



ANNUAL REPORT

2013 / 2014



higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA





GENERAL INFORMATION

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	Appointed 01 July 2013 onwards. The details of the members of the Accounting Authority are disclosed in note 267.
Bankers	Standard Bank, Investec Bank and First National Bank
External Auditors	Auditor General of South Africa
Company Secretary	Zenobia Heldsinger



Part A: General Information

Abbreviations/Acronyms	4
Strategic Overview	5
Services SETA Profile	6
Organisational Structure	10
Foreword by the Chairperson	11
Chief Executive Officers' Overview	13

Part B: Performance Information

Overview of organisational performance	15
Performance against predetermined objectives for the financial year 2013-2014	20 - 41

Part C: Governance

Accounting Authority	43
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Part D: Human Resource management

Overview	45
Oversight statistics	45 - 47

Part E: Financial Information

Report of the Audit and Risk Committee	50
Report of the Auditor-General	51 - 54
Report of the Accounting Authority	55 - 59
Materiality and Significant Framework	60
Financial Overview	64 - 65
Annual Financial Statements	66 - 120
Statement of Financial Performance	
Statement of Financial Position	
Statement of Changes in Net Assets	
Cash Flow Statement	
Notes of the Annual Financial Statements	



PRESENTATION OF THE ANNUAL REPORT TO THE MINISTER OF HIGHER EDUCATION AND TRAINING



Dr Blade Nzimande
Minister of Higher Education and Training

In terms of Section 65 of Public Finance Management Act, 1999, I have the honour to present to the Minister of Higher Education and Training, Dr Blade Nzimande, the Annual Report of the Services Sector Education and Training Authority (SETA) for the period 01 April 2013 to 31 March 2014.

Mr. Themba Mhambi
Chairperson
Services SETA



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PART A :

GENERAL INFORMATION



ABET	Adult Based Education and Training
AA	Accounting Authority
AG	Auditor - General
ATR	Annual Training Report
BCEA	Basic Conditions of Employment Act
BBBEE	Broad Based Black Economic Empowerment
BPO	Business Plan Objectives
BUSA	Business Unity South Africa
CHE	Council on Higher Education
CPD	Continuous Professional Development
CPHA	Contractors Plant Hire Association
CWU	Communication Workers Union
DHET	Department of Higher Education and Training
DoE	Department of Education
DoL	Department of Labour
DTI	Department of Trade and Industry
EE	Employment Equity
EMC	European Marketing Confederation
ETQA	Education and Training Qualifications Assurance
EXCO	Executive Committee
FEDUSA	Federation of Unions of South Africa
TVET	Technical and Vocational Education and Training
FSA	Formal Summative Assessment
HSRC	Human Sciences Research Council
LoI	Letter of Intent
MoU	Memorandum of Understanding
NEDLAC	National Economic Development and Labour Council
NGO	Non-Governmental Organisation
NPO	Non-Profit Organisation
NQF	National Qualification Framework
NLRD	National Learner's Records Database
NSA	National Skills Authority
NSDS	National Skills Development Strategy
NSF	National Skills Fund
OFO	Organising Framework of Occupations
OD	Organisational Development
PDI	Previously Disadvantaged Individuals
PFMA	Public Finance Management Act
PIVOTAL	Professional, Vocational, Technical & Academic Learning
QCTO	Quality Council for Trades and Occupations
QMS	Quality Management System
RPL	Recognition of Prior Learning
SAQA	South African Qualifications Authority
SARS	South African Revenue Services
SDA	Skills Development Act
SDF	Skills Development Facilitator
SDLA	Skills Development Levies Act
SETA	Sector Education and Training Authority
SGB	Standard Generating Body
SME	Small and micro enterprise
SSP	Sector Skills Plan
WSP	Workplace Skills Plan



Vision

Services SETA will instil in South Africa's working communities a tangible, trainable, certifiable and accountable measure of service excellence, which it will be proud to benchmark against comparable international standards of service.

Mission

The Stakeholders in the services sector are committed to ensuring that:

- National standards and qualifications in the sector and sub-sectors are created and registered onto the national qualifications framework, which will be used to curricula, assess, certify and manage performance in the sector to develop targeted skills and generic service skills.
- Quality learning provision is maintained throughout the sector.
- Information is gathered and a database is created and maintained to target generic and specific skills development; engage in ongoing skills audit inside the labour market, including the unemployed and in labour pools from learnerships and skills programme activities.
- Implementation of the sector skills plan, taking the specific needs of diverse subsectors into account in terms of practice and law.

Strategic outcome- orientated goals

The Services SETA's strategic goals are derived from the National Skills Development Strategy (NSDS) III and the outcomes guided by annual performance indicators within the Medium Term Expenditure Framework (MTEF) period. Performance against these goals for the year under review is reflected in the performance report on page 14 to 41 of this report.

The goals are to:

1. Establish a credible institutional mechanism for skills planning.
2. Increase access to occupationally directed programmes intermediate level.
3. Promote the growth of a public Further Education and Training (FET) College system that is responsive to sector, local, regional and national skills needs and priorities.
4. Address the low level of youth and adult language and numeracy skills to enable additional training.
5. Encourage better use of workplace-placed skills development.
6. Encourage and support cooperative, small enterprises, worker initiated NGO and community training initiatives.
7. Increase public sector capacity for improved service delivery and supporting the building of a developmental state.
8. Build career and vocational guidance.

For detailed narrative of the goals, refer to the National Skills Development Strategy III

The Services SETA is responsible for skills development in the services sector and is defined by Standard Industry Classification (SIC) codes. There are 70 SIC codes, which the Services SETA has grouped into six Chambers and 16 sub-sectors. While the scope of the Services SETA does not extend to the entire services sector, as defined internationally, the SETA plays an important role within its domain of responsibility with regards to development of skills required to move the economy forward. However, its engagement with the sector is compromised by four factors which intersect:

- The vast majority of its 155,464 employers are small companies.
- Most are highly concentrated geographically in Gauteng and to a lesser extent in the City of Cape Town and EThekweni Metropolitan Municipality.
- Most employer organisations (72%) do not pay Services SETA levies as they are exempt in terms of the Skills Development Levies Act.
- The vast majority (98%) are not required to submit their Workplace Skills Plans (WSP) in order to obtain access to Services SETA's interventions.

The Services SETA Chambers and sub-sectors are classified as follows:

	Sub-sector title	SIC code	Gazetted industry descriptor
Chamber 1: Cleaning and Hiring Services			
1.	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 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
		99047	Pet care
99052	Truck and plant hire		
2.	Household Services	99025	Dry cleaning and laundering
		99026	Garden maintenance services
3.	Domestic services	99027	Domestic services
4.	Cleaning	99002	General cleaning
		99018	Cleaning of carpet and upholstery
		99019	Cleaning equipment and consumable supply
Chamber 2: Communications and Management Services			
5.	Marketing	9001	Marketing services
		9002	Marketing communications (Incl Public relations)
		9008	Direct Marketing
		88130	Market research and public opinion polling
		99038	Brand marketers
6.	Call centres	99055	Call centre management of people



	Sub-sector title	SIC code	Gazetted industry descriptor
7.	Postal services	75110	National postal activities
		75111	Banking via post office
		75121	Mail handling
Chamber 3: Labour and Collective Services			
8.	Labour recruitment Services	88918	Permanent employment agencies
		88910	Labour recruitment and provision of staff
		88916	Private employment agencies and temporary employment services
		99045	Personnel services agencies
		88917	Temporary employment services
9.	Collective services	95120	Activities of professional organisations
		95155	Professional bodies
		95991	Bargaining councils and dispute resolution
		95992	Associations, federations and umbrella bodies
Chamber 4: Management and Business Services			
10.	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
11.	Project management	99039	Generic project management
		99056	Event and conference management excluding the operation of convention centres



	Sub-sector title	SIC code	Gazetted industry descriptor
Chamber 5: Personal Care Services			
12.	Hair care	99022	Ladies hairdressing
		99023	Men's and ladies hairdressing
13.	Beauty treatment	99024	Beauty treatment
		99042	Non-allied registered perfumery including aromatic oils and related products, perfumery consultants, sales people 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
		99050	Distributors of slimming products including slimming machines
14.	Funeral services	99051	Distributors of makeup products and related merchandise
		34260	Cutting, shaping and finishing of stone
		99030	Funeral and related activities
15.	Fashion	99033	Coffin making by funeral enterprises
		99046	Modelling agencies
		99054	Fashion design not related to clothing
Chamber 6: Real Estate and Related Services			
16.	Real estate services	50411	Decorators/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 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. For example, at the time of writing a Skills Development Amendment Bill was being discussed in Parliament which sets out changes that the Services SETA is currently addressing in anticipation that the amendments will be approved.

The work of the SETA is further guided by the South African Qualifications Act of 1995. This act provided for the Services SETA to apply to become an ETQA in 2000. This framework of legislation has been 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).

The Services SETA is a public entity accountable to the Minister of Higher Education and Training. As a public entity the SETA must produce a Strategic Plan and Annual Performance Plan (APP) in accordance with Treasury Regulations emanating from the PFMA. As an entity accounting to the Minister it is incumbent on the SSETA to examine the broader government policy and strategy framework. The National Skills Development Strategy (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 (BBBEE) and other provisions relating to employment equity and the Charter processes insofar as they impact on the services sector.

The National Skills Development Strategy (NSDS) III for 2011 to 2016 follows the integration of Higher and Further Education and skills development into a single Department of Higher Education and Training (DHET). The key driving force of this strategy is improving the effectiveness and efficiency of the skills development system. NSDS III seeks to encourage and actively support the integration of workplace training with theoretical learning, and to facilitate the journey individuals make from school, college or university, or even from periods of unemployment, to sustained employment and in-work progression. The NSDS III Strategy promotes:

- Partnerships between public and private training providers, between providers and SETAs and between SETAs, addressing cross-sectoral and inter-sectoral needs.
- An increased focus on skills for rural development to support government's prioritisation of rural development.
- NSDS III ensures increased access to training and skills development opportunities and achievement of the fundamental transformation of inequities linked to class, race, gender, age and disability in our society.

The strategy consists of 8 goals, 16 outcomes and 38 outputs to be achieved mainly by SETAs collaboration with DHET, Technical and Vocational Education and Training (TVET) Colleges, Universities and the National Skills Fund (NSF).



SERVICES SETA MANAGEMENT TEAM



JOHANNES MOUTON
CHIEF EXECUTIVE OFFICER



ANDILE NONGOGO
ACTING CHIEF FINANCIAL OFFICER



YOLAND RUITERS
EXECUTIVE MANAGER
CORPORATE SERVICES



ZININGI MBELU
EXECUTIVE MANAGER
PROJECT MANAGEMENT OFFICE



LIESEL KÖSTLICH
SENIOR MANAGER
RESEARCH, STRATEGY AND
MONITORING AND EVALUATION



BONTLE MOJA-RAMANTSI
ACTING EXECUTIVE
MANAGER QUALITY ASSURANCE



PAUL DHLAMINI
ACTING LEVIES AND LEARNING
EXECUTIVE MANAGER



Introduction

On 30 June 2013 the Services SETA reached the end of a two-year Administration period. Key achievements during the Administration included the appointment of the Accounting Authority in July 2013 and the appointments of Executive and Senior Management, including the Chief Executive Officer.

During the 2012/13 financial year the Auditor-General issued a qualified opinion on the Services SETA's financial statements as reasonable assurance on the accuracy and completeness of the commitments schedule could not be determined. The audit report highlighted a number of significant internal control deficiencies. It also identified significant weaknesses in the usefulness and reliability of performance information analysed against predetermined objectives.

Post-Administration the Accounting Authority has dedicated time and focused attention on improving the audit outcomes, organisational performance and the control environment. These efforts have yielded positive results in that for the 2013/14 financial year the Auditor-General has issued the Services SETA with an unqualified audit opinion on its financial statements. The audit of performance against predetermined objectives also showed notable improvement in usefulness and reliability. These improvements are reflective of the commitment and effort from Services SETA employees as well as the developmental role played by the Auditor-General in identifying the organisation's gaps and weaknesses and recommending corrective measures.

Within this context the Accounting Authority is acutely aware that strengthening internal controls and improving organisational performance requires specific competencies and skills transfer for continued and sustained improvement. This remains work-in-progress pursuant to a clean audit outcome in the next financial year.

Part of the ongoing work is embedded in an Organisational Development process that was initiated by the Accounting Authority. Through this process a new operating model and integrated business practices are being developed. The organisational and management structure has been reviewed against this operational model, and relevant integration and alignment are being ensured.

The Accounting Authority has dedicated sound and consistent leadership in good governance, strategic planning and operational performance. Related thereto, building capacity within the organisation in terms of business processes, systems and people constitutes a foundation for an effective and efficient organisation.

PERFORMANCE OVERVIEW

Mandatory Grants:

The number of employers that submitted applications for mandatory grants decreased by 5% from 2012/13 to 2013/14. The Mandatory Grant statutory allocation was reduced from 50% to 20% of total levies paid by Employers. During the year the Services SETA disbursed R151 million (2013: R303 million) on mandatory grants from R404 million (2013: R644 million) received. Reimbursement processing has been inhibited by outstanding documentation and a change in timing of compliance verification.

Discretionary Grants:

The 2013/14 cumulative (current and prior year) enrolment target was 34,440 learners across learning pathways. 31% was achieved as at 31 March 2014, representing a 362% increase from 2012/13 – effectively 2,299 learners enrolled in 2012/13 compared to 10,622 learners in the period under review. The low level of learner enrolment during the Administration period is reflective of reduced allocations and a deliberate decision to begin with the reconstruction and reconfiguration of the SETA. The Accounting Authority post-Administration has taken decisive steps to strengthen policy and due diligence in the awarding of discretionary grants. The Services SETA is now on track to spend the accumulated surplus of R1.807 million – a process which has already started in recognition of the organisation's stakeholders' needs for accelerated training for continued competitiveness and contribution to the economy.

Quality Assurance:

The Services SETA acknowledges the challenges related to the accreditation of Skills Development Providers and the external moderation of learner achievement. Prior-year data on completions for full qualifications awaiting certification and part qualifications awaiting statements of results has been analysed and quantified to facilitate resource allocation. The organisation has initiated a strategy to increase the number of quality assurance specialists and strengthen internal capacity to render these services in a more controlled and cost-effective manner. The resourcing requirements will support current and ongoing requirements and outstanding service delivery.

Stakeholder engagement:

The Accounting Authority and management are committed to strengthening stakeholder confidence through partnership and engagement.



In October 2013 the Accounting Authority conducted a national stakeholder engagement session to interact with levy paying employers and other role players. These engagements are continuing on one-on-one bases.

Investigations

Pursuant to ascertaining spend against performance, the Accounting Authority has resolved to embark on full-scale investigations into all projects on the Services SETA's Commitments Schedule. This is crucial to obtain assurance that the Services SETA's funds have been and are being spent as intended. The outcomes will inform improvements in contract management – an area highlighted by the Auditor-General.

CONCLUSION

The Accounting Authority remains committed to and steadfast in improving the performance of the organisation, a fact reflected by the positive audit outcomes and improvements in the performance information that have been achieved within the short time this Accounting Authority has been in office. A sound control environment and strict culture of organisational performance will ensure that the Services SETA achieves targeted skills development outcomes that impact positively on economic growth and employment for the people of South Africa.

Acknowledgements

I wish to extend my appreciation to the members of the Services SETA Accounting Authority who have diligently rendered strategic direction geared towards supporting the organisation to fulfill its mandate. Our collective gratitude, as the Accounting Authority, also goes to Management and the employees for embracing change and collaboration. We also thank our Audit Committee and the Auditor-General for serving as our mirror.

Themba Mhambi
Chairperson
Services SETA



Sector Education and Training Authorities are pivotal in addressing structural unemployment, improving productivity and ultimately facilitating economic growth and poverty reduction. Evidence-based and Stakeholder-led Sector Skills Planning provides the overarching direction for strategic planning and prioritisation in Skills Development implementation. The Services SETA's Sector Skills Plan and related scarce and critical skills were substantially informed by stakeholders using qualitative research methods. Forthcoming updates of the Sector Skills Plan seek to refine findings of the research by comparing and contrasting these with available economic and labour market data on replacement and growth demand. Strengthening analysis and debate on the implications for planning is critically important. It is the mismatch between supply and demand of scarce and critical skills that should be targeted to achieve maximum impact in terms of employment and economic growth. Skills development should therefore be evidence based and a demand driven intervention.

The outcomes of the 2012/13 audit of performance against predetermined objectives identified structural weaknesses in the Services SETA's strategic plan and annual performance plan. This necessitated amendments to the 2013/14 Strategic Plan and Annual Performance Plan to prevent repeat findings. The updated Strategic Plan improved alignment to applicable public policies and government priorities. Transformational imperatives were strengthened through alignment to SETA funded skills development interventions including disability, youth and NEET, rural, enterprise and cooperative development.

Much work is still required in analysing the supply-side data and information, the existence of relevant qualifications aligned to demand, the adequacy of Skills Development Providers and strengthening public sector capacity, the recruitment of learners through proven career guidance practices, the leveraging of investment and establishing partnerships and, the engagement of competent human resources to coordinate implementation and ensure quality assurance in implementation. Emphasis on PIVOTAL programmes that culminate in occupational

qualifications further entrenches the role of SETAs as brokering the relationship between supply and demand that is, the world of education and world of work – a model of cooperation for work-relevant education and training.

Post Administration additional work in building institutional capacity in terms of people, processes and systems was required. Internal consultation and dialogue across the board enabled the development of a common understanding and alignment in terms of the status quo and required change. The need for a turnaround strategy to develop a performance-based culture amongst employees and stakeholders was identified and an organisational development process was initiated. Whilst some quick wins have been achieved, building capacity within an organisation in terms of people, processes and systems is incremental. The most crucial steps being change management and skills transfer. As such, starting with people and aligning the organisational structure to strategy was a logical starting point. Ultimately re-establishing the foundation for getting the basics right to achieve the mandate and strengthening responsiveness and integrity in decision making at all levels of engagement should lead toward success.

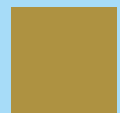
In conclusion, the Services SETA regards Services Sector employers and Skills Development Providers as important role-players with a shared interest and responsibility in pursuing the desired goals of reducing structural unemployment, improving productivity and ultimately facilitating economic growth and poverty reduction. This will require new levels of partnership, cooperation and integration.

Johannes Mouton
Chief Executive Officer
Services SETA



PART B :

PERFORMANCE INFORMATION






Structure of results reporting

The Strategic Plan and Annual Performance Plan, as amended, structures the Services SETAs pre-determined objectives into eight programmes. Each programme has one strategic goal and purpose, several strategic objectives and activities, each setting out performance indicators and corresponding annual and quarterly targets. Results achieved between 1 April 2013 and 31 March 2014 or as at the end of this reporting period together with a result and variance explanation, are tabulated by programme and performance indicator. Significant improvements were effected to specific, measurable, achievable, relevant and/or time-bound criteria and further improvements in outcomes-based measures are planned for the forthcoming period. By way of introduction, the programme structure and result components are summarised in the table below followed by a brief overview of programme achievements.

