Annual Report • 2013/14

Stability in shifting sands

higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

PSETA
Public Service Sector Education & Training Authority

ANNUAL REPORT

2013/2014

FINANCIAL YEAR

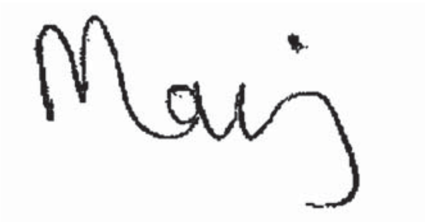
Theme

Stability in shifting sands

Dr BE Nzimande, MP
Minister of Higher Education and Training

Submission of Annual Report to the Executive Authority

To the Minister of Higher Education and Training, Dr. Bonginkosi Nzimande. I have the honour of submitting to you in accordance with the Public Finance Management Act, 1 of 1999), the Annual Report of the Public Service Sector Education and Training Authority (PSETA) for the period 01 April 2013 to 31 March 2014.



Ms. Koko Mashigo
PSETA
Accounting Authority (AA) Chairperson
Date: 31 July 2014

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PART A: GENERAL INFORMATION

1. PSETA GENERAL INFORMATION

Registered name of the public entity	Public Service Sector Education and Training Authority
ISBN number	978-1-770187-27-6
RP number	224/2014
Registered office address	353 Festival Road, Hatfield, 0028, Pretoria
Contact telephone numbers	+27 12 423 5700/5711
Email address	communications@pseta.org.za
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EXTERNAL AUDITORS INFORMATION

Auditor-General of South Africa	
Physical address	300 Middel Street New Muckleneuk Pretoria, South Africa
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BANKER'S INFORMATION

Bank	Address
ABSA	2nd Floor Lourie Place Hillcrest Office Park 177 Dyer Street Hillcrest 0083
Nedbank	3rd Floor Nedbank Park 6 Press Avenue Selby Ext 15 Johannesburg

2. ABBREVIATIONS AND ACRONYMS

AA	Accounting Authority (the Board)
AAT	Accelerated Artisan Training
AC	Audit Committee
AET	Adult Education and Training
AG	Auditor-General
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
ATR	Annual Training Report
BAC	Bid Adjudication Committee
BCP	Business Continuity Plan
CETA	Construction Education and Training Authority
CIP	Compulsory Induction Programme
CIPC	Company and Intellectual Property Commission
COGTA	Cooperative Governance and Traditional Affairs
CSE	Corporate Services Executive
DCOG	Department of Corporative Governance
DDG	Deputy Director-General
DG	Director-General
DHA	Department of Home Affairs
DHET	Department of Higher Education and Training
DIRCO	Department of International Relations and Cooperation
DPSA	Department of Public Service and Administration
ETQA	Education and Training Quality Assurance
EXCO	Executive Committee
FET	Further Education and Training (now called TVET Colleges)
FY	Financial Year
FVTPL	Fair Value Through Profit or Loss
GPSSBC	General Public Service Sector Bargaining Council
GRAP	Generally Recognised Accounting Practice
GSC	Governance and Strategy Committee
G-SETA	Government SETAs
HEI	Higher Education Institutions
HOD	Head of Department
HR	Human Resources
HRD	Human Resource Development

HRDC	Human Resource Development Council
HRDSA	Human Resource Development South Africa
HRM	Human Resource Management
ICT	Information and Communication Technology
KZN	KwaZulu-Natal
MoA	Memorandum of Agreement
MEC	Member of Executive Committee
MHET	Ministry of Higher Education and Training
MIS	Management Information System
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NEC	National Executive Committee
NEHAWU	National Education Health and Allied Workers Union
NQF	National Qualifications Framework
NSA	National Skills Authority
NSF	National Skills Fund
NSG	National School of Government (formerly PALAMA)
NSDS III	National Skills Development Strategy III
NSF	National Skills Fund
NT	National Treasury
OFO	Organising Framework of Occupations
PALAMA	Public Administration, Leadership and Management Academy
PARI	Public Affairs Research Institute
PDP	Personal Development Plan
PFMA	Public Finance Management Act
PIVOTAL	Professional, Vocational, Technical and Academic Learning
POPCRU	The Police and Prisons Civil Rights Union
PPC	Procurement and Projects Committee
PS	Public Service
PSA	Public Servants Association of South Africa
PSETA	Public Service Sector Education Training Authority
PSSC	Public Service Skills Committee
QCTO	Quality Council for Trades and Occupations
QMR	Quarterly Monitoring Report
RPL	Recognition of Prior Learning
SAQA	South African Qualifications Authority

SARS	South African Revenue Service
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SDA	Skills Development Act
SETA	Sector Education and Training Authority
SIU	Special Investigating Unit
SD	Skills Development
SDA	Skills Development Act
SDF	Skills Development Facilitator
SDLA	Skills Development Levies Act
SITA	State Information Technology Agency
SMS	Senior Management Services
SOEs	State Owned Enterprises
SOP	Standard Operating Procedures
SSP	Sector Skills Plan
S&T	Subsistence and Travel
TMS	Telephone Management System
TVET	Technical Vocational Education and Training (Former FETColleges)
WIL	Work Integrated Learning
WSP	Workplace Skills Plan

3. FOREWORD BY THE CHAIRPERSON

The National Development Plan (NDP) calls for the building of a 'capable state' – underpinned by "effectively coordinated state institutions with skilled public servants who are committed to the public good and capable of delivering consistently high-quality services, while prioritising the nation's developmental objectives" (NDP, 2012).

Mrs Koko Mashigo
Chairperson

Introduction

The Public Service Education and Training Authority (PSETA) welcomed the financial year 2013/2014 positively, and with great anticipation that the circular issued by the Department of Public Service and Administration (DPSA) on the utilisation of the 1% training budgets by government departments, will facilitate the achievement of its mission to provide cutting edge skills for quality Public Services. Due to administrative and legal challenges, a moratorium was placed by National Treasury on the Directive intended for government departments to transfer levies to PSETA and other SETAs. In terms of the Directive, national departments did not pay over the funds to PSETA. The status quo remains until the status of the Directive is clarified.

Despite this challenge, PSETA has maintained stability in shifting sands and has endeavoured to leave firm footprints, as it forges ahead to meet its targets.

Strategic Overview

PSETA's impact is embodied in two key strategic focus areas, namely, 'Opening the Public Service as a Training Space', and the 'Professionalisation of the Public Service'. The White Paper for Post – School Education and Training was launched on 16 January 2014 by the Minister of Higher Education and Training, Dr Blade Nzimande. The Minister emphasised the need for SETAs to ensure that the learning programmes implemented, not only provide adequate theoretical and practical workplace experience, but also plays a role in addressing the national skills shortage. The opening up of the Public Service as a training space will expose learners to on-the-job-training and better equip them to enter the world of work with not only theoretical knowledge, but also relevant work experience required to deliver high quality service in the Public Service. During the period under review, PSETA's learning programmes department focussed on facilitating placement opportunities in Public Service workplaces for learners requiring Work Integrated Learning (WIL) for the completion of their qualifications. This was achieved through pre-implementation sessions, induction and workplace monitoring as well as the provision of WIL resource packs to employers to facilitate readiness to take on WIL learners.

PSETA is proud of its achievement of developing an improved and well researched Sector Skills Plan (SSP). This was achieved through the research grants that were allocated to the Public Affairs Research Institute at the University of the Witwatersrand (WITS) and the University of Fort Hare. This year's SSP research focussed on both quantitative and qualitative methodologies.

The SSP provides the roadmap for PSETA, in terms of its skills development priorities for the short and long term. It further provides the backdrop for the Annual Performance Plan of the SETA and performance targets are set, in respect of the skills development initiatives detailed. The SSP also sets out a Scarce and Critical Skills List for the sector and directs training providers to respond accordingly, (SETA's role is to bridge the gap in the demand and supply thereof). PSETA convened a Skills Seminar with stakeholders to validate the priority skills identified in the SSP.

The Strategic Integrated Projects (SIPs) are central to government's plans to boost the economy. Billions of Rands are to be allocated to the projects in order to ensure efficient service delivery. The success of efficient service delivery depends on capability and capacity issues being resolved. PSETA has a critical role to play in identifying the skills gaps and ensuring that the projects/programmes are incorporated into the plans. During the past year, PSETA led the SIPs Occupational Task Teams for Project Managers and its SSP and Annual Performance Plan (APP) reflects a set of activities that focuses on taking this work forward. We committed R3,400,000 to fund bursaries for Project Managers and Project Administrators for the supply of skills to rollout SIPs.

The implementation of National Skills Fund (NSF) projects that focusses on the unemployed, rural youth and artisan development are all on track. Close monitoring and evaluation is done by the management of PSETA. A total of 34% of interns on PSETA projects were successfully absorbed into permanent jobs.

PSETA also successfully facilitated the registration of the occupational qualification (occupational certificate) for the Public Service Administrator at NQF Level 5 with the Quality Council for Trades and Occupations(QCTO) and South African Qualifications Authority(SAQA).

In order to improve governance and strengthen internal controls, PSETA established an in-house Internal Audit Function during 2013/2014.

The Special Investigating Unit (SIU) assisted PSETA to cancel its lease agreement with City Property which was considered irregular due to non-compliance with the Supply Chain Management (SCM) processes by the Erstwhile Board and PSETA management. The cancellation of the irregular lease agreement resulted in a significant saving of R12 million. PSETA was informed by the SIU that the completion date of its investigations into the affairs of the entity was brought forward to 31 March 2014. A report will be submitted to the President in due course.

Strategic Relationships

The White Paper for Post – School Education and Training highlights the need to ensure that the training implemented by the various sectors, is relevant and develops a skilled workforce that supports the Strategic

Integrated Projects. The Human Resource Development Council (HRDC) further made a call for greater collaboration among public service role-players to ensure on human resource strategies.

During the 2013/2014 financial year, PSETA played a strategic role in supporting the formation of the Public Sector Skills Committee (PSSC) as directed by the HRDC. The PSSC includes representatives from five different constituencies; Department of Higher Education and Training (DHET), Department of Public Service and Administration (DPSA), Department of Corporative Governance (DCOG), State Academies and SETAs. PSETA is one of the three SETA representatives – representing the Government-SETA (G-SETA) Forum. The PSSC developed an overarching strategic framework for cooperation, which aims to significantly improve the economy and efficiency in skills efforts; and which will be directing all skills efforts toward building the capabilities required for the State to deliver the NDP. The performance-based framework that is currently in its development phase, will thus guide all PSETA efforts in the future and will be used to measure and report the impact of such efforts.

In addition, PSETA forged critical partnerships with Technical Vocational Education and Training (TVET) Colleges, through signing the Memoranda of Understanding (MoU) for delivery of PSETA qualifications, capacitation of TVET lecturers, and the implementation of work integrated learning. The partnership with ETDP SETA facilitated access to PSETA Career Guides to all 50 TVET Colleges, PSETA further committed to capacitate TVET Student Support Managers on mentorship and coaching, in order to support the 200 interns placed by ETDP SETA at TVET Colleges.

Board Challenges

One of the biggest challenges faced by the Board was the non-implementation of the DPSA Directive and non-receipt of levies from government departments. This was elevated to both the Ministers of Higher Education and Training and the Public Service and Administration, by the Accounting Authority. Meetings were held with both Ministers and with the Portfolio Committee for Public Service and Administration to resolve the impasse. We wait in anticipation for National Treasury, DPSA and DHET to resolve the administrative and legal status of the Directive.

The Board, as Accounting Authority, had to amend the APP mid-term to align it to the ring-fenced Treasury allocation through the DPSA and the conditional grant from NSF. Targets had to be reduced by 60% to ensure that it is aligned with the budget. The non-receipt of levies had a limited impact on skills interventions in the sector.

The effectiveness of the Board as Accounting Authority was sometimes affected by lack of quorums and re-scheduling of meetings.

Due to funding constraints and limited funding, capacity building initiatives for the members of the Accounting Authority had not taken place at the desired level to empower them to fully execute their mandate.

I am optimistic that the funding of PSETA will be resolved in the year ahead. This will hopefully create stability in the shifting sand and pave the way for PSETA to enhance capacity for the entity to fully execute its statutory mandate. In the year ahead, we plan to develop an Impact Assessment Framework for skills development, which will measure our performance and the impact of our skills interventions in the sector. We also have plans to implement a Quality Management System interfaced with the SETA Management Information System which will ensure improved processes and quality standards across the entity. The implementation of the stakeholder satisfaction survey will assess PSETA's value-add amongst its stakeholders within the sector. With increased financial resources, we will focus on improving PSETA's visibility in the sector, enhance our capabilities as well as our Human Resource (HR) capacity to ensure that we function effectively, efficiently and economically, in order to achieve maximum impact within the sector.

Acknowledgements

I extend my appreciation to both the Minister of Higher Education and Training, and Minister for Public Service and Administration, for their continued support and commitment to resolving PSETA's funding challenges. The intervention of the Portfolio Committee for Public Service and Administration is also acknowledged.

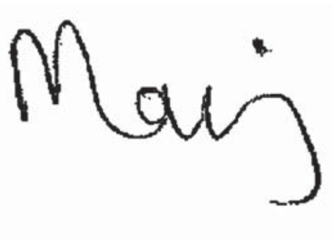
My sincere gratitude to the NSF for the conditional grants disbursed to PSETA and having confidence in PSETA to implement strategic projects aligned to the National Skills Development Strategy III (NSDS III). The collective wisdom and expertise of the Accounting Authority members are invaluable to the decision-making processes.

My sincere appreciation to the Audit Committee, under the stern stewardship of Ms Pumla Mzizi. The Audit Committee has set high standards of corporate governance and financial accountability.

Many thanks to the Chief Executive Officer, Ms Shamira Huluman and her team, who have worked with steadfast commitment and passion under extremely difficult circumstances during 2013/2014. I am optimistic that the Executive Team will continue to steer the PSETA ship with renewed vigour, sustained commitment and passion to stabilise the shifting sand.

Conclusion

I remain optimistic that there will be a speedy resolution of the administrative and legal challenges to the DPSA Directive. The Accounting Authority and PSETA staff remain resolute in making a meaningful contribution to the professionalisation of the Public Service and transforming the Public Service into a "learning organisation".



Mrs. Koko Mashigo
PSETA
Accounting Authority (AA) Chairperson
Date: 31 July 2014

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

The South African state now employs a quarter of the working population across national, provincial and local government, and state owned companies. Given the size of the public service and the wide range of occupations it comprises, developing a clear framework for guiding skills development in the sector is particularly important.

Ms Shamira Huluman
Chief Executive Officer

Introduction

The Sector Education and Training Authorities (SETAs) are funded by employers through the one percent of payroll, as prescribed in the Skills Development Act (SDLA) of 1999. The SETA Grant Regulations (as amended in December 2012) regulates the utilisation of funds. Eighty percent of the one percent goes to the SETAs, and 20% of the 1% goes to the National Skills Fund. Of the 80%, only 10% can be utilised for operational costs of a SETA, 20% as mandatory grants to employers and what remains is used for discretionary projects to address sectoral skills priorities. In order to ensure that the SETAs have a meaningful impact on the state of skills in the sector, it is imperative that the Public Service as employers, participate in the levy grant system.

As a developing country, one of the challenges facing South Africa is the high rate of unemployment, especially amongst the youth. The Public Service, as an employer, cannot look elsewhere for the development of its future talent pipeline, but has the responsibility of building the skills base for its capacity needs both now and in the future and to contribute to job creation. PSETA is one of the critical institutions that is tasked with facilitating this process. The Directive issued by MPSA on 30 March 2013 was aimed at providing a financial model for investing in such a talent pipeline strategy.

By funding the SETAs, government departments are not giving away some of their budgets. They are effectively funding meso-level co-ordination in ways that should achieve results more economically, efficiently and effectively than they would be able to, if done in isolation. The governance structures and operational processes in all SETAs have been established in ways that provide employers with the oversight required to ensure that this takes place. In the case of PSETA, DPSA and other government departments are members of PSETA Board, together with organised labour.

General Financial Review

The PSETA has had an unfunded mandate since inception and the entity had to rely on NSF funds to drive its mandate of skills development in the Public Service. The budgetary resources allocated to the entity had not grown beyond administrative obligations and the Medium Term Expenditure Framework (MTEF) budget has been approved based on administration needs only. The table below indicates how the limited resources have scaled down PSETA's scope in developing skills in the sector.

DPSA approved allocation to PSETA:

Years	Budget (R'000)	% Growth	Comments
2011/2012	23,708	0	Incomparable due to excessive rolled over funds
2012/2013	22,295	-6%	Reduction of 6%
2013/2014	23,308	5%	5% increase - inflation related
2014/2015	24,700	6%	6% increase - inflation related
2015/2016	25,843	5%	5% increase - inflation related
2016/2017	27,213	5%	5% increase - inflation related

Since the PSETA had no funds to finance its projects, it had to apply to the National Skills Fund for funding for its core business projects. PSETA signed an Service Level Agreement (SLA) with NSF during 2011, for a conditional grant of R35,8 million. During the last financial year 2013/2014, the NSF provided an additional grant of R22 million.

Expenditure trends for the organisation has been limited due to budgetary constraints. The current trends cannot be viewed as consumption capabilities of the organisation, as project implementation has been reduced over the years in accordance with available resources.

Spending trends

The operational budget expenditure trend indicates a 10% increase between 2011/2012 and 2012/2013 financial years. The main cost drivers of the budget are 69% personnel costs, 15% fixed overheads and 16% operations. In 2012/2013, PSETA incurred an over expenditure/deficit on the approved budget of R2,6 million, which was funded by DPSA. The results indicate that the expenditure for the 2013/2014 financial year will be 2.3% above the 2012/2013 financial year expenditure.

Capacity constraints and challenges

During the year under review, the entity experienced a loss of critical staff members and capacity challenges within the Finance division, and had expeditiously filled these posts to ensure stability in the organisation. The Chief Financial Officer (CFO) resigned in June 2013, giving the organisation 24 hours' notice due to ill health. A qualified chartered accountant was appointed as an interim CFO from August to December 2013, while the post was being filled. The appointment of the interim CFO was challenged legally by an employee in the Northern Gauteng High Court which the entity defended. An interim judgement was issued in favour of the employee to prevent any disciplinary action and the main application on lack of authority of the interim CFO to discipline, is still pending.

The PSETA addressed poor performance through the implementation of the Performance Management and Development System policy and issues of misconduct through the implementation of disciplinary procedures. However, due to its financial constraints, training efforts for staff with skills gaps were hampered.

The in-house Internal Audit Unit has made and continues to make a meaningful impact on improving internal controls, accurate reporting and compliance to laws and regulations. The new CFO, Ms Emily Ntsowe assumed duty on 2 January 2014.

Rollover of funds

The organisation received an amount of R21,486 million as levies transferred from provincial departments (and some national departments) in lieu of the DPSA Directive regarding the contribution to PSETA. In terms of the SETA Grant Regulations regarding monies received by a SETA and related matters, Notice R990, Gazette No. 35940 that governs levies collections, levies must be utilised/committed within 12 months, and surplus amounts must be transferred to the NSF. The amounts indicated do not qualify, as 61% was received in February 2014 and the remainder in the second and third quarter of the 2013/2014 financial year. The administrative budget does not have any surplus funds. The administration expenses exceed the administration budget by R2 million. Thus, PSETA does not envisage any rollover of funds nor application for retention of surplus funds.

The organisation had no concluded unsolicited bid proposals (these are like a forced take over or forced merger by one company over another in a plight to take control of the entity).

Supply Chain Management (SCM)

The organisation has an established SCM unit which reports to the Finance Manager. The SCM unit experienced serious capacity challenges due to the resignations of staff. Exacerbating these challenges, was a lack of trained SCM personnel. As a result of the problems experienced with procurement and the management of the unit, the organisation was obliged to review the structure of this unit and create a manager position to oversee and manage the SCM unit. The post has been filled and the SCM manager will assume duty on 2 May 2014.

The newly appointed CFO has put in place SCM processes and systems. The SCM Policy is in the process of being reviewed to ensure full compliance with all procurement legislation and prescripts. It is envisaged that the appointment of the SCM manager will facilitate its effective and efficient running in the next financial year.

Audit findings

The previous financial year's audit findings are addressed through the "audit findings matrix" which is a management tool that tracks progress made by managers towards resolving issues raised by both external and internal auditors. This report is presented at monthly executive meetings where the divisions' performance is reviewed in relation to the progress made in resolving the audit findings in a particular division. This report is presented to the Audit Committee and Accounting Authority on a quarterly basis. The Internal Audit unit, audits and confirms the achieved progress in this regard.

The qualified audit opinion on deferred audit income liability is a historical matter arising from expenditure by the entity during 2005 – 2009. These matters were referred to the SIU for investigation, and the expectation was that the SIU will assist with locating the supporting documentation. The SIU submitted documentation to the entity in June 2014, and management has developed a plan to reconcile the supporting documents against actual payments through bank statements. In instances where all supporting documents could not be verified, management intends to approach the NSF for debt forgiveness. We are hopeful that this will resolve the qualification during 2014/2015.

With respect to audit findings on usefulness of reported performance information and application of the National Treasury Framework for Managing Programme Performance Information (FMPPI), a decision has been taken to appoint the Government Technical Advisory Centre (GTAC) at National Treasury to assist the entity in refining its performance indicators to be well-defined and in full compliance to the FMPPI. This intervention will also assist in building management's capabilities in this regard.

With respect to all other audit findings, the entity is developing a Continuous Improvement Plan in addition to the audit findings matrix, to address internal control deficiencies and other weaknesses. This plan is underpinned by an intensive periodic performance monitoring and assessment of individual employees.

Plans to address financial challenges

PSETA is closely monitoring the progress made by DHET/DPSA/NT to resolve the moratorium on the DPSA Directive. An inter-departmental legal team has been set up to resolve the legal status of the Directive. PSETA is engaging National Treasury on spending plans to meet budgetary requirements.

Initiatives to recruit other public entities falling within the PSETA scope are underway to pay the 1% skills levy to the entity.

