



## ANNUAL REPORT 2017/18



*CHIETA: The catalyst for enhanced skills,  
economic growth and employability*



higher education  
& training

Department:  
Higher Education and Training  
REPUBLIC OF SOUTH AFRICA

#### **Vision**

World-class education and training for the Chemical Sector.

#### **Mission**

CHIETA contributes to sustainable development through facilitating the provision of skills for growth in the Chemical Sector.



**Ms Grace Naledi Mandisa Pandor**  
Minister of Higher Education and Training

*"We are a diverse multifaceted population  
that requires diverse responses to problems."*

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PART A  
GENERAL  
INFORMATION

## 1. PUBLIC ENTITY'S GENERAL INFORMATION

<b>Registered name of the public entity</b>	Chemical Industries Sector Education and Training Authority
<b>Registration numbers and/or other relevant numbers</b>	03/CHIETA/1/4/11
<b>Registered office address</b>	2 Clamart Road, Richmond, Johannesburg
<b>Postal address</b>	PO Box 961, Auckland Park, 2006
<b>Contact telephone numbers</b>	011 628 7000
<b>Email address</b>	info@chieta.org.za
<b>Website</b>	www.chieta.org.za
<b>External auditor's information</b>	Auditor-General South Africa, 300 Middel Street, Brooklyn, Pretoria, 0001
<b>Banker's information</b>	Nedbank Ltd, 100 Main Street, PO Box 1144, Johannesburg 0001
<b>Company secretary</b>	Governance and Risk (Executive Manager)

## 2. SKILLS DEVELOPMENT RELATED ACRONYMS

ABET	Adult Basic Education and Training
AIDS	Acquired Immune Deficiency Syndrome
AQP	Assessment Quality Partner
ATR	Annual Training Report
ATU	Apprentice Training Unit
ARPL	Artisan Recognition Prior Learning
BBBEE	Broad-Based Black Economic Empowerment
CEPPWAWU	Chemical Energy Paper Printing Wood Allied Workers Union
CBO	Community Based Organisation
CBC	Community Based Committee
CHE	Council for Higher Education
CHIETA	Chemical Industries Education and Training Authority
Cobit 5	Control objectives for information and related technologies
CPUT	Cape Peninsula University of Technology
DG	Director-General
DG	Discretionary Grants
DHET	Department of Higher Education and Training
DoL	Department of Labour
DMU	Data Management Unit
DPSA	Department of Public Service and Administration
DQP	Development Quality Partner
DSAP	Dual System Artisan Project
DST	Department of Science and Technology
dti	Department of Trade and Industry
DTTC	Decentralised Trade Test Centre
DUT	Durban University of Technology
EEA	Employment Equity Act
ETDQA	Education Training and Development Quality Assurance
ETQA	Education and Training Quality Assurance
GIWUSA	General Industries Workers' Union of South Africa
GMET	Generic Manufacturing Engineering and Technology
GRAP	Generally Recognised Accounting Practice
GSC	Governance and Strategy Committee
HDSA	Historically Disadvantaged South African
HET	Higher Education and Training
HIV	Human Immunodeficiency Virus
HRD	Human Resource Development
HR	Human Resources
HSRC	Human Sciences Research Council
ICAS	Independent Complaints Advocacy Service
ISOE	Institute for Sectoral and Occupational Excellence
LM	Local Municipality
LMIP	Labour Market Intelligence Project
LPDI	Learning Programme Development and Implementation
MG	Mandatory Grants
MoA	Memorandum of Agreement
MoU	Memorandum of Understanding
MUT	Mangosuthu University of Technology
NAMB	National Artisan Moderating Body
NCV	National Certificate Vocational
NDP	National Development Plan
NGO	Non Governmental Organisation

NQF	National Qualification Framework
NLPES	National Legislative Programme Evaluation Society
NMMU	Nelson Mandela Metropolitan University
NSDS	National Skills Development Strategy
NSF	National Skills Fund
OFO	Organising Framework for Occupations
P1	Practical 1
P2	Practical 2
PIVOTAL	Professional, Vocational, Occupational, Technical and Academic Learning
PSDF	Provincial Skills Development Forum
PFMA	Public Finance Management Act
QA	Quality Assurance
QALA	Quality Assurance of Learner Achievements
QAP	Quality Assurance Partner
QCTO	Quality Council for Trades and Occupations
OHS	Occupational Health and Safety
RSA	Regional Skills Advisor
RSF	Regional Skills Forum
RPL	Recognition of Prior Learning
SACWU	South African Chemical Workers Union
SAGDA	South African Graduates Development Association
SAOGA	South African Oil and Gas Alliance
SAPC	South African Pharmacy Council
SAPIA	South African Petroleum Industry Association
SAQA	South African Qualification Authority
SDA	Skills Development Act
SDLA	Skills Development Levies Act
SDC	Skills Development Committee
SDF	Skills Development Facilitator
SEDA	Small Enterprise Development Agency
SETA	Sector Education and Training Authority
SLA	Service Level Agreement
SME	Subject Matter Expert
SMME	Small, Medium and Micro Enterprises
SQMR	SETA Quarterly Monitoring Report
SSP	Sector Skills Plan
TTC	Trade Test Centre
TVET	Technical Vocational Education and Training
UASA	United Association of South Africa
UoT	University of Technology
WIL	Workplace Integrated Learning
WSP	Workplace Skills Plan
WSU	Walter Sisulu University



### 3. CHAIRPERSON'S FOREWORD

I am honoured to present the 2017/18 annual report of the Chemical Industries Education and Training Authority (CHIETA) on behalf of the Accounting Authority. This report is based on the 2017/18 annual performance plan. As the Chairperson of the new CHIETA board, appointed by the Minister of Higher Education in March 2018, it is appropriate to begin by honouring and appreciating the oversight work of the previous board and chairperson in delivering the performance represented in this report.

In its 17<sup>th</sup> year of existence, the CHIETA has retained its clean audit status. This is the 4<sup>th</sup> since the introduction of audit opinions by the AGSA, which were preceded by unqualified audit opinions since CHIETA's first audit in 2001.

We are proud of this achievement, which attests to the monitoring and oversight of processes and a strong control environment by the CHIETA management and board.

The organisation's performance would not have been possible without the full support and collaboration of the chemical sector's stakeholders. I would like to acknowledge and thank them for their continued, committed partnership.

The SETA continues its performance and strategic initiatives in the midst of a sluggish economic performance in South Africa, and a post school education and training (PSET) system that is changing. The chemicals industry plays a vital role in the economy, contributing approximately a quarter of manufacturing production in the country. The industry's impact is clear in that it produces outputs used in all economic sectors.

The CHIETA's focus on high level and specialised skills for the industry continued for the year under review, including critical technical skills. This is clear in that the largest allocation of grants went towards the training and skilling of artisans and technicians across our nine subsectors.

The advent of the 4<sup>th</sup> industrial revolution with its unprecedented scale of disruption requires us to understand, plan and develop skills for the future for the industry. Our sector skills' plan, based on credible data and empirical research, has afforded the CHIETA the ability to plan optimally for skills for the sector and for the socio-economic development of South Africa. We remain a relevant partner to the chemical manufacturing industry as it continues its endeavours to be innovative on the one hand, and to achieve economic growth on the other.

Performance has been achieved against predetermined objectives set in the five year strategic plan and implemented through the annual performance plan. The CHIETA achieved all the targets set. To meet the stretch targets we worked closely with stakeholders and industry partners in conducting training, utilising co-funding and a partnership approach to training delivery.

The CHIETA plays an important role in leading skills development in alignment with national development strategies, and relevant legislation. While we are justifiably proud of the good performance by the organisation, the strategic focus going forward will be on impact and sustained value creation. Our support will encompass the enhancement for increased employability and transformation, the TVET college sector, SMME development, work integrated learning (WIL) and youth development.

Medium- and long-term strategic planning remains key during this transitional period in the PSET. CHIETA continues to plan in line with the NSDS III as the implementation of this strategy has been extended to 2020. The long-term planning is in line with the NDP, MTSF and the skills development needs which are outlined in the SETA's five year strategic plan.





## GENERAL INFORMATION

The CHIETA board has ensured that it provided leadership and governed the affairs of the organisation in accordance with the legislative and policy prescripts in the year under review. CHIETA's track record throughout its history has shown that it is a credible authority on skills development, working as a value adding partner that is relevant to the industry, and for equitable socio-economic transformation.

I wish to thank the Honourable Minister of Higher Education for her leadership, the Department of Higher Education and Training, our executive authority, for its support, all CHIETA stakeholders and the members of the board for their hard work and commitment. I would like to also thank the CHIETA staff and management, the audit committee and all other board committees, for diligently exercising their oversight role. The role played by the Auditor-General of South Africa and internal audit is also greatly appreciated and acknowledged.

I conclude with this quote from the NDP: "Given the scale and ambition of the task, all sections of society will have to provide leadership and vision. Leaders must be able to rally constituencies around long-term goals, recognising that benefits may be unevenly distributed and take time to realise". The leadership of the CHIETA is committed to realising this vision.



**Mashila Matlala**  
**Board Chairperson**  
**30 July 2018**

## 4. CHIEF EXECUTIVE OFFICER'S REPORT

It has been another good year for the Chemical Industry Education and Training Authority (CHIETA). CHIETA obtained an unqualified audit opinion from the Auditor-General of South Africa (AGSA) for the 2017/18 period. Indeed, unqualified audit outcomes have been obtained every year since CHIETA's establishment as a SETA in 2001.

The organisation experienced change in leadership during the year with the appointment of the new board and chairperson by the Minister of Higher Education and Training, and the retirement of the organisations long serving CEO, Ms Ayesha Itzkin. I would like to acknowledge the contribution and the work of the previous board, and chairperson Ms Nolitha Fakude, for their diligence in exercising their oversight roles and the optimal governance that ensured excellent performance of the organisation.

We welcome the new CHIETA board under the stewardship of Ms Matlala Mashila, who was appointed by the Minister of Higher Education and Training in March this year. We are thankful that their leadership continues to build on what has been achieved and is focusing on taking the organisation to the next level.

The chemical manufacturing sector continues to occupy a significant share of the South African economy. The chemical sector is in fact a significant role player in the manufacturing sector.

The period under review was characterised by proactive and sustained high levels of performance in terms of meeting CHIETA's core mandate of skills development for the chemical industry. These achievements further instilled stakeholder confidence that the levies collected are disbursed in an efficient and accountable manner. We are sincerely grateful and appreciative of the continuous support from our stakeholders, namely business, organised labour, critical interest groups and government departments that are involved in the chemical industry.

I am glad to report that in most cases we exceeded our targets set by the Executive Authority. CHIETA's work during the period under review made a significant impact in the labour market with industry specific training and skills development initiatives targeting rural and urban areas.

CHIETA's continued good financial management, strong control environment and effective monitoring processes are evidenced by the achievement of yet another clean audit. The SETA's strategic and skills planning processes are guided and aligned to the National Skills Development Strategies, the Human Resources Development Strategy for South Africa, the New Growth Path, and the National Development Plan (NDP), among other policies. The planning during the year under review has been enhanced by working for a broader and a multiplicity of possible futures, which makes the CHIETA an agile organisation responsive to uncertainty and rapid change required in our new world of work.

Our integrated organisational risk management framework and management is excellent in mitigating risks that have the potential of affecting the achievement and delivery of the CHIETA's strategic objectives and core mandate. Closely linked to risk management is a strong ethics culture within the organisation set by the tone at the top.

CHIETA companies have a distinctly urban bias, due to the fact that chemical companies are mainly located in the urban areas. To fulfil our mandate, CHIETA has prioritised programmes that ensure that South Africans have equal exposure to skills development opportunities by supporting learners from rural areas.

The key interventions in the areas of maths and science support, career guidance and bursary funding and work integrated learning are essential in ensuring that learners enter into chemical sector occupations and professions. Our targeted youth development support is aimed at increased access, employability and impact. The chemical industry utilises highly specialised interventions for highly specialised skills such as engineers and scientists. However, artisans and technicians form a large part of the workforce and so maintaining artisan development is a key focus area for the sector.



## GENERAL INFORMATION

CHIETA's programmes also stretch to other occupational areas that include chemical operations, gas installation, gas practitioners, pharmaceutical related occupations, laboratory analysts, automated packaging, glass forming, paint technology, and related occupations.

Our strong partnerships with TVET colleges, public and private service providers, as well as industry at large, demonstrates our stakeholders' commitment to provide workplace experience opportunities.

From artisans to high level technicians, technologists and engineers, CHIETA has plans to scale up skills in several growth points.

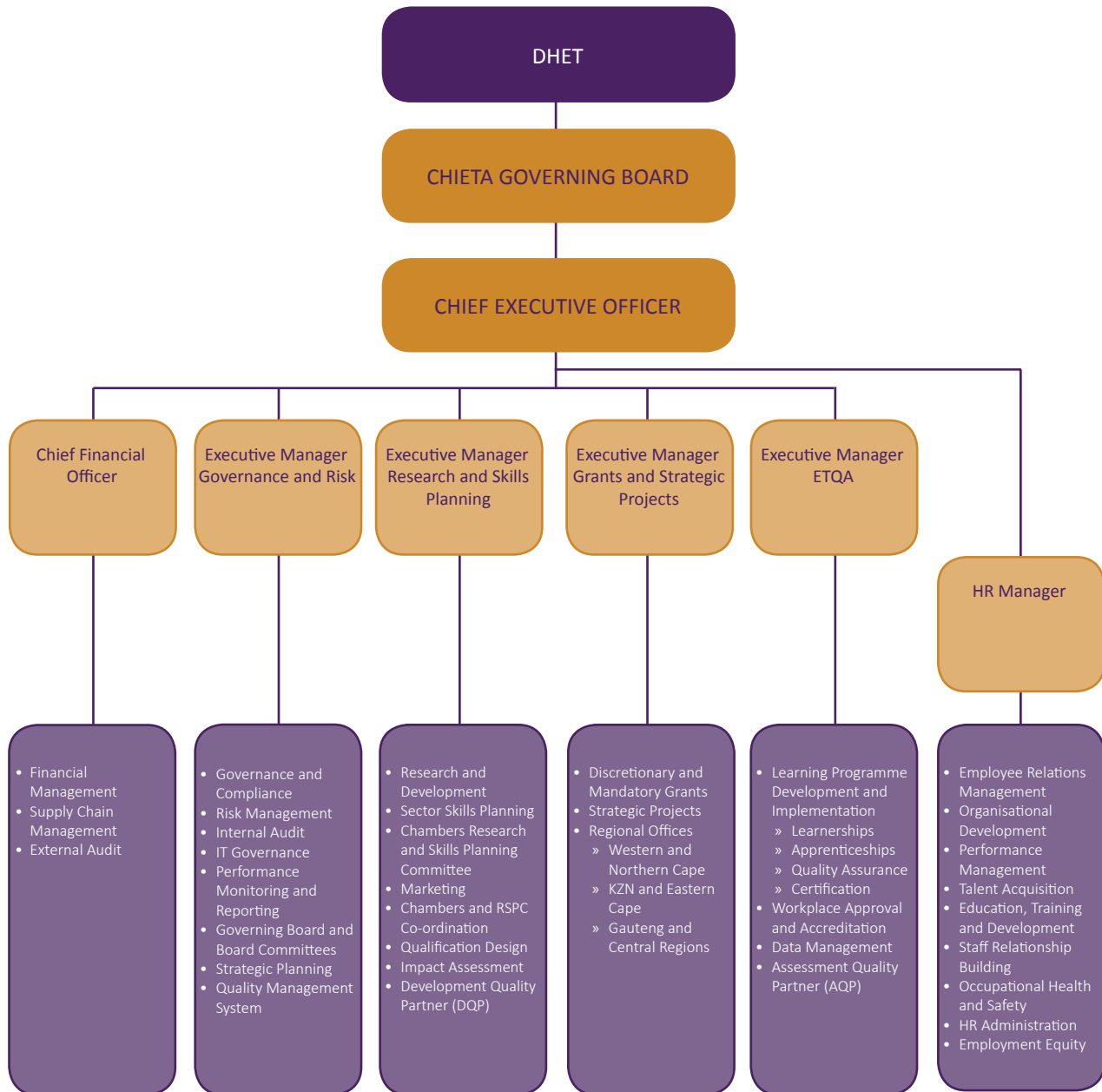
We continue to build strong working relationships with the Quality Council for Trades and Occupations (QCTO) and other quality councils where our contribution is important in debates around forming a seamless education and training system.

The achievement presented in this report would not have been possible without the dedication and diligence of our staff and management, the board and its committees, stakeholders and partners, the Minister of Higher Education and Training, the Department of Higher Education and Training, various participating government departments, AGSA, and SAB & T (CHIETA's independent internal audit service provider).

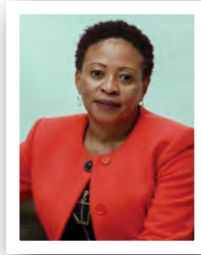


**Ms Kedibone Moroane**  
**Acting Chief Executive Officer**  
**31 July 2018**

## 5. ORGANISATIONAL STRUCTURE



## OUR BOARD



Mashila Matlala  
Chairperson



Salathia Phetla  
Organised Business



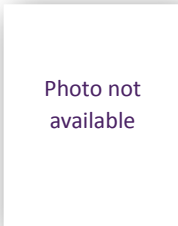
Khabonina R  
Ramoupi  
Organised Business



Munsami  
Muruven  
Organised Business



Jan Smit  
Organised Business



Heidi Reddy  
Organised Business



Gerhard Ceronie  
Organised Labour



Adri Swart  
Organised Labour



Kotjoana C Phahla  
Organised Labour



Dr Michael D  
Booth  
Professional Body



Edzisani Daniel  
Ndou  
Government  
Representative

The old board term ended 31 March 2018 and had oversight for the period under review.  
The new board was appointed in April 2018 and overlooked the financial and performance reports.  
The two labour vacancies on the CHIETA board exist.  
Appointment process is currently in progress.

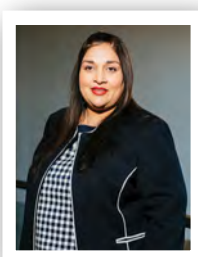
## MEET OUR EXECUTIVES



Kedibone Moroane  
Acting CEO



Tshidi Magonare  
Acting Executive:  
Research and  
Skills Planning



Raakshani Sing  
Executive:  
Grants and  
Strategic Projects



Trevor Channing  
Executive:  
Governance  
and Risk



Farhad Motala  
Chief Financial  
Officer

## MEET OUR MANAGERS



Ashvir Isseri  
Grants Manager



Glory Nyathi  
Stakeholder  
Relations Manager



Thulani Shabalala  
Regional Manager:  
Gauteng and Central  
Regions



Princess Moumakoe  
Strategic Projects  
and WIL Manager



Roger Adriaanse  
Regional Manager:  
Western Cape Region



Norman Khoza  
ETQA Manager



Munya Makota  
Finance Manager



Baliwe Kama  
Human Resources  
Manager



Rajen Naidoo  
Regional Manager:  
KwaZulu-Natal  
and Eastern Cape  
Regions



Ronnie Naidoo  
Monitoring and  
Evaluation  
Manager





## PART B PERFORMANCE INFORMATION

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

The AGSA report, which includes its report on CHIETA's predetermined objectives, is on page 101.

## 2. SITUATIONAL ANALYSIS OF THE CHEMICAL INDUSTRY

### INTRODUCTION

The Chemical Industries Sector Education and Training Authority (CHIETA) prepares the sector skills plan (SSP) update annually in accordance with the requirements of the Department of Higher Education and Training (DHET). This plan assists in providing the situational context and sector profile. The policy environment for skills planning for the chemical sector includes the National Skills Development Strategy (NSDS) III, the National Skills Accord, the National Youth Employment Accord (NYEA), the White Paper for Post-School Education and Training, the Quality Council for Trades and Occupations (QCTO) policies, and various regulations such as the grant regulations (released 3 December 2012, Gazette 35940).

Government policies and plans have been developed over the last ten years by various organs of state, many of them overlapping and some being absorbed by others. The two goals that all policies and plans have in common, however, are the stimulation of the South African economy and employment creation.

The National Development Plan (NDP) provides the overall vision and framework for most of the other policies and plans. However, the Industrial Policy Action Plan (IPAP), projects steered by **the dti**, the National Infrastructure Plan and the Strategic Integrated Projects (SIPs) have a direct bearing on the chemical sector.

The NDP emphasises the importance of science and technology as the key to development, innovation being the most important driver of the kind of technology based growth associated with higher living standards. The chemical sector is at the forefront of the drive towards an innovation economy and industry 4.0, the improvement of the skills of our workforce being imperative for its achievement.

The information presented in the SSP and the annual report has been drawn from a number of sources. CHIETA has used the information from workplace skills plans (WSPs) and annual training reports (ATRs) to obtain data on the workplaces in the sector. The format used exceeds the minimum legislated requirements for labour market reporting. Since the 2012/13 mandatory grants cycle, employers have been submitting individual employee records against the organising framework for occupations (OFO) codes (referred to as source data). CHIETA adopted the source data approach as the information contained in the WSPs and ATRs is critical in providing detailed baseline statistical information on the sector. The WSPs and ATRs represent more than 80% of employees in the sector, the detailed data submitted enables CHIETA to undertake a more detailed and accurate analysis of the sector.

This source data was supplemented with other sector-specific and national data, such as that from Quantec and the quarterly labour force surveys. Other national data sources used include employment equity reports published by the Department of Labour, the Higher Education Management Information System (HEMIS) and the Technical Vocational Education and Training (TVET) institutions maintained by the DHET.

In addition to the quantitative data sources outlined above, CHIETA has also undertaken a range of research projects contributing to the overall understanding of the chemical sector. This research is augmented by that conducted by government departments, national research institutions and industry bodies.

More qualitative information used in the SSP update was obtained through consultation with sector stakeholders. CHIETA has five chambers consisting of employers, trade unions, government departments and critical interest groups. These chambers meet quarterly and play a central role in updating the SSP, skills planning being a core constitutional function of these chambers and forming part of the agenda for regional skills forums. The regional skills forums meet quarterly in Gauteng (for Gauteng and the inland provinces),

KwaZulu-Natal, the Eastern Cape and the Western Cape (including the Northern Cape). These regional skills forums are attended by employers, trade unions, private and public education and training providers, critical interest groups and CHIETA staff.

The annual Strategic Planning workshop of the Governing Authority sets the organisation's objective and overall direction, where the board gives valuable input into the SSP, skills planning and the organisation's strategy.

Specific skills needs, developed through CHIETA's involvement with government departments, have been factored into the SSP. Over and above sectors needs, these include skills needed to support the Department of Trade and Industry (**the dti**), IPAP projects on pharmaceuticals and cosmetics and the hard-to-fill vacancies (HTFV) needs of the Department of Energy and those related to the chemical sector.

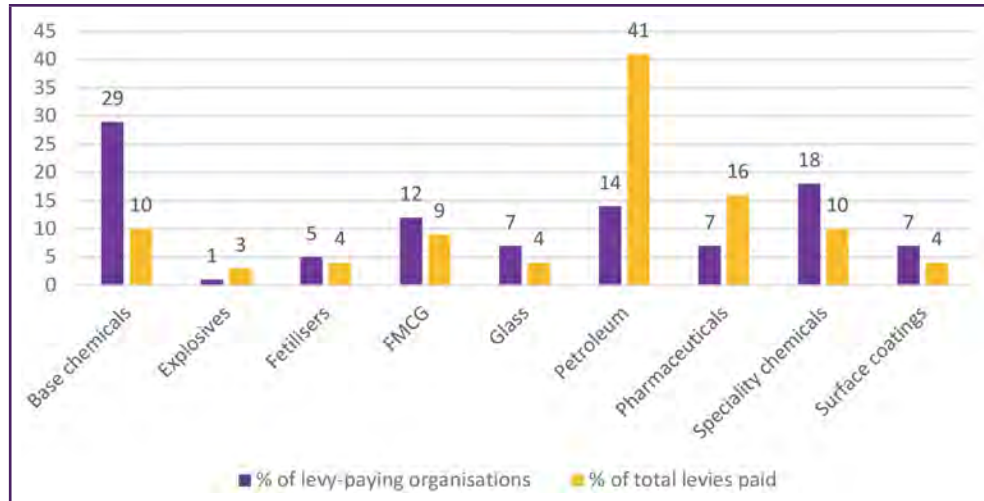
## PROFILE OF THE INDUSTRY

### Industrial coverage, subsectors and chambers of the chemical industry

SIC Code	Scope of Coverage/Description	Subsector	Chamber
33410	Manufacture of basic chemicals, except fertilisers and nitrogen compounds	Base chemicals	Petroleum and base chemicals
33430	Manufacture of plastics in primary form and synthetic rubber		
34000	Manufacture of other non-metallic mineral products		
41210	Manufacture of industrial gases in compressed, liquefied or solid forms		
33100	Manufacture of coke oven products	Petroleum	
33200	Petroleum refineries/synthesisers		
61410	Wholesale trade in solid, liquid and gaseous fuels and related products		
87140	Industrial research, eg fuel		
33501	Chemically-based general household and personal care products	Fast moving consumer goods	Fast moving consumer goods and pharmaceuticals
33541	Manufacture of soap and other cleaning compounds		
33543	Manufacture of beauty products		
33530	Manufacture of pharmaceuticals, medicinal chemicals and botanical products	Pharmaceuticals	
33592	Manufacture of explosives and pyrotechnic products	Explosives	Explosives and fertilisers
11600	Production of organic fertiliser	Fertilisers	
33420	Manufacture of fertilisers and nitrogen compounds		
33421	Manufacture of raw materials and chemical compounds used in agriculture		
33502	Manufacture, sale and/or distribution of diversified speciality chemicals for industrial use	Speciality chemicals	Speciality chemicals and surface coatings
36400	Manufacture of accumulators, primary cells and primary batteries		
33520	Manufacture of paints, varnishes and similar coatings, printing ink and mastics	Surface coatings	
39005	Powder coating		
34110	Manufacture of glass and glass products	Glass	Glass
34112	Manufacture of glass containers, glass kitchenware and tableware, scientific and laboratory glassware, clock and watch glasses and other glass products		

## PERFORMANCE INFORMATION

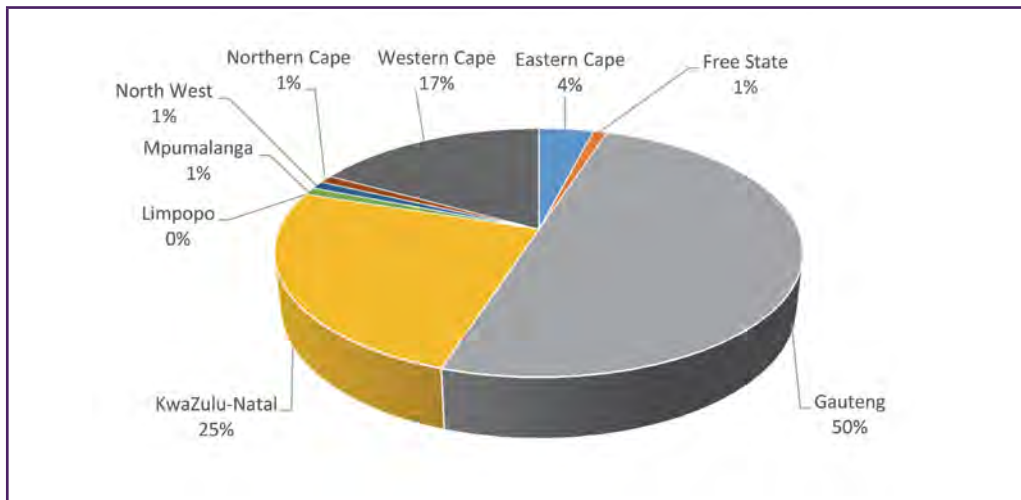
In 2017/18, 2 592 companies paid CHIETA skills development levies. This is an increase of 274 compared to the previous financial year. This increase can be attributed mainly to very small companies who began paying the SDL, probably due to their payrolls exceeding the levy threshold of R500 000 per year, and companies transferring to CHIETA from other SETAs. The petroleum subsector contributed 41% of the levies paid in 2017/18 although this subsector only comprised 14% of the total levy paying companies in the chemical industry (Figure 1.1). This was due to the presence of a few very large companies in this subsector.



**Figure 1.1: Sub-sectoral distribution of levy paying organisations and levy amounts paid: 2017/18**

*Note: Due to rounding, percentages do not necessarily add up to 100.*

*Source: CHIETA's data system, extracted June 2018.*



**Figure 1.2: Provincial distribution of levy paying organisations: 2017/18**

*Note: Due to rounding, percentages do not necessarily add up to 100.*

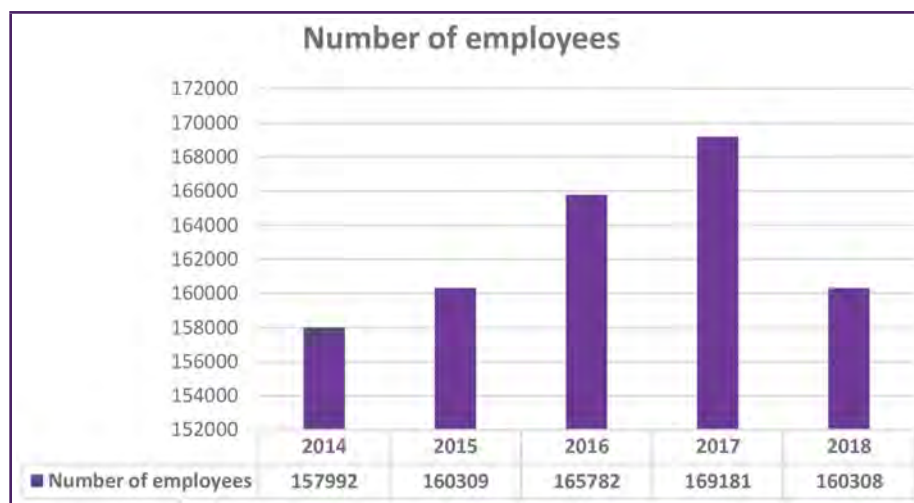
*Source: CHIETA data system, extracted June 2018.*

Figure 1.2 shows that 50% of companies that paid levies to CHIETA in 2017/18 were located in Gauteng, followed by 25% in KwaZulu-Natal, 17% in the Western Cape and 4% in the Eastern Cape. The balance was located in the remaining provinces. Most companies in the chemical industry are located in urban areas.

## LABOUR MARKET PROFILE

### Employment in the sector

Estimates of total employment in the chemical industry between 2014 and 2018 are depicted in Figure 1.3. The employment figures include all employees, i.e. those with permanent appointments as well as those on term contracts. Employment in 2014 was estimated at 157 992, and in 2015 at 160 309. In 2016 and 2017 employment increased slightly to 165 782 and 169 181 respectively. However, in 2018 employment dropped to 160 308 consequently reducing the growth in employment over the total period to 1.5%.



**Figure 1.3: Estimate of total employment in the chemical industry: 2014 - 2018**

Source: CHIETA source-data system, June 2018.