Programme	Sub-programmes	Strategic Objectives	Strategic Activities	Performance indicators
1	-	3	7	14
2	3	9	14	20
2.1	-	5	7	10
2.2	-	3	6	9
2.3	-	1	1	1
3	-	2	4	4
4	2	7	18	40
4.1	-	1	8	26
4.2	-	6	10	14
5	2	4	10	10
5.1	-	3	8	8
5.2	-	1	2	2
6	-	4	6	15
7	-	4	5	11
8	-	2	3	3
ALL	7	35	67	117



Performance Indicator Rating Scale

	Target achieved or exceeded		Target partially achieved		Target not achieved
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Summary of performance Indicator Ratings by programme

Programme	Performance Indicators Achieved	Performance Indicators Partially Achieved	Performance Indicators Not Achieved
1	9/14	4/14	1/14
2	3/20	7/20	10/20
3	0/4	3/4	1/4
4	5/40	9/40	26/40
5	1/10	4/10	5/10
6	3/15	6/15	6/15
7	7/11	3/11	1/11
8	2/3	0/3	1/3
ALL	31/117	34/117	52/117

Programme 1: Governance

This programme comprises of 3 strategic objectives namely Governance; Risk and Fraud Prevention; and, Compliance and Internal Audits. Developments include the expiration of the period of Administration on 30 June 2013. The Ministerial approved appointments of Accounting Authority Members and the appointment of the Chief Executive Officer took effect during July 2013. The term of the internal audit committee was extended twice during this reporting period and expired on 31 October 2013. An interim audit committee was appointed from 1 November 2013. The interim audit committee's term was extended once until the end of this reporting period to allow for due process in appointing a new Audit Committee. Other specialist committees of the Accounting Authority established in terms of the Constitution, and Governance Framework and Delegations of Authority include the Executive Committee, Governance and Strategy Committee, Finance Committee and Remuneration Committee. The Constitution and Framework further makes provision for the appointment of 6 chamber committees. An invitation for nominations to the following chamber committees was advertised through the media on 1 December 2013:

1. Cleaning and Hiring Services
2. Communication and Management Services
3. Labour and Collective Services
4. Management and Business Services
5. Personal Care Services
6. Real Estate and Related Services

Due diligence of nominees against pre-determined criteria is underway and should inform decision making and pending appointments. In support of this process, a Chamber Summit was hosted on 27 February 2014 to engage with role players regarding the positioning, objectives, roles and responsibilities, and terms of reference of chamber committees. All pending litigation and/or legal matters are being handled by the appropriate and applicable authorities. A reduction in new fraud and corruption cases was observed towards the latter part of this reporting period. Risk management has been aligned to strategic objectives. Improved monitoring of risks and audit findings has strengthened mitigation and remedial action implementation. A shift in strategic planning objectives towards quality management and outcomes aim to strengthen performance beyond compliance.



Programme 2: Administration

This programme comprises of 3 sub-programmes namely Finance, Corporate Services and Legal Services. The basis for the 2012/13 qualified audit opinion related to commitments. The completeness and accuracy of the commitment schedule could not be determined due to a lack of supporting evidence. To address this root cause, a list of organisational commitments dating back to 2011/12 was compiled and reconciled with supporting evidence and payments to ensure completeness. The substantial underspend is attributed to the delay in awarding of discretionary grants. A request to carry over uncommitted 2013/14 discretionary grant funds to enable contracting of approved applications would be submitted to the Department of Higher Education and Training. The process was delayed due to the newly appointed Accounting Authority resolving to review the award criteria and contract process prior to approval.

Towards the end of this reporting period, the Human Resources function was placed under the auspices of the Accounting Authority. A process to address vacancies, and qualification and competency gaps at all levels was initiated. A business development management team was appointed to assist in a process of streamlining and integrating business practices, processes and systems as a turnaround strategy aimed at optimising organisational performance. Recognition of union representation and participation was re-established. The Accounting Authority stakeholder engagement sessions held during October 2013, led to the immediate initiation of a national customer care centre. This has improved tracking and responsiveness in respect of stakeholder queries, embracing the Batho Pele principle.

Contract and record management practices to mitigate audit findings and alignment to the Protection of Personal Information Act, 2013, are being recognised as an organisational priority.

Programme 3: Mandatory Grants

The number of employers that submitted Workplace Skills Plans and Annual Training Reports decreased by 145 (-5%). The data show a greater proportional decline amongst medium-sized employers but the greater numeric decrease is amongst small enterprises employing less than 50 employees. Evidence-based reasons for this decline have not been established. Hypotheses attribute the decline to the reduction in the mandatory grant reimbursement from 50% to 20% of contributions. Reimbursement processing has been inhibited by outstanding documentation and a change in the timing of compliance verification.

Programme 4: Learning Interventions

The learning intervention enrolment and certification/completion targets are limited to Services SETA-funded interventions awarded to employers in the form of discretionary grants. Non-Services SETA funded learning falls outside of the Services SETAs control and establishing learner targets for "unfunded" learning remains a challenge. 6/7 priority programmes are planned to facilitate achievement of the learning intervention targets specifically focusing on transformational imperatives and national priorities. Priority programmes include Persons with Disability; Small enterprises, cooperatives and non-profit organisations; Further and Higher Education and Training Institutions; Rural Development; Strategic Integrated Projects; Youth and NEET – individuals not in employment, education and training; and, RPL Centres. The latter has targets from 2014/15. By nature a learner can overlap priority programmes. As such targets are established as a percentage of the total funded learner targets. Enrolment across 6 learning interventions in comparison to 2012/13 and transformational imperatives are summarised in the table below.



SETA funded learning interventions

Enrolments	2012/13	2013/14	Unemployed		Female		Black		Disability		Youth		Rural	
Learnerships	314	5,682	3,087	54%	3,564	63%	5,379	95%	98	2%	4,386	77%	404	7%
Bursaries	0	744	98	13%	394	53%	646	87%	0	0%	184	25%	73	10%
Skills Programmes	200	1,032	30	3%	681	66%	1,026	99%	2	0%	592	57%	251	24%
Internships	1,026	1,172	1,172	100%	865	74%	1,144	98%	52	4%	1,146	98%	354	30%
Artisans	0	100	0	0%	13	13%	12	12%	0	0%	0	0%	0	0%
Recognition of Prior Learning	0	1,314	0	0%	913	69%	915	69%	2	0%	712	54%	5	0%
Adult Education and Training	0	578	0	0%	404	70%	575	99%	2	0%	366	63%	255	44%
TOTALS	1,540	10,622	4,387	41%	6,834	64%	9,697	91%	154	1%	7,386	70%	1,342	13%

Applications for monitoring of Non-Services SETA funded learning interventions were put on hold during the Administration period. The process was reinstated in November 2013 and applications for the period May 2013 were evaluated and processed. This resulted in enrolments of non-Services SETA funded Learnerships as indicated in the table below from quarter 4. Reporting of non-Services SETA funded Artisan enrolments and certifications also resumed during quarter 4 but these results were achieved through-out the reporting period. In addition to the enrolments reflected in the table below, 882 non-Services SETA funded Artisans completed.

Non-Services SETA funded learning interventions

Enrolments	2013/14	Unemployed		Female		Black		Disability		Youth		Rural	
Learnerships	47	0	0%	20	43%	38	81%	3	6%	34	72%	0	0%
Artisans	254	0	0%	134	53%	100	39%	0	0%	184	72%	0	0%
TOTALS	301	0	0%	154	95%	138	120%	3	6%	218	145%	0	0%

Certification/completion most often takes place in subsequent reporting periods. Factors influencing exiting include the duration of the learner enrolment post contracting, time of enrolment, learning programme duration and process of quality assurance of learning achievements. As such, certification/completion during this reporting period should be measured against prior year enrolments. Consequentially, the result for certification for this reporting period is low.

Programme 5: Stakeholder Liaison and Provincial Implementation

This programme comprises of 2 sub-programmes namely Stakeholder Liaison and Provincial Implementation. These sub-programmes assist in identifying and facilitating the mismatch between demand and supply at provincial and subsector level. Stakeholder inputs on qualification development were coordinated through committees of expert practitioners. 10 committees were established of which one was suspended pending further consultation with role players. Operations planning and implementation were impeded by a lack of senior management capacity during this reporting period.



Programme 6: Qualifications and quality management

This programme covers qualifications management and development; skills development provider accreditation, appeals and capacitation; and, quality assurance of learner achievements. A total of 6/10 qualifications and curricular were developed and submitted to the Quality Council for Trades and Occupations (QCTO) for evaluation and registration as at the end of this reporting period. 3/10 qualifications were in progress and 1/10 qualification was on hold pending a decision from role players. Performance indicators, as amended, were enhanced to strengthen turnaround times for service delivery on the basis that adequacy of skills development provision impacts learning programme delivery and certification impacts employment. Systems to report results within targeted turnaround times will be strengthened for 2014/15.

Programme 7: Research, Strategic Planning and, Monitoring and Evaluation

This programme provides for the alignment and integration of sector skills planning, strategic and annual planning, and monitoring and evaluation to strengthen reporting and utilisation of performance information in decision making. Improvements in all quarterly reports and annual submissions are notable within the organisational context and levels of maturity, emerging from a period of Administration. Planning and reporting has been the subject of substantial management and governance consultation. Significant progress in formalising practices, processes and skills transfer has been achieved.

Programme 8: Project Management

This function and programme was newly introduced to apply project management methodology and facilitate service delivery across the organisational value chain. Necessary prerequisite for effectiveness and efficiency were not necessarily established to optimise short-term value. These include delays in approval of project plans, delays in awarding of discretionary grant, functional clarity and, integration of business processes and systems. The business development team appointed to optimise organisational performance aims to address some of these challenges.



ANNUAL PERFORMANCE REPORT FOR THE PERIOD 1 APRIL 2013 – 31 MARCH 2014

Programme 1: Governance

Strategic Objective 1.1.1: Governance structures and processes established, capacitated and maintained in accordance with the Standard Constitution of SETA Regulations						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Establish and coordinate governance structures	1.1.1.1	Number of functional governance structures	12	6		Accounting Authority established and functional from July 2013. Audit Committee functional throughout the period. Other specialist committees established and functional from quarters 2 and 3. Nomination for 6 Chamber Committees pending approval
	1.1.1.2	Percentage attendance rate of scheduled Accounting Authority meetings	70%	90%		Accounting Authority members were appointed by the Minister on 25 June 2013. Average attendance exceeds target
	1.1.1.3	Percentage attendance rate of scheduled Accounting Authority Subcommittee meetings	70%	92%		Results achieved across 5 structured Committees as follows: 1. Audit Committee 2. Executive Committee 3. Governance and Strategy 4. Finance Committee 5. Remuneration Committee
	1.1.1.4	Minimum notice of Annual General Meeting advertised in media	30 calendar days	30 calendar days		Notice of the Annual General Meeting published in media on 27 October 2013 and took place on 28 November 2013
Approval of Strategic and Annual Performance Plans containing budgets, and the Sector Skills Plan and Service Level Agreement as annexures	1.1.1.5	Strategic and Annual Performance plans containing budget and annexures approved and submitted as prescribed	2014/15 plans: 31 August 2013 15 November 2013 31 January 2014	Submitted as per prescribed timeframes		First draft approved by Management prior to submission. Second draft and final submission approved by Management and Governance structures



Approval of quarterly performance and financial reports	1.1.1.6	Quarterly performance and financial reports approved and submitted as prescribed	10 working days after each quarter	Submitted 10 working days after each quarter		Approved and submitted on the prescribed dates below: <ul style="list-style-type: none"> • 16 April 2013 • 15 July 2013 • 15 October 2013 • 16 January 2014
Approval of audited annual report	1.1.1.7	Audited annual report approved and submitted as prescribed	2012/13 as prescribed	Submitted on 21 November 2013 as per statutory requirements		Annual report could not be submitted as ordinarily prescribed due to a delay in concluding the 2012/13 audit. The Auditor-General Management Letter was received on 21 October 2013 and the Annual Report was submitted to Parliament within the 30 day statutory period
Strategic Objective 1.1.2:	Enterprise-wide risk and fraud management frameworks and prevention strategies implemented reducing fraud and corruption and strengthening organisational effectiveness					
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Strategic risks monitored in line with risk appetite and tolerance levels	1.1.2.1	Frequency of risk monitoring reports submitted to the Accounting Authority	Quarterly	None		Prior to quarter 3, risk monitoring was conducted at a management level. The quarter 3 risk monitoring report was submitted to the Governance and Strategy Committee on 27 March 2014. Improvements have been effected for 2014/15
	1.1.2.2	Percentage of fraud and corruption incidents reported investigated	100%	100% (38/38)		92% (35/38) of incidents were reported during quarters 1 and 2, significantly declining thereafter
	1.1.2.3	Percentage of fraud and corruption cases finalised internally within 12 months	100%	100% (1/1)		3 incidents have reportedly been under investigation for more than 12 months
Mechanism for protected disclosure established and maintained to reduce the risk of foul play	1.1.2.4	Percentage of dereliction of duties and misconduct cases closed within 12 months	100%	100% (4/4)		No cases exceed the 12 month period during this reporting period



Strategic Objective 1.1.3: Compliance with statutory and regulatory provisions and, internal policies and procedures monitored and strengthened to mitigate risk and improve organisational performance						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Reporting improvement in managing internal and external audit findings	1.1.3.1	Percentage internal audit findings responded to by management within due date	100%	70% (129/185)		Management responses were submitted across 14 internal audits conducted
	1.1.3.2	Percentage external audit findings responded to by management within due date	100%	100% (99/99)		This result relates to the 2012/13 audit
	1.1.3.3	Percentage of internal and external audit findings resolved within due date	85%	59% (167/284)		The result can be disaggregated as follows: Internal audit findings: 56% (104/185) External audit findings: 64% (63/99)

Programme 2: Administration

Strategic Objective 2.1.1: Supply chain management processes are fair, transparent, equitable, cost-effective and competitive						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Demand planning	2.1.1.1	Approved demand planning schedule submitted to National Treasury annually	30 April	30 April		Not applicable
Strategic Objective 2.1.2: Application and approval process for funded and unfunded learning interventions managed transparently, fairly and equitably and timely feedback and support provided to stakeholders						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Manage supply chain process for the awarding of discretionary grant funding	2.1.2.1	Percentage of compliant applications evaluated within 45 calendar days of closing date	100%	0%		Closing dates for Expression of Interest (EOI) 1 and 2 were in February and March 2013. The need to conduct workplace readiness evaluations initially delayed the process but these were suspended in July 2013. An external provider was appointed in November 2013 to evaluate the applications and manage the process of awarding of funding. The newly appointed Accounting Authority resolved to review the award criteria and contract process prior to approval
	2.1.2.2	Percentage of approved applications awarded within 120 calendar days of closing date	100%	0%		As per above 2.1.2.1



Strategic Objective 2.1.3: Financial policies and practices continually improved and corrective actions implemented reinforcing compliance to achieve a clean audit						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Coordinate financial audits and facilitate resolution of findings	2.1.3.1	Outcome of audit of Annual Financial Statements	Unqualified	Qualified		Opinion related to the completeness and accuracy of the commitment schedule
Strategic Objective 2.1.4: All claims and payments must be timely executed						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Processing of payments and safe keeping of related record	2.1.4.1	Percentage of payments processed within 30 calendar days	100%	No data		Systems and procedures to monitor and track payment turnaround times not established though evidence reportedly available
Acquisition management	2.1.4.2	Percentage of irregular expenditure	0%	7% (R59,161,000/ R875,630,000)		Irregular expenditure occurred due to expired contracts for which services were rendered and/or services contracted without approval
	2.1.4.3	Percentage of wasteful and fruitless expenditure	0%	0.02% (R217,000/ R875,630,000)		Wasteful and fruitless expenditure occurred due to incorrect PAYE payments
Strategic Objective 2.1.5: Revenue and expenditure managed within planned and approved budgets and reporting conducted in accordance with statutory requirements						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Monitoring of expenditure through management accounts	2.1.5.1	Draft Financial Reports submitted for approval within prescribed timeframes	10 working days after each quarter	Submitted at the end of each quarter as follows: Q1: 15 working days Q2: 25 working days Q3: 10 working days Q4: 3 working days		Financial reports submitted on the following dates: Q1: 20 April 2013 as per extension granted Q2: 20 August 2013 due to the withdrawal of the Annual Financial Statements Q3: 15 October 2013 Q4: 8 January 2014 Institutionalisation of governance approval prior to external submission was achieved from quarter 4. Notwithstanding, turnaround times remain a challenge
	2.1.5.2	Maximum percentage expenditure variance to budget	20%	59% (R1,264,032,000/ R2,139,662,000)		Budget for 2013/14 includes all prior year rollovers. The under spend is due to the delay in finalising of awarding of discretionary grants and delays in project implementation



Drafting of Annual Financial Statements for auditing	2.1.5.3	On time submission of draft Annual Financial Statements	31 May	Re-submitted on 21 August 2013		Annual Financial statements were submitted on the 31 May 2013 and subsequently withdrawn due to incompleteness and inaccuracy of commitment schedule
Strategic Objective 2.2.1:	People with the required knowledge, competencies and behaviours are recruited, retained and supported to improve individual productivity and organisational performance					
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Recruitment	2.2.1.1	Employee vacancy rate	Below 15%	30% (103/343)		Vacancy rate is based on the organisational structure approved as at June 2013 and includes fixed-term posts. Not all of these approved posts could be accommodated within available funding. As a result the vacancy rate is inflated
	2.2.1.2	Employee turnover rate	Below 15%	14% (30/219)		20% (6/30) posts vacated were Executive Management. 7% (2/30) posts vacated were Senior Management. 13% (4/30) posts vacated were Management
Individual performance management and development	2.2.1.3	Percentage of employees with approved performance plans	70%	18% (42/240)		Approval of the Performance Management Policy was pending and individual performance management assessment tools were under development. Amendments to the Annual Performance Plan and management turnover negatively impacted on operations planning upon which individual performance agreements should be based
	2.2.1.4	Percentage of employees that received continuous professional development	50%	18% (46/252)		Absence of a Workplace Skills Plan for the Services SETA, Training and Development Committee and management capacity limited implementation
Change management	2.2.1.5	Percentage improvement in employee satisfaction	Baseline	None		An employee satisfaction survey was planned for April 2014. The result would be used as the 2013/14 baseline
Employee wellness	2.2.1.6	Percentage of employees aware of Employee Assistance Programme	50%	0%		Delay in contracting of service provider



Strategic Objective 2.2.2: Improved stakeholder awareness and recognised as a leading Sector Education and Training Authority						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Manage customer care centre	2.2.2.1	Percentage of customer queries acknowledged within 48 hours	100%	99% (1,080/1,089)		The national customer care centre was initiated during quarter 3, hence the result is for two quarters. Variance is attributed to queries being directed to Provincial offices instead of directly through the call centre causing a delay in acknowledgement response times
	2.2.2.2	Percentage of customer queries responded to within 5 working days indicating resolution time	100%	68% (740/1,089)		Line management is responsible for indicating resolution actions, processes and timelines. This newly established business process will take time to mature and embedded
Strategic Objective 2.2.3: Facilities and records managed and administered to build a safe and secure work environment that enables productivity						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Security and occupational health and safety	2.2.3.1	Percentage compliance with Occupational Health and Safety Act	70%	30%		Result is based on an independent Occupational Health and Safety compliance audit which provided a baseline. 80% (8/10) activities identified for implementation to strengthen compliance have been implemented. This performance improvement will be reflected following a further compliance audit
Strategic Objective 2.3.1: Memorandums of Understanding, Contracts and Agreements entered into comply with legal principles and provisions and clearly articulate obligations, commitments, terms and conditions and remedial actions to strengthen adherence						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Legal Services supports learner enrolment	2.3.1.1	Contracts signed by all parties and supporting evidence properly stored within 60 calendar days	Obtain baseline	71% (170/240)		Data is applicable for quarters 3 and 4



