 2017, which in turn is in line with section 217 of the Constitution of South Africa. The Services SETA has achieved the maximum score on procurement of goods and services from Exempted Micro Enterprises (enterprises that are 51% owned by black people and enterprises that are 30% owned by black women). In addition, it received bonus points for procuring from Designated Group Suppliers that are at least 51% Black-owned based on the B-BBEE Recognition Level.

Services SETA's goal is to ensure that all suppliers are BEE compliant and will continually assist those that seek compliance. The relevant templates are on the *website: www.servicesseta.org.za* under the Procurement tab.

Supplier Development

Services SETA has invested in a Supplier Development Initiative aimed at assisting all SMME Discretionary grantees to successfully complete allocated projects. It entails a comprehensive project management offering that is administered by a reputable service provider. The project is intended to fill the gaps previously identified, where Small, Medium and Micro Enterprises (SMMEs) do not complete their projects due to document control



issues, submission requirements and a pure lack of business skills. It is aimed at accelerating learner exit percentages and developing small businesses to run effectively. The integral part of the project is the live project management tool, where an SMME can interact with the Services SETA in terms of the status of the project and on any outstanding matters.

Enterprise Development

SMME Accreditation Support Programme

The Enterprise Development strategy is intended to feed into the organisation's value chain and aims at assisting SMMEs with the entire Accreditation process. This intervention entails Accreditation Workshops, Skills Programmes in line with business support, and assisting SMMEs with uploading documents in the Learning Intervention and Monitoring system. The progress is, so far, stable and satisfactory, and the organisation is optimistic about the desired output. To date, a total of 560 skills development providers attended basic business development training, which comprises of both credit-bearing and non-credit bearing courses.

Socio-Economic Development

The Services SETA has contributed to various initiatives aimed at improving non-profit organisations and the well-being of beneficiaries. These contributions are in line with the organisation's Socio-Economic policy and B-BBEE Codes of Good Practice. The policy is broad and covers infrastructure and skills development interventions and sponsorships.

Organisational Compliance

The Services SETA, being a public organisation which operates within the Skills Development Act and other relevant legislation, is committed to the effective and efficient preservation, promotion and management of public funds for targeted beneficiaries to create public value. The Services SETA recognises its accountability to all its stakeholders under the legal and regulatory requirements applicable to its business and is committed to high standards of integrity and fair dealing in the conduct of its business.

The Organisational Compliance Department enjoys the support of the Accounting Authority and Office of the Chief Executive Officer, who demonstrate the importance of a compliance culture and management. For the past four years, the organisation has committed to ensuring that it focuses on improving its compliance maturity level. This is achieved by ensuring that it conducts regular compliance assessments against the Annual Compliance Plan. This is risk-based to manage the risk of non-achievement of the Services SETA objectives and to avoid penalties, fines and reputational damage. It also introduced an early warning system to proactively warn relevant managers ahead of due dates for regulatory and other obligatory submissions, as well as a penalty clause in all service provider's contracts (non-compliance with the terms of reference or stated norms and service level agreement) to ensure business continuity and maintenance of high standards.

The compliance maturity level now sits at Level 3 - Actively Managed and Proactive. The department, together with management, is working tirelessly to improve the organisation's standing from a Level 3 to the last maturity level of Level 4 - Fully Integrated and Embedded.

The organisation is also committed to training and holding information sessions with compliance champions and coordinators on compliance obligations relevant to their areas of responsibility. Staff members are continuously trained and reminded of the importance of compliance. Members of management are encouraged to promote visible compliance culture.

In line with Services SETA's values (leading by example). Board members are kept up to date with changes in the regulatory environment that affect the Services SETA to enable them to exercise their fiduciary duties properly. The CEO and Board are also kept abreast of the progress of compliance monitoring and management by receiving regular reports from the Senior Manager: Organisational Compliance. Areas of non-compliance identified during compliance assessments are tracked and put in an Action Plan, which is monitored and followed up monthly. The responsible managers are assisted in ensuring that they remedy the areas of non-compliance within the agreed timeframes.

The Compliance department is constantly scanning the environment to identify new/reviewed regulatory requirements. It also tracks all emerging audit findings as per the audit reports (internal and external) to ensure effective and efficient resolution of audit findings and implementation of recommendations given.

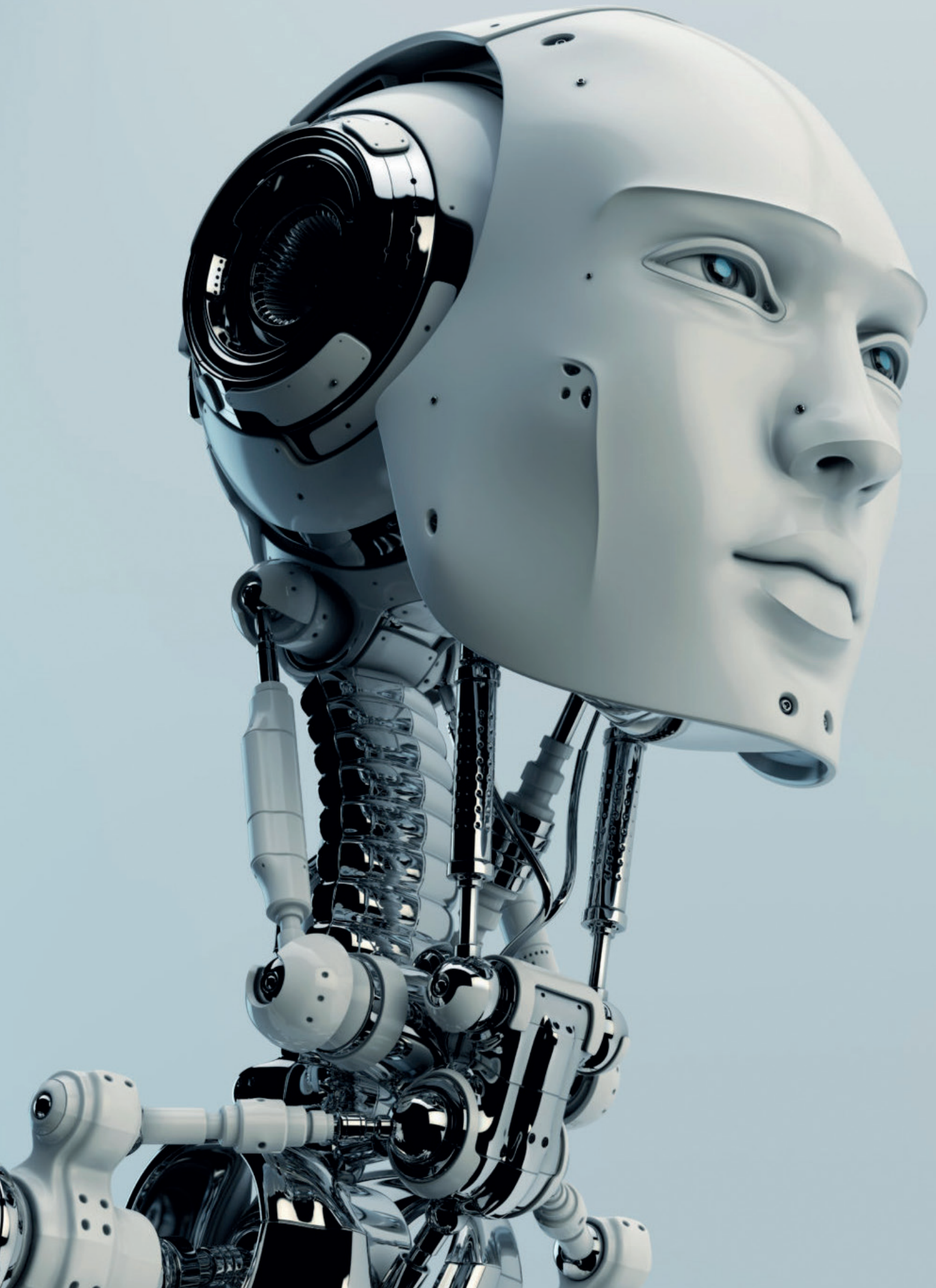
The Compliance department is dedicated to assuring compliance with the Board, and guidance and advice to the CEO and management of the Services SETA. It continues to adhere to Mervin King's code of good governance: – *compliance should be an ethical imperative from a corporate governance perspective.*


Enterprise Risk Management (ERM)

Enterprise Risk Management (ERM) supports the Governance, Risk and Compliance Framework of the Services SETA to ensure that the organisation reliably achieves its objectives, addresses uncertainty and acts with integrity. The organisational approved Risk Governance Framework includes the methods and processes used to manage risks and seize opportunities related to the achievement of our objectives and is a risk-based approach for integrating concepts of internal control and strategic planning.

Quarterly risk progress reports were submitted to the Governance Risk and Strategy Committee and the Audit Committee on time, to ensure oversight and determine the effectiveness of the ERM process. The internal auditors conducted the annual adequacy and effectiveness audit of the Enterprise Risk Management and have reported that risk management is firmly embedded in the institution and that metrics to measure the value add of risk management are implemented and sufficient.







**PART B: PERFORMANCE AGAINST
PREDETERMINED OBJECTIVES FOR
THE FINANCIAL YEAR 2018 / 2019**

PERFORMANCE INFORMATION REPORT ON PREDETERMINED OBJECTIVES 2018/19

Structure of results reporting

The 2018/19 Strategic Plan and Annual Performance Plan structured the Services SETA's predetermined objectives into four programmes, each comprising of strategic objectives, programme performance indicators and corresponding targets.

The results achieved between 1 April 2018 and 31 March 2019, or as at the end of this reporting period, together with a result and variance explanation are

tabulated by programme and performance indicator. Continued improvements were effected to strengthen the specific, measurable, achievable, relevant and time-bound criteria for predetermined objectives.

Performance Indicator Rating Scale



Target achieved or exceeded 100% and above



Target not achieved Below 100%

Summary of performance Indicator Ratings by Programme

| Programme | Performance Indicators Achieved | | Performance Indicators Not Achieved | |
|--------------------------|---------------------------------|------------|-------------------------------------|-----------|
| 1 Administration | 4/4 | 100% | 0/4 | 0% |
| 2 Skills Planning | 2/2 | 100% | 0/2 | 0% |
| 3 Learning Interventions | 25/26 | 96% | 1/26 | 4% |
| 4 Quality Management | 3/3 | 100% | 0/3 | 0% |
| ALL | 34/35 | 97% | 1/35 | 4% |

Comparative Indicator Rating between 2017/18 and 2018/19

A significant improvement has been achieved in overall organisational performance against performance indicators and targets between the previous and current

financial years. This comparative rating is presented in the table below and shows an increase from **81%** to **97%** of the performance indicators achieved.

| Rating | 2018/19 | | 2017/18 | |
|------------------------------------|---------|-----|---------|-----|
| | # | % | # | % |
| Performance Indicator Achieved | 34/35 | 97% | 47/58 | 81% |
| Performance Indicator Not Achieved | 1/35 | 3% | 11/58 | 19% |

2018/19 Annual Performance Plan Results

Programme 1: Administration

The purpose of this programme is to enable the delivery of the Services SETA's mandate through the delivery of support services. This programme is aligned to Strategic Goal 4: Strengthening the Services SETA's capability to lead the sector through policies, processes, systems and competencies.

This programme comprises of four sub-programmes, namely Finance, Human Resources, Organisational Compliance and Strategic Risk Management. All 100% (4/4) performance targets were achieved. On the financial and performance scorecard the Services SETA has improved and was issued with a Clean Audit Opinion by the Auditor-General of South Africa for the 2017/18 financial year.

The Human Resources and Development Department has maintained a staff complement of 84%, which was as a result of a targeted recruitment strategy applied by the Human Resources and Development department, including the appointment of key management personnel to ensure the stability and continuity of operations to improve the organisation's operational efficiencies. The Services SETA has also implemented all audit and risk action plans to ensure that the audit and operational risk is duly managed throughout the year.

Programme 2: Skills Planning

The purpose of this programme is to enable the Services SETA and Services Sector to target relevant skills development. The Services SETA is responsible for researching skills needs within the Services Sector, issuing the Sector Skills Plan, developing strategic and annual performance plans for the Services SETA, monitoring and evaluating organisational performance, and conducting targeted evaluations to strengthen programme improvement in executing its mandate. This programme is aligned to all of the Strategic Goals in that it informs the Services SETA and Sector Priorities and capabilities and directs needs and supply in terms of the flow and stock of skills within the Services Sector. All performance targets were achieved under this programme, including the successful completion of five research studies that would influence the strategic planning of the Services SETA. Noticeable of which is the Future Jobs Study which focused on plausible future work; jobs and skills scenarios in the services industry; jobs that may change between now and 2030; jobs that are at risk between now and 2030; and finally, new jobs that might emerge between now and 2030. In a drive to ensure that levy-paying employers participate in skills development in their relevant sectors, the Services SETA provided technical assistance support to 733 employers, which resulted in the overall submission of 4,228 WSPs for the year.

Programme 3: Learning Interventions

The purpose of this programme is to disburse SETA discretionary grants through special and regular projects for infrastructure development, to expand access to skills development in rural and underserved areas, and pivotal learning interventions. Special

projects are targeted interventions that meet national and transformational imperatives, whereas regular projects are granted on application in response to advertised opportunities. The programme consists of four primary functions, namely: Special Projects, Learning Intervention Project Coordination, Chambers Operations and Provincial Operations.

A total of 96% (25/26) performance targets were achieved. A total of 31,226 Services SETA funded learners were reported as enrolled during this reporting period and a total of 19,939 funded learners had completed their various learning programmes and were upheld through external moderation and reports and completions. The Services SETA committed funding for the establishment of 15 skills development centres and seven rural development projects, in collaboration with local TVET colleges. These partnerships aim to progressively achieve transformational imperatives and national priorities, enabling access to skills development opportunities in rural areas. The Services SETA also planned and conducted 18 Career Guidance events to promote qualifications and facilitate access to skills development opportunities.

Programme 4: Quality Assurance

The purpose of this programme is to accredit skills development providers and fulfil the QCTO delegated quality assurance of learner achievements function. Registered moderators and assessors is a requirement for skills development provider accreditation. Processing applications for accreditation is a primary function falling under this programme. An average 83% (899/1,079) of skills development practitioner accreditation applications were processed successfully, and of those that were unsuccessful, 63% were capacitated and assisted in converting their status to successful.

Achievement against Transformational Imperatives of SETA Funded Learning Interventions

The current year enrolment results are disaggregated across transformational imperatives in the table below:

| Learning Intervention | Enrolment 2018/19 | Employed | Unemployed | Female | Black | Disability | Youth | Rural |
|-------------------------------|-------------------|--------------|---------------|---------------|---------------|------------|---------------|------------|
| Adult Education and Training | 644 | - | 644 | 496 | 629 | 0% | 208 | 63% |
| Artisans | 3,030 | 221 | 2,809 | 1,629 | 2,545 | 1% | 2,770 | 14% |
| Bursaries | 4,143 | 711 | 3,432 | 2,468 | 3,916 | 2% | 3,963 | 17% |
| Candidacy Programmes | 190 | 166 | 24 | 123 | 82 | 1% | 105 | 6% |
| HET Graduates | 1,820 | - | 1,820 | 1,216 | 1,784 | 1% | 1,751 | 32% |
| Internships | 2,028 | - | 2,028 | 1,494 | 2,003 | 1% | 1,975 | 52% |
| Learnerships | 14,389 | 1,029 | 13,360 | 10,119 | 13,147 | 3% | 12,849 | 46% |
| Recognition of Prior Learning | 1,104 | - | 1,104 | 833 | 941 | 1% | 655 | 21% |
| Skills Programmes | 3,216 | 2,195 | 1,021 | 2,279 | 2,886 | 1% | 2,296 | 25% |
| TVET Placements | 662 | - | 662 | 516 | 660 | 1% | 648 | 64% |
| TOTAL | 31,226 | 4,322 | 26,904 | 20,161 | 27,304 | 2% | 26,364 | 33% |

Services SETA funded learner enrolments for the NSDS III Period

The following table represents an overall view of the Services SETA investment in skills development over the NSDS III period.

| NSDS III Financial and Reporting Years | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | TOTAL |
|---|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | |
| Learnerships enrolled | 1,276 | 314 | 5,682 | 3,693 | 20,029 | 14,542 | 23,227 | 14,389 | 83,152 |
| Employed | 491 | 297 | 2,595 | 1,335 | 1,871 | 2,272 | 3,576 | 1,029 | 13,466 |
| Unemployed | 785 | 17 | 3,087 | 2,358 | 18,158 | 12,270 | 19,651 | 13,360 | 69,686 |
| Bursaries enrolled | 128 | - | 744 | 3,671 | 1,409 | 3,283 | 4,017 | 4,143 | 17,395 |
| Employed | 128 | - | 646 | 1,424 | 478 | 312 | 1,302 | 711 | 5,001 |
| Unemployed | - | - | 98 | 2,247 | 931 | 2,971 | 2,715 | 3,432 | 12,394 |
| Skills Programmes enrolled | 493 | 200 | 1,032 | 789 | 3,871 | 1,680 | 5,945 | 3,216 | 17,226 |
| Employed | 237 | - | 1,002 | 789 | 914 | 1,455 | 5,086 | 2,195 | 11,678 |
| Unemployed | 256 | 200 | 30 | - | 2,957 | 225 | 859 | 1,021 | 5,548 |
| Internships enrolled | 615 | 1,026 | 1,172 | 3,599 | 3,087 | 9,212 | 9,114 | 4,510 | 32,335 |
| Artisans enrolled | 1,800 | - | 100 | 643 | 476 | 2,497 | 2,254 | 3,030 | 10,800 |
| Recognition of Prior Learning enrolled | - | - | 1,314 | - | 174 | 353 | 1,021 | 1,104 | 3,966 |
| Adult Education and Training enrolled | - | - | 578 | 85 | 1,734 | 309 | 1,064 | 644 | 4,414 |
| Candidacies | - | - | - | - | - | - | 50 | 190 | 240 |
| TOTALS | 4,312 | 1,540 | 10,622 | 12,480 | 30,780 | 31,876 | 46,692 | 31,226 | 169,528 |

Services SETA Annual Performance Report for the period 1 April 2018 to 31 March 2019