In 2018, the petroleum subsector employed the largest contingent of workers in the chemical industry representing about 37 586 workers (23%) of the total workforce. The base chemical subsector employed 17%, pharmaceuticals 14%, speciality chemicals 14%, the FMCG subsector 10% and the glass subsector 6% of the workers. The other subsectors each employed 7% or fewer of the workers in the sector.

**Table 1.4: Provincial distribution of employees: 2014 - 2018**

Province	2014	2015	2016	2017	2018
Eastern Cape	7	7	6	8	7
Free State	7	6	6	5	6
Gauteng	41	41	44	41	42
KwaZulu-Natal	17	19	17	18	18
Limpopo	1	1	1	1	1
Mpumalanga	13	12	11	13	12
North West	2	2	2	3	3
Northern Cape	0	0	0	0	1
Western Cape	12	12	12	11	11
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: CHIETA source-data system, June 2018.

Note: Due to rounding, percentages do not necessarily add up to 100.

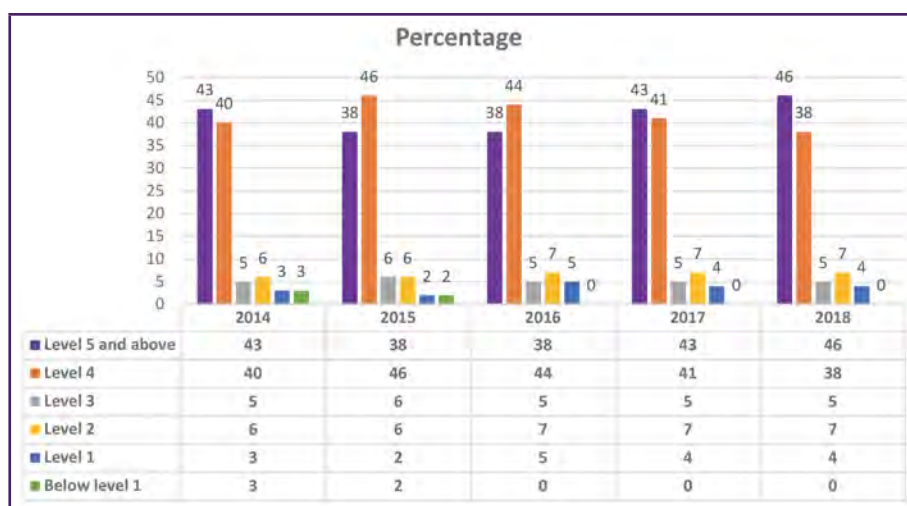
### Provincial distribution of employees

The provincial distribution of employees during the period 2014 to 2018 is shown in Table 1.4. In the five years, Gauteng was the province with the largest number of employees: 41% in both 2014 and 2015, 44% in 2016, 41% in 2017, and 42% in 2018. This was followed by KwaZulu-Natal, Mpumalanga and the Western Cape.



### Educational qualifications of employees

The qualifications of employees in the chemical industry are shown in Figure 1.5. In 2018 more than 40% of the employees in the sector had post-matric qualifications (NQF levels 5 and above) while 38% held qualifications at NQF Level 4. People with educational levels below NQF level 1 formed only 3% in 2014, 2% in 2015, and 0% from 2016 to 2018.



**Figure 1.5: Educational qualifications of employees: 2014 - 2018**

Source: CHIETA data system, June 2018.

### Occupational distribution of employees

Table 1.6 shows that the occupational distribution of employees remained more or less the same over the five-year period from 2014 to 2018. In 2014, about a fifth of employees in the chemical industry worked as plant and machine operators and assemblers with another fifth working as technicians and associate professionals. In the first year of the review, 15% worked as professionals. This figure decreased to 13% in the following year and in 2016 it increased to 14% before declining to 13% in 2017. In 2018 the figure decreased further to 12%. The proportion of managers stayed more or less the same – 12% in 2014, 2016 and 2018. Two per cent of workers were categorised as learners in 2014 and 1% in 2015. The figure remained constant from 2016 to 2018.

**Table 1.6: Occupational composition of the chemical industry: 2014 - 2018**

OFO occupational group	2014		2015		2016		2017		2018	
	N	%	N	%	N	%	N	%	N	%
Managers	18 339	12	20 689	13	20 599	12	19 190	11	18 885	12
Professionals	23 238	15	21 144	13	22 537	14	22 416	13	19 794	12
Technicians and associate professionals	31 743	20	31 421	20	30 697	19	29 633	18	28 017	17
Clerical support workers	16 861	11	15 740	10	16 705	10	19 381	11	16 991	11
Service and sales workers	3 849	2	6 013	4	5 226	3	6 795	4	7 026	4
Skilled and related trades workers	10 262	7	12 626	8	10 893	7	12 243	7	12 505	8
Plant and machine operators and assemblers	28 828	18	25 915	16	33 932	20	33 140	20	30 949	19
Elementary occupations	21 670	14	23 631	15	23 894	14	25 289	15	24 647	15

## PERFORMANCE INFORMATION

OFO occupational group	2014		2015		2016		2017		2018	
	N	%	N	%	N	%	N	%	N	%
Learners	3 023	2	891	1	1 174	1	1 089	1	1 346	1
Unknown			2 240	1	126	0	4	0	148	0
<b>Total</b>	<b>157812</b>	<b>100</b>	<b>160309</b>	<b>100</b>	<b>165782</b>	<b>100</b>	<b>169181</b>	<b>100</b>	<b>160 308</b>	<b>100</b>

Source: CHIETA source-data system June 2018.

Note: Due to rounding percentages may not add up to 100.

### Age, population group and gender distribution of employees

Table 1.7 shows the age distribution of workers in the chemical industry. The majority of the workforce is between the ages of 36 and 54. In 2014 and 2015, 37% of all workers were younger than 35. This percentage increased in 2016 and remained at 39% in 2017. The figure decreased to 38% in 2018. The workers between ages 36 to 54 constituted 50% of the workforce in 2014 and 2015. The figure decreased to 48% in 2016 and 2017 before increasing to 49% in 2018. Eight per cent of employees were close to retirement (between 55 and 59) from 2014 to 2016 compared to seven per cent in 2017 and 2018. Five per cent of workers were 60 years and older in 2014 and this figure remained constant across all the years under review.

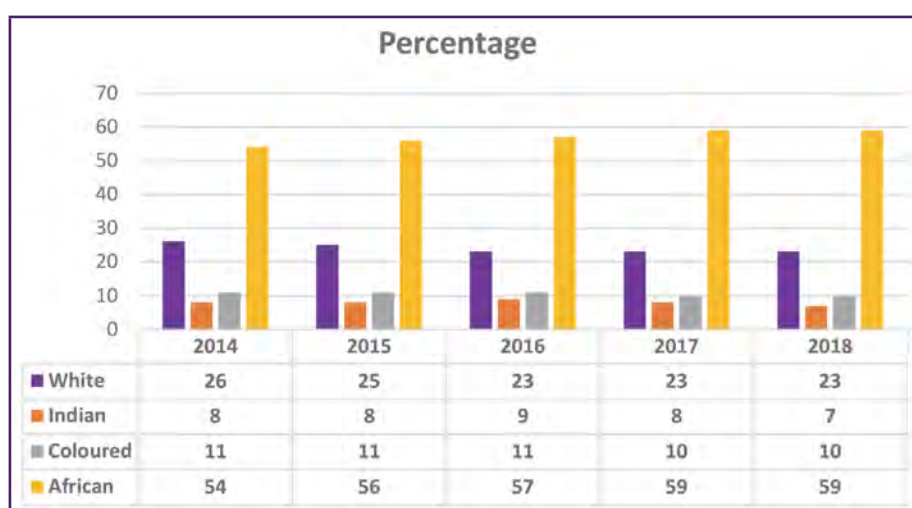
**Table 1.7: Age distribution of workers in the chemical industry: 2014 – 2018**

Age	2014		2015		2016		2017		2018	
	N	%	N	%	N	%	%	N	%	N
< 35	59 215	37	59 917	37	64 298	39	66 521	39	61 648	38
36-54	79 089	50	80 182	50	80 321	48	81 541	48	78 472	49
55-59	12 065	8	12 178	8	12 769	8	12 409	7	11 414	7
60+	7 623	5	8 033	5	8 395	5	8 710	5	8 774	5
<b>Total</b>	<b>157 992</b>	<b>100</b>	<b>160 309</b>	<b>100</b>	<b>165 782</b>	<b>100</b>	<b>169 181</b>	<b>100</b>	<b>160 308</b>	<b>100</b>

Source: CHIETA source-data system June 2018

Note: Due to rounding percentages may not add up to 100.

The monitoring of the population group and gender distribution of employees in the chemical industry is important in keeping track of the transformation in employment in the sector.

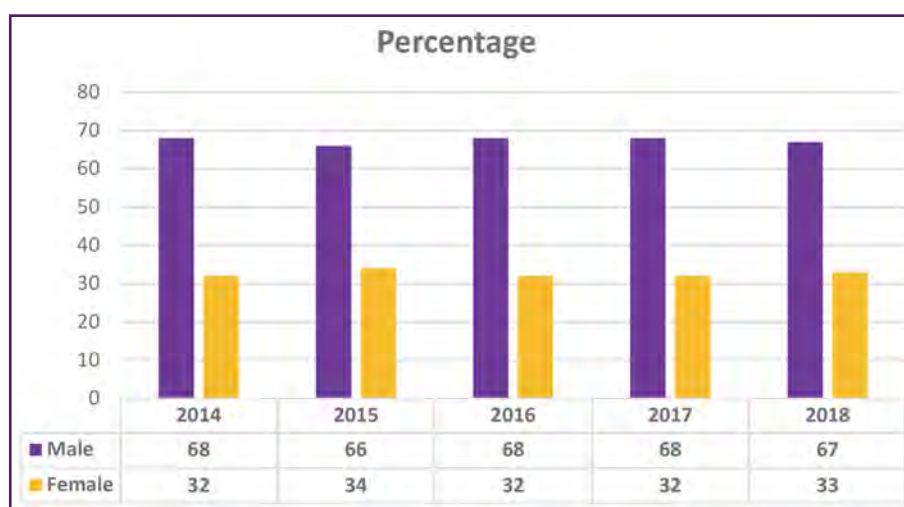


**Figure 1.8: Population group composition of employees in the chemical industry: 2014 – 2018**

Source: CHIETA data system June 2018



The composition of the total employment of each population group is shown in Figure 1.8. The figure indicates that the population group composition of the chemical industry has gradually changed from 2014 to 2018. The percentage of whites decreased from 26% in 2014 to 23% in 2018, while Africans' share in employment increased from 54% in 2014 to 59% in 2018. The percentage of Indian and coloured employees remained more or less the same over the period.



**Figure 1.9: Gender composition of employees in the chemical industry: 2014 - 2018**

Source: CHIETA source-data system June 2018.

Figure 1.9 illustrates the gender distribution of employees in the chemical industry. Minor changes year-on-year and a lack of tangible gender transformation in the sector have been experienced. In 2014 the sector employed 50 228 (32%) women. This figure increased to 53 838 (34%) in the following year. In 2016 the sector employed 52 236 (32%) women. In 2017 there were 54 635 women in the sector and they formed 32% of the total workforce, and in 2018 there were 52 464 women forming 33% of the total workforce.

### People with disabilities

Table 1.10 contains a profile of workers with disabilities according to population group, gender and age. The total employment percentage of disabled workers year-on-year has been 1% or less. In 2014, 0.8% of workers were disabled, 0.6% in 2015, while 0.8% of employees were disabled in 2016 and 2017. In 2018 this figure increased to 1%. In terms of population group 59% were African in 2014. This figure decreased to 46% in the following year. In 2016, 48% were African, in 2017 52%, and 56% in 2018. In 2014, 61% were male compared to 56% in 2015, 62% in 2016, and 57% in 2017 and 2018. The highest age group of disabled workers in the chemical industry is between 35 and 54; 47 % were between the ages of 35 and 54 in 2014 compared to 45% in 2015. This figure increased to 51% in 2016 and decreased to 44% in 2017. In 2018, this figure increased to 46%. The group between the ages of 15 and 34 decreased from 31% to 25% from 2015 to 2016. In 2017 the figure increased to 33% and to 35% in 2018.

**Table 1.10: Workers with disabilities according to population group, gender and age: 2014 - 2018**

Disabled workers		2014		2015		2016		2017		2018	
		N	%	N	%	N	%	N	%	N	%
Population group	African	729	59	448	46	601	48	751	52	875	56
	Coloured	138	11	138	14	172	14	250	17	203	13
	Indian	76	6	83	8	177	14	99	7	113	7
	White	302	24	304	31	306	24	338	24	365	23
	Total	1 245	100	972	100	1 256	100	1 437	100	1 557	100
Gender	Female	480	39	426	44	474	38	613	43	664	43
	Male	764	61	546	56	782	62	824	57	893	57
	Total	1 245	100	972	100	1 256	100	1 437	100	1 557	100

## PERFORMANCE INFORMATION

		2014		2015		2016		2017		2018	
Disabled workers		N	%	N	%	N	%	N	%	N	%
Age	15-34	391	31	305	31	320	25	476	33	552	35
	35-54	587	47	437	45	647	51	638	44	711	46
	55-59	162	13	118	12	178	14	167	12	174	11
	60+	104	8	111	11	112	9	157	11	120	8
	Total	1 245	100	972	100	1 256	100	1 437	100	1 557	100
Percentage of total employment			0.8		0.6		0.8		0.8		1.0

Source: CHIETA data system June 2018

Note: Percentage figures have been rounded to total 100%

## ECONOMIC PERFORMANCE OF THE INDUSTRY

In 2017<sup>1</sup> the Chemicals Industry contributed 3.0% of the GDP and 23% of total manufacturing gross value added (GVA) at current prices. The subsector Coke and Refined Petroleum Products contributed 1.2% and the subsector Other Chemicals and Man-made Fibres contributed 0.8%. The sector was responsible for 11.7% of the country's imports. The Coke and Refined Petroleum Products subsector was responsible for 0.2% of imports and the Other Chemicals and Man-made Fibres subsector for 6.7%. At the same time the Chemicals Industry contributed 5.8% of the country's exports.

The Chemicals Industry is capital intensive and in 2017 it accounted for 4.1% of the gross fixed capital formation while it contributed only 1.3% of total employment in the country mainly of high level and artisanal skills.

**Table 1.11: The chemical industry's contribution to the South African economy: 2017**

Subsector	Gross Value Added	Imports	Exports	Gross Fixed Capital Formation	Employment
Coke and refined petroleum products	1.2%	0.2%	0.5%	1.5%	0.2%
Basic chemicals	0.6%	3.7%	2.0%	1.2%	0.2%
Other chemicals and man-made fibres	0.8%	6.7%	2.9%	0.5%	0.4%
Non-metallic minerals	0.3%	0.8%	0.3%	0.4%	0.4%
Glass and glass products	0.1%	0.3%	0.1%	0.5%	0.1%
<b>Total petroleum, chemicals and glass</b>	<b>3.0%</b>	<b>11.7%</b>	<b>5.8%</b>	<b>4.1%</b>	<b>1.3%</b>

Source: Quantec

The economic performance of the industry is affected by many factors which do not necessarily have the same impact on the respective subsectors. Some of the most pertinent are:

- The regulatory environment
- The availability and cost of raw materials
- International trends in chemical production
- Global economic growth
- The performance of other sectors in the economy
- Consumer markets and spending
- Administration, logistics and compliance costs.

<sup>1</sup> The economic data in certain indicators and years have changed due to the revised official 2015 data publication by Stats SA for the various chemical subsectors and subsequent adjustments made by Quantec on various deflators.

## THE DEMAND FOR SKILLS IN THE INDUSTRY

The skills requirements of the Chemical Industry have changed gradually over the last few decades. While the demand for low-skilled and semi-skilled workers declined, the need for skilled workers has increased.

The chemical sector employs people in 778 different occupations.

At the end of March 2018, the Chemical Industry employed 160 308 people. The largest major group occupation was Plant and machine operators and assemblers (30 949), followed by Technicians and associate professionals (28 017), Elementary occupations (24 647), Professionals (19 794), Managers (18 885), and Clerical support workers (16 991). The rest of the people were in occupations that made less than 10% of the total employment respectively, these were; Skilled and related trades workers (12 505) and Service and sales workers (7 026). Learners and those who were not mapped to occupational titles made up 1% of the total employment.

In 2015 and 2016, CHIETA embarked on projects to identify and analyse “green” occupations in the surface coatings subsector and the petroleum and base chemicals subsector respectively. The surface coatings study identified three “occupational families” in which green skills were crucial, namely, safety, health, environment and quality related occupations, technical and laboratory related occupations (research and development and technicians) and painters (Jenkin, 2016). This study clearly demonstrated that green skills are crucial elements of the demand side of the sectoral labour market.

## THE SUPPLY OF SKILLS TO THE INDUSTRY

The supply of skills is split into two categories, namely new and current. New supply emanates from the output of basic education (TVET colleges and HET institutions) whereas current supply is sourced from the development of skills among those that are already employed in the chemical sector as well as people unemployed but available to work in the industry.

In respect of the new supply to the industry, there has been substantial growth in the numbers of new graduates from universities and universities of technology in certain engineering fields from 2012 to 2016. The growth in the average annual output for national diplomas is reported to be 2.7% for diplomas in chemical engineering and 3.9% for first degrees in the same field.

Despite these positive growth trends, increases are insufficient to meet the needs of the national economy in general, and the chemical industry in particular. In order to ensure future growth, it will be necessary to support higher education institutions through a variety of initiatives such as:

- Bridging programmes to promote access and success
- Increased physical and teaching resources to engineering departments
- Programmes that promote workplace training opportunities for students from the universities of technology.

The output from the school system in terms of quantity and quality remains a concern, specifically with regard to school leavers with mathematics and physical science passes becoming engineers, technologists and technicians (at HET level) and artisans (at TVET level). Education levels of the general workforce who enter the chemical sector without previous training are also inadequate. The supply of newly skilled workers from TVET colleges into the chemical industry has traditionally been very limited; however, government’s recent focus on increasing both the quality and quantity of output from these colleges may result in these institutions playing a more significant role in the supply of skills to the industry.

Current supply includes people who are currently employed in addition to those who are unemployed but are available for work. The training and development of the current workforce forms a critical aspect of skills supply and in the annual training reports (ATR) submitted to CHIETA, employers reported that approximately half of the employees in the chemical industry had received training in 2017.

Since its inception, CHIETA has developed many interventions and mechanisms to address the skills needs of the industry and to overcome skills shortages. The skills development priorities and plans for the coming five years build on work carried out in previous years. CHIETA interventions span the full skills development pipeline and include:

- interventions at school level, particularly in respect of mathematics and science teaching
- support for TVET colleges
- support for and co-operation with higher education and training institutions
- artisan development
- qualification development
- quality assurance
- institutes or centres for training excellence
- HIV/AIDS interventions
- chamber-specific responses to skills needs
- partnerships with government departments
- provincial engagements
- support for rural learners
- support for small and micro enterprises
- recognition of prior learning and PIVOTAL programmes to address critical skills needs.

CHIETA has also made good progress in the development of a credible mechanism for skills planning. The skills planning processes in the industry include:

- various research projects
- the collection of WSP/ATR data according to individual employee records using CHIETA's source data platform. The in depth analysis of this data has yielded excellent time series data that is giving CHIETA an opportunity to analyse trends and impacts
- a partnerships conference with the aim of expanding and deepening partnerships for the continued impactful skills development interventions for the chemical industry.

### THE SKILLS NEEDS OF THE INDUSTRY

It is important for CHIETA to monitor mismatches in the sectoral labour market on a continual basis by communicating with employers about their experiences with recruitment and finding the skills that they require. The annual mandatory grant applications (WSPs) provide SETA with the opportunity to obtain this kind of information from employers across the whole sector in a systematic and consistent manner. For this reason, the grant applications include a table regarding hard to fill vacancies (HTFV) that employers need to complete. The methodology used in compiling the HFTV list is described in the research methodology section at the beginning of the SSP.

As part of their WSP submissions, employers report on occupations for which they have difficulties finding suitable candidates and the number of vacancies that they find hard to fill. In the WSPs submitted in March 2018, 28% of employers reported that they experienced occupational shortages in that they could not find suitable people to fill positions in their organisations. The total number of vacancies reported was 3 552 equating to 2.2% of the total number of positions in the industry.

The total number of HTFVs reported in the period 2014 to 2018 is shown in Table 1-12. The total number of vacancies increased by 834 between 2017 and 2018. The number of professional vacancies dropped sharply in 2015, increased in 2016, dropped slightly in 2017, and increased sharply in 2018. The number of vacancies for skilled craft and related trades workers also declined in 2015, increased in 2016 and 2017, and then declined in 2018. While there was an increase in 2015 in the number of vacancies for technicians and associated professionals, and plant and machine operators and assemblers, this number decreased in 2016, remained relatively constant in 2017, and both increased in 2018. The number of vacancies increased in 2015 for Clerical support workers, then decreased in 2016 and remained relatively constant in 2017 and 2018.

On the right-hand side of the table the HTFVs are expressed as a percentage of the total number of positions in the occupational group. The percentage vacancies for managers increased from 0.7% in 2015 to 1.4% in 2016, decreased to 1.2% in 2017, and increased to 2.4% in 2018. The vacancies for professionals increased from 1.3% in 2015 to 2.6% in 2016, and then dropped marginally to 2.5% in 2017 before increasing sharply to 4.6% in 2018. The vacancy rate for skilled craft and related trades workers (mostly artisans) remained relatively high at 5.4% in 2015 and 8.1% in both 2016 and 2017, then decreasing to 6.3% in 2018.

**Table 1.12: Hard to fill vacancies reported by employers: 2014 - 2018**

Occupational Category	Number of vacancies					Vacancies as % of positions *				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Managers	491	148	296	225	468	2.6	0.7	1.4	1.2	2.4
Professionals	868	280	601	565	946	3.6	1.3	2.6	2.5	4.6
Technicians and associate professionals	380	557	305	313	512	1.2	1.7	1.0	1.0	1.8
Clerical support workers	103	381	97	77	89	0.6	2.4	0.6	0.4	0.5
Service and sales workers	30	84	160	46	202	0.8	1.4	3.0	0.7	2.8
Skilled craft and related trades workers	1 000	723	964	1076	838	8.9	5.4	8.1	8.1	6.3
Plant and machine operators and assemblers	182	697	326	263	348	0.6	2.6	1.0	0.8	1.1
Elementary occupations	77	47	238	153	129	0.4	0.2	1.0	0.6	0.5
<b>Total</b>	<b>3 131</b>	<b>2 917</b>	<b>2 987</b>	<b>2 718</b>	<b>3 552</b>	<b>1.9</b>	<b>1.8</b>	<b>1.1</b>	<b>1.6</b>	<b>2.2</b>

*Note: The total number of positions is determined by the total employment plus the number of hard to fill vacancies reported*

*Source: CHIETA data system, June 2018*

Although employers identified a total of 245 occupations in which they experienced HTFVs, the Chemical Industry is currently not experiencing major occupational shortages. Occupational shortages are however, experienced at the specialisation level within key occupations. The majority of these occupations were identified by only a few employers. In order to prioritise the skills that are in short supply in the industry, a shortened list of HTFVs was developed. This list can be seen in CHIETA's SSP document and includes 30 occupations.

Skills gaps are sometimes linked to a critical element of an occupation. The glass subsector for example, reported that a number of glaziers also needed to be qualified scaffolders as they work extensively on scaffolding and need to take responsibility for their own safety and for that of their co-workers<sup>2</sup>.

Skills shortages were reported across all occupational categories, with subsectors common skills needs being<sup>3</sup>:

- Managers in production, sales and marketing
  - » Instructing/leadership (coaching and mentoring)
  - » Management (financial resources, material resources, personnel resources)
  - » Complex problem solving
- Professionals in chemistry, engineering, and sales of industrial and pharmaceutical products
  - » Critical thinking
  - » Time management

<sup>2</sup> CHIETA chamber meeting, April 2016

<sup>3</sup> CHIETA stakeholder interviews, 2018

- Technicians that can work at the level of chemical plant co-ordinators
  - » Operations (control, monitoring, and analysis)
  - » Judgement and decision making
  - » Quality control analysis
- Various artisans
  - » Equipment maintenance
  - » Mathematics (basic maths computing)
  - » Speaking (communication), writing, and reading comprehension

The industry has to compete for some of these skills with other manufacturing sectors and is also affected by national skills shortages.

Apart from skills shortages, other skills need to be addressed, including a number of cross-cutting and general skills (critical skills), many of which involve large portions of the existing workforce. These skills include:

- Core chemical skills including specialist/contextual knowledge, artisan and management development particularly in relation to historically disadvantaged individuals (HDIs)
- Professional skills
- Environmental skills
- Health and safety
- Foundational learning
- Recognition of prior learning
- New and emerging skills
- New technology and research.

It is important that CHIETA and industry work together in solving the skills challenges of the industry.

CHIETA continues to support the development of artisanal and other skills relative to the occupations identified for SIPS.

### 3. CHIETA STRATEGIC PLANNING FRAMEWORK 2017/18

Following an analysis of the sector profile and skills supply and demand within the sector, CHIETA has determined strategic objectives supported by strategic outcomes and programmes to meet and exceed industry needs. In the development of these outcomes and programmes, various national government imperatives were taken into consideration as also outlined in CHIETA's strategic plan and annual performance plan (APP) 2016/17.

CHIETA has identified six strategic objectives:

- Positioning CHIETA as a sustainable and value adding business partner to its stakeholders
- Moving beyond numbers and demonstrating the impact of CHIETA's skills development interventions towards addressing the socio-economic imperatives of South Africa
- Partnerships on a public and private basis, becoming a primary delivery arm for skills development interventions
- Maintaining and continuously improving a culture of good governance within CHIETA
- Sustained and continuous improvement of performance and service delivery to CHIETA stakeholders
- Alignment of CHIETA focal areas towards delivery of NSDS III and CHIETA SSP.

## 4. ORGANISATIONAL PERFORMANCE REPORT FOR THE 2017/18 FINANCIAL YEAR

### 1. BACKGROUND

The CHIETA governing board mandated the adoption of the CHIETA strategic plan and 2017/18 annual performance plan (APP) with clear performance targets defined in four strategic programmes. In terms of governance and organisational performance management principles, CHIETA management reports quarterly to the CHIETA board on actual organisational performance against pre-determined targets to assist it in discharging its oversight function in a responsible and proactive manner.

The CHIETA performed exceptionally well in the 2017/18 financial year, recording positive numbers in all areas of the APP. The most important factor is the achievement of a CHIETA baseline achievement average of **146%**.

The CHIETA is proud of its achievements and impact as a SETA, and as a value adding business partner to the chemical industry in South Africa. Through sustained partnerships with our stakeholders, skills development interventions contributed to continuously capacitating various occupational groups, and ensured that supply was adequate to contribute to the sustainability and competitiveness of the sector on a national and global level.




The alignment of the CHIETA strategic plan and APP to the CHIETA sector skills plan formed a credible basis and guiding framework for its conceptualisation of performance targets, funding allocation and monitoring, and reporting on skills development within the sector.

### 2. ORGANISATIONAL PERFORMANCE REPORT

The performance report is structured in direct correlation with the approved strategic plan and APP for 2017/18. The report reflects each of the four strategic programmes and relevant performance indicators and performance targets in each programme. CHIETA reports on the actual performance of 64 performance indicators/targets.

The performance dashboard indicates the status of each indicator and programme in direct correlation to the annual target set for 2017/18.

The annual performance dashboard 2017/18 indicates actual performance against pre-determined targets on a three colour (robot) dashboard system, namely:

- 2.1  Red indicates that actual performance is nil and below the annual target.
- 2.2  Amber indicates movement on actual performance but still below the annual target.
- 2.3  Green indicates actual achievement or performance exceeding the annual target.

All four programmes are in a green baseline status. Of the 64 performance indicators reported 100% are reported in a green status.



In certain performance indicators CHIETA exceeded its pre-determined and approved performance targets and an understanding of the context is needed to manage the perception of performance targets being set too low by CHIETA, namely:






- In general it related to agreed and optimised partnerships between CHIETA and its member companies, TVET colleges and HET institutions, and alignment to the needs and requirements of industry and government operating within a very dynamic and ever changing business and national environment.
- CHIETA submitted its pre-determined organisational targets 18 months before the end of the 2017/18 financial year to the Executive Authority for consideration and approval. This is never an exact science as the national narrative, business and operational requirements in industry, and strategic discussions at the CHIETA accounting authority level, shifts and impacts the focus on uptake and the allocation of discretionary grant funding throughout the financial year.
- Through strong partnership models that are negotiated during the financial year, industry committed itself to share a portion of the prescribed training cost of learners. This provided the opportunity for CHIETA to capitalise positively on the initial number of learners planned (on a full costing basis) before the commencement of the financial year.
- CHIETA also experienced some companies returning training monies (sweeps). These are then re-allocated to companies that have embarked on training in the financial year but did not receive the full CHIETA funding applied for, which supported increased numbers and maintained the financial commitment levels of CHIETA. Top-up funding to performing companies from swept funds at lower grant funding levels is an example of the achievement of a higher return on investment at a substantially lower unit cost than amounts prescribed by the CHIETA funding model.

Explanatory comments are also provided in the performance dashboard against each reported performance indicator to provide further context to the reported performance areas. Certain performance indicator targets were substantially exceeded. This was due to:

- Support to unemployed bursaries entered and certificated was in direct response to calls from government to support free higher education through the CHIETA bursary programme and its partnership models with universities, TVET colleges, NSFAS and the Free State Top Achiever Bursary Project.
- Employed bursaries experienced substantial uptake by companies. As stakeholders explained, companies favour bursaries and skills programmes over learnerships and apprenticeships. They no longer have substantial operational budget available for replacing workers in the plant when they undergo training. Bursaries, contact sessions and exams come out of study leave, unlike learnerships and apprenticeships where learning is implemented during company time.
- Employed skills programmes certificated also had substantial uptake from companies due to the short programme that is easier for employers to manage.
- Unemployed skills programmes entered and certified: In a drive to put learners in workplaces sooner as per the expressed need of industry, more accredited skills programmes leading to a full qualification were implemented. This was done together with the prioritisation of continuing learners in order for them to complete their full qualifications.
- Unemployed learnerships certificated (non artisan) was characterised by a huge drive from a BBBEE code perspective. The uptake from companies in this regard was thus substantial.
- Work Integrated Learning programmes (HET) and TVET graduate workplace experience entered and completed where WIL remained a key focus area in the National Skills landscape, and where CHIETA assisted with driving the placement of unemployed learners in support of sustainable employment.
- TVET lecturer capacity building was completed in direct support of the White Paper on Post School Education and Training, requiring SETAs to support such development as an intervention to improve the quality learning in these colleges.
- Small business support was identified as a strategic focal area following the annual board's strategic session. It is seen as an important mechanism to grow industry with SMMEs.

**CHIETA STRATEGIC PROGRAMME CONSOLIDATED AND BASELINE PERFORMANCE DASHBOARD**

The table below reflects the status of the CHIETA's four strategic programmes during the 2017/18 financial year, and the percentage achievement of each programme. The average baseline achievement is **146%**.