Programme 3: Mandatory Grants

Strategic Objective 3.1.1: Annual increase in the number of companies that submit plans for investment in workplace-based skills development and report on achievements						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Structured work sessions conducted to provide technical assistance to sector employers	3.1.1.1	Number of sector employers provided with technical assistance	4,000	1,010		Technical support is provided to sector employers represented by Skills Development Facilitators
Increase the number of employers that submit Workplace Skills Plans and Annual Training Reports	3.1.1.2	Percentage increase in the number of levy paying employers that submit Workplace Skills Plans and Annual Training Reports disaggregated by size	25% Total: 3,814	-5% Total: 2,906 Large: 147 Medium: 243 Small: 2,516		Result amounts to a decrease from the 3,051 employers that submitted in 2012/13
Strategic Objective 3.1.2: Quality assurance of Annual Training Reports conducted for member companies enabling responsible and timely reimbursements of mandatory grants and prioritisation for discretionary grants						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Reimbursement of all employers that have submitted compliant Workplace Skills Plans and Annual Training Reports	3.1.2.1	Percentage submissions approved for levy reimbursement and captured for payment	100%	2012/13: 69% (572/828) 2013/14: 62% (1,792/2,906)		2012/2013: The variance of 256 employers cannot be processed due to outstanding documentation required for re-imbursement 2013/2014: 71% (796/1,114) of the variance cannot be re-imbursed due to submissions being non-compliant. The balance of 318 are being processed for re-imbursement
Compliance verification pre/post submission	3.1.2.2	Percentage of levy paying employer submissions compliant	100%	73% (2,110/2,906)		Non-compliance related falling outside the scope of the services sector, withdrawals, non-contributors, outstanding information and technical errors



Programme 4: Learning Interventions

Strategic Objective 4.1.1:	Managing learning intervention contracts in the organisation throughout the Contract Life Cycle					
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Enrolled, monitor and exit funded Learners	4.1.1.1	Total number of employed and unemployed learners entered	34,440	10,622		A total of 31% of all learners targeted for enrolment across all learning interventions was achieved. The variance results from a delay in the awarding of discretionary grants and consequentially concluding of contracts and enrolling of learners
	4.1.1.2	Total number of employed and unemployed learners certificated	24,560	131		Low number of funded learners certificated results from low enrolments in prior periods, late implementation and the duration of the certification process
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Increase the number learners enrolled in occupationally directed Learnerships	A. 4.1.1.1.1	Number of employed Learnerships entered	5,050	2,595		A total of 51% was achieved. The variance results from a delay in the awarding of discretionary grants and consequentially concluding of contracts and enrolling of learners
	A. 4.1.1.1.2	Number of unemployed Learnerships entered	6,500	3,087		A total of 47% was achieved. The variance results from a delay in the awarding of discretionary grants and consequentially concluding of contracts and enrolling of learners
	A. 4.1.1.2.1	Number of employed Learnerships certificated	5,050	0		Lack of funded Learnerships certificated results from low enrolments in prior periods, late implementation and the duration of the certification process
	A. 4.1.1.2.2	Number of unemployed Learnerships certificated	6,500	131		Low number of funded learners certificated results from low enrolments in prior periods, late implementation and the duration of the certification process



Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Increase the number learners enrolled in occupationally directed bursaries	B. 4.1.1.1.3	Number of employed Bursaries entered	1,335	646		A total of 48% was achieved. The variance was re-directed to unemployed Bursaries granted through NSFAS
	B. 4.1.1.1.4	Number of unemployed Bursaries entered	260	98		A total of 38% was achieved. Unemployed Bursaries is being administered through an agreement with NSFAS. Further funding was contracted for an additional 1719 learners for study at Walter Sisulu University. Outstanding documentation for NSFAS administered learners means that enrolments can only be reported in the forthcoming period
	B. 4.1.1.2.3	Number of employed Bursaries certificated	1,335	0		Lack of funded Bursaries certificated results from a lack of enrolments in prior periods, late implementation and multi-year commitments
	B. 4.1.1.2.4	Number of unemployed Bursaries certificated	260	0		Lack of funded Bursaries certificated results from a lack of enrolments in prior periods, late implementation and multi-year commitments
Increase the number learners enrolled in Adult Education and Training	B. 4.1.1.1.5	Number of AET Programmes entered	600	578		A total of 96% was achieved
	B. 4.1.1.2.5	Number of AET Programmes certificated	600	0		Lack of funded AET programmes certificated results from late implementation and the duration of process of certification

Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Increase the number learners enrolled in occupationally directed skills programmes	C. 4.1.1.1.6	Number of employed Skills Programmes entered	4,000	1,002		A total of 25% was achieved. The variance results from a delay in the awarding of discretionary grants and consequentially concluding of contracts and enrolling of learners
	C. 4.1.1.1.7	Number of unemployed Skills Programmes entered	2,000	30		A total of 2% was achieved. This variance should be re-directed into employed Skills Programmes as it is a more appropriate intervention for top up or critical skills
	C. 4.1.1.2.6	Number of employed Skills Programmes certificated	4,000	0		Lack of funded Skills Programmes certificated results from low enrolments in prior periods and late implementation
	C. 4.1.1.2.7	Number of unemployed Skills Programmes certificated	2,000	0		Further to unemployed Skills Programmes entered, this target should be re-directed



Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Increase the number of learners placed as interns whether part of or post qualifications	D. 4.1.1.1.8	Number of unemployed Internships entered (Workplace Experience)	2,795	408		A total of 15% was achieved. The variance results from a delay in the awarding of discretionary grants and consequentially concluding of contracts and enrolling of learners
	D. 4.1.1.2.8	Number of unemployed Internships completed (Workplace Experience)	2,795	0		Lack of funded unemployed Internships completed results from low enrolments in prior periods and late implementation
	D. 4.1.1.1.9	FET College Internship (part of qualification)	2,450	508		A total of 21% was achieved. The variance results from a delay in the awarding of discretionary grants and consequentially concluding of contracts and enrolling of learners. Furthermore contracts with provincial Government departments for FET learner placement in the Public Sector are pending finalisation
	D. 4.1.1.1.10	FET Graduate Placement	7,330	255		A total of 4% was achieved. The variance results from a delay in the awarding of discretionary grants and consequentially concluding of contracts and enrolling of learners. Furthermore contracts with provincial Government departments for FET learner placement in the Public Sector are pending finalisation

Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Increase the number of learners enrolled in apprenticeships, and assessed and prepared for trade testing	E. 4.1.1.1.12	Number of apprenticeships entered	1,000	100		A total of 10% was achieved. An Artisan project is in progress to assess and enrol apprentices at the appropriate level. Contracts with FET Colleges are pending finalisation
	E. 4.1.1.1.13	Number of apprentices assessed and remediated	920	0		An Artisan project is in progress to assess and enrol apprentices at the appropriate level. Contracts with FET Colleges are pending finalisation
	E. 4.1.1.2.9	Number of apprenticeships certificated	1,000	0		Lack of funded Apprenticeships certificated results from no enrolments in prior periods
	E. 4.1.1.2.10	Number of apprentices certificated after assessment and remediated	920	0		Lack of funded Apprentices certificated results from no assessments and remediation in prior periods



Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Increase the number learners enrolled in occupationally directed RPL	F. 4.1.1.1.14	Number of RPL programmes entered	200	1,314		A total of 657% was achieved. The variance results from unanticipated demand and prioritisation of this intervention as instrumental in meeting transformational imperatives
	F. 4.1.1.2.11	Number of RPL programmes certificated	100	0		Despite over-enrolment, none of the learners had certificated as at the end of this reporting period.

Strategic Objective 4.2.1:	Mainstream learners with disabilities in post school skills development and address specialised learning needs in order to improve learning outcomes and labour market absorption
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Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Facilitate enrolment of learners with disabilities across all learning interventions	4.2.1.1	Percentage of learners with disabilities enrolled	4% (1,378/34,440)	1% (154/10,622)		2% was achieved from the 31% of learners enrolled. The variance results from a delay in the awarding of discretionary grants and consequentially concluding of contracts and enrolling of learners
Grant reasonable accommodation	4.2.1.2	Percentage of learners with disabilities granted assistive devices and/or additional support	50% (689/1,378)	37% (90/246)		90 disabled learners were granted additional support at the end of this reporting period

Strategic Objective 4.2.2:	Business development needs of small enterprises, cooperative and non-profit organisations assessed and addressed through mentorship and training to promote growth and sustainability
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Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Provide business development support to small enterprises, cooperatives and non-profit organisations	4.2.2.1	Number of small levy paying employers supported	90	0		This target was re-directed to small non-levy paying employers for business development support informed by mobilised demand
	4.2.2.2	Number of small non-levy paying employers supported	90	332		Participating non-levy paying employers receive business mentorship support and training based on assessed need and the opportunity to enrol in skill programmes. Mobilised demand exceeded the target
	4.2.2.3	Number of cooperatives supported	90	94		Participating cooperatives receive business mentorship support and training based on assessed need and the opportunity to enrol in skill programmes. Mobilised demand exceeded the target
	4.2.2.4	Number of non-profit organisations supported	112	0		Implementation of this project is pending approval of the procurement plan



Strategic Objective 4.2.3: Formalisation of Partnerships for promoting responsive public education institutions and facilitating enrolment and placement of FET and HET learners						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Develop partnerships	4.2.3.1	Number of FET college partnerships	19	18		One agreement is pending signature
	4.2.3.2	Number of HET institution partnerships	6	1		3 HET institutions have been engaged and agreements have been drafted pending finalisation. Through the partnership with the National Student Financial Aid Scheme (NSFAS), bursaries for unemployed learners have specifically been allocated to Walter Sisulu University and several other HET institutions will benefit
Negotiate contracts for learner allocations between FETs, public service and private employers	4.2.3.3	Percentage of learners enrolled and placed through FETs and HETs	Baseline	None		Data collection and compilation tools will be modified to enable reporting from 2014/15
Strengthen public sector service delivery	4.2.3.4	Percentage of learners enrolled and placed within public services and state owned enterprises	Baseline	None		Data collection and compilation tools will be modified to enable reporting from 2014/15

Strategic Objective 4.2.4: Supporting and facilitating an increased focus on skills for rural development aligned to key economic growth areas and infrastructure development						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Facilitate enrolment of learners in rural areas aligned to key economic growth areas across all learning interventions	4.2.4.1	Percentage of learners in rural areas enrolled	20% (6,888/34,440)	13% (1,342/10,622)		Variance results from a delay in the awarding of discretionary grants and consequentially concluding contracts and enrolling learners. The result was achieved from the 31% of learners enrolled
Grant rural top-up allowance	4.2.4.2	Percentage of learners in rural areas granted additional financial aid	Baseline	None		Absence of policy and strategy



Strategic Objective 4.2.5: Generate skills to support successful implementation of the Presidential Strategic Integrated Projects and address identified scarce and critical skills within relevant occupational clusters						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Facilitate enrolment of learners in support of SIPS	4.2.5.1	Percentage of learners aligned to SIPS enrolled	5% (1,722/34,440)	0% (0/10,622)		Data incomplete under OFO codes for learner enrolments. This limited ability to analyse alignment to SIPS scarce skills. The 2014/15 target has been disaggregated into SIPS scarce skills for sector qualifications to guide implementation and project planning. Improvements in data management practices will be effected for 2014/15
Strategic Objective 4.2.6: Facilitate work readiness and employability of youth and those not in employment, education and training (NEET)						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Facilitate enrolment of youth learners across all learning interventions	4.2.6.1	Percentage of youth learners enrolled	40% (13,776/34,440)	70% (7,386/10,622)		The result was exceeded for the 31% of learners enrolled

Programme 5: Stakeholder Relations

Strategic Objective 5.1.1: Opportunities for national and international partnerships identified and formalised through active stakeholder relationship management						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Maintain a stakeholder relations management database	5.1.1.1	Percentage sector employers contact records updated annually	60%	0%		Absence of an integrated information management system for stakeholder relations management. A planned stakeholder engagement strategy with supporting business processes and established tracking and data management systems is required to enable reporting
Collaborate with organised business and professional bodies	5.1.1.2	Number of active partnerships with organised constituencies and professional bodies	4	0		Absence of a stakeholder engagement strategy. A planned stakeholder engagement strategy with supporting business processes and established tracking and data management systems is required to enable reporting



Partner with international entities to exchange knowledge and standards and promote global recognition of qualifications	5.1.1.3	Number of active international partnerships	4	0		International partnership and cooperation practices and existing partnerships were placed under review. Outcomes of the review, aligned to DHET International Partnership Interventions, would be implemented in 2014/15
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Strategic Objective 5.1.2:	Demand and supply mobilised through stakeholder and expert consultation aimed at strengthening equity in skills development and alignment to scarce and critical skills					
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Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Profile demand and provision by province	5.1.2.1	Number of provincial skills development plans developed and reviewed	2	0		Absence of a framework
Coordinate input from expert practitioners to support needs identification and qualifications development	5.1.2.2	Number of active committees of expert practitioners	10	9		9 committees of expert practitioners were active and coordinated to support qualifications development as follows: <ul style="list-style-type: none"> • Hairdressing • Garden worker • Labour recruitment manager • Contact centre/ workforce manager • Health care cleaner • Mortician • Postal frontline • Project Manager • Quality Technician Property/Facilities manager qualification development was suspended pending further consultation with industry and stakeholders
Coordinate input from and consult provincial stakeholders	5.1.2.3	Number of active provincial stakeholder forums	2	0		Absence of terms of reference



Strategic Objective 5.1.3: Capacity Development and Technical Support provided to member companies to mobilise stakeholders and facilitate skills development for improved service delivery						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Facilitate stakeholder consultation and engagement	5.1.3.1	Number of role player dialogues conducted	15	11		Dialogues took place as follows: <ul style="list-style-type: none"> 6 Accounting Authority - Stakeholder Engagements 1 Inter SETA office opening 4 Discretionary grant engagement sessions Improvements in scheduling to be effected for 2014/15
Provide training to support participation in core programmes	5.1.3.2	Number of role player training workshops conducted	20	9		A total of 9 stakeholder information sharing sessions were hosted during April 2013 as a follow-on from a series that commenced during the previous financial year across 4 provinces and 9 district municipalities as follows: <ul style="list-style-type: none"> 2 in Eastern Cape 3 and 4 April 2013 2 in Limpopo on 9 and 10 April 2013 3 in KwaZulu-Natal on 16, 17 and 22 April 2013 2 Northern Cape on 23 and 24 April 2013
Strategic Objective 5.2.1: Learners and employers supported to fulfil contractual obligations and satisfactorily complete learning outcomes for mandatory and discretionary grant funded interventions						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Conduct pre-compliance on employers that register to submit WSPs and ATRs and submit documentation	5.2.1.1	Number of pre-compliance checks conducted on WSPs and ATRs (results disaggregated by province and subsector)	4,709	1,588 by province: <ul style="list-style-type: none"> Eastern Cape: 136 Free State: 49 Gauteng: 562 KwaZulu-Natal: 211 Limpopo: 7 Mpumalanga: 29 North West: 11 Northern Cape: 5 Western Cape: 578 		Results are incomplete and disaggregated data into subsectors are not available. Data monitoring of pre-compliance checks will be improved for 2014/15







Completion and submission of agreements and learner enrolment forms for funded interventions	5.2.1.2	Number of learners enrolled across all learning interventions (results to be disaggregated by province and subsector)	34,440	10,622 by province: <ul style="list-style-type: none"> • Eastern Cape: 801 • Free State: 726 • Gauteng: 5,240 • KwaZulu-Natal: 1,875 • Limpopo: 111 • Mpumalanga: 285 • North West: 223 • Northern Cape: 130 • Western Cape: 1,099 • Unknown: 132 		Result aligned to Performance Indicator 4.1.1.1. Results disaggregated into subsectors are not available. Data management systems will be improved in 2014/15
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Programme 6: Qualifications and Quality Management

Qualifications and learning programmes designed, developed, registered and piloted in accordance with new standards and practices and aligned to industry needs and identified scarce and critical skills						
Strategic Objective 6.1.1:						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Manage registered occupational qualifications and learnerships	6.1.1.1	Percentage of active services sector occupational qualifications	51% (55/107)	51% (54/106)		106 Services SETA qualifications are registered with the Quality Council for Trades and Occupations.
	6.1.1.2	Percentage of active services sector learnerships	66% (61/92)	50% (46/92)		92 Services SETA Learnerships are registered with the Department of Higher Education and Training



Strategic Objective 6.1.2: Skills Development Providers accredited and monitored against Services SETA Occupational Qualifications and Learning Programme Criteria (Learnerships, Skills Programmes and RPL)						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Process training provider, constituent assessor and constituent moderator applications	6.1.2.1	Percentage of skills development providers applications processed within 60 days	100%	0% (0/1,159)		All applications were processed, however, performance monitoring cannot confirm the turnaround time as per the indicator
	6.1.2.2	Percentage registered constituent assessor applications processed within 60 days	100%	0% (0/1,539)		All applications were processed, however, performance monitoring cannot confirm the turnaround time as per the indicator. 70% (1,080/1,539) applications were successful and assessors registered
	6.1.2.3	Percentage registered constituent moderator applications processed within 60 days	100%	0% (0/640)		All applications were processed, however, performance monitoring cannot confirm the turnaround time as per the indicator. 72% (460/640) applications were successful and moderators registered
Monitor the quality of training provision	6.1.2.4	Percentage of accredited skills development providers monitored	30% (172/572)	17% (98/572)		Insufficient number of external moderators resulted in prioritisation of quality assurance of learner achievements, an indicator of quality in provisioning



Strategic Objective 6.1.3: Learner achievements are quality assured according to the Quality Council for Trades and Occupations assessment policy and certification process						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Issue certificates and Statements of Results	6.1.3.1	Percentage of certificates issued for Learnerships to competent learners within 180 days of submitting compliant learner achievements	100%	0% (0/2,826)		A total of 2,826 certificated were issued. The turnaround time for issuing certificates was not monitored. The percentage of certificates issued within 180 days cannot be verified. Performance monitoring practices will be strengthened effective 2014/15
	6.1.3.2	Percentage of certificates issued for occupational qualifications to competent learners 180 days of submitting compliant learner achievements	100%	1% (107/9,963)		A total of 9,963 certificated were issued. The turnaround time for issuing certificates was monitored from quarter 4. The result for which was 10% (107/1094). The percentage of certificates issued within 180 days may be greater. Performance monitoring practices will be strengthened effective 2014/15
	6.1.3.3	Percentage of statements of results issued for skills programmes to eligible learners within 180 days of submitting compliant learner achievements	100%	5% (95/1,943)		A total of 1,943 statements of results were issued. The turnaround time for issuing certificates was monitored from quarter 4. The result for which was 20% (95/486). The percentage of certificates issued within 180 days may be greater. Performance monitoring practices will be strengthened effective 2014/15