National Treasury has committed to issue a new circular to government departments during July 2014.

Economic Viability

Until the payment of skills levies by employers in the Public Service is resolved, the PSETA's capacity to optimally impact on the sector shall not be realised. The PSETA model is stakeholder driven and its contribution is critical to professionalising the sector and ensuring "cutting edge skills for quality public services".

Acknowledgements and Appreciation

My sincere appreciation is extended to the PSETA Accounting Authority Chairperson, Mrs Koko Mashigo whose unwavering commitment to raise PSETA challenges at Executive Authority level, is unprecedented. The Accounting Authority Committees, especially the Audit Committee who have provided invaluable guidance and direction, setting the bar high to ensure management fully complies with all prescripts. I am forever indebted to both the executive, senior management and staff who are the foot soldiers that fly the PSETA flag high at service delivery points.

The collaboration and partnerships with various stakeholders has begun to yield positive results towards the realisation of the skills development goals. Our appreciation goes to, among others, the following stakeholders, DHET, DPSA, NSF, SAQA, QCTOand SETAs. Thank you for your ongoing support. Together we will create 'a capable and skilled workforce' in South Africa.

Ms. Shamira Huluman
Chief Executive Officer
PSETA
Date: 31 July 2014

5. Statement of responsibility and confirmation of accuracy for the annual report

To the best of my knowledge and belief, I confirm the following:

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

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

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

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

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

The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2014.

Yours faithfully

Chief Executive Officer
Ms. Shamira Huluman
Date: 31 July 2014

Chairperson of the Accounting Authority
Mrs. Koko Mashigo
Date: 31 July 2014

6. STRATEGIC OVERVIEW

6.1 Vision

Cutting Edge Skills for Quality Public Services

6.2 Mission

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

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

6.3 Values

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

7. LEGISLATIVE AND OTHER MANDATES

7.1 Legislative mandate

The Public Service Sector Education and Training Authority (PSETA) is established in terms of the Skills Development Act 97 of 1998 and listed in terms of the Public Finance Management Act 1 of 1999 as a Schedule 3A public entity.

The mandate of the PSETA is derived from the Skills Development Act 97 of 1998 (as amended in 2008 and 2011), the Skills Development Levies Act 9 of 1999, the National Qualifications Framework Act 67 of 2008, the Public Finance Management Act 1 of 1999 (as amended) and the relevant National Treasury Regulations (as amended).

7.2 Policy mandates

The Government's Medium Term Strategic Framework (MTSF) is central to the development of the PSETA's five year strategy. It outlines government's key strategic priorities for economic growth and social development for the period 2009 – 2014, including education and training.

The MTSF provides a guide for planning and resource allocation across all spheres of government and includes the PSETA as one of the 21 public entities charged with facilitating and promoting skills development in the public service sector. The primary mandate of PSETA, namely skills development, is clearly stated in the MTSF as a, "critical investment in quality education for all young people" and skills development should form the backdrop of government's approach.

7.3 The National HRD Strategy of South Africa (HRDSA)

The HRDSA has the following commitments which were designed to address government's priorities:

- Overcoming the shortages in the supply of people with the priority skills required for the successful implementation of current strategies in order to achieve accelerated economic growth
- Increasing the number of appropriately skilled people to meet the demands of current and emerging economic and social development priorities
- Ensuring improved universal access to quality basic education and schooling (up to Grade 12)
- Implementing skills development programmes that are purposefully aimed at equipping recipients/ citizens with the requisite skills to overcome the related scourge of poverty and unemployment
- Ensuring that young people have access to education and training that enhances opportunities and increases their chances of success in further vocational training and sustainable employment
- Improve the technological and innovation capability and outcomes within the public and private sectors in order to enhance South Africa's competitiveness in the global economy and to meet its human development priorities
- Ensuring that the public sector has the capability to meet the strategic priorities of the South African Developmental State.

Adhering to these commitments can begin to facilitate a process for identifying priority skills that will be needed by practitioners to assist in the achievement of these objectives, particularly in the public service sector. Priority skills required in the public service as identified by PSETA are captured in the Sector Skills Plan Update.

The revised Human Resource Development Strategy 2010-2030 is one of the eight areas of commitment directly relevant to the SSP update. Commitment seven states that "We will ensure that the Public Sector has the capability to meet the strategic priorities of the South African Developmental State" (HRD Strategy, 2010: 42) and is comprised of two strategic priorities, accompanied by objectives and indicators. The first priority is to improve the credibility and impact of training in the public sector by improving service delivery. The second is to leverage the SETAs to contribute optimally to capacity development in the public sector. Many of the activities listed in the HRD Strategy pertains to PSETA, such as the performance of skills audits and improve the capacity for the planning and delivery of training services.

The challenge in dealing with a plethora of policy frameworks is how to ensure that there is synergy. PSETA has addressed the relationships between NSDS III and the HRDS systematically in the planning template used in the SSP.

Central to the PSETA's Strategic Plan and Annual Performance Plan is the National Skills Development Strategy III and the National Skills Accord.

7.4 National Skills Development Strategy (NSDS III)

National Skills Development Strategy III aims to:

a) Improve the skills development system so that it is more responsive to the labour market needs and social equity requirements

b) Integrate workplace training and theoretical learning

c) Improve the skills level of graduates of secondary and tertiary education

d) Address skills shortages in the artisan, technical and professional fields

e) Reduce the over-emphasis on NQF level 1-3 learnerships

f) Equip those in the workforce with sufficient technological skills

g) Improve co-operation between the universities, Further Education and Training C olleges and Sector Education and Training Authorities

h) Support economic growth and development through viable skills development

i) Develop sufficient skills for rural development

7.5 National Skills Accord

The National Skills Accord was signed in July 2011 by the Government and social partners to:

a) Expand the level of training, using existing facilities more fully

b) Make internship and placement opportunities available within workplaces

c) Set guidelines of ratios of trainees and artisans across the technical vocations, in order to improve the level of training

d) Improve the funding for training and use the funds available for training as incentives for companies to train

e) Set annual targets for training in state-owned enterprises

f) fImprove SETA governance, financial management as well as stakeholder involvement

g) Align training to the New Growth Path and improve the Sector Skills Plans

h) Improve the role and performance of TVET Colleges

7.6 The DPSA's Strategic Plan 2010-2014

The PSETA works very closely with the DPSA in driving skills development and capacity building that is aimed at improving the performance, productivity, quality and cost-effectiveness of the public service. The DPSA is responsible for the organisation and administration of the public service, the regulation of the conditions of employment, term of office, discipline, retirement and discharge of members of the public service.

In order to deliver on its mandate, the DPSA has developed a Strategic Plan that is informed by the strategic priorities of government, which are translated into the Medium Term Strategic Framework. The Strategic Plan is located within the context of the government's adoption of the new outcomes-based performance approach. This approach enables government departments to outline clear and measurable outputs that will realise the outcomes. The outputs are further broken into activities together with measures, targets and timeframes. These are then translated into measurable objectives which guide the structure of the Strategic Plan.

According to the Department of Public Service and Administration's Strategic Plan 2010-2014, the main dimensions underpinning how this needs to be done, begins with ensuring that the following are in place:

- Capacity building mechanisms which ensures the development of individual public servants, to be able to do the work and remain productive
- Institutional development and support within departments which ensures that groups of public servants function synergistically as collective delivery teams, within an empowered environment
- Governance initiatives which enhance disciplined democratic structures to enhance public participation
- Continuous economic growth and development initiatives regionally, nationally and on the continent

These four pillars of the strategic framework have informed the DPSA vision for HRD which is "a dedicated, responsive and productive Public Service." While the DPSA argues that all four pillars need to be in place for there to be high performance in the public service, the capacity building initiatives are of particular relevance to PSETA.

The 12 outcomes expressed in the Government's Programme of Action (PoA) are an expression of the key priorities that government seeks to address. The MTSF priorities have been translated into 12 Key Outcomes which form the basis for the current electoral mandate for the period 2010-2014.

The Sector Skills Plan (SSP) provides the roadmap for PSETA in terms of skills development priorities in the short and long term. The SSP provides the backdrop for the Annual Performance Plan of the SETA and performance targets are set in respect of skills development initiatives detailed in the SSP.

In developing the PSETA SSP, a performance based planning approach was used. This approach is relevant as it ensures that PSETA is focused on achieving the expected outcomes of improved capacity and capabilities within the public service, and of building a developmental and capable state. When developing plans and determining targets, the end goal – what change is planned becomes relevant. This is referred to as the impact that we are striving for. Within a government context, the "impact" is defined as an improved economy with job creation, a poverty reduction and increasing the levels of education to support this.

- Its relevance for PSETA is reflected in outcomes 5 and 12 of the MTSF as: A skilled and capable workforce to support an inclusive growth path (Outcome 5)
- An efficient, effective and development orientated public service and an empowered, fair and inclusive citizenship (Outcome 12).

8. ORGANISATIONAL STRUCTURE

High-level organisational structure

PART B: PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

Refer to page 91 of the Report for the Auditor's Report, published as Part E: Financial Information.

2. SITUATIONAL ANALYSIS

PSETA 2013/2014 strategic plan review has been necessitated by a number of key driving forces that impact upon the organisation in its quest to respond to the triple challenge of unemployment, poverty and inequality that continues to face our country, despite the progress that has been made since the introduction of democracy in 1994. The key strategic challenges can be summarised as follows:

2.1 Service delivery environment

a) Transforming the public service into a "learning organisation":

The DHET requires that the SETAs encourage the sector employers to open up their workplaces and make them training spaces. PSETA endeavours were geared towards opening up the Public Service a training space.

b) Lack of a Funding Model of PSETA:

The lack of financial support in the form of levies by government departments places an immense funding strain on the organisation. During the financial year 2013/2014, PSETA received a Treasury Allocation for operations via DPSA for R23,308 million which was insufficient. The PSETA baseline allocation covers only operational costs which includes the cost for employment, occupancy costs and travel related expenses as main cost drivers. Core business activities are financed through the R35,8 million sourced from the National Skills Funding and the limited levies received from some public entities.

The Minister of Higher Education and Training and the Minister for Public Service and Administration have jointly submitted a proposal on the utilisation of the 1% training budget within government departments to cabinet. The proposal was approved in principle on the 23 November 2012. The proposed funding model is that PSETA receives 30% of the 1% from its constituent departments, of which one-third will be used for administration and two-thirds for discretionary grants. This amounts to R100,8 million. The MPSA issued a Directive in March 2013, which provides guidelines to the departments on how to utilise the 1% training budget during the 2013/2014 financial year.

The utilisation of the 1% training budget Directive was, however, not implemented due to the challenged issued by National Treasury on the legality of the Directive.

c) Multitude of role players in skills development:

The PSETA co-ordinates, facilitates and monitors skills development initiatives within the Public Service sector. There are a number of institutions within the Public Service sector that have to create an environment that supports human resource development initiatives, provides training and monitors how the sector implements its strategies. In order for the PSETA to carry out its mandate effectively, it has to collaborate and partner with institutions that are also tasked with skills development within the public service, amongst those institutions are the following:

- Department of Public Service and Administration (DPSA)
- Public Service Commission (PSC)
- Public Administration Leadership and Management Academy (PALAMA now called the National School of Government - NSG)
- Provincial and National Sectoral Academies

d) Skills development interventions need to be monitored and measured for impact:

One of PSETA's mandates is to monitor, measure and analyse the impact of the skills development interventions within the public service. In moving forward, PSETA has to ensure that it develops together with DPSA, instruments and systems to monitor and analyse the impact of skills development in the sector.

The submission of accurate data on skills initiatives in the Public Service has been poor and continues to remain a serious challenge. Evidence to support the data on the Quarterly Monitoring Reports (QMRs) is not forthcoming from departments. Government departments are also required to submit annual HRD reports to DPSA. Hence, there is an urgent need to develop a single, integrated reporting mechanism that will provide accurate data to DHET, DPSA and PSETA.

e) Implementation of Artisan development:

According to the National Skills Accord, every SETA should commit to accelerate the training of learner artisans. In terms of NSDS III, SETAs are required to establish projects and partnerships to enable the relevant number of learner artisans within their sectors to be trained and qualify as artisans. This means that PSETA should employ skills development interventions that expand the levels of training of artisans and maximises the usage of existing facilities, facilitates and leads learner placement within workplaces through internships and work integrated learning.

f) Massive skills development challenges in the public service and South African Citizenry-at-large:

Historical and current weaknesses in the skills pipeline indicate that 77% of public sector employees within the PSETA scope (general administration), hold at best a school-leavers qualification and a very high percentage hold less than this. Less than 13% have a post-graduate qualification. Improving the base level of general education and skills in the sector remains an important priority. Therefore, PSETA's skills development interventions need to focus on ensuring that the skills challenges are addressed and the skills gap is narrowed/closed.

g) Inadequate visibility and stakeholder management requires robust communication, brand building and marketing efforts:

The PSETA needs to ensure greater visibility among its stakeholders, than what it currently enjoys. It needs to ensure that its stakeholders clearly understand the organisation's mandate, its role and responsibility and how to engage with the SETA. The PSETA must employ interventions, communication and marketing strategies that are geared towards boosting it as a brand. In doing so, the PSETA should form strategic partnerships with key stakeholders, and have targeted and meaningful interventions that is aimed at creating confidence in its stakeholders. All the PSETA interventions should be implemented in a manner that assists to market, strengthen and amplify the brand, that is PSETA.

h) The emphasis on a "Green Public Service" and therefore a "Green PSETA":

Greening the economy is one of government's key imperatives. South Africa is committed to follow a green growth path which is resource efficient, far less carbon-intensive and more labour absorbing. The Green Economy leads to specialised knowledge, skills, training or experience and therefore, influences the creation of green jobs as new policies, information, materials and technologies contribute to minimising the environmental impact. The PSETA is mandated to ensure that the green economy skills are developed in its sector.

i) Stakeholder satisfaction levels unconfirmed:

The PSETA should be in touch with its stakeholders and should be aware of how it is perceived. It should keep abreast with stakeholder satisfaction by embarking on visits and conducting surveys to determine the satisfaction levels amongst its stakeholders. This process will provide invaluable input that will positively impact on improving its performance.

j) Lack of integrated information system/framework for recording sector skills needs:

PSETA identified that data is held in different information systems within the sector that have no synergy. The different occupation classification systems categorise occupations differently. Therefore, when analysing the different data sets, different results are received which leads to a skewed picture of the public service occupational needs. This necessitates the integration of the public service sector frameworks and information systems to classify different occupations.

2.2 Organisational environment

During the 2013/2014 financial year, the Accounting Authority directed the re-alignment of the PSETA's operations with corporate governance structures and processes that conformed to the Skills Development Act, 97 of 1998 (as amended), as well as the Public Finance Management Act, 1 and 29 of 1999 (as amended) and National Treasury Regulations, 2000 (as amended 2001), all of which guides and supports the PSETA's endeavours to achieve the National Skills Development Strategy III imperatives.

The Minister of Higher Education and Training amended Notice R 1057 in the Government Gazette No. 33756 of 20 March 2012 to correct the PSETA's recertification time frame from 1 April 2011 to 31 March 2016 (a period of 60 months) with the mandate and within the framework of the NSDS III.

The PSETA was established in accordance with the structures and it has outlined the human resources required to enable it to be fully functional. The SETA will only fully resource its staff establishment once it has received funding. The lack of funding has forced the SETA to freeze critical posts and has further hampered the effective implementation of the SETA operations.

The PSETA Accounting Authority had to take a principled position to modify the Annual Performance Plan to ensure that the key strategic objectives identified are in line with the financial resources available.

The resignation of the CFO within 24 hours, without giving the organisation sufficient time to find a replacement, adversely affected the organisation's financial management processes.

Due to different reporting templates in the sector, PSETA is challenged with getting adequate training reports, with accompanying supporting evidence from the stakeholders that reflect the actual and real training interventions that the sector conducted.

Some of the SETA partners take time to co-operate in finalising the MoUs, negatively impacting on the SETA's operational plans and necessitating the move of some of its projects to the following financial year.

The process of registration of the SETA QCTO qualifications took longer than envisaged, resulting in the related training material development on the QCTO qualifications being moved to the next financial year, 2014/2015.

Successes

- The PSETA/DPSA and NSF Rural Youth Skills Development partnership has yielded positive results. The SETA is now reporting the successful completions of the first cohort of rural, unemployed learners in learnerships and internships
- TVET Colleges have shown an interest in participating in the exposure to Public Service workplaces by TVET College lecturers. This will improve the quality of the training that the sector provides
- Registration of the Occupational Certificate, Office Administrator: Public Service Administrator at NQF Level 5 by the QCTO
- To date, 39% of interns were absorbed into employment, as opposed to the 5% required by the State as Employer (DPSA Directive)
- The ETDP SETA partnership has enabled the PSETA to have a presence in 50 TVET Colleges as opposed to the annual target of 18 in the APP
- The development of an updated SSP in partnership with HEIs and in particular with Wits - Public Administration Research Institute (PARI), has provided sound research and analytical skills, and has assisted the SETA with credible data
- A SSP update seminar was held and organised by the SETA. It was attended by the sector senior managers and contributed towards a better understanding by the sector of the SSP development process. It further provided information to the delegates on how to form partnerships with the SETA and to identify meso-level training needs for the sector
- The PSETA doubled the number of learner certificates issued. This is indicative of the heightened support given to the training providers. As a consequence, the quality of training provision improved, translating into better service delivery, as more people acquire relevant competency levels
- The QMR submission rate has improved, through the PSETA QMR stakeholder strategic support initiative, whereby the SETA collects training reports related evidence from the stakeholders.

2.3 *Key policy developments and legislative changes*

During the period under review, there were no major changes to relevant policies and legislation that affected PSETA operations.

2.4 *Strategic Outcome Orientated Goals*

Progress made against strategic outcome-orientated goals

2.4.1 Strategic outcome-oriented goal 1: Better understanding of skills needs in the Public Service sector

To streamline and integrate the skills planning tools in the sector, a process of a Workplace Skills Plan (WSP) template alignment that was initiated in the previous year, was continued through engagements with Government Sector Education and Training Authorities (G-SETA) members. The purpose is to align processes, systems and tools. The SETA envisages a single WSP template in the near future.

During the year under review, a much improved SSP update was developed, this is due to the partnership with Wits (PARI) and University of Fort Hare that provided the research data and conducted stakeholders' consultative forums. The 2013 SSP update focused on applying quantitative research and analysis of Persal and HR Connect data. This provided the sector with improved employment statistics with respect to growth and replacement demands of skills, and ensured that the data is evidence led.

The submission rates of the WSPs declined due to the new Grants Regulations that requires that the WSP is signed by both the employer and organised labour. The requirement to have the labour signature was never enforced in the sector previously. In order to ensure that labour representatives understand their responsibilities in relation to the submission of the WSP, PSETA conducted awareness sessions with the stakeholders. The Management Information System (MIS) was reviewed and enhanced, and users of the system in the sector were capacitated on the changes that were implemented.

The PSETA Career Guide was updated and developed internally and disseminated to stakeholders.

2.4.2 Strategic outcome-oriented goal 2: Lead the development of the current stock of skills in the Public Service sector

Most of the targets set for facilitating skills development in the sector were over-achieved. This was done by raising the qualifications bar through learnerships, skills programmes and bursaries. Reporting by government departments via the Quarterly Monitoring Report (QMR) process has significantly improved. This is as a result of the support provided by PSETA to stakeholders by collecting evidence that accompanies the reports. Due to this initiative, PSETA's monitoring role of sectoral skills interventions has improved. Reports from departments include the number of unemployed learners entering PIVOTAL programmes.

PSETA signed five MoUs with TVET Colleges for the placement of WIL learners to departments and ensuring that the TVET Colleges support work places (employers).

To support learning in the workplace, PSETA trained 106 mentors this year. The Learning Programmes department conducted capacity building workshops with stakeholders on NSDS III, as well as the implementation of learning programmes, policies and procedures. The development of PIVOTAL plans is being advocated in the sector.

2.4.3 Strategic outcome-oriented goal 3: Improve the flow and quality of skills into the Public Service and at the same time address unemployment and poverty.

To ensure the quality of learning in the public service, PSETA is mandated to perform quality assurance functions, as delegated by QCTO. This is achieved through the accreditation of training providers, development of occupational qualifications, evaluation of training materials and external moderation and issuing of certificates. PSETA maintained its accreditation with QCTO. During this financial year, PSETA submitted six occupational qualifications that were developed for the sector to QCTO for registration. Two of the six qualifications are now registered with SAQA.

The TVET College lecturers' strategic guideline that was developed to expose lecturers to public service workplaces was communicated to stakeholders, who were also consulted with regard to its implementation. Furthermore, PSETA increased the number of registered assessors and moderators by 365 in the sector. During the period under review, 2,305 certificates and/or statement of results were issued improving the number of learners achieving PSETA qualifications and unit standards (against NQF) related training.

2.4.4 Strategic outcome-oriented goal 4: Re-building the profile of PSETA

Stakeholder confidence in the PSETA improved during the period under review, particularly driven through focused engagements nationally and provincially. The SETA conducted a Skills Seminar which served as a strategic platform for the sector to engage with the SSP update related research.

Capacity building workshops for HRD practitioners were held, with a particularly focus on mentors, assessors, moderators SDFs and Training Committee members. PSETA conducted a 'Meet and Greet' campaign amongst public entities falling within its scope, which resulted in a number of public entities transferring their skills levy contribution to PSETA.

The PSETA participated in a national career exhibitions, in which it promoted government as an Employer of Choice for youth. The Accounting Authority approved a Communication and Stakeholder Liaison Strategy which could not be completely implemented due to funding constraints. However, four newsletters were produced and disseminated to stakeholders electronically. The website was revamped and is being updated on a regular basis.

2.4.5 Strategic outcome-oriented goal 5: Building PSETA's capacity to achieve its strategic objectives

To ensure the organisation is fulfilling its mandate effectively and efficiently, the Audit Committee and Accounting Authority continued to monitor compliance with relevant legislation, as mandated by the PFMA and national treasury regulations. The governance structures were further strengthened by the establishment of an in-house Internal Audit function, staffed by three employees.