Programme number	Strategic programme	2017/18 Target	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Actual Total	Variance	Status 2017/18	% Achieved
1	Administration	36	9	10	9	14	42	6		117%
2	Research and Skills Planning	617	0	1	21	820	842	225		136%
3	Occupationally Directed Programme	20 328	4 903	7 516	4 324	12 623	29 366	9 038		144%
4	LPDI / Quality Assurance	545	204	312	319	358	1 193	648		219%
<b>Total CHIETA Baseline Performance Achievement</b>		<b>21 526</b>	<b>5 116</b>	<b>7 839</b>	<b>4 673</b>	<b>13 815</b>	<b>31 443</b>	<b>9 917</b>		<b>146%</b>

### 3. DETAILED STRATEGIC PROGRAMME PERSPECTIVE

#### 3.1 Programme 1: Administration

This programme focuses on sound governance and financial administration in support of accountable skills development interventions for stakeholders. It refers to the effective functioning of the CHIETA governance structures and financial management indicators. The status of the programme is in a green baseline status with an achievement of 117%.

#### 3.2 Programme 2: Research and Skills Planning

This programme reports on performance indicators relating to research and skills planning interventions in support of the CHIETA SSP, i.e. a track and trace system for graduates and undergraduates, 10 research reports implementing the board approved CHIETA research agenda, postgraduate support and industry/university partnerships. The purpose of this programme is to ensure that the CHIETA, among other important imperatives, meets the objective of the National Skills Development Strategy of a credible mechanism for skills planning, and continues to be an authoritative voice on skills in the chemical industry. The body of knowledge generated as a result enables sector skills needs to be identified, and informs decision-making for prioritisation of interventions for the benefit of the sector.

The research topics implemented in the 2017/18 financial year helped develop a better understanding of the variables which affect the performance of the chemical sector, and provided information to advise the CHIETA on the direction that should be taken in engendering change that will ultimately see the sector benefit.

The Research and Skills Planning Unit ensures that the environment and focus of skills development is properly understood, and that circumstances are properly communicated so that plans can be set in place to maintain relevant responsive programmes in all subsectors. The research programme also seeks to ensure that skills development makes a measurable contribution to the performance and productivity of member organisations, and to the entire sector.

This programme is in a green baseline status with an achievement of 136%.

## PERFORMANCE INFORMATION

Below is a breakdown of the research projects completed in 2017/18.

CHIETA research agenda implementation report		
Research agenda theme	Objective	Research title
Small business support (Including CBOs, CBCs and NGOs & SMMEs)	To establish where markets exist for the products already being produced, to establish where markets exist for SMMEs in the sector, to establish where demand exists in industry supply chains for chemical products, including those that may be produced by SMMEs in the light of resources available to them and products which require further skills development and capital availability before SMMEs may be able to produce them.	Product fit opportunities for value chain participation by SMMEs in the chemical sector
Sustainability and socio-economic development	A study, to inform the rural development strategy of the CHIETA, that investigates sustainable economic development projects in the chemical sector from which communities can benefit.	Rural and community development
Other – Relevant technical and innovation research to advance the chemical sector	To identify new growth areas for the chemical sector and the skills implications. A study that takes a futurist look into the sector to identify opportunities.	Growth opportunities in the chemical sector
Impact assessment	To develop a CHIETA impact assessment model and assessment of CHIETA interventions at three TVET colleges. These are Flavius Mareka, Gert Sibande and KZN Coastal College (CHIETA flagship projects).	Impact assessment
Core labour market	A study to investigate the proper/most appropriate demarcation of the chemical sector.	Chemical sector demarcation
Other - Relevant technical and innovation research to advance chemical sector	The aim of the project is to improve student understanding of research methods, consolidate their understanding on the ability to perform scientific fact finding. On completion of the project, students can independently develop a research proposal, apply methodology, interpret data, and discuss results.	Production of Bio-Oil from the Pyrolysis of sewage sludge and low rank coal materials
Renewable energy skills development - green skills	To support the development of skills planning and skills development tools for employers, SETAs and training providers, are working towards building a green skills planning system.	Green skills in the South African petroleum and base chemicals subsectors
Sustainability and socio-economic development (strengthen the human resource and skills base)	To deliver knowledgeable graduates at MSc level in oil and gas engineering who will be involved in the Karoo shale gas development, contribute to the development of PetroSa offshore, and also to the oil and gas sector of the southern region. The graduates will be equipped with necessary skills in reservoir engineering, oil and gas drilling and cementing processes, and pipeline transportation processes.	Master of Science in Chemical Engineering/Oil and Gas
Other - Relevant technical and innovation research to advance chemical sector	The purpose of this report is to look into CHIETA's role in transformation, focusing on the 2016 to 2017 discretionary grants (DGs) awarded in the chemical sector as an indicator. Given that DGs are funded at CHIETA's discretion, it will provide insight into funding patterns towards transformation.	Report on CHIETA's participation in transformation

CHIETA research agenda implementation report		
Research agenda theme	Objective	Research title
Other - Relevant technical and innovation research to advance chemical sector	SETAs are mandated to collect Workplace Skills Plans and Annual Training Reports (WSP-ATRs) from their levy paying companies. WSP-ATRs are critical sources to attain labour market information. Key to this report is the collection of scarce and critical skills needs which are retrieved from the WSP-ATRs. The purpose of this report is to critically analyse discretionary funding of scarce and critical skills from 2015 to 2017; utilising scarce skills lists from WSP-ATR submissions, and any corroborating information from the SSP during this period.	Supporting scarce and critical skills in the chemical sector

### 3.3 Programme 3: Occupationally directed programmes

This programme is the core of the skills development programmes in the CHIETA that provide learners with learning opportunities. It enables them to develop socially and economically. The main purpose of this programme is to build the foundation for skills development in our organisations and to stimulate meaningful participation in the skills development process. The core of the programme is the creation of more opportunities for skills development in the chemical sector that enhances its efficiencies, performance and productivity. This programme is fundamental to the CHIETA's strategic plan that brings people on to the ladder of growth and personal fulfilment through education and skills development. Our learnerships connect people with the reality of workplaces, and boosts their relevance and productivity. Our skills development committees give voice to the voiceless in planning and delivering training. Our RPL programme recognises that many of our talented and capable citizens, who may not have certification, may be eligible through this programme and be further prepared for the workplace. Our artisan programme provides a pipeline of key skills for South Africa's infrastructure projects. Our bursary, WIL and internship programme also provide a sustainable platform for employment opportunities within the sector.

The occupationally directed programmes are also key in the work of the CHIETA. Their primary role is to facilitate and enable a programme of sustained delivery to stakeholders that seek to align and maximise the services of the CHIETA to the unique needs of each subsector.

This programme reflects primarily the DHET SQMR targets that CHIETA reports on quarterly to the Department of Higher Education and Training. The performance targets are categorised for employed and unemployed learners entered and certified in the following indicators:

- Learnerships
- Bursaries
- Internships
- Skills programmes
- Artisans
- Candidacy programmes (entered only)
- TVET College Programme
- HET programme (WIL)
- Recognition of prior learning
- Low level youth and adult language and numeracy skills
- Support to co-ops, NGOs, CBOs, CBCs and worker initiated training initiatives
- Support for public sector capacity
- Career and vocational guidance
- Medium-term strategic priorities

The programme is in a green status with a baseline achievement of 144%. Significant delivery has occurred all 41 indicators.

### 3.4 Programme 4: Quality Assurance /LPDI







The main purpose of this programme is to ensure the sustainability of the chemical accreditation of service providers, workplace approvals and the acceleration of certification. Many chemical service providers are small and do not have the capacity to develop the necessary organisational structures and processes to meet the rigorous quality management standards in the provision of training, registration of assessors/moderators, and ensuring that workplaces are in a state of readiness to implement learning programmes. The programme is in a green status with a baseline achievement of 219%. Significant delivery has occurred in this programme.

## 4. CONCLUSION

CHIETA has delivered excellently. It has met or exceeded all targets in its four programmes of the strategic plan and APP of 2017/18 as approved by the Executive Authority. The CHIETA Acting CEO, Executive (CHIETA MANCO) and staff want to place on record their sincere appreciation to the DHET, outgoing CHIETA governing board, board committees (with special reference to the governance and strategy/audit committees), employers and stakeholders for the assistance, leadership and support during the 2017/18 financial year.




## PERFORMANCE INFORMATION

### PROGRAMME 1: ADMINISTRATION - Strategic objective: A disciplined and transparent functioning of CHIETA business, financial and governance frameworks



Performance indicator	2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
<b>1.1.1</b> Maintaining an unqualified audit report at the end of the financial year 2017/18	1	1	1	0	100%		Target achieved as per report from AGSA
<b>1.1.2</b> Ensuring the effective functioning of the CHIETA's five governance and constitutional structures	24	28	28	4	117%		Target exceeded as per additionally scheduled governance meetings and oversight engagements
<b>1.1.3</b> Ensuring the planned CHIETA annual admin budget to be a 10% reduction	1	1	1	0	100%		Target achieved as per report from AGSA
<b>1.1.4</b> ICT strategy and governance framework in support of CHIETA APP deliverables	1	1	No indicator set in 2016/17	0	100%		Target achieved
<b>1.1.5</b> Effective functioning of CHIETA QMS structures: Six QMS steering committee meetings	6	8	No indicator set in 2016/17	2	133%		Target exceeded. More QMS steering committee meetings were scheduled to enhance efficiencies in business units
<b>1.1.6</b> Effective functioning of CHIETA risk management framework: one framework	1	1	No indicator set in 2016/17	0	100%		Target achieved

## PERFORMANCE INFORMATION

### PROGRAMME 1: ADMINISTRATION - Strategic objective: A disciplined and transparent functioning of CHIETA business, financial and governance frameworks

Performance indicator	2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
1.1.7 Capacitated CHIETA's organisational structure with aligned performance agreements	1	1	No indicator set in 2016/17	0	100%		Target achieved
1.1.8 Annual 1% of labour cost investment in staff training	1	1	No indicator set in 2016/17	0	100%		Target achieved
Baseline	36	42	30	6	117%		Baseline target exceeded



### PROGRAMME 2: RESEARCH AND SKILLS PLANNING - Establish a credible institutional mechanism for skills planning: Strategic objective 2.1: Implementing a total of 617 interventions in support of a quality SSP

Performance indicator	2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
2.1.1 Providing annual WSP and ATR data analysis and reporting	1	1	1	0	100%		The analysis commissioned through the WSPs and ATRs provides a profile of the chemical sector on skills development initiatives within the sector
2.1.2 Ensuring a total of ten research reports inclusive of research partnerships are formed	10	10	10	0	100%		Research reports were achieved as a result of the research agenda commissioned by the research and skills planning unit







## PERFORMANCE INFORMATION

### PROGRAMME 2: RESEARCH AND SKILLS PLANNING - Establish a credible institutional mechanism for skills planning: Strategic objective 2.1: Implementing a total of 617 interventions in support of a quality SSP

Performance indicator	2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
<b>2.1.3</b> Updating and maintaining of the nine subsector chamber skills plans	9	9	9	0	100%		This was achieved through several chamber meetings where skills priorities were identified and conceptualised into subsector skills plans
<b>2.1.4</b> Maintaining the track and trace system for graduates (including all learning programmes) in the sector	1	1	1	0	100%		This was achieved as a result of the methodology used to populate learner data through strategic relationships with institutions and the active usage by SDFs of CHIETA companies. Thus the data management of the supply-side involves several key role players, HET and TVET institutions (providers), and active CHIETA company participants in recruiting and placing suitable learners



## PERFORMANCE INFORMATION

### PROGRAMME 2: RESEARCH AND SKILLS PLANNING - Establish a credible institutional mechanism for skills planning: Strategic objective 2.1: Implementing a total of 617 interventions in support of a quality SSP

Performance indicator	2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
<b>2.1.5</b> The SSP is well researched providing a credible institutional mechanism for skills Planning	1	1	1	0	100%		This was achieved through the ongoing collaborations with CHIETA stakeholders on submission of the board approved sector skills plan to DHET
<b>2.1.6</b> Enrolling 22 Master graduates on scarce and critical skills	22	52	52	30	236%		This was exceeded through strategic partnerships with industry through CHIETA discretionary grants funding windows
<b>2.1.7</b> Enrolling three Doctorate graduates in scarce ad critical skills	3	11	11	8	367%		This was exceeded through strategic partnerships with industry through CHIETA discretionary grants funding windows
<b>2.1.8</b> Enrolling three Post Doctorate graduates in scarce ad critical skills	3	3	3	0	100%		This was achieved through strategic partnerships with industry through CHIETA discretionary grants funding windows




## PERFORMANCE INFORMATION

### PROGRAMME 2: RESEARCH AND SKILLS PLANNING - Establish a credible institutional mechanism for skills planning: Strategic objective 2.1: Implementing a total of 617 interventions in support of a quality SSP

Performance indicator	2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
<b>2.1.9</b> Funding support to three industry and university partnerships for research purposes	3	5	5	2	167%		This was exceeded through industry and university partnerships through the CHIETA discretionary grants funding windows
<b>2.1.10</b> The number of WSPs from large firms	114	121	136	7	106%		This target was exceeded through the extensive regional skills forums, roadshows and national interventions to encourage large member companies to participate. The online process of the submission of WSPs and ATRs encouraged member companies to participate and yielded positive results


## PERFORMANCE INFORMATION

### PROGRAMME 2: RESEARCH AND SKILLS PLANNING - Establish a credible institutional mechanism for skills planning: Strategic objective 2.1: Implementing a total of 617 interventions in support of a quality SSP

Performance indicator		2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
2.1.11	The number of WSPs from medium firms	150	226	182	76	151%		This target was exceeded through the extensive regional skills forums, roadshows and national interventions to encourage medium member companies to participate. The online process of the submission of WSPs and ATRs encouraged member companies to participate and yielded positive results
2.1.12	The number of WSPs from small firms	300	402	407	102	134%		This target was exceeded through the extensive regional skills forums, roadshows and national interventions to encourage small member companies to participate. The online process of the submission of WSPs and ATRs encouraged member companies to participate and yielded positive results
	Baseline	617	842	818	225	136%		Baseline target exceeded


## PERFORMANCE INFORMATION

### PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Strategic objective 3.1: Increase access to occupationally directed programmes: Ensuring 20 328 learners are participating in occupationally directed programmes

Performance indicator		2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
3.1	Enrolling 1 900 employed learnerships entered (non artisan)	1 900	1 909	1 848	9	100%		Target exceeded. This indicator was exceeded through the discretionary grants funding model. Member companies responded favourably to this funding programme for enhancing productivity and performance in the workplaces of the chemical sector



## PERFORMANCE INFORMATION

### PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Strategic objective 3.1: Increase access to occupationally directed programmes: Ensuring 20 328 learners are participating in occupationally directed programmes

Performance indicator		2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
3.2	Enrolling 80 employed bursaries entered	80	214	340	134	268%		Target exceeded. Large uptake on "employed bursaries entered". Stakeholders explained that companies favour bursaries and skills programmes rather than learnerships and apprenticeships. Substantial operating budgets are no longer available to replace workers in the plant while they undergo training. Anyone on a bursary, involved in contact sessions or writing exams has to take study leave. This was also due to the co-funding partnership between CHIETA and its member companies in terms of the uptake for employed bursaries

## PERFORMANCE INFORMATION



### PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Strategic objective 3.1: Increase access to occupationally directed programmes: Ensuring 20 328 learners are participating in occupationally directed programmes

Performance indicator		2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
<b>3.3</b>	Enrolling 3 500 employed skills programme entered	3 500	3 912	3 622	412	112%		Target exceeded. A strategic focus driven by the CHIETA in the chemical sector assisted in achieving and exceeding this indicator in providing specific work related and skills programmes for workers who could progress on the NQF and providing for upward mobility of positions within their workplaces. The impact of the recent DG cycle also assisted with the acceleration towards exceeding this target
<b>3.4</b>	875 employed learners are certificated on learnership programmes (non artisan)	875	1 117	1 006	242	128%		Target exceeded. This indicator was exceeded through the efforts of the CHIETA providers and the learnerships unit to accelerate issuing certificates of learnerships





## PERFORMANCE INFORMATION

### PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Strategic objective 3.1: Increase access to occupationally directed programmes: Ensuring 20 328 learners are participating in occupationally directed programmes

Performance indicator		2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
3.5	40 employed bursaries complete their qualifications	40	45	229	5	113%		Target exceeded. Learners were encouraged to complete their qualifications and this resulted in an increased certification of bursary learners
3.6	1 750 employed skills programme are certificated	1 750	3 097	1 968	1 347	177%		Target exceeded. This was exceeded through the regional strategy in terms of the implementation timeframes. Member companies' short skills programmes are easier for employers to manage. This was due to the co-funding partnership between CHIETA and its member companies in terms of the uptake for employed skills programmes certificated




## PERFORMANCE INFORMATION

### PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Strategic objective 3.1: Increase access to occupationally directed programmes: Ensuring 20 328 learners are participating in occupationally directed programmes

Performance indicator		2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
3.7	Enrolling 2 400 unemployed learnerships entered (non artisan)	2 400	3 022	2 956	622	126%		Target exceeded. This indicator was exceeded through the discretionary grants funding model. Member companies responded very favourably to this funding programme for enhancing productivity and performance in the workplaces of the chemical sector
3.8	Enrolling 50 unemployed bursaries entered	50	280	842	230	560%		Target exceeded. Last year with the "fees must fall" campaign, CHIETA funded the maximum number that the budget could support. Success was also achieved with the NSFAS, CHIETA bursary scheme and Free State top achiever project. The CHIETA also responded to and aligned itself to assist a substantial number of unemployed youth with the bursary programme in support of government's free higher education plan



## PERFORMANCE INFORMATION

### PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Strategic objective 3.1: Increase access to occupationally directed programmes: Ensuring 20 328 learners are participating in occupationally directed programmes

Performance indicator	2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
<b>3.9</b> Enrolling 530 unemployed internships/ workplace experience entered	530	538	824	8	102%		This indicator was exceeded through the discretionary grants funding model where member companies responded favourably to provide internship programmes for unemployed learners
<b>3.10</b> Enrolling 1 350 unemployed skills programme entered	1 350	2 392	2 165	1 042	177%		Target exceeded. In a drive to put learners in workplaces sooner, more accredited skills programmes are being implemented. Hence CHIETA is prioritising continuing learners as well, so that they can complete the qualification
<b>3.11</b> 1 200 unemployed learnerships are certificated on learnership programmes (non artisan)	1 200	2 062	2 181	862	172%		Target exceeded. Big drive from a BBBEE code to implement unemployed learnerships resulted in huge uptake from companies




## PERFORMANCE INFORMATION

### PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Strategic objective 3.1: Increase access to occupationally directed programmes: Ensuring 20 328 learners are participating in occupationally directed programmes

Performance indicator		2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
3.12	25 Unemployed bursaries are certified	25	104	623	79	416%		Target exceeded. Last year with the “fees must fall” campaign, CHIETA funded the maximum that its budget could support. Success was also achieved with the NSFAS, CHIETA bursary scheme and Free State top achiever project. The CHIETA also responded and aligned in assisting a substantial number of unemployed youth with the bursary programme in support of government’s free higher education plan
3.13	265 unemployed internships/ workplace experience are certified	265	553	541	288	209%		Target exceeded. WIL is a key focus in the NSL. CHIETA has been driving placement of unemployed interns, for job creation. This was also due to the co-funding partnership model between the CHIETA and TVET colleges





## PERFORMANCE INFORMATION

### PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Strategic objective 3.1: Increase access to occupationally directed programmes: Ensuring 20 328 learners are participating in occupationally directed programmes

Performance indicator	2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
<b>3.14</b> 675 unemployed skills programmes are certified	675	2 413	1 013	1 738	357%		Target exceeded. In a drive to put learners in workplaces sooner, more accredited skills programmes are being implemented, that lead to a full qualification. Hence CHIETA is prioritising continuing learners as well, so that they can complete the qualification. This was also due to the co-funding partnership model with employers
<b>3.15</b> Enrolling 1 830 artisan entered	1 830	1 865	1 824	35	102%		Target exceeded. The discretionary grants funding model prioritised this programme. The prioritised SIPs programmes also contributed to this indicator being exceeded
<b>3.16</b> 479 artisans are certificated	479	563	905	84	118%		Target exceeded. The support from the National Artisan Moderating Body (NAMB) assisted the CHIETA in exceeding this target



## PERFORMANCE INFORMATION

### PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Strategic objective 3.1: Increase access to occupationally directed programmes: Ensuring 20 328 learners are participating in occupationally directed programmes



Performance indicator	2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
<b>3.17</b> 130 work integrated (HET) entered	130	137	193	7	105%		Target exceeded. The discretionary grants funding model prioritised this programme
<b>3.18</b> 65 work integrated learning (HET) are completed	65	218	147	153	335%		Target exceeded. WIL is a key focus in the NSL. CHIETA has been driving placement of unemployed interns for job creation. The co-funding partnership between the CHIETA and HET institutions also contributed to the achievement
<b>3.19</b> 30 candidacy programmes entered	30	34	30	4	113%		Target exceeded. The discretionary grants funding model prioritised this programme. The prioritised SIPs programmes also contributed to this indicator being exceeded
<b>3.20</b> The number of learners certificated on candidacy programmes for completion s after three years	No target set	0	0	No target set	No target set		This is a 3-year programme. Certifications will only be reported in 2019

## PERFORMANCE INFORMATION

### PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Strategic objective 3.1: Increase access to occupationally directed programmes: Ensuring 20 328 learners are participating in occupationally directed programmes

Performance indicator	2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
3.21 Enrolling 850 recognition of prior learning	850	1 000	924	150	118%		Target exceeded. The discretionary grants funding model prioritised this programme
3.22 The number of employers in partnership with CHIETA	130	221	134	91	170%		Target exceeded. The discretionary grants funding model prioritised this programme




### PROGRAMME 3: Strategic objective 3.2 - Effective strategic public private partnerships to support TVET graduates for Work Integrated Learning: Ensuring 1 305 learners are participating in workplace experience/lecturer development and securing 18 TVET partnerships

3.23 800 TVET graduate workplace place experience entered	800	1 214	770	414	152%		Target exceeded. WIL is a key focus in the NSL. CHIETA has been driving placement of unemployed interns for job creation. The co-funding partnership between the CHIETA and HET institutions also contributed to the achievement
3.24 400 TVET graduate workplace experience are completed	400	792	891	392	198%		Target exceeded. WIL is a key focus in the NSL. CHIETA has been driving placement of unemployed interns, for job creation. The co-funding partnership between the CHIETA and HET institutions also contributed to the achievement



## PERFORMANCE INFORMATION

### PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Strategic objective 3.1: Increase access to occupationally directed programmes: Ensuring 20 328 learners are participating in occupationally directed programmes



Performance indicator		2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
3.25	18 TVET college campus partnerships	18	27	19	9	150%		Target exceeded. The CHIETA responded to a discretionary grant application in partnership with public TVET colleges together with the recent opening of the centres of specialisation
3.26	70 TVET lecturers for capacity building entered	70	197	69	127	281%		Target exceeded. White Paper requires SETAs to support TVET lecturer development and the CHIETA supported the maximum that could be funded with available budget
3.27	35 TVET lecturers capacity building are completed	35	125	48	90	357%		Target exceeded. White Paper requires SETAs to support TVET Lecturer development, and the CHIETA supported the maximum that could be funded with available budget

## PERFORMANCE INFORMATION

### PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Strategic objective 3.1: Increase access to occupationally directed programmes: Ensuring 20 328 learners are participating in occupationally directed programmes



Performance indicator	2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
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### PROGRAMME 3: Strategic objective 3.4 - Addressing the low level language and numeracy skills to provide access to additional training: Ensuring 645 learners are participating in language and numeracy skills

3.28	250 learners in AET entered and bridging programmes	250	534	431	284	214%		Target exceeded. This was a focus area in the CHIETA discretionary grants funding model and the CHIETA strategic plan that resulted in positive participation and achievement from CHIETA stakeholders. A strategic programme was implemented for disabled learners participating in AET learning programmes
3.29	125 learners in AET entered and bridging programmes are certificated	125	206	157	81	165%		Target exceeded. This was a focus area in the CHIETA discretionary grants funding model and the CHIETA strategic plan that resulted in positive participation and achievement from CHIETA stakeholders

## PERFORMANCE INFORMATION

### PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Strategic objective 3.1: Increase access to occupationally directed programmes: Ensuring 20 328 learners are participating in occupationally directed programmes




Performance indicator		2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
3.30	200 learners in science and/or maths bridging programmes (second chance/NEET)	200	220	200	20	110%		Target exceeded. This was a focus area in the CHIETA strategic projects funding model and the CHIETA strategic plan that resulted in positive participation and achievement from CHIETA stakeholders
3.31	70 learners assisted with matric to obtain university entrance	70	75	65	5	107%		Target exceeded. This was a focus area in the CHIETA strategic projects funding model and the CHIETA strategic plan that resulted in positive participation and achievement from CHIETA stakeholders

## PERFORMANCE INFORMATION

### PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Strategic objective 3.1: Increase access to occupationally directed programmes: Ensuring 20 328 learners are participating in occupationally directed programmes


Performance indicator	2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
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### PROGRAMME 3: Strategic objective 3.5 - Encouraging and supporting co-operatives, small enterprises, worker initiated NGOs and community training initiatives: Ensuring support to 180 NGOs, CBOs and worker initiated training programmes


3.32	30 co-operatives participating on learner programmes	30	35	72	5	117%		Target exceeded. This was a prioritised rural funding model that encouraged co-ops to participate through the CHIETA strategic projects. This programme was also implemented within the framework of the actual outcomes of one of the NSDS III strategic goals
3.33	100 small businesses participating on learner programmes	100	159	111	59	159%		Target exceeded. A strategic focus of the CHIETA board is to grow the SMME sector
3.34	45 NGOs/CBOs/CBCs enrolled on learner programmes	45	48	58	3	107%		Target exceeded. This was a prioritised rural funding model that encouraged co-ops to participate through the CHIETA strategic projects in particular through the voucher scheme

## PERFORMANCE INFORMATION



### PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Strategic objective 3.1: Increase access to occupationally directed programmes: Ensuring 20 328 learners are participating in occupationally directed programmes

Performance indicator	2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
<b>3.35</b> Five worker initiated training interventions	5	5	5	0	100%		Target achieved through the regional outreach strategy for skills development committee support

### PROGRAMME 3: Strategic objective 3.6 - Increasing public capacity for improved delivery and building of a developmental state: Provide funding support to one public sector partnership


<b>3.36</b> Number of public sector partnerships - 1	1	2	1	1	200%		Target achieved
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### PROGRAMME 3: Strategic objective 3.7 - Building career and vocational guidance: Building 10 programmes for career and vocational guidance




<b>3.37</b> Develop one CHIETA career guide inclusive of maths and science guide	1	1	1	0	100%		Target achieved through the development of the scarce and critical skills guide
<b>3.38</b> A total of six career guidance events are planned and implemented	6	7	7	1	117%		Target exceeded due to the call by DHET to participate in career guidance expos and workshops. This was also one of the prioritised funding areas in the discretionary grants funding programme and specific attention was given to maths and science career guidance programmes with positive uptake and feedback from stakeholders

## PERFORMANCE INFORMATION

### PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Strategic objective 3.1: Increase access to occupationally directed programmes: Ensuring 20 328 learners are participating in occupationally directed programmes





Performance indicator	2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
<b>3.39</b> Maintain the annual partnership support of three annual professional bodies in vocational and career guidance	3	4	3	1	133%		Target achieved through the research and skills planning agenda for 2017/18

### PROGRAMME 3: Strategic objective 3.8 - Addressing medium term strategic priorities of government: Addressing 15 strategic priorities of government

<b>3.40</b>	Implementing five projects in government's medium-term priorities	5	8	10	3	160%		Target exceeded. This indicator was exceeded through the strategic projects funding model
<b>3.41</b>	Ten rural development projects planned and implemented	10	12	10	2	120%		Target exceeded. This was also a prioritised funding programme through the strategic projects that resulted in many member companies and providers participating positively in this intervention
	Baseline	20 328	29 367	27 243	9 039	144%		Baseline target exceeded

## PERFORMANCE INFORMATION

**PROGRAMME 4: LPDI / Quality Assurance - Strategic objective: Coordination of primary curriculum development with experts and QCTO as per need expressed by stakeholders: Accreditation and management of CHIETA training providers, moderators, and assessors. To ensure the sustainability of the chemical accreditation of service providers, the curriculum**

Performance indicator		2017/18 target	Actual achievement 2017/18	Actual achievement 2016/17	Deviation from planned target to actual achievement for 2017/18	Percentage achieved	Status 2017/18	Comments
4.1	Number of workplace approvals	70	95	No indicator set in 2016/17	25	136%		Target exceeded through active participation of TFAC committee
4.2	Number of skills programmes learners certificates issued for the chemical industry	300	898	No indicator set in 2016/17	598	299%		Target exceeded through active participation in the DG funding windows for skills programmes by employers
4.3	Number of assessors and moderators registered	175	200	No indicator set in 2016/17	25	114%		Target exceeded through the response rate in the number of rejections sent to employers to close their gaps
	Baseline	545	1 193	No indicator set in 2016/17	648	219%		Baseline target exceeded





## PART C RESEARCH AND SKILLS PLANNING

## 1. INTRODUCTION

The introduction of the National Skills Development Strategy (NSDS) III in 2011 placed greater emphasis on research and analysis. The strategy also mandated SETAs to become authoritative voices on skills planning in their respective industrial sectors. As a result CHIETA formally established and capacitated the Research and Skills Planning unit to ensure alignment to the strategic guidance document. In so doing it recognised the importance of sound research in guiding decision making.

Research within CHIETA and the industry is critical in skills planning, stakeholder engagement and consultation, needs' identification and priority setting.

The first goal of NSDS III focuses on establishing a credible institutional mechanism for skills planning. Central to the realisation of this goal is the need for quality and timely data and information from the industry. This data can then be analysed and supplemented by credible research that will address skills needs and priorities and a strategic direction for the sector.

The research undertaken by CHIETA is guided by its research policy framework and strategic research agenda, both of which are approved by the accounting authority. The purpose of this policy framework and research agenda is to guide the implementation of research in areas of strategic importance.

Five areas have been identified for research in terms of the approved agenda:

- Core labour market research,
- Technical Vocational Education and Training (TVET),
- Work Integrated Learning (WIL),
- Impact Assessments, and
- Sustainability and Socio-Economic Development.

## 2. THE ROLE OF GOVERNANCE STRUCTURES IN SKILLS PLANNING

Skills planning is the key element in CHIETA's governance structures, including its stakeholder constituencies. So too are the development and finalisation of the SSP update, strategic plan and annual performance plan.

The strategic direction for CHIETA is set by the accounting authority. It provides effective leadership to ensure that CHIETA implements the goals of the NSDS and its performance agreement with the Minister. The accounting authority's governance and strategy committee (GSC) oversees the skills planning and reporting processes.