Programme 1: Administration

| STRATEGIC OBJECTIVE 1.1: Financial and performance reporting of the Services SETA is managed in a transparent, efficient and effective manner to maintain clean audit. | | | | | | |
|--|--|----------------------------|-----------------------|---------------|---|---|
| STRATEGIC ACTIVITY | PERFORMANCE INDICATORS | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | ANNUAL RESULT | RATING | RESULTS AND VARIANCE EXPLANATION |
| Improve management of the Services SETA financial affairs | 1.1.1 Outcome of Annual Audit | Unqualified | Clean | Clean |  | The Auditor-General of South Africa has issued the Services SETA with a clean audit opinion on the audit of performance information, in the 2017-18 Annual Audit Report. |
| STRATEGIC OBJECTIVE 1.2: People competencies retained and systems developed to leverage technology enabling operational efficiency | | | | | | |
| STRATEGIC ACTIVITY | PERFORMANCE INDICATORS | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | Annual Result | Rating | Results and Variance Explanation |
| Human resources effectively managed to ensure adequate and sufficiently skilled people retained and performance monitored. | 1.2.1 Percentage of staff complement maintained | 94% | 80% | 84% |  | There were 247/294 positions filled which resulted in the staff complement being maintained at 84%. As at 31 March 2019, it was achieved through continuous recruitment activities during the year to ensure that key vacant positions were filled. |

| STRATEGIC OBJECTIVE 1.3: | | Accountable governance and leadership oversight focussed on high performance, compliance, internal controls and enterprise-wide risk mitigation | | | | | |
|---|---|---|--------------------------|---------------|---|---|--|
| STRATEGIC ACTIVITY | PERFORMANCE INDICATORS | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | ANNUAL RESULT | RATING | RESULTS AND VARIANCE EXPLANATION | |
| Facilitate compliance and strengthen internal control through assessment, development and monitoring action plans | 1.3.1 Percentage of compliance action plans actioned | 100% | 100% | 100% |  | All compliance action plans, as per the compliance review checklist have had remedial action plans implemented. | |
| Mitigate the negative impact of identified strategic risks | 1.3.2 Percentage of risk action plans actioned | 100% | 100% | 100% |  | All risk action plans, as per the compliance review checklist have had remedial action plans implemented. | |

Programme 2: Skills Planning

| Expand research capabilities and credibility to inform relevant and evidence-based planning | | | | | | |
|--|---|-------------------------------|--------------------------|---------------|---|--|
| STRATEGIC OBJECTIVE 2.1. | PERFORMANCE INDICATORS | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | ANNUAL RESULT | RATING | RESULTS AND VARIANCE EXPLANATION |
| Improve the research capabilities of the Services SETA | 2.1.1 Number of research studies conducted | 2 | 5 | 5 |  | There are five research studies conducted in the current year, in line with the current year's Research Agenda: 1. Quantitative interviews on skills demand and supply in the services sector 2. Skills Demand forecasting for the services sector in South Africa 3. NVC Study 4. Future Jobs Study 5. Formative evaluation of Skills Development Centres Study. |
| Promote industry investment in workplace skills development and occupational qualifications strengthening work-integrated learning | | | | | | |
| STRATEGIC OBJECTIVE 2.2 | PERFORMANCE INDICATORS | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | ANNUAL RESULT | Rating | Results and Variance Explanation |
| Provide technical assistance and support to employers to submit WSP and ATR | 2.2.1 Number of employers provided with technical assistance support to submit WSP/ATR | - | 500 | 733 |  | There were 733 employers that were provided with technical assistance to enable successful submission of WSP/ATR in order to participate in Mandatory Grants. |

Programme 3: Learning Interventions

| Expand infrastructure for skills and enterprise development and target rural development | | | | | | |
|--|--|-------------------------------|--------------------------|---------------|---|---|
| STRATEGIC OBJECTIVE 3.1 | PERFORMANCE INDICATORS | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | ANNUAL RESULT | RATING | RESULTS AND VARIANCE EXPLANATION |
| Special Projects Implemented to support the transformation agenda | 3.1.1 Number of active rural development projects | 5 | 5 | 7 |  | <p>There are currently seven rural development projects underway, namely:</p> <ol style="list-style-type: none"> 1. Ngqeleni Chicken Run 2. Emfundisweni Skills Development Centre 3. Mkuze Skills Development Centre 4. Ga-Mafefe Skills Development Centre 5. Tshisaulu Skills Development Centre 6. Siyathemba Municipality (Prieska) 7. Ga-Phasha <p>The overachievement was due to an increase in initiatives by the SETA in rural areas to increase access to skills development programmes.</p> |

| Expand infrastructure for skills and enterprise development and target rural development | | | | | | |
|--|---|----------------------------|-----------------------|---------------|---|--|
| STRATEGIC OBJECTIVE 3.1 | | | | | | |
| STRATEGIC ACTIVITY | PERFORMANCE INDICATORS | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | ANNUAL RESULT | RATING | RESULTS AND VARIANCE EXPLANATION |
| | 3.1.2 Number of active infrastructure development projects | 15 | 15 | 15 |  | The following 15 infrastructure development projects are active: 1. Motheo 2. Cala 3. Kokstad 4. Prieska 5. Nkonkobe 6. Ga-Phasha 7. Ga-Mafefe 8. UCT 9. Mkuze 10. Mount Coke 11. Elsie'sriver 12. Nggeleni 13. Paulpietersburg 14. Beaufort West 15. Lesedi (Heidelberg) |

| National priorities promoted through supply- and demand-side partnership development | | | | | | |
|--|--|-------------------------------|--------------------------|---------------|---|---|
| STRATEGIC OBJECTIVE 3.2 | PERFORMANCE INDICATORS | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | ANNUAL RESULT | RATING | RESULTS AND VARIANCE EXPLANATION |
| Special Projects Implemented to support the transformation agenda | 3.2.1 Number of partnerships with institutions of higher learning | 16 | 8 | 8 |  | Cumulatively there are eight partnerships with Institutions of Higher learning that were entered into the current reporting period, through various special projects and DG funding opportunities, which resulted in the achievement of the annual target. |
| | 3.2.2 Number of partnerships developed with public and private entities | 192 | 500 | 518 |  | Cumulatively there are 518 partnerships with public and private entities that were entered into the current reporting period, through various special projects and DG funding opportunities, and through sector- funded initiatives. The overachievement was due to a higher demand for SETA programmes and related partnerships. |

| Transformation and sustainability promoted through targeted enterprise development | | | | | | |
|--|---|-------------------------------|--------------------------|---------------|---|--|
| STRATEGIC OBJECTIVE 3.3 | Transformation and sustainability promoted through targeted enterprise development | | | | | |
| STRATEGIC ACTIVITY | PERFORMANCE INDICATORS | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | ANNUAL RESULT | RATING | RESULTS AND VARIANCE EXPLANATION |
| Special Projects Implemented to support the transformation agenda | 3.3.1 Number of small businesses supported | 1 586 | 600 | 862 |  | Cooperatives, SMMEs and NLPes, were supported through various Special Project initiatives focusing on enterprise development. The overachievement was due to targeted initiatives aimed at supporting small business through enterprise development and skills development programmes. |
| | 3.3.2 Number of non- governmental and community-based organisations supported | 104 | 100 | 100 |  | NGOs were supported through various DG and targeted special project allocations. The achievement was due to a targeted special project intervention aimed at providing NGOs with organisation-specific skills development programmes. |
| | 3.3.3 Number of Trade Unions supported | 11 | 4 | 4 |  | NGOs were supported through a targeted DG allocation window. The achievement was due to a targeted DG allocation window aimed at providing NGOs with organisation-specific skills development programmes. |

| Enrol unfunded learners to enhance the industry's investment in skills development | | | | | | | |
|--|------------------------|-------------------------------------|-------------------------------|--------------------------|---------------|---|--|
| STRATEGIC OBJECTIVE 3.4 | PERFORMANCE INDICATORS | | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | ANNUAL RESULT | RATING | RESULTS AND VARIANCE EXPLANATION |
| Process learner enrolments in accordance with commitments | 3.4.1 | Number of Unfunded Learners entered | - | 500 | 517 |  | A total number of 517 unfunded (sector) funded learners were entered into the current year. The over-achievement was due to an increased need to prioritise the facilitation of unfunded (sector funded) learner interventions, as a key focus area for the Department of Higher Education and Training. |
| Enrol funded learners to achieve targets, strengthening alignment to scarce and critical demand, and priority skills | | | | | | | |
| STRATEGIC OBJECTIVE 3.4 | PERFORMANCE INDICATORS | | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | ANNUAL RESULT | RATING | RESULTS AND VARIANCE EXPLANATION |
| Process learner enrolments in accordance with commitments | 3.4.2 | Number of Learnerships Entered | 23 227 | 13 500 | 14 389 |  | Target over-achieved based on DG and SP enrolments realised in the current reporting period. The SETA had received a high number of applications for various interventions which resulted in an increased number of allocations for learner enrolments in the current reporting period. |
| | 3.4.3 | Number of Learnerships Completed | 5 514 | 11 469 | 12 495 |  | Target was over-achieved based through a re-prioritisation and improved scheduling of external moderations, which resulted in increased learner exits and certification. |

| STRATEGIC OBJECTIVE 3.4 | | Enrol funded learners to achieve targets, strengthening alignment to scarce and critical demand, and priority skills | | | | | | |
|----------------------------|--|--|-----------------------|---------------|---|--|--|--|
| STRATEGIC ACTIVITY | PERFORMANCE INDICATORS | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | ANNUAL RESULT | RATING | RESULTS AND VARIANCE EXPLANATION | | |
| 3.4 | 3.4.4 Number of Bursaries Entered | 4 017 | 3 500 | 4 143 |  | Target over-achieved due to a high number of learner application received for bursary funding, which resulted in the SETA having to increase its funding for bursary students. | | |
| | 3.4.5 Number of Bursaries Completed | 2 106 | 1 033 | 1 333 |  | Target over-achieved due to a higher number of learners who managed to pass all modules within their respective year of study. | | |
| | 3.4.6 Number of Skills Programmes Entered | 5 945 | 2 900 | 3 216 |  | The target was overachieved due to a high intake of learners for SDF, Workplace and Coaching Skills Programmes, and Assessor and Moderator skills programmes rolled out during the current reporting period. | | |
| | 3.4.7 Number of Skills Programmes Completed | 1 953 | 2 104 | 2 038 |  | The target was not achieved due to challenges and delays that were experienced in the external moderation processes, which resulted in not all learner completions, undergoing moderation and certification on time. | | |



| STRATEGIC OBJECTIVE 3.4 | | Enrol funded learners to achieve targets, strengthening alignment to scarce and critical demand, and priority skills | | | | | | |
|----------------------------|---------------------------------|--|-----------------------|---------------|---|---|--|--|
| STRATEGIC ACTIVITY | PERFORMANCE INDICATORS | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | ANNUAL RESULT | RATING | RESULTS AND VARIANCE EXPLANATION | | |
| 3.4.8 | Number of Internships Entered | 9 114 | 4 600 | 4 638 |  | Target over-achieved based on DG and SP enrolments realised in the current reporting period. The SETA had received a high number of applications for various interventions which resulted in an increased number of allocations for learner enrolments in the current reporting period. | | |
| 3.4.9 | Number of Internships Completed | 1 598 | 2 465 | 2 575 |  | The target was over-achieved based on improved scheduling and tracking of learner contracts, to ensure that the on-time learner assessments were performed to be able to exit competent learners within a reasonable time frame . | | |
| 3.4.10 | Number of Artisans Entered | 2 254 | 2,500 | 3 030 |  | Target over-achieved based on DG and SP enrolments realised in the current reporting period. The SETA had received a high number of applications for various interventions which resulted in an increased number of allocations for learner enrolments in the current reporting period. | | |

**STRATEGIC OBJECTIVE
3.4**
Enrol funded learners to achieve targets, strengthening alignment to scarce and critical demand, and priority skills

| STRATEGIC ACTIVITY | PERFORMANCE INDICATORS | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | ANNUAL RESULT | RATING | RESULTS AND VARIANCE EXPLANATION | |
|--------------------|------------------------|--|-----------------------|---------------|---|---|---|
| | 3.4.11 | Number of Artisans Completed | 488 | 579 |  | Target has been over-achieved through a collaborative effort between the Artisan department and NAAMB, to ensure that shorter turnaround times for certification were achieved. | |
| | 3.4.12 | Number of Recognition of Prior Learning Learners Entered | 500 | 896 |  | Target over-achieved based on DG and SP enrolments realised in the current reporting period. The SETA had received a high number of applications for various interventions which resulted in an increased number of allocations for learner enrolments in the current reporting period. | |
| | 3.4.13 | Number of Recognition of Prior Learning Learners Completed | 237 | 122 | 208 |  | Target was over-achieved based through a re-prioritisation and improved scheduling of external moderations, which resulted in increased learner exits and certification. |
| | 3.4.14 | Number of AET Learners Entered | 1 064 | 500 | 644 |  | Target over-achieved based on DG and SP enrolments realised in the current reporting period. The SETA had received a high number of applications for various interventions which resulted in an increased number of allocations for learner enrolments in the current reporting period. |

| STRATEGIC OBJECTIVE 3.4 | | Enrol funded learners to achieve targets, strengthening alignment to scarce and critical demand, and priority skills | | | | | | |
|----------------------------|----------------------------------|--|-----------------------|---------------|--|---|--|--|
| STRATEGIC ACTIVITY | PERFORMANCE INDICATORS | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | ANNUAL RESULT | RATING | RESULTS AND VARIANCE EXPLANATION | | |
| 3.4.15 | Number of AET Learners Completed | 51 | 898 | 903 |  | Target was over-achieved based on a re-prioritisation and improved scheduling of external moderations, which resulted in increased learner exits and certification. | | |
| | Number of Candidacies Entered | 50 | 150 | 210 |  | Target has been over-achieved based on a targeted DG window for the Real Estate and Related Services sector. | | |
| | Number of Candidacies Completed | - | 20 | 20 |  | Target has been achieved through a targeted Chamber project that was targeting the professionalisation of HR practitioners with the following qualifications: 1. Individual Staffing Practitioner: Entrance Exam Certificate 2. Individual Staffing Practitioner: Board Exam Certificate. | | |
| 3.4.17 | Number of Candidacies Completed | - | 20 | 20 |  | | | |

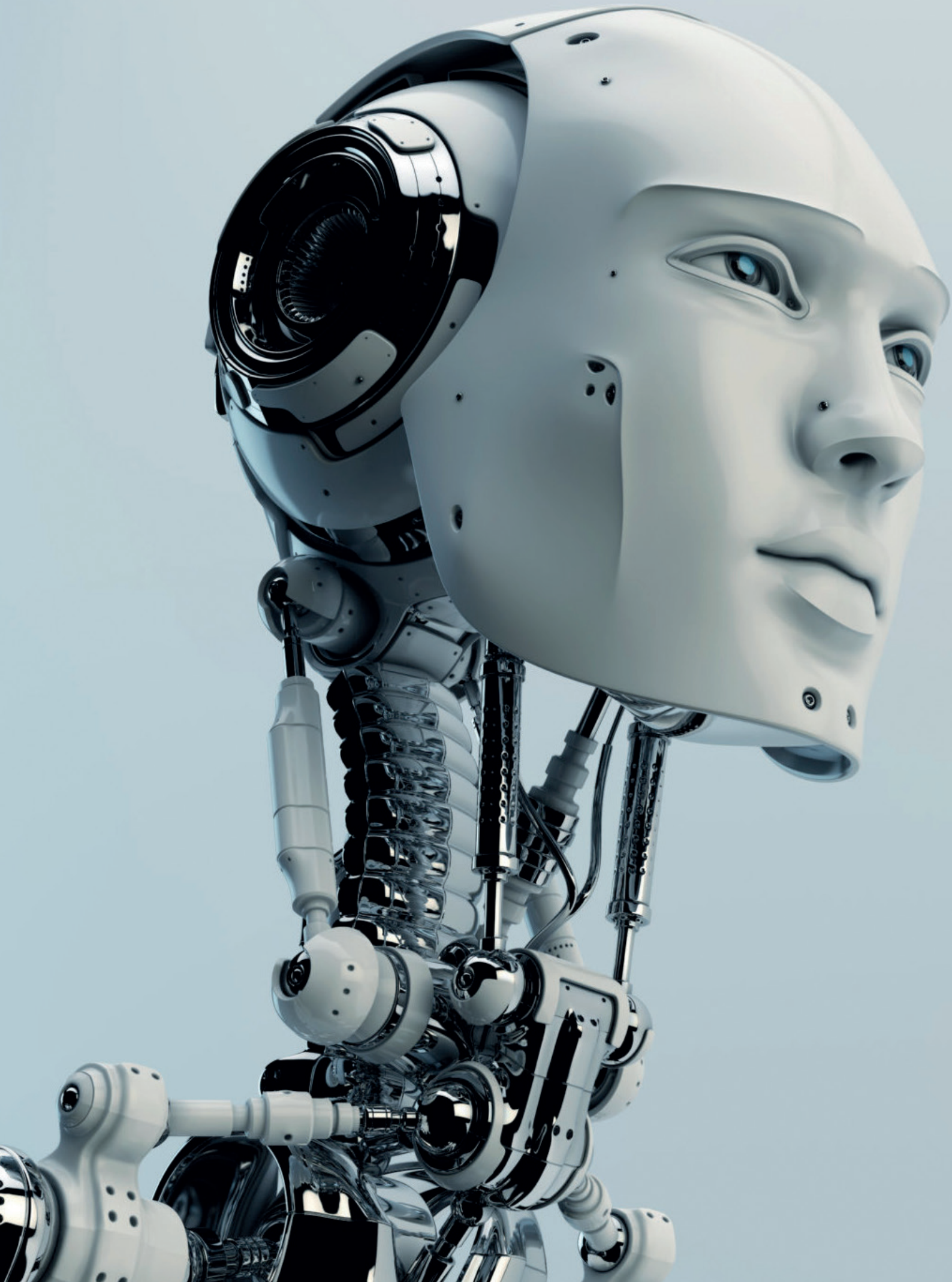


| Promote stakeholder participation and information exchange to strengthen relevance and access to services | | | | | | | |
|---|--|----------------------------|-----------------------|---------------|---|--|--|
| STRATEGIC OBJECTIVE 3.5 | PERFORMANCE INDICATORS | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | ANNUAL RESULT | RATING | RESULTS AND VARIANCE EXPLANATION | |
| Render quality support service to key stakeholders through provincial offices | 3.5.1 Number structured stakeholder engagements conducted | 282 | 250 | 285 |  | Structured stakeholder engagements were conducted, including additional engagements based on stakeholder demand and requests, which resulted in the overachievement of the target. | |
| Building Career and Vocational Guidance | 3.5.2 Number of career guidance events hosted | 12 | 18 | 18 |  | Career guidance events were hosted throughout the year, to increase awareness of Services SETA offerings to the community at large, based on demand and need, which resulted in an achievement for the current reporting period. | |