PSETA reviewed its HR and SCM policies, developing new critical policies on risk management, fraud prevention and Information and Communication Technology governance. All vacant posts were filled within three months, ensuring that staff capacity was maintained. The SCM policies were reviewed and approved and compliance with National Treasury prescripts were adhered to.

Goods and services were procured in accordance with the procurement plan and the supplier database was updated. PSETA's core business employees were duly trained on the project management templates designed. NSF projects were implemented in line with the signed Service Level Agreements and these were closely monitored.

3. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/OBJECTIVE

3.1 Programme 1: Skills Planning and Research

The purpose of the Programme is to manage skills planning processes and conduct research to develop a Sector Skills Plan, develop and disseminate a Career Guide, capacitate training committees in the sector and monitor the 1% expenditure on training within government departments.

Strategic Goal: Better understanding of skills needs in the Public Service sector.

Strategic Objectives:

- To improve efficiency and effectiveness of long-term models and partnerships for Sector Skills Planning
- To manage skills planning, processes and conduct research.
- To develop a Sector Skills Plan, and develop and disseminate a Career Guide.
- To capacitate SDFs and Training Committees on skills development regulations.

Programme/activity/objective:						
Strategic objectives	**Performance Indicator**	**Actual Achievement 2012/2013**	**Planned Target 2013/2014**	**Actual Achievement 2013/2014**	**Deviation from planned target to Actual Achievement for 2013/2014**	**Comment on deviations**
To improve effectiveness for Sector Skills Planning to ensure skilled public service	% WSP submission approved	New indicator	75%	50% WSP approved	Not achieved	Out of 153 WSP received 77 are authorized. This is as a result of the new SETA grant regulations that require organised labour to sign each WSP. In most instances labour was not consulted.
	Annual update of SSP (submitted on time) and career guide	New indicator	15 November	Annual SSP update submitted on time and Career Guide developed	Achieved	

Strategy to overcome areas of under performance

- Conduct Workshops in the sector with the SDFs, Training Committees and Labour representatives to ensure understanding of the Grant Regulations and adherence thereto.
- Feedback sessions will be held with the higher echelons of management to ensure accuracy of the information supplied by the SDFs via the WSPs.

Changes to planned targets

In the year under review, it was anticipated that the new PSETA funding model will be implemented, as was planned. The delays in receiving the funds resulted in the review of a number of performance indicators in line with the limited funding at PSETA's disposal.

Linking performance with budgets

	2012/2013			2013/2014		
Programme/activity/ objective	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Skills Planning and Research	4,117	3,489	628	170	1,560	1,390
Total	**4,117**	**3,489**	**628**	**50**	**1,560**	**1,390**

3.2 Programme 2: Learning Programmes

The purpose of this Programme is to facilitate and manage the development and implementation of Learning Programmes for and within the Public Sector.

Strategic Goal: Lead the development of the current stock of skills in the Public Service sector.

Strategic Objectives

- To support and report on the implementation of learning programmes that address public service skills gaps identified in, but not limited to the SSP throughout the financial year.
- To support, report and advocate for the opening up of work places as effective training and learning spaces for the unemployed by the public service and in partnership with the private sector, throughout the financial year.
- To facilitate and support public TVET colleges to be responsive to the needs of the Public Service sector by 31 March 2014

Programme/activity/objective:

Strategic objectives	Performance Indicator	Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on Deviations
To support and report on the implementation of learning programmes that address public service skills gaps identified in, but not limited to the SSP throughout the financial year.	Register learning programmes with DHET against SAQA/QCTO registered qualifications	SP: 2 Learnership: 2	SP: 3	SP: 12	Achieved	This indicator is stakeholder driven. Stakeholders indicated a need for 12 SP which were all registered. +9 deviation on SP.
			Learnership: 2	Learnership: 1	Not achieved	This indicator is stakeholder driven. Stakeholders indicated a need for 1 Learnerships, the SETA had envisaged 2.
	Monitor and report on learning programmes implemented by the public service as well as capacitate HRD officers	Support on QMR processes provided in 9 provinces and National Departments	65% improvement on the submission rate of QMR	65.97%	Achieved	65.97% improvement on the submission rate of QMR. There was only a 0.97% positive deviation for this indicator which is well within acceptable standards.

Programme/activity/objective:

Strategic objectives	Performance Indicator	Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on Deviations
		Learnership: 167 SP: 628 Bursaries: 565 Mentors: 91	Learnership: 500	Learnership: 506	Achieved	PSETA reported 506 learners were entered in learnerships by the sector. The targeted projects by some departments to up-skill their serving cadres, using the learnership route resulted in the increase in the number of employed people entering learnerships.
			S/P: 675	S/P: 597	Not achieved	The PSETA reported 597 learners entered skills programmes in the sector. Challenges with regards to insufficient evidence submitted by departments resulted in under-reporting for this indicator.
			Bursaries: 50	Bursaries: 78	Achieved	PSETA reported 78 learners were awarded bursaries by the sector. PSETA's strategy of going to departments physically and collecting evidence from stakeholder offices has paid off, hence an overachievement.
			Mentors: 100	Mentors: 106	Achieved	PSETA reported 106 learners trained as mentors by the SETA. Stakeholders showed a need for more mentors to be trained, the contracted service provider trained six more officials at no additional cost to PSETA.

Programme/activity/objective:

Strategic objectives	Performance Indicator	Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on Deviations
	Report on the number of public service workers completing learning programmes	Learnership: 0 Bursaries: 20 S/P: 689	Learnership: 50	Learnership: 42	Not achieved	PSETA reported 42 learners have completed learnerships funded by the sector. Delays in the moderation and certification processes by other SETAs meant that there was no evidence to report completion for departments implementing other SETA learnerships.
			Bursaries: 20	Bursaries: 24	Achieved	PSETA has reported 24 learners have completed their studies paid by the sector. PSETA's strategy of going to departments physically and collecting evidence from stakeholder offices has paid off, hence an overachievement.
			SP: 550	Skills Programme: 575	Achieved	PSETA has reported 575 learners have completed skills programmes paid by the sector. PSETA's strategy of going to department physically andcollecting evidence from stakeholder offices has paid off, hence an overachievement.

Programme/activity/objective:						
Strategic objectives	**Performance Indicator**	**Actual Achievement 2012/2013**	**Planned Target 2013/2014**	**Actual Achievement 2013/2014**	**Deviation from planned target to Actual Achievement for 2013/2014**	**Comment on Deviations**
Support, report and advocate for the opening up of work places as effective training and learning spaces for the unemployed by the public service and in partnership with the private sector, throughout the financial year.	Monitor and report on Learning Programmes implemented to open up the public service as a training space (Technical and Non-technical)	WIL: 207 Bursaries: 159 L/ship: 96 Interns: 828 Artisans: 77	WIL: 100	WIL: 109	Achieved	PSETA has reported 109 unemployed learners are entered in WIL. 56 are funded by the SETA and 53 by the sector, PSETA was able to persuade stakeholders to open their workplaces as training spaces for WIL learners as part of the strategy of opening public service as a training place.
			Bursaries: 50	Current year: 98 Prior year: 21	Achieved	PSETA reported 119 unemployed learners awarded bursaries by the sector. PSETA's strategy of going to departments physically and collecting evidence from stakeholder offices has paid off, hence an overachievement.
			Learnership: 100	Learnership: 187	Achieved	PSETA reported 187 unemployed learners are entered in Learnerships funded by the sector. PSETA's strategy of going to departments physically and collecting evidence from stakeholder offices has paid off, hence an overachievement.

Programme/activity/objective:

Strategic objectives	Performance Indicator	Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on Deviations
			Internship: 800	Internship: 917	Achieved	PSETA reported 917 unemployed learners are entered in internships. 5 are funded by the SETA and 914 by the sector. PSETA's strategy of going to departments physically and collecting evidence from stakeholder offices has paid off, hence an overachievement.
			Artisans: 25	Artisan: 1	Not achieved	Challenges in concluding MoA's with stakeholders in identified provinces for artisan development resulted in under-achievement for this target.
	Report the number of unemployed people completing learning programmes in a particular financial year irrespective of whether they were reported as entries or not	Learnership: 0 Bursaries: 3 Internship: 845	Learnership: 25	Artisan: 42	Achieved	PSETA reported 42 unemployed learners have completed learnerships paid by the sector. PSETA's strategy of going to departments physically and collecting evidence from stakeholder offices has paid off, hence an overachievement.
			Bursaries: 25	Bursaries: 86	Achieved	PSETA reported 86 unemployed learners have completed/ bursaries paid by the sector. PSETA's strategy of going to departments physically and collecting evidence from stakeholder offices has paid off, hence an overachievement.
			Internship: 550	Internship: 465	Not achieved	PSETA reported 465 unemployed learners have completed internships, 54 provided by the SETA and 411 provided by the sector. Challenges with regards to insufficient evidence kept and submitted by departments resulted in under-reporting for this indicator.

Programme/activity/objective:

Strategic objectives	Performance Indicator	Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on Deviations
To facilitate and support public TVET Colleges to be responsive to the needs of the public service sector by 31 March 2014	Identifying and partnering with TVET Colleges for artisanship and WIL	5 MoU's signed with TVETs and HEIs	5 MoU's signed	5 MoU's	Achieved	5 MoU's signed with TVET Colleges.
	Number of TVET Colleges in which the SETA is present through partnerships with other SETAs	N/A	18	50 signed MoU's	Achieved	PSETA's strategic approach of signing a MoU with ETDP SETA yielded better results for the SETA as the SETA will now have a presence in 32 more TVET Colleges.
	Exposing facilitators to public service	Develop strategy document	Communicate strategy	PSETA has communicated the strategy to the TVET Colleges	Achieved	

Strategy to overcome areas of under performance

In evaluating and dealing with underperforming areas within this Programme, the following strategy is to be put in place:

- The PSETA will put developmental plans in place to ensure that the necessary processes are adhered too and that relevant infrastructure and resources are in place. The SETA will also monitor the implementation of the plans.
- PSETA encourages and advocates that stakeholders report on training conducted and support their initiatives through pre-implementation sessions, induction and workplace monitoring.
- A process is in place to have an ETQA responsible for a qualification at the beginning of implementation. PSETA and the said ETQA agreed upon a clear project implementation plan with clear roles and responsibilities. This process will be enforced in the new financial year

Changes to planned targets

In the year under review, it was anticipated that the new PSETA funding model will be implemented, as was planned. The delays in receiving the funds resulted in the review of a number of performance indicators in line with the limited funding at PSETA's disposal.

Linking performance with budgets

In assessing the achievement of the outputs in comparison to the planned targets, the public entity must consider the linkages and the relation to the resources available to the public entity, in particular, the financial resources. Therefore, the following financial information presented must agree with the information in the Annual Financial Statements.

	2012/2013			2013/2014		
Programme 2	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Learning Programmes	11,232	6,814	4,418	16,525	5,255	11,270
Total	**11,232**	**6,814**	**4,418**	**16,525**	**5,255**	**11,270**

3.3 *Programme 3: ETQA*

Purpose: The PSETA ETQA department is responsible for performing all quality assurance functions with regard to accreditation of training providers, implementation of learning programmes, evaluation of learning materials and learner achievements in the Public Service sector.

Strategic Goal: Improve the flow and quality of skills into the Public Service while simultaneously addressing unemployment and poverty.

Strategic Objective: To ensure the quality of learning in the Public Service.

Programme/activity/objective:						
Strategic Objectives	**Performance Indicator**	**Actual Achievement 2012/2013**	**Planned Target 2013/2014**	**Actual Achievement 2013/2014**	**Deviation from planned target to Actual Achievement for 2013/2014**	**Comment on Deviations**
To improve the quality of learning in the public service to meet SAQA/QCTO standards by 2016	Accreditation/ approval of providers	24	15	55 providers were accredited/ approved by PSETA	Achieved	The availability of pre-approved training material attracted more providers to apply for accreditation.
	Registration of assessors and moderators	300	280	368 assessors and moderators were registered	Achieved	PSETA's project in assisting with strengthening the capacity of the NSG to deliver on the CIP has contributed to the over achievement in the training of assessors and moderators.
	Monitoring of providers	98%	98%	98% training providers were monitored	Achieved	

Programme/activity/objective:

Strategic Objectives	Performance Indicator	Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on Deviations
	Issuing/ recommending certification of learners and statements of results	1 000	1 000	2 220 learner certificates and statements of results were issued to learners	Achieved	
	Developed and converted occupations within priority skills category	06	06	06 qualifications were developed and submitted to the QCTO	Achieved	The Occupational Certificate: Public Service Administrator (NQF Level 5) is registered with SAQA.
	Standardised training material developed	01	04	1 Training material was developed	Not achieved	The registration of the PSETA qualifications took longer than envisaged. The development of the training material can only commence after the qualifications have been registered.
	Facilitation of RPL implementation	Development of policy and RPL tools	Communicate the RPL tools	RPL tools communicated to training providers	Achieved	
	Impact assessment	N/A	Advocate and monitor the impact of PSETA training	PSETA conducted advocacy and monitored the implementation of impact assessment by training providers	Achieved	

Strategy to overcome areas of under performance

Training material on QCTO qualifications will be developed in the next financial year 2014/2015, in consultation with the relevant stakeholder to ensure relevancy.

Changes to planned targets

In the year under review, it was anticipated that new PSETA funding model will be implemented as was planned. The delays in receiving the funds resulted in the review of a number of performance indicators in line with the limited funding at PSETA's disposal.

Linking performance with budgets

	2012/2013			2013/2014		
Programme 3	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
ETQA	13,736	7,326	6,411	5,211	1,790	3,421
Total	**13,736**	**7,326**	**6,411**	**5,211**	**1,790**	**3,421**

3.4 Programme 4: Corporate Services

The purpose of this Programme is to provide an efficient and effective function to internal departments within PSETA and external stakeholders through the provisioning of the following services:

- Human Resources Management
- Auxiliary Services
- Communication and Marketing
- Information and Communication Technology

Strategic Goal: Re-build the profile of PSETA

Strategic Objectives:

- Improve communication and marketing in order to expose PSETA business to all relevant stakeholders
- Ensure that the ICT system supports the PSETA strategy effectively
- Ensure that PSETA has adequate and skilled staff to carry out its mandate, in compliance with relevant legislation.

Programme/activity/objective:						
Strategic Objectives	**Performance Indicators**	**Actual Achievement 2012/2013**	**Planned Target 2013/2014**	**Actual Achievement 2013/2014**	**Deviation from Planned Targets to Actual Achievement 2013/2014**	**Comments on Deviations**
To improve communication and marketing to expose PSETA business to all relevant stakeholders	Increase in stakeholder satisfaction rating	N/A	50% stakeholder satisfaction	The satisfaction survey instrument was developed and approved in the year under review	Not achieved	The survey will be conducted in the new financial year.
	Efficient media liaison	Media Plan approved	4 media appearances (either radio, TV or print)	6 media appearances made	Achieved	
	Number of roadshows and exhibitions held	9	12	19 exhibitions were held	Achieved	
	Implementation of social media	Facebook, Website, Twitter, Skype	Statistical Insight Reports	705 visits/hits	Achieved	

Programme/activity/objective:

Strategic Objectives	Performance Indicators	Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from Planned Targets to Actual Achievement 2013/2014	Comments on Deviations
To ensure that there is a ICT system that supports the PSETA strategy effectively	Progress against ICT system improvement project milestones	50%	70%	70%	Achieved	
	Draft the Business Continuity Plan (BCP)	N/A	Approved BCP	Draft Business Continuity Management Policy, Control Framework and Strategy was developed	Not achieved	The initial decision of the AA was to outsource the development of the BCP but due to financial constraints the decision to utilise the limited internal capacity was rescinded mid-year. The target will be rolled over into the new financial year.
Ensure that PSETA has adequate and skilled staff to carry out its mandate, in compliance with relevant legislation	Staff turnover	N/A	Below 10%	Below 10% in all quarters	Achieved	
	Compliance to HR-related legislation and regulations	N/A	100%	100%	Achieved	

Strategies to address 2013/2014 annual performance under-achieved targets

The under-performance on the Business Continuity Plan (BCP) is to a large extent attributed to limited financial resources and financial constraints owing to a lack of the funding model for the organisation. The initial decision of the Accounting Authority was to outsource the development of the BCP but due to financial constraints, during mid-year, the decision was rescinded to utilise the limited internal capacity. To date, strides have been made in an attempt to land the project. Key Business Continuity Management (BCM) documents were drafted, namely, the draft BCM Strategy, BCM Control Framework and BCM Policy. The project will be rolled over into the new financial year.

There was a delay in rolling out the satisfaction survey, as a tool had to be developed to measure the satisfaction of stakeholders. The instrument was developed and approved in the year under review. The survey will be conducted in the next financial year.

Changes to planned targets

In the year under review, it was anticipated that the new PSETA funding model will be implemented as was planned. The delays in receiving the funds resulted in the review of a number of performance indicators in line with the limited funding at PSETA's disposal.

Linking performance with budget

	2012/2013			2013/2014		
Programme 4: Corporate Services	**Budget**	**Actual Expenditure**	**Over/Under Expenditure**	**Budget**	**Actual Expenditure**	**Over/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Corporate Services	8,680	9,730	(1,050)	23,536	23,216	320
Total	**8,680**	**9,730**	**(1,050)**	**23,536**	**23,216**	**320**

3.5 *Programme 5: Finance*

Purpose: To provide a co-ordinated financial and asset management function within the organisation with a mandatory responsibility to establish efficiency in resource allocation, multi-year budgeting, collection of revenue, expenditure monitoring, and asset and liability assessment. Finance has to ensure implementation of effective, transparent and equitable procurement systems and management processes. Providing synergy between strategy, spending (budget) and performance targets.

Strategic Goal: Building PSETA's capacity to achieve its strategic objectives.

Strategic Objectives: Effective financial management

The Finance division is comprised of two sub-divisions, namely, Finance and the SCM departments. These are not allocated separate budgetary resources and thus have a single budget catering for both.

The programme's strategic objectives for 2012/2013 were changed and consolidated into a single strategic objective which encompasses all activities of the division. The actual outputs of the year under review could not be measured on the same basis and compared to previous years because the strategic objectives for the programme were changed during the year and different performance indicators reported on.

Programme/activity/objective:						
Strategic Objectives	**Performance Indicator**	**Actual Achievement 2012/2013**	**Planned Target 2013/2014**	**Actual Achievement 2013/2014**	**Deviation from planned target to Actual Achievement for 2013/2014**	**Comment on deviations**
To ensure effective financial management	% compliance to SCM Policies and Plans	N/A- New KPI	90% procured goods and services in accordance with the treasury requirements	0	Not achieved	Lack of capacity and resignations in SCM resulted in weaknesses in SCM controls. SCM requirements not adhered to due to lack of leadership and training of SCM staff. A SCM manager is appointed to head the unit as at May 2014.

Programme/activity/objective:						
Strategic Objectives	**Performance Indicator**	**Actual Achievement 2012/2013**	**Planned Target 2013/2014**	**Actual Achievement 2013/2014**	**Deviation from planned target to Actual Achievement for 2013/2014**	**Comment on deviations**
	% deviation to approved budget	N/A- New KPI	5%	0	Not achieved	The deviation from the approved budget occurred because PSETA received unexpected Levy Income of R22 million from provincial departments. This amount was not budgeted for and it represents 96% of the total budget approved to the PSETA.
	Timeous and accurate financial reporting	N/A- New KPI	100%	0	Not achieved	Third quarter and fourth quarter reports to the DHET and AA could not be submitted timeously due to errors in the reported financial data. Deloitte and Evo Consulting have been appointed to clean up the data in the system.
	% of audit findings closed out per audit year	N/A- New KPI	75%	0	Not achieved	Audit findings raised in relation to SCM processes, asset management and internal control weaknesses are not yet fully resolved. The fixed asset module is not as yet fully implemented. The Asset Register is still being updated and asset assessment of useful lives is still being performed.

How the programme's performance has contributed to the achievement of the PSETA's strategic outcomes orientated goals

- The finance division contributed to the achievement of the organisation's strategic outcomes orientated goals through ensuring that procurement and provisioning for much needed services are in place, and service providers are appointed to take up specific projects identified in the Annual Performance Plan.

- The programme has ensured that the submission of compliance reports in terms of the PFMA requirements is maintained, and monthly disbursements for learnerships, stipends and other running projects are implemented.
- The programme introduced an electronic procurement module, asset module and undertook to review the reporting tools to align them to GRAP reporting requirements.

Strategy to overcome areas of under performance

The areas of under-performance are identified above as being issues related to weak internal controls and insufficient monitoring measures around procurement (SCM) and a lack of leadership stability within the finance division. The following strategies have been put in place:

Compliance to SCM processes: The organisation has created a post and employed a SCM Manager to head and direct the activities of this critical unit. The SCM manager reports to the CFO and submits monthly reports on SCM activities with regard to procurement and compliance to SCM requirements. To further strengthen this strategy, the Internal Audit function will audit SCM compliance and report progress to the Accounting Authority.

Financial management (deficiencies in internal controls, timeous financial reporting and reduction of audit findings): To mitigate internal control deficiencies, lack of capacity and leadership, a CFO was appointed as at January 2014. PSETA has undertaken a project to clean up existing data and revamp the financial system to ensure accurate and timeous reporting.

Audit findings: an audit findings matrix is put in place where a report on progress made in resolving these findings is submitted quarterly to the Audit Committee and is assessed parallel to the division's quarterly performance. The reported progress against audit findings is subjected to an audit by the internal audit function.

Deviation from approved budget: the deviation between planned budget and actual budget occurred because of the change in the financing of the PSETA as compared to previous years. PSETA did not have historical data in terms of contributions by departments to the organisation which would have enabled it to estimate the approximate budget for the levy income from departments. Future budgeting for anticipated levies will be based on the historical data that now exists.