Their responsibilities include:

- overseeing CHIETA's Sector Skills Planning (SSP) process and research agenda;
- informing and guiding CHIETA on relevant scarce, critical and priority skills for the chemical industry;
- overseeing CHIETA's strategic planning process in terms of its strategic focal areas in support of the SSP, also based on industry needs; and
- overseeing organisational performance and monitoring of deliverables against the SSP, strategic plan and annual performance plan.

The accounting authority has delegated the approval of CHIETA's SSP to the chairperson of the GSC. Subsequent governing board meetings ratify decisions made in terms of this delegated authority. As the process unfolds the governing board ratifies and approves SSP development and progress.

The functional work of the GSC is carried out by the research and skills planning committee (RSPC). This is a GSC subcommittee consisting of five chairpersons of the CHIETA chambers set up for this purpose. . The core mandate of the RSPC is skills planning. The chambers represent all nine economic subsectors in the chemical sector.

The functions of the RSPC are:

- To advise and recommend CHIETA's research agenda and oversee relevant research projects undertaken by CHIETA in respect of the CHIETA SSP.
- To receive and discuss reports from the chambers on skills needs and priorities within the sector.
- To advise CHIETA on scarce occupations/skills and critical skills for the chemical sector.
- To support and advise CHIETA on the Qualifications Framework/Matrix by identifying priority areas for learning programme development.
- To monitor the implementation of the Sector Skills Plan.
- To review and make recommendations on the SSP process to the governance and strategy committee and seek board mandates on the SSP through this committee.

The five chambers have played a central role in skills planning in line with their constitutional mandate. Nine subsectors are represented by these chambers. They are:

- Petroleum
- Base Chemicals
- Fast Moving Consumer Goods
- Pharmaceuticals
- Explosives
- Fertilisers
- Speciality Chemicals
- Surface Coatings
- Glass.

The chambers consist of employers, trade unions, government departments (**the dti** and Department of Energy) and critical interest groups. They meet at least quarterly to carry out their mandate.

The role of the chambers is:

- To consult with the nine subsectors of the chemical industry in areas of skills development and planning. The objective of such consultation is to compile the SSP for the sector taking into consideration areas of skills demand, skills supply and scarce and critical skills that inform the strategic plan.
- To facilitate and participate in the development of the SSP so that the skills requirements of industry are reflected by sector and subsector.
- To submit a chamber skills plan, advise on the Qualifications Framework/Matrix aligned to the OFO and contribute to a critical/hard to fill vacancies list for the relevant subsector(s).
- To monitor the implementation of the Chamber Skills Plan in support of the SSP.
- To identify and assist with, where possible, relevant research projects undertaken by CHIETA in support of the SSP.
- To review the SSP process and make recommendations to governance structures via the RSPC to the GSC.

### 3. THE SECTOR SKILLS PLAN UPDATE

CHIETA once again achieved its mandate in 2017/18. During this period it developed and submitted the SSP final submission for the chemical sector for the period 2019 to 2020 to the Department of Higher Education and Training (DHET).

Endorsed by CHIETA's board, the SSP update was prepared in accordance with the National Skills Development Strategy (NSDS) III for the period 2011 to 2016, and guided by the DHET's SSP Framework and Requirements (2011 to 2016).

In the third year of its implementation, this policy guiding document assists to ensure the standardisation of SSPs developed by the SETAs. It also enhances the accessibility of these strategic documents by all stakeholders. The update of the SSP occurs with relevant legislation, strategies and debates around skills development in mind. This includes sector-specific and broader national imperatives related to the growth and development of the economy, including the Grant Regulations.

Skills development initiatives in the chemical industry are based on guidance and information provided annually by the SSP update. The report is the result of a sound research process and extensive stakeholder consultation. Such consultation, in particular, takes place through the involvement of CHIETA's chambers. CHIETA stakeholders took ownership of this plan and committed themselves to working with CHIETA in the next five years to address skills development priorities in the chemical sector, and to achieve the goals and objectives set out in the SSP. As the plans become operational, annual revisions and updates were undertaken to ensure alignment with sector relevant government policies and growth plans.

As part of its skills development planning function, CHIETA collects data annually from employers on occupations that they consider hard to fill (critical and scarce). The information on hard to fill vacancies was obtained by analysing the results set out in the Hard to Fill Vacancies Table of the WSPs-ATRs submitted for the year 2017/18, and in discussion within the chambers. At the end of March 2018 the Chemicals Industry employed 12 505 people in 118 designated trades. The largest group of artisans was mechanical fitters (2 125), followed by Electrician (1 105), fitter and turner (1 011), and millwrights (970). At the same time there were about 16 198 employees in the Chemicals Industry working in occupations identified on the OFO 2017 as 'green' occupations. The largest occupational group Chemical Plant Controller employing 5 313, Chemistry Technician employing 3 246, and Electrician employing 1 105.

Once reported skills shortages have been analysed, it is imperative that stakeholders are consulted to place the analysis in context and to better understand it. This is an important aspect of skills planning in CHIETA as numbers and lists have to have context. Based on the hard to fill vacancies and incorporating relevant factors and variables, CHIETA has developed a pivotal/priority skills list that, once endorsed by the accounting authority, is submitted to the DHET.

#### 4. RESEARCH PROJECTS FOR 2017/18

To supplement the SSP update processes and to implement CHIETA's research agenda, the following research projects were concluded in 2017/18 and presented at the 5<sup>th</sup> CHIETA Chamber Colloquium:

CHIETA research agenda implementation report		
Research agenda theme	Objective	Research title
Small business support (Including CBOs, CBCs and NGOs & SMMEs)	To establish where markets exist for the products already being produced, to establish where markets exist for SMMEs in the sector, to establish where demand exists in industry supply chains for chemical products, including those that may be produced by SMMEs in the light of resources available to them and products which require further skills development and capital availability before SMMEs may be able to produce them.	Product fit opportunities for value chain participation by SMMEs in the chemical sector
Sustainability and socio-economic development	A study, to inform the rural development strategy of the CHIETA, that investigates sustainable economic development projects in the chemical sector from which communities can benefit.	Rural and community development

CHIETA research agenda implementation report		
Research agenda theme	Objective	Research title
Other – Relevant technical and innovation research to advance the chemical sector	To identify new growth areas for the chemical sector and the skills implications. A study that takes a futurist look into the sector to identify opportunities.	Growth opportunities in the chemical sector
Impact assessment	To develop a CHIETA impact assessment model and assessment of CHIETA interventions at three TVET colleges. These are Flavius Mareka, Gert Sibande and KZN Coastal College (CHIETA flagship projects).	Impact assessment
Core labour market	A study to investigate the proper/most appropriate demarcation of the chemical sector.	Chemical sector demarcation
Other - Relevant technical and innovation research to advance chemical sector	The aim of the project is to improve student understanding of research methods, consolidate their understanding on the ability to perform scientific fact finding. On completion of the project, students can independently develop a research proposal, apply methodology, interpret data, and discuss results.	Production of Bio-Oil from the Pyrolysis of sewage sludge and low rank coal materials
Renewable energy skills development - green skills	To support the development of skills planning and skills development tools for employers, SETAs and training providers, are working towards building a green skills planning system.	Green skills in the South African petroleum and base chemicals subsectors
Sustainability and socio-economic development (strengthen the human resource and skills base)	To deliver knowledgeable graduates at MSc level in oil and gas engineering who will be involved in the Karoo shale gas development, contribute to the development of PetroSa offshore, and also to the oil and gas sector of the southern region. The graduates will be equipped with necessary skills in reservoir engineering, oil and gas drilling and cementing processes, and pipeline transportation processes.	Master of Science in Chemical Engineering/Oil and Gas
Other - Relevant technical and innovation research to advance chemical sector	The purpose of this report is to look into CHIETA's role in transformation, focusing on the 2016 to 2017 discretionary grants (DGs) awarded in the chemical sector as an indicator. Given that DGs are funded at CHIETA's discretion, it will provide insight into funding patterns towards transformation.	Report on CHIETA's participation in transformation
Other - Relevant technical and innovation research to advance chemical sector	SETAs are mandated to collect Workplace Skills Plans and Annual Training Reports (WSP-ATRs) from their levy paying companies. WSP-ATRs are critical sources to attain labour market information. Key to this report is the collection of scarce and critical skills needs which are retrieved from the WSP-ATRs. The purpose of this report is to critically analyse discretionary funding of scarce and critical skills from 2015 to 2017; utilising scarce skills lists from WSP-ATR submissions, and any corroborating information from the SSP during this period.	Supporting scarce and critical skills in the chemical sector

CHIETA's latest career guide is informed by CHIETA's comprehensive Occupational Handbook, its qualifications matrix, and engagements with stakeholders. The handbook and the qualification matrix are updated bi-annually and will next be updated in 2019. CHIETA continues to support companies to improve the accuracy and quality of data for the next WSP-ATR and PIVOTAL report cycle.

The Skills Supply and Demand Database (SSDD) has been developed by CHIETA so that it can make a holistic impact in all its interventions. This also ensures that that it can match the supply and demand in the chemical sector.

This user friendly web based platform has three objectives:

- To assist its member companies in the chemical sector to match their needs with appropriately qualified graduates.
- To create a platform for students and graduates to assist them in seeking work and gaining experience in the chemical industry in occupations that match their qualifications and interest.
- To evaluate and measure the impact through tracking and tracing the placement of students and graduates in the chemical industry.

The SSDD has been well received in the sector. As a result the database, and participation from both the supply and demand sides of the chemical sector, is growing.

## 5. BUILDING PARTNERSHIPS

As partners, CHIETA's stakeholders play a key role in agreeing to co-operate to advance their mutual interests. The NSDS III suggests that SETAs should improve the linkages between themselves and universities, colleges and employers. This includes promoting training to meet the needs of both public and private industry employers and increased university research collaboration with industry. Partnerships should also be extended to building international links as well as supporting the role of communities in planning and delivering local employment and skills support services.

CHIETA has fully embraced this partnership approach and has seen the value in the implementation of skills development projects and interventions as a result. The success of CHIETA can be largely attributed to the functioning and successful partnerships across the skills development value chain.<sup>1</sup>

Traditionally, partnerships have been viewed mainly as comprising funding from the SETAs. In recent years, however, CHIETA has adopted a far more collaborative approach and has engaged stakeholders in many different ways.

### THE CHIETA PARTNERSHIP MODEL

CHIETA utilises a structured approach that provides a way to leverage the unique skills and expertise of each stakeholder. Stakeholders with shared interests and mutual benefits are brought together to achieve alignment while CHIETA acts as the co-ordinator, funder, and facilitator in the process. The advantage of the model is that it leads to the correct identification of supply side and demand side needs and to fit-for-purpose projects and project outcomes. The role played by CHIETA's constitutional structures and stakeholders in the skills planning process and hard to fill vacancies identification, forms part of the successful partnership model for skills planning. CHIETA's governance structures, including stakeholder constituencies, are central to skills planning, including the development and finalisation of the SSP updates, strategic plans and annual performance plans.

As partnerships are established and enhanced they are often characterised by challenges. Some of these include inadequate project management, some leadership not taking skills development as an imperative, general administrative inefficiencies and delays in delivery of projects often resulted form inadequate capacity especially from TVET colleges. On the other hand, partnerships with other institutions including industry and universities are characterised by challenges such as change of management affecting specific projects, change requests from initial plan skills development interventions, requests for extensions on projects timeframes, and inadequate evidence submitted to process grants payments.

The CHIETA continues to engage it's stakeholders and explore various ways to address these challenges. Some of the interventions put in place include the capacity building of new skills development facilitators, developing of relevant skills planning and implementation tools, continuous improvements on the credible system for skills planning and quality assurance sharing best practices during regional skills forum and a process of excellence awards held during the annual general meeting.

<sup>1</sup> CHIETA includes signed Memorandum of Agreements with 39 TVETs, UoTs and Universities.



## EXISTING PARTNERSHIPS

CHIETA has partnerships with stakeholders across the skills development value chain. A few successful projects implemented utilising this approach are singled out for purposes of this report. Partnerships that depict linkages with other SETAs, programme delivery partnerships, and industry/institution partnerships are reported on. For the 2017/18 skills development year CHIETA had existing Memorandums of Agreement for skills development interventions and implementations with 12 universities in Gauteng, North West, KwaZulu-Natal, Limpopo, Free State and the Western Cape.

Support at university level is mainly in research, graduate and post-graduate funding, undergraduate studies, customised capacity building of existing industry employees and stakeholders, and work integrated learning. CHIETA has a presence in all nine provinces in South Africa and has partnered with 27 TVET colleges. TVETs are accredited as trade test centres and offer CHIETA approved learning programmes.

### Industry Institution Partnerships

This model is the most prominent in CHIETA, and occurs at various levels. At the conceptual phase, it should show mutual benefits for involved stakeholders. The partnership can be for curriculum design and development, training and skills development, research, technology development and transfer.

The chemical industry highlighted its skills development needs and associated challenges faced by engaging stakeholders and conducting research. Some of the supply side challenges identified were the quality of education at school level, the capacity of TVET colleges to deliver technical courses, and the shortage of learners with mathematics and science grades that were good enough to undertake a chemical industry qualification at a tertiary institution.

CHIETA uses the industry/institution model because of the commitment to and participation of role players in finding solutions to challenges in skills development. The model leverages the unique skill sets and expertise of the different stakeholders for mutual benefit.

The model had been tested and continued to support the key flagship projects. CHIETA was thus able to respond to industry specified skills needs, starting with the SIPs 1 project in Lephalale. This project trained coded welders in 2014. It also responded to the CHIETA – SASOL – Flavius Mareka TVET intervention in the Free State in 2015. The model has been extended to other projects and is the main delivery model for CHIETA projects.

In 2017/18 the CHIETA had the following three new industry institution partnerships:

- Wits University and Unilever. The main focus of this partnership for the FMCG subsector is to assist with the work placement of 29 students in the electrical engineering programme.
- Tshwane University of Technology, through its Technology Station, focused on safety, health and environmental training for some 20 SMMEs that came mainly in the chemical manufacturing areas. (FMCG, SMMEs play an important role in the economic development of the country through their contribution towards employment and self-employment.)
- Vaal University of Technology and East Rand Water Care Association (ERWAT). The aim of this project is to address some of the national and VUT development plans. These include the creation of knowledge and human capacity development improvement, and to assist students from historically disadvantaged institutions (HDI). The project focused on hazardous waste management by getting rid of sewage sludge from the environment and turning the solid waste into useful product through thermo-chemical valorisation processes. To meet the project objectives, students used practical procedures to produce bio-oil from sewage sludge and low rank coal using fixed bed microwave assisted pyrolysis technology.



### Linkages with other SETAs

The CHIETA has been participating in Operation Phakisa Ocean's Economy leg since 2015. This leg focusses on six key areas, namely, Aquaculture; Oil and Gas Exploration; Marine Transport and Manufacturing; Marine Protection Services and Ocean Governance, Small Harbours and Coastal and Marine Tourism. The CHIETA is part of the DHET and the South African International Maritime Institute's (SAIMI) multi-stakeholder Skills Initiative Working Group(s), which was established to ensure that the ocean economy will grow as a result of an effective response to skills development needs.

The CHIETA is actively involved in the Oil and Gas Exploration and the Manufacturing Skills Initiative Working Group(s). These are tasked with developing the skills strategy roadmaps for industry and governance based activities related to the project life cycle. The skills strategy roadmaps aim to include the mechanism for knowledge generation and human capacity building, which can be achieved through the establishment of university research chairs, among other things. This working group identified the need for the establishment of such a Research Chair to drive knowledge generation, human capacity building and transformation within the oil and gas industry. The University of the Western Cape has been nominated as the host institution for the research chair.

In collaboration with SAIMI, the Energy and Water Sector Education and Training Authority (EWSETA) and the Transport Education and Training Authority (TETA), CHIETA jointly funds and supports the establishment of the Oil and Gas Research Chair in line with South African Research Chairs Initiatives (SARChI) protocols. Among others, the key objectives of the Research Chair include promotion of an integrated system of research, research training, information and documentation in the oil and gas field and facilitation of the localisation and transfer of new technology for DST/~~the dti~~ application in the South African and regional oil and gas industry.

Work with various SETAs continued apace. Included was CHIETA's work with the Mining Qualifications Authority (MQA) and Construction SETA (CETA) during the design and development of an occupational qualification, namely Mobile Explosive Manufacturing Unit (MEMU), Rigger and the Painter trades. The CHIETA continued to support the development of other occupational qualifications that were facilitated by other SETAs as required by the stakeholders in the chemicals industry. One of these is that of production manufacturing supervisor, working in co-operation with MERSETA.

### Outputs of the partnerships

The CHIETA prides itself on its achievements and impact as a sector education and training authority and as a value adding business partner to the chemicals industry in South Africa. Its skills development interventions have contributed incessantly in capacitating the various occupational groups within the sector. This has been achieved through long-lasting and sustained partnerships with stakeholders. Consequently, this has ensured that supply was adequate to contribute to the sustainability and competitiveness of the industry on a national and global level.

The 2017/18 CHIETA performance reflects the great success of our partnerships across the skills development value chain. Areas of improvement in the existing partnerships with institutions have nevertheless been noted, as highlighted by stakeholders and identified through research, such as the need for more synergy between companies and institutions.

The role of industry in partnerships is critical. More involvement and commitment by employers is needed and is being encouraged and supported. Leaders in industry must take the lead in addressing the perceived shortcoming of skills development in institutions.

The provision of workplace learning and placements is very much needed, and employers have been encouraged to open their workplaces and turn every workplace into training spaces to help achieve this goal. The quality of delivery at institutions is of particular interest to the stakeholders. One of the ways to improve this is by bringing lecturers to workplaces during school holidays where possible. This enables them to gain practical work experience, or to experience the dynamics of a living workplace and the pressures workers experience. This contributes to an understanding of the industry. One such partnership saw industry experts visit a TVET College to share technical expertise with learners and the lecturers. Such interventions are important for effective functioning of institutions and improved quality of teaching and learning.

### **Partnerships with new Universities and TVET Colleges**

Established partnerships with universities and TVET colleges continue to be expanded and developed. To this end, the CHIETA has partnered with the College of Cape Town and University of Technology (Seratec) for lecturer development in artisan related practical training. CHIETA continues to mobilise and support potential host companies that will provide workplace training for artisan related projects.

### **Provincial and local government partnerships**

There are active partnerships that forge collaboration with provinces and local government on institutional delivery models. During the 2017/2018 financial year, CHIETA supported the City of Cape Town and Central Karoo District Municipality in waste water treatment and chemical operations respectively.

### **Operation Phakisa**

Support for Operation Phakisa Ocean's Economy continues and CHIETA is a member of the Oil and Gas Exploration and Manufacturing Skills Working Group. The oil and gas working group has finalised the skills roadmap, charting skills needed for growing the ocean economy. Support for Operation Phakisa will focus on undersea explorations, on providing artisanal skills for the maintenance of equipment, on the training of engineers and on occupation health and safety related interventions. CHIETA contributes to the skills gaps needed for offshore oil and gas exploration.

### **Partnership with the Department of Energy and NECSA**

CHIETA is involved in the Nuclear Build Programme, which includes the 'nuclearisation' of existing skills to meet future skills needs requirements. This involvement occurs by way of a partnership with the Department of Energy (DoE) and NECSA. The focus is on nuclear application and not power generation, the latter being the responsibility of Eskom. High level meetings have been held where the skills needs for the programme were presented and possible areas of support and collaboration were identified. There is also ongoing communication with the leadership of NECSA and the DoE.

### **Organised Labour and Institutions: Trade Union Learning Programme (TULP)**

The need for a customised programme specifically targeting trade union members and their roles in learning and development was proposed in 2013 by the unions in the chemical sector. A total of 20 learners are currently enrolled with the University of Johannesburg for a trade union learning practitioner programme (TULP). The objective of TULP is to give union representatives and members a foundation in the education, training and development (ETD) field, with particular reference to the workplace.

The programme will equip learners with the knowledge and skills needed to better support the ETD and human resource development initiatives in the workplace, as well as properly and fully brief trade union members and management regarding the skills development landscape in South Africa.

As part of developing this partnership, 40 learners are enrolled with Ditsela for the Further Education Certificate in Trade Union: Level 4. The qualification formalises the recognition of competencies and will contribute towards developing expertise in both theory and practice in the trade union environment, particularly empowering shop stewards, who bear significant responsibilities at this level in the sector. The qualification will contribute to education and training in the trade union movement through challenging current industrial relations training by promoting a trade union perspective in line with world-wide trends and standards. It will also enable participants to promote and protect the rights of workers, and advance economic and social justice. Ultimately, the Trade Union Practice Qualification is aimed at increasing levels of efficiency, effectiveness, co-ordination and professionalism within the trade union movement.

### NEW PARTNERSHIPS

In 2011 CHIETA identified strengthening and expanding its partnerships as one of its main strategic objectives. This was done in response to the goals of NSDS 3. Since then CHIETA has enjoyed great success in this regard. New partnerships that innovatively advance the skills development mandate, that take forward the objectives of the national skills development strategy, and enrich the post school education and training sector, were and continue to be prioritised. Of great importance are industry/institution partnerships.

#### CHIETA, other SETAs, Industry and TVET Colleges

The DHET is co-ordinating a project called Centres of Specialisation (CoS). CHIETA works with the DHET and other SETAs in this project to co-ordinate the implementation of the registered occupational qualifications and trades of welder and rigger. This is done by partnering with the Boland and East Cape Midlands TVET Colleges for welder, and the Umfolozi and False Bay Colleges for rigging. Industry partners that are nearby these colleges will be identified and provided the necessary support towards the enrolment and mentoring of apprentices in these two trades.

The project aims at building capacity in public TVET colleges for specific trades to efficiently and effectively contribute towards the development of qualified artisans in the country for Strategic Infrastructure Projects (SIPs).

The Decade of the Artisan came into existence as result of the lack of qualified artisans in the country to sustain industries and support economic growth. This prompted the DHET to identify it as a priority area for skills development. The initiative is effectively a continuation of the 2013 Year of the Artisan programme. The Decade of the Artisan runs from 2014 to 2024. The programme aims to create awareness of artisan trades among Grade 9 to 12 school-goers as part of DHET's career guidance programme. The Decade initiative also ensures more workplace opportunities for artisan learners are created by employers, and that they receive the support of their local colleges. The National Development Plan envisages the country producing 30 000 artisans per year by 2030.

#### The objectives of the Decade of the Artisan are to:

- Promote artisanship as a career of choice among the upcoming youth.
- Further professionalise artisanship by upskilling our already existing artisans.
- Give cognisance to the Recognition of Prior Learning (RPL) for artisans.

#### Free State Education Trust

The CHIETA partnered with the Free State Department through the Free State Education Trust to support about 150 learners in Mathematics and Science for grades 10, 11 and 12 from top performing secondary schools in the Free State province. This was done to assist them in obtaining university entrance passes.

The CHIETA also focusses on expanding and deepening existing and new partnerships and projects, and continues to refine the CHIETA partnership and delivery model as part of the process. Partnerships with the Free State department through its Education Trust is expected to be expanded through new initiatives that are geared towards using technology as an effective tool for learning and inspiring young people's interests and participation in science, maths and technology, namely the Robotics League. The project will be aligned to the curriculum but as an extra-curricular activity and most importantly include capacity building of teachers so that they in turn are able to mentor and facilitate creativity and problem solving among the youth through challenging and educational robot competitions. The project is in many ways aligned to the 4<sup>th</sup> Industrial Revolution, artificial intelligence planned to be introduced to the learners from as early as Grade 8.

#### **Bursaries for Higher Education and Training – CHIETA and NSFAS**

The Department of Higher Education and Training has issued a directive about bursaries to SETAs regarding collaboration with NSFAS. To this end, the CHIETA Board has approved collaboration between CHIETA and NSFAS in relation to the administration of the CHIETA bursary fund. This fund commenced in the 2017/2018 financial year, in alignment with the applicable CHIETA policies. The CHIETA has entered into an agreement with NSFAS regulating the management and administration of the fund and disbursing of monies on the agreed terms and conditions.

#### **Capacitation of TVET Colleges for World Skills Competition build-up**

World skills competitions are held around the world every second year to showcase and inspire world-class excellence in skills and to introduce youth to a variety of careers that require specialised skills. The competitors represent the best of their peers and are selected from skill competitions in world skills' member countries and regions. They are all under the age of 22 (except for four skills that have the age limit of 25). The candidates demonstrate technical abilities, both individually and collectively, to execute specific tasks for which they study and/or perform in their workplaces. The CHIETA like other SETAs has been allocated to support and co-ordinate preparations of candidates in welding and electrical installation skill areas.

The CHIETA and two TVET colleges - Maluti in the Free State and Orbit in North-West - have extended their partnership to include the Construction Industry Development Board (CIDB) to train provincial candidates for the world skills competition. The provincial winners will compete in national finals in 2019 in which a national winner in each area will be selected to train further before proceeding to the international skills competition in 2019. This project supports the role of the Department of Higher Education and Training (DHET) to co-ordinate a national project to identify candidates to represent South Africa on the world stage.

Unlike the previous year, the support provided by the CHIETA in this partnership started before the national finals and will be based on international standards, the aim being for better results.

The CHIETA focuses on expanding existing projects, and developing new ones. CHIETA continues to refine its partnership and delivery model as part of the process.

## **6. QUALIFICATIONS DEVELOPMENT**

#### **Occupational qualifications development in conjunction with the QCTO**

CHIETA has been approved by the QCTO and has aligned itself as a Development Quality Partner (DQP) with its responsibility for promoting the National Qualifications Framework (NQF). CHIETA continues, together with other SETAs, public institutions and companies, relevant constituencies such as labour, to develop national occupational qualifications. It has registered a number of PIVOTAL programmes on the NQF through this process. These all address the priority of scarce and critical skills needs as identified in the sector skills plan.

CHIETA has continued to use the QCTO methodology and aligned processes for occupational qualifications and curriculum design and development. As a DQP, the CHIETA co-ordinated and funded the development processes of occupations identified by its stakeholders. Once completed, they were submitted for evaluation by the QCTO before registration on the NQF by the South African Qualifications Authority (SAQA).

## 6.1 Qualifications registered or in process of registration by QCTO during the period under review

Qualification title	OFO Code	NLRD	Status
Welder	651 202	94 100	Registered
Maintenance Planner	312 202		Registered
Boilermaker	651 302	93 626	Completed and submitted to QCTO for evaluation and registration
Chemist: Surface Coating Technologist	211 301	96 367	Two occupational qualifications were designed and submitted to QCTO for evaluation and registration
Chemical Laboratory Analyst	311 101	N/A	Recommended by QCTO to SAQA for registration
Chemical Plant Operator	313 302	N/A	Recommended by QCTO to SAQA for registration

## 6.2 The following new occupational qualifications and trade were planned for design and development during the 2017/18 financial year and progress is as follows:

- **Gas or Petroleum Controller:** The application for the design and development work in this area was withdrawn following the packaging of the Chemical Plant Operator into Tank Farm Assistant and Tank Farm Operator as per the needs of the stakeholders. Following QCTO advice, it is reported that the design and development work is complete and will be submitted to QCTO for evaluation as soon as the Chemical Plant Operator is registered.
- **Painter:** Completed and submitted to QCTO for evaluation and registration. It is hoped that this trade will go a long way towards training painters so that paints manufactured by the chemical sector can be effectively applied.
- **Gas Practitioner:** This trade was requested for development by the three gas associations that have been active in the sector. Due to the varying skills needs of these associations, the final outcome of the design and development work undertaken during the year under review yielded the following results:
  - » **Commercial Natural Gas Practitioner:** Completed and submitted to QCTO for evaluation and registration.
  - » **Industrial Thermo-processing Gas Technician:** Completed and submitted to QCTO for evaluation and registration.

The other design and development work completed during 2017/2018 for the gas practitioner areas, that still require further quality assurance and final alignment are:

- **Gas Practitioner Trade.**
- **Medical Gas as a specialisation area linked to the trade.**
- **Domestic Gas Practitioner.**
- **Commercial Gas Practitioner.**
- **Industrial Gas Practitioner.**

## 6.3 The historical/legacy qualifications have been re-aligned into Occupational Qualifications, based on the QCTO framework and submitted to QCTO for evaluation and approval during the year under review. These are:

- Mobile Explosives Manufacturing Units Operations (MEMU).
- Glass Forming Operator.
- Glass Molten Operator.
- Pharmaceutical Sales Representation now called Health Products Sales Representative.
- Chemical Manufacturing, now called Chemical Production Machine Operator.



PART D  
ETQA



## 1. BACKGROUND

The Quality Council for Trades and Occupations (QCTO) delegated its quality assurance functions, in accordance with section 26I of the Skills Development Act 1998 as amended, on 1 October 2012 to SETAs and various other professional bodies. These quality assurance bodies (ETQAs) are now called Quality Assurance Partners (QAPs) and their responsibilities include ensuring the quality delivery of qualifications. The QCTO remains responsible for ensuring that occupational standards and assessment integrity are upheld.

## 2. THE ROLE OF THE QUALITY ASSURANCE PARTNER (QAP)

The ETQA activities include:

- **Accreditation:** Quality assurance of accreditation, monitoring and evaluation of Skills Development Providers (SDPs).
- **Data management:** Quality assurance of documents submitted, learner enrolments and completions on NQF learnership and skills programmes.
- **Artisan and development:** Quality assurance on approval, monitoring and evaluation of workplaces; enrolment and completions on apprenticeship programme, artisan recognition of prior learning (ARPL) and Trade Tests.
- **Certification:** Quality assurance of learner achievements (QALA), registration of NFQ assessors and moderators.

The following tables provide achievements based from the roll out of our various interventions for the year 2017/18.

### Learner Enrolment Related Achievements

Indicator	Target	Achieved	Variance	% Achievement
Artisan entered	1 830	1 865	35	102%
Learnerships unemployed entered	2 400	3 022	622	126%
Learnerships employed entered	1 900	1 909	9	100%

### Workplace approval related achievements

Indicator	Target	Approved / Endorsed Workplaces	Variance
Total workplaces approved/endorsed	70	95	25

### Quality assurance of learners achievements (QALA)

Indicator	Total QALA Conducted	Learners Endorsed (Qualifications)
Total qualifications approved/endorsed	237	5 541

QALA visits are key elements of ensuring the quality of our learner programmes. These exercises involve intensive verification of SDPs QMS, accredited assessors, moderators, training material and all training and development administrative engagements, according to the guidelines and regulations of QCTO.

### Learner certification related achievements

Indicator	Target	Achieved	Variance	% Achievement
Learnerships unemployed certificated	1 200	2 062	862	172%
Learnerships employed certificated	875	1 117	242	128%
Artisans certificated	479	563	84	118%
Skills programmes unemployed certificated	675	2 413	1 738	357%
Skills programmes employed certificated	1 750	3 097	1 347	177%

The excellent results achieved are testament to improved business efficiencies in the ETQA Unit.