Programme 4: Quality Management

| Capacitate and support skills development providers to strengthen relevant skills supply | | | | | | |
|--|--|----------------------------|-----------------------|---------------|---|---|
| STRATEGIC OBJECTIVE 4.1 | PERFORMANCE INDICATORS | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | ANNUAL RESULT | RATING | RESULTS AND VARIANCE EXPLANATION |
| Facilitate growth and adequacy of provisioning | 4.1.1 Percentage of SDP applications accredited | 85% | 80% | 83% |  | An average of 83% (899/1,079) SDP applications were processed successfully within the required timeframe, in the current reporting period. The target was not achieved due to delays in processing applications as a result of downtime experienced from the online application portal. |

| Capacitate and support skills development providers to strengthen relevant skills supply | | | | | | |
|--|--|---|----------------------------|-----------------------|---|---|
| STRATEGIC OBJECTIVE 4.1 | STRATEGIC ACTIVITY | PERFORMANCE INDICATORS | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | Annual Result | Rating |
| | 4.1.2 | Percentage of unsuccessful SDP accreditation remediated | 67% | 40% | 63% |  |
| | | | | | An average 63% (113/180) of all unsuccessful SDP accreditation applicants were capacitated in the current reporting period. Additional resources were employed, which resulted in the high volume of applications that were processed. | |
| Improve efficiency in quality assurance of learner achievement for certification | | | | | | |
| STRATEGIC OBJECTIVE 4.2 | STRATEGIC ACTIVITY | PERFORMANCE INDICATORS | ACTUAL ACHIEVEMENT 2017/18 | ANNUAL TARGET 2018/19 | ANNUAL RESULT | RATING |
| | 4.2.1 | Percentage of external moderations successfully conducted | - | 80% | 92% |  |
| | Quality assessment of provisioning and learner achievement | | | | 92% (5,019/5,473) of all applications for external moderation were successfully scheduled and conducted in the current reporting period. Additional resources were employed, which resulted in the high volume of requests being processed. | |





PART C: GOVERNANCE

CORPORATE GOVERNANCE

Introduction

The Accounting Authority (AA) is the highest decision-making structure of the Services SETA. Its principal function entails the governance and management of the SETA in accordance with the Services SETA Constitution, the Skills Development Act (Act No. 97 of 1998), the Skills Development Levies Act (Act No. 9 of 1999), the Public Finance Management Act (Act No. 1 of 1999) and Treasury Regulations.

Accounting Authority

The AA monitors the performance of the Services SETA regularly to ensure that the targets set out in the Annual Performance Plan (APP) and Service Level Agreement (SLA) with the Honourable Minister of Higher Education and Training are achieved. In addition, the Services SETA submits Quarterly Monitoring Reports (QMR) and Annual Performance Reports (APR) to the Department of Higher Education and Training, which outline in detail, the status of each target in relation to performance.

Frequency of Meetings

While the Accounting Authority, Finance, Audit, Human Resources and Remuneration, Governance, Risk and Strategy and Transformation Committees each met at least once per quarter, the Executive Committee met at least once per month, as prescribed in the Services SETA Constitution.

Attendance of Meetings

During the year under review, all meetings of the Accounting Authority and its Standing Committees took place as scheduled. In addition, special meetings of the Accounting Authority were held. The average attendance of all meetings was above 80%.

Composition of the Accounting Authority

Membership of the Services SETA Accounting Authority was as follows during the year under review:

| | Name of Member | Association |
|---------------------------|----------------------|---|
| 1. | Maria Madiope | Chairperson - Ministerial Appointee |
| 2. | Nolwandle Mantashe | Government/ Community / Professional Bodies |
| 3. | Shaheed Peters* | Government/ Community / Professional Bodies |
| Organised Business | | |
| 4. | Teleni Shabangu | SAPAA (South African Professional Auctioneers Association) |
| 5. | Duduzile Letseli | South African Funeral Practitioners Association (SAFPA) |
| 6. | Vikesh Roopchand | Direct Marketing Association of South Africa (DMASA) |
| 7. | Jacqui Ford | Federation of African Professional Staffing Organisation (APSO) |
| 8. | Victor Msomi | Employers Organisation for Hairdressing, Cosmetology and Beauty (EOHCB) |
| Organised Labour | | |
| 9. | Solomon Mhlanga* | Hotel, Liquor, Catering, Commercial & Allied Workers' Union (HOTELICCA) |
| 10. | Asif Jhatham* | United Association of South Africa (UASA-the Union) |
| 11. | Pamela Snyman | Institute Of Estate Agents Of South Africa (IEASA) |
| 12. | Thamsanqa Magoda* | South African Transport Alliance Workers' Union (SATAWU) |
| 13. | Lebohang Moshoadiba* | South African Transport Allied Workers Union (SATAWU) |
| 14. | Shadrack Motloug | Organised Labour United Association of South Africa (UASA-the Union) |

Committees of the Accounting Authority

In executing its mandate, the AA was assisted by the following standing Committees and six Chamber Committees¹:

- Executive Committee
- Finance Committee
- Audit Committee
- Human Resources and Remuneration Committee
- Governance, Risk and Strategy Committee; and
- Transformation Committee.

Composition of the Standing Committees

All Standing Committees report to the AA and function according to the terms of reference approved by the AA. With the exception of Members of the Executive Committee who are appointed by the Minister, members of the other Standing Committees are appointed by the AA.

The composition of the Standing Committees of the AA was as follows during the year under review:

Executive Committee²

| Name of member | Appointment | Constituencies | Association |
|-----------------------|-------------|-----------------------|--|
| 1. Maria Madiope | Chairperson | Ministerial Appointee | Government/Community /Professional Bodies |
| 2. Nolwandle Mantashe | Member | Ministerial Appointee | Government/Community /Professional Bodies |
| 3. Duduzile Letseli | Member | Organised Business | Federation of African Professional Staffing Organisation (APSO) |
| 4. Shadrack Motloug | Member | Organised Labour | Organised Labour United Association of South Africa (UASA-the Union) |
| 5. Shaheed Peters | Member | Ministerial Appointee | Ministerial Appointee |

Finance Committee

| Name of member | Appointment | Constituencies | Association |
|---------------------|-------------|--------------------|---|
| 1. Asif Jhatham | Chairperson | Organised Labour | United Association of South Africa (UASA-the Union) |
| 2. Teleni Shabangu | Member | Organised Business | SAPAA (South African Professional Auctioneers Association) |
| 3. Vikesh Roopchand | Member | Organised Business | Direct Marketing Association of South Africa (DMASA) |
| 4. Jacqui Ford | Member | Organised Business | Federation of African Professional Staffing Organisation (APSO) |
| 5. Pamela Snyman | Member | Organised Labour | Institute of Estate Agents of South Africa (IEASA) |
| 6. Thamsanqa Magoda | Member | Organised Labour | South African Transport Alliance Workers' Union (SATAWU) |

¹ The six Chamber Committees, which are all chaired by Members of the Accounting Authority, are: Cleaning and Hiring Services, Communication and Marketing Services, Labour and Collective Services, Management and Business Services, Personal Care Services and Real Estate and related Services.

* Appointed on 06 September 2018.

² The Chairpersons of the standing Committees of the Accounting Authority are ex officio Members of the Executive Committee.

Audit Committee³

| Name of member | Appointment | Constituencies | Association |
|----------------------|--------------------|--------------------|--|
| 1. James Maboja* | Chairperson | Independent Member | Independent Member |
| 2. Pamela Snyman | Member | Organised Labour | Institute of Estate Agents of South Africa (IEASA) |
| 3. Vikesh Roopchand | Member | Organised Business | Direct Marketing Association of South Africa (DMASA) |
| 4. Kgotlo Rabothata* | Independent Member | Independent Member | Independent Member |

Human Resources and Remuneration Committee

| Name of member | Appointment | Constituencies | Association |
|------------------------|-------------|-----------------------|---|
| 1. Nolwandle Mantashe | Chairperson | Ministerial Appointee | Government/Community /Professional Bodies |
| 2. Jacqui Ford | Member | Organised Business | Federation of African Professional Staffing Organisation (APSO) |
| 3. Lebohang Moshoadiba | Member | Organised Labour | South African Transport Allied Workers Union (SATAWU) |

Governance, Risk and Strategy Committee

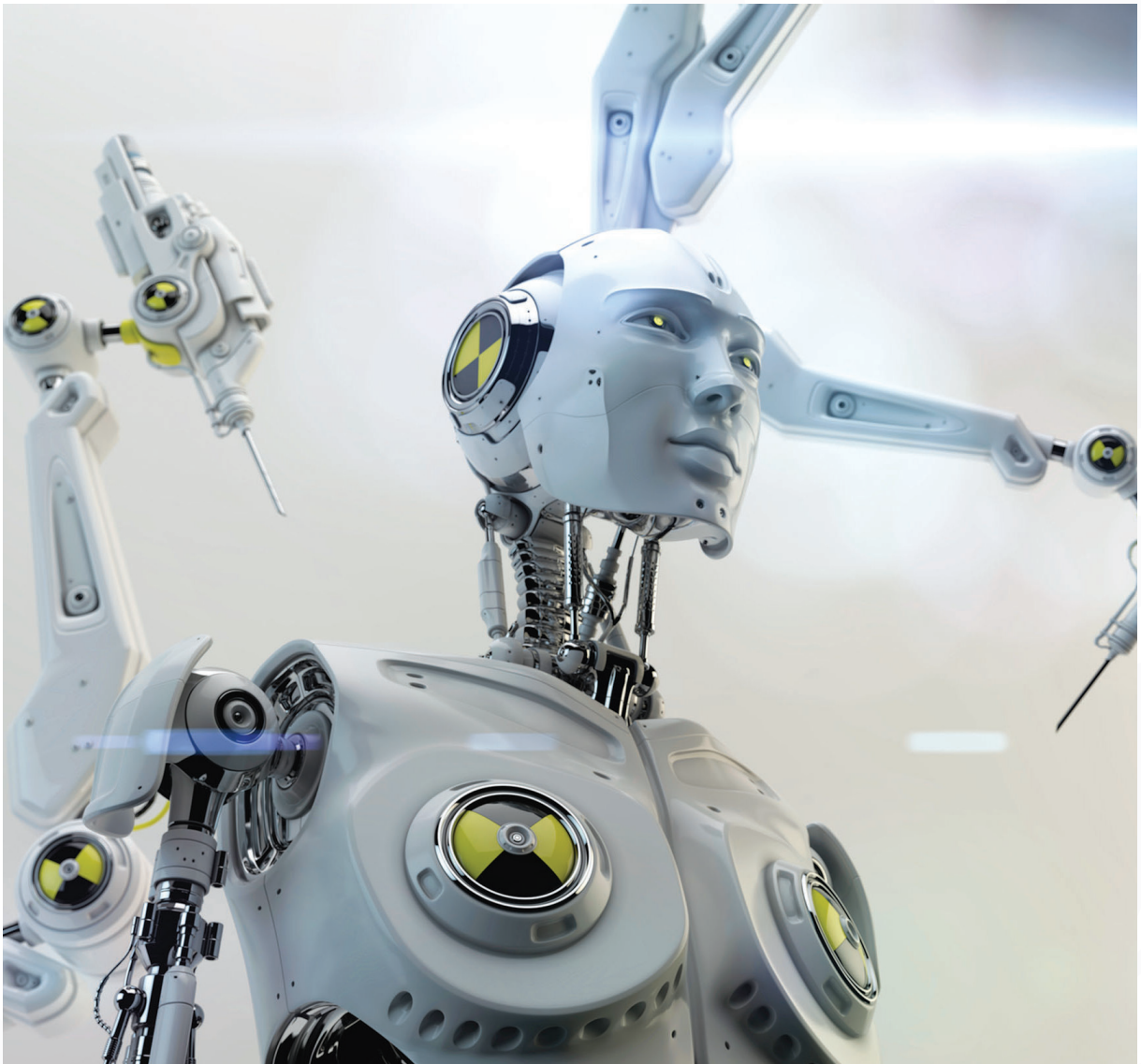
| Name of member | Appointment | Constituencies | Association |
|-----------------------|-------------|-----------------------|---|
| 1. Duduzile M Letseli | Chairperson | Organised Business | Federation of African Professional Staffing Organisation (APSO) |
| 2. Thamsanqa Magoda | Member | Organised Labour | South African Transport Alliance Workers' Union (SATAWU) |
| 3. Victor Msomi | Member | Organised Business | Employers Organisation for Hairdressing, Cosmetology and Beauty (EOHCB) |
| 5. Solomon Mhlanga | Member | Organised Labour | Hotel, Liquor, Catering, Commercial & Allied Workers' Union (HOTELICCA) |
| 6. Shaheed Peters | Member | Ministerial Appointee | Government/Community / Professional Bodies |

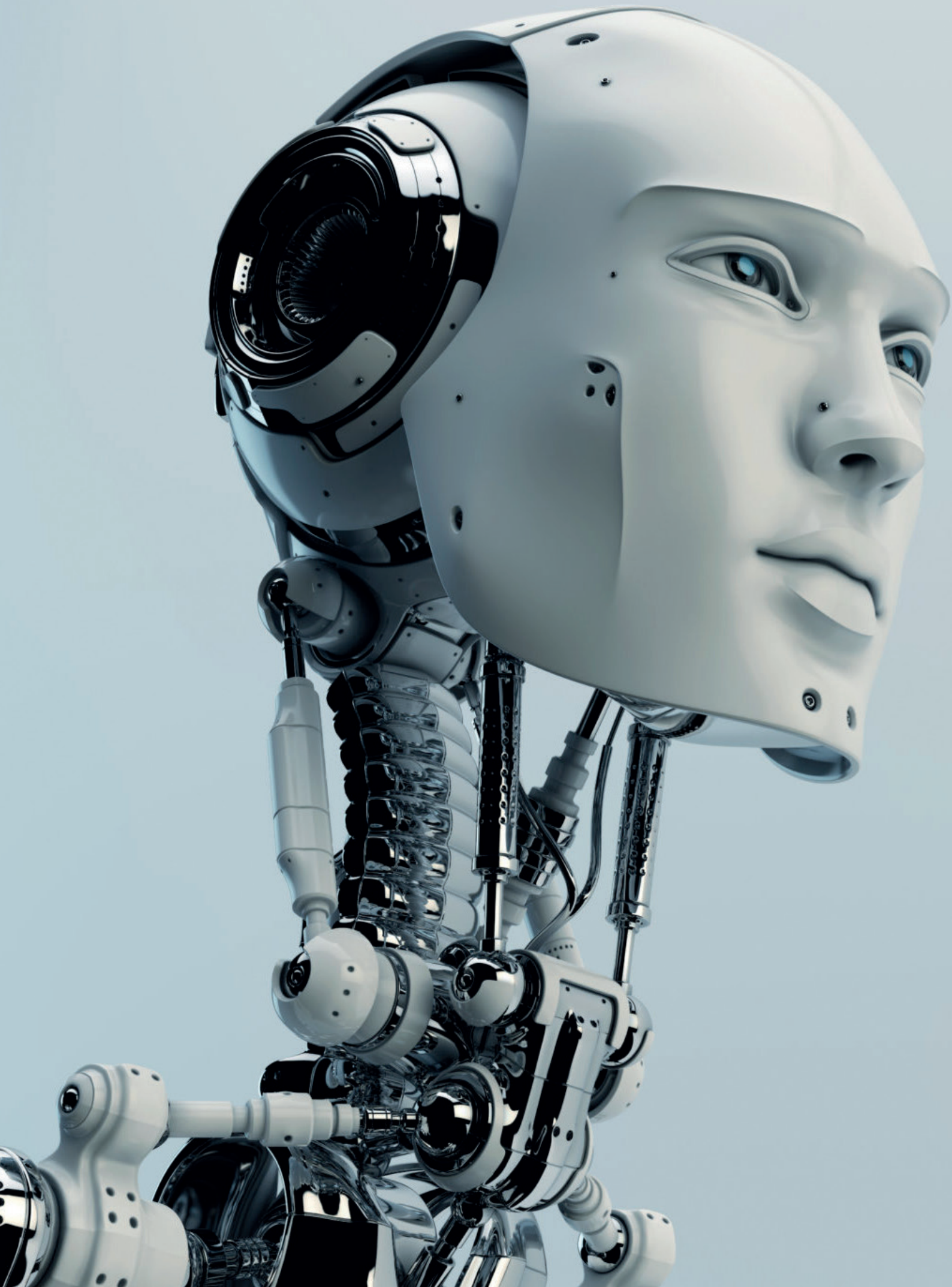
³ The Committee, whose chairperson is an independent Member, comprises a total of five (5) financially literate Members, the majority (3) of which are independent Members, as dictated by the requirements of sound corporate governance and the Constitution of the Services SETA. There is currently one (1) vacant position in the Committee which is in the process of being filled.