Strategic Objective 6.1.4: Public and private learning institutions and training providers mobilised and capacitated to offer quality assured Occupational qualifications and learning programmes expanding access to targeted beneficiaries						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Mobilise and capacitate public and private skills development providers	6.1.4.1	Number of FETs approved and offering services sector qualifications	25	15		Several accreditation requirements remain outstanding from 10 Colleges
	6.1.4.2	Number of instructional coaches trained	50	0		Implementation of the FET capacitation project is pending
	6.1.4.3	Number of skills development providers supported/ engaged/ trained	800	767		10 quality assurance workshops were implemented nationally reaching 767 skills development providers
	6.1.4.4	Number of moderators trained	50	82		10 quality assurance workshops were implemented nationally reaching 73 moderators and an additional 9 moderators were trained in a continuous professional development workshop
	6.1.4.5	Number of assessors trained	100	111		10 quality assurance workshops were implemented nationally reaching 81 assessors and 30 new assessors were trained
Implement a Career Development Programme	6.1.4.6	Number of career development material developed and published	3	0		Publication of career development material is pending



Programme 7: Research, Strategic Planning and Monitoring and Evaluation

Strategic Objective 7.1.1: Services sector needs researched, documented and communicated to enable effective planning across all economic sub-sectors annually						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Establish credible research methodology and report in the form of a Sector Skills Plan	7.1.1.1	Percentage of sector employers sampled	1%	1.3% (2013/155,464)		Employers participated as respondents in sector skills planning research during stakeholder information sessions conducted
	7.1.1.2	Respondent participation rate	40%	32% (649/2013)		Employer participation as respondents in the sector skills planning research was voluntary
	7.1.1.3	Draft Sector Skills Plan submitted for approval within prescribed timeframes	2014/15: 31 August 2013 15 November 2013 31 January 2014	Submitted on: 30 August 2013 30 October 2013 24 January 2014		First draft was approved by Management prior to submission. The second draft and final submission was approved by Management and Governance structures
Conduct, document and disseminate research and Sector Skills Plan	7.1.1.4	Number of sector and innovation research reports issued	1	1		One research report was completed
Strategic Objective 7.1.2: Strategic, Annual and Operational Performance Plans aligned and updated annually in compliance with regulatory frameworks						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Review and update strategic and annual performance plans	7.1.2.1	Number of strategic planning consultations	40	51		The 2014/15 revision to the Strategic Plan and the development of the Annual Performance Plan involved comprehensive revision and substantive consultation with Management and Governance structures
	7.1.2.2	Draft Strategic and Annual Performance Plans submitted for approval within prescribed timeframes	2014/15: 31 August 2013 15 November 2013 31 January 2014	Submitted on: 28 August 2013 30 October 2013 24 January 2013		The first draft was approved by Management prior to submission. The second draft and final submission was approved by Management and Governance structures

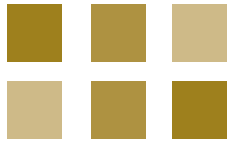


Strategic Objective 7.1.3: Monitoring and Reporting Systems established and maintained to ensure accurate reporting of non-financial results quarterly and annually enabling performance improvement						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Accurate results reporting	7.1.3.1	Draft Performance Information Reports submitted for approval in advance of prescribed timeframes	3 working days after each quarter	From quarter 3 draft submitted 4 working days after the quarter		Draft performance information reports were submitted for approval to the Audit Committee and the Accounting Authority prior to submission. Previous quarters were approved by management prior to submission. Turnaround times remain a challenge
	7.1.3.2	Draft Annual Performance Report submitted for auditing within prescribed timeframes	End of May	End May		Draft annual performance report was submitted on time
	7.1.3.3	Maximum number of change requests submitted to the Department of Higher Education and Training	8	4		Change requests were applicable for quarters 1 and 4
	7.1.3.4	Percentage reduction in the number of findings and management responses arising from Auditor-General audits	20%	No data		2012/13 audit provided baseline. Interim audit on performance information not conducted
Strategic Objective 7.1.4: All performance baseline, outcome and impact evaluations result in programme improvements contributing towards continuous learning and knowledge creation						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Conduct and supervise baseline studies and performance evaluations to measure outcomes and impact	7.1.4.1	Number of research protocols approved	2	0		A more structured and systematic approach to performance evaluations has been adopted resulting a delay in implementation



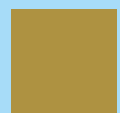
Programme 8: Project Management

Strategic Objective 8.1.1: Manage project planning according to the adopted project management methodology						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Establish implementation teams with clearly defined roles and responsibilities	8.1.1.1	Percentage of project implementation teams established and functional within 30 working days of Project Plan approval	100%	100% (34/34)		34 active projects. One inter-divisional implementation team reviews all 34 active projects weekly
Strategic Objective 8.1.2: Facilitate and manage the implementation of projects and monitor the closing out of projects according to the adopted project management methodology						
Strategic Activity	Number	Performance Indicator	Annual Target	Annual Result	Rating	Result and Variance Explanation
Facilitate and monitor project implementation	8.1.2.1	Percentage variance between implementation and project plan in terms of time, budget and milestones	Below 20%	No data		Data management practices and systems to be established to enable reporting effective 2014/15
Monitor project closure	8.1.2.2	Percentage of projects closed out within 30 days of certification where applicable	10%	100% (2/2)		Result applicable from quarter 3. Of the 2 projects that were due to close, both were successfully closed within 30 days after all deliverables had been met. 68 project remained active



PART C:

GOVERNANCE





The Services SETA is a juristic body, governed by 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.

The Services SETA submits Quarterly Monitoring Report (QMR) to the Department of Higher Education and Training. The performance of the Services SETA is monitored to assess if the targets set are achieved. The Performance Report outlines in detail the status of each target.

Accounting Authority

The Accounting Authority is the highest decision making structure of the Services SETA. The role and functions of the Accounting Authority include;

- The provision of strategic direction
- Ensuring effective internal controls
- Proper governance
- Accountability
- Compliance with statutory requirements
- Management of institutional risk
- Liaison with stakeholders, and
- The establishment of relevant sub-committees and chamber committees to assist the Accounting Authority to realise the mandate of the Services SETA

The Accounting Authority monitors the performance of the Services SETA through the performance information report and the review of strategic plans.

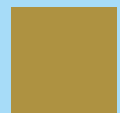
The Services SETA Accounting Authority comprises of 15 constituted members, the Chairperson and two other members are ministerial appointees.

For the year under review, the Accounting Authority members are as follows:

	Name of member	Association
1	Themba Mhambi	Chairperson – Ministerial Appointee
2	Nolwandle Mantashe	Ministerial Appointee
3	Madoda Sambatha	Ministerial Appointee
Organised Business		
4	Kate Moloto	Association of BEE Verification Agencies (ABVA)
5	Dudzile Letseli	Federation of African Professional Staffing Organisation (APSO)
6	Vikesh Roopchand	Direct Marketing Association of South Africa (DMASA)
7	Willem Pietersen	Employers Organisation for Hairdressing, Cosmetology and Beauty (EOHCB)
8	Teleni Shabangu	SA Institute of Auctioneers (SAIA)
9	Leigh – Ann Georgiev	Allied Nursing Association of SA (ANASA)
Organised Labour		
10	Wiseman Dinwa	Hotel, Liquor, Catering, Commercial and Allied Workers Union (HOTELICCA)
11	Pamela Snyman	Institute Of Estate Agents Of South Africa (IEASA)
12	Mosa Mofokeng	International Festivals & Events Association (IFEA) Africa
13	Samantha Brown	Office Professionals Of South Africa (OPSA)
14	Leon Grobler	United Association of South Africa (UASA)
15	Alpheus Phala	South African Transport and Allied Workers Union (SATAWU)



PART D:
HUMAN RESOURCE
MANAGEMENT





Overview

The Human Resources management ensures that the facilitation of human capital development and creation of a productive and conducive working environment, that enhances organisational effectiveness and the efficiency of services.

For the period under review the Human Resources function has been challenging. The administration period resulted in low employee morale, uncertainty and deferred decision making prior to the appointment of the CEO in July 2013. The Human Resources Department is structured to incorporate the following important elements:

- a. Human Resources
- b. Industrial Relations
- c. Training and Development
- d. Recruitment
- e. Health and Wellness
- f. Payroll

Services SETA implemented an automated Human Resources Management System. The system is fully integrated with the current Payroll system and the Employee Self-Services (ESS).

Organisational Development Intervention

At the time of reporting, the Organisational Development Intervention was still underway. The objective of the OD is to assess the current organisational structure against the strategic objectives, the roles and responsibilities of employees and to determine how the current resources were able to deliver on organisational objectives in carrying out the mandate as outlined in the Strategic and Annual Performance Plan.

Human Resource Oversight Statistics

Below is tabulated key information relating to the Services SETA Human Resources developments, remuneration, recruitment, training and development initiatives undertaken in the financial year under review.

1. Employment and vacancies by salary bands, 31 March 2014

Occupational Category	Number of Posts	Headcount	Vacancy Rate
Semi- Skilled (BL –BU)	110	85	23%
Skilled (CL-CU)	150	105	30%
Middle Management (DL)	54	38	30%
Senior Management (DU)	21	8	62%
Top Management (E)	8	4	50%
TOTAL	343	240	30%



2. Recruitment for the period 1 April 2013 to 31 March 2014

Occupational Bands	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Semi- Skilled (BL –BU)	1	1	0	0	4	1	0	0	7
Skilled (CL-CU)	4	1	0	1	10	4	0	0	20
Middle Management (DL)	6	0	0	0	0	1	0	0	7
Senior Management (DU)	1	1	0	0	2	0	0	0	4
Executive Management (E)	0	1	0	0	2	0	0	0	3
TOTAL	12	4	0	1	18	6	0	0	41

3. Promotions (April 2013 - March 2014)

Division	Department	Name	Old Designation	New designation	Commencement date to new position	Job grade
Quality Management Division	Gauteng Provincial Office	Audrey Thwala	QMD Administrator	QA Provider Services Officer	01 May 2013	C Lower
	East London Province	Zingisa Mehlomane	Provincial Administrator	QA Provider Services Officer	01 May 2013	C Lower
	Limpopo Province	Abram Tseka	Provincial Administrator	QA Provider Services Officer	01 May 2013	C Lower
	Nelspruit Province	Jacob Mngwenya	Customer Service Administrator	QA Provider Services Officer	01 May 2013	C Lower
	Kimberley Province	Caryl Thala	Customer Service Administrator	QA Provider Services Officer	01 May 2013	C Lower
	Western Cape Provincial Office	Gretchen Humphreys	Administrator	QA Provider Services Officer – Western Cape	01 November 2013	C Lower



Division	Department	Name	Old Designation	New designation	Commencement date to new position	Job grade
Projects Management Office (PMO)	PMO	Ziningi Mbelu	Projects Manager	Executive Manager: PMO	16 May 2013	E
	PMO	Danler Harmsen	Projects Officer	Projects Coordinator	01 August 2013	C Upper
Financial Management	Grants Secretariat	Gizelle Hutchinson	Chamber Manager	Manager: Grants Secretariat	01 June 2013	D Lower
	Grants Secretariat	Zenia Bezuidenhout	Administrator	SCM Grants Officer	18 June 2013	C Lower
	Grants Secretariat	Suzan Kgobe	Learnerships Officer	Senior Committees Officer	18 June 2013	C Upper
	Finance	Kedibone Masango	Senior Accounts Officer	Accountant	01 May 2013	C Upper
Office of the CEO	Office of the CEO	Lerato Bogoshi	Executive Manager: Office of the CEO	Chief Operations Officer	01 June 2013	E
	Company Secretariat	Lamees Badroodien	Executive PA to CFO	Committees Officer	19 August 2013	C Lower
	Company Secretariat	Lufuno Chuchu	Grants Administrator	Committees Officer	26 August 2013	C Lower
Stakeholder Liaison	Nelspruit Province	Brinique Petersen	Grants Administrator	Provincial Administrator	01 September 2013	B Upper
	Free State Province	Kenneth Mavuso	Provincial Administrator	Customer Services Administrator	01 June 2013	B Upper
	Free State Province	Charmaine Thompson	Chambers Administrator	Provincial Administrator	18 November 2013	B upper



PART E:
FINANCIAL INFORMATION





Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

The annual financial statements for the year ended 31 March 2014 have been approved by the Accounting Authority in terms of section 51 (1) (f) of the Public Finance Management Act, No.1 of 1999, as amended and are signed on their behalf by the Chairperson of the Services SETA Accounting Authority.

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

Mr Themba Mhambi
Chairperson: Services SETA Accounting Authority.
Date: 31 July 2014



Services Sector Education and Training Authority Financial Information for the year ended 31 March 2014

We are pleased to present our report for the financial year ended 31 March 2014.

Audit committee members and attendance

The previous Audit Committee was not re-appointed when its term ended on the 30th September 2013 and an Interim Audit Committee was appointed from 01 October 2013 to 31 March 2014. The current audit committee was appointed on the 1st April 2014 and consist of the members listed hereunder. The Audit Committee should meet atleast 4 times per annum as per the approved terms of reference. During the current year a total 11 meetings were held by the various committees.

Name of member	Number of meetings attended
James Maboja (Chairperson) (Term ended 31 October 2013) (Reappointed 01 April 2014)	6
Doris Dondur (Term ended 31 October 2013)	4
Ernst Snyman (Term ended 31 October 2013)	5
Rene Kenosi (Term ended 31 October 2013)	6
Luyanda Ndeya (Appointed 01 November 2013) (Term ended 31 March 2014)	3
Siyabonga Mngoma (Appointed 01 November 2013) (Term ended 31 March 2014)	5
Bongani Mpeluza (Appointed 01 November 2013) (Term ended 31 March 2014)	3

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 51(1)(a)(ii) and 76 (4) (a) of the Public Finance Management Act (PFMA) 1 of 1999 as amended by Act 29 of 1999.

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

The effectiveness of internal control

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

Evaluation of financial statements

The audit committee has:

- reviewed and discussed the audited 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 entity'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 financial statements, and is of the opinion that the audited 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: 31 July 2014



Services Sector Education and Training Authority Financial Information for the year ended 31 March 2014

Report on the Financial Statements

Introduction

1. I have audited the financial statements of the Services Sector Education and Training Authority (SSETA) set out on pages 66 to 120, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, the statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

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

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Services Sector Education and Training Authority as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA and SDA.

Emphasis of matter

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

Significant uncertainties

8. As disclosed in note 25 to the financial statements, the entity is the defendant in law suits. The ultimate outcome of the matters cannot presently be determined.

Restatement of corresponding figures

9. As disclosed in note 28 to the financial statements, the corresponding figures for 31 March 2013 were restated as a result of an error discovered on 31 March 2014 in the financial statements of the SSETA at, and for the year ended, 31 March 2013.



Services Sector Education and Training Authority Financial Information for the year ended 31 March 2014

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

10. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

11. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2014:

- Programme 3: Mandatory grants on page 26
- Programme 4: Learning interventions on pages 27 to 32
- Programme 6: Qualifications and quality management on pages 35 to 38

12. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

13. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPPI).

14. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

15. The material findings in respect of the selected programmes are as follows:

Programme 4: Learning Interventions

Usefulness and reliability of reported performance information

16. I did not raise any material findings on the usefulness and reliability of the reported performance information for Programme 4: Learning Interventions.

Reliability of reported performance information

17. The FMPPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Significantly important targets were not reliable when compared to the source information or evidence provided. This was due to lack of an integrated supporting system for performance reporting and lack of monitoring of the accuracy and completeness of source documentation in support of actual achievements and inadequate review of the validity of reported achievements against source documentation.

Programme 6: Qualifications and quality management

Usefulness of reported performance information

18. The FMPPPI requires that a performance indicator must be verifiable, meaning that it must be possible to validate the processes and systems that produced the indicator. A total of 40% of the indicators were not verifiable. This was due to processes not being established for new indicators before the end of the 2013-14 performance year for the revised addendum aligned to the 2014-15 submission that was submitted and approved after the performance reporting year.



Services Sector Education and Training Authority Financial Information for the year ended 31 March 2014

Reliability of reported performance information

19. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Significantly important targets were not reliable when compared to the source information or evidence provided. This was due to lack of systems and monitoring tools to report on certain indicators.

Programme 3: Mandatory Grant

20. I did not raise any material finding on the usefulness and reliability of the reported performance information for Programme 3: Mandatory Grants

Additional matter

21. I draw attention to the following matter, my conclusion is not modified in respect of this matter:

Achievement of planned targets

22. Refer to the annual performance report on pages 14 to 41 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected programmes reported in paragraphs 17 to 19 of this report.

Compliance with legislation

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

Annual financial statements

24. 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)(b) of the PFMA. Material misstatements of the mandatory grant provision and payables and related expenditure, discretionary grant provision and related expenditure, property, plant and equipment, commitments and related party disclosure as identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

25. The accounting authority did not take effective steps to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Internal control

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

Leadership

27. Inadequate monitoring and evaluation (oversight responsibilities) by management and the accounting authority in the areas of performance reporting and financial reporting to ensure accurate financial information and performance reporting.

28. Instability within operational leadership, deficiencies within human resource (HR) management practices followed by the entity and the lack of a performance management system, resulted in less than adequate resources being in place and performance not being monitored. Consequently, effective corrective action could not be taken as a result of ineffective HR management during the period.



Services Sector Education and Training Authority Financial Information for the year ended 31 March 2014

Financial and performance management

29. The entity did not have proper verification controls that provide for the maintenance of accurate and complete information that supports the reported performance contained in the annual performance report. This includes information that relates to the collection, collation, verification and reporting of reliable performance information.
30. Daily and monthly processing and the reconciling of transactions relating to financial and performance reporting were not adequate and effective and did not always take place. Existing internal controls and review measures were also not adequate to ensure that financial and performance information reported is accurate and complete.
31. The lack of integrated performance reporting systems contributed substantially to the risk of human error in reporting and inaccurate data compilation with regard to reporting on predetermined objectives.

OTHER REPORTS

Investigations

32. An investigation was conducted by an independent consulting firm on request of the entity into certain payments made to the previous executive and senior management of SSETA. The investigation was concluded. The matter was handed over to the National Prosecuting Authority for further investigations.
33. An investigation conducted by an independent consulting firm on request of the entity was concluded during the previous year. The investigation was initiated based on the allegation of possible irregularities relating to mandatory grants. The report led to the suspension of the manager concerned and his subsequent resignation. SSETA opened a criminal case against the manager and the company implicated in the wrong doing. At the time of this report, the court case was ongoing and legal service was following up on the progress.
34. An investigation was conducted by an independent consulting firm on request of the entity. The investigation was initiated based on the allegation of possible fictitious learners in skills programmes. The matter was reported to the South African Police Service and was still under investigation at the time of this report.

Auditor General.



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Pretoria
30 July 2014



Services Sector Education and Training Authority Financial Information for the year ended 31 March 2014

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 issued by the Accounting Standards Board.