### CHIETA constituent assessor and moderator registrations

Indicator	Target	Achieved	Variance
Assessors and moderators registered	175	200	25

The high quality of service delivery is a result of the expertise of CHIETA staff and its technical teams of subject matter experts (SME), known as stakeholder support teams (SSTs). The role of the SSTs is to assist the ETQA department to evaluate the following:

- whether SDPs have sufficient capability to provide learning interventions. This would not have been possible without collaboration between the chemical industry and CHIETA;
- whether workplaces are adequate for providing structured learning; and
- externally moderate learners achievements.

## 3. THE ROLE OF GOVERNANCE STRUCTURES IN QUALITY ASSURANCE

Performing quality assurance activities is a key role of CHIETA. This functionality is pivotal for ensuring that CHIETA's annual performance plan targets are met.

The strategic direction is set by the accounting authority who has delegated the Governance and Strategic Committee to oversee the implementation of the quality assurance functions.

A committee called the Technical Functional Advisory Committee (TFAC) has also been established to endorse the quality assurance activities conducted. The TFAC is required to approve recommendations presented for accreditation, deaccreditation, suspension, appeals by organisations and monitoring and evaluation of provider workplaces, decentralised trade test centres and training related matters pertaining to Artisan and NQF training programmes.

They further provide an advisory role in technical, strategic and policy related matters and activities with regards to Artisan and NQF training programmes.



#### 4. THE ROLE OF CHIETA AS AN ASSESSMENT QUALITY PARTNER

In addition to the CHIETA being delegated as a QAP by QCTO for quality assuring legacy qualifications, it has been delegated as an Assessment Quality Partner (AQP) to quality assure new curriculum-based occupational qualifications registered on the NQF. This role is unfolding and progress will be reported.



PART E  
GRANTS, STRATEGIC  
PROJECTS AND  
REGIONS

## 1. INTRODUCTION

The discretionary and mandatory grants are overseen by the Executive Manager for Grants and Strategic Projects.

This division is made up of five units.

Unit	Manager	Areas of responsibility
<b>Grants Management</b>	Grant Manager – Ashvir Isseri	<ul style="list-style-type: none"> <li>• Quality assurance unit overseeing the processing of applications and payment for both discretionary and mandatory grants.</li> <li>• Quality assuring the SQMR evidence.</li> <li>• Ensuring alignment between SQMR and learners supported.</li> <li>• Management of CHIETA's DG and MG electronic platform.</li> <li>• Management of all audit requirements related to DGs, Learning Project commitments and MGs.</li> </ul>
<b>Strategic Projects</b>	Strategic Projects and Work Integrated Learning (WIL) Manager – Princess Moumakoe	<ul style="list-style-type: none"> <li>• Quality assurance unit overseeing the processing of payment for Strategic Projects.</li> <li>• Contract management and stakeholder support for strategic projects.</li> <li>• Focus on opening up workspaces for WIL.</li> <li>• Management of the CHIETA Strategic Project electronic platform.</li> <li>• Management of all audit requirements related to Strategic Project commitments and Strategic Projects.</li> </ul>
<b>KwaZulu-Natal Regional Office</b>	Regional Manager – Rajen Naidoo	<ul style="list-style-type: none"> <li>• Contract management, monitoring and evaluation of discretionary grants.</li> <li>• Stakeholder support for both mandatory and discretionary grants for KwaZulu-Natal and the Eastern Cape.</li> <li>• Processing of all DG and MG applications, i.e. conducting due diligence and recommendations.</li> <li>• Implementation of CHIETA's regional and provincial strategy.</li> </ul>

Unit	Manager	Areas of responsibility
<b>Western Cape Regional Office</b>	Regional Manager - Roger Adriaanse	<ul style="list-style-type: none"> <li>Contract management, monitoring and evaluation of discretionary grants.</li> <li>Stakeholder support for both mandatory and discretionary grants for Western Cape and Northern Cape.</li> <li>Processing of all DG and MG applications, i.e. conducting due diligence and recommendations.</li> <li>Implementation of CHIETA's regional and provincial strategy.</li> </ul>
<b>Gauteng and Central Regional Offices</b>	Regional Manager – Thulani Shabalala	<ul style="list-style-type: none"> <li>Contract management, monitoring and evaluation of discretionary grants.</li> <li>Stakeholder support for both mandatory and discretionary grants for Gauteng, Free State, Mpumalanga, Limpopo and North West.</li> <li>Processing of all DG and MG applications, i.e. conducting due diligence and recommendations.</li> <li>Implementation of the CHIETA regional and provincial strategy.</li> </ul>

## 2. MANAGEMENT OF GRANTS FOR 2017/18

As from 1 April 2017 to 31 March 2018, R277 147 494.79 was disbursed for discretionary grants and R65 164 056.87 for strategic projects. As at 31 March 2017, the total CHIETA commitment based on contractual obligations was R185 836 517.63 for discretionary grants and R31 211 257.75 for strategic projects.

For the year under review, the discretionary grants policy, framework, internal controls, processes, procedures, funding guidelines and models of the discretionary grant allocation were reviewed in line with relevant legislation. A number of improvements to the system were made in the 2017/2018 financial year including redesigning the strategic projects application interface.

The CHIETA discretionary grants funding policy was revised to address some of the critical areas in the strategic framework of business and national imperatives, and some of the critical areas of the third National Skills Development Strategy (NSDS III). The discretionary funding windows (among other critical focus areas) address and emphasise strong partnerships between employers, public education institutions (TVET Colleges, universities, universities of technology) and private training providers, to promote Work Integrated Learning (WIL).

The key functional areas directly involved with the organisational performance management are CHIETA's regional offices situated in Gauteng, KwaZulu-Natal, the Western Cape and the Eastern Cape. Through these offices CHIETA ensured increased stakeholder support, increased monitoring and verification, and the roll out of an integrated project management framework with all the business units at head office.

### 3. DG LEARNING AND STRATEGIC PROJECT SUPPORT SUMMARY FOR 2017/18 FINANCIAL YEAR

#### Learning Projects

Programmes	Total learners supported	Total amount approved (R )
AET Provision Incentive	525	525 000
Artisans	2 265	49 049 350
Bursaries	2 978	32 663 588
Graduate Development	2	-
Learnerships	9 420	109 911 543
Other Occupationally Directed Programmes	15	-
RPL	3 210	14 575 000
Skills Programmes	10 493	14 540 563
TVET College Lecturer Development	219	2 004 500
Work Placement/Employment Creation	1 068	11 381 700
Workplace Experience/WIL	2 807	24 759 500
<b>Grand total</b>	<b>33 002</b>	<b>259 410 744</b>

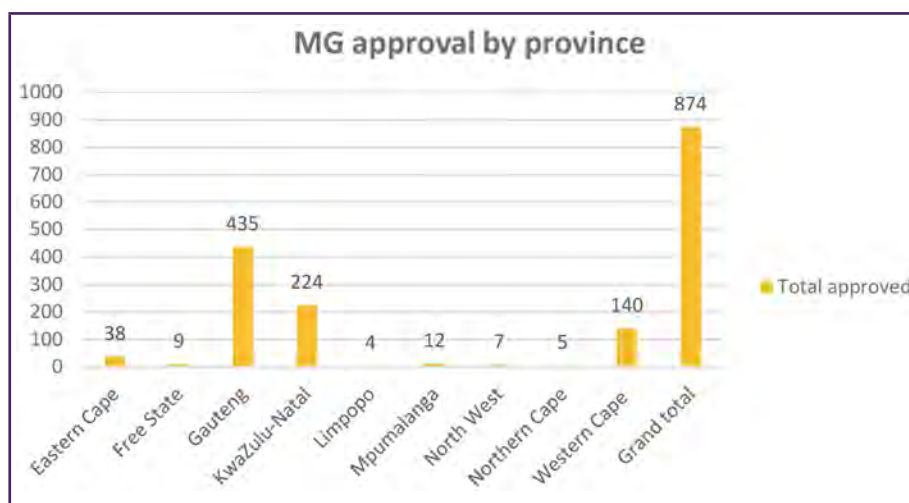
## Strategic projects

Projects	Pivotal (P)/Non pivotal (NP)	Total budget 2017/2018 (R)
Chemical Industry Stakeholder support (SST and M/E)	NP	17 000 000
World Skills Competition	NP	2 367 000
Regional Stakeholder Support	NP	2 000 000
Apprenticeship/Artisan Development	P	7 000 000
Public Sector Capacity	P	6 130 000
Small Business Support (PIVOTAL)	P	2 043 225
CEO Strategic Projects	NP	2 582 375
Bursary Project	P	9 192 250
Career and Vocational Guidance Integrated Marketing and relationship management	NP	2 756 250
SMME Strategy/Voucher Project	P	5 500 000
Maths & Science, Career Guidance Projects	NP	4 125 448
Rural & Co-operatives Development	P	2 531 438
AET Learning Programmes and Learners with Disabilities	P	3 705 753
Skills Programmes and Research Projects	P	1 705 000
Institutional & Industry Partnership	P	7 609 000
Strategic Infrastructure Projects (SIPs)	P	-
Trade Union Learning Practitioner Programme	P	1 500 000
Programme 2 Research and Skills Planning (PIVOTAL)	P	2 619 230
Programme 2 Research and Skills Planning (NON-PIVOTAL)	NP	6 214 023
TVET & WIL	P	900 000
Qualification development	NP	2 543 000
<b>Total</b>		<b>90 023 993</b>

Non pivotal	39 588 096
Pivotal	50 435 897
<b>Total</b>	<b>90 023 993</b>

#### 4. MANDATORY GRANTS FOR 2017/18

For the year under review CHIETA has received 874 WSPs which were approved. This is an increase from 865 in the previous year.



#### 5. CHIETA DELIVERS ON ITS GRANT MANDATE

CHIETA has delivered on its mandate to its stakeholders and has met its strategic and SQMR targets during the period under review. This was achieved using a highly credible electronic skills planning platform from which company information was sourced and analysed in order to plan for skills.

#### 6. STRATEGIC PROJECTS OVERVIEW

It was a positive year for strategic projects, which are flagship organisational interventions that yield a significant and sustainable impact on all the delivery areas of CHIETA.

Strategic Projects are funded through discretionary grant funding and continuously monitored in terms of project and financial performance, and reported on quarterly to the Accounting Authority. They cover a range of functional areas, with project owners across the CHIETA business units assuming accountability for the deliverables on budget, on time and in line with the pre-determined defined performance standards.

Of further significance was the linkage of each strategic project to the various goals, outcomes and outputs as defined in the NSDS III. This ensures resource and organisational focus and relevance to the skills development challenges and opportunities in the strategic framework. The Strategic Projects' initiative has established beneficial key industry partnerships with all stakeholders.

Strategic Projects also operates in rural areas. Partnerships were again set up with the National Student Financial Aid Scheme and the Free State Education Trust and it is through these partnerships that CHIETA is prioritising bursaries. CHIETA has also partnered with GIBELA Rail Transport Consortium RF (Pty) Ltd to train people as part of developing rail related skills for the local manufacture of 600 trains. CHIETA has increased the number of projects funded to support learners with disabilities, especially in the rural areas.

## 7. PROJECTS

### Regional stakeholder support

In terms of project deliverables in the 2017/2018 financial year, three regional skills forums were held in four provinces. Stakeholders were updated on the new artisan development, administration and grants disbursement policy, on the progress of the CHIETA chamber mandate process and the SSP.

### Capacity building programmes (trade unions)

The CHIETA governing board approved a budget of R1 500 000.00 in the 2017/2018 financial year towards the trade union capacity building programmes. This was used to support the national skills accord imperative and to ensure increased stakeholder participation in skills development. These programmes are offered by the University of Johannesburg and the Ditsela Workers Education Institute. The University of Johannesburg has selected 20 trade union members to participate in the Trade Union Learning Practitioner (TULP) programme. This programme will equip trade union members with the knowledge and skills needed to better support the Education Training and Development (ETD) initiatives in the workplace.

The Ditsela Workers Education Institute was awarded funding to train 40 trade union members to obtain the Trade Union Practice Qualification (TUPQ). This qualification develops expertise in both theory and practice in the trade union environment, and is particularly aimed at empowering shop stewards. Ultimately, it is aimed at increasing levels of efficiency, effectiveness, co-ordination and professionalism in the trade union movement.

### CHIETA voucher scheme

The CHIETA voucher scheme attracted keen participation from accredited providers in all sectors, institutions and companies. Small and micro companies were encouraged to take the opportunity to participate in the scheme.

Training programmes covered under the CHIETA voucher scheme included but were not limited to:

- SMME development related skills programmes.
- BBBEE training.
- Employment equity training - training of coaches and mentors.
- Training of Skills Development Facilitators, Assessors, Moderators, Facilitators and any other Occupationally Directed Education, Training and Development Practices (ODETDP) related unit standards based training programmes.

A total of R4 991 314.76 was utilised for voucher projects. This supported 1 590 learners and involved 47 companies.



### CHIETA offices in public TVET Colleges

CHIETA has offices at two TVET colleges:

- Port Elizabeth TVET College.
- Flavius Mareka TVET College. (Staff are still being recruited for this office.)

CHIETA has staff at PE College, and one staff member at Ehlanzeni College. The Ehlanzeni College staff member supports the current co-ordinating SETA Office. CHIETA staff in these offices assist with skills development initiatives for CHIETA stakeholders in the area and for college learners and staff, the community and local government.

CHIETA is the co-ordinating SETA for PE College and Flavius Mareka College and is part of the JET/DHET Pilot Project.

### TVET college projects

CHIETA committed a budget of R63 295 105.50 for the TVET College sector. This was in support of 28 TVET College partnership programmes, and was made up of R34 444 500.00 from the current financial year, and R28 850 605.50 from the previous financial year.

Programme	Total funded (R)
Artisans	7 110 000
Bursaries	1 201 500
Learnerships	1 150 000
Skills Programmes	1 035 000
TVET College Lecturer Development	2 004 000
Work Placement/Employment Creation	4 806 000
Workplace Experience/WIL	6 324 000
<b>Grand total</b>	<b>34 444 500</b>

### Strategic infrastructure projects (SIPs)

Strategic infrastructure projects linked to SIP7 were supported with a budget of R6 130 000.00. These projects were implemented in Gauteng.

### Strategic bursary projects

#### CHIETA bursary

Twenty-one “continuing learners” were awarded bursaries through the CHIETA internal bursary project in 2017/18. These amounted to R746 243.90.

#### NSFAS

NSFAS and CHIETA have entered into an agreement for funding bursaries to a value of R7 581 000.00 including administration costs. A total of 95 students will be recruited from the NSFAS database to benefit from this project.



## PART F GOVERNANCE

## 1. INTRODUCTION

Corporate governance embodies the processes and systems that hold CHIETA accountable as a public institution and direct its activities. Its corporate governance system occurs within a legislative environment, and best practice governance frameworks as articulated in the King Codes on corporate governance.

CHIETA's mandate is derived from the Skills Development Act, 1998 (Act No. 97 of 1998) and its responsibilities include the following:

1. Developing a Sector Skills Plan (SSP) within the framework of the National Skills Development Strategy (NSDS III) and the SDA amendment Act of 2008.
2. Establishing and promoting learnerships and learning programmes through
  - identifying the need for a learnership;
  - developing and registering learnerships;
  - identifying workplaces for practical work experience;
  - supporting the development of learning materials;
  - improving the facilitation of learning; and
  - assisting in the conclusion and registration of learnership agreements.
3. Collecting and disbursing the skills development levies in its sector, approving workplace skills plans and allocating grants in the prescribed manner to employers, education and training providers and workers.
4. Fulfilling the functions of an ETQA as delegated by the QCTO.
5. Monitoring education and training in the sector.

The legislative and policy framework which directs and guides CHIETA functions is as follows:

1. National Skills Development Strategy (NSDS III).
2. Skills Development Act, 1998 (Act No. 97 of 1998).
3. Skills Development Amendment Act, 2003 (Act No. 31 of 2003).
4. Skills Development Amendment Act, 2008 (Act No. 3 of 2008).
5. Skills Development Act, 1998 (Act No. 97 of 1998).
6. Service Level Agreement Regulations under regulation No. R716 of 18 July 2005.
7. Skills Development Levies Act, 1999 (Act No. 9 of 1999).
8. Regulations regarding the establishment of Sector Education and Training Authorities under Notice R106 of 4 February 2005, (SETA Establishment Regulations).
9. Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended) (PFMA).
10. Treasury Regulations issued in terms of the PFMA (Treasury Regulations) of 2005.
11. Public Audit Act, 2004 (Act No. 25 of 2004).
12. Directive: Public Finance Management Act under GN647 of 27 May 2007.
13. Government Notice 1570 and 1571 dated 15 December 2017 on the re-establishment of SETA and the extension of NSDS III to 31 March 2020.
14. Constitution for the Chemical Industries Education and Training Authority (CHIETA).
15. Promotion of Access to Information Act, 2000 (Act No. 2 of 2000).
16. Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000).
17. Employment Equity Act, Labour Relations Act, Basic Conditions of Employment Act and Occupational Health and Safety Act.
18. Tax laws.
19. Sector Education and Training Authorities (SETAs) grant regulations regarding monies received by a SETA and related matters (Government Notice R990) in terms of the Skills Development Act, 1998 (Act No. 97 of 1998) dated 03 December 2012.
20. Protection of Personal Information Act, 2013 (Act No. 4 of 2013).
21. Cobit 5 framework for the governance and management of enterprise ICT.
22. DPSA Public Services Corporate Governance ICT Framework.

CHIETA takes all the above into consideration when carrying out its mandate.

The CHIETA strategic plan, its annual performance targets 2017/18 and financial disbursement model is strongly aligned to achieving the intent and objectives of the December 2012 grant regulations, namely to

- regulate the proportion of funds available for skills development spent on administration;
- provide for Sector Education and Training Authorities (SETAs) to contribute to the cost of the work of the Quality Council for Trade and Occupations (QCTO);
- discourage the accumulation of surpluses and the carry-over of unspent funds at the end of each financial year;
- improve the quantity and quality of labour market information received by CHIETA in the form of workplace skills plans, annual training reports and PIVOTAL training reports, to inform planning;
- promote the National Qualifications Framework (NQF) and quality assured PIVOTAL programmes that address priority scarce and critical skills needs identified in sector skills plans;
- create a framework in which expanded use is made of public education and training providers for the provision of skills development programmes.

## 2. PORTFOLIO COMMITTEES

Parliament exercises its role through evaluating the performance of CHIETA by interrogating its financial statements, organisational performance reports and other relevant documents which have to be tabled from time to time.

The Standing Committee on Public Accounts (SCOPA) reviews the annual financial statements and audit reports of the Auditor-General of South Africa.

The Portfolio Committee on Higher Education and Training exercises oversight over the service delivery and performance of CHIETA. It primarily reviews the non-financial information in CHIETA's annual report and is concerned with service delivery and impact in support of the enhancement of socio-economic growth.

## 3. EXECUTIVE AUTHORITY

The Minister of Higher Education and Training is the Executive Authority of CHIETA and exercises oversight on the prescripts of the PFMA and relevant skills development legislation.

The Executive Authority also appoints the CHIETA board (accounting authority) in accordance with the approved CHIETA constitution, and ensures that an appropriate mix of competency, skills and experience exists in the board in order to disperse its fiduciary duties in an efficient, transparent and value adding manner.

## 4. ACCOUNTING AUTHORITY

The board, appointed by the Minister of Higher Education and Training, has oversight of CHIETA's activities to ensure the implementation of its mandate in a performance and accountability driven framework. It takes cognisance of sound corporate governance principles required in legislation and best practice.

The board is representative of government and stakeholders in all nine subsectors of the chemical industry, thus ensuring a sound and clear strategic direction for CHIETA.

The duties of the CHIETA board as defined in the CHIETA Constitution is as follows:

#### **Duties of accounting authority**

The accounting authority must,

- a. govern and manage CHIETA in accordance with the PFMA, skills development legislation and any other applicable legislation;
- b. ensure that CHIETA achieves the objectives contemplated in the approved CHIETA constitution;
- c. provide effective leadership and ensure that CHIETA implements the goals of the NSDS III and the performance agreement with the Minister as defined in the CHIETA strategic plan and predetermined performance targets;
- d. provide strategic direction for CHIETA;
- e. liaise with stakeholders;
- f. ensure that CHIETA complies with all relevant statutory and CHIETA constitutional requirements;
- g. manage institutional risk;
- h. monitor and support the organisational performance of CHIETA;
- i. ensure that board members and the members of the committees, stakeholders and employees comply with CHIETA's code of conduct and ethical framework.

#### **Composition of the accounting authority**

The CHIETA accounting authority comprises members representing the following constituencies and stakeholders within the chemical industry:

- Organised labour.
- Organised employers.
- Relevant government departments.
- Relevant professional bodies recognised by the Minister of Higher Education and Training.

#### **Board Committees**

In terms of the approved CHIETA constitution and relevant accounting authority mandate, five board committees with specific terms of reference are functional in assisting the accounting authority with oversight. These are:

- Exco.
- Grants Committee.
- Governance and Strategy Committee.
- Finance and Remuneration Committee.
- Audit and Risk Committee.

## **5. RISK MANAGEMENT**

Refer to paragraph 12.2 in accounting authority report.

## **6. INTERNAL CONTROL**

Refer to paragraph 12.2 in accounting authority report.

## **7. INTERNAL AUDIT/AUDIT COMMITTEE**

Refer to the audit committee report on page 98 of the annual report.

## 8. COMPLIANCE WITH LAWS AND REGULATIONS

As part of responsible corporate governance, CHIETA maintains a detailed legal compliance register in order to plan with a legal risk register, to implement and monitor compliance on a continual basis while implementing its mandate in a transparent and accountable manner.

## 9. FRAUD AND CORRUPTION

CHIETA has adopted a zero tolerance level towards any fraudulent activities. To this extent a fraud hotline is operational and fraud hotline reports are provided on a continual basis to the CHIETA audit committee by an external service provider. Substantial investment in fraud awareness via CHIETA's fraud prevention policy was concluded with CHIETA staff and CHIETA stakeholders. CHIETA has also implemented a Fraud Risk Register with mitigating controls that is monitored and reported on to CHIETA governance structures.

No fraudulent activities were reported during the period under review.

## 10. MINIMISING CONFLICT OF INTEREST

CHIETA maintains a Conflict of Interest Policy framework which defines the required organisational behaviour towards CHIETA values and ethical framework. Governance structures and CHIETA staff are required to provide a detailed annual declaration of interest or at any stage during the year when a conflict or potential conflict of interest arises. At any board, board committee, board approved stakeholder structure and management meetings, these must be supported by a declaration of private and personal interest pertaining to any agenda items being discussed.

## 11. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

In terms of the required business processes within the chemical industry, a strong focus is evident pertaining to health and safety standards as part of an integrated training and development model.

Research is ongoing in terms of environmental issues relating to chemical production processes informing skills development interventions and providing and assisting with integrated solutions on skills growth and environmental matters. This knowledge is captured and combined into the CHIETA skills planning processes which ultimately culminate in the CHIETA sector skills plan and annual pre-determined organisational performance targets.

## 12. COMPANY SECRETARY

Company secretary duties are performed in-house through the governance and risk business unit of CHIETA.

### 13. SOCIAL RESPONSIBILITY

Social responsibility forms an integral part of the skills development and organisational processes of CHIETA. This is consistent with CHIETA's mandate and core functions.

A substantial number of unemployed rural learners are supported and linked to appropriate workplaces in line with chemical industry defined scarce and critical skills requirements. Social responsibility interventions are linked to current and envisaged economic growth areas to ensure that the complete value chain of skills development is achieved, contributing towards learner absorption into workplaces.

Of specific importance is CHIETA's support of small enterprises, co-operatives, NGOs and CBOs in terms of new venture creation and business management skills, supporting socio-economic challenges in rural and marginalised communities.

### 14. AUDIT COMMITTEE REPORT

Refer to the audit committee report.



## PART G HUMAN RESOURCE MANAGEMENT



## 1. INTRODUCTION

CHIETA regards its people as its most important asset. Human resources (HR) assists in creating a work environment that is supportive and conducive to performance and delivery against the strategic objectives of CHIETA.

The HR unit in CHIETA plays a vital role in terms of developing, implementing and overseeing an integrated strategy where all HR functions work together in a cohesive manner to create a positive work environment characterised by performance, cross functional teamwork and accountability.

The HR priorities for CHIETA are clearly defined. The main focus is on effective organisational architecture management; people resourcing, people performance, people utilisation and people retention or conservation.

Workforce planning is an important area of HR management. This ensures that the organisation maintains and attracts the best possible talent to further strengthen the already highly competent and experienced business unit teams. Special care and attention is placed on effective recruitment and selection processes, career pathing and succession planning initiatives to ensure that staff capacity is optimised, competent and provided value for money.

CHIETA prides itself on its performance driven management culture. The strategic plan and annual organisational performance goals are clearly linked and aligned to business unit targets. These become individual performance agreements with staff. This framework provides the assurance that all activities performed by CHIETA business unit or staff members adds direct value to the agreed delivery areas between the CHIETA accounting authority and executive authority.

HR policy development is a continuous process of improvement. Its annual assessment is based on specific business needs. This is carried out by the executive management team with oversight from the CHIETA finance and remuneration accounting authority committee and CHIETA accounting authority.

Some of the highlights for the year included:

- Participatory staff engagements through various workshops to ensure awareness and capacity building related to various organisational themes. Staff had the opportunity to participate and influence strategic and operational focal areas of CHIETA during these workshops.
- Positive Performance profile of CHIETA Staff which culminated in effective Business Unit delivery, and ultimately leading to CHIETA meeting and exceeding all 58 organisational performance targets agreed with DHET.
- CHIETA being a true South African organisation where diversity is celebrated and regarded as one of its key business assets. Representation of designated groups is far advanced and opportunities were continuously taken to enhance diversity.
- Various successful employee wellness engagements with staff, during which staff is also supported on a physical and emotional level, took place. These had a direct impact on staff delivery and performance.
- Staff actively participated in various relevant training and development provided by CHIETA on a collective and cross functional level and on an individual level as informed by the CHIETA staff performance management system.
- Staff turnover and vacancy rates are within reasonable and acceptable benchmarks to strengthen organisational stability and business continuity. This is primarily due to our positive work environment, service condition and retention management framework of the CHIETA.

CHIETA not only invests in chemical industry skills development, but also understands that training and development has an important and positive impact on staff. The organisation aims to strengthen its learning culture by exposing all employees to capacity building initiatives and interventions. Personal development plans are actively managed for all CHIETA staff.

The following corporate or cross cutting capacity building training initiatives were attended by CHIETA staff during the year under review:

- Internship development training with reference to administration skills, and workplace skills and attitude development to develop interns and equip them with practical skills to effectively navigate the workplace.

Staff is also assisted to further their tertiary education by offering study assistance. Some of the CHIETA funded courses are:

- PhD Strategic Management
- Master's Degree in Public Development
- Master's Degree in Business Administration
- Honours in Project Management
- Honours in Human Resource Management
- BCom in Public Administration
- BCom in Marketing
- BCom in Business Administration
- BCom in Risk Management
- BCom in Financial Management
- Global Executive Development Programme
- National Diploma in HRM
- National Diploma in Law
- National Diploma in Public Management
- Advanced Programme in Project Management
- Advanced Programme in SCM
- Higher Certificate in Financial Accounting for Non-Financial Managers

CHIETA believes in regular and effective staff engagement and understands the need to share information on a regular basis. It also informs all staff of CHIETA's achievements and their involvement in its success. These actions also ensure improved stakeholder delivery.

The following details are some of the topics that were shared and communicated with CHIETA staff:

- CHIETA's mandate and role
- The future the CHIETA landscape
- Auditing processes, the why, what and how
- Organisational performance 2017/18
- Strategic planning for 2018/19
- Cost saving measures – Nedbank Business Investments
- Risk management policy and management framework
- Conflict of interest policy

Formalising the new Skills Development landscape and how that is going to impact on continued employment and workforce planning is one of the major challenges for HR . The uncertainty created by this affects recruitment processes due to shorter term contracts being offered.

## 2. HUMAN RESOURCES OVERSIGHT STATISTICS

The organisational profile below represents CHIETA as at 31 March 2018.

### Personnel cost by programme/activity/objective

Programme/ activity/objective	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
Administration	61 023	35 255	6.58	61	578
Projects	474 864	21 029	3.94	36	584
<b>Total</b>	<b>535 887</b>	<b>56 284</b>	<b>10.52</b>	<b>97</b>	<b>580</b>

### Personnel cost by salary band for Administration and Projects Programme

Level	Personnel expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
Top management	9 393	16.69	5	1 879
Line management	14 577	25.90	11	1 325
Professional qualified	19 115	33.96	21	910
Skilled	6 672	11.85	11	607
Semi-skilled	4 775	8.49	29	165
Unskilled	1 752	3.11	20	88
<b>Total</b>	<b>56 284</b>	<b>100</b>	<b>97</b>	<b>580</b>

### Performance Rewards for Administration and Projects Programme

Programme/activity/objective	Performance rewards (R'000)	Personnel expenditure (R'000)	% of performance rewards to total personnel cost
Top management	1 299	9 393	13.83
Line management	1 135	14 577	7.79
Professional qualified	1 408	19 115	7.37
Skilled	601	6 672	9
Semi-skilled	843	4 775	17.65
Unskilled	52	1 752	3
<b>Total</b>	<b>5 338</b>	<b>56 284</b>	<b>9.48</b>

## Staff Establishment and Staff Complement for Administration and Projects Programme

Programme/activity/objective	2017/18 No. of employees (admin)	2017/18 No. of employees (projects)	2017/18 approved posts	2017/18 vacancies
Top management	5	0	6	1
Senior management	7	4	11	0
Professional qualified	21	0	23	2
Skilled	10	1	12	1
Semi-skilled	15	14	29	0
Unskilled	3	17	22	2
<b>Total</b>	<b>61</b>	<b>36</b>	<b>103</b>	<b>6</b>

The total CHIETA post establishment is 103 and the staff establishment is 97. The vacancy rate was low and within acceptable benchmarks and did not disrupt any business continuity and CHIETA organisational deliverables.

Thirty six (36) project staff members worked on dedicated CHIETA projects. These were funded from the CHIETA internship budget and the CHIETA project administration and management budget.

## CHIETA Training Costs

Programme/activity/objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	Number of employees trained	Avg training cost per employee (R'000)
Administration	35 255	801	2.27	61	13
Projects	21 029	102	0.49	14	7.3
<b>Total</b>	<b>56 284</b>	<b>903</b>	<b>1.6</b>	<b>75</b>	<b>12</b>

Irrespective of whether they were funded from the administration, project administration management and internship budgets, all members of staff underwent cross functional and/or Individual training as per their respective personal development plans.

## Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	0	0
Resignation	9	92
Dismissal	0	0
Retirement	1	4
Ill health	0	0
Expiry of contract	1	4
Other	0	0
<b>Total</b>	<b>11</b>	<b>100%</b>

Reasons for staff exiting the service of CHIETA were mainly due to resignations.