Changes to planned targets

In the year under review, it was anticipated that the new PSETA funding model will be implemented as was planned. The delays in receiving the funds resulted in the review ofa number of performance indicators in line with the limited funding at PSETA's disposal.

Linking performance with budgets- per programme

In assessing the achievement of the outputs in comparison to the planned targets, the public entity must consider the linkages and the relation to the resources available to the public entity, in particular the financial resources. Therefore, the following financial information is presented. The financial information must agree with the information in the Annual Financial Statements.

	2012/2013			2013/2014		
Programme 5	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Finance	4,100	5,466	(1,367)	2,176	3,504	(1328)
Total	**4,100**	**5,466**	**(1,367)**	**2,176**	**3,504**	**(1328)**

3.6 Programme 6: Governance

The purpose of this Programme is to ensure that the organisation has effective and efficient governance structures and funding to enable the PSETA to carry out its legislative mandate.

Strategic Goal: Building PSETA's capacity to achieve its strategic objectives.

Strategic Objectives:

- Lobbying to ensure that the PSETA has an adequate and viable funding model.
- To ensure that the PSETA has highly efficient governance structures and systems to effectively discharge its mandate.

Programme/activity/objective:						
Strategic Objectives	**Performance Indicator**	**Actual Achievement 2012/2013**	**Planned Target 2013/2014**	**Actual Achievement 2013/2014**	**Deviation from planned target to Actual Achievement for 2013/2014**	**Comment on Deviations**
Effective Risk Management, Corporate Governance, IT Governance and Internal Controls	Accounting Authority capacitated on Corporate Governance and relevant laws in the sector.	PSETA Constitution aligned with the regulations on standard SETA Constitutions. Consultation process took place with relevant Stakeholders. Constitution signed off and submitted to MHET for approval. Accounting Authority reconstituted Committees in line with the Approved Governance Framework.	Accounting Authority members capacitated on Corporate Governance	One of two capacity Building Workshops planned was achieved. A workshop on Risk Management was conducted on 2 July 2013	Not achieved	Due to financial constraints, National Treasury was approached to deliver a presentation on SCM to AA on 26 March 2014. This did not materialise due to a lack of a quorum.

Programme/activity/objective:						
Strategic Objectives	**Performance Indicator**	**Actual Achievement 2012/2013**	**Planned Target 2013/2014**	**Actual Achievement 2013/2014**	**Deviation from planned target to Actual Achievement for 2013/2014**	**Comment on Deviations**
	Compliance to Corporate Governance Principles and Prescripts	AC and AA monitor compliance with PFMA and Treasury Regulations	Relevant policies reviewed and implemented and frameworks developed	The AA reviewed and approved the following policies: • Combined Assurance Framework • Delegations of Authority Framework • Leave Policy • Remuneration Policy • ICT Strategy, Framework and Policy • Risk Management Framework, Strategy and Policy • Fraud Management Plan • ETQA Policies • Learning Programmes Policies	Achieved	

Programme/activity/objective:						
Strategic Objectives	**Performance Indicator**	**Actual Achievement 2012/2013**	**Planned Target 2013/2014**	**Actual Achievement 2013/2014**	**Deviation from planned target to Actual Achievement for 2013/2014**	**Comment on Deviations**
				• Grants Policy and Procedures • Staff Recruitment, Selection, Promotion, Acting and Probation Policy and Procedures • Information Communication and Technology Security Policy • Corporate Governance of ICT Policy Framework • Governance and Management of ICT Framework		
	Percentage reduction in High Risks	Risk Strategy developed and approved.	80% reduction in High Risks	70% reduction in High Risks achieved	Not achieved	Deviation of 10% below target.

Programme/activity/objective:						
Strategic Objectives	**Performance Indicator**	**Actual Achievement 2012/2013**	**Planned Target 2013/2014**	**Actual Achievement 2013/2014**	**Deviation from planned target to Actual Achievement for 2013/2014**	**Comment on Deviations**
	Establish an Internal Audit Function	100% achieved. During period 2012/2013 PSETA had an outsourced internal audit function, however, AA took a decision to create an in-house internal audit unit and approved posts on the organogram. Posts will be filled in the 2013/2014 period.	Internal audit function in place (In-house)	Internal Audit unit fully capacitated. All posts filled	Achieved	
	Promote and maintain organisational excellence	New Indicator	Promote and maintain organisational excellence	Approval granted by the Accounting Authority for procurement of Quality Management System (QMS)/ Management Information System through NT regulation 16.A.6.6 (participation in contracts of other Organs of State).	Not achieved	PSETA procurement processes were delayed due to stakeholder negotiation processes. The approval was granted on 22 April 2014. PSETA will ensure implementation in the next financial year.

Strategy to overcome areas of under performance

Accounting Authority members capacitated on Corporate Governance:

Due to financial constraints, the PSETA requested National Treasury/AG/DHET to provide capacity building workshops for Accounting Authority members. However, with the expectation of the funding model being resolved, a training budget has been allocated in 2014/2015 financial year.

Percentage reduction in High Risks

Internal controls: in terms of SCM, a senior manager is appointed to direct the functions of this unit and implement internal controls to reduce the probability of risks identified.

Training and development: training initiatives in respect of risk and fraud awareness were implemented. This will include retraining staff and reporting on progress quarterly.

Systems enhancement and upgrade: introducing systems that comply with the prescribed frameworks and review the reporting format.

Risk monitoring and reporting: to monitor identified risks, management will provide progress reports to the Audit Committee and the Board.

Promote and maintain organisational excellence

The implementation of the integrated QMS/MIS will be addressed in the next financial year. As at 31 March 2014, the PSETA Accounting Authority submitted a request to MERSETA to participate in its contract in terms of NT Regulation 16.A.6.6.

Changes to planned targets

In the year under review, it was anticipated that the new PSETA funding model will be implemented as was planned. The delays in receiving the funds resulted in the review of a number of performance indicators in line with the limited funding at PSETA’s disposal.

Linking performance with budget

	2012/2013			2013/2014		
Programme 6: Governance	**Budget**	**Actual Expenditure**	**Over/Under Expenditure**	**Budget**	**Actual Expenditure**	**Over/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Governance	5,007	3,416	1,591	703	2,689	1,986
Total	**5,007**	**3,416**	**1,591**	**703**	**2,689**	**1,986**

3.7 Programme 7: Projects

The purpose of this Programme is to effectively initiate, monitor and report on discretionary related projects that are implemented by other programmes within the PSETA.

Strategic Goal: Building PSETA's capacity to achieve its strategic objectives.

Strategic Objectives:

- To build PSETA's capacity for effective project management
- To effective manage the PSETA project portfolio
- To mobilise additional projects for implementation of PSETA programmes
- To implement PSETA's strategic projects as defined from time to time

Programme/activity/objective:						
Strategic Objectives	**Performance Indicator**	**Actual Achievement 2012/2013**	**Planned Target 2013/2014**	**Actual Achievement 2013/2014**	**Deviation from planned target to Actual Achievement for 2013/2014**	**Comment on Deviations**
To develop and maintain PSETA standards for effective project and contract management by 31 March 2014	% of projects that meet PSETA's project management standards	New indicator	90%	-	Not achieved	52% of PSETA staff members are trained to ensure they meet project management standards.
	% of contracts that meet PSETA's contract management standards.	New indicator	90%	90% of PSETA projects meet contract management standards	Achieved	
	Number of new projects emanating from the SSP	New indicator	2	PSETA did not introduce new projects emanating from the SSP	Not achieved	This could not be achieved due to non-implementation of the DPSA Directive on the utilisation of the 1% training budget.

Strategies to address 2013/2014 annual performance under-achieved targets

Accounting Authority members capacitated on Corporate Governance:

Due to financial constraints, PSETA requested National Treasury/AG/DHET to provide capacity building workshops for the Accounting Authority members. However, with the expectation of the funding model being resolved, a training budget was allocated in the 2014/2015 financial year.

Percentage reduction in High Risks

Internal controls: in terms of SCM, a senior manager is appointed to direct the functions of this unit and implement internal controls to reduce the probability of risks identified.

Training and development: training initiatives in respect of risk and fraud awareness were implemented. This included retraining of staff and reporting on progress quarterly.

Systems enhancement and upgrade: introducing systems that comply with prescribed frameworks and review of the reporting format.

Risk monitoring and reporting: to monitor identified risks, management will provide progress reports to the Audit Committee and the Board.

Promote and maintain organisational excellence:

The implementation of the integrated QMS/MIS will be addressed in the next financial year. As at 31 March 2014, the PSETA Accounting Authority submitted a request to MERSETA to participate in its contract in terms of NT Regulation 16.A.6.6.

Changes to Planned Targets

In the year under review, it was anticipated that the new PSETA funding model will be implemented as was planned. The delays in receiving the funds resulted in the review of a number of performance indicators in line with the limited funding at PSETA's disposal.

Linking performance with budget

	2012/2013			2013/2014		
Programme 7: Projects	**Budget**	**Actual Expenditure**	**Over/Under Expenditure**	**Budget**	**Actual Expenditure**	**Over/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Projects	10,113	5,392	4,721	23,045	5,521	17,524
Total	**10,113**	**5,392**	**4,721**	**23,045**	**5,521**	**17,524**

4. Revenue collection

The Skills Development Levies Act, 9 of 1999, applies to all SETAs and requires sector employers to pay a 1% skills levy to the South African Revenue Services (SARS) for distribution as income to the SETAs to implement their skills development mandate. Sectoral employers of the PSETA are government departments, which are not obliged to pay this levy. That leaves the PSETA without income from the majority of its stakeholders, namely the government departments, Parliament and Legislatures.

Levy Income (Public Entities): the PSETA sector employers pay the 1% skills levy to SARS which is distributed to the organisation to undertake its mandate in terms of skills development and training in the public sector. In the 2013/2014 financial year, the organisation did not make a provision for this source of income because of uncertainty caused by the National Treasury circular which suspended payment of such levies to PSETA. Despite the circular, an amount of R1,334 million was collected, representing an under collection of 8% when compared to 2012/2013 levy income collection.

Levy Income (DPSA Directive 1 of 2012): the Skills Development Act does not compel government departments to contribute the 1% levy income to the SETA. Based on this, the PSETA's mandate remained unfunded and left the organisation under resourced. The DPSA Directive forged a new funding model which would channel financial resources to the organisation. Subsequently, National Treasury issued a circular suspending the release of funds through this model. This circular only affected national departments whilst sector employers continued to implement the Directive. In view of this, PSETA collected an amount of R23,405 million most of which was received in the latter part of the current financial year. This amount included R2,3 million received from two national departments, (Rural Settlement and Health).

Grant transferred from the DPSA: the PSETA received a budget allocation from the Department of Public Service and Administration through the Medium Term Expenditure Framework budgeting process. This allocation is meant for administrative operations of the organisation. The MTEF budget is pre-approved and confirmed to organisations, based on the approved Annual Performance Plans. The DPSA released quarterly tranches of the budget to the organisation and the total budgeted amount was received.

NSF Realised Income: an amount of R7,599 million was realised as income from NSF deferred income.

Other income comprise primarily from interest received form invested amounts. There was no provision made for this income because the organisation did not have an investment policy that would direct investment initiatives.

	2012/2013			2013/2014		
Sources of Revenue	**Estimate**	**Actual Amounts Collected**	**(Over)/Under Collection**	**Estimate**	**Actual Amount Collected**	**(Over)/Under Collection**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Skills Development Levy: Income including interest and penalties (Public Entities)	1,801	1,456	345	-	1,382	(1,382)
Skills Development Levy: Income (DPSA Directive 2012) Prov. Dept.	0	0	0	0	21,486	(21,486)
Transfers from other government departments (DPSA Grant)	22,086	22,295	(238)	23,308	23,308	-
NSF Realised Income	31,557	15,611	15,956	4,919	7,590	(2,671)
Discretionary grants projects	5,617	-	5,617	-	-	-
CIP	-	-	-	-	814	(814)
Investment income	17	6	11	6	48	(42)
Other Income	-	585	(585)	-	-	-
Total	**61,078**	**39,953**	**21,125**	**28,233**	**54,628**	**(26,395)**

4.1 Capital investment

The PSETA did not have any capital investment. The assets of the PSETA are limited to property, plant and equipment which are used for production of daily operations. These assets are recorded in the asset register and depreciated on a straight line basis. In addition, the PSETA received donated assets from the Chemical Industries Education and Training Authority (CHIETA) and they were without quantifiable values. An assessor was appointed to assess their values and useful lives. These were recorded in the asset register. The PSETA has acquired an electronic asset module which will be implemented to manage asset movements, obsolence, disposal and write offs.

Although PSETA had no assets that could be classified as capital investment, an amount of R3 million was budgeted for development of the MIS and QMS systems. This provision could not be utilised in the previous year but is envisaged to be undertaken in the new financial year. Plans to acquire this software is at an advanced stage and will hopefully be operational during the 2014/2015 financial year.

Computer equipment to the value of R280,000 was procured during the financial year (Laptops).

	2012/2013			2013/2014		
Infrastructure Projects	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Development of PSETA MIS and QMS Systems	0	0	0	3,000	814	2,186
Total	**0**	**0**	**0**	**3,000**	**814**	**2,186**

PART C: GOVERNANCE

1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, corporate governance with regard to public entities' is applied through the precepts of the Public Finance Management Act and run in tandem with the principles contained in the King III Report on Corporate Governance. The Accounting Authority of the public entity is responsible for enhancing and complying with all aspects of corporate governance, whilst Parliament and the Executive play an oversight role over the public entity in ensuring that it complies with all aspects of corporate governance.

The PSETA is a Schedule 3A public entity that reports to the Department of Higher Education and Training. The Minister of Higher Education and Training is the Executive Authority. The Board, as the governing body, is the Accounting Authority as defined in the Public Finance Management Act of 1999 (as amended).

The operations of the PSETA is aligned with sound corporate governance structures and processes that conforms to the Skills Development Act, 97 of 1998 (as amended), and is supported by the Skills Development Levies Act, 97 of 2003, the Public Finance Management Act of 1999 (as amended) and Treasury Regulations, all of which enable the PSETA to achieve its National Skills Development Strategy III imperatives.

2. PORTFOLIO COMMITTEES

2.1 Portfolio Committee on Public Service and Administration

Date: 22 August 2013

Purpose: Update on PSETA progress since its recertification. The portfolio committee in its strategic session with DPSA and other entities falling within its scope, invited PSETA to provide an update on the entity's plans and performance since recertification.

2.2 Meeting with Portfolio Committee on Public Service and Administration:

Date: 16 October 2013

Purpose: PSETA Funding

- The Western Cape Provincial Government's letter challenging the legality of the Minister of Public Service and Administration's Directive
- The National Treasury's letter stopping government departments from transferring the 1% of levies to PSETA
- Collaboration between PSETA and National School of Government

3. EXECUTIVE AUTHORITY

The PSETA signed a Service Level Agreement with the Director-General of the Department of Higher Education and Training on an annual basis.

The PSETA Accounting Authority submits quarterly reports to the Minister of Higher Education and Training, with respect to deliverables against strategic priorities in the SLA.

Meetings held with the Executive Authority:

- Meeting with MHET: 17 October 2013

4. THE ACCOUNTING AUTHORITY/BOARD

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

Six organised labour representatives; six organised employer representatives; one member from the category of role-players (bargaining council in the sector); one Ministerial appointee; one Independent Chairperson appointed by the MHET and 11 alternate members, as prescribed in the Constitution.

During the year under review, the Accounting Authority submitted a request to the MHET to consider and grant approval to remove the Ministerial appointee as a member of the PSETA Accounting Authority, in line with section 8(13)(b)(ii) of the Standard Constitution Regulation, as per Government Gazette No. 35336, 11 May 2012. The Accounting Authority awaits the MHET approval on the matter. The Accounting Authority acknowledged two resignations from alternate members, representing organised employer and organised labour. These members were replaced in line with section 8(14)(b) of the Constitution.

Role of the Accounting Authority:

- Govern and manage PSETA in accordance with the Public Finance Management Act, the Skills Development Act and any other applicable legislation
- Ensure that PSETA achieves the objectives contemplated in item 5 and performs the functions contemplated in item 6 of the Standard Constitution Regulations as per Government Gazette No. 35336, 11 May 2012
- Provide effective leadership and ensure that PSETA implements the goals of the NSDS III and the Performance Agreement with the Minister as the Executive Authority
- Provide strategic direction for PSETA
- Liaise with stakeholders
- Ensure that PSETA complies with the relevant statutory requirements and the requirements of the standard Constitution regulations as per Government Gazette No. 35336, 11 May 2012

Charter of the Accounting Authority:

During the year under review, the Accounting Authority continued to implement its Charter in accordance with the Standard Constitution. The Charter sets out the roles, functions, obligations, rights, responsibilities and powers of the Accounting Authority and policies and practices of the Accounting Authority in respect of its duties, functions and responsibilities.

Good governance is essentially about effective leadership, which is characterised by the ethical values of responsibility, accountability, fairness and transparency. The Accounting Authority meets on a quarterly basis to monitor the implementation of the Strategic and Annual Performance Plans of PSETA.

For the year ended 31 March 2014, the Accounting Authority implemented its Charter to operationalise the Constitution and simplify procedures for conducting its business.

4.1 Composition of the Accounting Authority

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees (e.g.: Audit committee)	No. of Meetings attended
Mrs.K. Mashigo	Chairperson	April 2011	Active	• MPA (Masters in Public Administration) • Certificate in Business Management • BA (Ed) - B.Ed	• Professional Ethics • Public Service Management • Project Management	• Atlatsa Resources • Mookodi Enterprise • Reflex Trading • Juvuko Transport • Grandeur Indulgence	Executive Committee	10
Ms.G.Dhlamini	Ministerial Appointee	August 2011	Not Active				Finance Committee	0
Ms.S.Oodit	Member: Category of Role Players	April 2013	Active	• Post Graduate Diploma • Practical Labour Law	• Strategic Planning • Labour Relations • Dispute Resolution/ Prevention • Operational Execution • Policy Development • Negotiations	n/a	Finance Committee	2

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees (e.g.: Audit committee)	No. of Meetings attended
Mr.L. Modise	Alternate Member: Category of Role Players	April 2013	Active	• LLB • BA	• Labour Law Practitioner • Litigation attorney	GPSSBC	Accounting Authority	0
Ms.M.Kola	Member-Organised Employer	April 2011	Active	• B.A. Honours • B.A. Education • Corporate Project Management Diploma	• Employee Benefit (EB)-Operations and Client Relationship Management (CRM) • Administrative processes • Operational and Service Excellence • Building collaborative relationships • Fostering teamwork • Customer orientation • Managing performance/ results orientation • Continuous improvement and quality orientation	• GPAA • Ex officio-Member of the GEPF Board of Trustees • Benefit and Administration Board Committee • Member of GEPF EXCO • Member of Risk Committee	• Executive Committee • Finance Committee	6

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees (e.g.: Audit committee)	No. of Meetings attended
Ms.M.Mono	Member-Organised Employer	March 2013	Resigned Effective 14 April 2014	• BA Honours (Public Administration) • BA Metropolitan and Regional Administration	People Management Department of Home Affairs	n/a	• Governance Strategy Committee • Finance Committee	4
Mr.K.E. Mahoai	Alternate Member: Organised Employer	February 2013	Active	• MA(CSUS) • BA Paed • B.Ed-Programme in Economics and Public Finance • Management Development Programme	Human Resource Management DIRCO	n/a	• Governance • Strategy Committee • Finance Committee	3
Mr.D.Mushwana	Member-Organised Employer	April 2011	Active	• B Juris • LLB • Secondary Teachers Diploma • Certificate in Economics and Public Finance	Management SITA	n/a	• Executive Committee • Governance Strategy Committee	6
Mr.B.Maduna	Member-Organised Employer	April 2011	Active	• B.Com (Accounting) • B.Com Honours • CTA	Management Finance Department of Labour	n/a	Audit Committee	1

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees (e.g.: Audit committee)	No. of Meetings attended
Ms.S.Thobejane	Alternate Member: Organised Employer	October 2013	Active	• Bachelor of Accounting Science • Diploma in Business Administration • African Leadership Programme	Management Finance Department of Economic Development	n/a	Finance Committee	0
Mr.M. Matsomela	Alternate Member: Organised Employer	March 2013	Resigned effective 29 July 2013	• Master of Public Administration • Bachelor of Arts • Certificate ABET Practitioner	• Human Resource Management	n/a	Audit Committee	1
Mr.T.Ndove	Member- Organised Employer	April 2011	Active	• Master in Business Leadership • Masters in Rural Systems Management • B Agric Honours • BA Agric • Diploma in Agriculture	Agriculture Management Department of Agriculture: Limpopo	n/a	• Remuneration Committee • Finance Committee	3

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees (e.g.: Audit committee)	No. of Meetings attended
Mr.S. Mkhize	Alternate Member: Organised Employer	April 2013	Active	• Masters in Business Administration • National Diploma in Accountancy • Advanced Diploma in Project Management	Gauteng Office of the Premier Management Finance	n/a	• Finance Committee • Remuneration Committee	1
Dr.A.Mahapa	Member- Organised Employer	April 2011	Active	• PhD in Psychology • Masters in Psychology of Education • B.Ed in Education, Training and Development • Higher Education Diploma • Post Graduate Diploma in Labour Law • Secondary Teachers Diploma.	DDG: International Relations DPSA	n/a	• Remuneration Committee • Governance Strategy Committee	2

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees (e.g.: Audit committee)	No. of Meetings attended
Mr.P.Sekawana	Alternate Member: Organised Employer	May 2013	Active	• Masters Diploma in Human Resources Management • Post Graduate Diploma in Company Directorship • Post Graduate Diploma in Business Management • B.Tech Honours Degree in Bio-Medical Technology • National Diploma in Medical Technology	Department of Rural Development and Land Reform Human Resources and Organisational Development	n/a	• Remuneration Committee • Governance Strategy Committee	2