The financial statements set out on page 66 to 120, which have been prepared on the basis of accounting policies applicable to a going concern, were approved by the Accounting Authority on the 31 July 2014.

Themba Mhambi
Chairperson

Johannes Mouton
Chief Executive Officer

The Accounting Authority submit this report to the Department of Higher Education and Training and Parliament of the Republic of South Africa for the year ended 31 March 2014.



Services Sector Education and Training Authority

Financial Information for the year ended 31 March 2014

Report of the Accounting Authority

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 re-established by the Minister of Labour for the period April 2005 – March 2010 in March 2005. The Minister of Higher Education and Training has in terms of Notice 52 of 2010, published in Government Gazette No 32917 of 5 February 2010, extended the period of establishment of all SETA's to 31 March 2016.

2. Governance

The Accounting Authority acknowledges and accepts responsibility for the system of internal financial control established by the Services SETA and places considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the Accounting Authority sets standards for internal control 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 Services SETA. 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 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. Administration

The Services SETA was placed under administration as per Government Gazette no 3440 Vol 566 and the Administration period ended on 30 June 2013 and sequentially the current Accounting Authority's term became effective.

4. Review of activities

Main business and operations

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

The operating results and state of affairs of the Services SETA are fully set out in the attached financial statements and further comments are provided in the financial review section on page 64.



Services Sector Education and Training Authority Financial Information for the year ended 31 March 2014

5. Going concern

The 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.

6. Subsequent events

During the year under review, employers were invited through the expression of interest process to apply to participate in various discretionary grants. The allocation and contracting will only be finalised subsequent to year end.

The Services SETA has submitted to the Minister of Higher Education and Training an application for the rollover of surplus funds. At the time of preparation of the annual financial statements the feedback was still outstanding.

7. Remuneration of Accounting Authority and Executive Managers Emoluments

The Executive Management's remuneration is reflected hereunder and is employed on a full time basis. The members of the Accounting Authority are remunerated for attending Board and subcommittee 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.

Accounting Authority	R'000						Total 2014
	Board	Exco	Remco	Finco	Governance	Other	
Mhambi, T (Chairperson)	61	25	-	-	-	133	219
Grobler, L	32	-	-	9	12	58	111
Petersen, W	52	21	11	-	-	92	176
Dinwa, W	58	-	-	9	4	89	160
Moloto, K	36	-	-	12	-	61	109
Mofokeng, M	49	18	-	-	-	95	162
Mantashe, N	42	15	16	-	-	68	141
Sambatha, M	49	15	-	-	6	75	145
Shabangu, T	45	-	-	12	7	68	132
Snyman, P	35	-	11	-	-	65	111
Roopchand, V	42	-	-	-	7	61	110
Letseli, D	49	-	2	-	9	68	128
Brown, S	38	-	-	-	7	78	123
	588	94	40	42	2	1,011	1,827

Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Report of the Accounting Authority

Executive Members	Basic Salary	Pension Contribution	Compensation for loss of office	Bonus	Travel & Subsistence	Other Short term benefits	Total package 2014	Total package 2013
Mouton, J (CEO) * 1	1,002	170	-	58	3	126	1,359	-
Bogoshi, LM (COO) * 2	1,270	167	-	109	3	-	1,549	937
Simons, C (CFO) * 3	1,046	163	806	104	17	-	2,136	692
Ruiters, YL (EM CS) * 4	1,213	181	-	106	2	-	1,502	216
Machard, DC (EM QMD) * 5	1,070	149	-	95	4	88	1,406	570
Penfold, D (EM SL) * 6	-	-	394	-	-	-	394	875
Tengimfene, NB (Acting EM SL) * 7	211	34	-	-	10	24	279	229
Dhlamini, P (Co-Acting EM L&L) * 8	184	29	-	-	-	58	271	234
Baatjies, D (Co-Acting EM L&) * 9	180	29	-	-	19	-	228	219
Mbelu, E (EM PMO) * 10	945	152	-	60	9	-	1,166	-
Naidoo, SN (EM L&L) * 11	-	-	-	-	-	-	-	979
Nongogo, A (CFO) * 12	79	9	-	-	-	-	88	-
	7,200	1,083	1,200	532	67	296	10,378	4,951



Services Sector Education and Training Authority Financial Information for the year ended 31 March 2014

*1 Chief Executive Officer:	Appointed 15 July 2013
*2 Chief Operations Officer:	Terminated 03 March 2014
*3 Chief Financial Officer:	Terminated 31 January 2014
*4 Executive Manager: Corporate Services	
*5 Executive Manager: Quality Management Division:	Terminated 28 February 2014
*6 Executive Manager: Stakeholder Liaison:	Terminated 7 January 2013
*7 Acting Executive Manager: Stakeholder Liaison:	Acting until 30 June 2013
*8 Co-Acting Executive Manager: Learning and Levies:	Acting until 30 June 2013
*9 Co-Acting Executive Manager: Learning and Levies:	Acting until 30 June 2013
*10 Executive Manager: Project Management Office:	Appointed 01 May 2013
*11 Executive Manager: Learning and Levies	Terminated 7 January 2013
*12 Chief Financial Officer:	Appointed 10 March 2014.

8. Special resolutions

In a resolution that was passed in a general meeting which was held on 21 January 2014 it was decided that the Services SETA will transfer funds as follows:

• NSF for Public FET Infrastructure Support	R163 million
• NSFAS for Bursary Support	R148 million
• Total	<u>R311 million</u>

9. Approval

The audited Annual Financial Statements for the year ended 31 March 2014, set-out on pages 66 to 120, have been approved by the Accounting Authority in terms of section 51(1)(f) of the Public Finance Management Act (PFMA), No 1 of 1999 (as amended) on 31st July 2014, and are signed on their behalf by:

Themba Mhambi
Chairperson



Services Sector Education and Training Authority
Financial Information for the year ended 31 March 2014

Materiality and Significant Framework

TREASURY REGULATION 28.1.5

“For purposes of “material” [sections 50(1), 55(2) and 61(1) (c) of the Act] and “significant” [section 54(2) of the Act], the accounting authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority in consultation with the external auditors.”

Section 50(1)	(1) The accounting authority for a public entity must –	The Accounting Authority implement effective and efficient internal controls, governance and risk management processes through its committees and as a collective
	(a) Exercise the duty of utmost care to ensure reasonable protection of the assets and records of the public entity;	Key policies and procedures have been approved
	(b) Act with fidelity, honesty, integrity and in the best interest of the public entity in managing the financial affairs of the public entity;	Good governance, professional conduct and ethical behaviour is encouraged across all organisational levels
	(c) On request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way influence the decision or actions of the executive authority or that legislature; and	Through frequent engagements with stakeholders (internal and external), important and relevant information is shared and transparency is achieved
	(d) Seek, within the sphere of influence of that accounting authority, to prevent any prejudice to the financial interests of the state.	Services SETA implements an on-going risk management assessment and review processes to mitigate and prevent any prejudice to the financial interest of Services SETA
Section 55(2)	(2) The annual report and financial statements referred to by PFMA Subsection 55 (1)(d) must –	
	(a) Fairly present the state of affairs of the public entity, its business, its financial results, its performance against pre-determined objectives and its financial position as at the end of the financial year concerned;	As a collective the Accounting Authority, its committees and management are involved into the compilation and review processes of the Annual Financial Statements and the Annual Report to ensure that they fairly present and disclose results of the Services SETA
	(b) include particulars of –	All losses are disclosed in the AFS
	(i) Any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year;	
	(ii) Any criminal or disciplinary steps taken as consequence of such losses or irregular expenditure or fruitless and wasteful expenditure;	All activities are disclosed in the AFS
	(iii) Any losses recovered or written off;	All losses recovered or written off are disclosed in the AFS
	(iv) Any financial assistance received from the state and commitments made by the state on its behalf; and	All financial assistance received or committed is disclosed



Services Sector Education and Training Authority
 Financial Information for the year ended 31 March 2014

	(v) Any other matters that may be prescribed; and	Services SETA will apply any other matters that become prescriptive
	(c) Include the financial statements of any subsidiaries.	Not applicable
Section 54 (2)	(1) Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction.	
	Establishment or participation in the establishment of a company;	Not applicable
	Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement.	Not applicable
	Acquisition or disposal of a significant shareholding in a company.	Not applicable
	Acquisition or disposal of a significant asset.	Not applicable to this reporting period
	Commencement or cessation of a significant business activity; and	Not applicable
	A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.	Not applicable



Services Sector Education and Training Authority
 Financial Information for the year ended 31 March 2014

Section 61 (1) (c)	The report of an auditor appointed in terms of section 58(1)	The level of material loss is assessed at 0.5% of gross revenue, limited to R3,6 million
	(b) must be addressed to the executive authority responsible for the public entity concerned and must state separately in respect of each of the following matters whether in the auditor's opinion –	Revenue includes levy income, interest and penalties and any other income
	(c) The transactions that had come to the auditor's attention during auditing were in all material respects in accordance with the mandatory functions of the public entity determined by law or otherwise.	
	(1) An institution to which this Act applies may not borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that institution or the Revenue Fund to any future financial commitment, unless such borrowing, guarantee, indemnity, security or other transaction –	Services SETA operates within the ambit as set by this clause and its related Acts
	(a) Is authorised by this Act; and	
	(b) In the case of public entities, is also authorised by other legislation not in conflict with this Act; and	
	(c) In the case of loans by a province or a provincial government business enterprise under the ownership control of a provincial executive, is within the limits as set in terms of the Borrowing Powers of Provincial Governments Act, 1996 (Act No 48 of 1996).	



Services Sector Education and Training Authority Financial Statements for the year ended 31 March 2014

Index

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

Index	Page
Financial overview	64 - 65
Statement of Financial Position	66
Statement of Financial Performance	67
Statement of Changes in Net Assets	68
Cash Flow Statement	69
Statement of Comparison of Budget and Actual Amounts	70 - 71
Accounting Policies	72 - 82
Notes to the Financial Statements	83 - 120



Services Sector Education and Training Authority

Financial Statements for the year ended 31 March 2014

Financial overview

1. Background

During the current financial year the new SETA's Grant Regulations were introduced. The following are proportional allocations of levy income received from the Department of Higher Education and Training:

Levy income	Old	New
Administration Income	10.00 %	10.50 %
Mandatory Grant Income	50.00 %	20.00 %
Discretionary Grant Income	20.00 %	49.50 %
	<u>80.00 %</u>	<u>80.00 %</u>

2. Financial performance

Revenue

The total revenue for the year ended 31 March 2014 amounted to R1,344 million compared to R1,116 million in the previous year (20% increase). The levy income for the period was R1,248 million compared to R1,049 million in the previous year. The investment income increased by 45% from R66 million in 2013 to R96 million in 2014 because of increases in the bank balances.

Expenditure

The total expenditure for the year ended 31 March 2014, before the uncommitted funds, amounted to R874 million compared to R561 million in the prior period representing an increase of 56%. The increase is mainly attributable to the transfer of funds to National Student Financial Assistance Scheme and National Student Fund to support national priorities relating to Public Further Education and Training Institutions for infrastructure development and provision of bursaries for unemployed learners amounting to R149 million and R163 million, respectively

For the period ended 31 March 2014 the administration expenses exceeded the allowed 10.5% threshold of the levy income by R20 million. This is because included under administration expenses are project administration expenses that should have been charged against discretionary grant expenses in terms of Grant Regulations, however because when the project plans were prepared and approved they did not provide for administration expenses to be billed against discretionary grants. Furthermore, during the Administration period contracts were entered into with consultants to improve on the compliance with SETAs and Public Entities regulations. The expenses relating to these contracts were incurred during the current financial year. In addition the Accounting Authority has commenced with an Organisation Redesign process to ensure that the Services SETA becomes a leading SETA in the country in terms of efficiency and delivery.

Surplus for the year

In order to determine whether or not the Services SETA has surplus funds to be transferred to National Skills Fund, the Services SETA applied the following formula; surplus as stated in the Statement of Financial Performance for the financial period under review less the commitments for training of learners in programmes funded from discretionary funds.

	R'000
Surplus for the year	R469,569
Less Commitments	(R274,428)
	<u>R195,141</u>
95% thereof	<u>R185,378</u>

The above calculation indicates that Services SETA has uncommitted funds totalling R185 million for which an application has been submitted to the Minister of Higher Education to retain these funds as contemplated in the Grant Regulations.



Services Sector Education and Training Authority Financial Statements for the year ended 31 March 2014

Financial overview

3. Financial Position

Assets

The total assets for the current period amounted to R2,365 million compared to R1,918 million in 2013, representing a 23% increase. The increase is attributable to the increase in the cash and cash equivalents balances which increased by 27% to R2,298 million in the current period. The increase in cash is due to the delays in contracting and disbursement of discretionary grant and special project expenditure. This is because the Accounting Authority had to review the contracting model that was previously applied by the Services SETA. However, the contracting was completed post the Statement of Financial Position date. The Accounting Authority has requested approval from the Minister of Higher Education and Training for an extension in contracting for discretionary funding.

Liabilities

The Services SETA recorded total liabilities of R559 million compared to R395 million in the previous period, representing a 42% increase. The increase is attributable to uncommitted funds that are due to be transferred to the National Skills Fund (NSF) as contemplated by the Grant Regulations. The Accounting Authority has applied to the Minister to retain these funds, however as at 31 March 2014, the application had not been approved.

Net Assets

The net assets amounted to R1,807 million compared to R1,522 million in the previous period.

Irregular expenditure

The financial statements reflect irregular expenditure of R145 million in note 31. The irregular expenditure incurred in the current period of R63 million decreased from the R141 million that was incurred in 2013 of which R92 million had been condoned by the Administrator at the time. Services SETA's Management has committed itself to significantly reduce the amount for irregular expenditure. In addition the Accounting Authority is in the process of taking disciplinary actions to address the irregular expenditure.

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure has decreased from R3 million to R0.2 million. The current period's fruitless and wasteful expenditure resulted from an incorrect calculation of Pay As You Earn (PAYE). An application has been submitted to South African Revenue Services (SARS) for a waiver of the interest and penalty.



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Statement of Financial Position as at 31 March 2014

		2014	2013
	Note(s)	R '000	Restated* R '000
Assets			
Current Assets			
Inventories	3	373	314
Receivables from exchange transactions	4	9,520	50,806
Receivables from non-exchange transactions	5	2,839	2,072
Cash and cash equivalents	6	2,297,673	1,811,465
		<u>2,310,405</u>	<u>1,864,657</u>
Non-Current Assets			
Property, plant and equipment	7	53,154	51,691
Intangible assets	8	940	675
Deposits	9	621	575
		<u>54,715</u>	<u>52,941</u>
Total Assets		<u>2,365,120</u>	<u>1,917,598</u>
Liabilities			
Current Liabilities			
Payables from exchange transaction	10	33,791	20,428
Payables from non-exchange transactions	11	452,270	330,979
Provisions	12	72,451	43,725
		<u>558,512</u>	<u>395,132</u>
Net Assets		<u>1,806,608</u>	<u>1,522,466</u>
Net Assets			
Reserves			
Revaluation reserve	13	11,075	11,075
Employer grant reserve	14	1,262	1,814
Administration reserve	14	40,505	38,619
Discretionary reserve	14	1,753,766	1,470,958
Total Net Assets		<u>1,806,608</u>	<u>1,522,466</u>



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Statement of Financial Performance

	Note(s)	2014 R '000	2013 Restated* R '000
Revenue			
Revenue from exchange transactions			
Special project income		-	157
Other income	15	32	52
Interest received - investment	16	95,807	66,262
Total revenue from exchange transactions		95,839	66,471
Revenue from non-exchange transactions			
Skills Development Levy: Income	17	1,221,163	1,031,647
Skills Development Levy: Interest and Penalties	17	26,785	17,403
Total Revenue from non-exchange transactions		1,247,948	1,049,050
Total revenue		1,343,787	1,115,521
Expenditure			
Employer grants and project expenses	18	(386,103)	(393,608)
Transfers to Public Educational Institutions	19	(311,478)	-
Administration Expenses	20	(176,626)	(167,203)
Total Expenditure		(874,207)	(560,811)
Loss on disposal of assets		(11)	(6)
Surplus for the year before NSF uncommitted funds liability		469,569	554,704
NSF uncommitted funds liability		(185,378)	-
Net Surplus for the Year		284,191	554,704

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
Opening balance as previously reported	11,075	3,412	39,320	917,424	971,231	-	971,231
Adjustments							
Reallocation of funds to reserves - Note 14	-	(490)	5	485	-	-	-
Change in accounting policy - Note 7 & 8	-	-	(1,535)	(588)	(2,123)	-	(2,123)
Prior period error - Note 28	-	490	(1,499)	(342)	(1,351)	-	(1,351)
Restated balance as at 01 April 2012	11,075	3,412	36,291	916,979	967,757	-	967,757
Surplus for the year as restated	-	-	-	-	-	554,704	554,704
Application of unappropriated surplus/(deficit) as previously reported - Note 14	-	341,593	(38,333)	251,444	554,704	(554,704)	-
Reallocation of funds to reserves - Note 14	-	(342,877)	35,236	303,970	(3,671)	3,671	-
Prior period error - Note 28	-	(314)	5,414	(1,443)	3,657	(3,657)	-
Change in accounting policy - Note 7 & 8	-	-	11	8	19	(19)	-
Total Changes	-	(1,598)	2,328	553,979	554,709	(554,709)	-
Restated* Balance as 01 April 2013	11,075	1,814	38,619	1,470,958	1,522,466	-	1,522,466
Surplus for the year	-	-	-	-	-	284,191	284,191
Total recognised income and expenses for the year	-	-	-	-	-	284,191	284,191
Application of unappropriated surplus/(deficit) - Note 14	-	252,226	(18,062)	50,027	284,191	(284,191)	-
Reallocation of funds to reserves - Note 14	-	(252,778)	19,948	232,830	-	-	-
Total changes	-	(552)	1,886	282,857	284,191	-	284,191
Balance as at 31 March 2014	11,075	1,262	40,505	1,753,766	1,806,608	-	1,806,608
Note(s)	13	14	14	14	14		



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Cash Flow Statement

	Note(s)	2014 R '000	2013 Restated* R '000
Cash flows from operating activities			
Cash receipts from stakeholders			
Levies, interest and penalties received		1,247,948	1,049,049
Investment income		93,814	67,962
Other cash receipts from stakeholders		39	52
		<u>1,341,801</u>	<u>1,117,063</u>
Cash payments to stakeholders, suppliers and employees			
Employee costs		(92,807)	(76,993)
Grants and project payments		(379,412)	(336,861)
Payments made to suppliers and other		(67,418)	(80,454)
Transfers		(311,478)	-
Special project funds paid		-	(157)
		<u>(851,115)</u>	<u>(494,465)</u>
Net cash flows from operating activities	23	<u>490,686</u>	<u>622,598</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(4,037)	(3,404)
Proceeds from sale of property, plant and equipment	7	37	23
Purchase of intangible assets	8	(478)	(741)
Net cash flows from investing activities		<u>(4,478)</u>	<u>(4,122)</u>
Net increase in cash and cash equivalents		486,208	618,476
Cash and cash equivalents at the beginning of the year		1,811,465	1,192,989
Cash and cash equivalents at the end of the year	6	<u>2,297,673</u>	<u>1,811,465</u>



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Approved Budget	Actual amounts on comparable basis	Difference between final budget and actual	Notes
	R '000	R '000	R '000	R '000	R '000	

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Other Income	-	3	3	32	29	
Interest received - investment	47,322	29,856	77,178	95,807	18,629	32
Total revenue from exchange transactions	47,322	29,859	77,181	95,839	18,658	

Revenue from non-exchange transactions

Skills Development Levy Income	1,027,406	59,950	1,087,356	1,221,163	133,807	32
Skills Development Interest and Penalties	17,208	1,193	18,401	26,785	8,384	32
Total revenue from non-exchange transactions	1,044,614	61,143	1,105,757	1,247,948	142,191	
Total revenue	1,091,936	91,002	1,182,938	1,343,787	160,849	

Expenditure

Personnel	(75,205)	-	(75,205)	(98,018)	(22,813)	
Transfers to Public Educational Institutions	-	(311,478)	(311,478)	(311,478)	-	
Grants and subsidies paid	(1,380,377)	(616,571)	(1,996,948)	(386,103)	1,610,845	32
Administrative Expenses	(51,937)	(15,574)	(67,511)	(78,608)	(11,097)	32
Total expenditure	(1,507,519)	(943,623)	(2,451,142)	(874,207)	1,576,935	
Operating surplus/(Deficit)	(415,583)	(852,621)	(1,268,204)	469,580	1,737,784	
Loss on disposal of assets	-	-	-	(11)	(11)	



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R '000	Adjust- ments R '000	Final Approved Budget R '000	Actual amounts on comp- arable basis R '000	Difference between final budget and actual R '000	Notes
Surplus/(Deficit) for the year before provision for uncommitted funds	(415,583)	(852,621)	(1,268,204)	469,569	1,737,773	
Provision for uncommitted funds	-	-	-	185,378	185,378	
Net Surplus for the Year	(415,583)	(852,621)	(1,268,204)	284,191	1,552,395	

Capital Budget Assets

Non-Current Assets

Machinery and Equipment	10,000	(5,000)	5,000	467	(4,533)	32
Computer Equipment	-	5,000	5,000	1,601	(3,399)	32
Computer Networks	-	-	-	1,266	1,266	
Office Equipment	-	-	-	321	321	
Office Furniture	-	-	-	382	382	
Computer Software	20,000	-	20,000	477	(19,523)	32
	30,000	-	30,000	4,514	(25,486)	



Services Sector Education and Training Authority

Financial Statements for the year ended 31 March 2014

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These 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 Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 read with Directive 5. Assets, liabilities, revenues and expenses were not offset, except where offsetting 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 financial statements, are disclosed below.