**Employment changes**

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	5	0	0	5
Senior management	9	2	0	11
Professional qualified	29	1	1	21
Skilled	24	1	0	11
Semi-skilled	18	2	0	29
Unskilled	3	13	9	20
<b>Total</b>	<b>88</b>	<b>19</b>	<b>10</b>	<b>97</b>

**Labour Relations: Misconduct and disciplinary action**

Nature of disciplinary Action	Number
Verbal warning	1
Written warning	0
Final written warning	1
Dismissal	0

**Total CHIETA employment equity status**

CHIETA is far advanced in the representation of designated groups as defined within employment equity legislation. CHIETA optimises opportunities presented in terms of positive appointment patterns of designated groups in support of its employment equity policy and plan.

For the purposes of employment equity reporting both the administrative and project administration and management/internship staff are included within the under-mentioned employment equity profile of CHIETA.

Also note that disabled staff are not included in the total column since they are already accounted for within the male/female and different race groupings in the table below.

	Female				Male				Disability		
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	Total
<b>Occupational level</b>											
Top Management - Executive Manager	2	0	1	0	0	0	1	1	0	0	5
Senior Management	4	0	0	0	3	1	3	0	0	0	11
Professionals - Specialist and Practitioners	9	3	2	1	13	2	1	1	0	0	32
Skilled - Administrators and Assistant Administrators	18	1	0	0	10	0	0	0	0	0	29
Semi-Skilled - Administrative Intern	5	0	0	0	11	0	0	0	0	1	17
Unskilled - Office Attendants and Cleaner	3	0	0	0	0	0	0	0	0	0	3
<b>Total</b>	<b>41</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>37</b>	<b>3</b>	<b>5</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>97</b>



## PART H FINANCIAL INFORMATION

## FINANCE OVERVIEW FOR THE YEAR ENDED 31 MARCH 2018

### Unqualified audit opinion with clean audit outcomes

The CHIETA obtained an unqualified audit opinion with clean audit outcomes for the financial year ended 31 March 2018. This achievement confirms the high levels of integrity and commitment to sound financial management practices and accountability within the organisation. An unqualified audit opinion indicates that the financial statements submitted for audit were presented fairly, in all material respects, the financial position of CHIETA at 31 March 2018 and its financial performance and cash flows for the year then ended, in accordance with Standards of Generally Recognised Accounting Practices (SA Standards of GRAP), and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) and the Skills Development Act of South Africa, 1998 (Act No.197 of 1998).

A clean audit outcome also provides assurance that the CHIETA accounting authority maintained adequate, efficient and effective internal controls. These controls enabled the preparation of financial statements that are free from material misstatement. No significant deficiencies in internal controls were identified by internal and external auditors, no material findings were raised on the usefulness and reliability of the performance information audited, and no material non-compliance with applicable laws and regulations was identified during the audit.

### Revenue:

Skills development levy (SDL) income increased by 6.4%, from R471.2 million for the year ended 31 March 2017, to R501.7 million for the year ended 31 March 2018. Total revenue earned increased by 3.3%, from R514.3 million in the prior period, to R531 million in the current financial year.

The contribution of the return on invested funds to total revenue was R21.2 million, representing approximately 4% of total revenue.

- Trends in skills development levy income

Figure 1 illustrates the trend in SDL income over the last five financial years. SDL income for the year ended 31 March 2018 has increased by 23.6% in comparison with SDL income received for the year ended 31 March 2014. The average annual equivalent increase in SDL income was 5.6% per annum over the five year period from 2014 to 2018. For the entire period since inception in 2000 to date, SDL income has escalated by an annual equivalent average of approximately 19.1% per annum, materially exceeding both inflation and estimated annual salary increments in the chemical sector during this period.



Figure 1



**Expenditure:**

Administration expenses remained well within the legislated 10.5% maximum legislated amount allowed by skills development regulations. The CHIETA realised savings of over R4.7 million in administration expenses for the financial year ended 31 March 2018. This amount, together with the total investment return of R21.2 million and unclaimed mandatory grants to the value of R13.6 million were transferred to the discretionary reserve at year end, to be utilised for discretionary grants and approved strategic projects for sector skills priorities.

The CHIETA expensed over R474.8 million in employer grants and project expenses, representing 109% of grant levy income received of R435.8 million for the financial year.

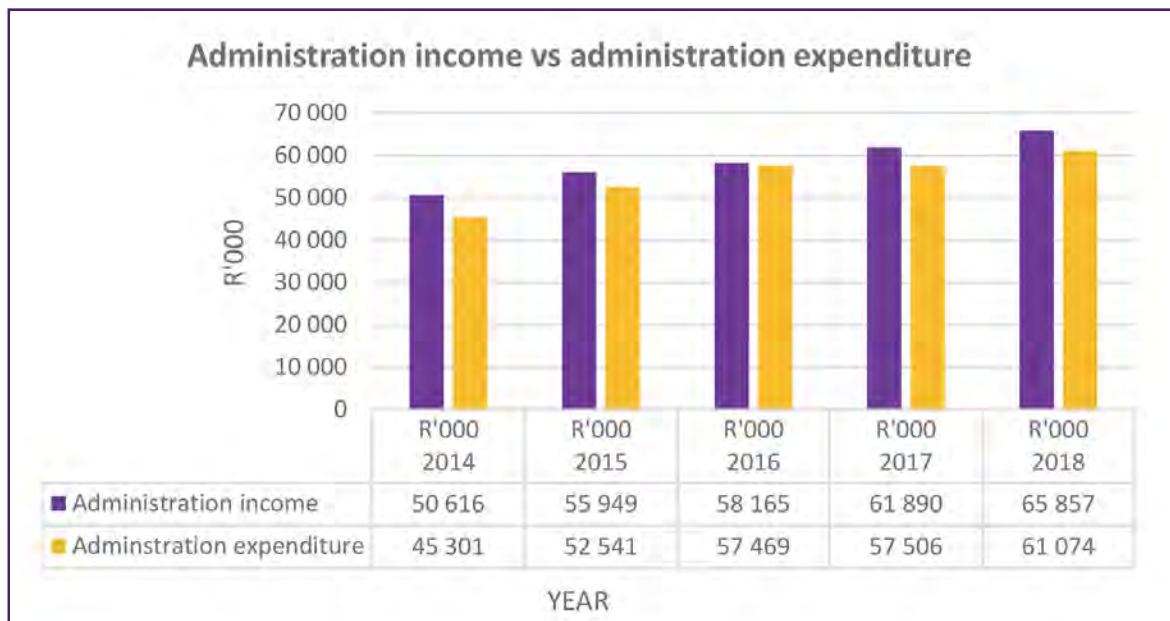
A total of R310.7 million was earned as discretionary grant and project levy income, and an amount of R363.3 million, representing 116.9% of discretionary grant funds received, was expensed in discretionary grants and project expenses for the year under review.

Expenses on mandatory grants amounted to R111.5 million, represented 89.1% of the skills development levy income received for the purposes of mandatory grants.

- Financial viability and sustainability of operations

Figure 2 shows administration income received against administration expenditure for the financial years ended 31 March 2013 to 31 March 2017. The CHIETA has sustained its level of operations within the 10.5% legislated administration provision in each year since inception without compromising the achievement of its service level agreement and performance targets.

Savings in administration funds during the five year period from 2013 to 2017 of R23 million was reallocated to discretionary reserves and utilised in discretionary grants and strategic projects for chemical sector skills priorities. These savings were attributed to continuous development of expenditure control and procurement practices, reduction in the use of consultants, numerous cost containment initiatives implemented in the CHIETA and streamlined, effective and efficient human resource capacity.



**Figure 2**



- Employer grants and project expenses as a percentage of SDL income

Figure 3 shows the total SDL income received for employer grants and project expenses in each of the last five financial years from 2014 to 2018 compared to the total employer grants and project expenses during the same period. During the financial year ended 31 March 2018, the CHIETA expended over 109% of the SDL income received for the purpose of discretionary grants. The CHIETA has achieved an annual average disbursement rate of over 115.8% of SDL income received during this five year period.

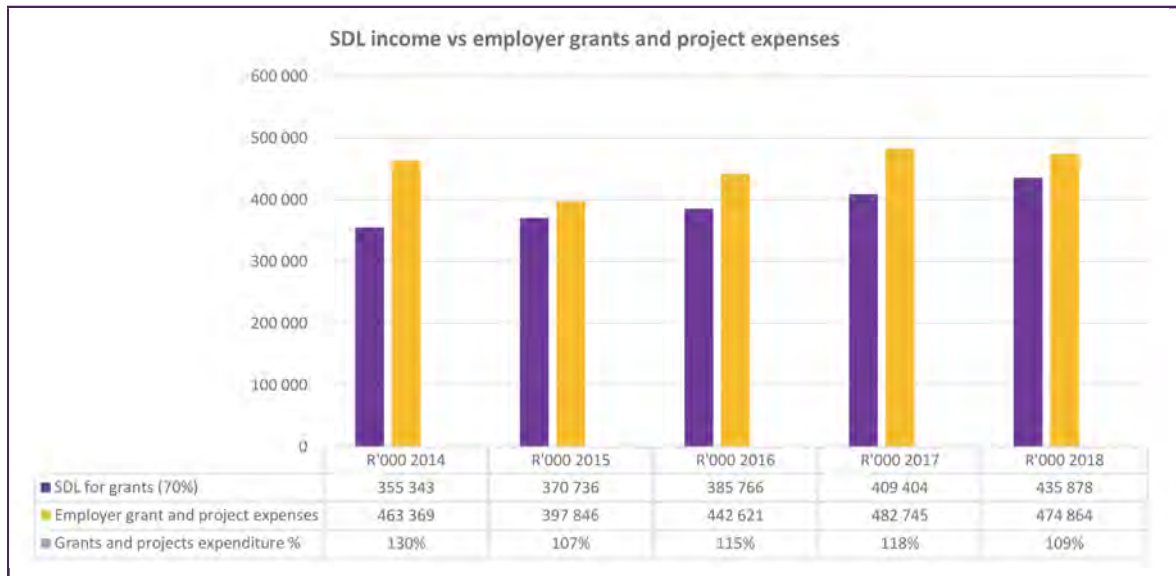


Figure 3

#### Net deficit, reserves and commitments:

The total amount available in the discretionary grant reserve at 31 March 2018 decreased by the net deficit of R4.8 million for the financial year from R245.2 million at 31 March 2017 to R240.4 million at 31 March 2018. The CHIETA accounting authority and management view the net deficit as a positive outcome, as the increase in employer grant and project expenses contribute materially to the achievement and exceeding of key service level agreement (SLA) targets, and reduce discretionary reserves capitalised in prior financial periods. It is therefore crucial to establish an optimal break-even point in the value of funds available in the discretionary reserve to fund key certification deliverables in future financial periods and learning programmes that extend over multiple financial periods.

Savings in administration (R4.7 million), unclaimed mandatory grants (R13.6 million), investment income (R21.2 million), and SDL: penalties and interest received (R8.1 million), contributed a further R47.7 million to the discretionary reserve.

The CHIETA cash and cash equivalents balance decreased by 5.7% (R17.4 million) from R303.4 million at the end of March 2017 to R286 million as at 31 March 2018 due to the accelerated disbursement in grants and project payments.

## AUDIT COMMITTEE REPORT 2017/18

The report of the audit committee has been prepared in accordance with the Treasury Regulations for Public Entities 3.1; 27.1 issued in terms of the Public Finance Management, (Act No. 1 of 1999) (PFMA) as amended by Act 29 of 1999.

We are pleased to present our report for the financial year ended 31 March 2018.

### AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee consists of the members listed hereunder and is required to meet a minimum of four times per annum as per its approved terms of reference. During the current year, five (5) meetings were held.

Summary of meetings attended per audit committee member:

Name	16 May 2017	28 July 2017	16 Aug 2017	20 Oct 20a17	13 Mar 2018
Chandu Kashiram	✓	✓	✓	✓	✓
Mokgadi Olgar Morata	✓	✓	✓	✓	✓
Safeea Rahiman	✓	✓	✓	✓	✓
Brian Muir	✓	✓	✓	✓	✗
Bertie van Baalen	✓	✗	✗	✓	✓

✓ Attended meeting

✗ Apology

### AUDIT COMMITTEE RESPONSIBILITIES

The audit committee 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.

### EFFECTIVENESS OF INTERNAL CONTROL

The system of control within the CHIETA is designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital are properly managed in line with the PFMA and the protocol on corporate governance for public entities. This is achieved by means of the risk management process which includes the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the internal auditors, the audit report on the annual financial statements and the management letter of the Auditor-General, we concluded that the existing control environment, during the year under review was adequate and effective and provides reasonable assurance that the organisation's goals and objectives are being achieved. We are also pleased to report that the CHIETA has received an unqualified audit opinion with clean audit outcomes from the Auditor-General for the 2017/18 financial year.

### EVALUATION OF FINANCIAL STATEMENTS

The audit committee has

- Reviewed and discussed the audited financial statements to be included in the annual report with the Auditor-General and the accounting authority;
- Reviewed the Auditor-General's management report and management's response thereto;
- Reviewed adjustments resulting from the audit;
- Reviewed monthly and quarterly reports submitted by management.

The audit committee concurs with and accepts the Auditor-General's conclusion on the annual financial statements and is of the opinion that the audited annual financial statements be adopted.



**CHANDU KASHIRAM**

**Chairperson of the Audit Committee**

**26 July 2018**

## Report of the auditor-general to Parliament on Chemical Industries Education and Training Authority

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Chemical Industries Education and Training Authority set out on pages 105 to 146, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Chemical Industries Education and Training Authority as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (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).

#### Basis for opinion

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

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

6. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the PFMA and the 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.
7. In preparing the financial statements, the accounting authority is responsible for assessing the Chemical Industries Education and Training Authority's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 2 – Research and Skills Planning	36-40
Programme 3 – Occupationally Directed Programme	41-56
Programme 4 – LPDI / Quality Assurance	57

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

### Other matter

15. I draw attention to the matter below.

### Achievement of planned targets

16. Refer to the annual performance report on pages 36-40; 41-56; and 57 for information on the achievement of planned targets for the year and explanations provided for the over achievement of a number of targets.

## Report on the audit of compliance with legislation

### Introduction and scope

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

### Other information

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the accounting authority report, chief executive officer report and audit committee report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
22. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### Internal control deficiencies

24. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

*Auditor-General*

Pretoria  
31 July 2018



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-general's responsibility for the audit

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

### Financial statements

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

### Communication with those charged with governance

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

The annual financial statements for the year ended 31 March 2018, set out on pages 105 to 146, have been approved by the accounting authority in terms of section 51(1) (f) of the Public Finance Management Act (PFMA), No 1 of 1999, as amended, on 30 July 2018, and are signed on their behalf by:



**Kedibone Moroane**  
**Acting Chief Executive Officer**  
**30 July 2018**



**Mashila Matlala**  
**Chairperson of the Accounting Authority**  
**30 July 2018**

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## REPORT OF THE ACCOUNTING AUTHORITY FOR THE YEAR ENDED 31 MARCH 2018

Report by the Accounting Authority to the Executive Authority/Provincial Legislature and Parliament of the Republic of South Africa.

### 1. General review of the state of affairs

The accounting authority of the Chemical Industries Education and Training Authority (CHIETA) takes pleasure in presenting its report for the year ended 31 March 2018 to the executive authority, provincial legislatures and Parliament of the Republic of South Africa. The 2017/18 financial year has been successful in building on prior year achievements and has again exceeded key requirements of the Sector Education and Training Authorities Grant Regulations relating to SETA finances, financial management and discretionary grants. This is complemented by the achievement and exceeding of all expanded CHIETA Service Level Agreement (SLA) targets as agreed with our executive authority for the financial year ended 31 March 2018.

The SETA's Grant Regulations resulted in a number of positive changes in the overall strategy and fostered an accelerated delivery model designed by the CHIETA to ensure that we achieve and exceed financial management and performance targets outlined in the grant regulations and the National Skills Development Strategy III (NSDS III). A summary of the key requirements in the area of SETA finances, financial management, discretionary and mandatory grants are, inter alia:

- A SETA is required to allocate a minimum 80% of its available discretionary grants within a financial year to PIVOTAL programmes.
- A SETA may allocate a maximum of 20% to funding of programmes, other than PIVOTAL programmes, to develop the sector in accordance with the priorities outlined in the Sector Skills Plan (SSP).
- SETA's are required to annually set out the amount of discretionary funds available for the ensuing financial year in the annual performance plan (APP) and indicate the programmes (PIVOTAL and NON PIVOTAL) that will be funded through discretionary grants and sector projects as well as indicate the impact of these interventions and how this impact will be measured.
- A SETA must, on an annual basis, and in accordance with any guidelines issued by DHET, approve a Discretionary Grants Policy, specifying how the SETA discretionary funds will be allocated to meet sector needs as set out in the Sector Skills Plan (SSP).
- In order to obtain discretionary grant funding for PIVOTAL programmes from a SETA, a legal person employing more than 50 employees must complete and submit a PIVOTAL training plan and report.
- An application for a mandatory grant must be submitted by 30 April of each year.
- The mandatory grant payable by a SETA to qualifying employers is 20%.

The key achievements within major segments of the CHIETA are summarised below:

#### 1.1 Revenue

During the period under review the Chemical Industries Education and Training Authority (CHIETA) received R501.7 million in Skills Development Levy (SDL) income and realised a 6.4% (R30.4 million) increase in comparison to the levy income earned for the year ended 31 March 2017. SDL income: penalties and interest decreased by 57.3% from R19.1 million in 2016-17 to R8.1 million for the current period. Return on invested funds of R21.2 million represented 4% of total revenue. Total revenue increased by 3.3% from R514.3 million in the prior financial year to R531 million for the year ended 31 March 2018. SDL income also exceeded the approved budget by 2.5%, while total revenue exceeded the approved budget by 0.3%.

## 1.2 Expenses

### 1.2.1 Administration expenses:

CHIETA administration expenditure remained within the 10.5% limit prescribed by skills development legislation, and administration savings of over R4.7 million representing 7.3% of the total administration income earned was transferred to the discretionary reserve at financial year end for utilisation in prioritised skills development initiatives.

### 1.2.2 Employer grants and project expenses:

The CHIETA expended over R474.8 million in employer grants and project expenses representing 109% of grant levy income received of R435.8 million for the financial year ended 31st March 2018. Employer grant and project expenses was below the prior year achievement by R7.9 million, which equates to a 1.6% decrease in disbursement rates in comparison with the prior financial year.

### 1.2.3 Discretionary grants and commitments:

The CHIETA expended over R363.3 million in discretionary grants and project expenses for the 2017/18 financial year representing 117% of the SDL income received for discretionary grants and project purposes. During the financial year under review, the CHIETA continued its drive to optimise service delivery by expanding and further integrating platforms, systems and processes, thus allowing for a greater focus on monitoring and evaluation, strategic review and analyses of performance targets and related grant disbursement targets. A strong focus was also placed on expanding existing partnerships and promoting new partnerships with stakeholders to achieve the highest return on our investments and to deliver the substantially expanded SLA targets with the Department of Higher Education and Training (DHET). This approach has once again reduced the overall cost and the unit cost of training in the various projects and programmes without compromising the achievement and exceeding of all our SLA targets for the 2017/18 financial year which are outlined in the report on predetermined objectives on pages 35 to 57 of the annual report for the year ended 31 March 2018.

The objective was also to ensure optimal service delivery and disbursement of discretionary grants during the financial year. Discretionary grant allocations and funding priorities were interrogated, ranked and aligned against the priorities of the NSDS III and the SSP. The CHIETA expended R313.5 million (92%) of its discretionary grant and project expenditure in PIVOTAL programmes and R28.8 million (8%) in Non PIVOTAL programmes as outlined in note 15 of the annual financial statements for the year ended 31 March 2018.

During the year under review, applications for discretionary grants and projects were once again oversubscribed. After evaluation according to the established criteria, awards of over R259.4 million were approved for discretionary grant learning programmes and further amount of R87.8 million was approved and allocated for strategic sector projects during the financial year. The nature of initiatives supported included:

- Programmes supporting learners on registered learnerships and workplace experience.
- Supporting of scarce and critical skills as identified in the SSP.
- Honouring apprenticeship and artisan training commitments and prioritising new apprenticeship programmes.
- Supporting partnerships and training initiatives in Further Education and Training, Higher Education and Training in partnership with the chemical industry.
- Providing incentives for workplace experience and employment creation.
- Assisting graduates in entering the workplace and enhancing employability through further graduate development programs and Work Integrated Learning (WIL).
- Promoting Recognition of Prior Learning (RPL) and facilitation of strategic research programmes.

It is the opinion of the accounting authority that the expenditure incurred during the year under review has been properly accounted for and that the projects and programmes undertaken have considerably benefited the chemical industries sector as a whole, as well as providing support and funding towards national priorities and the achievement of national skills development imperatives.

#### 1.2.4 Mandatory grants

Mandatory grant participation on the electronic online submission platform continued to increase and exceeded anticipated projections during the financial period. The mandatory grant expense increased by 5.8% from R105.4 million for the year ended 31 March 2017 to R111.5 million for the financial year ended 31 March 2018. The mandatory grant disbursement represented 89% of mandatory grant levy income received for the financial year ended 31 March 2018. Unclaimed mandatory grants of R13.6 million was transferred to the discretionary reserve and allocated to prioritised discretionary grants and projects as per the requirements of the SETA grant regulations.

#### 1.3 Net deficit for the year

The CHIETA incurred a net deficit of R4.8 million for the year ended 31 March 2018. The current year deficit was below the prior year deficit by R21.1 million. The incurring of a deficit in the SETA environment is seen as a positive outcome in respect of sound financial management since the impact is a reduction of funds available in the discretionary grant reserve, which was capitalised by savings in prior years. While the CHIETA reserves are fully committed at year end, the CHIETA accounting authority promotes the strategy of reducing discretionary grant reserves to a minimum level that will allow us to deliver on our mandate and agreed SLA targets annually. In the current financial year the CHIETA also realised a reduction of 5.7% (R17.4 million) in the CHIETA cash balance, confirming the overarching strategy of reducing any surplus funds.

### 2. Services rendered by the public entity and tariff policy

The CHIETA is a schedule 3A public entity enacted by the Minister of Higher Education and Training in terms of the Skills Development Act and governed by the Public Finance Management Act, as amended. The CHIETA facilitates skills development in the chemical industries sector. No tariff is charged for services rendered. The CHIETA is funded through skills development levies contributed in terms of the Skills Development Levies Act by employers in the chemical industries sector.

### 3. Capacity constraints

Whilst we experienced minor capacity constraints for the year under review, these did not impact on CHIETA's service delivery to its stakeholders, nor was the achievement of the CHIETA's strategic objectives or SLA targets compromised.

### 4. Utilisation of donor funds

No donor funds were received or expended by the CHIETA for the year under review.

### 5. Business address

2 Clamart Road  
Richmond  
Johannesburg  
2193

### 6. Controlled entities and public entities

The CHIETA does not exercise control over any other entities, agencies, organisations or public entities.

### 7. Other organisations to whom transfer payments have been made

No transfer payments were made by the CHIETA to any other party during the period under review.

**8. Public private partnerships (PPP)**

No public private partnerships were entered into during the period under review.

**9. Discontinued activities/activities to be discontinued**

No discontinued activities or closure of any major part of the business have occurred during the financial period. No activities are planned to be discontinued for the remaining license period of the CHIETA.

**10. New/proposed activities**

No new activities have been proposed.

**11. Re-licensing**

The CHIETA was re-established by the Minister of Higher Education and Training for a further two year period until 31 March 2020.

**12. Corporate Governance****12.1 Corporate Governance and Compliance with PFMA**

The CHIETA continuously updates and implements recommendations emanating from of the Public Finance Management Act (PFMA) and Treasury Regulations. The CHIETA audit committee met regularly during the financial year in order to provide oversight and governance, inter alia over the following areas:

- The activities of the internal audit function, its annual work programme, co-ordination with external auditors and the responses of management to specific recommendations.
- CHIETA interim and annual financial statements and quarterly management accounts.
- Fraud and Information Technology (IT) risks as they relate to financial reporting.
- Management of IT risks.
- Annual independent review and update of policies, procedures and PFMA compliance by the internal and external audit functions.
- Adequacy and effectiveness of internal controls and management of risks, including financial reporting and fraud related risks.
- Combined assurance required to address significant risks facing CHIETA.
- Review of ethics and compliance risk assessments.

**12.2 Financial risk management and systems of control**

Section 51(1)(a)(i) of the PFMA requires the accounting authority of a public entity to implement and maintain effective, efficient and transparent systems of financial, risk management and internal controls. The CHIETA has developed detailed financial policies and procedures, and a quality management system to guide internal processes. The CHIETA has implemented various measures to ensure that public funds are managed as required by the PFMA, Treasury Regulations, other applicable acts and regulations, and internal and external auditors conduct regular compliance reviews.

The CHIETA governing board committed CHIETA to a process of sustained risk management that is aligned to the principles of good corporate governance, relevant legislation and leading practice. Accountability is strongly vested at the accounting authority and management level on strategic and operational risk management, respectively.

The CHIETA has over the last few years embarked upon a comprehensive, organisation wide, risk management process that was implemented in a structured, consistent and integrated manner and that aligns strategy, processes, people, technology and knowledge towards mitigating risks within acceptable risk appetite

levels. This CHIETA risk management framework covers the full spectrum of risks taken in pursuit of CHIETA's objectives and are categorised into strategic and operational risks per the respective functional areas and business processes of the organisation.

Management and monitoring of the CHIETA risk management framework is facilitated through regular risk assessments and reporting by management into the governance structures of CHIETA in terms of relevance, progress, and status of risks treatments as per committed deadlines and implementation plans.

### 12.3 Expenditure control and procurement framework

The CHIETA has developed a robust framework for expenditure control, governed by policies, procedures, delegations of authority and systems, which are updated on a regular basis. A supply chain management policy framework is fully implemented in line with the Preferential Procurement Policy Framework Act (PPPFA) and supply chain management regulations. These policies and procedures are reviewed regularly by the CHIETA management, staff, internal and external auditors and adjusted to ensure that current updates in procurement practices are adhered to by the entity.

### 12.4 CHIETA infrastructure and security over assets and income

The CHIETA's net asset base was approximately R246 million as at 31 March 2018. Total net assets decreased by the net deficit of R4.8 million for the financial year ended 31 March 2018 in comparison with the prior financial year.

### 12.5 Accounting authority and board sub-committee meetings

The accounting authority and all CHIETA board sub-committee's attend quarterly meetings to discuss strategic matters focusing on delivery of the CHIETA mandate.

### 12.6 Promotion of accountability and transparency

#### 12.6.1 Audit committee

The audit committee functions in terms of section 51(a)(ii) of the PFMA read in conjunction with Treasury Regulations 76 and 77 and performs a critical governance function. As with the board, the audit committee's constitutional structure and operation have been considered in relation to best practice recommendations and the protocols on corporate governance.

#### 12.6.2 Management committee

Through management of day-to-day business activities, the acting CHIETA chief executive officer and the management team are responsible for ensuring that decisions, strategies and views of the board are implemented and that operations are managed effectively, efficiently and economically.

#### 12.6.3 Employees

The HR Strategy is founded on human capital development. It also addresses issues that create the conditions and opportunities for previously disadvantaged individuals to be employed at all levels within the organisation. The CHIETA views transformation and employment equity as a key imperative of skills development and training, economic development and disposal of our mandate.

#### 12.6.4 Employment equity

There is continual monitoring and enforcement of employment equity practices.

**13. Remuneration to members of the accounting authority, audit committee and executive management:**
**13.1 Remuneration to members of the accounting authority, 1 April 2017 to 31 March 2018**

	<b>Name</b>	<b>Constituency</b>	<b>Appointment Date</b>	<b>Governing Board Meeting Fee (R)</b>	<b>Committee and other Meeting Fee (R)</b>	<b>Total (R)</b>
1.	Ms N Fakude	Chairperson and Ministerial appointee	08/04/2011	96 020	9 972	<b>105 992</b>
2.	Mr M Samela	Ministerial Appointee	08/04/2011	69 556	52 802	<b>122 358</b>
3.	Mr B Van Baalen	Business representative for Base Chemicals	08/04/2011	24 552	81 594	<b>106 146</b>
4.	Mr J Smit	Business representative for Speciality Chemicals, Surface Coatings, Pharmaceuticals and Fast Moving Consumer Goods	08/04/2011	49 104	81 070	<b>130 174</b>
5.	Ms J Klaasen	Business representative for Explosives and Fertiliser	08/04/2011	-	-	-
6.	Mr B Muir	Labour representative United Association of South Africa (UASA)	08/04/2011	40 920	40 535	<b>81 455</b>
7.	Mr G Ceronie	Labour representative Solidarity	08/04/2011	49 104	55 537	<b>104 641</b>
8.	Mr M Mampho	Labour representative - South African Chemical Workers Union (SACWU)	08/04/2011	94 116	197 177	<b>291 293</b>
9.	Mr D Nkotsoe	Labour representative General Industries Workers Union of South Africa (GIWUSA)	08/04/2011	53 196	84 755	<b>137 951</b>
10.	Mr T Demana	Government representative – Department of Trade and Industry	08/04/2011	-	-	-
11.	Ms I Dimo	Ministerial appointee	08/04/2011	53 196	55 538	<b>108 734</b>
12.	Mr S Phetla	Business representative for Glass	08/04/2011	49 104	51 986	<b>101 090</b>
13.	Mr R Muruven	Business representative for Petroleum	08/04/2011	49 104	47 926	<b>97 030</b>
14.	Mr D Ndou	Government representative – Department of Energy	30/03/2016	-	-	-
15.	Mr M Nkabinde	Labour representative Chemical, Energy, Paper, Printing, Wood and Allied Workers Union (CEPPWAWU)	30/03/2016	60 954	72 559	<b>133 513</b>
<b>Total</b>				<b>688 926</b>	<b>831 451</b>	<b>1 520 377</b>

- Note: The term of appointment of the above mentioned board members ended on 31 March 2018

**13.2 Remuneration to independent members of the audit committee, 1 April 2017 to 31 March 2018**

	Name	Constituency	Audit Committee and Board Meeting Fee (R)
1.	Mr C Kashiram	Chairperson and independent member	296 424
2.	Ms M Morata	Independent member	129 795
3.	Ms S Rahiman	Independent member	146 151
<b>Total</b>			<b>572 370</b>

- Explanatory Notes to accounting authority remuneration (13.1) and independent audit committee remuneration (13.2):
- Some members of the accounting authority have elected not to receive any remuneration for their services based on the policy directives of their respective constituency.
  - The remuneration level of accounting authority members is subject to the legislative and policy frameworks of government, affordability and a dedicated budget. This is based on the annual remuneration framework of accounting authority members as approved by the Minister of Finance and the Minister of Higher Education and Training.
  - The accounting authority meeting fee and committee meeting fee are paid in accordance with the approved rate as per the Treasury conversion key.
  - Audit committee members are remunerated based on the approved SAICA rates as per approved CHIETA remuneration policy for accounting authority and committee fees.
  - Fees for accounting authority members who serve on the audit committee are included in the remuneration schedule for members of the accounting authority in 13.1 above.