* Re appointed on 01 October 2018

Transformation Committee

| Name of member | Appointment | Constituencies | Association |
|------------------------|-------------|--------------------|---|
| 1. Shadrack Motloug | Chairperson | Organised Labour | Organised Labour United Association of South Africa (UASA-the Union) |
| 2. Teleni Shabangu | Member | Organised Business | SAPAA (South African Professional Auctioneers Association) |
| 3. Victor Msomi | Member | Organised Business | Employers Organisation for Hairdressing, Cosmetology and Beauty (EOHCB) |
| 4. Lebohang Moshoadiba | Member | Organised Labour | South African Transport Allied Workers Union (SATAWU) |







PART D: HUMAN RESOURCE MANAGEMENT

Human Capital Statistics

1. Employment Equity Profile

Report based on the total number of employees (including employees with disabilities) in each of the following occupational levels: Note: A=Africans, C=Coloureds, I=Indians and W=Whites

| Occupational Levels | Male | | | | Female | | | | Foreign Nationals | | Total |
|--|-----------|----------|----------|----------|------------|-----------|----------|-----------|-------------------|----------|------------|
| | A | C | I | W | A | C | I | W | Male | Female | |
| Top management | 1 | | | | 1 | | | | | | 2 |
| Senior management | 9 | | | | 8 | | | 2 | 1 | | 20 |
| Professionally qualified and experienced specialists and mid-management | 19 | 1 | | 2 | 17 | 2 | 2 | 6 | 1 | | 50 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents | 33 | 5 | 3 | 2 | 83 | 6 | 4 | 3 | | 2 | 141 |
| Semi-skilled and discretionary decision making | 6 | 1 | | | 37 | 5 | | 2 | | | 51 |
| Unskilled and defined decision making | 5 | | | | 13 | 1 | | | | | 19 |
| TOTAL PERMANENT | | | | | | | | | | | |
| Temporary employees (Interns) | | | | | | | | | | | |
| GRAND TOTAL | 73 | 7 | 3 | 4 | 159 | 14 | 6 | 13 | 2 | 2 | 283 |

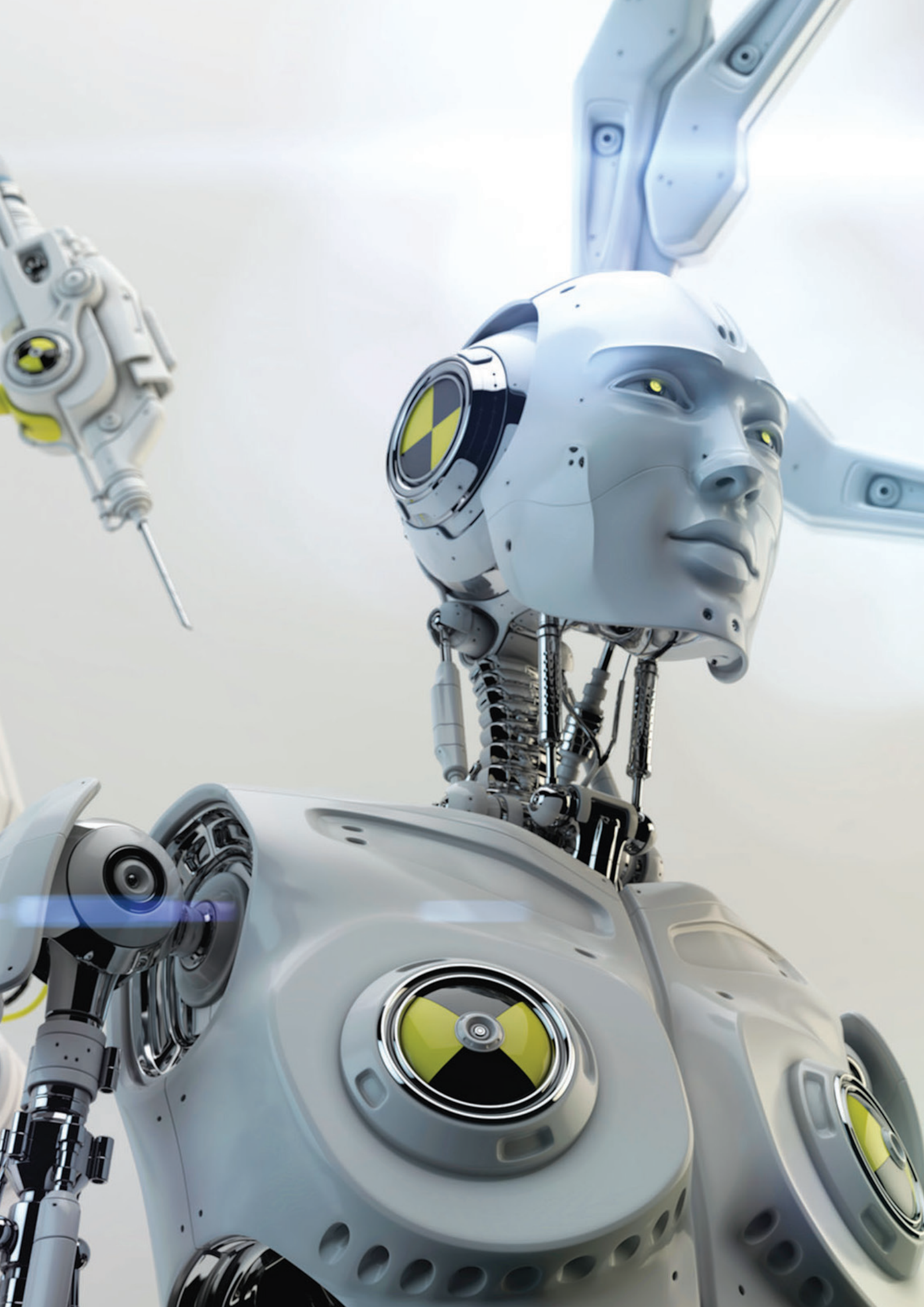
2. Appointments and Promotions

| No | Employee | Position | Start Date | Type of Appointment |
|-----|-------------------|--|------------|---------------------|
| 1. | Miss A Mgandela | Officer: Performance Verification | 2018/09/05 | External |
| 2. | Miss ADS ADA | Frontline Services | 2019/01/09 | External |
| 3. | Miss BM Tsagae | Senior Officer: Performance Verification | 2018/08/01 | External |
| 4. | Miss E Ngonyama | Administrative Assistant: Core Business | 2018/08/01 | External |
| 5. | Miss K Mbangatha | Officer: RDM&E | 2018/04/05 | External |
| 6. | Miss LM Matsebe | Officer: Learner Information (JPMT) | 2018/07/01 | External |
| 7. | Miss MC Mathibe | Senior Manager: Joint Projects | 2018/07/01 | External |
| 8. | Miss MS Mogoshing | Administrator: HRM & D | 2018/08/01 | External |
| 9. | Miss NS Ford | Frontline Services | 2019/01/09 | External |
| 10. | Miss NSN Mabizela | Senior Officer: Invoicing (JPMT) | 2018/07/01 | External |
| 11. | Miss SS Mfino | Admin Assistant: Finance | 2018/11/05 | External |
| 12. | Miss T Mulaudzi | Administrator: Project Accounting | 2019/03/01 | External |

| No | Employee | Position | Start Date | Type of Appointment |
|-----|-------------------|---|------------|---------------------|
| 13. | Miss TH Williams | Chamber Manager: Communication & Marketing | 2018/10/01 | External |
| 14. | Miss X Witbooi | Administrator: ECD | 2018/05/01 | External |
| 15. | Mr CH Teffu | Manager: | 2018/09/03 | External |
| 16. | Mr LM Mahlangu | Manager: ESSEV | 2018/05/02 | External |
| 17. | Mr MN Mshiywa | Senior Manager: Information Technology | 2019/02/18 | External |
| 18. | Mr PO Kwampe | Specialist: Board Support | 2018/12/03 | External |
| 19. | Mr T Mbhungele | Senior Officer: Performance Verification | 2018/09/03 | External |
| 20. | Mr T Mphela | Manager: Content and Editorial Services | 2018/09/03 | External |
| 21. | Mr T Nkanyane | Officer: Invoice Processing | 2018/07/01 | External |
| 22. | Mr TR Mosia | Chamber Manager: Real Estate & Related Services | 2018/05/14 | External |
| 23. | Mr TS Selepe | Administrator: Performance Verification | 2018/08/13 | External |
| 24. | Mr WR Shabangu | Frontline Services | 2019/03/01 | External |
| 25. | Mr ZS Mazwi | Manager: Provincial Operations | 2018/09/03 | External |
| 26. | Mrs L Tshuma | Frontline Services | 2019/01/09 | External |
| 27. | Mrs MD Christians | Manager: Provincial Operations | 2019/03/01 | External |
| 28. | Mrs VC Nelson | Frontline Services | 2019/02/01 | External |
| 29. | Mrs M Lawrence | Officer: Bursaries | 2019/01/09 | Internal |
| 30. | Mr MA Sithole | Manager: Artisan Development | 2019/01/09 | Internal |
| 31. | Ms V Shopane | Acting Manager: Project Accounting | 2019/01/09 | Internal |
| 32. | Ms M Oliphant | Officer: Provincial Operations | 2019/02/01 | Internal |

3. Terminations

| No | Name | Position | Type of Termination | Termination Date |
|-----|--------------------|--|---------------------|------------------|
| 1. | Miss LF Tebele | Project Assistant | Discharged | 2018/11/15 |
| 2. | Miss M Tlhabetsane | Frontline Services | Resigned | 2019/01/31 |
| 3. | Mr A Nongogo | Chief Executive Officer | Resigned | 2018/07/31 |
| 4. | Mr AO Matake | Service Delivery Manager: ICT | Discharged | 2018/10/18 |
| 5. | Mr E Khan | Admin: Provincial Operations | Resigned | 2018/05/31 |
| 6. | Mr KE Makhonofane | Senior Officer: Provincial Ops | Resigned | 2018/07/13 |
| 7. | Mr NG Klaas | Senior Manager: ESR&R | Resigned | 2018/09/14 |
| 8. | Mr ZB Murahwi | Senior Manager: Information Technology | Discharged | 2018/04/10 |
| 9. | Mrs N Ndhlovu | Executive Manager: Stakeholder Relations | Resigned | 2019/01/31 |
| 10. | Mrs NT Mufamadi | Senior Officer: Invoice Processing | Resigned | 2019/02/08 |
| 11. | Mrs PM Magudulela | Senior Officer: Scheduling and Quality | Resigned | 2018/11/08 |
| 12. | Ms Z Jim | Cleaner | Deceased | 2018/04/29 |





PART E: FINANCIAL INFORMATION

Services Sector Education and Training Authority

Annual Financial Statements for the year ended March 31, 2019

Country of incorporation and domicile

South Africa

Registered office

Ristone Office Park
15 Sherborne Road Parktown Johannesburg
2193

Business address

Ristone Office Park
15 Sherborne Road Parktown Johannesburg
2193

Postal address

PO Box 3322
Houghton
Johannesburg
2193

Accounting Authority

Nine members and five members were appointed 01 April 2018 and 01 September 2018, respectively.

The details of the members of the Accounting Authority are disclosed in note 26.

Bankers

Standard Bank, Investec Bank, and
First National Bank

Auditors

Auditor-General of South Africa

Board Secretary

Dr Siyabonga Ndabezitha

Index

The reports and statements set out below comprise the annual financial statements presented to parliament:

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The Accounting Authority's Responsibilities And Approval

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

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives.

The financial statements set-out on page 72 to 112, which have been prepared on the basis of accounting policies applicable to a going concern, were approved by the Accounting Authority on the 29 August 2019.



Dr Maria Madiope
Chairperson of the Accounting Authority



Amanda Buzo-Gqoboka
Chief Executive Officer

Audit Committee Report

Report of the Audit Committee required by Treasury Regulation 27.1.7 and 27.1.10(b) and (c) issued in terms of the Public Finance Management Act (PFMA) 1 of 1999, as amended by Act 29 of 1999.

We are pleased to present our report for the financial year ended 31 March, 2019.

Audit committee members and attendance

The Audit Committee consists of the members listed hereunder and meets at least 4 times per annum as per its approved terms of reference. During the current financial year the 7 meetings were held.

| Name of member | Number of meetings attended |
|---|-----------------------------|
| James Maboja (Chairperson) | 7 |
| Patricia Stock (Resigned 30 September 2018) | 2 |
| Kgotlo Rabothata | 6 |
| Pam Snyman | 7 |
| Vikesh Roopchand (Appointed 01 April 2018) | 7 |

Furthermore, at least one representative from the Auditor General and Internal Auditors are present at all Audit Committee meetings, regardless of whether or not the agenda items directly concern the audit of the Services SETA's financial statements.

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1)(a) of the PFMA and Treasury Regulation 3.1.

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

The effectiveness of internal controls

The system of internal controls applied by the Services SETA over financial and risk management is effective, efficient and transparent throughout the year. In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. However at year end the audit report and the management report of the Auditor-General South Africa identified significant internal control deficiencies in relation to commitments and recording keeping for such commitments. Accordingly, we have tasked management with the duty to put in place adequate action plans that will adequately address the deficiencies identified and ensure that the system of internal controls over commitments are efficient and effective.

The quality of in-year management and monthly/quarterly reports submitted in terms of the PFMA has been satisfactory.

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports that were prepared and issued to the Accounting Authority of the Services SETA during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements included in the annual report, with the Auditor-General and the Accounting Authority;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the Services SETA's compliance with legal and regulatory provisions and
- significant adjustments resulting from the audit.

The Audit Committee concurs with and accepts the Auditor-General of South Africa's report on the annual financial statements and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa;

Internal audit

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Services SETA and its audits.

Auditor-General of South Africa

The Audit Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.



Chairperson of the Audit Committee

Date: 29 August 2019

Report of the Accounting Authority

The Accounting Authority submits this report to the Department of Higher Education and Training and Parliament of the Republic of South Africa for the year ended 31 March, 2019.

1. Incorporation

The Services Sector Education and Training Authority (Services SETA) was established in terms of Section 9(1) of the Skills Development Act, 1998 (Act No 97 of 1998) as amended, as a Sector Education and Training Authority with effect from 1 April 2000 to March 2005. It was then re-established by the Minister of Labour for the period April 2005 – March 2010, in March 2010, the Minister of Higher Education and Training extended the period of establishment of all SETAs to 31 March 2016. The licence period for all the SETAs was then extended to 31 March 2018 and has been subsequently extended to 31 March 2020, as per Government Gazette no 40505 issued on 15 December 2016.

2. Governance

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

The audited annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury. The Accounting Authority is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

3. Review of activities

Main business and operations

The Services SETA is engaged in education and training for the services sector and operates principally in South Africa.

4. Going concern

We draw attention to the fact that at 31 March, 2019, the entity had a deficit of R 711,435 and that the entity's total assets exceed its liabilities by R 275,348.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The SETA is exposed to fluctuations in the employment market for example sudden increases in unemployment and changes in the wage rates which lead to changes in the levy income received by SETAs. The Services SETA licence expires on 31 March 2020 and thus far no communication regarding the extension of the SETA's licence. However the National Skills Development Plan which was gazetted on 06 February 2019 refers to the SETA landscape which will be characterised by SETAs having permanent licences.

5. Subsequent events

The Services SETA has submitted to the Minister of Higher Education and Training an application for the rollover of accumulated reserves. At the time of approval of the annual financial statements, the feedback was still outstanding.

6. Remuneration of Accounting Authority and its Sub-Committees Members

The Executive Management, Accounting Authority and Audit Committee members' remuneration is reflected in note 26 of the annual financial statements. Executive Management is employed on a full time basis. The members of the Accounting Authority and Audit Committee are remunerated for attending Board and Sub-Committee meetings as well as other engagements. Their remuneration is based on National Treasury Guidelines and the remuneration is approved by the Minister of Higher Education and Training.

7. Approval

The audited Annual Financial Statements for the year ended 31 March 2019, set-out on pages 72 to 112, have been approved by the Accounting Authority in terms of section 51(1)(f) of the Public Finance Management Act (PFMA), No1 of 1999 (as amended) on 29 August 2019, and are signed on their behalf by:



Dr Maria Madioppe
Chairperson of the Accounting Authority
Services SETA

Report of the Auditor-General to Parliament on the Services Sector Education and Training Authority (Services SETA)

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Services Sector Education and Training Authority (Services SETA) set out on pages 72 to 112, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of the Services SETA as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA).

Basis for qualified opinion

Commitments

3. I was unable to obtain sufficient appropriate audit evidence for commitments, as the public entity did not have adequate systems to record commitments. I was unable to confirm commitments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to commitments stated at R3 972 849 000 in note 23 to the financial statements.

Context for the opinion

4. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
5. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matter

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

Restatement of corresponding figures

8. As disclosed in note 34 to the financial statements, the corresponding figures for 31 March 2018 have been restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2019.

Responsibilities of accounting authority for the financial statements

9. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA and SDA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

Report on the audit of the annual performance report

Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2019:

| Programmes | Pages in the annual performance report |
|-------------------------------------|--|
| Programme 2 – Skills Planning | 36 |
| Programme 3 – Learning Intervention | 37 – 46 |
| Programme 4 – Quality Assurance | 46 – 47 |

16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. I did not raise any material findings on the usefulness and reliability of the reported performance information for:
- Programme 2 – Skills Planning
 - Programme 3 – Learning Programmes
 - Programme 4 – Quality Assurance

Achievement of planned targets

18. Refer to the annual performance report on pages 34 to 47 for information on the achievement of planned targets for the year and explanations provided for the over achievement of a significant number of targets.

Report on the audit of compliance with legislation

Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
20. The material findings on compliance with specific matters in key legislations are as follows:

Annual Financial Statements

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified opinion.

Expenditure management

22. Expenditure was incurred in excess of the approved budget, in contravention of section 53(4) of the PFMA.
23. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R17 148 000 as disclosed in note 29 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Other information

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Internal control deficiencies

28. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in basis for qualified opinion and the findings on compliance with legislation included in this report.
29. Senior management did not adequately review the financial statements against supporting schedules for financial reporting relating to commitments.
30. The public entity did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting relating to commitments.
31. There was inadequate review and monitoring of compliance with applicable laws and regulations as a result of the material misstatements and instances of non-compliance identified and reported on.

Other reports

32. I draw attention to the following engagement conducted with management that had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
33. The Minister for the Department of Higher Education directed the accounting authority of the public entity to institute an investigation into allegations of supply chain irregularities. At the date of this report, the investigators had not yet finalised the report.