1.1 Going concern assumption

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

1.2 Property, plant and equipment

Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure 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 is 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.

Property, plant and equipment which has a cost price less than R 5 000 are expensed and not capitalised.

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

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

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

Financial Statements for the year ended 31 March 2014

Accounting Policies

1.2 Property, plant and equipment (continued)

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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Change in accounting policy

In the previous financial period Services SETA recognised all property, plant and equipment. During the current financial period the threshold to recognise the asset was increased so that only property, plant and equipment with a value of R5 000 or more are capitalised. This change has been applied retrospectively. The effect of the change is disclosed in Note 7.

Subsequent Measurement

Building machinery, furniture and fixtures, motor vehicle, office equipment, computer equipment and computer network are carried at cost less accumulated depreciation and any impairment losses except for land and buildings which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluation

Land and buildings are revalued every three years. (The last re-valuation was done on the 31 March 2012). When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

Impairment

Where the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised in the surplus or deficit for the period, unless the asset is carried at fair value or revalued amount. The impairment loss of a revalued asset decrease or increase the revaluation surplus or deficit. All items of property, plant and equipment are assessed for any indications of impairment at each reporting date. If an impairment exist then the recoverable amounts are estimated.

Depreciation

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



Services Sector Education and Training Authority Financial Statements for the year ended 31 March 2014

Accounting Policies

The depreciation of assets commences on the date that the asset is available for use, even if it is not yet in use.

The useful lives of the property, plant and equipment are assessed annually and are detailed in note 7. The depreciation charged is to depreciate the book value over the average useful life of the asset to its assessed residual value.

Depreciation is calculated and provided for on an annual basis. If the residual value of an asset is at least equal to its carrying amount, depreciation will cease.

Any gains or losses arising from the derecognition of an asset is included in profit or loss when the item is derecognised.

Residual values

Residual values of other assets are determined by considering the second hand values of similar items which are already at the age the asset is expected to be at the end of its useful life. This would be applicable especially to vehicles.

The residual values of buildings were determined by independent property valuers.

The Services SETA reviews the residual values on an annual basis. The review revealed that the residual values used in the current or prior periods were still valid. No significant variances were identified.

Derecognition

The carrying amount of an item of property plant and equipment is derecognised on disposal or when there are no future economic benefits expected from its use or disposal.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

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 Services SETA or from other rights and obligations.

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 Services SETA; and the cost or fair value of the asset can be measured reliably.

The Services SETA 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.



Services Sector Education and Training Authority

Financial Statements for the year ended 31 March 2014

Accounting Policies

Initial Measurement

An intangible asset is initially measured at its cost and where an intangible asset is acquired at no cost or for a nominal cost, the cost is measured at its fair value as at the acquisition date.

Intangible assets which has a cost price less than R 5 000 are expensed and not capitalised.

Change in accounting policy

In the previous financial period Services SETA recognised all intangible assets. During the current financial period the threshold to recognise the assets was increased so that only intangible assets with a value of R5 000 or more are capitalised. This change has been applied retrospectively. The effect of the change is disclosed in Note 8.

Subsequent measurement

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation

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

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.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values. The useful lives are detailed in note 8.

Derecognition

Intangible assets are derecognised on disposal when no future economic benefits or service potential are expected from its use or disposal.

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

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.



Services Sector Education and Training Authority

Financial Statements for the year ended 31 March 2014

Accounting Policies

A SETA may out of any surplus monies determine and allocate discretionary grants to employers, education and training providers and workers of the employers 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; and
- such other costs as are specifically chargeable to the Services SETA under the terms of the contract.

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

Project costs are recognised as expenses in the period in which they are incurred and approved. 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 Skills Fund Authority with an allowance of 5% of the uncommitted funds that will be carried over to the next financial year, except where a request to carry forward the uncommitted funds has been lodged as per the Grant Regulations requirements. The unspent funds are determined by taking the surplus as stated in the Statement of Financial Performance for the financial period under review less the commitments for training of learners in programmes funded from discretionary 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 in delivering its mandate.

1.5 Budget information

The approved budget covers the fiscal period from 2013/04/01 to 2014/03/31.

The 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 entity or timing differences on the budget to actual information.

1.6 Related parties

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 DHET, payments to members of the Accounting Authority and key management. Disclosure is made of any transactions with close family members of related parties as well as any transactions not at arm's length and not in the ordinary course of business.

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

1.7 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



Services Sector Education and Training Authority Financial Statements for the year ended 31 March 2014

Accounting Policies

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, an 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. There is a presumption that 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.

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

Receivables from non-exchange transactions

Receivables from exchange transactions

Cash and cash equivalents

Category

Financial assets measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Financial assets measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

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.



Services Sector Education and Training Authority Financial Statements for the year ended 31 March 2014

Accounting Policies

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 fair value, and are subsequently measured at amortised cost.

1.8 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.

1.9 Inventories

Inventory consists mainly of consumable stores and is valued at the lower of cost or net replacement value. Inventories are 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, are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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 first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the Services SETA.



Services Sector Education and Training Authority Financial Statements for the year ended 31 March 2014

Accounting Policies

1.10 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; and
- Unappropriated surplus.

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 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 (5%) and the discretionary fund reserve (95%) in terms of the Grant Regulations based on the above.

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.

	2014	2013
Administration costs	10.50 %	10.00 %
Mandatory Grants	20.00 %	50.00 %
Discretionary Grants	49.50 %	20.00 %
Received by the Seta	80.00 %	80.00 %
Contribution to the National Skills Fund	20.00 %	20.00 %
	100.00 %	100.00 %

1.11 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 are charged to the Statement of Financial of Financial Performance in the year to which they relate and there is no further liability for the Services SETA.

1.12 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. Long-term provisions are discounted to net present value.



Services Sector Education and Training Authority Financial Statements for the year ended 31 March 2014

Accounting Policies

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

A provision is recognised for mandatory grant payments due once the specific criteria set out in the regulations to the Skills Development Act, 97 of 1998 has been complied with by member companies and it is probable that the Services SETA will approve the payment. The measurement of the obligation involves an estimate, based on the established pattern of past practice of approval for each type of grant.

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

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.

An accrual for mandatory grants payable is 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 entity.

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 entity. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 25.

1.13 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.



Services Sector Education and Training Authority

Financial Statements for the year ended 31 March 2014

Accounting Policies

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.

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. These contributions are recognised as other income.

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.

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.

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 the South African Reserve Services (SARS), who collects the levies on behalf of the Department of Higher Education and Training (DHET).

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.

Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Services SETA has complied with any of the conditions embodied in the agreement. To the extent that the conditions have not been met, a liability is recognised.

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 accrual basis.

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. These contributions are recognised as other income and the Services SETA has adopted that these funds should be used solely for the benefit of service industries in the form of discretionary projects.



Services Sector Education and Training Authority Financial Statements for the year ended 31 March 2014

Accounting Policies

1.14 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.

1.15 Comparative figures

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

1.16 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.

1.17 Irregular expenditure

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.

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

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

1.18 Subsequent events

Subsequent events are all events that occur between the reporting date (31 July) and the date on which the financial statements are authorised for tabling in parliament.

Adjusting events are all the events that confirm the financial performance and position of the SETA at year-end and if material the financial statements are adjusted accordingly.



Services Sector Education and Training Authority
 Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

2. New standards and interpretations

2.1 New accounting Pronouncements:

The Services SETA has not applied the following standards and interpretations, as the effective dates have not yet been gazetted by the Minister:

Standard/ Interpretation:	Effective date: Years beginning on or after	Impact
<ul style="list-style-type: none"> GRAP 18: Segment Reporting 	Not yet effective	The standard provides guidance on accounting for determination of reportable segments and will require additional disclosure.
<ul style="list-style-type: none"> GRAP 20: Related party disclosures 	Not yet effective	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.
<ul style="list-style-type: none"> GRAP 105: Transfers of functions between entities under common control 	Not yet effective	The purpose of the standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It is not anticipated that the standard will have an impact on the Services SETA.
<ul style="list-style-type: none"> GRAP 32: Service concession arrangements: Grantor 	Not yet effective	The purpose is to prescribe the accounting for service concession arrangements by the Grantor.



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

- GRAP 106: Transfers of functions between entities not under common controllables Not yet effective

The purpose of the standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It is not anticipated that the standard will have an impact on the Services SETA.
- GRAP 107: Mergers Not yet effective

The objective is to provide accounting principles guidance for the merged entities.

2.2 Standards and interpretations early adopted
Related party disclosure

Not yet effective

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.

3. Inventories

Inventory consists mainly of consumable stores and is valued at the lower of cost or replacement cost.

Consumable stores	373	314
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Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014 R '000	2013 R '000
4. Receivables from exchange transactions		
Staff loans	51	-
Prepayments	402	196
Operating lease receivables	-	-
National Skills Fund Receivable	4,974	48,539
Accrued investment income	3,880	1,883
Other receivables	215	185
	<u>9,520</u>	<u>50,806</u>

Previously stated figure for FY2013: R50.922 million
Refer to note 28 for further details

National Skills Fund receivable

A contract was entered into between National Skills Fund and Services SETA whereby the latter will incur costs for and on behalf of the former. The Services SETA would then recover the costs from the National Skills Fund. Due to a change in management during the 2011 financial year conditions that were supposed to be met were not fulfilled which included the submission of Quarterly Reports to the NSF. An agreement was reached between Services SETA and NSF that R43.6 million would be written off by Services SETA and only the R4.8 million will be repaid to Services SETA by NSF. The writeoff has been processed against discretionary grants as the underlying costs were of a discretionary grant nature.

5. Receivables from non-exchange transactions

Mandatory Grants receivable: Overpayments to employers	<u>2,839</u>	<u>2,072</u>
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Previously stated figure for FY2013 R0.176 million

Refer to Note 28 for further details

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	12	11
Bank balances	819,181	402,857
Short-term deposits	1,478,480	1,408,597
	<u>2,297,673</u>	<u>1,811,465</u>

As required in Treasury Regulations 31.2, the Services SETA holds bank accounts with financial institutions approved by National Treasury. The Skills Development Act Regulations states that the Services SETA may, if not otherwise specified by the Public Finance Management Act, invest the moneys in accordance with the investment policy approved by the Accounting Authority.



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

Figures in Rand thousand

7. Property, plant and equipment	2014 R'000			2013 (Restated) '000		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying Value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Land	13,500	-	13,500	13,500	-	13,500
Buildings	31,700	-	31,700	31,700	-	31,700
Building machinery	1,989	(818)	1,171	1,523	(466)	1,057
Furniture and fixtures	1,585	(907)	678	1,239	(707)	532
Motor vehicles	1,013	(821)	192	1,013	(708)	305
Office equipment	4,176	(3,356)	820	3,902	(2,999)	903
Computer equipment	9,435	(5,769)	3,666	7,885	(4,584)	3,301
Computer network	4,617	(3,190)	1,427	3,351	(2,958)	393
Total	68,015	(14,861)	53,154	64,113	(12,422)	51,691

Reconciliation of property, plant and equipment - 2014

	Opening Balance	Additions	Disposals	Depreciation	Total
Land	13,500	-	-	-	13,500
Buildings	31,700	-	-	-	31,700
Building machinery	1,057	467	-	(353)	1,171
Furniture and fixtures	532	382	-	(236)	678
Motor vehicles	305	-	-	(113)	192
Office equipment	903	321	-	(404)	820
Computer equipment	3,301	1,601	(29)	(1,207)	3,666
Computer network	393	1,266	-	(232)	1,427
	51,691	4,037	(29)	(2,545)	53,154



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013 (Restated)

	Opening Balance	Additions	Disposals	Depreciation	Total
Land	13,500	-	-	-	13,500
Buildings	31,700	-	-	-	31,700
Building machinery	1,063	255	-	(261)	1,057
Furniture and fixtures	243	414	(1)	(124)	532
Motor vehicles	210	199	-	(104)	305
Office equipment	884	416	(25)	(372)	903
Computer equipment	1,945	2,120	-	(764)	3,301
Computer network	639	-	-	(246)	393
	50,184	3,404	(26)	(1,871)	51,691

Previously stated figure for FY2013 R47.332 million

Refer to note 28 for further details



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

7. Property, plant and equipment (continued)

	2014	2013
	R'000	R'000

Useful lives

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

Item	Average useful life
Building	20 years
Furniture and fixtures	5 years
Motor vehicles	5 Years
Office equipment	5 Years
Computer equipment	5 years
Computer network	5 years
Land	Not depreciated

Revaluations

Land and buildings are revalued independently every 3 years.

The effective date of the revaluations was 31 March 2012. Revaluations were performed by independent valuer, R.H. Roper, (B.Com. FRICS MIV(SA) of the Property Partners CC, GM Cowden (NDPV MASAIV) and R. Grobler (BCom NDPV MSAIV).

The valuation was performed using the investment method of first year's capitalisation approach. The assumptions were based on current market conditions.

Residual values (R'000)

The residual values of the revalued Buildings are higher than the revalued amounts and as a result are not depreciated. The residual values are as follows:

- Buildings - Residual value	41,750	41,750
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Change in accounting policy R'000

In the previous financial period, the Services SETA recognised items of property, plant and equipment with a cost price of R1 000 or more. During the year under review management, retrospectively introduced a new policy of capitalising only property, plant and equipment that has a cost of R 5000 or more was introduced and this was applied retrospectively. Management is of the view that the costs of maintaining a fixed asset register for such assets exceeds the benefit derived. The impact of the change in the accounting policy is as follows:

Impact	2014	2013	2012
	R'000	R'000	R'000
Increase in minor costs	191	482	5,812
Decrease in depreciation	(604)	(468)	(3,763)
Decrease in loss on disposal	(24)	(16)	(9)
Impact on costs	437	2	(2,040)
Increase/(decrease) in assets	(55)	(402)	(5,706)
Decrease in accumulated depreciation	492	404	3,666
Net impact on net asset value and costs	437	2	(2,040)



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

7. Property, plant and equipment (continued)

Fully depreciated assets with zero carrying value still in use.

The following assets have been fully depreciated and have been assigned R1 values and are still use

Property Plant and Equipment	Cost
Computer equipment	3,502
Computer networks	2,296
Office equipment	2,108
Office furniture	537
Motor Vehicles	448
	<u>8,891</u>

8. Intangible assets

	2014 R'000			2013 (Restated) R'000		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,672	(732)	940	4,239	(3,564)	675

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	675	478	(213)	940

Reconciliation of intangible assets - 2013 (Restated)

	Opening balance	Additions	Amortisation	Total
Computer software	64	741	(130)	675



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

8. Intangible assets (continued)	2014	2013
	R'000	R'000

Previously stated figure for FY2013: R3.483 million
Refer to note 28 for further details.

Change in Accounting Policy

During the year under review management, retrospectively introduced a new policy of capitalising only intangible assets that have a cost more than R5 000. Management is of the view that the costs of maintaining a fixed asset register for such assets exceeds the benefit derived. The impact of the change in the accounting policy is as follows:

Impact	2014 R'000	2013 R'000	2012 R'000
Increase in minor costs	-	3	851
Decrease in depreciation	(20)	(21)	(769)
	(39)	-	-
Net impact on costs	(60)	(18)	81
Increase/(Decrease) in assets	839	(3)	(851)
(Increase)/Decrease in accumulated depreciation	(779)	21	769
Net impact on net asset values and costs	60	18	(81)

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 an average of 5 years.

Item	Useful life
Computer Software	5 years

Fully depreciated assets with zero carrying value still in use

The following assets have been fully depreciated and have been assigned R1 values and are still in use:

Intangible Assets	Cost
Computer Software	425

9. Deposits

Long term deposits for lease and Municipal deposits		
Bloemfontein	58	58
Cape Town	203	279
Durban	2	2
East London	73	73
Kimberley	45	-
Johannesburg	136	136
Nelspruit	20	20
Port Elizabeth	44	7
Polokwane	40	-
	621	575



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014	2013
	R'000	R'000
10. Payables from exchange transaction		
Trade payables	15,904	10,829
Employee Costs	8,608	4,114
Accrued leave pay	4,400	3,683
Accrued expenses - Administration expense	4,391	1,693
Operating lease payables	488	109
	<u>33,791</u>	<u>20,428</u>

Previously stated figure for FY2013: R45.382 million

Refer to note 28 for further details

11. Payables from non-exchange transactions

NSF uncommitted funds liability	185,378	-
Accrued Expenses :Discretionary Grants	20,821	15,100
Trade Payables non-exchange	10,085	11,269
SARS error payable	-	24,441
Mandatory grants non-exchange transactions	235,043	279,586
InterSETA payable	943	583
	<u>452,270</u>	<u>330,979</u>

Previously stated figure for FY2013: R302.399 million

Refer to note 28 for further details

NSF uncommitted funds liability

The New Grant Regulations require SETAs to transfer to the National Skills Fund, 95% of funds that have not been committed by the end of the financial year. The liability has been determined as follows:

Surplus for the year	R469,569
Less: Commitments	R274,428
Uncommitted funds	<u>R195,141</u>
95% thereof	<u>R185,384</u>

SARS error payable

During the previous financial year it was discovered that SARS had erroneously overpaid the allocations to SETAs for Levy Income. A liability was therefore raised for the overpayment by SARS and in this financial year it was settled.