**13.3 Remuneration to members of executive management, 1 April 2017 to 31 March 2018**

Name	Designation	Basic (R)	Allowances (R)	Provident fund (R)	Performance bonus (R)	Total (R)
Ms A Itzkin	Acting CEO/ ETDQA Executive	752 096	454 847	132 184	230 301	1 569 428
Mr F Motala	CFO	1 442 388	180 000	283 613	285 900	2 191 900
Mr T Channing	Governance and Risk Executive	1 244 416	410 280	-	296 466	1 951 163
Ms K Moroane	Research Executive/ Acting CEO	1 669 652	-	-	272 748	1 942 399
Ms R Sing	Grants and Strategic Projects Executive	1 452 760	72 000	-	213 771	1 738 531
<b>Total</b>		<b>6 561 312</b>	<b>1 117 127</b>	<b>415 797</b>	<b>1 299 187</b>	<b>9 393 422</b>

- Note: Ms A Itzkin retired from the CHIETA on 31 October 2017 and Ms K Moroane was appointed as Acting CEO from 1 November 2017.

**Chairperson of the CHIETA Accounting Authority**  
**30 July 2018**

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2018

	Note	2017/18 R'000	2016/17 R'000
<b>NON EXCHANGE REVENUE</b>			
Skills Development Levy: income	2	501 735	471 294
Skills Development Levy: penalties and interest		8 161	19 108
(Loss)/Profit on disposal of assets		(51)	38
<b>EXCHANGE REVENUE</b>			
Investment income	3	21 214	23 873
<b>Total revenue</b>	<b>1a</b>	<b>531 059</b>	<b>514 313</b>
<b>EXPENSES</b>			
Employer grant and project expenses	4	(474 864)	(482 745)
Administration expenses	5	(61 023)	(57 506)
<b>Total expenses</b>		<b>(535 887)</b>	<b>(540 251)</b>
<b>NET DEFICIT FOR THE YEAR</b>	<b>1a</b>	<b>(4 828)</b>	<b>(25 938)</b>



## STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2018

	Note	2017/18 R'000	2016/17 R'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	286 024	303 462
Prepayments and advances (Exchange)	8	3 490	254
Accounts receivable	9	1 977	1 777
- Non-exchange		1 210	842
- Exchange		767	935
Inventories	19	84	19
		<b>291 575</b>	<b>305 512</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	2 576	1 778
Other intangible assets	7	83	48
		<b>2 659</b>	<b>1 826</b>
<b>TOTAL ASSETS</b>		<b>294 234</b>	<b>307 338</b>
<b>Less: Current liabilities</b>			
Accounts payable	11	46 774	55 120
- Non-exchange		40 933	47 725
- Exchange		5 841	7 395
Provisions	12	957	887
		<b>47 731</b>	<b>56 007</b>
<b>TOTAL NET ASSETS</b>		<b>246 503</b>	<b>251 331</b>
<b>FUNDS CONTRIBUTED BY:</b>			
<b>Funds and reserves</b>			
Administration reserve		6 094	6 094
Discretionary reserve		240 409	245 237
<b>TOTAL NET FUNDS</b>		<b>246 503</b>	<b>251 331</b>

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2018

	Administration reserve R'000	Employer grant reserve R'000	Discretionary reserve R'000	Net accumulated surplus R'000	Total R'000
<b>Balance at 31 March 2016</b>	<b>6 094</b>	<b>-</b>	<b>271 175</b>	<b>-</b>	<b>277 269</b>
Net deficit per statement of financial performance	-	-	-	(25 938)	(25 938)
Allocation of net accumulated (deficit)	4 422	10 435	(40 795)	25 938	-
Excess reserves transferred to Discretionary reserve	(4 422)	(10 435)	14 857	-	-
<b>Balance at 31 March 2017</b>	<b>6 094</b>	<b>-</b>	<b>245 237</b>	<b>-</b>	<b>251 331</b>
Net deficit per statement of financial Performance	-	-	-	(4 828)	(4 828)
Allocation of net accumulated (deficit)	4 783	13 630	(23 240)	4 828	-
Excess reserves transferred to Discretionary reserve	(4 783)	(13 630)	18 413	-	-
<b>Balance at 31 March 2018</b>	<b>6 094</b>	<b>-</b>	<b>240 409</b>	<b>-</b>	<b>246 503</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

	Note	2017/18 R'000	2016/17 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Operating activities</b>			
Cash receipts from stakeholders		509 696	489 121
Levies, interest and penalties received		509 696	489 121
Cash paid to stakeholders, suppliers and employees		(546 788)	(566 602)
Grants and project payments		(481 656)	(503 720)
Compensation of employees		(34 947)	(37 656)
Payments to suppliers and other		(30 186)	(25 226)
Cash utilised in operations	13	(37 092)	(77 481)
Investment income	3	21 214	23 873
<b>Net cash outflow from operating activities</b>		<b>(15 878)</b>	<b>(53 608)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6 and 7	(1 559)	(1 255)
Proceeds from disposal of property, plant and equipment		-	41
<b>Net cash outflow from investing activities</b>		<b>(1 559)</b>	<b>(1 214)</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(17 437)</b>	<b>(54 822)</b>
<b>Cash and cash equivalents at beginning of year</b>	10	<b>303 462</b>	<b>358 283</b>
<b>Cash and cash equivalents at end of year</b>	10	<b>286 024</b>	<b>303 462</b>

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2018

		Approved budget	Actual	Favourable (unfavourable) variance	Approved budget	Actual	Favourable (unfavourable) variance
	Note	2017/18 R'000	2017/18 R'000	2017/18 R'000	2016/17 R'000	2016/17 R'000	2016/17 R'000
<b>NON EXCHANGE REVENUE</b>							
Skills Development Levy: income	20.1	499 288	501 735	2 447	465 765	471 294	5 529
Skills Development Levy: penalties and interest	20.2	10 276	8 161	(2 115)	16 850	19 108	2 258
(Loss)/Profit on disposal of assets	20.6	-	(51)	(51)	-	38	38
<b>EXCHANGE REVENUE</b>							
Investment income	20.3	19 946	21 214	1 268	21 680	23 873	2 193
<b>Total revenue</b>		<b>529 509</b>	<b>531 059</b>	<b>1 550</b>	<b>504 295</b>	<b>514 313</b>	<b>10 018</b>
<b>EXPENSES</b>							
Employer grant and project expenses	20.4	464 309	474 864	(10 555)	443 163	482 745	(39 582)
Administration expenses	20.5	65 201	61 023	4 178	61 132	57 506	3 626
<b>Total expenses</b>		<b>529 509</b>	<b>535 887</b>	<b>(6 378)</b>	<b>504 295</b>	<b>540 251</b>	<b>(35 956)</b>
<b>NET DEFICIT FOR THE YEAR</b>		<b>-</b>	<b>(4 828)</b>	<b>(4 828)</b>	<b>-</b>	<b>(25 938)</b>	<b>(25 938)</b>

## 1. ACCOUNTING POLICY

### 1.1 Basis of preparation

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

1.2 The cash flow statement has been prepared in accordance with the direct method.

1.3 Specific information such as:

- (a) receivables from non-exchange transactions, including taxes and transfers;
- (b) taxes and transfers payable;
- (c) trade and other payables from non-exchange transactions;

is presented separately on the statement of financial position.

1.4 The amount and nature of any restrictions on cash balances is required to be disclosed.

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

1.5 The financial statements have been prepared on the historical cost basis, except where adjusted for present/fair values as required by the relevant accounting standard.

### 1.6 New accounting pronouncements

#### 1.6.1 Standards effective and adopted in the prior year

The entity has applied the following Standard which has been published and is effective for the entity's accounting periods beginning on or after 1 April 2015.

Segment reporting	GRAP 18	Effective date, years beginning on or after 1 April 2015
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This Standard describes the disclosure requirements to present more specific and detailed information about major activities undertaken by an entity during a particular period along with the resources allocated to those activities. The adoption of this Standard has not had a material impact but has resulted in more disclosures than presented in the prior period annual financial statements. The additional disclosure is set out in note 22 to the annual financial statements.

#### 1.6.2 Standards issued and relevant but not yet effective

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

		Draft proposed effective date
Related parties	GRAP 20	1 April 2019
Statutory Receivables	GRAP 108	1 April 2019
Accounting by Principals and Agents	GRAP 109	1 April 2019

An entity shall apply Standards of GRAP for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the PFMA.

#### GRAP 20 : Related party

This Standard prescribes the disclosure of information relevant to draw attention to the possibility that the SETA 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 108: Statutory receivables

This Standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. It is not expected that this Standard will significantly impact future disclosures.

#### GRAP 109: Accounting by principals and agents

This Standard outlines the principles used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. It is not expected that this Standard will significantly impact future disclosures.

The entity has not applied the following Standards and Interpretations that have been issued and are mandatory for accounting periods beginning on or after 1 April 2015 as they are not relevant to the entities operations

#### 1.6.3 Standards issued and effective but not relevant

Transfer of Functions between Entities Under Common Control	GRAP 105	Effective date, commencing on or after 31 March 2015
Transfer of Function between Entities Not Under Common Control	GRAP 106	Effective date, commencing on or after 31 March 2015
Mergers	GRAP 107	Effective date, commencing on or after 31 March 2015

The above Standards have not had an impact on the financial statements as there has been no transfer of functions or mergers relating to the CHIETA

#### 1.7 Going concern

The financial statements have been prepared on the going concern basis, as the CHIETA does not see any reason to significantly curtail its operations in the foreseeable future and the entity will continue to operate as a going concern. The current licence period of the CHIETA expires on 31 March 2020 based on the recently gazetted extension of the NSDS III licence period of the SETAs. The future existence and landscape of the SETA after the above date will be based on a proclamation by the Minister of Higher Education and Training based on the future National Skills Development strategy and landscape.

#### 1.8 Judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates in the annual financial statements. Judgements include:

##### *Trade and other receivables*

The entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

*Provisions*

Provisions are estimates raised by management using the information available to management.

*Property, plant and equipment*

The entity reassesses the useful life of the property, plant and equipment annually.

*Intangible assets*

The entity reassesses that the useful life of intangible assets annually.

*Leave pay*

The cost of other employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date. Provisions included in the balance sheet are provisions for leave based on the current salary rates.

**2.1 Currency**

These financial statements are presented in South African rand as this is the currency in which the entity's transactions are denominated. Figures have been rounded off to the nearest thousand (R'000).

**3.1 Revenue recognition**

Skills Development Levy (SDL) transfers are recognised when it is probable that future economic benefit will flow to the SETA and these benefits can be measured reliably. This occurs when the Department of Higher Education and Training (DHET), either makes an allocation or payment, whichever comes first, to the SETA, as required by section 8 of the Skills Development Levies Act, 1999 (Act No.9 of 1999).

Skills Development Levies are recognised at the fair value of the consideration received.

**3.2 Levy income**

In terms of section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No. 9 of 1999), 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).

80% of skills development levies are paid over to the SETA (net of the 20% contribution to the National Skills Fund).

Revenue is adjusted for inter-SETA transfers due to employers changing SETAs. Such adjustments are disclosed separately as inter-SETA transfers. The amount of the inter-SETA adjustment is calculated according to the standard operating procedures issued by the Department of Labour in June 2001.

When a new employer is transferred to the SETA, the levies transferred by the former SETA are recognised as revenue and allocated to the respective category to maintain its original identity.

**3.3 Interest and penalties**

Interest and penalties on the skills development levy is recognised when DHET, either makes an allocation or payment, whichever comes first, to the SETA, as required by section 8 of the Skills Development Levies Act, 1999 (Act No.9 of 1999).

**3.4 Funds allocated by the National Skills Authority for special projects**

Funds transferred by the National Skills Authority are accounted for in the financial statements of the SETA as a liability until the related eligible special project expense are incurred, when the liability is extinguished and revenue recognised.

Property, plant and equipment acquired for the project are capitalised in the financial statements as the SETA controls such assets for the duration of the project. Such assets can only be disposed of in terms of agreement and specific written instructions by the National Skills Authority.

**3.5 Government grants and other donor income**

Conditional government grants and other conditional donor funding received are recorded as deferred income when it becomes receivable and are then recognised as income on a systematic basis over the period necessary to match the grants with the related costs which it was intended to compensate. Unconditional grants received are recognised when the amounts have been received.

**3.6 Investment income**

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

**4.1 Grants and project expenditure**

A registered company may recover a maximum mandatory grant of 20% of its total levy payment by complying with the grant criteria in accordance with the Skills Development Regulations issued in terms of the Skills Development Act 1999 (Act No. 9 of 1999).

*Mandatory grants*

The grant payable and the related expenditure are recognised when the employer has submitted an application for a grant in the prescribed form by 30 April of every year. The grant is equivalent to 20% of the total levies paid by the employer during the corresponding financial period for the skills planning grant and implementation grant.

*Discretionary grants and project expenditure*

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

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

Project expenditure comprise:

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

A maximum of 7.5% of discretionary grant and project expenditure may be used for project management.

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



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

## 5.1 Irregular and fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation. Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular and fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

## 6.1 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Depreciation is calculated on the straight-line method to write-off the cost of each asset over its estimated useful life.

- Computer equipment	33,3% p/a
- Office furniture and fittings	10% p/a
- Office equipment	10% p/a

The depreciation charge is to depreciate the book value over the the useful life of the asset to its assessed residual value. Depreciation is calculated and provided for on an annual basis. If the residual value of an asset is at least equal to its carrying amount, depreciation will cease.

The expected useful life of assets within each class differs. The depreciation of assets commences on the date that the asset is available for use, even if it is not yet in use.

The following factors were considered to determine the useful life of the asset:

- Expected usage of the asset;
- Expected physical wear and tear of the asset;
- Technical obsolescence; and
- Legal or other limits on the use of the asset.

The entity reassesses the useful life of the property, plant and equipment at the end of each financial year.

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).

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

### *Intangible assets*

Intangible assets held for use are stated in the balance sheet at amortised cost being the initial cost price less any amortisation and impairment.

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives, using the straight-line method as following:

- Computer software	50% p/a
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The useful lives of intangible assets are reassessed at the end of each financial year.

**7.1 Operating lease agreements**

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement based on actual straight-lined and accrued payments. 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.

**8.1 Retirement benefit costs**

The SETA provides for retirement benefits for all its permanent employees through a defined contribution scheme that is subject to the Pension Funds Act, 1956 as amended. In terms of the Pension Funds Act, the fund is not required to be actuarially valued. Contributions are at a rate of 14.88% of pensionable emoluments.

The SETA's contribution to the defined contribution plans is charged to the income statement in the year to which they relate and no future liability exists for the CHIETA.

**9.1 Provisions**

Provisions are recognised when the SETA has a present legal or constructive obligation as a result of past events, and it is probable that this will result in an outflow of economic benefits that can be estimated reliably.

**9.2 Provision for employee entitlements**

The cost of other employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date. Provisions included in the balance sheet are provisions for leave (based on the current salary rates), bonuses and termination benefits.

**9.3 Provision for grants**

A provision is recognised for grant payments once the specific criteria set out in the regulations to the Skills Development Act 1998, (No. 97 of 1998) has been complied with by member companies and it is probable that the SETA will approve the payment. The measurement of the obligation involves an estimate, based on the established pattern of past practice of approval for each type of grant.

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.

**10.1 Financial instruments***Recognition*

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

*Measurement*

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

**10.2 Financial assets**

The SETA's principal financial assets are accounts and other receivable and cash and cash equivalents are categorised as follows:

*Cash and cash equivalents - held for trading*

Cash and cash equivalents are measured at fair value.

*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 originated by the group;
- 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.

Cost and amortised cost are inclusive of any impairment loss recognised to reflect irrecoverable amounts. The financial assets are subject to review for impairment at each balance sheet date.

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.

*Accounts and other receivables*

Accounts and other receivables are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

### **10.3 Financial liabilities**

The SETA's principal financial liabilities are accounts and other payables.

All financial liabilities are measured at amortised cost, comprising original debts less principal payments and amortisations, except for financial liabilities held-for trading and derivative liabilities, which are subsequently measured at fair value.

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.

A financial asset or a portion thereof is derecognised when the SETA realises the contractual rights to the benefits specified in the contract, the rights expire, the SETA surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in equity is included in net profit or loss for the period.

A financial liability or a part thereof is derecognised when the obligation specified in the contract is discharged, cancelled, or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in net profit or loss for the period.

The fair values at which financial instruments are carried at the balance sheet date have been determined using available market values. Where market values are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values have been estimated using available market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the SETA could realise in the normal course of business. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair value due to the short-term trading cycle of these items.

Financial assets and financial liabilities are offset if there is any intention to realise the asset and settle the liability simultaneously and a legally enforceable right to offset exists.

### 11.1 Reserves

Equity is sub-classified in the balance sheet between the following funds and reserves:

- Administration reserve
- Employer grant reserve
- Discretionary reserve

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

Member employer company levy payments are set aside in terms of the Skills Development Act and the regulations issued in terms of the Act, for the purpose of:

	2017/18 %	2016/17 %
Administration costs of the SETA	10.5	10.5
Employer grant fund Levy	20	20
Discretionary grants and projects	49.5	49.5
	80	80

In addition, contributions received from public service employers in the national or provincial spheres of government may be used to pay for its administration costs.

Interest and penalties received from SARS as well as interest received on investments are utilised for discretionary grants and projects. Other income received are utilised in accordance with the original source of the income.

The net surplus/deficit is allocated to the administration reserve, the mandatory grant reserve and the discretionary fund reserve based on the above table.

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

### 11.2 Related parties

CHIETA operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. All national departments of government and state-controlled entities are regarded as related parties in accordance with *Circular 4 of 2005: Guidance on the term "state controlled entities" in context of IAS 24 (AC 126) - Related Parties*, issued by the South African Institute of Chartered Accountants. Other related party transactions are also disclosed in terms of the requirements of the accounting standard.

### 11.3 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first in first out (FIFO)/weighted average formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

#### **11.4 Commitments**

Commitments comprise those future expenses that CHIETA has committed itself to contractually, but for which a present obligation for the payment thereof does not exist at the reporting date. Accordingly these commitments are not recognised as liabilities but are disclosed in the notes to the annual financial statements. Please refer to note 15.

#### **11.5 Segment reporting**

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

Segment information is presented based on services provided. Service segments relate to distinguishable components within CHIETA that provide specific outputs or achieve particular operating objectives that are aligned to the entities overall mission. CHIETA's service segments are mandatory, discretionary and administrative activities.

**1a. ALLOCATION OF NET DEFICIT FOR THE YEAR TO RESERVES FOR THE YEAR ENDED 31 MARCH 2018**

	Total per Income Statement R'000	Administration reserve R'000	Mandatory reserve		Discretionary reserve		
			Mandatory skills planning and implementation grant R'000	Total R'000	Discretionary grants R'000	CHIETA projects R'000	Total R'000
<b>Total revenue</b>	<b>531 110</b>	<b>61 074</b>	<b>111 523</b>	<b>111 523</b>	<b>289 938</b>	<b>68 575</b>	<b>358 513</b>
Skills Development Levy income:							
Admin levy income	65 857	65 857	-	-	-	-	-
Grant levy income	435 878	-	125 153	125 153	242 150	68 575	310 725
Skills Development Levy: penalties and interest	8 161	-	-	-	8 161	-	8 161
Investment income	21 214	-	-	-	21 214	-	21 214
Transfer to discretionary reserve	-	(4 783)	(13 630)	(13 630)	18 413	-	18 413
<b>Total expenses</b>	<b>535 938</b>	<b>61 074</b>	<b>111 523</b>	<b>111 523</b>	<b>294 766</b>	<b>68 575</b>	<b>363 341</b>
Administration expenses	61 023	61 023	-	-	-	-	-
Loss on disposal of assets	51	51	-	-	-	-	-
Employer grants and project expenses	474 864	-	111 523	111 523	294 766	68 575	363 341
<b>Net surplus per statement of financial performance allocated</b>	<b>(4 828)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4 828)</b>	<b>-</b>	<b>(4 828)</b>

**1a. ALLOCATION OF NET DEFICIT FOR THE YEAR TO RESERVES FOR THE YEAR ENDED 31 MARCH 2017**

	Total per Income Statement R'000	Administration reserve R'000	Mandatory reserve		Discretionary reserve		
			Mandatory skills planning and implementation grant R'000	Total R'000	Discretionary grants R'000	CHIETA projects R'000	Total R'000
<b>Total revenue</b>	<b>514 313</b>	<b>57 506</b>	<b>105 426</b>	<b>105 426</b>	<b>287 236</b>	<b>64 145</b>	<b>351 381</b>
Skills Development Levy income:							
Admin levy income	61 890	61 890	-	-	-	-	-
Grant levy income	409 404	-	115 861	115 861	229 398	64 145	293 543
Skills Development Levy: penalties and interest	19 108	-	-	-	19 108	-	19 108
Investment income	23 873	-	-	-	23 873	-	23 873
Profit on disposal of assets	38	38	-	-	-	-	-
Transfer to discretionary Reserve	-	(4 422)	(10 435)	(10 435)	14 857	-	14 857
<b>Total expenses</b>	<b>540 251</b>	<b>57 506</b>	<b>105 426</b>	<b>105 426</b>	<b>313 174</b>	<b>64 145</b>	<b>377 319</b>
Administration expenses	57 506	57 506	-	-	-	-	-
Employer grants and project expenses	482 745	-	105 426	105 426	313 174	64 145	377 319
<b>Net deficit per statement of financial performance allocated</b>	<b>(25 938)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(25 938)</b>	<b>-</b>	<b>(25 938)</b>

## 2. SKILLS DEVELOPMENT LEVY INCOME

The total levy income per the Income Statement is as follows:

Levy income: administration

Skills Development Levies transferred from Department of Higher Education and Training

Skills Development Levies received from government departments

Inter-seta transfers in

Levy income: employer grants

Skills Development Levies transferred from Department of Higher Education and Training

Skills Development Levies received from government departments

Inter-seta transfers in

Levy income: discretionary grants

Skills Development Levies transferred from Department of Higher Education and Training

Skills Development Levies received from government departments

Inter-seta transfers in

Note	2017/18 R'000	2016/17 R'000
	65 857	61 890
	65 628	61 769
	69	65
	160	57
	125 153	115 861
	124 717	115 629
	131	123
	305	108
	310 726	293 543
	309 646	292 968
	324	305
	755	270
	<b>501 735</b>	<b>471 294</b>

## 3. INVESTMENT INCOME

Interest income - bank deposits

21 214	23 873
<b>21 214</b>	<b>23 873</b>

## 4. EMPLOYER GRANT AND PROJECT EXPENSES

Mandatory grants

Disbursed

Movement in provisions and accruals

Discretionary grants

Disbursed

Movement in provisions and accruals

Project expenditure

Disbursed

Movement in provisions and accruals

111 523	105 426
119 463	103 271
(7 939)	2 155
294 766	313 174
296 783	326 626
(2 017)	(13 453)
68 575	64 145
64 759	74 488
3 816	(10 343)
<b>474 864</b>	<b>482 745</b>

4.1 Discretionary grants expenditure consists of:

Direct discretionary grant project costs

Direct project administration expenses

15.1	277 147	293 574
	17 618	19 600
	<b>294 766</b>	<b>313 174</b>

4.2 Project expenditure consist of:

Direct project costs

Direct project administration expenses

15.2	65 164	64 145
	3 411	-
	<b>68 575</b>	<b>64 145</b>



## 5. ADMINISTRATION EXPENSES

	Note	2017/18 R'000	2016/17 R'000
Depreciation		584	463
Amortisation of intangibles		92	16
Operating lease rentals (minimum lease payments) - buildings		3 224	3 217
Maintenance, repairs and running costs - property and buildings		272	65
Utilities		929	908
Advertising, marketing and promotions, communication		797	383
Consultancy and service provider fees		1 645	1 781
Legal fees		686	89
Cost of employment	5.1	35 255	33 028
Travel and accommodation		2 899	3 072
Training and development		901	925
Remuneration to members of the accounting authority		1 520	1 378
Remuneration to members of the audit committee		572	733
Internal auditors remuneration		1 397	898
External auditor's remuneration - audit fees		2 331	2 611
IT maintenance and internet service (ISP)		739	666
Telephone and fax		575	421
Printing and stationery		1 266	1 125
Insurance costs		144	73
Workshop and meetings		465	1 397
Quality Council for Trades and Occupations (QCTO)		2 653	2 456
Other		2 076	1 800
		<b>61 023</b>	<b>57 506</b>

Refer to the report of the accounting authority for disclosure concerning the remuneration to the members of the accounting authority, chief executive officer; chief financial officer and senior managers.

### 5.1 Cost of employment

	Note	2017/18 R'000	2016/17 R'000
Salaries and wages		30 185	28 522
Basic salaries		24 974	23 576
Performance awards		3 406	3 359
Temporary staff		726	744
Leave provision		1 079	843
Social contributions		5 070	4 506
Medical aid contributions		2 107	1 705
Provident fund contributions: defined contribution plans		2 630	2 497
UIF		333	304
		<b>35 255</b>	<b>33 028</b>
<b>Allocation of cost of employment</b>			
Administration expenses	5	<b>35 255</b>	<b>33 028</b>
Average number of employees		<b>60</b>	<b>61</b>

## 6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated depreciation	Closing carrying amount
	R'000	R'000	R'000
<b>Year ended 31 March 2018</b>			
Computer equipment	2 875	(1 754)	1 120
Office furniture and fittings	2 562	(1 786)	776
Office equipment	1 667	(987)	679
<b>Balance at end of period</b>	<b>7 104</b>	<b>(4 528)</b>	<b>2 576</b>
Made up as follows:			
Owned assets	7 104	(4 528)	2 576

### Year ended 31 March 2017

Computer equipment	2 300	(1 410)	890
Office furniture and fittings	2 279	(1 877)	402
Office equipment	1 443	(957)	485
<b>Balance at end of period</b>	<b>6 022</b>	<b>(4 244)</b>	<b>1 778</b>
Made up as follows:			
Owned assets	6 022	(4 244)	1 778

### Movement summary for the year ended 31 March 2018

	Carrying amount 2017	Additions	Disposals	Scrapped assets	Depreciation	Carrying amount 2018
	R'000	R'000	R'000	R'000	R'000	R'000
Computer equipment	890	656	-	(13)	(413)	1 120
Office furniture and fittings	402	484	-	(15)	(95)	776
Office equipment	486	293	-	(22)	(76)	680
<b>Balance at end of period</b>	<b>1 778</b>	<b>1 433</b>	<b>-</b>	<b>(50)</b>	<b>(584)</b>	<b>2 576</b>

### Movement summary for the year ended 31 March 2017

	Carrying amount 2016	Additions	Disposals	Scrapped assets	Depreciation	Carrying amount 2017
	R'000	R'000	R'000	R'000	R'000	R'000
Computer equipment	535	584	(3)	-	(226)	890
Office furniture and fittings	303	180	-	-	(81)	402
Office equipment	151	491	-	-	(156)	486
<b>Balance at end of period</b>	<b>989</b>	<b>1 255</b>	<b>(3)</b>	<b>-</b>	<b>(463)</b>	<b>1 778</b>

During the reassessment of useful lives and residual values, it has become evident that certain items of property, plant and equipment have become obsolete. Consequently these were scrapped.

## 7. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	2017/18 R'000	2016/17 R'000
<b>Opening carrying value</b>	49	65
Cost/valuation	495	495
Accumulated amortisation	(446)	(430)
<b>Movements during the year</b>	34	(16)
Additions	126	-
Amortisation	(92)	(16)
<b>Closing carrying value</b>	83	48
Cost/valuation	621	495
Accumulated amortisation	(538)	(446)

During the reassessment of useful lives and residual values, it has become evident that certain computer software have become obsolete. Consequently these were scrapped.

## 8. PREPAYMENTS AND ADVANCES

	2017/18 R'000	2016/17 R'000
<b>Prepayments and advances</b>		
Prepayments	3 490	254
<b>Closing balance</b>	<b>3 490</b>	<b>254</b>

## 9. ACCOUNTS RECEIVABLE

		2017/18 R'000	2016/17 R'000
Inter-seta debtors	Non exchange	1 094	-
Deposits	Exchange	143	183
Trade receivables	Exchange	618	535
Employee receivable	Exchange	5	217
Employer receivable	Non exchange	116	842
		<b>1 977</b>	<b>1 777</b>
<b>Employer receivable</b>			
Overpayments to employers		243	842
Impairments		(127)	-
<b>Closing employer receivable</b>		<b>116</b>	<b>842</b>

### Effect of adjustments on affected employers

R242 862 (2016/2017: R842 005) was recognised as a receivable relating to the overpayment to the employers in earlier periods, as a result of inaccurate information received, and is based on the amount of such grant overpayments.

An amount of R127 048 (2016/2017: R Nil) was provided as doubtful debts.

CHIETA refunds amounts to employers in the form of grants, based on the information from DHET. Where information is retrospectively amended, it may result in grants that have been paid to certain employers that are in excess of the amount.

CHIETA is permitted to make grants to the employers. A receivable relating to the overpayment to the employer in earlier periods is raised at the amount of such grant overpayment, net of bad debts and provision for irrecoverable amounts.

The carrying amount of accounts receivable is the net of allowance for any doubtful debt, estimated by the accounting authority based on assessment of the risk of non-recoverability. The carrying amount of these assets approximates their fair value.

## 10. CASH AND CASH EQUIVALENTS

	2017/18 R'000	2016/17 R'000
Cash at bank and on hand	286 024	303 462
Cash at bank	286 019	303 457
Cash on hand	5	5
<b>Cash and cash equivalents at end of year</b>	<b>286 024</b>	<b>303 462</b>

As required in Treasury Regulation 31.2, National Treasury approved the banks where the CHIETA bank accounts are held. The weighted average interest rate on short term bank deposits was 6.8% (2017: 6.8%).

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are held with registered banking institutions with maturities of five months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and investments in money market instruments.

## 11. ACCOUNTS PAYABLE

		2017/18 R'000	2016/17 R'000
	Note	40 933	47 725
Skills development grants payable - mandatory	Non exchange	2	7 941
Skills development grants payable - discretionary	Non exchange	29 940	31 957
Project creditors	Non exchange	10 978	7 162
Employer payable	Non exchange	13	665
Sundry payables		5 841	7 395
Other accruals	Exchange	35	2 858
Employee leave and bonus pay accrual	Exchange	4 527	4 219
Trade payables	Exchange	1 278	318
		<b>46 774</b>	<b>55 120</b>

### 11.1 Leave and bonus pay accrual

	Employee leave provision	Employee performance bonus accrual	2017/18 R'000	2016/17 R'000
Open carrying amount	860	3 359	4 219	8 847
Amounts utilised	(860)	(3 359)	(4 219)	(8 847)
Change in estimate	1 121	3 406	4 527	4 219
<b>Closing carrying amount</b>	<b>1 121</b>	<b>3 406</b>	<b>4 527</b>	<b>4 219</b>
Current	1 121	3 406	4 527	
<b>Total</b>	<b>1 121</b>	<b>3 406</b>	<b>4 527</b>	

Employee entitlements relate to leave credits available to employees of the CHIETA. Leave balances of employees are multiplied by the daily rate of each employees salary and quantified to the amount of leave credits available.

Employee bonus relates to performance bonus payable to employee's who meet the qualifying criteria. The performance bonus is paid annually to employees who exceed their job performance requirements.