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees (e.g.: Audit committee)	No. of Meetings attended
Ms. T. Mantashe	Member: Organised Labour	April 2011	Active	• National Diploma in Human Resource Management	Human Resource Management Deputy President: NEHAWU	• Chairperson of the ANC branch in Lukhanji Municipality • Chairperson of NEHAWU in the Eastern Cape • Non-Executive Director of the NEHAWU --Investment Holdings (NIH) • NEHAWU 2nd Deputy President	• Executive Committee • Governance Strategy Committee	1
Mr.T.Mokheranyana	Alternate Member: Organised Labour	February 2013	Active	• Matric	Provincial Secretary: NEHAWU	n/a	• Executive Committee • Governance Strategy Committee	3

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees (e.g.: Audit committee)	No. of Meetings attended
Mr. N. Newman	Member: Organised Labour	November 2012	Active	• National Diploma Research Methodology short course • Education methodology short course	Parliamentary Researcher NEHAWU	n/a	• Governance Strategy Committee	1
Mr.S.Kobese	Alternate Member: Organised Labour	July 2013	Active	• Diploma in Adult Education • Diploma in Distance Education • Senior Primary Teachers Diploma (SPTD)	Community Business Development Centre (CBDC) NEHAWU	n/a	Governance Strategy Committee	1
Ms. T. Choshi	Member: Organised Labour	April 2011	Active	• National Diploma: • Public Administration	Provincial Deputy Secretary POPCRU	n/a	• Remuneration Committee • Governance Strategy Committee	6
Ms.P.Chaane	Alternate Member: Organised Labour	May 2013	Active	• National Diploma in Marketing	Honeydew Trio Task Team	n/a	• Remuneration Committee • Governance Strategy Committee	3

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees (e.g.: Audit committee)	No. of Meetings attended
Mr. J. Dladla	Member: Organised Labour	April 2011	Active	• Teachers Diploma • Leadership Development Certificate	NEC Member KZN POPCRU	Provincial Chairperson (KZN)	• Finance Committee • Remuneration Committee	6
Mr.Z.Skade	Alternate Member: Organised Labour	July 2013	Active	• B.Juris • Post graduate Diploma in Labour Law	Deputy Provincial Secretary POPCRU	n/a	• Finance Committee • Remuneration Committee	0
Mr. L. Gilbert	Member: Organised Labour	January 2012	Active	• National Diploma: Personnel Management-National Higher Diploma in Personnel Management • Advanced Diploma: Labour Law	General Manager: Collective Bargaining PSA	• Board of Trustees: PSA Pension fund • PSA Old Mutual Evergreen Pension Fund • PSA Training Committee • PSA Employment Equity Committee	• Audit Committee	3
Mr.J. Van Blommestein	Alternate Member: Organised Labour	Appointment is effective as at 7 June 2013	Active	• B. Communication • Labour Relations Development Programme • Advance Diploma in Labour Law	Assistant General Manager: Members Rights: PSA	n/a	• Audit Committee	3

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees (e.g.: Audit committee)	No. of Meetings attended
Ms. O. Chauke	Organised Labour	Appointment is effective as at April 2013/2014	Active (Replacing Ms. P. Maseko)	• B.Com Law • LLB Degree	Professional Attorney Labour Relations PSA	n/a	• Audit Committee	7
Mr.I. Fredericks	Alternate Member: Organised Labour	Appointment is effective as at 7 June 2013	Active	• Advance Diploma in Labour Law	Assistant General Manager: Liaison/ Communication/ Social Responsibility: PSA	n/a	• Finance Committee	0

Committees aligned with the PSETA Constitution

Committee	No. of Meetings held	No. of Members	Name of Members	Alternate Members
Executive Committee	7	5 **1 Chairperson** 2 Organised Employer 2 Organised Labour	Ms.K. Mashigo-**Chairperson**	
			Ms. M. Kola	
			Mr.D. Mushwana	
			Ms.T. Mantashe	Mr.T. Mokheranyana
			Ms.T.Choshi	Ms.P.Chaane
Governance and Strategy Committee	2	5 **1 Chairperson** 2 Organised Employer 2 Organised Labour	Mr.D. Mushwana - **Chairperson**	
			Dr.A.Mahapa	Mr.P.Sekawana
			Ms.M.Mono	Mr.K.E. Mahoai
			Ms.T.Choshi	Ms.P.Chaane
			Mr.N.Newman	Mr.S.Kobese
Finance Committee	0	6 **1 Chairperson** 3 Employer representatives 1 Organised Labour 1 Ministerial Appointee	Ms.S.Oodit- **Chairperson**	
			Ms. M. Kola	
			Ms.M.Mono	Mr.K.E. Mahoai
			Mr.T.Ndove	Mr.S.Mkhize
			Ms.G.Dhlamini	
			Mr.J.Dladla	Mr.Z.Skade
Remuneration Committee	2	5 **1 Chairperson** 2 Organised Employer 2 Organised Labour	Ms.T.Choshi-**Chairperson**	
			Ms. T. Mantashe	Mr.T.Mokheranyana
			Mr.J.Dladla	Mr.Z.Skade
			Mr.T.Ndove	Mr.S.Mkhize
			Dr. A. Mahapa	Mr.P. Sekawana

Remuneration of members of the Accounting Authority:

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

- Members of the Accounting Authority are remunerated at the Category S rate for all meetings attended
- Members of the Accounting Authority are reimbursed for all out-of-pocket-expenses including travel and accommodation costs

Meeting fees are paid based on hourly rates and is in line with the principles detailed in the National Treasury Circular dated 23/05/2013 as approved by Minister of Finance as follows:

Sub Category S rates per hour

- Chairperson: R545
- Members: R424

A decision was taken by the Accounting Authority that only the Chairperson of the Accounting Authority will be reimbursed in line with the adjustment effective from 1 April 2013, until such time that the financial status of the organisation improves.

Remuneration of members of the Audit Committee:

The Accounting Authority considered and approved the adjustment of the Audit Committee of PSETA. The independent Chairperson's meeting fee was adjusted to R6,000 and the two independent members meeting fees were adjusted to R4,000 for all meetings (four scheduled annual and special meetings) which included preparation and attendance.

The Accounting Authority's decision is subject to standardising the remuneration fees of the PSETA Audit Committee meeting fees, taking into consideration:

- PSETA's financial position (budget and allocation)
- The expertise that is required of the Audit Committee members and the professional qualifications that they hold
- Independent members of the PSETA Audit Committee belong to professional bodies that have expertise in audit and risk management and therefore add tremendous value to the committee and to the governance structures of PSETA
- Members are reimbursed for out-of-pocket expenses including travel and accommodation costs
- The Audit Committee remuneration fee is effective as of 1st April 2013.

The Accounting Authority has further submitted a request from the Executive Authority to deviate from the rates set by Minister of Finance for payments of Audit Committee members in accordance with Treasury Regulations 3.1.6 and 20.2.3.

Table: Members of the Accounting Authority not receiving remuneration

Organised Employer Representatives	Organised Labour Representatives
Ms. M. Kola	Mr. L. Gilbert
	Mr. J. Van Blommestein
Ms. M. Mono	Ms. O. Chauke
Mr. K.E Mahoai	Mr. I. Frederics
Mr. D. Mushwana	Ms. T. Mantashe

Organised Employer Representatives	Organised Labour Representatives
Dr. A. Mahapa	Mr. N. Newman
Mr. P. Sekawana	
Mr. D. Ndove	Mr. S. Kobese
Mr. S. Mkhize	
Mr. M. Matsomela	Mr. Z. Skade
Ms. S. Thobejane	Ms. P. Chaane

Table: Members of the Accounting Authority/Audit Committee receiving remuneration:

Remuneration/Reimbursement					
2013/2014					
Name	Position	Engagement Date	Remuner-ation	Other Reimbursement	Total
Ms. K. Mashigo	Chairperson of the AA	01-Apr-11 - current	99,060	11,202	110,262
Mr. B. Maduna	Member of AA	01-Apr-11 - current	-	213	213
Ms. P. Mzizi	AC Chairperson	01-Oct-12 - current	132,000	4,008	136,008
Ms. A. Badimo	AC Member	01-Oct-12 - current	24,000	2,416	26,416
Mr. P. Mukheli	AC Member	01-Oct-12 - current	44,000	13,576	57,576
Mr. T. Mokheranyana	Alternate Member	01-Feb-13 - current	-	1,410	1,410
Total			**299,060**	**32,825**	**331,885**

2012/2013

Name	Position	Engagement Date	Remuner-ation	Other Reimbursement	Total
Ms. K. Mashigo	Chairperson of the AA	01-Apr-11 - current	141,103	8,093	149,196
Ms. G. Dhlamini	Ministerial Appointee	01-Apr-11 - current	36,432	3,724	40,156
Mr. B. Maduna	Member of AA	01-Apr-11 - current	-	3,121	3,121
Ms. P. Mzizi	AC Chairperson	01-Oct-12 - current	15,275	915	16,190
Ms. A. Badimo	AC Member	01-Oct-12 - current	9,275	2,075	11,350
Mr. P. Mukheli	AC Member	01-Oct-12 - current	7,420	9,232	16,652
Mr. J. Maboa	AC Member	01-Apr-11 – 31 Sep-12	16,000	-	16,000
Mr. S Wasa	AC Member	01-Apr-11 – 31 Sep-12	48,000	2,236	50,236
Ms. T. Mantashe	Member of AA	01-Apr-11 - current	-	2,013	2,013
Mr. M.J. Dladla	Member of AA	01-Apr-11 - current	-	2,403	2,403
Mr. T. Ndove	Member of AA	01-Apr-11 - current	-	9,215	9,215
Total			**273,505**	**43,027**	**316,532**

5. RISK MANAGEMENT

The risk management processes are established and directed by the Risk Management Committee (RMC), which is comprised of the executive management. RMC activities are conducted in line with the adopted Charter. The committee reports quarterly to the Audit Committee on risk matters. The Audit Committee provides oversight on risk monitoring and reports to the Accounting Authority. Risk management is a standing item on the agenda of the Audit Committee.

The Audit Committee advises management with regard to seeking internal audit opinions regarding the appropriateness and effectiveness of applied mitigating controls.

The PSETA has an approved Risk Management Strategy, Risk Management Policy and the Risk Management Plan. The committee reports quarterly to the Audit Committee on progress made in implementing the plan.

Risk management is embedded in the activities of each manager and management has taken ownership of the process in their respective departments.

Two risk assessment workshops were conducted during the year and an analysis of previously identified risks was performed. This process confirmed their relevance and both the strategic and departmental risk registers were updated with emerging risks identified.

6. INTERNAL CONTROL UNIT

The PSETA does not have an internal control unit. Monitoring and establishment of effective internal control measures is a responsibility of each divisional head as well as all managers. The internal audit function tests and evaluates the effectiveness of internal controls and reports to the Audit Committee during the year.

7. INTERNAL AUDIT AND AUDIT COMMITTEES

7.1 *INTERNAL AUDIT*

7.1.1 Key Activities Objectives and Summary of Audit Work

The Accounting Authority has established an in-house internal audit function.

- Internal auditing is an independent, objective assurance and consulting activity that is designed to add value and improve an organisation’s operations. It helps PSETA accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- During the period under review, internal audit provided assurance on supply chain management, finance, governance structures, as well as on the accuracy of the quarterly performance reports. Our consulting role was fulfilled by providing workshops to management on risk management, business continuity management, and the alignment of performance objectives to the SMART principles.

7.2 AUDIT COMMITTEE

7.2.1 Key Activities Objectives and Summary of Audit Work

The Audit Committee is constituted in terms of section 77 of the PFMA, read with Chapter 9 of the Treasury Regulations in terms of the PFMA. The Audit Committee consists of six members, constituted as follows: three external experts including the chairperson with the requisite financial expertise, three Accounting Authority representatives with finance, business and legal experience, and executive management representatives (Chief Executive Officer, Chief Financial Officer, Chief Operations Officer and Corporate Services Executive) as ex-officio members. The size of the Audit Committee is influenced by the nature and extent of its responsibilities as covered in the Charter.

The Audit Committee has a Charter that outlines its terms of reference. The committee has satisfied itself of the expertise, resources and experience of PSETA's finance function.

The Audit Committee's functions, as contemplated in the PFMA, entails oversight of PSETA's integrated reporting that includes combined assurance, financial reporting, internal controls, internal audit, external audit, compliance with laws, regulations and ethics, risk management, IT governance and performance information. The Audit Committee Chairperson reports to the Accounting Authority on a quarterly basis or as and when required.

During the year under review, the Audit Committee considered, recommended and monitored matters pertaining to its Charter listed below:

- Audit Committee Charter (reviewed and approved by the Accounting Authority)
- Internal Audit Charter (reviewed and approved)
- Audit Methodology (reviewed and approved)
- Rolling the three-year Strategic Audit Plan for the period ending 31 March 2015; and the one-year Operational Audit Plan for the period ending 31 March 2014, in compliance with Treasury Regulations 27.2.7 considered and approved by the Audit Committee
- Internal Audit reports
- External audit plan and fees for the year ending 31 March 2014, noted and recommended
- Delegations of Authority reviewed and recommended to the Accounting Authority
- Sector Skills Plan 2014/2015 (final) reviewed and recommended to the Accounting Authority
- Strategic Plan, Annual Performance Plan and Budget 2014/2015 (final) reviewed and recommended to the Accounting Authority
- Management action plan on the implementation of the recommendations by the Auditor-General
- Risk Management (Framework, Policy, Strategy and Implementation Plan)
- Governance Policies and Framework:
  - Corporate Governance of Information and Communication Technology Charter
  - Information Communication Technology Steering Committee Charter

- Information Communication and Technology Security Policy
- Corporate Governance of ICT Policy Framework
- Governance and Management of ICT Framework

- Fraud Management (Policy, Strategy and Plan)
- Information Communication Technology Governance (Disaster recovery policy, plan and procedure and IT governance frameworks)
- Review of relevant policies
- SIU reporting
- NSF reports
- Irregular, wasteful and fruitless expenditure and condonements
- Quarterly Financial Statements
- Quarterly Performance Reports
- Six-monthly Financial Statements
- Annual Financial Statements and Annual Report
- Compliance with laws and regulations

Attendance of Audit Committee Meetings by Audit Committee Members

The tabled below discloses relevant information on the audit committee members

Name	Qualifications	Internal or External	If Internal, Position in the Public Entity	Date Appointed	Date Resigned	No. of Meetings Attended
Ms. P. Mzizi	• B. BusSci Hons • B. Compt Hons • CA (SA) • B. Com Hon in Transport Economics	External	n/a	October 2012	Active	8
Ms. A. Badimo	• BSc Computer Science • BSc Hons Computer Science • CISM (Certified Information Security Manager) • MSc Applied Science: Electrical Engineering • Project Management Diploma • MBA	External	n/a	October 2012	Active	7

Name	Qualifications	Internal or External	If Internal, Position in the Public Entity	Date Appointed	Date Resigned	No. of Meetings Attended
Mr. P. Mukheli	• B. Com (Accounting) • B. Com Hons (Auditing)	External	n/a	October 2012	Active	7
Mr. L. Gilbert	• M. Phil • National Diploma • National Higher Diploma in Personnel Management • Advanced Diploma in Labour Law	Internal	Member of the PSETA Accounting Authority (Employer)	Internal	Active	1
Ms. O. Chauke	• B. Com Law • LLB	Internal	Member of the PSETA Accounting Authority (Employer)	March 2013	Active	6
Mr. B. Maduna	• B. Com (Accounting) • B. Com Honours • CTA	Internal	Member of the PSETA Accounting Authority (Employer)	Re-appointed January 2013	Active	4

8. COMPLIANCE WITH LAWS AND REGULATIONS

During the year under review, the following pieces of legislation were reviewed:

- Public Finance Management Act, 1 of 1999 as amended by Public Finance Management Amendment Act, 29 of 1999
- Basic Conditions of Employment Act, 75 of 1997 as amended by Basic Conditions of Employment Amendment Act of 2002
- Compensation for Occupational Injuries and Diseases Act, 130 of 1993
- Labour Relations Act, 66 of 1995
- Employment Equity Act, 55 of 1998
- Unemployment Insurance Contributions Act, 4 of 2002
- Occupational Health and Safety Act, 85 of 1993
- Skills Development Act, 97 of 1998
- Skills Development Levies Act, 9 of 1999
- Preferential Procurement Policy Framework Act, 5 of 2000, Preferential Procurement Regulations, 2011
- Broad-Based Black Economic Empowerment Act, 53 of 2003
- Promotion of Access to Information Act, 2 of 2000
- Promotion of Administrative Justice Act, 3 of 2000

In several pieces of legislation reviewed, the entity reflects a low level of non-compliance. Plans are in place to address the non-compliances reported to date and this will be monitored.

9. FRAUD AND CORRUPTION

The PSETA has an approved the Fraud and Anti-Corruption Strategy and Policy, and a Fraud Prevention Plan. Fraud and corruption is intertwined with risk management and as such the RMC also directs the management of fraud and corruption. Management monitors progress made on fraud prevention through a fraud implementation plan. This plan is monitored and reported on quarterly when reviewing divisional performance.

The PSETA management has established a "DROP BOX" where individuals can report fraudulent activities without disclosing their identities. This facility is placed in a public area (reception) and only the CEO has the authority to open it. Since inception, no incidents of fraud were reported.

In addition to the above facility, an email address is established through which fraudulent activities could be reported anonymously. There was no reported case during the year that warranted investigation and management action.

10. MINIMISING CONFLICT OF INTEREST

Supply Chain Management is a highly regulated process within the PSETA environment. To minimise the risk of conflict of interest, a form for declaration of interest is circulated to members of Bid Committees before the commencement of the meetings. To further enhance this process, management is in the process of acquiring access into the Company and Intellectual Property Commission's (CIPC's) database in order to verify the directors of the companies that do business with PSETA. This facility was available to PSETA until the licence expired in May 2013. Management is in consultation with CIPC with a view to renew the license.

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

A register of close family members of the Accounting Authority is annually updated and monitored by the HR division

11. CODE OF CONDUCT

The Accounting Authority is confident that individual members have conducted the PSETA's business and fiduciary responsibility by complying with legislation that regulates all activities of the SETA. The Accounting Authority has performed its functions fairly, honestly and in good faith by giving full effect to the obligations of the SDA and the PSETA Constitution, promoting the PSETA's reputation and goodwill and performing their duties conscientiously and in the best interest of the PSETA.

During the year under review, there was no case of misconduct nor negligence of duty from the members that required removal from office or termination of membership of the committees of the Accounting Authority. Members of the Accounting Authority have conducted themselves ethically and in accordance with the principles of good governance, underpinned by the personal and professional characteristics outlined in Schedule 2 of the Constitution. The PSETA Accounting Authority adhered to its Code of Conduct.

12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The Occupational Health and Safety Policy (OHS) of the PSETA is in place. An internal OHS Committee has been established and is functioning. An awareness training was conducted with all staff in the year under review.

13. COMPANY/BOARD SECRETARY

The PSETA has a Board secretary. The role and responsibilities of the Board secretary are in line with the PSETA Constitution as outlined below:

- Ensure sound and proper arrangements, including travel and accommodation for the attendance of meetings by members of the Accounting Authority and Committees
- Prepare quality agendas and take accurate minutes of meetings of the Accounting Authority and its Committees
- Prepare and compile reading materials and ensure that all meetings are held under proper conditions, with all the relevant paraphernalia available
- In consultation with the CEO, ensure the distribution of action lists in relation to the decisions of the Accounting Authority
- Keep and maintain a record of the decisions and resolutions of the Accounting Authority
- Maintain a tracking system for actions in relation to the decisions and resolutions of the Accounting Authority
- Ensure the induction and ongoing training for members of the Accounting Authority
- Develop criteria for the declaration and conflict of interests by members of the Accounting Authority and committees
- Advise the Accounting Authority on corporate governance and compliance
- In addition to these duties, perform other duties as assigned and required by the Accounting Authority and committees.

14. SOCIAL RESPONSIBILITY

The Public Service Sector Education and Training Authority is constantly striving to be a corporate responsible organisation. In the past years, the organisation made a difference to girl-child learners by hosting the Take a Girl Child to Work Day as well as commemorating the Nelson Mandela Day.

14.1 Take a Girl Child to Work Day

One day a year, Cell C encourages organisations to host Grade 10-12 learners with the aim to expose them to career opportunities within the different sectors and exposing the girl-child to the “world of work” first hand. This aims to expose learners to a wide range of opportunities that await them in the job market as well as the chance to meet positive role models in their field of interest.

On 8 May 2013, Take a Girl Child to Work Day, PSETA hosted two Grade 12 learners from Bona Lesedi Secondary School in Mamelodi, under the theme "Empower a Girl, Empower a Nation". The two learners shadowed the PSETA Accounting Authority Chairperson and the Chief Executive Officer who attended the Ministry for Higher Education and Training's Budget Vote Speech in Parliament.

14.2 Nelson Mandela Day

A career guidance and counselling festival was held as a joint venture with the Department of Higher Education and Training, SETA's and other strategic partners from the 18-20 July 2013, at the Lere La Tshepe TVET College, Qwaqwa, Free State. The purpose of the event was to provide information and advice on qualifications, post-school options and career choices to learners, in order for them to make informed decisions about their future under the theme "Expanding Access and Success in Post–School Education and Training". The event attracted more than 6,000 learners from various schools within and beyond Thabo Mofutsanyane District Municipality.

On the day, PSETA staff visited the Leamogetshwe Safety Home in Saulsville, Pretoria. The home houses 67 abandoned, abused and orphaned children. PSETA staff contributed 67 minutes of their time by doing the laundry for the children and bathing them. They also painted some of the bedrooms and raised funds from among themselves and purchased a washing machine for the home.

15. AUDIT COMMITTEE REPORT

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

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity, revealed certain weaknesses which were then raised with the public entity.