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

		2014	2013	
		R'000	R'000	
12. Provisions				
Reconciliation of provisions - 2014				
	Opening Balance	R'000 Additions	Utilised during the year/ Change in estimate	Total
Exempt employers	43,725	11,122	3,421	58,268
Discretionary grant	-	14,183	-	14,183
	43,725	25,305	3,421	72,451
Reconciliation of provisions - 2013				
	Opening Balance	R'000 Additions	Utilised during the year/ Change in estimate	Total
Exempt employers	44,867	7,957	(9,099)	43,725

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, contribute towards the SDL. The provision covers contributions made over a period of five years. Any exempt contributions older than five years are swept to discretionary grants. Refer to paragraph below for a change in estimate.

Change in estimate: Exempt employers

Provision for exempt employers is for levies received from exempt companies in terms of Grant Regulations. It has been Services SETA's practice to maintain a provision for contributions going back four years. During the year under review the Department of Higher Education and Training issued an instruction through Skills Development Circular no 9/2013 which requires SETAs to maintain a provision for exempt companies for a period of five years. Had the change in estimate not have been effected the closing balance would have been R43.6 million.

13. Revaluation reserve

Reserve on revaluation of property, plant and equipment.

Opening balance	11,075	11,075
Change during the year	-	-
Closing balance	11,075	11,075

Revaluation and devaluation of land and buildings per note 7



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014	2013
	R ' 000	R ' 000

14. Reallocation of the surplus for the year to reserves

Allocation of surplus for the year to reserves - 2014

	R ' 000			
	Administration reserve	Employer grant reserve	Discretionary grant reserve	Total per statement of financial performance
Skills development levy income				
- Administration levy income	158,557	-	-	158,557
- Grant levy income	-	403,547	-	403,547
- Discretionary levy income	-	-	659,058	659,058
Penalties and interest	-	-	26,785	26,785
Investment income	-	-	95,807	95,807
Other income	14	-	18	32
Total income	158,571	403,547	781,669	1,343,786
Administration Expenses	(176,632)	-	-	(176,632)
Employer grant and project expenses	-	(151,321)	(420,164)	(571,485)
Transfer to Educational Institutions	-	-	(311,478)	(311,478)
Total expenses	(176,632)	(151,321)	(731,642)	(1,059,775)
Net surplus allocated	(18,061)	252,226	50,027	284,192

	Administration reserve	Employer grant reserve	Discretionary grant reserve	Revaluation reserve	Total
Reserves movement					
Opening balance	38,619	1,814	1,470,958	11,075	1,522,466
Net surplus allocated	(18,062)	252,226	50,027	-	284,191
Reallocation of Unappropriated reserves	19,948	(252,778)	232,830	-	-
	40,505	1,262	1,753,766	11,075	1,806,608



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014	2013
	R ' 000	R ' 000

14. Reallocation of the surplus for the year to reserves (continued)

Allocation of the surplus for the year to reserves - 2013

	Administration reserve	Employer grant reserve	Discretionary reserve	Total
Skills development levy income	-	-	-	-
- Administration levy income	128,827	-	-	128,827
- Grant levy income	-	644,142	-	644,142
- Discretionary levy income	-	-	258,678	258,678
Penalties and interest	-	-	17,403	17,403
Investment income	-	-	66,262	66,262
Other income	52	-	-	52
Special Project income	-	-	157	157
Total income	128,879	644,142	342,500	1,115,521
Administration Expenses	(167,207)	-	-	(167,207)
Employer grants	-	(302,958)	-	(302,958)
Project expenses	-	-	(90,494)	(90,494)
Special project expenses	-	-	(157)	(157)
Total Expenses	(167,207)	(302,958)	(90,651)	(560,816)
Net surplus/(deficit) allocated	(38,328)	341,184	251,849	554,705

Reserves movement	Administration reserves	Employer grant reserve	Discretionary grant reserve	Revaluation reserve	Total
Restated opening balance	36,291	3,412	916,979	11,075	967,757
Application of unappropriated surplus/(deficit)	(38,333)	341,593	251,444	-	554,704
Prior period error	5,414	(314)	(1,443)	-	3,657
Change in accounting policy	11	-	8	-	19
Reallocation of funds to reserves	35,236	(342,877)	303,970	-	(3,671)
	38,619	1,814	1,470,958	11,075	1,522,466



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014 R ' 000	2013 R ' 000
15. Other Income		
Recoveries	32	52
Recoveries include profit on sale of fixed assets R0.014 million and pay-out received from insurance company for minor assets that were damaged during the financial year.		
16. Investment Revenue		
Interest revenue		
Interest	95,807	66,262
17. Skills Development Levy		
Skills Development Levy: Income	1,221,163	1,031,647
Skills Development Levy: Interest and Penalties	26,785	17,403
	<u>1,247,948</u>	<u>1,049,050</u>
The amount included in revenue arising from exchange transactions are as follows:		
Special project income	-	157
Recoveries	32	52
Interest received - investment	95,807	66,262
	<u>95,839</u>	<u>66,471</u>
The amount included in revenue arising from non-exchange transactions is as follows:		
Skills Development Levy: Penalties and interest		
Levy penalties received	14,740	9,858
Levy Interest received	12,045	7,545
	<u>26,785</u>	<u>17,403</u>



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014 R ' 000	2013 R ' 000
17. Skills Development Levy income (continued)		
Skills Development Levy: Income		
Levy income: Administration	151,325	137,901
Inter-Seta transfers in	(52)	(73)
Inter-Seta transfers out	9,165	(9,165)
Levies relating to SARS error	(1,887)	143
Levies contributed by Exempt Employers	<u>158,557</u>	<u>128,827</u>
Levy Income: Employer Grants	393,278	658,964
Inter-Seta transfers in	10	104
Inter-Seta transfers out	(99)	(364)
Levies relating to SARS error	15,276	(15,276)
Levies contributed by Exempt Employers	(4,918)	714
	<u>403,547</u>	<u>644,142</u>
Levy income: Discretionary Grants	666,315	257,504
Inter-Seta transfers in	25	42
Inter-Seta transfers out	(244)	(146)
Levies contributed by Exempt Employers	(7,737)	285
Voluntary Contributions	700	993
	<u>659,059</u>	<u>258,678</u>
	<u>1,221,162</u>	<u>1,031,647</u>



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014	2013
	R ' 000	R ' 000
18. Employer grants and project expenses		
Mandatory grants	151,320	302,782
Discretionary grants	234,783	90,648
Total Grants	386,103	393,430
Previously stated figure for FY2013: R391.227 million		
Discretionary grant expenditure consist of:		
Direct projects costs	201,583	78,334
Direct administration expenses	33,200	12,157
Special project expenses	-	157
Total	234,783	90,648
19. Transfers to Public Educational Institutions		
NSFAS: Bursary Support	148,692	-
NSF: Public FET Infrastructure Support	162,786	-
	311,478	-

During the year under review a resolution was passed to transfer funds for Public FETs infrastructure development and bursary support for unemployed learners through NSFAS and NSF, respectively.



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014	2013
	R ' 000	R ' 000
20. Administration expenses		
Advertising	5,887	2,670
Auditors remuneration	4,930	5,651
Bank charges	123	116
Consulting and professional fees	13,118	40,772
Fines and penalties	217	-
Insurance	1,260	1,128
Stakeholders participation	834	2,112
IT expenses	17,567	12,637
Lease rentals on operating lease	136	-
Motor vehicle expenses	234	81
Printing and stationery	1,794	2,362
Security	1,351	1,419
Staff welfare	360	355
Communication costs	1,419	1,694
Relocation costs	14	-
Training and recruitment	4,607	589
Travel - local	11,809	10,600
Travel - overseas	149	670
Electricity and water	2,476	2,666
Minor assets expensed	1,030	496
Repairs and maintenance	2,659	1,715
QCTO 0.5% fee	1,894	-
Accounting Authority and Audit Committee costs	2,135	601
Depreciation and amortisation (excluding projects depreciation and amortisation)	2,594	1,784
Employee costs - salaried staff (Note 21)	98,018	77,085
	176,626	167,203

Previously stated figure for FY2013: R95.448 million

Refer to note 28 for further details



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014	2013
	R ' 000	R ' 000
21. Employee related costs		
Salaries and wages	55,614	47,647
Bonus	1,506	-
Medical aid contributions	4,886	4,415
PAYE, SDL and UIF	18,982	13,441
Leave pay provision charge	4,011	1,351
Pension contributions - Defined contribution plan	13,019	10,217
Other fringe benefits	-	14
	98,018	77,085
Average number of employees	237	216
 Remuneration of executive management		
Annual Remuneration	7,200	6,673
Travel & Subsistence Allowance	68	57
Bonuses awards	532	233
Contribution to UIF, Medical and Pension Funds	1,378	753
Severance package	1,200	693
	10,378	8,409

The prior year remuneration includes Dr. Moon's remuneration as CEO/Administrator for 12 months and in the current year incorporated for 3 months.



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014 R ' 000	2013 R ' 000
22. Auditors' remuneration		
Internal Audit Fees	1,949	3,443
External Audit Fees	2,981	2,208
	4,930	5,651
23. Cash generated from operations		
Surplus	284,191	554,704
Adjustments for:		
Depreciation and amortisation	2,751	2,000
Loss on sale of assets	11	6
Increase in provisions	28,726	(1,132)
Changes in working capital:		
Increase in inventory	(59)	(92)
Decrease in receivables from exchange transactions	41,286	1,308
Increase in receivables from non-exchange transactions	(813)	(563)
Increase in payables from exchange transactions	13,363	81,146
Increase/(Decrease) in payable from non-exchange transaction	121,230	(14,779)
	490,686	622,598



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014 R ' 000	2013 R ' 000
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24. Commitments

24.1 Discretionary reserves

Already contracted for but not provided for

• Discretionary expenditure	274,428	284,516
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2014	R '000	Opening balance	Approved by Accounting Authority Adjustments	Utilised	Amendments	Total Commitments
Donor: Special project		1,864	-	(1,362)	(234)	268
FET Sector agreement		244	-	(244)	-	-
Partnership & skills promotion		44	2,217	(2,217)	(44)	-
Research		321	-	(293)	(28)	-
Scarce Skills Bursary Support		179,286	4,754	(61,299)	(24,694)	98,047
Small, medium, micro enterprises co-ordination		338	48,993	(8,104)	(338)	40,889
NSFAS Bursary management scheme		-	148,691	(148,691)	-	-
Learning Programmes		-	3,162	-	(3,162)	-
Bursary Support-Universities		-	5,495	(5,495)	-	-
Experiential and Internship Grant		92,577	61,113	(42,554)	(21,721)	89,415
Sector Specialist Capacity Building		5,513	16,223	(16,273)	8,744	14,207
Rural Development		3,333	40,661	(14,300)	-	29,694
Employee Disability Grant		-	5,400	(3,492)	-	1,908
QCTO Support		996	-	(996)	-	-
		284,516	336,709	(305,320)	(41,477)	274,428



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

				2014	2013	
				R ' 000	R ' 000	
2013 - Restated	R '000	Opening balance	Approved by Accounting Authority Adjustments	Utilised	Amendments	Total Commitments
Donor: Special project		11,342	494	(5,273)	(4,699)	1,864
FET Sector agreement		-	487	(243)	-	244
Partnership & skills promotion		-	3,609	(3,565)	-	44
ETQA Support Grant		-	1,138	(1,138)	-	-
Research		484	-	(163)	-	321
Three star programme		73	-	(255)	182	-
Scarce Skills Bursary Support		66,265	150,003	(12,652)	(24,330)	179,286
Small, medium, micro enterprises co-ordination		369	2,260	(2,264)	(27)	338
Experiential and Internship Grant		10,811	113,751	(29,399)	(2,586)	92,577
Sector Specialist Capacity Building		1,784	4,566	(837)	-	5,513
Rural Development		-	3,333	-	-	3,333
HET Sector Agreement		79	-	(79)	-	-
Employee Disability Grant		3,370	-	(972)	(2,398)	-
QCTO Support		-	996	-	-	996
		94,577	280,637	(56,840)	(33,858)	284,516

Previously stated balance for FY2013: R292.3 million

Refer to note 28 for further details.

In line with Grant regulation No. 35940 sub-regulation 6(12) 83% of discretionary grant funding has been allocated to PIVOTAL programmes



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014	2013
	R ' 000	R ' 000
24. Commitments (continued)		
24.2 Operating leases		
Minimum lease payments due		
- within one year	5,631	4,042
- in second to fifth year inclusive	6,393	9,634
	12,024	13,676

Operating lease payments represent rentals payable by the Services SETA for nine of its provincial office properties and rental of photocopying machines. Property leases are negotiated for an average term of five years, but limited to the current mandate ending 31 March 2016. The extension of the life of the SETAs is determined by the Minister of Higher Education and Training. No contingent rent is payable.

25. Contingent assets and liabilities

25.1 Contingent Liabilities

First time employer registrations

The Skills Development legislation allows an employer, registering for the first time, 6 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 R1.3 million (2012/13: R1.8 million) will be payable. The amount is contingent on the number of submissions received and approved.

New scheme year levies received

At the reporting date levies were received in respect of the new scheme year, for which, the Skills Development legislation allows an employer until 30 April 2014 to submit an application for a mandatory grant.

At the reporting date it is estimated, as a result, that additional mandatory grant expenditure of R0.023 million (2012/13 R0.003 million) will be payable. The amount is contingent on the number of submissions received and approved.



Services Sector Education and Training Authority Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

Surplus Funds as at 31 March 2014

In terms of the PFMA(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 2014 to National Treasury.

Contingent liabilities on legal matters

- A claim by Life Long Education and Development for the amount of R3 million, with regards to the contract that was cancelled.
- Previous employees of the Services SETA have instituted legal cases against Services SETA resulting in contingent liabilities of R9.2 million.

25.2 Contingent assets

Pending the results of the investigation in respect of the irregular expenditure referred to in Note 31, proceedings have commenced against the employees concerned to recover an amount of R40.8 million in respect of severance package payments. According to Services SETA's legal advisors, it is possible that the proceedings will result in the recovery of the full amount.

Arbitration has been awarded to SSETA in a case against Bryanlee for the amount of R0.296 million. As at the 31 March 2014, there was an application to make the arbitration award a court order.



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

26. Related parties

Relationships

Management has identified the following parties as related parties:

Members of the Accounting Authority

Ultimate controlling department

Other department with significant influence

Key stakeholder

Significant affiliates Defined contribution scheme for employees of entity

Members of key management

Refer to members' report 27

Department of Higher Education

National Treasury

National Skills Fund

National Students Financial Aid Scheme

Other 20 SETA's

Momentum Life

Johannes Mouton - Chief Executive Officer #

Andile Nongogo - Interim Chief Financial Officer #

Lerato Bogoshi - Executive Manager Stakeholder

Liaison and Regions #

Yoland Ruiters - Executive Manager Corporate Services #

Nkosazana Tengimfene - Acting Executive Manager Stakeholder Relations #

Paul Dhlamini - Acting Executive Manager Learning and Levies #

Donovan Baatjies - Acting Executive Manager Learning and Levies #

Debbie Machard - Executive Manager QMD #

Elizabeth Mbelu - Executive Manager Projects #

: Refer to note 27



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014		2013
	R ' 000		R ' 000
Related party transactions and balances			
	Opening balance	Transaction value	Closing balance
	R'000	R'000	R'000
Amounts included in Trade receivables regarding related parties			
FY2014 National Skills Fund (Refer to Note 4)	48,539	(43,565)	4,974
FY2013 National Skills Fund/Authority	48,539	-	48,539
Inter-Seta Received			
2014			
Media Information and Communication Technologies Sector Education and Training Authority	-	14	14
Agriculture Sector Education and Training Authority	-	19	19
Insurance Sector Education and Training Authority	-	8	8
	-	41	41
2013			
Financial and Accounting Services Sector Education and Training Authority	-	19	19
Banking Sector Education and Training Authority	-	32	32
Transport Education and Training Authority	-	45	45
Agriculture Sector Education and Training Authority	-	45	45
Wholesale and Retail Sector Education and Training Authority	-	2	2
	-	143	143
Levy Income and penalties and interest			
2013			
Department of Higher Education and Training	-	1,049,050	1,049,050
Levy Income and penalties and interest			
2014			
Department of Higher Education and Training	-	1,237,699	1,237,699



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014		2013
	R ' 000		R ' 000
	Opening balance R'000	Transaction value R'000	Closing balance R'000
Inter-Seta Payable 2014			
Chemical Industries Education and Training Authority	(10)	10	-
Food and Beverages Manufacturing Industry Sector Education and Training Authority	(130)	-	(130)
Media Information and Communication Technologies Sector Education and Training Authority	(222)	(32)	(254)
Insurance Sector Education and Training Authority	(72)	(251)	(323)
Manufacturing, Engineering and Related Services Sector Education and Training Authority	(92)	-	(92)
Safety and Security Sector Education & Training Authority	(24)	24	-
Wholesale and Retail Sector Education and Training Authority	(27)	-	(27)
Transport Education and Training Authority	(6)	-	(6)
Agricultural Sector Education and Training Authority	-	(84)	(84)
Banking Sector and Education and Training Authority	-	(27)	(27)
	(583)	(360)	(943)
Inter-Seta Payable 2013			
Chemical Industries Education and Training Authority	-	(10)	(10)
Food and Beverages Manufacturing Industry Sector Education and Training Authority	-	(130)	(130)
Media Information and Communication Technologies Sector Education and Training Authority	-	(222)	(222)
Insurance Sector Education and Training Authority	-	(72)	(72)
Manufacturing, Engineering and Related Services Sector Education and Training Authority	-	(92)	(92)
Safety and Security Sector Education & Training Authority	-	(24)	(24)
Wholesale and Retail Sector Education and Training Authority	-	(27)	(27)
Transport Education and Training Authority	-	(6)	(6)
	-	(583)	(583)
Inter-Seta Paid 2013			
Chemical Industries Education and Training Authority		10	10
Safety and Security Sector Education & Training Authority		24	24
		34	34



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014		2013
	R ' 000		R ' 000
	Opening balance R'000	Transaction value R'000	Closing balance R'000
Prior year reserves transfer 2014			
National Student Financial Assistance Scheme	-	(148,692)	(148,692)
National Skills Fund	-	(162,786)	(162,786)
	-	(311,478)	(311,478)

27. Remuneration

Administrator - Dr. S Moon	864	3456
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Remuneration to the Administrator for services rendered as a CEO and Accounting Authority for the period 1 April 2013 to 30 June 2013. Prior year remuneration is for period 1 April 2012 to March 2013.