## 12. PROVISIONS

	Open carrying amount R'000	Additions R'000	Reversals R'000	Closing carrying amount R'000
<b>Reconciliation of provisions for the year ended 31 March 2018:</b>				
Exempt employers provision	887	278	(208)	957

### Reconciliation of provisions for the year ended 31 March 2017:

Exempt employers provision	846	237	(196)	887
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An amount of R957 218 (2017 - R887,207) relates to skills development levies incorrectly contributed by employers to SARS and paid over to DHET after being exempted from contributing Skill Development Levies due to legislative changes which came into effect on 1 August 2005. Since SARS collects the Skills Development Levies from employers on behalf of DHET, the responsibility to refund employers remains with SARS.

In terms of Skills Development Circular No. 09/2013 issued by the DHET on 25 August 2013, SETAs are able to utilise exempted amounts contributed after the expiry date of 5 years as stipulated in terms of section 190(4) of the Tax Administration Act. These amounts are indicated as reversals and have been transferred to the discretionary reserve as per the requirements of the above circular.

### 13. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO NET (DEFICIT)/SURPLUS

	2017/18 R'000	2016/17 R'000
Net (deficit)/surplus as per statement of financial performance	(4 828)	(25 938)
Adjusted for non-cash items:		
Depreciation	584	463
Amortisation	92	16
Relating to grants	70	41
Adjusted for items separately disclosed		
Investment income	(21 214)	(23 873)
Net loss/profit on disposal of assets	51	(38)
Adjusted for working capital changes:		
(Increase) in receivables	(265)	(1 237)
Increase/(decrease) in payables	(8 346)	(26 661)
Decrease in prepayments and advances	(3 236)	(254)
<b><i>Cash utilised in operations</i></b>	<b>(37 092)</b>	<b>(77 481)</b>

### 14. CONTINGENCIES

In terms of the PFMA, all surplus/(deficit) funds as at year-end require the approval of National Treasury. The CHIETA annually requests formal rollover of any unspent funds or approval for realisation of a deficit and has communicated this in writing as per National Treasury requirements. The surplus/(deficit) is calculated in terms of the requirements of National Treasury instruction no.6 of 2017/18 and amounts to R16 689 (R'000) for the current financial year. Formal approval has not yet been obtained from National Treasury to retain the surplus funds at the time of submission of these annual financial statements.

### 15. COMMITMENTS

#### 15.1 Discretionary reserve

Of the balance of R240 409 (R'000) available in the discretionary reserve for the year ended 31 March 2018, R185 837 (R'000) has been approved and allocated for discretionary grants commitments as outlined below and substantial portions of contractual obligations have been met. A further amount of R31 211 (R'000) is committed to strategic sector projects. During the financial year an amount of R277 147 (R'000) was utilised on contractual deliverables in discretionary grant programmes and an amount of R65 164 (R'000) was utilised on strategic sector projects.

## 15. COMMITMENTS (continued)

### 15.1 Discretionary reserve (continued)

Discretionary grant programmes	Opening balance 1 April 2016 R'000	Approved by accounting authority R'000	Discretionary grant project management R'000	Not Yet contracted/ adjustments R'000	Utilised grants project management R'000	Utilised grants project management R'000	Approved by accounting authority R'000	Discretionary grant project management R'000	Not Yet contracted/ adjustments R'000	Utilised grants project management R'000	Utilised grants project management R'000	Utilised grants project management R'000	Closing balance 31 March 2018 R'000
Adult Basic Education and Training (ABET)	1 633	2 451	101	(1 084)	1 506	101	525	65	-	1 015	65	86	918
Apprentice/artisan training and development	36 831	57 972	3 299	(14 886)	49 411	3 299	49 049	2 911	(700)	45 790	2 911	3 067	29 998
Recognition of Prior Learning (RPL)	16 905	31 056	1 382	(6 150)	20 703	1 382	14 575	1 171	-	18 423	1 171	1 854	15 405
TVET lecturer development	1 890	2 116	110	(873)	1 643	110	2 005	127	-	1 993	127	254	1 246
Graduate development	-	63	1	(18)	17	1	-	-	-	-	-	9	19
Bursaries	34 676	67 588	3 313	(12 277)	49 621	3 313	32 664	3 135	(30)	49 309	3 135	1 519	22 170
Internships	119	-	-	(119)	-	-	-	-	-	-	-	-	-
Skills programmes	14 879	26 004	1 033	(8 499)	15 478	1 033	14 541	1 216	-	19 123	1 216	882	11 442

Legend

NP: Non pivotal

P: Pivotal

## 15. COMMITMENTS (continued)

### 15.1 Discretionary reserve (continued)

Discretionary grant programmes	Opening balance 1 April 2016 R'000	Approved by accounting authority R'000	Discretionary grant project management R'000	Not Yet contracted/ adjustments R'000	Utilised grants project management R'000	Opening balance 1 April 2017 R'000	Approved by accounting authority R'000	Discretionary grant project management R'000	Not Yet contracted/ adjustments R'000	Utilised grants project management R'000	Utilised discretionary grants management R'000	Adjustments R'000	Closing balance 31 March 2018 R'000
P Workplace experience/ WIL	27 464	18 901	1 494	(10 670)	22 378	13 316	24 760	1 480	(36)	23 276	1 480	2 886	11 877
P Work placement/ employment creation	25 097	15 738	1 121	(13 626)	16 785	10 424	11 382	771	-	12 126	771	2 188	7 492
P Learnerships	85 002	169 178	7 737	(47 277)	115 888	91 016	109 912	6 730	(3 110)	105 873	6 730	6 823	85 121
P Other occupationally directed programs	219	583	10	(290)	144	368	-	14	-	221	14	-	147
<b>Total</b>	<b>244 714</b>	<b>391 649</b>	<b>19 600</b>	<b>(115 771)</b>	<b>293 574</b>	<b>227 019</b>	<b>259 411</b>	<b>17 618</b>	<b>(3 876)</b>	<b>277 147</b>	<b>17 618</b>	<b>19 569</b>	<b>185 837</b>

Legend

NP: Non pivotal

P: Pivotal



## 15. COMMITMENTS (continued)

### 15.2 Strategic Sector Projects

Projects		Opening balance 1 April 2016 R'000	Approved by authority R'000	Adjustment to 2016/2017 budget R'000	Not yet contracted R'000	Utilised strategic projects R'000	Adjustments R'000	Opening balance 1 April 2017 R'000	Approved by authority R'000	Strategic project management R'000	Adjustment to 2016/2017 budget R'000	Not yet contracted R'000	Utilised project management R'000	Utilised strategic projects R'000	Adjustments R'000	Closing balance 31 March 2018 R'000
NP	Chemical stakeholder support (SST and M/E)	6	8 057	5 083	-	13 137	9	-	14 000	-	3 000	-	-	13 232	3 768	-
	World skills competition	-	500	-	-	449	51	-	2 310	-	57	-	-	1 645	722	-
NP	Regional stakeholder support	-	1 511	(275)	-	1 082	154	-	2 000	-	-	-	-	1 607	393	-
	Apprenticeship P/artisan development	-	10 000	-	6 913	3 087	-	-	7 000	214	-	-	214	2 348	1 083	3 569
P	Public sector capacity	-	1 838	750	50	1 749	-	789	2 308	139	3 823	-	139	1 527	102	5 290
P	Small business support	1 143	1 340	-	-	1 835	-	649	1 863	82	180	181	82	901	28	1 582
NP	Small business support	259	-	-	-	235	-	24	-	-	-	-	-	-	24	-
P	Bursary project (18.2 learners)	811	6 620	(1 188)	-	3 549	-	2 693	5 500	327	3 692	51	327	3 582	551	7 701
P	CEO strategic projects	-	-	-	-	-	-	-	3 000	214	(418)	-	214	2 342	-	240

Legend

NP: Non pivotal

P: Pivotal

## 15. COMMITMENTS (continued)

### 15.2 Strategic Sector Projects (continued)

Projects	Opening balance 1 April 2016 R'000	Approved by accounting authority R'000	Adjustment to 2016/2017 budget R'000	Not yet contracted R'000	Utilised strategic projects R'000	Adjustments R'000	Opening balance 1 April 2017 R'000	Approved by accounting authority R'000	Strategic project management R'000	Adjustment to 2016/2017 budget R'000	Not yet contracted R'000	Utilised project management R'000	Utilised strategic projects R'000	Adjustments R'000	Closing balance 31 March 2018 R'000
Career and vocational guidance/ NP integrated marketing and relationship management	-	2 625	-	-	2 254	371	-	2 756	-	-	-	-	2 617	139	-
SMME strategy/ P voucher project	-	5 500	(2 000)	436	3 064	-	-	5 500	456	-	-	456	4 991	485	24
Maths & Science	2 833	2 928	782	-	5 153	60	1 330	4 000	419	125	-	419	4 590	-	865
Rural & Co-operatives development	1 135	400	450	-	716	748	522	2 800	154	(269)	-	154	1 691	17	1 346
AET programs learners with disabilities	1 099	4 332	1 233	200	4 274	103	2 086	3 883	326	(177)	-	326	3 574	343	1 874
Skills programmes	439	1 568	-	-	1 013	123	871	1 500	94	205	-	94	1 028	960	588
Institutional P & industry partnership	3 457	666	540	-	1 864	1 238	1 561	7 300	410	309	-	410	4 491	1 033	3 646

Legend

NP: Non pivotal

P: Pivotal

## 15. COMMITMENTS (continued)

### 15.2 Strategic Sector Projects (continued)

Projects	Opening balance 1 April 2016 R'000	Approved by authority R'000	Adjustment to 2016/2017 budget R'000	Not yet contracted R'000	Utilised strategic projects R'000	Adjustments R'000	Opening balance 1 April 2017 R'000	Approved by authority R'000	Strategic project management R'000	Adjustment to 2016/2017 budget R'000	Not yet contracted R'000	Utilised project management R'000	Utilised strategic projects R'000	Adjustments R'000	Closing balance 31 March 2018 R'000
P ISOE	1 229	850	-	-	1 514	-	565	-	13	-	-	13	140	-	425
Strategic Infrastructure Skills Development Projects (SIPs)															
P	1 955	280	180	-	1 475	738	201	-	16	-	-	16	170	31	-
Renewable energy skills development - Green skills	450	-	-	-	450	-	-	-	-	-	-	-	-	-	-
Trade Union learning practitioner programme	-	1 500	-	-	218	-	1 282	1 500	115	-	335	115	1 263	193	990
Programme 2															
P - research and skills planning	1 444	2 808	-	380	1 954	69	1 849	4 500	182	(1 881)	-	182	1 995	152	2 321
Programme 2															
NP - research and skills planning	2 671	6 480	1 800	1 041	7 520	988	1 402	10 500	-	(4 286)	-	-	6 306	979	330
P TVET & WIL	3 006	3 528	3 600	-	7 535	-	2 599	3 000	250	(2 100)	-	250	2 739	400	360
NP Qualifications development	-	1 000	(980)	-	19	1	-	2 600	-	(57)	-	-	2 383	101	59
<b>Total</b>	<b>21 937</b>	<b>64 329</b>	<b>9 974</b>	<b>9 020</b>	<b>64 145</b>	<b>4 653</b>	<b>18 422</b>	<b>87 819</b>	<b>3 411</b>	<b>2 205</b>	<b>568</b>	<b>3 411</b>	<b>65 164</b>	<b>11 503</b>	<b>31 211</b>

Legend

NP: Non pivotal

P: Pivotal

<b>15.3 Operating Leases</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>R'000</b>	<b>R'000</b>
Minimum lease payments under operating leases recognised as an expense in the year	3 224	3 217
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
Not later than one year	3 154	3 336
Later than one year and not later than five years	3 379	-
	<b>6 533</b>	<b>3 336</b>

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of 2 years and the lease period coincides with the licence period of the CHIETA. Rentals escalate on average by between 7%-9% per annum. The monthly payments for property assessment rates and taxes and municipal charges are included as part of other operating expenditure in the statement of financial performance.

## **16. MATERIAL LOSSES THROUGH CRIMINAL CONDUCT, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

### **Irregular, fruitless and wasteful expenditure**

To the best of our knowledge, no material losses through criminal conduct, or irregular, fruitless and wasteful expenditure were incurred during the year ended 31 March 2018 (2017 - R Nil).

## 17. FINANCIAL INSTRUMENTS

In the course of the CHIETA operations it is exposed to interest rate, credit, liquidity and market risk. The CHIETA has developed a comprehensive risk strategy in terms of TR 28.1 in order to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

### Interest rate risk

The SETA's exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date are as follows:

	Floating rate			Fixed Rate		Non-interest bearing		TOTAL R'000
	Amount R'000	Effective interest rate	Amount R'000	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in years	Amount R'000	Weighted average period until maturity in years	
<b>Year ended 31 March 2018</b>								
<b>Assets</b>								
Cash	264 810	6,8%	21 214	6,8%	0,08	-	-	286 024
Accounts receivable		-	-			1 977	0,08	1 977
	<b>264 810</b>	<b>6,8%</b>	<b>21 214</b>	<b>6,8%</b>	<b>0,08</b>	<b>1 977</b>	<b>0,08</b>	<b>288 001</b>
<b>Liabilities</b>								
Accounts payable	-	-	-	-	-	46 774	0,04	46 774
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46 774</b>	<b>0,04</b>	<b>46 774</b>

<b>Year ended 31 March 2017</b>								
Total financial assets	279 589	6,8%	23 873	6,8%	0,08	1 777	0,08	305 239
Total financial liabilities	-	-	-	-	-	55 120	0,04	55 120
	<b>279 589</b>	<b>6,8%</b>	<b>23 873</b>	<b>6,8%</b>	<b>0,08</b>	<b>56 897</b>	<b>0,06</b>	<b>360 359</b>

### Maturity Analyses

	<b>2017/18 R'000</b>	<b>2016/17 R'000</b>
<b>Accounts Payable</b>	<b>40 933</b>	<b>47 725</b>
not later than one month	40 920	47 060
later than three months	13	665
<b>Accounts Receivable</b>	<b>1 977</b>	<b>1 777</b>
not later than one month	623	752
later than one month and not later than three months	1 094	-
later than three months	259	1 025

### **Credit risk**

Financial assets, which potentially subject the CHIETA 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 CHIETA management limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of their investment policy in terms of Treasury Regulations.

Credit risk with respect to levy paying employers is limited due to the nature of the income received. The CHIETA does not have any material exposure to any individual or counter-party. The CHIETA's concentration of credit risk is limited to the industry in which the CHIETA operates. No events occurred in the industry during the financial year that may have an impact on the accounts receivable that has not been adequately provided for. Accounts receivable are presented net of allowance for doubtful debt.

### **Liquidity risk**

The CHIETA manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows.

### **Market risk**

The CHIETA 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 CHIETA is aware of.

### **Fair values**

The CHIETA's financial instruments consist mainly of cash and cash equivalents, account receivables, accounts payables. No financial instruments were carried at an amount in excess of its fair value. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

#### **Cash and cash equivalents**

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets.

#### **Accounts receivable**

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

#### **Accounts payable**

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

## 18. RELATED PARTY TRANSACTIONS

### Transactions with other SETAs

Inter-seta transactions and balances arise due to the movement of employers from one SETA to another. The following transactions occurred during the year with other SETAs.

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

	2017/18 R'000		2016/17 R'000	
	Transfers in/ (out) during the year	Amount receivable/ (payable)	Transfers in/ (out) during the year	Amount receivable/ (payable)
<b>Receivables</b>	<b>126</b>	<b>1 094</b>	<b>435</b>	<b>-</b>
FASSET	-	-	435	-
MERSETA	126	1 094	-	-
<b>Total</b>	<b>126</b>	<b>1 094</b>	<b>435</b>	<b>-</b>

Transactions with board member representative companies:

Constituency of board member	Transacting company	Transaction type	2017/18		2016/17	
			R'000		R'000	
			Amount of the transaction	Amount receivable/ (payable)	Amount of the transaction	Amount receivable/ (payable)
Payables						
Explosives and fertilisers	Omnia	Discretionary grant	11 005	(7 404)	11 086	(5 582)
Base chemicals and petroleum	Sasol Limited	Discretionary grant	26 243	(13 201)	16 100	(5 690)
Government Department/ Ministerial appointee	Department of Energy	Discretionary grant	949	(564)	316	(177)
Government Department /Ministerial appointee	Department of Energy	Strategic project	600	(240)	600	(306)
Glass	Consol	Discretionary grant	5 566	(2 151)	-	-
Total			44 363	(23 560)	28 103	(11 755)

The above transactions occurred under terms that were no more/less favourable than those available in similar arm's length dealings.

Refer to the report of the accounting authority for disclosure concerning the remuneration to the members of the accounting authority, chief executive officer, chief financial officer and executive managers.

## 19. INVENTORIES

Inventories consist of :  
 Stationery

2017/18	2016/17
R'000	R'000
84	19
<b>84</b>	<b>19</b>

## 20. COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2018

### 20.1 Skills Development Levy: income

The favourable variance in Skills Development Levy income is due to a higher than anticipated return of levies from member companies. The CHIETA budgeted for an 4% increase in SDL income for the financial year, and realised a 6.2% increment. The increase in levy paying member companies is also a contributing factor to the higher than anticipated SDL income.

### 20.2 Skills Development Levy: penalties and interest

Income from penalties and interest arise when employers fail to submit their returns as required by legislation. These amounts typically vary significantly year on year. The full balance is transferred to the discretionary reserve and made available for discretionary grants and projects.

### 20.3 Investment income

Investment income was 6.4% above budget due to higher competitive interest rates obtained on CHIETA's investments in 2017/18 and a higher than anticipated cash holding during the first two quarters of the financial year.

### 20.4 Employer grant and project expenses

The approved final budget only includes the estimated mandatory grant spending of the current financial year. There was an increase in mandatory grant expenditure due to the increase in levies received and the increase in Work Place Skills Plans submitted by the employers.

### 20.5 Administration expenses

Administration expenditure is limited to 10.5% of levies received. The legislation limit has not been exceeded and savings are transferred to the discretionary reserve and will be utilised to fund sector skills priorities, through various discretionary grants and projects.

### 20.6 Loss on disposal of assets

The loss on disposal was not budgeted for as it could not be anticipated at the time that certain property plant and equipment would be obsolete at year end. During the reassessment of useful lives and residual values, it has become evident that certain items of property, plant and equipment have become obsolete. Consequently these were scrapped and disposed of resulting in a loss on the disposal during the financial period.



## 22. SEGMENT INFORMATION

Information about the surplus/(deficit), assets and liabilities for the year ended 31 March 2018

	2017/18				
	Administration	Mandatory	Discretionary	Unallocated	Total
	R'000	R'000	R'000	R'000	R'000
<b>REVENUE:</b>					
<b>NON EXCHANGE REVENUE</b>					
Skills Development Levy: income	65 857	125 153	310 726	-	501 735
Skills Development Levy: penalties and interest	-	-	8 161	-	8 161
Loss on disposal of assets	(51)	-	-	-	(51)
<b>EXCHANGE REVENUE</b>					
Investment income	-	-	21 214	-	21 214
<b>Total Segment Revenue</b>	<b>65 806</b>	<b>125 153</b>	<b>340 101</b>	<b>-</b>	<b>531 059</b>
<b>Expenditure:</b>					
<b>EXPENSES</b>					
Discretionary grants & project expenditure	-	-	(363 341)	-	(363 341)
Mandatory & implementation grant	-	(111 523)	-	-	(111 523)
Employee compensation costs	(35 255)	-	-	-	(35 255)
Other administration expenses	(25 768)	-	-	-	(25 768)
<b>Total Segment Expenditure</b>	<b>(61 023)</b>	<b>(111 523)</b>	<b>(363 341)</b>	<b>-</b>	<b>(535 887)</b>
<b>Total Surplus/(Deficit)</b>	<b>4 783</b>	<b>13 630</b>	<b>(23 240)</b>	<b>-</b>	<b>(4 828)</b>

	2017/18				
	Administration	Mandatory	Discretionary	Unallocated	Total
	R'000	R'000	R'000	R'000	R'000
<b>Assets</b>					
Cash and cash equivalents	-	-	-	286 024	286 024
Accounts receivable	910	389	677	-	1 977
Prepayments and advances	3 490	-	-	-	3 490
Inventories	84	-	-	-	84
Property, plant and equipment	2 576	-	-	-	2 576
Other intangible assets	83	-	-	-	83
<b>Total Assets</b>	<b>7 144</b>	<b>389</b>	<b>677</b>	<b>286 024</b>	<b>294 235</b>
<b>Liabilities</b>					
Accounts payable	5 841	2	40 931	-	46 774
Provisions	126	239	592	-	957
	<b>5 966</b>	<b>241</b>	<b>41 524</b>	<b>-</b>	<b>47 731</b>

**FINANCIAL INFORMATION - NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

Information about the surplus / (deficit), assets and liabilities for the year ended 31 March 2017

	2016/17				
	Administration	Mandatory	Discretionary	Unallocated	Total
	R'000	R'000	R'000	R'000	R'000
<b>Revenue:</b>					
<b>NON EXCHANGE REVENUE</b>					
Skills Development Levy: income	61 890	115 861	293 543	-	471 294
Skills Development Levy: penalties and interest	-	-	19 108	-	19 108
Profit on disposal of assets	38	-	-	-	38
<b>EXCHANGE REVENUE</b>					
Investment income	-	-	23 873	-	23 873
<b>Total Segment Revenue</b>	<b>61 928</b>	<b>115 861</b>	<b>336 524</b>	<b>-</b>	<b>514 313</b>
<b>Expenditure:</b>					
<b>EXPENSES</b>					
Discretionary grants & project expenditure	-	-	(377 319)	-	(377 319)
Mandatory & implementation grant	-	(105 426)	-	-	(105 426)
Employee compensation costs	(33 028)	-	-	-	(33 028)
Other administration expenses	(24 478)	-	-	-	(24 478)
<b>Total Segment Expenditure</b>	<b>(57 506)</b>	<b>(105 426)</b>	<b>(377 319)</b>	<b>-</b>	<b>(540 251)</b>
<b>Total Surplus/(Deficit)</b>	<b>4 422</b>	<b>10 435</b>	<b>(40 795)</b>	<b>-</b>	<b>(25 938)</b>
	2016/17				
	Administration	Mandatory	Discretionary	Unallocated	Total
	R'000	R'000	R'000	R'000	R'000
<b>Assets</b>					
Cash and cash equivalents	-	-	-	303 462	303 462
Accounts receivable	935	-	842	-	1 777
Prepayments and advances	254	-	-	-	254
Inventories	19	-	-	-	19
Property, plant and equipment	1 778	-	-	-	1 778
Other intangible assets	48	-	-	-	48
<b>Total Assets</b>	<b>3 034</b>	<b>-</b>	<b>842</b>	<b>303 462</b>	<b>307 338</b>
<b>Liabilities</b>					
Accounts payable	7 395	7 941	39 119	-	54 454
Provisions	116	222	549	-	887
	<b>7 511</b>	<b>8 163</b>	<b>39 668</b>	<b>-</b>	<b>55 341</b>

Signed on behalf of the accounting authority by:



**Chairperson of the accounting authority  
(Ms Mashila Matlala)**



**Acting CEO  
(Ms K Moroane)**

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## 1. Objective

The policy is intended to determine material and significant events that warrant disclosure by the accounting authority after following due process to:

- The executive authority/legislature;
- The National Treasury;
- The Office of the Auditor-General.

## 2. Legal Framework

In terms of Treasury Regulations, section 28.1.5, issued in terms of the PFMA, the accounting authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant Executive Authority in consultation with the external auditors.

There are specific sections of the PFMA that are relevant:

### **Materiality are:-**

- *Section 50(1)(c)* – “The accounting authority for a public entity must on request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way influence the decision or actions of the executive authority or that legislature.”
- *Section 55(2)(b)(i)* – “The annual report and financial statements must include particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.”
- *Section 66(1)* – “An institution to which this Act applies may not borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that institution or the Revenue Fund to any future financial commitment, unless such borrowing, guarantee, indemnity, security, or other transaction –
  - » Is authorised by this Act; and
  - » In the case of public entities, is also authorised by other legislation not in conflict with this Act; and
  - » In the case of loans by a province or a provincial government business enterprise under the ownership control of a provincial executive, is within the limits as set in terms of the Borrowing Powers of Provincial Governments Act, 1996 (Act No. 48 of 1996).”

### **Significance is:-**

- *Section 54(2)* – “Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction –
  - » Establishment or participation in the establishment of a company;
  - » Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;
  - » Acquisition or disposal of a significant asset;
  - » Commencement or cessation of a significant business activity; and
  - » A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.”

### 3. Factors considered in developing the framework

The following factors were considered in determining the framework:

- *Nature of the business*

Given the nature of the organisation's activities, i.e.

- » The creation and registration of national standards and qualifications in the sector and sub-sectors;
- » To curricula, assess, certify and manage performance in the sector to ensure targeted and generic service skills;
- » To ensure that a quality learning provision is maintained throughout the sector;
- » To create and maintain a database to target generic and specific skills development;
- » To engage in learnerships and skills programme activities; and
- » To implement the sector skills plan;

a lower level of materiality is considered appropriate.

- *Statutory requirements*

The organisation is a public entity, as contained in schedule 3A of the PFMA, and as such is governed by legislation applicable to government entities. Such legislation is therefore prepared in terms of good corporate governance and is intended to govern finance, supply chain management, asset management, etc within the organisation. In light of this, the probability of a material or significant infringement is considered unlikely.

- *Governance structure*

The accounting authority (governing board) is represented by its stakeholders i.e. organized employer and employee representation from the sector. The accounting authority, in terms of legislation is accountable for the performance and governance of the organisation to the executive authority (Minister of Labour). In terms of governance, the organization is further directed by the audit committee (external members), the external auditors (the Auditor-General's office), and the internal auditors (external firm of auditors).

In view of the external participation in the operations of the organization, it is considered appropriate to have a lower level of materiality.

- *Control and inherent risks*

The following factors were examined in determining the control and inherent risk in the organisation:

- » Annual risk assessment;
- » Three year internal audit plan;
- » Fraud prevention plan;
- » Appropriate procurement policy and modalities;
- » The implementation and adoption of a quality management system;
- » Technical competence, skills and experience of staff engaged in the decision making process;
- » Structure of the audit committee with reference to the King Code of Corporate Governance.

In terms of the control and inherent risks, a lower level of materiality is considered appropriate.

- *Qualitative factors*

Materiality is only related to the size of and the elements of the financial statements. Misstatements that are large individually or in aggregate may affect a reasonable user's assessment. Misstatements may also be material on qualitative grounds. The organisation has considered the following qualitative factors:

- » Unusual transactions entered into that are not of a repetitive nature and are disclosable due to the nature and the knowledge thereof affecting the decision making of the users of financial statements;
- » Sizable increase in the stakeholder base i.e. more member companies contributing SDL to the organisation;
- » Fraudulent or dishonest behaviour of ALL officers or staff of the organisation. Any Rand value will warrant disclosure;
- » Operations in regions that are economically unstable or the expansion into new locations;
- » Operations exposed to volatile markets;
- » Going concern and liquidity including loss of significant stakeholders;
- » Constraints on the availability of capital and credit;
- » Changes in the industry in which the entity operates;
- » Developing or offering new products or services;
- » Entities or business segments likely to be traded or lost;
- » Complex alliances and joint ventures;
- » Changes in key personnel including departure of key executives;
- » Changes in the IT environment;
- » Pending litigation and contingent liabilities;
- » Public accountability to stakeholders, Parliament, auditors and the community at large;
- » The sensitivity of the organisation's financial information in making decisions;
- » Inadequate policies and procedures to mislead users;
- » Material infringement of legislation;
- » The imposition of regularity restrictions that can impair operating capabilities;
- » Any transaction entered into that could result in reputation risk; and
- » Application of new or changes in accounting policy.

## 4. Materiality

### *Definition*

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus materiality provides a threshold or cut-off point, rather than being a primary qualitative characteristic which information must comprise if it is to be useful.

### *Materiality level*

The level of a material loss is assessed at 1% of budgeted total revenue (NSF revenue and VAT excluded, includes levy income, interest and penalties and any other income).

Different levels of materiality can be used and the decision to use a conservative level of 1%, irrespective of whether the transaction/event relates to assets, liabilities, or reserves, is based on the fact that the total assets of the organisation is not considered to be an indicator of performance as the organisation is not an asset intensive entity and the revenue component is selected as a basis for the materiality calculation as the level of activity (grant and discretionary disbursements) is dependent on the total revenue received.

## 5. Significant

### *Definition*

A transaction is significant if conducting the transaction is vitally important to fulfill the organisation's mandate and for it to operate effectively.

Significance is larger than materiality as significant transactions may impact the organisation as a whole. A transaction may be material, but not significant, whereas all significant transactions are material.

### *Significance Level*

The organisation will promptly and in writing inform the National Treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction. The following transactions will be regarded as significant and will require full disclosure:

- Establishment or participation in the establishment of a company;
- Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;
- Acquisition or disposal of a significant asset;
- Commencement or cessation of a significant business activity; and
- A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.

## 6. Reporting of the framework

The materiality and significance framework must be updated yearly, preferably before the financial year commences, to ensure the identification of material and significant transactions. The framework will further be developed in consultation with the external auditors.

The framework will be included into the:

- Corporate/strategic plan;
- Annual report

The framework will be disclosed as contained in Annexure A attached.

# ANNEXURE A

## TREASURY REGULATION 28.1.5

“For purposes of “material” [sections 50(1), 55(2) and 66(1) (c) of the Act] and “significant” [section 54(2) of the Act], the accounting authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority in consultation with the external auditors.”

MATERIAL		
Section 50 (1)	(1) The accounting authority for a public entity must - (c) on request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all <b>material</b> facts, including those reasonably discoverable, which in any way influence the decision or actions of the executive authority or that legislature.	Quantitative - 1% of total revenue  Qualitative – events as contained in the Materiality and Significance Framework Policy
Section 55 (2)	(2) The annual report and financial statements must – (b) include particulars of – (i) any <b>material</b> losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.	Quantitative - 1% of total revenue  Qualitative – events as contained in the Materiality & Significance Framework Policy
Section 66 (1)	(1) An institution to which this Act applies may not borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that institution or the Revenue Fund to any future financial commitment, unless such borrowing, guarantee, indemnity, security or other transaction – (a) is authorised by this Act; and (b) in the case of public entities, is also authorised by other legislation not in conflict with this Act; and (c) in the case of loans by a province or a provincial government business enterprise under the ownership control of a provincial executive, is within the limits as set in terms of the Borrowing Powers of Provincial Governments Act, 1996 (Act No 48 of 1996).	All events/transactions will require disclosure – 100% compliance

SIGNIFICANT		
Section 54 (2)	(1) Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction – (a) establishment or participation in the establishment of a company; (a) participation in a significant partnership, trust, unincorporated joint venture or similar arrangement; (b) acquisition or disposal of a significant shareholding in a company; (c) acquisition or disposal of a significant asset; (d) commencement or cessation of a significant business activity; and (e) a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.	All events / transactions will require disclosure – 100% compliance