The following internal audit work was completed during the year under review:

- Audit on the Supply Chain Management processes
- Review of the Supply Chain Management Policy for compliance with requirements of the PFMA
- Audit on the recommendations to the Accounting Authority and the governance structures of theentity
- Audit of petty cash processes within finance

- Audit on the accuracy of performance information for quarters 2, 3 and 4.
- Audit on the accuracy of performance information in the Annual Report

The following were areas of concern:

- Records management within the entity, especially in areas like supply chain
- Contract Management
- Review for quality of information and the adequacy of supporting evidence by line management before reports are presented to governance structures
- Alignment of organisational policies across divisions (e.g supply chain and petty cash)
- The lack of policies that provide a proper governance framework.

In-Year Management and Quarterly Report

The public entity has submitted quarterly reports to the Executive Authority.

Evaluation of Financial Statements

We have reviewed the Annual Financial Statements prepared by the public entity.

Auditor's Report

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved except for the following:

- Records management within the entity
- Asset management
- The effectiveness of internal controls with finance

The Audit Committee concurs and accepts the conclusions of the external auditor on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the auditor.

Ms P Mzizi CA (SA)
Chairperson of the Audit Committee
PSETA
31 July 2014

PART D: HUMAN RESOURCE MANAGEMENT REPORT

1. INTRODUCTION

During the year under review, the Human Resources Department aimed to provide a professional and productivity-enabling support internally. A new organogram consisting of 64 positions was approved by the Accounting Authority, with a moratorium being placed on 14 positions due to budgetary constraints, leaving the entity with 50 funded positions. Furthermore, nine WIL/interns were hosted by the organisation as indicated in the table below.

Seven employees left the employ of the PSETA. This included two WIL/interns and the CFO and the other four contracts expired. The PSETA also hosted three interns in the Communication and Human Resources Departments respectively. We firmly believe that once the new funding model is implemented, HR capacity issues will be addressed as a priority. As at 31 March 2014, the PSETA had four vacant positions which included a position for a Manager: Skills Planning and Research, Manager: ETQA, Specialist: Skills Planning and Research and the Specialist: Learning Programmes.

Staff Establishment (as at 31 March 2014)		
Positions	64	
Filled	46	
Frozen (vacant but not funded)	14	The positions are vacant but not funded due to budgetary constraints
Vacant	4	
Total	**64**	
Positions additional to the establishment (as at 31 March 2014)		
WIL learners/Interns	9	
Temporary employees	0	
Total	**9**	

The PSETA Staff Establishment

The fact that all fixed term employment contracts end as at the 31 March 2016, must be taken into cognisance, for it has created a great deal of uncertainty among the PSETA employees. Further on the HR front, the division actively managed the employee disciplinary process, applying the PSETA Grievance Procedure and Code, as and when required. During the year under review, two verbal warnings, three written warnings and three final written warnings were issued to address discipline in the entity.

The employee performance contracting process was completed in quarter one of the financial year. Every PSETA employee has a formal, legally binding performance agreement and notably, all performance reviews and appraisals were conducted. Performance bonuses for appraisals on the previous financial year were paid to deserving employees.

Occupational Health and Safety is important to PSETA. A committee was established to focus on this area and a second committee was established in the 2012/2013 financial year, namely the Employment Equity Committee, which is responsible for the formulation of employment equity targets and the execution thereof.

All HR policies were reviewed and three policies were amended and approved by the AA, namely the Remuneration Policy, the Leave Policy and the Recruitment Policy for implementation in the next financial year.

The HR department was, to a large extent, focused on the transactional dimensions of the business due to budgetary constraints. The unintended consequence thereof, has been the limited implementation of the Training and Development Plans and all Employee Wellness Programmes were put on hold.

The training and development of staff will be prioritised in the next financial year. To this effect, the PSETA has developed a training plan and budgeted accordingly for capacity building. The Workplace Skills Plan will be submitted to the ETDP SETA as per the regulations by the beginning of the next financial year.

In the new financial year, some of the positions that were placed on hold, will be activated and implemented in stages. The following posts will be prioritised for filling: SCM Manager, HR Manager, Strategic Support Manager and the ETQA Specialist positions.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel by cost programme

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

ProgrammeActivity/Objective	Total exp for the Entity	Personnel Exp	Personnel Exp as a % of Total Expenses	No. of Employees	Average Personnel Cost per Employee
	(R'000)	(R'000)	(R'000)		(R'000)
	2013/14	2013/14	2013/14	2013/14	2013/14
Skills Planning and Research	1,560	-	-	-	-
Learning Programmes	5,255	-	-	-	-
ETQA	1,790	-	-	-	-
Corporate Services	23,216	18, 631*	80.3%	52*	358*
Finance	3,504	-	-	-	-
Governance	2,689	-	-	-	-
Projects	5,521	-	-	-	-
Total	**43,535**	**18,631***	**80.3%**	**52***	**358***

Personnel cost by salary band

Level	Personnel Expenditure	% of Personnel Expenditure to Total Personnel Cost	No. of Employees	Average Personnel Cost per Employee
	(R'000)	(R'000)		(R'000)
	2013/14	2013/14	2013/14	2013/14
Top Management	4 132	22%	6	688.7
Senior Management	2 980	16%	5	596
Professional Qualified	5 037	27%	13	387.5
Skilled	3 646	20%	12	303.8
Semi-skilled	2 450	13%	13	188.5
Unskilled	419	2%	3	139.7
Total	**18,631**			

*Performance rewards**

*The performance rewards were paid in the current financial year based on the appraisals in the previous financial year (2012/2013).**

Level	Performance Rewards	Personnel Expenditure	% of Performance Rewards to Total Personnel Cost
	(R'000)	(R'000)	(R'000)
Top Management	130	4 132	3.2%
Senior Management	61	2 980	2.1%
Professional Qualified	137	5 037	2.7%
Skilled	87	3 646	2.4%
Semi-skilled	51	2 450	2.1%
Unskilled	14	419	3.3%
Total	**480**	**18,631**	**2.6%**

Training Costs

Programme Activity/ Objective	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost	No. of Employees	Average Training Cost per Employee
	(R'000)	(R'000)	(R'000)		(R'000)
Skills Planning and Research	-	-	-	-	-
Learning Programmes	-	-	-	-	-
ETQA	-	-	-	-	-
Corporate Services	18 631	12	0.06%	1	12
Finance	-	-	-	-	
Governance	-	-	-	-	-
Projects	-	-	-	-	-
Total	**18 631**	**12**	**0.06%**	**1**	**12**

Employment and vacancies (as at 31 March 2014)

**The list excluded staff additional to the post establishment and frozen posts*

Programme Activity/ Objective	2012/2013 No.of employees	2013/2014 Approved posts	2013/2014 No.of employees	2013/2014 Vacancies	% of vacancies	Comment
Skills Planning and Research	5	6	4	2	33.8%	1 frozen post is not included in the list
Learning Programmes	6	8	7	1	12.5%	2 frozen posts are not included in the list
ETQA	6	6	5	1	16.7%	3 frozen posts are not included in the list
Corporate Services	10	11	11	-	-	3 frozen posts are not included in the list
Finance	6	8	8	-	-	1 frozen post is not included in the list: SCM manager's post to be activated in the new financial year
Governance	4	7	7	-	-	2 frozen posts are not included in the list
Projects	3	4	4	-	-	2 frozen posts are not included in the list
Total	40	50	46	4	8%	14 frozen posts are not included in the list

The list excluded staff additional to the post establishment and frozen posts

As at the 31 March 2014, the four vacant positions were as follows: Manager: Skills Planning and Research; Manager: ETQA; Specialist: Skills Planning and Research; and Learning Programmes Specialist. By the end of the financial year, all four vacant positions were advertised and the Manager: ETQA and the Specialist Learning Programmes incumbent had accepted the offer of employment to start on the 1 April 2014. An internal candidate was appointed in the ETQA Manager's position.

Levels	2012/2013 No.of employees	2013/2014 Approved posts	2013/2014 No.of employees	2013/2014 Vacancies	% of vacancies	Comments
Top Management	4	4	4	-	-	-
Senior Management	5	6	4	2	33.3%	3 frozen posts are not included in the list
Professional Qualified	9	12	10	2	16.7%	3 frozen posts are not included in the list
Skilled	9	12	12	-	-	5 frozen posts are not included in the list
Semi-skilled	10	13	13	-	-	2 frozen posts are not included in the list
Unskilled	3	3	3	-	-	1 frozen post is not included in the list
Total	**40**	**50**	**46**	**4**	**8%**	14 frozen posts are not included in the list

*Employment changes**

*The list includes all staff movement including positions that were additional to the establishment but excluded the interns**

Salary Bands	Employment at the Beginning of Period	Appointments	Terminations	Employment at the End of the Period
Top Management	4	1	1	4
Senior Management	5	1	2	4
Professional Qualified	10	5	3	12
Skilled	10	4	2	12
Semi-skilled	9	5	1	13
Unskilled	3	-	-	3
Total	**44**	**15**	**8**	**50**

*Reasons for staff leaving**

*The list includes all staff movement including positions that were additional to the establishment but excluded the interns**

Reason	Number	% Total No.of EmployeesLeaving
Death	-	-
Resignation	7	87.5%
Dismissal	-	-
Retirement	-	-
Ill Health	-	-
Expiry of Contract	1	12.5%
Other	-	-
Total	**8**	**100%**

The staff who resigned, generally did so because of better financial prospects and better conditions of service in the receiving organisations. In particular, some accepted permanent positions as opposed to the fixed term employment that is offered by PSETA in accordance with the PSETA licence. PSETA has a three months turnaround time for filling vacant positions in the organisation.

Labour Relations: Misconduct and Disciplinary Action

Verbal Warning	2
Written Warning	2
Final Written Warning	3
Dismissal	0
Total	**7**

*Equity Targets and Employment Equity Status as at 31 March 2014**

*The list included all staff including positions that were additional to the establishment but excluded interns**

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	-	1	-	1	-	-
Senior Management	-	2	-	1	-	1	-	-
Professional Qualified	3	3	-	2	-	-	-	1
Skilled	4	4	-	1	-	1	-	-
Semi-skilled	4	4	-	-	-	1	-	-
Unskilled	1	1	-	1	-	-	-	-
Total	**13**	**15**	**-**	**6**	**-**	**4**	**-**	**1**

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	-	-	-	1	1	-	-
Senior Management	4	3	-	1	-	-	-	1
Professional Qualified	6	6	-	1	-	1	-	-
Skilled	8	8	-	1	-	1	-	1
Semi-skilled	9	9	-	-	-	-	-	1
Unskilled	2	2	-	1		-	-	-
Total	32	28	-	4	1	3	-	3

Level	Disabled Staff			
	MALE		FEMALE	
	Current	Target	Current	Target
Top Management	-	1	1	-
Senior Management	-	1	-	1
Professional qualified	-	-	-	1
Skilled	-	-	-	-
Semi-skilled	-	-	-	1
Unskilled	-	-	-	-
Total	**-**	**2**	**1**	**3**

PART E: FINANCIAL INFORMATION

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Public Service Sector Education and Training Authority set out on pages 98 to 146 which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets and statement of cash flows and 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 Board of Directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA), and for such internal control as the Accounting Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with 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 qualified audit opinion.

Basis for qualified opinion

Deferred income liability

6. I was unable to obtain sufficient appropriate audit evidence for the conditional grant expenditure and related deferred income liability balance of R4,617 million (2013: R6,125 million), as management did not maintain proper accounting records. I was unable to confirm the expenditure and deferred income liability by alternative means. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Qualified opinion

7. In my opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the PSETA as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA and the SDA.

Emphasis of matter

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

Restatement of corresponding figures

9. As disclosed in note19 to the annual financial statements, the corresponding figures for 31 March 2013 have been restated as a result of an error discovered during the year ended 31 March 2014 in the financial statements of the PSETA at, and for the year ended, 31 March 2013.

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 programmes 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 programmes presented in the annual performance report of the PSETA for the year ended 31 March 2014:

- Programme 1: Skills Planning and Research pages 29 to 31
- Programme 2: Learning Programmes pages 31 to 38
- Programme 3: ETQA 39 to 41
- Programme 5: Finance 45 to 48
- Programme 7: Projects 54 to 56

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 programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

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 1: Skills planning and research

Usefulness of reported performance information

16. The FMPPI requires the following:

- Indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of100% of the indicators were not well defined.
- A useful set of criteria for selecting performance targets is the "SMART" criteria. Specific: the nature and the required level of performance can be clearly identified. A total of 100% of targets did not have the nature and the required level of performance was not clearly identified.Time-bound: the time period or deadline for delivery is specified. A total of 50% of targets were not time bound in specifying a time period or deadline for delivery.

This was due to the fact that management was aware of the requirements of the FMPPI but did not apply the FMPPI when developing the APP.

Programme 2: Learning programmes

Usefulness of reported performance information

17. The FMPPI requires the following:

- Indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 43% of the indicators were not well defined.
- A useful set of criteria for selecting performance targets is the "SMART" criteria. Specific: the nature and the required level of performance can be clearly identified. A total of 38% of the targets did not have the nature and required level of performance was not clearly identified.

This was due to the fact that management was aware of the requirements of the FMPPI but did not apply the FMPPI when developing the APP.

Programme 3: ETQA

Usefulness of reported performance information

18. The FMPPI requires the following:

- Indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 38% of the indicators were not well defined.
- A useful set of criteria for selecting performance targets is the "SMART" criteria. Specific: the nature and the required level of performance can be clearly identified. A total of 63% of targets did not have the nature and required level of performance was not clearly identified.

This was due to the fact that management was aware of the requirements of the FMPPI but did not apply the FMPPI when developing the APP.

Programme 5: Finance

Usefulness of reported performance information

19. The FMPPI requires the following:

- ***Specific***: the nature and the required level of performance can be clearly identified. A total of 100% of targets did not have the nature and the required level of performance was not clearly identified.
- ***Time-bound:*** the time period or deadline for delivery is specified. A total of 25% of targets were not time bound in specifying a time period or deadline for delivery.
- ***Measurable:*** the required performance can be measured. The required performance could not be measured for a total of 75% of the targets.

This was due to the fact that management was aware of the requirements of the FMPPI but did not apply the FMPPI when developing the APP.

Programme 7: Projects

Usefulness of reported performance information

20. The FMPPI requires the following:

- ***Specific:*** the nature and the required level of performance can be clearly identified. A total of 67% of targets did not have the nature and the required level of performance was not clearly identified.
- ***Measurable***: the required performance can be measured. A total of 33% of the targets were not verifiable in that valid processes and systems that produce the information on actual performance did not exist.

This was due to the fact that management was aware of the requirements of the FMPPI but did not apply the FMPPI when developing the APP.

Additional matters

21. I draw attention to the following matters.

Achievement of planned targets

22. Refer to the annual performance report on pages to 29 and 56 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected programmes reported in paragraphs 16 to 20 of this report.

Adjustment of material misstatements

23. I identified material misstatements in the annual performance report submitted for auditing of the reported performance information for Programme 2: Learning Programmes. As management subsequently corrected the misstatements, I did not raise material findings on the reliability of the reported performance information.

Compliance with legislation

24. I performed procedures to obtain evidence that the PSETA 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, Performance and Annual Reports

25. The financial statements submitted for auditing were not prepared in all material respects in accordance with generally recognised accounting practice as required by section 51(1)(a)(b) of the PFMA. Material misstatements identified by the auditors were not adequately corrected, which resulted in the financial statements receiving a qualified opinion.

Procurement Management

26. Goods and services with a transaction value below R500,000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.

27. Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R500,000 were procured by means of inviting competitive bids as required by Treasury Regulations 16A6.1.

28. Contracts were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Treasury Regulations 16A9.1(d) and the Preferential Procurement Regulations.

29. Contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury Regulation 16A8.3.

Expenditure management

30. The Accounting Authority did not take reasonable steps to prevent irregular expenditure as required by section 51(1)(b)(ii) of the PFMA.

Internal control

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

Leadership

32. Leadership and oversight deficiencies resulted in a failure to ensure compliance with laws and regulations, as evidenced by the non-compliance with regulations relating to supply chain management and the misstatements identified regarding the financial statements and performance reporting.

Financial and performance management

33. Management did not implement proper review functions to ensure that the financial statements were prepared in accordance with the applicable financial reporting framework and that sufficient and reliable information was available to support financial reporting.

34. Management did not implement controls over the preparation of monthly reconciliations of the PSETA's business processes.

OTHER REPORTS

Investigations

35. As per a presidential proclamation in Government Gazette No. 35860, the Special Investigation Unit has been tasked to investigate matters relating to fraudulent activities that occurred in the 2005/2006 financial year as a result of the misappropriation of funds granted to the PSETA by the National Skills Fund for project-related expenses for the PSETA to carry out its mandate. The SIU has completed the investigation and is awaiting sign-off from the Presidency before issuing the final report.

Auditor General

Pretoria

31 July 2014

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

2. ANNUAL FINANCIAL STATEMENTS

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 Annual Financial Statements and related financial information included in this report. It is the responsibility of the members to ensure that the Annual Financial Statement fairly present the state of affairs of the entity as at the end of the financial year and the result of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2015 and is expected to conduct a further review as National Treasury/DPSA/DHET are finalising the full implementation of the Directive on utilisation of 1% of the training budgets by government departments. In light of these reviews, the Accounting Authority is confident that the entity will have access to sufficient resources.

The entity is dependent on the grant issued by the Department of Public Service and Administration for continued funding of its operations. The Annual Financial Statements are prepared on the basis that the entity is a going concern and that the National Treasury has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

The Annual Financial Statements which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 March 2014 and signed on its behalf by:

Mrs K. Mashigo
31 July 2014

	Note	Mar-14 R'000	Mar-13 R'000
ASSETS			
Current assets		28,014	20,759
Trade and other receivables from exchange transactions	2	**103**	465
Trade and other receivables from non-exchange transactions	3	**120**	-
Cash and cash equivalents	4	**27,791**	20,294
Non-current assets		917	888
Property, plant and equipment	5	**792**	835
Intangible assets	6	**125**	53
TOTAL ASSETS		**28,931**	**21,647**
LIABILITIES			
Current liabilities		15,556	19,365
Exchange transactions		4,166	1,286
Trade and other payables from exchange transactions	7	**4,128**	679
Operating lease liability		**38**	607
Non-exchange transactions		9,763	17,362
Grants and transfers payable	8	**2,497**	1,981
SARS Payable	9	**104**	92
Deferred Income Liability – NSF	10.2	**4,976**	12,289
Deferred Income Liability – CIP	11	**2,186**	3,000
Provisions from exchange transactions	12	**1,627**	**717**
TOTAL LIABILITIES		**15,556**	**19,365**
NET ASSETS		13,375	2,282
Funds and reserves			
Administration reserve		**917**	572
Discretionary reserve		**12,458**	1,710
NET ASSETS		**13,375**	**2,282**

	Note	Mar-14 R'000	Mar-13 R'000
REVENUE			
Revenue from non-exchange transactions		54,580	39,362
Skills Development Levy: Income	13.1	**22,825**	1,448
Skills Development Levy: penalties and interest	13.2	**43**	8
Transfers from other government entities – DPSA		**23,308**	22,295
NSF Projects realised income		**7,590**	15,611
CIP projects realised income		**814**	-
Revenue from exchange transactions		48	591
Investment income	14.1	**48**	6
Other Income	14.2	**-**	585
Total Revenue		**54,628**	**39,953**
EXPENSES			
Employer grants and project expenses	15	**6,374**	931
Administration expenses	16	**28,757**	26,022
NSF Projects expenses		**7,590**	15,611
CIP Project Expenses	11	**814**	-
Total Expenses		**43,535**	**42,564**
NET (DEFICIT)/SURPLUS FOR THE YEAR	**17**	**11,093**	**(2,611)**

Statement of changes in Net Assets

AS AT 31 MARCH 2014

	Notes	Admin-istration reserve R'000	Employer grant reserve R'000	Discre-tionary reserve R'000	Accu-mulated surplus R'000	Total R'000
Balance at 01 April 2013		755	-	5	-	760
Prior Year error						
SIU Accrual		(325)	-	-	-	(325)
Intangible		53	-	-	-	53
2012 Assets capitalised		129	-	-	-	129
Interest income reversal		(1)	-	-	-	(1)
NSF liability written back		(56)	-	-	-	(56)
Reallocation of project depreciation		22	-	-	-	22
Prior year project depreciation expense realised		-		5		5
Prior year performance bonus processed in the current year		(5)	-	-	-	(5)
Prior year project expenses processed in the current year		-	-	-	-	-
Reversal of prior year mandatory payable over provision				196		196
Error on the prior year Annual Financial Statements		-	-	(3)		(3)
Reduction of Prior year NSF liability				1,507		1,507
Balance as at 01 April 2013 restated		572	-	1,710	-	2,282
Surplus/(deficit) for the year		-	-	-	11,093	11,093
Allocation of unappropriated surplus for the year	17	(5,271)	(384)	16,748	(11,093)	-
Administration and employer grant reserves transferred to discretionary reserves		-	384	(384)	-	-
Excess admin reserve transferred to discretionary reserves		5,616	-	(5,616)	-	-
Balance at 31 March 2014		**917**	**-**	**12,458**	**-**	**13,375**

	Note	Mar-14 R'000	Mar-13 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating activities			
Cash receipts from stakeholders		**46,176**	**42,317**
Levies, interest and penalties received		**22,868**	1,490
Government grants and donor funding		**23,308**	22,295
Compulsory Induction Programme - receipt		**-**	3,000
Other cash receipts from stakeholders		**-**	15,532
Cash paid to stakeholders, suppliers and employees		**(38,189)**	**(36,226)**
Grants and project payments		**(6,374)**	(931)
CIP expenditure		**(814)**	-
Special projects		**(7,590)**	(15,611)
Compensation of employees		**(18,631)**	(15,606)
Payments to suppliers and other		**(4,780)**	(4,078)
Cash generated/(utilised) in operations	18	**7,987**	**6,091**
Interest received	14.1	**48**	6
SARS interest received/(paid)	13.2	**21**	(22)
Net cash outflow from operating activities		**8,056**	**6,075**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(385)**	(254)
Purchase of intangible asset	6	**(174)**	-
Net cash outflow from investing activities		**(559)**	**(254)**
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Net cash outflow from financing activities		**-**	**-**
Net increase in cash and cash equivalents		**7,497**	5,821
Cash and cash equivalents at the beginning of the year		**20,294**	14,473
Cash and cash equivalents at the end of the year	**4**	**27,791**	**20,294**

Statement of comparison of Budget and Actual Amounts *- 31 MARCH 2014*

	Approved budget R'000	Amount as per Statement of Financial performance R'000	Difference between actual and budget R'000	Material / significant
Revenue from non-exchange transactions	**28,227**	**54,580**	**(26,353)**	
Skills Development Levy: income	-	22,825	(22,825)	AV1 Material
Skills Development Levy: income, interest & penalties	-	43	(43)	
Transfers from other government entities	23,308	23,308	-	
NSF Projects realised income	4,919	7,590	(2,671)	
CIP Projects realised income	-	814	(814)	
Revenue from exchange transactions	**6**	**48**	**(42)**	
Investment income	6	48	(42)	
Other income	-	-	-	
Total revenue	**28,233**	**54,628**	**(26,395)**	
EXPENSES				
Employer grants and project expenses	-	(6,374)	(6,374)	AV2 Material
CIP expense	-	(814)	(814)	
Administration expenses	(28,233)	(28,757)	(524)	AV3 Material
NSF Projects expenses	-	(7,590)	(7,590)	
Total expenses	**(28,233)**	**(43,535)**	**(15,302)**	
Net (deficit)/ surplus per Statement of Financial Performance allocated	**-**	**11,093**	**(11,093)**	

Budget on Cash Basis

	Approved budget R'000	Amount as per Statement of Financial performance R'000	Difference between actual and budget R'000	Material / significant
Revenue from non-exchange transactions	**61,061**	**39,362**	**21,699**	
Skills Development Levy: income, interest & penalties	1,801	1,456	345	Material
Transfers from other government entities	22,086	22,295	(209)	Material
NSF Projects realised income	31,557	15,611	15,946	Material
Discretionary grants projects	5,617	-	5,617	
Revenue from exchange transactions	**17**	**591**	**(574)**	
Investment income	17	6	11	
Other income	-	585	(585)	Material
Total revenue	**61,078**	**39,953**	**21,125**	
EXPENSES				
Employer grants and project expenses	(7,147)	(931)	(6,216)	Material
Administration expenses	(25,158)	(26,022)	(864)	Material
NSF Projects expenses	(31,557)	(15,611)	(15,946)	Material
Total expenses	**(63,862)**	**(42,564)**	**(21,298)**	
Net (deficit)/surplus per Statement of Financial Performance allocated	**(2,784)**	**(2,611)**	**(173)**	

Explanation of material variances between actual results and approved budget

AV1: Skills development levy: income, interest and penalties

The increase in the Skills Development Levy income is as a result of the implementation of the DPSA Directive on utilisation of training budgets in the public service. The Directive compels all departments to pay over 30% of their 1% of total annual personnel budget for training and development of its personnel and potential employees. The one-third of the 30% is to be used for administration and two-third to fund discretionary projects.