Auditor - General



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Pretoria

30 August 2019

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
 - conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Services Sector Education and Training Authority ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

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

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Position as at 31 March 2019

| | | 2019 | 2018 |
|--|---------|----------------|---------------------|
| | Note(s) | R '000 | Restated* R '000 |
| Assets | | | |
| Current Assets | | | |
| Inventories | 3 | 395 | 406 |
| Receivables from exchange transactions | 4 | 7,284 | 7,914 |
| Receivables from non-exchange transactions | 5 | 28,505 | 15,117 |
| Deposits | 9 | 196 | 159 |
| Cash and cash equivalents | 6 | 403,620 | 1,424,032 |
| | | 440,000 | 1,447,628 |
| Non-Current Assets | | | |
| Property, plant and equipment | 7 | 207,520 | 133,737 |
| Intangible assets | 8 | 66,653 | 42,314 |
| | | 274,173 | 176,051 |
| Total Assets | | 714,173 | 1,623,679 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 10 | 46,791 | 106,916 |
| Payables from non-exchange transactions | 11 | 219,935 | 259,894 |
| Provisions | 12 | 172,099 | 270,236 |
| Total Liabilities | | 438,825 | 637,046 |
| Net Assets | | 275,348 | 986,633 |
| Reserves | | | |
| Revaluation reserve | 13 | 1,000 | 1,000 |
| Employer grant reserve | 14 | 549 | 10,914 |
| Administration grant reserve | 14 | 133,822 | 105,169 |
| Discretionary grant reserve | 14 | 139,977 | 869,550 |
| Total Net Assets | | 275,348 | 986,633 |

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Performance

| | | 2019 | 2018 |
|---|---------|--------------------|---------------------|
| | Note(s) | R '000 | Restated* R '000 |
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Other Income | 16 | 2,565 | 90 |
| Investment Revenue | 15 | 52,438 | 131,361 |
| Total revenue from exchange transactions | | 55,003 | 131,451 |
| Revenue from non-exchange transactions | | | |
| Skills Development Levy: Income | 16 | 1,601,575 | 1,504,855 |
| Skills Development Levy: Interest and Penalties | 16 | 47,443 | 56,140 |
| Other Income | 16 | 41,102 | 5,913 |
| Total revenue from non-exchange transactions | | 1,690,120 | 1,566,908 |
| Total revenue | | 1,745,123 | 1,698,359 |
| Expenditure | | | |
| Administration expenses | 17 | (215,079) | (283,624) |
| Employer grants and project expenses | 21 | (2,241,087) | (2,240,115) |
| Loss on disposal of assets | 7 | (392) | - |
| Total expenditure | | (2,456,558) | (2,523,739) |
| Net deficit for the year | | (711,435) | (825,380) |

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

Statement of Changes in Net Assets

| | Revaluation reserve R '000 | Employer grant reserve R '000 | Administration reserve R '000 | Discretionary reserve R '000 | Total reserves R '000 | Unappropriated reserve R '000 | Total net assets R '000 |
|---|----------------------------|-------------------------------|-------------------------------|------------------------------|-----------------------|-------------------------------|-------------------------|
| Closing balance as previously reported 31 March 2017 | 1,000 | 5,314 | 65,667 | 1,733,939 | 1,805,920 | - | 1,805,920 |
| Prior period error - Note 31 | - | - | 6,092 | - | 6,092 | - | 6,092 |
| Application of unappropriated surplus/(deficit) | - | - | (6,092) | 6,092 | - | - | - |
| Restated* Balance at 01 April 2017 | 1,000 | 5,314 | 65,667 | 1,740,031 | 1,812,012 | - | 1,812,012 |
| Changes in net assets | - | - | - | - | - | (825,380) | (825,380) |
| Surplus for the year - Prior period error Note 31 | - | - | - | - | - | (825,380) | (825,380) |
| Total recognised income and expenses for the year | - | 217,855 | (86,153) | (957,082) | (825,380) | 825,380 | - |
| Application of unappropriated surplus/(deficit) | - | - | - | - | - | - | - |
| Reallocation of unappropriated surplus/(deficit) | - | (212,255) | 125,655 | 86,600 | - | - | - |
| - Prior period error Note 31 | - | 5,600 | 39,502 | (870,482) | (825,380) | - | (825,380) |
| Total changes | 1,000 | 10,914 | 105,169 | 869,550 | 986,633 | - | 986,633 |
| Restated* Balance at 1 April, 2018 | - | - | - | - | - | (711,435) | (711,435) |
| Surplus for the year | - | - | - | - | - | (711,435) | (711,435) |
| Total recognised income and expenses for the year | - | 219,872 | (2,920) | (928,387) | (711,435) | 711,435 | - |
| Application of unappropriated surplus/(deficit) | - | (230,237) | 31,573 | 198,814 | 150 | - | 150 |
| Reallocation of unappropriated surplus/(deficit) | - | (10,365) | 28,653 | (729,573) | (711,285) | - | (711,285) |
| Total changes | 1,000 | 549 | 133,822 | 139,977 | 275,348 | - | 275,348 |
| Balance at 31 March, 2019 | 13 | 14 | 14 | 14 | 14 | - | 14 |
| Note(s) | | | | | | | |

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

Cash Flow Statement

| | | 2019 | 2018 |
|---|-----------|--------------------|---------------------|
| | Note(s) | R '000 | Restated* R '000 |
| Cash flows from operating activities | | | |
| Cash receipts from stakeholders | | | |
| Levies, interest and penalties received | | 1,649,288 | 1,560,995 |
| Interest income | | 53,150 | 135,214 |
| Other cash receipts from Stakeholders | | 274 | 90 |
| | | 1,702,712 | 1,696,299 |
| Cash payments to stakeholders, suppliers and employees | | | |
| Employee costs | | (210,732) | (176,709) |
| Grants and project payments | | (2,218,709) | (2,130,556) |
| Payments made to Suppliers and others | | (168,925) | (109,336) |
| | | (2,598,366) | (2,416,601) |
| Cash generated from operations | 22 | (895,654) | (720,302) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 7 | (91,529) | (101,949) |
| Purchase of intangible assets | 8 | (33,229) | (9,826) |
| Proceeds from the sale of property, plant and equipment | | - | 90 |
| Net cash flows from investing activities | | (124,758) | (111,685) |
| Net increase in cash and cash equivalents | | (1,020,412) | (831,987) |
| Cash and cash equivalents at the beginning of the year | | 1,424,032 | 2,256,019 |
| Cash and cash equivalents at the end of the year | 6 | 403,620 | 1,424,032 |

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved Adjustments budget | | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------------------|------------------|--------------------|--|---|-----------|
| | R '000 | R '000 | R '000 | R '000 | R '000 | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Other income | - | - | - | 2,565 | 2,565 | 16 & 30 |
| Interest received - investment | 148,809 | (75,124) | 73,685 | 52,438 | (21,247) | 16 & 30 |
| Total revenue from exchange transactions | 148,809 | (75,124) | 73,685 | 55,003 | (18,682) | |
| Revenue from non-exchange transactions | | | | | | |
| Skills Development Levy Income | 1,684,820 | (48,294) | 1,636,526 | 1,601,575 | (34,951) | 16 & 30 |
| Skills Development Interest and Penalties | - | - | - | 47,443 | 47,443 | 16 & 30 |
| Other Revenue | - | - | - | 41,102 | 41,102 | |
| Total revenue from non- exchange transactions | 1,684,820 | (48,294) | 1,636,526 | 1,690,120 | 53,594 | |
| Total revenue | 1,833,629 | (123,418) | 1,710,211 | 1,745,123 | 34,912 | |
| Expenditure | | | | | | |
| Personnel | (75,408) | 8,541 | (66,867) | (54,618) | 12,249 | 19&30 |
| Employer grants and project expenses | (2,165,933) | 90,579 | (2,075,354) | (2,241,087) | (165,733) | 21 & 30 |
| Administrative Expenses | (197,677) | 42,306 | (155,371) | (160,461) | (5,090) | 19 & 30 |
| Total expenditure | (2,439,018) | 141,426 | (2,297,592) | (2,456,166) | (158,574) | |
| Operating surplus/ (Deficit) | (605,389) | 18,008 | (587,381) | (711,043) | (123,662) | |
| Loss on disposal of assets | - | - | - | (392) | (392) | |
| (Deficit)/Surplus for the year | (605,389) | 18,008 | (587,381) | (711,435) | (124,054) | |

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Companies Act, 71 of 2008.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rands.

Assets, liabilities, revenues and expenses were not off-set, except where off-setting is either required or permitted by a Standard of GRAP.

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

1.1 Going concern assumption

These annual 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.

1.2 Property, plant and equipment

Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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; and
- the cost of the item can be measured reliably.

Initial Measurement

Property, plant and equipment 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. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at the 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.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment. Property, plant and machinery which are manufactured internally...

Subsequent Measurement

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

Revaluations

Property, plant and equipment are revalued every three years or when there is a material difference between the fair values of the land and buildings and their carrying amounts. (The last revaluation was done on 31 March 2018).

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Depreciation

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

Property, plant and equipment are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made every three years unless there are significant change.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A tangible asset is an identifiable non-monetary asset without physical substance. An asset is a resource that is controlled by the entity as a result of past events (for example, purchase or self-creation) and from which future economic benefits (inflows of cash or other assets) are expected.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

Recognition

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.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. Development costs are capitalised only after technical and commercial feasibility of the asset for sale or use have been established.

Subsequent measurement

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 inflows 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 their useful life.

Amortisation

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 a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount 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. Internally generated goodwill is not recognised as an intangible asset.

Derecognition

Intangible assets are derecognised:

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

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

1.4 Administration, grants and project expenditure

Mandatory grants

The grant payable and the related expenditure are recognised when the employer has submitted an application for a grant in the prescribed form within the agreed upon cut-off period and such application complies with all legislative requirements and when the monthly levy payments have been received from the employer. The grant is equivalent to 20% of the total levies paid by the employer during the corresponding financial period for the skills planning grant.

Discretionary grants and project expenditure

The funding for discretionary grants and projects stems from the 49.5% of the total levies paid by the employers, levy grants that are not claimed by employers, the surplus of administration levies not utilised, investment income, and other income generated by the Services SETA.

A SETA may allocate discretionary grants to employers, education and training providers who have submitted an application for a discretionary grant in the prescribed form within the agreed upon cut-off period.

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;
- such other costs as are specifically chargeable to the Services SETA under the terms of the contract and
- any expenditure incurred to support discretionary grant projects shall be charged to the discretionary grants to the extent that they can be attributed to a particular project.

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

Discretionary Grants Administration costs

Up to a maximum of 7.5% shall be allocated to administer the project by the employer or training provider.

Discretionary Grants Support costs

The 7.5% limit shall not be applicable to the following:

- Salaries of core business staff
- Expenditure incurred as a result of support to project conceptualise, implementation and closure
- Exhibitions
- Legal costs related to discretionary grants
- Travel and accommodation to support discretionary grants and the achievement of the Annual Performance Plan
- Consulting to support Services SETA strategic goals

Non-standard projects

These are projects that include, inter alia, SMMEs, Cooperatives etc. which are treated as direct project costs.

Non-pivotal projects

The 7.5% limit shall not be applicable to non-pivotal projects

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

At the end of the financial period, any unspent or uncommitted funds must be transferred to the National Treasury unless approval was granted to retain the unspent funds.

Administrative expenditure

The funding for administrative expenditure is derived from 10.5% of the total levies paid by the employers.

Administration expenses consist of the operational expenditure incurred by the Services SETA. Operational expenditure includes employee costs for non-core employees, consulting costs and operational travel and subsistence costs and capital expenditure, amongst others.

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

1.5 Budget information

The approved budget covers the fiscal period from 01-Apr-18 to 31-Mar-19.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. There are no timing differences on the budget to actual information as the budget is prepared on an accrual basis.

1.6 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Transactions are disclosed as related party transactions where the Services SETA has in the normal course of its operations, entered into transactions with entities related to the Department of Higher Education and Training, payments to members of the Accounting Authority and key management.

In addition, inter-seta transactions are disclosed as related party transactions due to employers moving from one SETA to another.

1.7 Events after reporting date

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

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

The Services SETA will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Services SETA will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.8 Financial instruments

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Services SETA shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. The cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Services SETA shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is cash, residual interest of another entity, a contractual right to receive cash or another financial asset from another entity exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the Services SETA.

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

1.8 Financial instruments (continued)

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Services SETA.

Classification

The Services SETA has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|--|---|
| Receivables from non-exchange transactions | Financial assets measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. |
| Receivables from exchange transactions | Financial assets measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. |
| Cash and cash equivalents | Financial assets which comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value. |

The Services SETA has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|---|--|
| Provisions | Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost. |
| Payables from exchange transactions | Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost. |
| Payables from non-exchange transactions | Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost. |

1.9 Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance based on the straight-line method. 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 take place. The Services SETA does not hold any finance leases.

1.10 Inventories

Inventory consist of assets in the form of materials or supplies to be consumed or distributed in the rendering of services and is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the entity and they can be measured reliably.

Initial recognition

Inventory, which comprises of consumables and stationery on hand, is initially measured at cost except where it is acquired through a non-exchange transaction, then its costs is stated at fair value as at the date of acquisition.

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Subsequent Measurement

When inventories are exchanged or distributed, the carrying amount of those inventories are recognised as an expense when the goods are distributed, or related service is rendered.

The cost of inventories is assigned using the lower of cost or current replacement costs. The same cost formula is used for all inventories having a similar nature and usage by the Services SETA.

1.11 Reserves

Reserves are sub-classified in the statement of financial position between the following funds and reserves:

- Administration reserve
- Employer grant reserve
- Discretionary reserve
- Revaluation reserve.

This sub-classification is made based on the restrictions placed on the distribution of monies received in accordance with the Regulations issued in terms of the Skills Development Act, 1998 (Act No. 97 of 1998).

Member employer company levy payments are set aside in terms of the Skills Development Act and the regulations issued in terms of the Act, as per table below Interest and penalties received from South African Revenue Services (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 of the income.

The net surplus/deficit is allocated to the administration reserve and the discretionary fund reserve in terms of the Grant Regulations. The administration reserve comprises of the future depreciation of all administration property, plant and equipment at the end of the year.

Surplus funds are moved to the discretionary fund reserve from the administration reserve based on unspent funds at year-end and from the mandatory grant based on unclaimed grants after the prescribed time-frames have elapsed.

A further amount is disclosed in the employer grant reserve for newly registered member companies, participating after the legislative cut-off date and new scheme year levies received for the period ending 31 March. Refer to note for disclosure of this contingent liability

| | 2019 | 2018 |
|--|-----------------|-----------------|
| Administration costs | 10.50 % | 10.50 % |
| Mandatory Grants | 20.00 % | 20.00 % |
| Discretionary Grants | 49.50 % | 49.50 % |
| | <u>80.00 %</u> | <u>80.00 %</u> |
| Received by the SETA | 20.00 % | 20.00 % |
| Contribution to the National Skills Fund | <u>100.00 %</u> | <u>100.00 %</u> |

1.12 Retirement benefit costs

Defined contribution plans

The Services SETA provides for retirement benefits for all its permanent employees through a defined contribution scheme that is subject to the Pension Funds Act, 1956 as amended. Contributions are at a rate of 15% of pensionable emoluments of which members contribute 7.5%.

The Services SETA's contribution to the defined contribution plans is charged to the Statement of Financial Performance in the year to which they relate and there is no further liability for the Services SETA.

1.13 Provisions, accruals and contingencies

Provisions are recognised when the Services SETA has a present legal or constructive obligation as a result of past events, and it is probable that this will result in an outflow of economic benefits that can be estimated reliably. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

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Provision for levies exempt companies

Exempt companies provision includes employers who continued paying skills development levies even though they are exempt in terms of Skills Development Act.

Provision for grants

Provisions are not 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 and contracted, it is disclosed as commitments in the notes to the financial statements.

Accruals

Accruals refer to the recording of transactions when they occur and recognised in the financial statements in the periods to which they relate.

Accrual for employee entitlement

Accruals refer to the recording of transactions when they occur and recognised in the financial statements in the periods to which they relate.

Accrual for employee entitlement

The cost of other employee 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 made for the estimated liability as a result of services rendered by employees up to the last day of the financial year. Leave accruals are included under payables from exchange transactions in the statement of financial position based on the current salary rates and latest approved increases.

Also included under payables from exchange transactions are trade payables.

Accruals for mandatory grants and discretionary grants payable are recognised under payables from non-exchange transactions.

Contingent assets and contingent liabilities

A contingent liability is 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 in the control of the Services SETA.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly in the control of the Services SETA.

Contingent assets and contingent liabilities are disclosed in note 24.

1.14 Revenue recognition

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the Services SETA, which represents an increase in net assets.

Control of an asset arises when the Services SETA can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange. Exchange revenue is mostly derived from interest earned. Interest earned is recognised on a time proportionate basis that takes into account the effective yield on the interest investment.

Non-exchange transactions are transactions that are not exchange transactions.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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Inter-SETA Transfers

Revenue is adjusted for transfers of employers between SETAs that arise due to incorrect allocation to a SETA on registration for skills development levy or changes to their business that result in a need to change SETAs. Such adjustments are disclosed separately as inter-seta transfers. The amount of the inter-seta transfers is calculated according to the most recent Standard Operating Procedure as issued by the Department of Higher Education and Training (DHET).

Skills development levy

In terms of section 3(1) and 3(4) of the Skills Development Levies (SDL) Act, 1999 (Act no. 9 of 1999), registered member companies pay a skills development levy of 1% of the total payroll cost to SARS, who collects the levies on behalf of the DHET. Accounting policy note number 1.11 provides the split of the levies allocated.

Skills development levy income is recognised when it is probable that future economic benefits will flow to the Services SETA and these benefits can be measured reliably. This occurs when the DHET either makes an allocation or payment to Services SETA, whichever occurs first. SDL income is measured at the fair value of the consideration received or receivable.

Interest and penalties

Interest and penalties are economic benefits or service potential received or receivable by Services SETA, as determined by legislation, as a consequence of the breach of laws or regulations and is recognised on the same basis as the skills development levy.

Voluntary contributions

Voluntary contributions received from public service employers in the national and provincial spheres of government are recognised on the cash basis. These funds may be used to fund the Services SETA administration costs. The Services SETA allocate the voluntary contributions using the circular from the DHET of 33.33% to administration and 66.66% to discretionary.