Members of the Accounting Authority

	Board and Exco	Remco	Finco	Governance	Other	Total
Mhambi, T (Chairperson)	87	-	-	-	133	220
Grobler, L	32	-	9	12	58	111
Petersen, W	73	11	-	-	92	176
Dinwa, W	58	-	9	4	89	160
Moloto, K	36	-	12	-	61	109
Mofokeng, M	67	-	-	-	95	162
Mantashe, N	57	16	-	-	68	141
Sambatha, M	64	-	-	6	75	145
Shabangu, T	45	-	12	7	68	132
Snyman, P	35	11	-	-	65	111
Roopchand, V	42	-	-	7	61	110
Letseli, D	49	2	-	9	68	128
Brown, S	38	-	-	7	78	123
	683	40	42	52	1,011	1,828



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014	2013
	R ' 000	R ' 000

2014

	Emolument	Pension paid or receivable	Compensation for loss of office	Travel and Subsistence	Bonus Payments	Other short term benefits	Total
Bogoshi LM *6	1,270	167	-	3	109	-	1,549
Ruiters YL	1,213	181	-	2	106	-	1,502
Simons C *5	1,046	163	806	17	104	-	2,136
Machard DC *4	1,070	149	-	4	95	88	1,406
Nongogo *7	79	9	-	-	-	-	88
Penfold D *2	-	-	394	-	-	-	394
Tengimfene NB *2	211	34	-	10	-	24	279
Dhlamini P *2	184	29	-	-	-	58	271
Baatjies D *2	180	29	-	19	-	-	228
Mbelu E *3	945	152	-	9	60	-	1,166
Mouton J *1	1,002	170	-	3	58	126	1,359
	7,200	1,083	1,200	67	532	296	10,378

2013

	Emolument	Pension paid or receivable	Compensation for loss of office	Travel and Subsistence	Bonus Payments	Other short term benefits	Total
Bogoshi LM	628	55	-	55	85	114	937
Ruiters YL	542	48	-	-	29	73	692
Simons C	197	16	-	-	-	3	216
Machard DC	502	41	-	-	19	8	570
Naidoo SN	411	39	300	2	75	152	979
Penfold D	379	37	393	-	25	41	875
Tengimfene NB	208	17	-	-	-	4	229
Dhlamini P	173	15	-	-	-	46	234
Baatjies D	177	15	-	-	-	27	219
	3,217	283	693	57	233	468	4,951



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

27. Remuneration (continued)

- *1 Appointed 01 July 2013
- *2 Acting until 30 June 2013
- *3 Appointed 01 May 2013
- *4 Terminated 28 February 2014
- *5 Terminated 31 January 2014. A settlement was reached between the former CFO and the Services SETA and compensation for the loss of office was paid comprising remuneration for six months.
- *6 Terminated 03 March 2014
- *7 Appointed 10 March 2014

28. Prior period errors

The following errors relating the prior period were corrected in the current financial period:

28.1 Accruals, Administration expenses and discretionary grant expenses

Administration costs

Management discovered that R61 thousand, paid in the current year for administration cost, was actually incurred in the prior year. This will lead to an increase in prior year administration cost and accruals. R5 thousand of the R61 thousand relates to two years prior to the comparative year

Discretionary grant costs

Invoices totalling R1.2 million were received in the current year but were for costs actually incurred in the prior year. This will lead to an increase in prior year discretionary grant costs and accruals.

Development costs

During the previous financial year the Services SETA incurred development costs of R2.5 million for an intergrated information system. The recognition criteria for development costs were not satisfied however the costs were erroneously capitalised.



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

2013	2012
R' 000	R' 000

28. Prior period errors (continued)

The correction of errors resulted in adjustments as follows:

Statement of Financial Position

Increase in Payables - Accrual Administration	(61)	-
Increase in Payables - Accrual discretionary grants	(1,245)	-
Decrease in Discretionary reserves	5	-
Decrease in intangible assets	(2,470)	-
	<u>(3,771)</u>	<u>-</u>

Statement of Financial Performance

Increase in Administration expense	56	-
Increase in Discretionary expense	1,245	-
Increase in IT Expenses	2,470	-
	<u>3,771</u>	<u>-</u>

28.2) Commitments

During the current financial year the Services SETA conducted a review of the commitments schedule to ensure the completeness, accuracy and validity thereof. It was identified that commitments disclosed in the prior years were understated. The net effect of the error is summarised as per table hereunder:

Previously disclosed closing balance	R292,273	R69,563
Increase/(decrease) in previously disclosed opening balance	R25,015	R42,683
Increase/(decrease) in previously disclosed Accounting Authority approvals	(R11,974)	R87,642
(Increase)/decrease in previously disclosed utilised amount	(R20,798)	(R105,309)
Revised closing balance	<u>R284,517</u>	<u>R94,579</u>



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

28. Prior period errors (continued)

28.3) *Mandatory Grants*

During the year under review it was discovered that prior year's provision, payables and receivables for mandatory grants were not accurately calculated. The net effect of the error is summarised as per table underunder:

	2013 R' 000	2012 R' 000
Statement of Financial Position		
(Increase)/decrease in mandatory grants provision	R139,197	R96,067
Increase/(decrease) in mandatory grants receivable	R1,896	R1,734
(Increase)/decrease in mandatory grants payables	(R141,408)	(R97,311)
Net impact on mandatory grant reserves swept to discretionary reserves	(R315)	R490
Statement of Financial Performance		
Increase/(decrease) in mandatory grants expense	(R139,197)	(R96,067)
Increase/(decrease) in mandatory grants expense	(R1,896)	(R1,734)
Increase/(decrease) in mandatory grants expense	R141,408	R97,311
Net impact on the mandatory grant expense	R315	(R490)



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

28.4) (a) Fixed Assets

During the current financial year it was discovered that the usage of the term of the license of the SETA as a limit for depreciation of depreciable assets is not appropriate. It was decided to utilise the assessed useful lives of the assets without taking into account the license of the SETA. The impact of the change in the basis for determining the useful lives of assets is as follows:

	2013 R' 000	2012 R' 000
Statement of Financial Position		
Decrease/(Increase) in accumulated depreciation: Discretionary Assets	(R15)	(R342)
Decrease/(Increase) in accumulated depreciation: Admin Assets	R7,970	(R1,494)
	<u>R7,956</u>	<u>(R1,836)</u>
Statement of Financial Performance		
(Decrease)/Increase in depreciation: Discretionary Assets	R15	R342
(Decrease)/Increase in depreciation: Admin Assets	(R7,970)	R1,494
	<u>(R7,956)</u>	<u>R1,836</u>

b) Administration Reserves

The Services SETA maintains a reserve for future depreciation on administration fixed assets. The discovery of the error, which is explained above, has the following impact on administration reserves in relation to future depreciation, prior to taking into account the other prior year errors and change in accounting policy:

	2013 R' 000	2012 R' 000
Statement of Financial Position / Changes in Net Assets		
Administration reserve previously stated	R36,251	R39,320
Revised Administration reserve after discovery of error	(R38,619)	R36,291
Transfer to/(from) discretionary reserves	<u>(R2,368)</u>	<u>R3,029</u>



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

28. Prior period errors (continued)

c) During the year under review it was discovered that PPE was erroneously classified as Intangible assets. The impact of the reclassification is as follows:

Statement of Financial Position

	2013 R' 000	2012 R' 000
(Increase)/Decrease)in Accumulated depreciation-Computer Software	3	-
(Increase)/Decrease in Accumulated depreciation-Computer Equipment	(3)	-
Increase/(Decrease) in Computer Equipment - Property Plant and Equipment	R27	-
Increase/(Decrease) in Software - Intangible assets	(R27)	-
Net impact on Property, Plant and Equipment	(0)	-

Statement of Financial Performance

Increase/(Decrease) in Depreciation-Computer Software	(3)	-
Increase/(Decrease) in Depreciation-Computer Equipment	3	-
Net impact on Depreciation	0	-

28.5) Non-exchange and Exchange Payables

During the year under review it was discovered that trade payables and accruals which are non-exchange were inadvertently classified as exchange payables. The impact thereof is as follows:

Statement of Financial Position

	2013 R' 000	2012 R' 000
Exchange Payables		
(Increase)/Decrease in trade payables: exchange	R11,269	-
(Increase)/Decrease in accruals payables: exchange	R15,100	-
Decrease in exchange payables	R26,369	-
Non-exchange payables		
(Increase)/Decrease in trade payables: non-exchange	(R11,269)	-
(Increase)/Decrease in accruals payables: non-exchange	(R15,100)	-
Increase in non-exchange payables	(R26,369)	-



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

28.6) During the year under review it was discovered that a lease smoothing calculation incorrectly resulted in a lease receivable which should have been a lease payable. The impact thereof is as follows:

Statement of Financial Position	2013 R' 000	2012 R' 000
(Increase)/decrease in lease payables	(R109)	
Increase/(decrease) in lease receivables	(R119)	-
	(228)	-
Statement of Financial Performance		
Increase/(decrease) in discretionary lease expenses	R228	-

29. 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 risks, 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 lose 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. At year-end the investment in short-term deposits amounted to R1,478 million.

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.



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014	2013
	R ' 000	R ' 000

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.

	Carrying amounts	Contractual cash flows	6 months or less	6 - 12 months	More than 1 year
2014					
Trade and payables from exchange transactions	(33,791)	(33,791)	(32,712)	(38)	(1,041)
2013					
Trade and payables from exchange transactions	(20,319)	(20,319)	(19,240)	(38)	(1,041)

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. No significant events 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 the deposits with different financial institutions according to the SETA's investment and cashflow management policy.

Fair value interest rate risk

Year ended 31 March 2014	R' 000		R' 000	R' 000
	Floating rate Amount	Effective Interest rate	Non-interest bearing	Total
Receivables from exchange transactions	-	-	9,698	9,698
Cash and cash equivalents	2,297,672	5.1%		2,297,672
Payables from exchange transaction	-	-	(33,971)	(33,971)
Net financial assets	2,297,672	-	(24,093)	2,273,579



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014		2013
	R ' 000		R ' 000
Year ended 31 March 2013	Floating rate Amount	Effective Interest rate	Non-interest bearing Total
Receivables from exchange transactions	-	-	50,922 50,922
Cash and cash equivalents	1,811,465	5.2%	- 1,811,465
Payables from exchange transaction			(20,319) (20,319)
Net financial assets	1,811,465		30,603 1,842,068

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 aging of other receivables from exchange transactions that are not impaired:

	2014	2014	2013
	Gross	Impairment	Gross
Not past due	4,675	-	2,383
Past due 1 - 30 days	-	-	-
Past due 31 - 120 days	24	-	-
Past due 120 - 365 days	26	-	157
More than one year (Refer to note 4)	4,973	(43,408)	48,382
	9,698	(43,408)	50,922

30. Fruitless and wasteful expenditure

SARS interest and penalties prior year	-	3,141
SARS interest and penalties for the current year	217	40
Wasteful purchases	-	2
	217	3,183



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

	2014	2013
	R ' 000	R ' 000

SARS Interest and Penalties

Expenditure relating to SARS interest and penalties relate to an underpayment of pay as you earn for the bonuses which were paid to employees in December 2013. An application for waiver of the penalties and interest has been submitted to SARS. No criminal or disciplinary actions were taken as the mishap was unintentional. The amount has been written off.

31. Irregular expenditure

Opening Balance	90,436	40,823
Add: irregular Expenditure - current year	63,918	141,403
Less: Amounts condoned to date	-	(91,790)
Less: Amount condoned in current year relating to prior year	(8,931)	-
Expenditure pending condonement	145,423	90,436

Details of irregular expenditure – current year

Contravention of Treasury Regulation

**Disciplinary steps taken/
criminal proceedings**

8.2: Procurement of goods and services and payments thereof was made to the suppliers in excess of the approved contract or quoted amount	The Accounting Authority instituted a process of requiring management to account for irregular expenditure in order to assess whether disciplinary action needs to be taken.	-	26,670
Contravention of Treasury Regulation: PN 1 of 2003 par 1.2 and 2.3: Procurement of goods and services, and payments thereof was made to the supplier without a written signed contract.	Refer above	-	33,433
Non-compliance with a requirement of the institution's delegations of authority issued in terms of the Section 38(1)(f) and 76(4)(b) of the PFMA and also contravention of sec 14 (3) (b) of Skills Development Act 97 of 1998, Paragraph 7(5) of the Grants Allocations 713 of 18 July 2005. These are payments in respect of expired contracts or where the contract renewal was not finalised in time under budget: Admin & Grants	Refer above	27,214	40,681



Services Sector Education and Training Authority
Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

		2014 R ' 000	2013 R ' 000
National Treasury Instruction Note on Enhancement Compliance Monitoring and improving Transparency and accountability in Supply Chain Management 2010, paragraph 3.9.3 and 3.9.4. These are payments in respect of expansion of contracts where the 15 % or R15 million which ever is the lowest inclusive of all applicable taxes, was exceeded.	Refer above	14,674	-
Contravention of Treasury Regulation 20.2.2: Minister of Finance to approve the payment of audit fees in excess of the regulated fee	Refer above	98	-
SCM process not followed as per National Treasury Regulations 16A6.1	-	5	-
Excess of Administration levy income over administration expenditure	Refer above	19,970	40,327
Contravention of Treasury Regulation PN 8 of 2007/08par 3.3 Goods and services were procured without inviting at least three written quotation 28.2.1 and PFMA section 55 (2) (b)	Refer above	-	292
Excess of the 7.5% limit for project administration costs as per New Grant Regulations	Refer above	1,753	-
Allocation of mandatory grants to employers who did not submit an application for an extension by the 30th June 2013	Refer above	204	-
		63,918	141,403



Services Sector Education and Training Authority Financial Statements for the year ended 31 March 2014

Notes to the Financial Statements

32. Budget differences

Material differences between budget and actual amounts

Skills Development Levy

The levy receipt for the year ended 31 March 2014 was 13% more than budget for the year. The increase is attributed mainly to salary increases in the services sector which in turn led to higher levy income as well as economic recovery which leads to an increase in employment levels.

Skills Development Levy - penalties and interest

Income from penalties and interest arise when employers fail to submit their returns as required by legislation. These amounts typically vary significantly from year to year. At the end of the financial year the full balance is reallocated into discretionary reserves for utilisation in projects. The penalty and interest income has a favourable variance of 46% compared to the budget.

Investment Income

Investment income exceeded budget by 24% . This was as a result of a delay in the roll-out of contracts due to late approval of the budget in the previous years leading to an accumulation of funds available for investing.

Roll-over

The Grant Regulations and PFMA require public entities to submit an application for the rollover of surplus funds not committed. Included in the final approved budget is R957 million which represents approved roll-overs for the previous two financial years.

Employer Grants and project expenses

Employer grants and special projects disbursed decreased by 82% compared to budget. This was due to the delays in contract management which had a ripple-effect on the spending for the current financial year. The budget also includes prior year's roll-overs as per above paragraph.

Uncommitted funds

In terms of the New Grant Regulations R185 million is payable to the National Skills Fund as uncommitted funds. This is treated as a below the line item as application for approval to retain these funds was submitted to the Minister of Higher Education and feedback is awaited.

Administration expenses

Administrative costs exceeded budget by 23%. Expenditure relating to the appointment of Executives and filling of other vacancies which were budgeted to happen in the second year of MTEF led to the overspending on their administration operational requirements. In addition the increase in operational activities as Services SETA is no longer under administration.

Capital assets

Capital assets acquisitions were below budget due to the analysis of the environment before the implementation of an integrated information system.



SERVICES SETA OFFICE DETAILS

Head Office

Tel: 011 276 9600
15 Sherborne Road, Parktown
Johannesburg

Centurion

Tel: 012 003 1040
Lake Buena Vista Building,
Cnr Hendrik Verwoerd Drive & Embankment Road
Centurion

Port Elizabeth

Tel: 041 101 0265
Ground Floor Block F
Southern Life Gardens,
70-2nd Avenue
Newton Park
Port Elizabeth

Bloemfontein

Tel: 051 430 6223
57 Kellner Street, Suite 5, 6 and 7,
Westdene Park, Bloemfontein

Cape Town

Tel: 021 003 0904
Unit 1-4 Piccadilly House,
15 Park Lane Office Park
Century Way, Century City
Cape Town

Durban

Tel: 031 207 1761
73 Ramsay Avenue, Musgrave
Durban

East London

Tel: 043 726 8156/7
Phase 2A, Waverley Office Park, Chiselhurst,
East London

Nelspruit

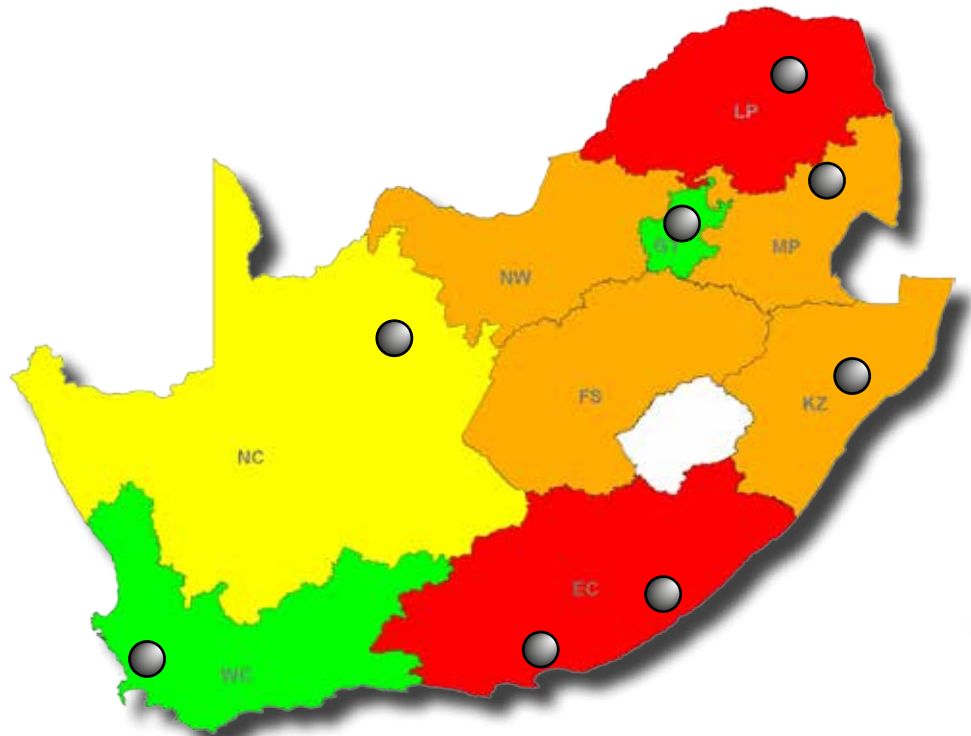
Tel: 013 752 2207
37 Brown Street, 4th Floor, Mid City Building
Nelspruit

Polokwane

Tel: 015 101 0250
7 Neethling Street, Hampton Court, Bendor Avenue,
Polokwane

Kimberley

Tel: 051 101 0891
10 Oliver Road, Monument Heights,
Montrio Corporate Park, Kimberley





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