Transfers from other government entities

The PSETA allocation is pre-determined over the MTEF period. Our letter of allocation indicated that the PSETA is expected to receive an amount of R 23,308 million over the 12 months period and the allocation is received on a quarterly basis. The entity has no control over the amount received as it is pre-determined by the National Treasury and ring-fenced in the DPSA vote.

NSF Projects realised income

This line item should be read in line with related NSF project expenses. The variance is attributed to NSF projects that started late due to due-diligence processes required to be conducted on service providers appointed for the projects. A change of scope request was submitted and approved by the NSF to have some of the projects run until 31 March 2016.

Discretionary grants projects

An amount of R6 million was approved by the Accounting Authority to be utilised in NSF scope of work under learnerships. The R6 million was subsequently transferred from the discretionary account to the NSF account in April 2013.

AV2: Employer grants and project expenses

	Note	Mar-14	Mar-13
		R'000	R'000
Direct project costs (Discretionary grants projects)		5,551	-
Mandatory Expenses		79	335
Bank charges		2	2
Skills Sector Plan		755	583
Consultancy & professional fees		(13)	13
		6,374	**933**

AV3: Administration expenses

Administration expenditure is higher than budgeted by 2%. Cost drivers of the Administration expenses:

Description	Approved budget	Actual spend	Amountabove budget
	R'000	R'000	R'000
Travel and Subsistence	314	508	(194)
Rental of Equipment	-	109	(109)
Consultancy & professional fees	84	2,953	(2,869)
IT Maintenance	-	368	(368)
Cost of employment*	16,375	18,631	(2,256)
	16,773	**22,569**	**(5,796)**

**There was an increase in the number of employees*

1. Accounting Policies

1.1 *Basis of preparation*

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

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

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

1.2 *Currency and level of rounding*

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

1.3 *Revenue recognition*

1.3.1 Revenue from non-exchange transaction

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

Where the resources transferred to PSETA are subject to the fulfilment of specific conditions, it recognises an asset and a corresponding liability. As and when the conditions are fulfilled, the liability is reduced and revenue is recognised.

The asset and the corresponding revenue are measured on the basis of fair value of the asset on initial recognition. Non-exchange revenue transactions include the receipt of levy income from Department of Higher Education Training, income from National Skills Funds and contributions received from government departments for which PSETA qualifies as the line function SETA.

1.3.1.1 Levy income

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

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

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

In terms of the DPSA circular, circular HRD 1 of 2013, all departments are required to set aside a minimum of 1% of the total department's annual personnel budget for training and development of its personnel and potential employees. 30% of this amount is appropriated to the SETA with which the department is affiliated. For departments belonging to more than one SETA, the 30% levy is apportioned proportionally. PSETA receives contributions in this regard from national and provincial departments and public entities. PSETA was not in a position to verify that the amounts received from the relevant departments were accurate.

1.3.1.2 Interest and Penalties

Interest and penalties received on the SDL are recognised on the accrual basis.

1.3.1.3 Funds allocated by the NSF for special projects

Funds transferred by the NSF are accounted for in the Financial Statements of the SETA as a liability until the related conditions are met. The liability is reduced by any project expenditure incurred and recognised as revenue. Property, plant and equipment acquired for National Skills Fund special projects are capitalised in the financial statements of the SETA, as the SETA has full control of such asset.

1.3.2 Revenue from exchange transactions

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

1.3.2.1 Investment income

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

1.4 Grants and project expenditure

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

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

Mandatory grants

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

Retrospective amendments by SARS

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

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

Discretionary grants and project expenditure

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

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

Project expenditure comprises:

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

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

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

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

1.5 Prepayments

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

1.6 Unauthorised expenditure

Unauthorised expenditure means the overspending of a vote or a main division within a vote; or expenditure that was not made in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

1.7 Irregular expenditure

Irregular expenditure comprises expenditure, other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with a requirement of any applicable legislation, including:

- The PFMA
- The State Tender Board Act, 1968 or any provincial legislation providing for the procurement procedures in that provincial government
- The Skills Development Act
- The Skills Development Levies Act

1.8 Fruitless and wasteful expenditure

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

All irregular, fruitless and wasteful expenditure is charged against the respective expenditure class in the reporting period in which it is incurred and disclosed in the notes to the financial statements of the reporting period that it has been identified.

1.9 Property, plant and equipment

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.

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

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

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

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

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

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

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

1.9.1 Key accounting judgments

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

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

The SETA reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period, refer to note number 4.

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

Computer Equipment	3 years
Fixtures and Fittings	10 years
Furniture and Equipment	6 years
Motor Vehicles	5 years
Intangible Assets	2 year

1.10 Intangible Assets

An asset is identified as an asset when it:

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

An intangible asset is recognised when:

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

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

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

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

- it is technically feasible to complete the asset so that it will be available for use or sale
- there is an intension to complete and use or sell it
- there is an ability to use or sell the asset

- it will generate probable future economic benefits or service potential
- there are available technical, financial and other resources to complete the development and to use or sell it
- the expenditure attributable to the asset during its development can be measured reliably

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

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

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

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

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

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

Intangible assets are derecognised:

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

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

1.11 Leasing

1.11.1 Operating leases

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

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

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

1.12 Provisions

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

1.12.1 Provision for employee entitlements

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

1.12.2 Other provisions

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

Termination benefits are recognised only when the payment is made.

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

1.13 Contingent Liabilities

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

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

1.14 Financial instruments

Recognition

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

1.14.1 Financial assets

1.14.1.1 Investments and loans

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

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

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

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

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

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

1.14.1.2 Loans and receivables

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

1.14.1.3 Effective interest rate method

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

1.14.1.4 Impairment and uncollectibility of financial assets

PSETA assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit.

The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Cash and cash equivalents are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

1.14.2 Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

1.14.2.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or is designated at FVTPL.

1.14.2.2 Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments, other than available-for-sale financial assets, are included in net profit or loss in the period in which it arises. Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognised in equity, until the investment is disposed of or is determined to be impaired, at which time the net profit or loss is included in the net profit or loss for the period.

All financial liabilities of the PSETA were classified as other financial liabilities.

1.14.2.3 Other financial liabilities

Other financial liabilities are initially measured at fair value net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

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

PSETA derecognises financial assets using trade date accounting.

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived

1.15 Reserves

Reserves are sub-classified in the statement of changes in net assets between the following:

- Administration reserve
- Employer grant reserve
- Discretionary reserve
- Accumulated surplus/deficit

Employer levy payments are set aside in terms of the SDA (1998) and the SETA Grant Regulations for the purpose of:

- Administration costs of the SETA	10.5% (2013: 10%)
- Employer grant fund levy	20.0% (2013: 50%)
- Discretionary grants and projects	49.5% (2013: 20%)
- Contributions to the National Skills Fund	20.0% (2013: 20%)

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

- Administration costs of the Seta	33.33% (2013: 0%)
- Discretionary grants and projects	66.67% (2013: 0%)

However, the PSETA has not been receiving the above levies due to National Treasury's circular suspending implementation of the DPSA HRD Directive number 1.

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

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

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

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

1.16 Related party transactions

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

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

1.17 Comparatives

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

2. Trade and other receivables from exchange transactions

	Note	Mar-14 R'000	Mar-13 R'000
Other receivables		103	-
Prepaid expense (Operating lease Rental)		-	465
Closing balance		**103**	**465**

3. Trade and other receivables from non-exchange transactions

	Note	Mar-14 R'000	Mar-13 R'000
Inter-seta receivable		**8**	-
Mandatory grants receivable		**3**	-
Levies receivable		**109**	-
Closing balance		**120**	**-**

4. Cash and Cash Equivalents

	Note	Mar-14 R'000	Mar-13 R'000
Administration Bank account		1,071	2,607
Levies bank account		24,303	7,801
NSF current account		1,727	1,051
NSF call account		688	8,833
Cash on hand		2	1
Cash and cash equivalents at end of year		**27,791**	**20,294**

Included in cash at bank is a current account with a balance of R1,727 million (2012/2013: R1,051,000) and a balance of R688,000 (2012/2013: R8,833 million) in the call account in respect of NSF funds received in advance. The funds were received from the National Skills Fund for the purpose of discretionary related projects. The funds may not be used for any purpose except for this programme.

The Skills Development Act Regulations states that the PSETA may, if not otherwise specified by the Public Finance Management Act, invest the moneys in accordance with the investment policy approved by the PSETA Accounting Authority.

Treasury Regulation 31.3 requires that, unless exempted by the National Treasury, the PSETA as a public entity that is listed in Schedule 3A of the Act must invest surplus funds with the Corporation for Public Deposits.

5. Property, plant and equipment

5.1 Property, plant and equipment

31 March 2014

	Cost/ Book value	Accumulated depreciation/ impairment	Carrying amount Mar-14
	R'000	**R'000**	**R'000**
Computer equipment	1,225	(605)	620
Office furniture and fittings	152	(43)	109
Office equipment	13	(2)	11
Motor Vehicle	80	(28)	52
Balance at 31 March 2014	**1,470**	**(678)**	**792**

Movement summary Mar-14

	Carrying amount Mar-13	Additions	Disposals	Depre-ciation charge	Accu-mulated Depreci-ation on Disposal Mar-14	Carrying amount Mar-14
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Computer equipment	629	371	(89)	(341)	50	620
Office furniture and fittings	134	5	(8)	(25)	3	109
Office Equipment	4	9	-	(2)	-	11
Motor Vehicle	68	-	-	(16)	-	52
Balance at 31 March 2014	**835**	**385**	**(97)**	**(384)**	**53**	**792**

5.2 Property, plant and Equipment

31 March 2013

	Cost/ Book value	Accumulated depreciation/ impairment	Carrying amount Mar-13
	R'000	R'000	R'000
Computer equipment	943	(314)	629
Office furniture and fittings	155	(21)	134
Office equipment	4	-	4
Motor Vehicle	80	(12)	68
Balance at 31 March 13	**1,182**	**(347)**	**835**

Movement summary Mar-2013

	Carrying amount Mar-12	Additions	Donated Assets	Disposals	Depre-ciation charge	Accu-mulated Depreci-ation on Disposal Mar-14	Carrying amount Mar-14
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Computer equipment	144	250	515	(22)	(264)	6	629
Office furniture and fittings	9	-	145	-	(20)	-	134
Office Equipment	-	4	-	-	-	-	4
Motor Vehicle	-	-	80	-	(12)	-	68
Balance at 31 Mar 13	**153**	**254**	**740**	**(22)**	**(296)**	**6**	**835**

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

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

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

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

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

6. Intangible Assets

31 March 2014

	Cost/ Book value R'000	Accumulated amortisation/ impairment R'000	Carrying amount Mar -14 R'000
Computer Software	259	(134)	125
Balance at 31 March 2014	**259**	**(134)**	**125**

Movement summary Mar 2014

	Carrying Amount Mar-13 R'000	Additions R'000	Donated Assets R'000	Amortisa-tion R'000	Impair-ment R'000	Carrying Amount Mar-14 R'000
Computer Software	53	174	-	(94)	(8)	125
Balance at 31 March 2014	**53**	**174**	**-**	**(94)**	**(8)**	**125**

31 March 2013

	Cost/ Book value R'000	Accumulated amortisation/ impairment R'000	Carrying amount Mar -14 R'000
Computer Software	85	(32)	53
Balance at 31 March 2013	**85**	**(32)**	**53**

Movement summary Mar 2013

	Carrying Amount Mar-12 R'000	Additions R'000	Donated Assets R'000	Amortisa-tion R'000	Impair-ment R'000	Carrying Amount Mar-13 R'000
Computer Software	-	-	85	(32)	-	53
Balance at 31 March 2013	**-**	**-**	**85**	**(32)**	**-**	**53**

7. Trade and other payables from exchange transactions

	Mar - 14 R'000	Mar - 13 R'000
Trade and other payables	**1,699**	349
Trade accruals - administration	**2,429**	330
	4,128	**679**

8. Grants and transfers payable

	Note	Mar-14 R'000	Mar-13 R'000
Skills development grants payable - mandatory		10	20
Skills development grants payable - discretionary		2	2
Project Payables		6	-
NSF creditors		-	1,950
Levies received from national departments		1,920	-
Inter-seta payables:		12	9
Administration-		1	1
Mandatory-		8	6
Discretionary-		3	2
Accruals - Discretionary		547	-
		2,497	**1,981**

9. SARS payable

	Admin-istration payable	Mandatory grants pay-able	Discretion-ary grants payable	Total Mar-14 R'000	Total Mar-13 R'000
Open carrying amount	12	57	23	**92**	68
Adjustment-Over Provision	(1)	(3)	(7)	**(11)**	-
Change in estimate	3	15	5	**23**	24
Closing carrying amount	**14**	**69**	**21**	**104**	92

Skill Development Circular 9/2013 is not yet applicable to PSETA, due to PSETA being a newly established SETA within the 5-year period stipulated in the circular.

10. Deferred Income Liability

10.1 National Skills Fund - Special Projects post (2010)

Deferred Income Liability-NSF

	Note	Mar-14 R'000	Mar-13 R'000
Opening balance		**7,643**	4,411
Draw downs and interest received		**305**	18,843
NSF funding received		**-**	18,690
Interest received		**305**	153
Utilised and recognised as revenue-conditions met		**(7,590)**	**(15,583)**
Salaries		**-**	(725)
Projects costs		**(7,590)**	(14,858)
Closing balance (ref note 10.2)		**358**	**7,671**

NSF project expense detail

	Note	Mar-14 R'000	Mar-13 R'000
Direct project costs		5,219	12,865
General Expenses-Capex		403	0
Other Project expenses		287	1,105
Project Audits		439	0
Travel & Accommodation		1,242	888
Cost of employment		-	725
		7,590	**15,583**

In August 2011, the PSETA - after application - received an approval from NSF of R35,8 million to implement discretionary related projects. This amount is including R3,8 million for project management. Drawdown of R5,637 million (2010/2011: RNIL) was received from the National Skills Fund during the 2011/2012 financial year. At the end of the period year (30 September 2012), R2,788 million (2011/2012: R4,412 million) continues to be accounted for as a liability until conditions for recognition as revenue have been met. The liability is reduced to R358,000 as at 31 March 2014.

10.2 National skills Fund- special projects (pre 2010)

	Note	Mar-14 R'000	Mar-13 R'000
Opening balance		4,618	4,618
Unutilised	10.1	358	7,671
TotalClosing Balance NSF Deferred Income Liability	10.1 & 10.2	**4,976**	**12,289**

The above liability relates to funds due to the National Skills Fund (NSF) in relation to an initial grant received from them in 2004/2005 worth R97 million, which PSETA was meant to spend on learnership related activities in line with agreed upon activities in the contract. The opening liability mentioned above was confirmed with the NSF at end of 2010/2011 financial year. The due amount was determined by the NSF as the actual funds transferred to PSETA (R97,2 million) less the amount of expenditure (R92,6 million) certified by NSF as being spent in terms of the funding agreement.

11. Deferred Income Liability Compulsory Induction Programme (CIP)

	Note	Mar-14 R'000	Mar-13 R'000
Opening balance		3,000	-
Funding received		-	3,000
Amount used		(814)	-
Closing balance		**2,186**	**3,000**

12. Provisions

	Leave Pay	Perfor-mance Bonus	Workmen's Compen-sation	Total	Total
Note				Mar-14 R'000	Mar-13 R'000
Open carrying amount	717	-	-	**717**	363
Amounts utilised	(669)	-	-	**(669)**	(143)
Amounts raised	1,052	488	39	**1,579**	497
Closing carrying amount	**1,100**	**488**	**39**	**1,627**	**717**

13. Revenue from non-exchange transactions

	Note	Mar-14 R'000	Mar-13 R'000
13.1 Skills Development Levy income:			
Administration			
Levies received from SARS		176	180
InterSETA transfers in		1	-
InterSETA transfers out		(3)	1
		174	**181**
Employer grants			
Levies received from SARS		448	900
InterSETA transfers in		5	-
InterSETA transfers out		(15)	5
		438	**905**
Discretionary grants			
Levies received from SARS		732	360
InterSETA transfers in		2	-
InterSETA transfers out		(7)	2
		727	**362**
Levies from Departments			
Administration		7,161	-
Discretionary		14,325	-
		21,486	
		22,825	**1,448**

13.2 Skills Development Levy Income: Interests and penalties:

	Note	Mar-14 R'000	Mar-13 R'000
Skills Development Levy Income:			
Penalties		22	5
Interest		21	3
		43	**8**

14. Revenue from exchange transactions

	Note	Mar-14 R'000	Mar-13 R'000
14.1 Investment income			
Administration bank account		4	6
Levies bank account		44	0
		48	**6**
14.2 Other income			
Insurance recoveries		-	11
Donations (non-exchange revenue)		-	574
		-	**585**

15. Employer grants and project expenses

	Note	Mar-14 R'000	Mar-13 R'000
Mandatory grants		79	335
Consultancy and professional fees - discretionary		(13)	-
Bank Charges - discretionary		2	-
Discretionary grants		6,306	596
		6,374	**931**

16. Administration Expenses

	Note	Mar-14 R'000	Mar-13 R'000
Depreciation		335	258
Amortisation charge		95	-
Impairment loss		8	-
Gain/(loss) on disposal of property, plant and equipment		46	17
Operating lease rentals		2,209	5,028
Other interest		-	23
Maintenance, repairs and running costs		409	119
Property and buildings		18	67
IT Support		368	-
Machinery and equipment		-	52
Motor-vehicles		23	-
Advertising, marketing and promotions, communication		764	640
Remuneration to members of the audit committee		220	81
Bank charges		18	22
Consultancy and service provider fees		2,953	461
Legal fees		226	156
Cost of employment	16.1	18,631	15,960
Travel and subsistence		508	638
Staff training and development		42	1
Remuneration to members of the board		112	169
Internal auditor's remuneration		124	211
External auditor's remuneration		628	1,192
Printing and Stationery		168	119
Conference costs		7	14
Insurance		53	69
Rates & taxes, water & lights and security		691	561
Sundry items		510	282
		28,757	**26,022**

16.1 Cost of employment

		Mar-14	Mar-13
Salaries and wages		**18,474**	**15,847**
Basic Salaries		13,476	11,863
Other non-pensionable allowance		-	3
PAYE		4,003	3,524
Temporary Staff		6	2
Incentive (Bonus)		488	101
Leave payments		383	354
Workmen's Compensation		118	-
Social contributions		-	-
UIF		157	113
	16	**18,631**	**15,960**

17. Allocation of Net (Deficit) / Surplus for the year to reserves

31 March 2014	Total per Statement of financial performance R'000	Administra-tion R'000	Mandatory R'000	Discretion-ary grants R'000	Special projects R'000
Total revenue	**54,628**	**23,486**	**438**	**22,300**	**8,404**
Skills development levy: income					
Admin levy income (10.5%)	174	174	-	-	-
Grant levy income (20%) Mand	438	-	438	-	-
Grant levy income (49.5%) Discr	727	-	-	727	-
Levies from provincial departments	21,486	-	-	21,486	-
Skills Development Levy: penalties and interest	43	-	-	43	-
Transfers from other government entities	23,308	23,308	-	-	-
NSF Realised Income	7,590				7,590
Investment income	48	4		44	
CIP Realise Income	814				814
Total expenses	**(43,535)**	**(28,757)**	**(822)**	**(5,552)**	**(8,404)**
Administration expenses	(28,757)	(28,757)		-	-
NSF Projects expenses	(7,590)	-	-	-	(7,590)
CIP expenses	(814)	-	-		(814)
Employer grants and project expenses	(6,374)	-	(822)	(5,552)	-
Net surplus/(deficit) per Statement of financial performance allocated	**11,093**	**(5,271)**	**(384)**	**16,748**	**-**

31 March 2013	Total per Statement of financial performance R'000	Administration R'000	Mandatory R'000	Discretionary grants R'000	Special projects R'000
Total revenue	**39,953**	**23,067**	**905**	**370**	**15,611**
Skills development levy: income					
Admin levy income (10%)	181	181	-	-	-
Grant levy income (50%) Mand	905	-	905	-	-
Grant levy income (20%) Discr	362	-	-	362	-
Skills Development Levy: penalties and interest	8	-	-	8	-
Transfers from other government entities	22,295	22 295	-	-	-
NSF Realised Income	15,611	-	-	-	15,611
Investment income	6	6	-	-	-
Other income	585	585	-	-	-
Total expenses	**(42,564)**	**(26,022)**	**(335)**	**(596)**	**(15,611)**
Administration expenses	(26,022)	(26,022)	-	-	-
NSF Projects expenses	(15,611)	-	-	-	(15,611)
Employer grants and project expenses(Mand)	(931)	-	(335)	(596)	-
Net surplus per statement of financial performance allocated	**(2,611)**	**(2,955)**	**570**	**(226)**	**-**

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

	Note	Mar-14 R'000	Mar-13 R'000
Net surplus as per statement of financial performance		**11,093**	(2,611)
Adjusted for non-cash items:			
Depreciation		**382**	259
Amortisation		**94**	-
Impairment of the software		**8**	-
(Gains)/loss on disposal of property, plant and equipment		**46**	6
Donated Assets		**-**	(574)
Increase in provisions		**910**	354
Adjusted for items separately disclosed			
Investment income	14.1	**(48)**	(6)
Finance income	13.2	**(21)**	22
Adjusted for working capital changes:			
Decrease/(increase) in receivables		**242**	149
Increase/(decrease) in payables		**(4,150)**	8,492
Decrease/(increase) in operating lease liability		**(569)**	
Cash generated (utilised) in operations		**7,987**	**6,091**

19. Prior error restatements

19.1 Correction of an error – SIU Accrual

In the 2013 financial year, PSETA omitted to raise an accrual relating to an investigation by the Special Investigation Unit. The omission resulted in a prior period error as the liabilities and administration expenses were understated. PSETA corrected the error retrospectively by adjusting the opening administration reserves.