1.15 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.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 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 expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that was not incurred in the manner prescribed by legislation

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year-end and/or before finalisation of the financial statements, must also be recorded appropriately in the irregular expenditure register.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement by the Accounting Authority is obtained at year-end, must be recorded in the irregular expenditure register.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write-off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

GRAP 32: Service concession arrangements: Grantor (Not yet effective)

The purpose is to prescribe the accounting for service concession arrangements by the Grantor.

2. New standards and interpretations

2.1 New Accounting Pronouncements:

The Services SETA has not applied the following standards and interpretations, as are not applicable to it and or the effective dates are not yet effective and or the effective dates have not been Gazetted by the Minister of Finance, except for GRAP 20 which was adopted earlier.

Standard/ Interpretation, Effective Date and Expected Impact

GRAP 20: Related party disclosure (Early Adopted)

The standard provides guidance on related party disclosures to ensure that an entity's financial statements contain the disclosure necessary to draw attention to the possibility that its financial position and surplus or deficit may have been impacted by the existence of connected parties and by transactions and outstanding balances with such parties. The standard will not have an impact on Services SETA as the standard was early adopted.



Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

Notes to the Annual Financial Statements

| | 2019 R '000 | 2018 R '000 |
|--|----------------|----------------|
|--|----------------|----------------|

3. Inventories

Inventory consists mainly of consumable stores and stationery. It is valued at the lower of cost and current replacement value.

Consumable stores

| | |
|-----|-----|
| 395 | 406 |
|-----|-----|

4. Receivables from exchange transactions

Trade debtors

| | |
|---|-------|
| - | 2,863 |
|---|-------|

Employee costs receivables

| | |
|-----|-----|
| 582 | 139 |
|-----|-----|

Prepayments

| | |
|-------|-------|
| 5,658 | 3,157 |
|-------|-------|

Accrued investment income

| | |
|-------|-------|
| 1,044 | 1,756 |
|-------|-------|

| | |
|--------------|--------------|
| 7,284 | 7,915 |
|--------------|--------------|

Reconciliation of provision for impairment of trade and other receivables

Opening balance

| | |
|-----|----|
| 138 | 31 |
|-----|----|

Staff costs receivables

| | |
|-----|-----|
| 572 | 111 |
|-----|-----|

Recovery

| | |
|-------|-----|
| (128) | (4) |
|-------|-----|

| | |
|------------|------------|
| 582 | 138 |
|------------|------------|

5. Receivables from non-exchange transactions

Mandatory Grants receivable: SARS Adjustments

| | |
|--------|--------|
| 13,973 | 15,117 |
|--------|--------|

Discretionary Grants receivable

| | |
|--------|---|
| 14,532 | - |
|--------|---|

Mandatory Grants receivable: Legal process

| | |
|---|---|
| - | - |
|---|---|

| | |
|---------------|---------------|
| 28,505 | 15,117 |
|---------------|---------------|

Mandatory grants receivables

Mandatory grants receivable arises as a result of SARS adjustments subsequent to the Services SETA having paid-out the grant. The receivable is set-off against future mandatory grants payable by the Services SETA to the employer concerned. A provision has been raised.

MG Receivable

| | |
|--------|--------|
| 15,386 | 17,301 |
|--------|--------|

Provision for Bad Debt - MG

| | |
|---------|---------|
| (1,413) | (2,184) |
|---------|---------|

| | |
|---------------|---------------|
| 13,973 | 15,117 |
|---------------|---------------|

Discretionary grants receivables

The receivable arose as a result of vendors using the same vendor names and resulted in the receivable.

Discretionary grants receivables

University of Mpumalanga bursary project

| | |
|--------|---|
| 13,189 | - |
|--------|---|

Learnership project

| | |
|-----|---|
| 969 | - |
|-----|---|

| | |
|---------------|----------|
| 14,158 | - |
|---------------|----------|

Mandatory grants receivable: Legal process

During the 2013/14 financial year there was a fraudulent submission of banking details which resulted in a pay-out of R385 thousand of mandatory grants. Legal proceedings are on-going. A provision has been raised.

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

| | 2019 R '000 | 2018 R '000 |
|---|----------------|----------------|
| MG Receivable: Legal | 385 | 385 |
| Provision for bad debts - Legal process | (385) | (385) |
| | - | - |

5. Receivables from non-exchange transactions (continued)

National Skills Fund Receivable: Uncommitted funds

During the 2014/15 financial year a directive was received from the Executive Authority requiring the Services SETA to make an additional payment as per the new grant regulations. The Services SETA was instructed to pay R1.577 billion and subsequently it was determined that only R1.567 billion should have been paid. The Services SETA is regularly engaging with the National Skills Fund for the settlement of the overpayment. Due to the uncertainty pertaining to the recoverability of the receivable based on prior years experience, a provision has therefore been raised.

During the current financial year, a judgement in the matter between the Minister of Higher Education and Training and UBUSA ruled that paragraph 3(12) of the Skills Development Grant Regulations (2012), which requires that the uncommitted funds should be transferred to the National Skills Fund, be set aside.

| | | |
|------------------------------|---------|---------|
| NSF Receivable | 9,269 | 9,269 |
| Provision for Bad Debt - NSF | (9,269) | (9,269) |
| | - | - |

6. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|------------------------|----------------|------------------|
| Cash on hand | 5 | 17 |
| Bank balances | 155,117 | 122,070 |
| Short-term investments | 241,948 | 1,242,992 |
| Restricted cash | 6,550 | 58,953 |
| | 403,620 | 1,424,032 |

Cash on hand constitutes petty cash that is spread across ten provincial offices, including head office.

As required in terms of Treasury Regulation 31.2, the Services SETA holds bank accounts with financial institutions approved by the National Treasury. The Skills Development Act Regulations state that the Services SETA may, if not otherwise specified by the Public Finance Management Act, invest the money in accordance with the Investment Policy approved by the Accounting Authority. Short term deposits are invested in line with the Investment Policy.

Restricted cash consists of bank guarantees held as collateral for the acquisition of provincial offices in order to improve the accessibility of the Services SETA to learners and stakeholders.

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

7. Property, plant and equipment

| | 2019 | | 2018 | | |
|------------------------|---------------------|---|----------------|---|-------------------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation and accumulated impairment | Restated Carrying value |
| Land | 65,961 | - | 65,961 | 23,418 | 23,418 |
| Buildings | 94,760 | - | 94,760 | 68,877 | 68,690 |
| Building machinery | 2,506 | (1,763) | 743 | 2,342 | 875 |
| Furniture and fixtures | 15,749 | (3,546) | 12,203 | 8,021 | 7,757 |
| Motor vehicles | 18,287 | (6,110) | 12,177 | 10,289 | 7,353 |
| Office equipment | 8,262 | (2,445) | 5,817 | 4,767 | 3,103 |
| Computer equipment | 22,166 | (8,333) | 13,833 | 15,409 | 9,260 |
| Computer network | 7,277 | (5,251) | 2,026 | 8,213 | 3,379 |
| Work-in-progress | - | - | - | 9,902 | 9,902 |
| Total | 234,968 | (27,448) | 207,520 | 151,238 | 133,737 |

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

| | Opening balance | Additions | Refurbishments | Disposals | Transfers | Revaluations | Depreciation | Total |
|--|-----------------|---------------|----------------|--------------|----------------|-----------------|-----------------|----------------|
| Land | 23,418 | 39,219 | - | - | 3,324 | - | - | 65,961 |
| Buildings | 68,690 | 24,908 | - | - | 976 | - | 186 | 94,760 |
| Building machinery | 875 | 183 | - | (17) | - | - | (298) | 743 |
| Furniture and fixtures | 7,757 | 7,755 | - | - | - | - | (3,309) | 12,203 |
| Motor vehicles | 7,353 | 6,977 | - | - | 1,023 | - | (3,176) | 12,177 |
| Office equipment | 3,103 | 3,975 | - | (30) | - | - | (1,231) | 5,817 |
| Computer equipment | 9,260 | 8,909 | - | (345) | - | - | (3,991) | 13,833 |
| Computer network | 3,379 | - | - | - | - | - | (1,353) | 2,026 |
| Work in progress | 9,902 | - | - | - | (9,902) | - | - | - |
| | 133,737 | 91,926 | - | (392) | (4,579) | - | (13,172) | 207,520 |
| Reconciliation of property, plant and equipment - 2018 Restated | | | | | | | | |
| | Opening balance | Additions | Refurbishments | Disposals | Transfers | Revaluations | Depreciation | Total |
| Land | 15,950 | 7,468 | - | - | - | - | - | 23,418 |
| Buildings | 51,000 | 30,112 | 41,687 | - | - | (53,922) | (187) | 68,690 |
| Building machinery | 1,152 | - | - | - | - | - | (277) | 875 |
| Furniture and fixtures | 9,002 | 973 | - | (8) | - | - | (2,210) | 7,757 |
| Motor vehicles | 3,624 | 5,153 | - | - | - | - | (1,424) | 7,353 |
| Office equipment | 1,745 | 2,050 | - | (2) | - | - | (690) | 3,103 |
| Computer equipment | 7,264 | 4,549 | - | (79) | - | - | (2,474) | 9,260 |
| Computer network | 4,725 | 50 | - | - | - | - | (1,396) | 3,379 |
| Work in progress | 468 | 9,902 | - | - | (468) | - | - | 9,902 |
| | 94,930 | 60,257 | 41,687 | (89) | (468) | (53,922) | (8,658) | 133,737 |

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2019
R '000

2018
R '000

7. Property, plant and equipment (continued)

Transfers

The remaining balance of R4.6 million relates to the estimated guarantees for the purchase of land and buildings which was recognised as work-in-progress and is now written off:

Previously stated figure for FY2018 for Property, plant and equipment: R128.7 million

Refer to note 34 for prior year adjustment.

During the year under review the useful lives of assets with R1 carrying amount and minor assets, which are defined as assets which cost less than R5000, were reassessed.

Useful lives

The average estimated useful lives of items of property, plant and equipment have been assessed as follows:

Item

| | | |
|------------------------|--------|--------|
| Buildings | 20 | 20 |
| Land | 0 | 0 |
| Furniture and Fittings | 5 - 10 | 5 - 10 |
| Motor vehicles | 5 - 7 | 5 - 7 |
| Office equipment | 5 - 10 | 5 - 10 |
| Computer equipment | 3 - 5 | 3 - 5 |
| Computer network | 3 - 5 | 3 - 5 |

Repairs and Maintenance: Refer to note 18

During the current financial year, R3.4 million of repairs and maintenance was incurred in order to maintain the condition of the property and machinery of the SETA

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

8. Intangible assets

| | Cost / Valuation | 2019 | Carrying value | Cost / Valuation | 2018 Restated | Carrying value |
|-------------------------------------|------------------|---|----------------|------------------|---|----------------|
| | | Accumulated amortisation and accumulated impairment | | | Accumulated amortisation and accumulated impairment | |
| Computer software | 51,015 | (17,571) | 33,444 | 37,937 | (8,710) | 29,227 |
| Intangible assets under development | 33,209 | - | 33,209 | 13,087 | - | 13,087 |
| Total | 84,224 | (17,571) | 66,653 | 51,024 | (8,710) | 42,314 |

Reconciliation of intangible assets - 2019

| | Opening balance | Additions | Transfers | Amortisation | Total |
|-------------------------------------|-----------------|---------------|-----------|----------------|---------------|
| Computer software | 29,227 | 9,116 | 3,989 | (8,888) | 33,444 |
| Intangible assets under development | 13,087 | 24,111 | (3,989) | - | 33,209 |
| | 42,314 | 33,227 | - | (8,888) | 66,653 |

Reconciliation of intangible assets - 2018 Restated

| | Opening balance | Additions | Transfers | Amortisation | Total |
|-------------------------------------|-----------------|--------------|-----------|----------------|---------------|
| Computer software | 15,702 | 3,794 | 14,868 | (5,137) | 29,227 |
| Intangible assets under development | 21,923 | 6,032 | (14,868) | - | 13,087 |
| | 37,625 | 9,826 | - | (5,137) | 42,314 |

Useful life

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values. The useful life of computer software is a minimum of 3 years and maximum of 5 years.

Useful lives

| | | |
|-------------------|-------|-------|
| Computer software | 3 - 5 | 3 - 5 |
|-------------------|-------|-------|

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9. Deposits

| | 2019 | Restated 2018 |
|--|------------|------------------|
| | R '000 | R '000 |
| Short term deposits for lease and Municipal deposits | | |
| Bloemfontein | 33 | - |
| Durban | 2 | 2 |
| Johannesburg | 136 | 136 |
| Nelspruit | 22 | 22 |
| Port Elizabeth | 3 | - |
| | 196 | 160 |

10. Payables from exchange transactions

| | | |
|---|---------------|----------------|
| Trade payables | 11,170 | 57,338 |
| Accrued employee costs | 5,224 | 36,825 |
| Accrued leave pay | 8,573 | 6,152 |
| Accrued expenses - Administration expense | 21,824 | 6,601 |
| | 46,791 | 106,916 |

Previously stated figure for FY2018: R101.540 million

Refer to note 34 for prior year adjustment.

Invoices received after 31 March 2018 were not accrued for in the relevant financial year. Accruals were understated by R5.4 million.

11. Payables from non-exchange transactions

| | | |
|--|----------------|----------------|
| Accrued Expenses: Discretionary Grants | 40,698 | 52,703 |
| Trade Payables: Discretionary grants | 44,749 | 78,895 |
| Mandatory grants payables | 134,425 | 128,221 |
| Inter-SETA payable | 63 | 75 |
| | 219,935 | 259,894 |

Previously stated figure for FY2018: R259.735 million

Refer to note 34 for prior year adjustment

Invoices received after 31 March 2018 were not accrued for in the relevant financial year. Accruals were understated by R159 thousand.

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12. Provisions

| Reconciliation of provisions - 2019 | | R'000 | | |
|---------------------------------------|-----------------|----------------|---|----------------|
| | Opening Balance | Additions | Utilised during the Year/Change in estimate | Total |
| Exempt employers | 50,753 | 10,317 | (13,988) | 47,082 |
| Discretionary grant | 215,707 | 125,017 | (215,707) | 125,017 |
| Provision for administration expenses | 3,776 | - | (3,776) | - |
| | 270,236 | 135,334 | (233,471) | 172,099 |

| Reconciliation of provisions - 2018 | | R'000 | | |
|---------------------------------------|-----------------|----------------|---|----------------|
| | Opening Balance | Additions | Utilised during the Year Change in estimate | Total |
| Exempt employers | 53,034 | 8,541 | (10,822) | 50,753 |
| Discretionary Grants | 221,472 | 192,010 | (197,775) | 215,707 |
| Provision for administration expenses | 30,000 | 3,771 | (29,995) | 3,776 |
| | 304,506 | 204,322 | (238,592) | 270,236 |

Provision for exempt levy employers

This provision is for employers who, even though are not obliged to pay the skills development levy because their payroll is less than R500,000, amongst others, still contribute towards the SDL. The provision covers contributions made over a period of five years by employers with payroll less than R500,000. Any exempt contributions older than five years are swept to discretionary reserves.

Provision for discretionary grants

In the 2016/17 financial year, the Services SETA established an in-house Bursary Unit. This provision includes the new allocations and the expected percentage of progressing bursars as well as consideration of the prior year's actual payout ratio, based on historical data.

Refer to note 33 for further details.

Provision for administration

The Services SETA has a performance management system and this provision for payroll has been set-aside for the 2017/18 performance assessment appeals by employees.

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13. Revaluation reserve

| | 2019 R '000 | 2018 R '000 |
|--|----------------|----------------|
| Reserve on revaluation of property, plant and equipment. | | |
| Opening balance | 1,000 | 1,000 |
| Movement for the year | - | - |
| Closing balance | 1,000 | 1,000 |

14. Accumulated surplus

Allocation of the surplus for the year to reserves - 2019

| | Administration reserve | Employer grant reserve | Discretionary grant reserve | Total |
|---|---------------------------|---------------------------|--------------------------------|--------------------|
| Skills development levy income | - | - | - | - |
| - Administration levy income | 209,986 | - | - | 209,986 |
| - Mandatory grant levy income | - | 397,253 | - | 397,253 |
| - Discretionary grant levy income | - | - | 994,337 | 994,337 |
| - Penalties and interest | - | - | 47,443 | 47,443 |
| Investment income | - | - | 52,438 | 52,438 |
| Other income | 2,561 | 15,268 | 25,837 | 43,666 |
| Total Income | 212,547 | 412,521 | 1,120,055 | 1,745,123 |
| Administration expenses | (215,468) | - | - | (215,468) |
| Employer grant expenses | - | (192,649) | - | (192,649) |
| Project expenses | - | - | (2,048,437) | (2,048,437) |
| Total expenses | (215,468) | (192,649) | (2,048,437) | (2,456,554) |
| Net surplus/ (Deficit) allocated | (2,920) | 219,872 | (928,387) | (711,435) |

| Reserves movement | Administration reserve | Employer reserve | Discretionary grant reserve | Revaluation reserve | Total |
|---------------------------------------|---------------------------|---------------------|--------------------------------|------------------------|----------------|
| Opening balance | 105,169 | 10,914 | 869,550 | 1,000 | 986,633 |
| Surplus/Deficit) for the year | (2,920) | 219,872 | (928,387) | - | (711,435) |
| Re-allocation of surplus for the year | 31,573 | (230,237) | 198,814 | - | 150 |
| | 133,822 | 549 | 139,977 | 1,000 | 275,348 |

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14. Accumulated surplus (continued)

Allocation of the surplus for the year to reserves - 2018

| | Administration reserve | Employer grant reserves | Discretionary grant reserves | Revaluation reserve | Total |
|---|---------------------------|----------------------------|---------------------------------|------------------------|--------------------|
| Skills development levy income | - | - | - | - | - |
| - Administration levy income | 197,363 | - | - | - | 197,363 |
| - Grant levy income | - | 378,594 | - | - | 378,594 |
| - Discretionary levy | - | - | 928,897 | - | 928,897 |
| Penalties and interest | - | - | 56,140 | - | 56,140 |
| Investment income | - | - | 131,361 | - | 131,361 |
| Other income | - | 5,914 | 90 | - | 6,004 |
| Total income | 197,363 | 384,508 | 1,116,488 | - | 1,698,359 |
| Administration expenses | (283,624) | - | - | - | (283,624) |
| Employer grant | - | (166,653) | - | - | (166,653) |
| Project expenses | - | - | (2,073,462) | - | (2,073,462) |
| Total expenses | (283,624) | (166,653) | (2,073,462) | - | (2,523,739) |
| Net surplus/ (deficit) allocated | (86,261) | 217,855 | (956,974) | - | (825,380) |

| | Administration reserve | Employer grant reserves | Discretionary grant reserves | Revaluation reserve | Total |
|-------------------------------------|---------------------------|----------------------------|---------------------------------|------------------------|----------------|
| Previously reported opening balance | 65,667 | 5,314 | 1,733,939 | 1,000 | 1,805,920 |
| Prior period error (Note 34) | 6,092 | - | - | - | 6,092 |
| Reallocation of funds to reserve | (6,092) | - | 6,092 | - | - |
| Subtotal | 65,667 | 5,314 | 1,740,031 | 1,000 | 1,812,012 |
| Surplus / (Deficit) for the year | (86,260) | 217,855 | (956,974) | - | (825,379) |
| Reallocation of funds to reserve | 125,762 | (212,255) | 86,493 | - | - |
| | 105,169 | 10,914 | 869,550 | 1,000 | 986,633 |

Previously stated figure for FY2017: R986.7 billion

Refer to note 34 for prior year adjustment.

15. Investment revenue

| | 2019 R '000 | 2018 R '000 |
|----------|----------------|----------------|
| Interest | 52,438 | 131,361 |

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16. Revenue

| | | |
|---|------------------|------------------|
| Skills Development Levy: Income | 1,601,575 | 1,504,855 |
| Skills Development Levy: Interest and Penalties | 47,443 | 56,140 |
| Other Income | 41,102 | 5,913 |
| | 1,690,120 | 1,566,908 |

The Other Income relates to the write-off of long outstanding payables in line with the Prescription Act, SARS practice and good practice.

The amount included in revenue arising from exchange transactions are as follows:

| | | |
|--------------------------------|---------------|----------------|
| Other income | 2,565 | 90 |
| Interest received - investment | 52,438 | 131,361 |
| | 55,003 | 131,451 |

Recoveries include pay-outs received from the insurance company for assets that were damaged and or lost during the current year and the recovery of SDL paid by the Services SETA from ETDP SETA.

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Transfer revenue

| | | |
|---|------------------|------------------|
| Levies | 1,601,575 | 1,504,855 |
| Skills Development Levy: Interest and Penalties | 47,443 | 56,140 |
| Other Income | 41,102 | 5,913 |
| | 1,690,120 | 1,566,908 |

Skills Development Levy: Penalties and Interest

| | | |
|-------------------------|---------------|---------------|
| Levy Penalties received | 25,209 | 30,659 |
| Levy Interest received | 22,233 | 25,481 |
| | 47,442 | 56,140 |

| | | |
|--|----------------|----------------|
| Levy income: Administration | 209,509 | 197,008 |
| Inter-seta transfers-in | 3 | 8 |
| Inter-seta transfers-out | (8) | (10) |
| Voluntary Contribution Admin | - | 125 |
| Levies contributed by exempt employers | 482 | 232 |
| | 209,986 | 197,363 |

| | | |
|--|----------------|----------------|
| Levy income: Employer Grants | 396,344 | 373,599 |
| Inter-seta transfers-in | 6 | 386 |
| Inter-seta transfers-out | (16) | (19) |
| Levies contributed by exempt employers | 918 | 4,629 |
| | 397,252 | 378,595 |

| | | |
|--|------------------|------------------|
| Levy income: Discretionary Grants | 992,089 | 930,324 |
| Inter-seta transfers-in | 15 | 40 |
| Inter-seta transfers-out | (39) | (46) |
| Levies contributed by exempt employers | 2,272 | (2,580) |
| Voluntary Contributions | - | 1,159 |
| | 994,337 | 928,897 |
| | 1,601,575 | 1,504,855 |

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| | 2019 | 2018 |
|--|----------------|---------------------|
| | R '000 | Restated* R '000 |
| 17. Administration expenses | | |
| Advertising | 20,300 | 30,225 |
| Auditors remuneration (Refer to note 20) | 6,221 | 6,748 |
| Bank charges | 588 | 592 |
| Consulting and professional fees | 56,433 | 49,462 |
| Rentals | 3,819 | 1,778 |
| Insurance | 4,489 | 3,136 |
| Stakeholders participation | 1,933 | 2,077 |
| IT expenses | 8,936 | 7,953 |
| Printing and stationery | 1,967 | 2,192 |
| Security | 5,530 | 4,871 |
| Staff welfare | 1,092 | 3,119 |
| Subscription and membership fees | 30 | 334 |
| Communication costs | 2,725 | 3,657 |
| Training and recruitment | 4,319 | 3,453 |
| Subsistence and Travel - Local | 2,936 | 4,769 |
| Small Tools | 24 | 151 |
| Electricity and water | 3,352 | 2,115 |
| Repairs and maintenance (Refer to Note 18) | 3,396 | 6,569 |
| Quality Council for Trades and Occupations fee 0.5% | 10,590 | 8,149 |
| Accounting Authority and Audit Committee costs | 7,195 | 10,094 |
| Depreciation, amortisation and impairment | 14,586 | 64,416 |
| Employee Costs (Refer to Note 19) | 54,618 | 67,764 |
| | 215,079 | 283,624 |
| <i>Previously stated figure for FY2018: R277.591 million</i> | | |
| <i>Refer to note 34 for prior year adjustment.</i> | | |
| 18. Repairs and Maintenance | | |
| Building maintenance | 1,863 | 5,622 |
| Equipment and machinery maintenance | 168 | 275 |
| Motor vehicles expenses | 1,365 | 672 |
| | 3,396 | 6,569 |
| 19. Employee costs | | |
| Salaries and wages | 119,968 | 105,969 |
| Bonus | 925 | 34,690 |
| Medical aid contributions | 25,336 | 16,880 |
| Compensation for Occupational Injuries and Diseases | 187 | 444 |
| Leave pay provision charge | 2,879 | 370 |
| Basic education allowance | 3,019 | 2,561 |
| Pension contributions - Defined contribution plan | 14,281 | 12,180 |
| Housing benefits and allowances | 8,311 | 5,075 |
| Reallocate to DG | (123,158) | (113,106) |
| Other Fringe benefits | 2,870 | 2,700 |
| | 54,618 | 67,764 |

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

| | 2019 | 2018 Restated* |
|---------------------|--------|-------------------|
| | R '000 | R '000 |
| Number of employees | 294 | 263 |

20. Auditors' remuneration

| | | |
|---------------------|--------------|--------------|
| Internal Audit Fees | 2,750 | 4,440 |
| External Audit Fees | 3,471 | 2,308 |
| | 6,221 | 6,748 |

21. Employer grants and project expenses

| | | |
|--|------------------|------------------|
| Mandatory grant | 192,649 | 166,653 |
| Discretionary grant | 2,048,438 | 2,073,462 |
| Total Grants | 2,241,087 | 2,240,115 |
| Discretionary grant expenditure consist of: | | |
| Direct grants and project costs | 1,550,046 | 1,424,014 |
| Discretionary grants support costs | 498,392 | 649,448 |
| Total Grants | 2,048,438 | 2,073,462 |

22. Cash used in operations

| | | |
|---|------------------|------------------|
| Deficit | (711,435) | (825,380) |
| Adjustments for: | | |
| Depreciation and amortisation | 22,672 | 13,796 |
| Loss/Profit on disposal of property, plant and equipment | 389 | (90) |
| Impairment deficit | - | 53,922 |
| Guarantee estimate written off | 1,398 | - |
| (Decrease)/Increase in provisions | (98,137) | (34,270) |
| Changes in working capital: | | |
| (Increase)/Decrease in inventory | 11 | (225) |
| (Increase)/Decrease in receivables from exchange transactions | 633 | 2,237 |
| (Increase)/Decrease in receivables from non-exchange transactions | (13,388) | (5,706) |
| (Decrease)/Increase in payables from exchange transactions | (60,125) | 72,721 |
| Increase/ (Decrease) in payable from non-exchange transaction | (37,672) | 2,693 |
| | (895,654) | (720,302) |

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

23. Commitments

23.1 Discretionary reserves

Already contracted for but not provided for

| | | |
|---------------|-----------|-----------|
| • Commitments | 3,972,849 | 3,927,663 |
|---------------|-----------|-----------|

| 2019 - R'000 | Opening Balance | Approved by Accounting Authority | Amendments | Utilised | Total Commitments |
|-------------------------------------|------------------|----------------------------------|----------------|--------------------|-------------------|
| Partnership & Skills Promotion | 390,994 | 936 | 12,464 | (71,018) | 333,376 |
| Bursary Support | 166,794 | - | (13,405) | (31,233) | 122,156 |
| Small, Medium, Micro Enterprises | | | | | |
| Co- ordination | 119,509 | 10,003 | 15,078 | (59,483) | 85,107 |
| Skills Development Centres | 24,016 | - | - | (7,570) | 16,446 |
| Artisan | 202,345 | 9,802 | 4,255 | (60,490) | 155,912 |
| Experiential and Internship Grant | 2,797,805 | 1,339,741 | 239,501 | (1,328,474) | 3,048,573 |
| Sector Specialist Capacity Building | 125,163 | - | - | (650) | 124,513 |
| HET Sector Agreement | 22,737 | - | - | - | 22,737 |
| Rural Development | 2,644 | - | - | - | 2,644 |
| Learning programmes | 411 | - | - | - | 411 |
| Candidacy | 14,100 | - | 2,641 | (4,420) | 12,321 |
| Bursary Support: Universities | 61,145 | - | (12,420) | (72) | 48,653 |
| | 3,927,663 | 1,360,482 | 248,114 | (1,563,410) | 3,972,849 |

| 2018 - R'000 Restated | Opening Balance | Approved by Accounting Authority | Amendments | Utilised | Total Commitments |
|-------------------------------------|------------------|----------------------------------|-----------------|--------------------|-------------------|
| Partnership & Skills Promotion | 3,058 | 390,170 | - | (2,234) | 390,994 |
| Bursary Support | 99,576 | 93,564 | (16,007) | (10,339) | 166,794 |
| Small, Medium, Micro Enterprises | | | | | |
| Co- ordination | 1,359 | 118,149 | - | - | 119,508 |
| Skills Development Centres | 153,427 | 2,161 | 80,100 | (211,672) | 24,016 |
| Artisan | - | 215,528 | (3,774) | (9,408) | 202,346 |
| Experiential and Internship Grant | 2,521,191 | 1,630,612 | (130,011) | (1,223,987) | 2,797,805 |
| Sector Specialist Capacity Building | 118,106 | 71,700 | 36,780 | (101,423) | 125,163 |
| HET Sector Agreement | 20,928 | - | 2,019 | (210) | 22,737 |
| Rural Development | 2,644 | - | - | - | 2,644 |
| Learning programmes | 411 | - | - | - | 411 |
| Candidacy | - | 14,100 | - | - | 14,100 |
| Bursary Support: Universities | - | 61,145 | - | - | 61,145 |
| | 2,920,700 | 2,597,129 | (30,893) | (1,559,273) | 3,927,663 |

Previously stated figure for FY2018: R3.590 billion

Refer to note 34 for prior year adjustment

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

Contracted Operational and Capital Expenditure

Operational Commitments

- Operational commitments

| | |
|--------|--------|
| 32,954 | 23,537 |
|--------|--------|

Capital Commitments

- Capital commitments

| | |
|--------|--------|
| 10,835 | 16,337 |
|--------|--------|

Total operational and capital commitments

Operational Commitments

| | |
|--------|--------|
| 32,954 | 23,537 |
|--------|--------|

Capital Commitments

| | |
|--------|--------|
| 10,835 | 16,337 |
|--------|--------|

| | |
|---------------|---------------|
| 43,789 | 39,874 |
|---------------|---------------|

Total commitments

Total commitments

Authorised discretionary grants expenditure

| | |
|-----------|-----------|
| 3,972,852 | 3,590,358 |
|-----------|-----------|

Authorised operational expenditure

| | |
|--------|--------|
| 43,789 | 39,874 |
|--------|--------|

| | |
|------------------|------------------|
| 4,016,641 | 3,630,232 |
|------------------|------------------|

Commitments is a contingent liability and refers to an obligation that exists at the end of the financial year that will obligate the SETA to make a payment or payments in the ensuing years, contingent upon services being rendered and subject to available reserves.

This committed expenditure relates to discretionary grants and operational expenditure and will be financed by the allocation from DHET, retained surpluses, existing cash resources, funds internally generated, etc. The implementation of these commitments will be phased in based on APP targets.

In line with Grant Regulation No. 35940, sub-regulation 6(12), 89% of discretionary grant funding has been allocated to PIVOTAL programmes.

24. Contingent assets and liabilities

24.1 Contingent Liabilities

First-time employer registrations

The Skills Development legislation allows an employer, registering for the first time, six months to submit an application for a mandatory grant. At the reporting date, it is estimated that, as a result, additional mandatory grants expenditure of R552.0 thousand (2017/18: R10.9 million) will be payable. The amount is contingent on the number of submissions received and approved.

2018 Scheme year levies received

At the reporting date, no levies were received in respect of the 2019 scheme year (R1.0 thousand in 2017/18), for which, the Skills Development legislation allows an employer until 30 April 2019 to submit an application for a mandatory grant.

Contingent liabilities on legal matters

- Claims by various service providers for R904 thousand (2017/18: R1.5 million) with regards to contracts that were cancelled.

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24. Contingent assets and liabilities (continued)

24.2 Contingent assets

Claims against former employees for undue enrichment R25.6 million (2017/18: R47.7 million).

24.3 NSF uncommitted funds liability

In terms of paragraph 3(11) of the 2012 Grant Regulations, a SETA must have committed or spent a minimum of 95% of discretionary funds available to it by the 31st March of each year and a maximum of 5% of uncommitted funds may be carried over to the next financial year. In terms of paragraph 3(12), the remaining surplus of discretionary funds must be paid by the SETA to the National Skills Fund (NSF).

The Labour Appeal Court, in a matter between the Minister of Higher Education and Training and Business Unity South Africa, set aside paragraph 3(12) of the Grant Regulations. Therefore, uncommitted funds are no longer transferrable to the National Skills Fund. SETAs are however required to disclose the uncommitted surplus.

Uncommitted funds

| | 2019 | 2018 |
|------------------------------|------------------|------------------|
| Discretionary grant reserves | 139,977 | 869,550 |
| Less commitments | (3,972,849) | (3,927,663) |
| Over-committed funds | (3,832,872) | (3,058,113) |
| 95% thereof | 3,641,228 | 2,905,207 |
| | (191,644) | (152,906) |

Retention of Surplus Funds as at 31 March 2019

In terms of the Public Finance Management Act (1 of 1999), as amended, all surplus funds as at year-end must be forfeited to National Treasury should an application for the retention of surplus funds be denied. The Services SETA submitted an application for the retention of accumulated funds as at 31 March 2019 to National Treasury.

Instruction 6 of 2017/18 issued in May 2017 clarified that the surplus funds should be determined as follows:

Surplus/ (Deficit) funds

| | 2019 | 2018 |
|---|--------------------|--------------------|
| Cash and equivalents at the end of the year | 403,620 | 1,424,032 |
| Add: Receivables | 35,789 | 23,031 |
| Less: Current liabilities | (438,825) | (637,046) |
| Less: Commitments | (3,972,849) | (3,927,663) |
| | (3,972,265) | (3,117,646) |

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

25. Related parties

| | |
|--|--|
| Relationships | |
| Management has identified the following parties as related parties: | |
| Members of the Accounting Authority | Refer to members' report 65 |
| Ultimate controlling department | Department of Higher Education and Training |
| Entities with a representative serving on the Services SETA's Accounting Authority | UASA (S.M. Motlounge, Jhatham), Hotelica(S Mhlanga), SATAWU (T Magoda), SAIA (T Shabangu), IEASA (P Snyman) |
| Other department with significant influence | National Treasury |
| Key stakeholder | National Skills Fund National Students Financial Aid Scheme |
| Significant affiliates | Other 20 SETA's, QCTO |
| Members of key management | Amanda Buzo-Gqoboka - Chief Executive Officer Tsheola Matsebe - Chief Financial Officer Nompilo Sidondi - Acting Executive Manager: Legal Services Liesel Köstlich - Executive Manager: Entrepreneurship and Cooperative Development Ntombizodwa Ndhlovu - Executive Manager: Stakeholder Relationship Management Mamabele Motla - Executive Manager in the Office of the CEO Sibusiso Dhladhla - Executive Manager: Planning Andile Sipengane - Executive Manager: Core Business |

Related party transactions and balances

QCTO Fees (0.5%) 10,590 8,149

| Inter-Seta Receivable | 2019 | Opening balance R'000 | Transaction Value R'000 | Closing balance R'000 |
|---|------|-----------------------------|-------------------------------|-----------------------------|
| Finance and Accounting Services Sector Education and Training Authority | | - | - | - |

Inter-Seta Receivable 2018

| | | | |
|---|-----|-------|---|
| Finance and Accounting Services Sector Education and Training Authority | 107 | (107) | - |
|---|-----|-------|---|

Inter-Seta Received 2019

| | |
|---|------------|
| Manufacturing, Engineering and Related Services Sector Education and Training Authority | 26 |
| Education, Training and Development Practices Sector Education and Training Authority | 270 |
| | 296 |

Inter-Seta Received 2018

| | |
|---|------------|
| Manufacturing, Engineering and Related Services Sector Education and Training Authority | 386 |
| Public Sector Education and Training Authority | 49 |
| | 435 |

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25. Related parties (continued)

| | |
|---|------------------|
| Department of Higher Education and Training | |
| Levy Income and penalties and interest | |
| 2019 | |
| Department of Higher Education and Training | <u>1,645,383</u> |
| Levy Income and penalties and interest | |
| 2018 | |
| Department of Higher Education and Training | <u>1,557,070</u> |

Inkind Income

By virtue of the Services SETA being a National Public Entity related to entities and departments in the National sphere of government, it is considered related to, DHET, National Skills Authority, QCTO and other SETAs. The transactions are consistent with normal operating relationships between the entities, and are undertaken on terms and conditions that are normal for such transactions. Where there were transactions and balances arising due to the movement of funds between entities under common control of the department, these amounts were disclosed as below.