The effect of error on the current and prior period is shown below.

The effect of error on the prior period are disclosed below:	**2012/2013 R'000**
Statement of Financial Position	**(325)**
Liabilities - Administration Accruals	(325)
Statement of Financial Performance	**325**
Administration Expenses - Consultancy and service provider fees	325

19.2 Correction of an error – Intangible Asset

In the 2013 financial year, PSETA did not capitalise the donated computer software from DPSA received July 2012. The omission resulted in the 2012/2013 assets and donation received figures being understated by the amounts below. To comply with GRAP 102, PSETA has corrected this error in the current financial statements through the administration reserves account.

The effect of error on the current and prior period is shown below.

The effect of error on the current and prior period are disclosed below:	**2012/2013**
	R'000
Statement of Financial Position	**53**
Asset - Intangible Assets	85
Intangible Accumulated depreciation	(32)
Opening Reserves	**(53)**
Administration Reserves	(85)
Administration Reserves	32

19.3 Correction of an error – Asset Capitalised

In the 2013 financial year, RSETA did not capitalise the computer equipment and furniture and fittings from DPSA received July 2012. The omission resulted in the 2012/2013 assets and donation received figures being understated by the amounts below. To comply with GRAP 17, PSETA has corrected this error in the current financial statements through the administration reserves account.

The effect of error on the current and prior period is shown below.

The effect of error on the current and prior period are disclosed below:	**2012/2013**
	R'000
Statement of Financial Position	**76**
Non-current Assets	**129**
Asset - Furniture and Fittings	99
Asset - Computer Equipment	67
Accumulated depreciation - Furniture and Fittings	(12)
Accumulated depreciation - Computer Equipment	(25)
Opening Reserves	**(53)**
Reserves - Administration Reserve	(56)
Reserves - Administration reserve	3
Opening Reserves	**(76)**
Reserves - Administration Reserve	(110)
Reserves - Administration Reserve	34

19.4 Correction of an error – Interest income reversal

In the 2011/2012 financial year, PSETA omitted to reverse interest receivable raised in the 2010/2011 financial year. The omission resulted in the receivables and investment income overstated by the numbers stated below. The correction of an error is applied retrospectively through adjusting the administration reserves.

The effect of change on the current and prior period is shown below.

The effect of error on the current and prior period are disclosed below:	**2011/2012 R'000**
Statement of Financial Position	**(1)**
Trade and other receivables from exchange transactions	(1)
Opening Reserves	**1**
Reserves - Administration Reserves	1

19.5 NSF liability written back

In the 2012/2013 financial year, PSETA erroneously reduced the NSF liability although the full income had not been realised through expense. This error resulted in understatement of liabilities and overstatement of expenses. The correction of an error is applied retrospectively as per below.

The effect of change on the current and prior period is shown below.

The effect of error on the current and prior period are disclosed below:	**2012/2013 R'000**
Statement of Financial Position	**(56)**
Liabilities - Deferred Income Liability	(56)
Opening Reserves	**56**
Administration Reserves	56

19.6 Prior year project depreciation expense realised

In the 2012/2013 financial year, PSETA omitted to realise the income relating to project expense. This error resulted in understatement of income and overstatement of liabilities. The correction of an error is applied retrospectively as per below.

The effect of change on the current and prior period is shown below.

The effect of error on the current and prior period are disclosed below:	**2012/2013 R'000**
Statement of Financial Position	**(22)**
Liabilities - Deferred Income Liability	(22)
Opening Reserves	**22**
Reserves - Administration Reserves	22

19.7 Prior year performance bonus processed in the current year period

In the 2012/2013 financial year, PSETA omitted to accrue for a performance for one of its employees. The payment was made in the current period and the expense erroneously processed in the current period. The omission resulted in understatement of liabilities as well as overstatement of the administration expenses. The correction of an error is applied retrospectively as per below.

The effect of change on the current and prior period is shown below.

The effect of error on the current and prior period are disclosed below:	**2012/2013 R'000**
Statement of Financial Position	**(5)**
Liabilities - Accruals	(5)
Opening Reserves	**5**
Reserves - Administration Reserves	5

19.8 Prior year project depreciation expense realised

In the 2012/2013 financial year, PSETA erroneously processed the depreciation of project related assets to the administration expenses instead of NSF project expenses. This resulted in the administration expenses overstated while project expenses were understated. The correction of an error is applied retrospectively as per below.

The effect of change on the current and prior period is shown below.

The effect of error on the current and prior period are disclosed below:	2012/2013 R'000
Statement of Financial Position	**5**
Liabilities - Deferred Income Liability	5
Opening reserves	**(5)**
Reserves - Discretionary reserves	(5)

19.9 Prior year mandatory over provision

In the 2012/2013 financial year, PSETA over provided for mandatory expenses. The over provision resulted in overstatement of liabilities as well as the project expenses. The correction of an error is applied retrospectively as per below.

The effect of change on the current and prior period is shown below.

The effect of error on the current and prior period are disclosed below:	2012/2013 R'000
Statement of Financial Position	**(196)**
Liabilities - Grants and transfers payable	(196)
Opening reserves	**196**
Reserves - Discretionary reserves	196

19.10 Prior year NSF liability

NSF expenditure of R1,5 million relating to prior years has been processed in the current year through the discretionary reserves account to realise the respective income.

The correction of an error is applied retrospectively as per below.

The effect of change on the current and prior period is shown below.

The effect of error on the current and prior period are disclosed below:	**2012/2013 R'000**
Statement of Financial Position	**(1,507)**
Liabilities - Deferred income liability	(1,507)
Opening reserves	**1,507**
Reserves - Discretionary reserves	1,507

19.11 Prior Irregular expenditure

In 2012/2013 financial year, PSETA erroneously omitted to disclosure some of its Irregular expenditure. This resulted in the Irregular expenditure being understated by R613,000.

	Mar-13 R'000 Restated	**Mar-13 R'000 As prev. reported**
Opening balance	6,160	6,160
Irregular expenditure - current year	6,322	5,709
Lease building (Contravention of TR16A.6.4)	5,844	5,380
Procurement (Contravention of TR16A.6.4)	249	100
Board Fees	18	18
Internal Auditors	211	211
Less: Amount condoned	(5,480)	(5,480)
Adjustment to the opening balance	-	-
Irregular expenditure awaiting condonance	**7,002**	**6,389**
Analysis of expenditure awaiting condonance per age classification		
Current Year	842	229
Prior Year	6,160	6,160
	7,002	**6,389**

20. Contingent liabilities

To the best of management's knowledge, PSETA is not involved in any potential contingent liability which may put financial strains on the organisation. During the 2012/2013 financial year, PSETA had a contingent liability relating to additional services rendered by Boss Office Project without authorisation from PSETA. The amount in dispute (R49,000) is due for payment in May 2014.

21. Commitments

21.1 Discretionary Projects

Projects	Opening balance 2012/2013 R'000	Adjustment to opening balance R'000	New Projects Approved R'000	Utilised R'000	Closing balance 2013/2014 R'000
NSF-FUNDED	**17,467**		**12,701**	**(14,247)**	**15,921**
Rural Youth Government Learnership	336	-	-	(225)	111
Assessor and moderator	1,101	-	-	(247)	854
Appointment of service provider to develop guides for SDF and training	141	-	-	-	141
Appointment of service provider	3,399	-	-	(680)	2,719
Apprenticeship	2,440	-	1,974	(2,961)	1, 453
Business Case Analysis	296	-	-	(296)	-
Internship	1,840	-	-	(704)	1,136
Rural Youth Development - Limpopo	288	-	-	(183)	105
Rural Youth Development - KZN	36	-	-	(188)	(152)
SDF Training	461	-	-	(461)	-
SSP Update	85	-	196	(196)	85
Strategic Planning	70	-	-	(35)	35
PSETA Contribution - Learnerships	6,000	-	-	(6,000)	-
Mentoring	974	-	433	(468)	939

Projects	Opening balance 2012/2013 R'000	Adjustment to opening balance R'000	New Projects Approved R'000	Utilised R'000	Closing balance 2013/2014 R'000
Capacity Building (Atte, Vutlhari & Faranani)	-	-	2,406	(616)	1,790
Learnerships (Umfolozi & Vembe)	-	-	458	(179)	279
Work Integrated Learning (GCIS)	-	-	360	(60)	300
BEPE Developments Eastern Cape	-	-	600	-	600
PARI	-	-	900	-	900
King Sabata Dalindyebo FET (EC Justice Dept)	-	-	144	-	144
Talent Emporium Learners	-	-	120	(120)	-
Talent Emporium Learners	-	-	120	(120)	-
Vhembe FET College Learners	-	-	720	-	720
Umfolozi FET College Learners	-	-	720	-	720
PSETA WIL Learners	-	-	84	(84)	-
PSETA Intern	-	-	48	(24)	24
PSETA Intern	-	-	120	(72)	48
PSETA Interns Learners (ETQA)	-	-	96	(16)	80
Talent Emporium Learners	-	-	456	(152)	304
Talent Emporium Learner	-	-	480	(160)	320
EC Dept of transport	-	-	2,158	-	2,158
EC Dept Justice	-	-	108	-	108
Tshwane South College	-	-			
DISCRETIONARY FUNDED	**3,000**	**-**	**-**	**(814)**	**2,186**
Compulsory Induction Programme	3,000	-	-	(814)	2,186
FUNDED BY ADMINISTRATION	**185**	**-**	**-**	**(185)**	**-**
Pastel procurement Module	**185**	**-**	**-**	**(185)**	**-**
TOTAL COMMITMENTS	**20,652**	**-**	**12,701**	**(15,246)**	**18,107**

21.2 Operating Lease Commitment

	Mar-14 R'000	Mar-13 R'000
Total of future minimum lease payments under non-cancellable leases:		
Not later than one year	**2,166**	**5,298**
Later than one year and not later than five years	**2,987**	**7,179**
	5,153	**12,477**

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

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

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

22.1 Material losses through criminal conduct

To the best of our knowledge, no material losses through criminal conduct, or irregular, fruitless and wasteful expenditure were incurred during the 31 March 2014, except as indicated under the relevant heading below.

22.2 Irregular expenditure

	Mar-14 R'000	Mar-13 R'000
Opening balance	7,002	6,160
Irregular expenditure – current year	3,701	6,322
Lease building (Contravention of TR16A.6.4)	1,527	5,844
Procurement (Contravention of TR16A.6.4)	2,004	249
Board Fees	-	18
Internal Auditors	170	211
Less: Amount condoned	-	(5,480)
Adjustment to the opening balance	-	-
Irregular expenditure awaiting condonance	**10,703**	**7,002**
Analysis of expenditure awaiting condonance per age classification		
Current Year	3,701	842
Prior Year	7,002	6,160
	10,703	**7,002**

Prior year figures have been adjusted as follows:

Lease building (Contravention of TR16A.6.4) changed from R5,380 to R5,844 as one month of the previous year's rental was not submitted for condonement.

Procurement (Contravention of TR16A.6.4) changed from R100 to R249 due to expenses not declared as irregular expenditure in the prior year.

Irregular expenditure relating to current year

Lease Building

In April 2010, the previous PSETA Accounting Authority entered into a R5,380 million per annum building lease agreement (TR 16A.6.4 contravention) without following SCM processes. The DPSA recorded the amount as being irregular expenditure during the 2010/2011 financial year. The matter has been referred to the Special Investigation Unit (SIU) for further investigation. The Accounting Authority has condoned this irregular expenditure and awaits the outcome of the SIU investigation.

Irregular expenditure relating to prior year – opening balance

The irregular expenditure for prior year relates to the R6,1 million of unsupported transactions for NSF projects for the period 2005/2006. The supporting documents to the amount of R5,36 were traced through the SIU investigation and these have been submitted to the auditors to nullify the outstanding liability. However, documentation to the value of R745,000 is still outstanding and PSETA is engaging with both the AG and the NSF to resolve this matter.

22.3 Fruitless and wasteful expenditure

	Mar-14 R'000	Mar-13 R'000
Opening balance	19	-
Current	-	77
Condoned	-	(30)
Recovered	-	(28)
Closing balance	**19**	**19**

The condonation was on the basis of the fact that these fruitless and wasteful expenditures occurred in the course of operational activities of PSETA and were justified to the satisfaction of the Board of PSETA. Hence no disciplinary actions were taken against relevant personnel.

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

23. Financial instruments

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

	Floating rate		Fixed Rate			Non-interest bearing		
	Amount	Effective interest rate	Amount	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in years	Amount	Weighted average period for which until maturity in years	TOTAL
	R'000		R'000			R'000		R'000
31 March 2014								
Assets								
Cash	27,789	0.22%	-	-	-	2	-	27,791
Accounts receivable	-	-	-	-	-	223	1 year	223
Total financial assets	***27,789***	***-***	***-***	***-***	***-***	***225***	***-***	***28,014***
Liabilities								
Accounts payable	-	-	-	-	-	(4,166)	1,3 years	(4,166)
Total financial liabilities	***-***	***-***	***-***	***-***	***-***	***(4,166)***	***-***	***(4,166)***
	27,789	**-**	**-**	**-**	**-**	**(3,941)**		**23,848**
31 March 2013								
Assets								
Cash	20,293	8.7%	-	-	-	1	-	20,294
Accounts receivable	-	-	-	-	-	465	1 year	465
Total financial assets	***20,293***	***8.7%***				***466***		***20,759***
Liabilities								
Accounts payable	-	-	-	-	-	(1,286)	0.8 years	(1,286)
Total financial liabilities	***-***	***-***	***-***	***-***	***-***	***(1,286)***	***-***	***(1,286)***
	20,293	**-**	**-**	**-**	**-**	**(820)**	**-**	**(19,473)**

Credit risk

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

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

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

Cash & cash equivalents

	2013/14		2012/13	
	Gross	Impairment	Gross	Impairment
Not past due	27,791	-	20,243	-
Past due 0 - 30 days	-	-	-	-
Past due 31 - 120 days	-	-	-	-
Past due 1 year	-	-	-	-

Liquidity risk

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

	2013/14					
	Carrying amount	Contrac-tual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
Trade and other payables from exchange transactions	(4,128)	(4,128)	(4,128)	-	-	-

	2012/13					
	Carrying amount	Contrac-tual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
Trade and other payables from exchange transactions	(679)	(679)	(679)	-	-	-

Market risk

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

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

Cash and cash equivalents

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

Accounts receivable

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

Investments

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

Borrowings

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

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

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

Accounts payable

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

24. Related party transactions

24.1 Accounting Authority and Audit Committee Members

Name	Remuneration	Other Allowance	Other Reimbursement	Total
Ms. K. Mashigo Chairperson of the Accounting Authority	99,060	-	11,202	110,262
Mr. Maduna Member of the Accounting Authority	-	-	213	213
Mr. T. Mokheranyana Alternate member of the Accounting Authority	-	-	1,410	1,410

24.2 Audit Committee Members

2013/2014			
Name	**Remuneration**	**Other Reimbursement**	**Total**
Ms. P. Mzizi Audit Committee Chairperson	132,000	4,008	136,008
Ms. A. Badimo Audit Committee Member	24,000	2,416	26,416
Mr. P. Mukheli Audit Committee Member	44,000	13,576	57,576

24.3 Key Management Personnel

The key management personnel were paid as follows:

Name	Position	Engagement Date	Salary	Performance Bonus	Other Allowances	Total
Mrs. S. Huluman	Chief Executive Officer	1-Aug-10 - current	1,133,498	50,972	18,000	1,202,470
Mr. R. Mhlanga	Chief Financial Officer	2-Aug-12 - 26 Jun 13	219,371	-	2,250	221,621
Ms. M.E Ntsowe	Chief Financial Officer	1-Jan-14 - current	220,121		1,500	221,621
Ms. L. Ximiya	Chief Operations Officer	1-Apr-11 - current	877,486	39,459	12,000	928,945
Mr. J. Jiyane	Corporate Services Executive	1-Apr-11 - current	877,486	39,459	9,000	925,945
Ms. E. Rampola	Chief Audit Executive	1-Jul-13 - current	506,094	-	-	506,094
Total			**3,834,056**	**129,890**	**42,750**	**4,006,696**

24.4 Transactions with other SETAs

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

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

	Mar – 14		Mar - 13	
	Amount receivable/ (payable) R'000	Transfers in/ (out) during the year R'000	Amount receivable/ (payable) R'000	Transfers in/ (out) during the year R'000
Payables	**(12)**		**(9)**	**-**
Fasset	(4)	-	-	-
W&R Seta	(3)	-	-	-
Services Seta	(4)	-	-	-
HWSETA	(1)			
Other SETAs – reporting to same Executive	-	-	(9)	-
Total	**(12)**		**(9)**	
Receivables	**7**	**-**	**-**	**-**
Services Seta	**7**	-	**-**	**-**
Total	7	-	-	-

Transactions with employer companies represented at the PSETA board

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

The PSETA does not receive levies from its constituent government department, hence no grants transactions between the government departments and the PSETA. Therefore, no related party transactions that occurred with those constituent government departments were represented in the Board.

Transactions with other national public entities

	Amounts Received R'000	Amount Paid R'000	Amount Payable R'000	Amount Receivable R'000
2013/2014				
National Skills Fund	-	(7,590)	-	-
DPSA	23,308	-	-	-
Total	**23,308**	**(7,590)**	**-**	**-**
2012/2013				
National Skills Fund	18,790	(15,583)	14,856	-
SITA	-	(12)	-	-
Total	**18,790**	**(15,595)**	**14,856**	**-**

25. Donations received

The donation received by the PSETA relates to furniture donated by the DPSA and CHIETA which are now brought into the assets register and the books of the PSETA.

26. Events after reporting date

The PSETA entered into a new lease contract as at 1 January 2014. The landlord provided a tenant incentive of R338,000 for leasehold improvements. The entity began office partitioning in April 2014. The tenant incentive is due to be forfeited should PSETA fail to utilise it by end of June 2014. Operating lease incentives are to be recognised as an integral part of the net consideration agreed upon for the use of the leased asset. The consideration of the incentive above will take effect in the 2014/2015 financial year as utilisation thereof occurred during the current financial year. Leasehold improvements are recognised in the annual financial statements as assets depreciable over the lease term.

27. New Standards and Interpretations

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

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact
GRAP 20: Related parties	1 April 2014	This standard prescribes the disclosure of information relevant to draw attention to the possibility that the entity's financial position and surplus/ deficit may have been affected by the existence of related parties. It is not expected that this standard will significantly impact future disclosures.
Grap 18: Segment Reporting	1 April 2016	No significant impact on future disclosures
Grap108: Statutory receivables	1 April 2016	No significant impact on future disclosures

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2014 or later periods

Grap 105: Transfers of functions between entities under common control	1 April 2014	No significant impact on future disclosures
Grap 106: Transfers of functions between entities not under common control	1 April 2014	No significant impact on future disclosures
Grap 107: Mergers	1 April 2014	No significant impact on future disclosures
Grap 32: Service concession arrangements grantor	1 April 2016	No significant impact on future disclosures

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