The Services SETA has forgone income due to the relations as per above note, the calculation of estimated amounts that the Services SETA would have had to receive in the absence of the related party is presented below. The amounts would have been as follows:

| | 2019 | 2018 |
|--|---------------|---------------|
| | R '000 | R '000 |
| Provincial Office Rental Income forgone | | |
| Mpumalanga office | - | 28 |
| Durban office | 121 | 115 |
| | <u>121</u> | <u>143</u> |
| | - | - |
| Rental of equipment(generator) | 25 | 25 |
| | <u>25</u> | <u>25</u> |

| Inter-Seta Payable | Opening balance | Transaction Value | Closing balance |
|--|------------------------|--------------------------|------------------------|
| | R'000 | R'000 | R'000 |
| 2019 | - | - | - |
| Construction Sector Education and Training Authority | (31) | 31 | - |
| Chemical Industries Education and Training Authority | - | (39) | (39) |
| Education Training and Development Practices SETA | - | (24) | (24) |
| Banking Sector and Education and Training Authority | (44) | 44 | - |
| | <u>(75)</u> | <u>12</u> | <u>(63)</u> |
| Inter-Seta Payable | | | |
| 2018 | - | - | - |
| Chemical Industries Education and Training Authority | (165) | 165 | - |
| Construction Sector Education and Training Authority | - | (31) | (31) |

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

| | | | |
|---|-------|------|------|
| Banking Sector Education & Training Authority | - | (44) | (44) |
| | (165) | 90 | (75) |

26. Remuneration of Members of the Accounting Authority and Executive Management

The meeting attendance fees for Accounting Authority members serving on the Audit Committee are included under Other in the Accounting Authority Remuneration table.

| Members of the Audit Committee 2019 | R'000 | Audit Committee fees | Disbursements | Total |
|-------------------------------------|-------|----------------------|---------------|------------|
| Maboa, MJ (Chairperson) | | 62 | - | 62 |
| Stock, P 1* | | 21 | - | 21 |
| Rabothata, KA | | 55 | 19 | 74 |
| Snyman, P(AA member) | | 49 | - | 49 |
| Roopchand,V(AA member) | | 49 | - | 49 |
| | | 236 | 19 | 255 |

| Members of the Audit Committee 2018 | R'000 | Audit Committee fees | Disbursements | Total |
|-------------------------------------|-------|----------------------|---------------|------------|
| Maboa, MJ (Chairperson) | | 55 | - | 55 |
| Stock,P | | 48 | - | 48 |
| Rabothata, KA | | 48 | 15 | 63 |
| | | 151 | 15 | 166 |

1* Resigned as at 30 September 2018

Members of the Accounting Authority

| 2019 | R'000 | | Board &Exco | Remco | Finco | Governance | Other | Total |
|--------------------------|-------|---|--------------|------------|------------|------------|--------------|--------------|
| Madiope, M (Chairperson) | | @ | 193 | - | - | - | 303 | 496 |
| Jhatham, A | | # | 56 | - | 31 | - | 64 | 151 |
| Letseli, D | | @ | 154 | - | - | 105 | 373 | 632 |
| Ford, J | | @ | 91 | 31 | 39 | 8 | 211 | 380 |
| Moshoadiba, L | | # | 58 | 78 | - | - | 163 | 299 |
| Mantashe, N | | @ | 137 | 63 | - | - | 210 | 410 |
| Snyman, P | | @ | 108 | 31 | 39 | - | 358 | 536 |
| Shabangu, T | | @ | 83 | - | 47 | - | 192 | 322 |
| Motloug SM | | @ | 154 | - | 16 | 16 | 195 | 381 |
| Magoda, T | | # | 49 | 54 | 23 | 54 | 118 | 298 |
| Msomi, V | | @ | 100 | 86 | - | 78 | 316 | 580 |
| Roopchand, V | | @ | 99 | - | 39 | 8 | 170 | 316 |
| Mhlanga, S | | # | 25 | - | - | 62 | 225 | 312 |
| Peters, S | | # | 63 | - | - | 62 | 149 | 274 |
| | | | 1,370 | 343 | 234 | 393 | 3,047 | 5,387 |

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

26. Remuneration of Members of the Accounting Authority and Executive Management (continued)

| 2018 | R'000 | Board & Exco | Remco | Finco | Governance | Other | Total |
|-------------------------|-------|--------------|------------|------------|------------|--------------|--------------|
| Mhambi, T (Chairperson) | | 181 | - | - | - | - | 181 |
| Petersen, W | | 145 | 49 | - | - | 718 | 912 |
| Dinwa, W | | 75 | - | 50 | 78 | 714 | 917 |
| Moloto, K | | 80 | - | 48 | - | 608 | 736 |
| Mofokeng, M | | 131 | - | - | - | 694 | 825 |
| Mantashe, N | | 124 | 66 | - | - | 554 | 744 |
| Shabangu, T | | 46 | - | 36 | 71 | 327 | 480 |
| Snyman, P | | 74 | 42 | 7 | 78 | 463 | 664 |
| Roopchand, V | | 31 | - | 7 | 71 | 150 | 259 |
| LetseLi, D | | 102 | - | 7 | 105 | 635 | 849 |
| Motloug, SM | | 45 | - | - | - | 135 | 180 |
| Phala, A | | 60 | 42 | 35 | 7 | 386 | 530 |
| Leigh-Ann Georgiev | | 8 | 35 | 29 | - | 19 | 91 |
| Sambatha, M *1 | | - | - | - | - | - | - |
| | | 1,102 | 234 | 219 | 410 | 5,403 | 7,368 |

The term of the previous Accounting Authority ended on 31 March 2018 and the new Accounting Authority was appointed during the first six months of the financial year ended 31 March 2019.

*1 Since appointment as Member of the North West Provincial Legislature, the member has not been eligible to receive meetings attendance allowance and serves without claiming any allowance.

@ Nine members appointed by the Minister of Higher Education and Training 01 April 2018

Five members appointed by the Minister of Higher Education and Training 01 September 2018

| 2019 | R'000 | Emolument | Pension, medical aid and UIF | Travel and subsistence | Total |
|---|-------|---------------|------------------------------|------------------------|---------------|
| Buzo-Gqoboka A (Chief Executive Manager) *1 | | 2,572 | 218 | 3 | 2,793 |
| Nongogo A (Chief Executive Officer) *2 | | 1,162 | 104 | - | 1,266 |
| Motla ML (Executive Manager in the Office of the CEO) | | 1,703 | 268 | 3 | 1,974 |
| Matsebe T (Chief Financial Officer) | | 1,929 | 193 | - | 2,122 |
| Köstlich L (Executive Manager: Entrepreneurship and Cooperatives Development) | | 2,021 | 206 | - | 2,227 |
| Dhladhla S (Executive Manager: Planning) *3 | | 1,754 | 200 | - | 1,954 |
| Sipengane A (Executive Manager: Core Business) | | 1,781 | 188 | 1 | 1,970 |
| Ndhlovu N (Executive Manager: Stakeholder Relationship Management) *4 | | 1,568 | 239 | 11 | 1,818 |
| Sidondi N (Acting Executive Manager: Legal Services) *5 | | 875 | 92 | - | 967 |
| | | 15,365 | 1,708 | 18 | 17,091 |

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

26. Remuneration of Members of the Accounting Authority and Executive Management (continued)

| 2018 | R'000 | | | | |
|---|---------------|----------------------------|------------------------|----------------|---------------|
| | Emoluments | Pension paid or receivable | Travel and subsistence | Bonus Payments | Total |
| Nongogo A (Acting Chief Executive Officer) | 2,699 | 260 | - | 548 | 3,507 |
| Motla ML (Executive Manager in the Office of the CEO) | 942 | 131 | - | 179 | 1,252 |
| Matsebe T (Chief Financial Officer) | 1,675 | 173 | - | 299 | 2,147 |
| Köstlich L (Executive Manager: Entrepreneurship and Cooperatives Development) | 1,780 | 184 | 9 | 312 | 2,285 |
| Buzo-Gqoboka A (Executive Manager: Legal Services) | 1,861 | 193 | - | 415 | 2,469 |
| Sipengane A (Executive Manager: Core Business) | 139 | 15 | - | - | 154 |
| Ndhlovu N (Executive Manager: Stakeholder Relationship Management) | 1,682 | 263 | - | 111 | 2,056 |
| Dhladhla S (Acting Executive Manager: Planning) | 1,352 | 127 | - | 290 | 1,769 |
| | 12,130 | 1,346 | 9 | 2,154 | 15,639 |

*1 Appointed as Chief Executive Officer through Government Gazette from 01 December 2018 but effected 01 April 2019

*2 Term as Chief Executive Officer ended 31 July 2018

*3 Appointed as Executive Manager: Planning from 01 August 2018

*4 Resigned 31 January 2019

*5 Appointed as Acting Executive Manager: Legal Services from 01 October 2018

27. Risk management

Financial risk management

The Services SETA's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Services SETA's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Services SETA's financial performance. The Accounting Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Services SETA treasury maintains flexibility in funding by maintaining availability under committed short-term investments. .

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27. Risk management(continued)

The Services SETA's risk to liquidity is a result of the funds available to cover future commitments. The Services SETA manages liquidity risk through an ongoing review of future commitments.

The table below analyses the Services SETA's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| 2019 | Carrying amounts | Contractual cash flows | 6 months or less | 6 months or more | More than 1 year |
|---|------------------|------------------------|------------------|------------------|------------------|
| Trade and payables from exchange transactions | (46,791) | (46,971) | (46,001) | (235) | (555) |
| 2018 | Carrying amounts | Contractual cash flows | 6 months or less | 6 months or more | More than 1 year |
| Trade and payables from exchange transactions | (106,916) | (106,916) | (101,066) | (1,044) | (4,806) |

Market Risk

The SETA is exposed to fluctuations in the employment market for example sudden increases in unemployment and changes in the wage rates which lead to changes in the levy income received by SETAs. The Services SETA licence expires on 31 March 2020 and thus far no communication regarding the extension of the SETA's licence. However the National Skills Development Plan which was gazetted on 06 February 2019 refers to the SETA landscape which will be characterised by SETAs having permanent licences. No other significant event occurred during the year that the SETA is aware of.

Interest rate risk

The Services SETA manages its interest rate risk by effectively investing Services SETA's surplus cash in terms of deposits with different financial institutions according to the SETA's investment and cash flow management policy.

Fair value interest rate risk

| Year ended 31 March 2019 | R'000 Floating rate Amount | Effective Interest rate | R'000 Non-interest bearing | R'000 Total |
|--|----------------------------------|----------------------------|----------------------------------|------------------|
| Receivables from exchange transactions | - | - | 7,284 | 7,284 |
| Cash and cash equivalents | 403,620 | 6.46% | - | 403,620 |
| | - | - | - | - |
| Payables from exchange transaction | - | - | (46,791) | (46,791) |
| Net financial assets | 403,620 | - | (39,507) | 364,113 |
| Year ended 31 March 2018 | R'000 Floating rate Amount | Effective Interest rate | R'000 Non-interest bearing | R'000 Total |
| Receivables from exchange transactions | - | - | 7,914 | 7,914 |
| Cash and cash equivalents | 1,424,032 | 6.72% | - | 1,424,036 |
| Payables from exchange transaction | - | - | (106,960) | (106,960) |
| Net financial assets | 1,424,032 | - | (99,046) | 1,324,990 |

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27. Risk management(continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Services SETA only deposits cash with major banks with high-quality credit standing and limits exposure to any one counter-party.

The ageing of other receivables from exchange transactions that are not impaired:

| | 2019 Gross | 2018 Gross |
|-------------------------|---------------|---------------|
| Not past due | 6,848 | 7,884 |
| Past due 1 - 30 days | - | - |
| Past due 31 - 120 days | - | - |
| Past due 120 - 365 days | 398 | - |
| More than one year | 38 | 31 |
| | 7,284 | 7,915 |

28. Fruitless and wasteful expenditure

| | 2019 | 2018 |
|-----------------------------|-----------|-----------|
| Opening balance | 19 | - |
| SARS interest and Penalties | - | 19 |
| Closing Balance | 19 | 19 |

SARS Interest and Penalties

Expenditure relating to SARS interest and penalties relate to People system configuration which resulted in the usage of a wrong payroll report for the calculation of the pay as you earn. The system has now been configured correctly. No criminal or disciplinary actions were taken as the mishap was not under the control of employees involved. An application to SARS has been submitted to waive the penalty.

29. Irregular expenditure

| | | | |
|---|----|----------------|----------------|
| Opening balance | | 943,031 | 183,859 |
| Add: Irregular Expenditure - current year | *1 | 17,148 | 832,456 |
| Add: Irregular Expenditure - prior year | *2 | - | 6,183 |
| Less: Approved by DHET | *3 | - | (79,467) |
| Closing balance | | 960,179 | 943,031 |

*1 The actual expenditure exceeded the initial budget approved by the Honourable Minister of Higher Education and Training by R17.1 million (FY2017/18: R832.4 million). The Services SETA will submit the information to the Executive Authority and National Treasury, who are the relevant authority and custodian of the legislation, respectively, for further clarification.

*2 Clarification from National Treasury with regards to the R6.1 million for FY2017/18 was obtained during the current financial year.

*3 Approval was obtained in the FY16/17 financial year however clarification was obtained from the Executive Authority in FY17/18 financial year.

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29. Irregular expenditure (continued)

Analysis of closing balance of irregular expenditure

| | | |
|----------------------|----------------|----------------|
| Awaiting condonation | 919,356 | 902,208 |
| Not condoned | 40,823 | 40,823 |
| | 960,179 | 943,031 |

Details of irregular expenditure – current year

| Contravention | Disciplinary steps taken/criminal proceedings | | |
|--|---|---------------|----------------|
| Payments made in contravention of Supply Chain Management regulations. | Assessment and determination stage | - | 6,183 |
| Costs incurred in excess of the approved budget in terms of section 53(4) of the PFMA : current year | Assessment and determination stage | 17,148 | 832,456 |
| | | 17,148 | 838,639 |

30. Budget differences

Differences between adjusted budget and actual amounts

The Final Budget column in the Statement of Comparison of Budget and Actual Amounts represent the reprioritisation of the budget by the Accounting Authority

Total Income

The Total Income for the year to March 2019 amount to R1.745 billion compared to the year to date forecast of R1.745 billion, resulting in a favourable variance of 0.2% (R34.9 million). Total Income comprises of levies amounting to R1.690 billion compared to the revised budget of R1.636 billion resulting in a favourable variance of 3% (R53.6 million), mainly due to SARS adjustments. .

Another component of Total Income is investment income which amount to R52.4 million, resulting in an adverse variance of 29% (R21.2 million). The adverse variance is mainly due to the reduction in cash and cash equivalents as a result of disbursements on discretionary grants which leads to lower funds available for investing to earn investment income

Grants

Project grants and mandatory grants disbursements for the period under review amounted to R2.241 billion, which resulted in an adverse variance of 8% (R165.7 million). This is attributable to the increased level of disbursements due to discretionary grants commitments which are in line with the Services SETA's mandate, which is to promote skills development.

Administration expenses

The administration expenditure for the year amounted to R215.08 million resulting in under-spending of 0.02% (R7.159 million) relative to the forecast of R222.2 million.

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2019

31. Events after reporting date

The Services SETA has submitted to the National Treasury through the Minister of Higher Education and Training an application for the rollover of accumulated reserves. At the time of approval of the annual financial statements the feedback was still outstanding.

32. Going concern

We draw attention to the fact that at March 31, 2019, the entity had a deficit of R 711,435 million and that the entity's total assets exceed its liabilities by R 275,348 million.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

33. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Services SETA's accounting policies management is required to make judgements, 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 historical 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 annual basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and residual value of property, plant and equipment and intangible assets

The SETA has reassessed the useful lives of property, plant and equipment for purposes of depreciation calculations in light of assets with a R1 carrying amount.

Refer note 7 and 8 for the respective carrying values and note 34 for the prior period error.

Bursary provision

The Services SETA has based its calculation of the bursary provision on the new annual intake and expected percentage of progressing bursars as well as the consideration of the pay-out ratio in the prior financial year.

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34. Prior period errors

34.1 Payables from Exchange and Non-Exchange Transactions (Accruals)

In the previous financial year administration accruals were erroneously understated by R5.5 million:

Statement of Financial Position

| | FY2018 |
|-------------------------------------|----------------|
| | R'000 |
| (Increase) in exchange payables | (R5,366) |
| (Increase) in non-exchange payables | (R159) |
| | (5,525) |

Statement of Financial Performance

| | |
|--|--------------|
| Increase in administration expenditure | R5,366 |
| Increase in discretionary expenditure | R 159 |
| | 5,525 |

34.2 Property Plant and Equipment

During the year under review minor assets (assets less than R5000) and assets which have a R1 carrying values were reassessed. Minor assets were depreciated in full in the year of acquisition and the useful lives of assets with R1 carrying amount were assessed and adjusted accordingly. GRAP requires that all assets be capitalised and depreciated in a systematic basis. GRAP also requires that the useful lives of assets be revised to mirror the actual useful lives. The impact of the correction of the errors are as follows:

Impact of the Minor Assets error

| | FY2018 | FY2017 |
|---|---------------|---------------|
| (Increase)/Decrease in Accumulated Depreciation | (573) | 3,647 |
| Increase/ (Decrease) in depreciation | 573 | (3,647) |
| | - | - |

Impact of the assessment of useful lives error

| | FY2018 | FY2017 |
|---|---------------|---------------|
| Decrease (Increase) in Accumulated Depreciation | (83) | 2,445 |
| (Decrease) Increase in depreciation | 83 | (2,445) |
| | - | - |

34.3 Commitments

During the year under review the service providers submitted contracts that related to the FY2017/18 .

| | | |
|--|----------|------------------|
| Previously disclosed Closing balance | - | 3,590,358 |
| Add contracts submitted during the current financial year for the FY2018 | - | 337,304 |
| Revised closing balance for FY2018 | - | 3,927,663 |

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Address: 15 Sherborne Road, Parktown
Johannesburg
www.servicesseta.org.za

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