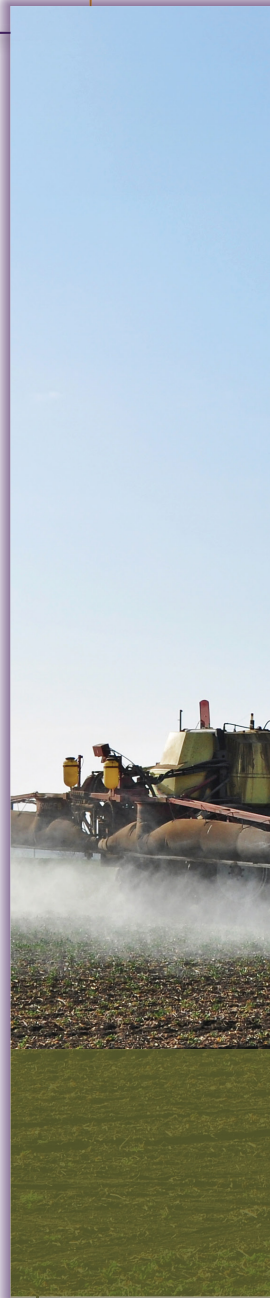


CHIETA: The catalyst for  
enhanced skills, economic growth  
and employability



higher education  
& training

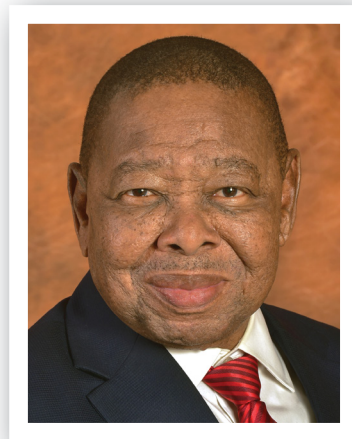
Department:  
Higher Education and Training  
REPUBLIC OF SOUTH AFRICA

**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.



Dr Blade Nzimande  
Minister of Higher Education and Training

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## 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

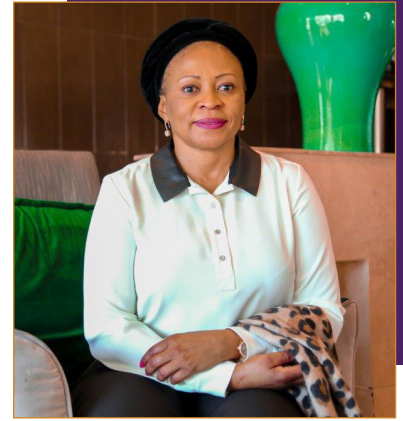
ABET	Adult Basic Education and Training
AIDS	Acquired Immune Deficiency Syndrome
AQP	Assessment Quality Partner
ATR	Annual Training Report
ATU	Apprentice Training Unit
ARPL	Artisan Recognition Prior Learning
BBBEE	Broad-Based Black Economic Empowerment
CEPPWAWU	Chemical Energy Paper Printing Wood Allied 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
DHEST	Department of Higher Education Science and Technology
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
<i>diti</i>	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
HTFV	Hard to fill vacancies
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
SDL	Skills Development Levy
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

As South Africa moves now with pace into the new era of the fourth industrial era (4IR) with its consequences of artificial intelligence and no doubt more developments to follow, it is time for the model of SETAs, and specifically CHIETA, to change. This is required not just because change drives us forward, but importantly because as a leader in our field our work has an impact for the future of South Africa in general, and the economy in particular.

As the new chair of CHIETA I am conscious that while just one of several SETAs in our country, we have an onerous responsibility to ensure there is greater interplay among all our stakeholders to ensure that the skills we develop for this new industrial age that now incessantly confronts are both appropriate and relevant to make that impact.



**Mashila Matlala**

If there has ever been a time to think outside the box, it is now. The time is past when we should be satisfied with the traditional way of doing things. Desktop measuring of achievements, while they have their place, will not drive the new economy required to ensure that every South African has a job.

In the interplay between stakeholders there is a special challenge for employers to understand that their relationship with SETAs, and CHIETA especially, can no longer be driven only by a compliance protocol. Rather, the protocol should be based on a full and proper understanding of all training programmes that can be applied to the new job demands of 4IR, so that all stakeholders begin to keep pace with the lightning speed of 4IR.

The skills development programme demands that the employer must also come to the table in an active way that I do not believe has been optimally done previously. The partnership between CHIETA and its employer partners must not be one-way traffic. Employers must feel the freedom to let us know if the training we are managing does not fit the bill; they might believe they are good but their own strategic work shows them that these are not long-term solutions to the demands of the future. They might well believe that while they could have relevance in the short-term, they are not going to fit into the future because they are based too much on traditional job training and the needs of the past.

The voice from the employer in the past has been too silent. The employer needs to be working and facilitating training provision with us. Employers do their own strategic planning, but they do not share it with us. It seems that the strategic training models (and perhaps others that are relevant) that they will undoubtedly be developing from their own analysis of 4IR and AI are not shared with the public sector's training providers. Employers limit themselves to looking at only one sector of the workforce which tends to be their executives, and regard the training that SETAs provide as a "tick box" exercise.

Thus, for example, a large South African or multi-national corporate in our stakeholder fold knows they are required by law to pay the levy, which they faithfully do - and many South Africans have unquestionably benefited as a result. But that attitude is no longer sufficient. I say this because if that is all we are going to do as stakeholders in the current technologically and scientifically driven era, then our upskilling programmes will have no impact on and relevance to 4IR and AI.

Part of the problem is that business organisations, such as those in the petroleum and base chemicals' industry, for example, have parallel training programmes to those of CHIETA. Their executives have one form of training, often driven by one international company, with targeted career development taking place there. These run at the same time, of course, as CHIETA and other SETAs run their training programmes. But the programmes never intersect. I have in mind courses such as those run by NECSA and Safripol in the base chemicals' industry, and by Petro SA, Sasol SA and Fuchs Oil in the petroleum industry. We would like these organisations to share with us their strategy of skills development. One doesn't commonly hear of people who have been trained on the skills development programmes through the SETA becoming part of executive training. In fact, the training itself is kept separate, thus training programmes cannot be aligned. It seems as if we are working in two worlds.

That is why stronger relations are required between training authorities and employers. And such relationships should be looking at strategic direction for twelve months, five years, and more, as we work together to meet the challenges facing us all in the economic community of which we are all part.

Running in tandem with this should be an active partnership, of course, between large employers, SMMEs and an authority like CHIETA. Part of the responsibility of large companies should be to let us know which SMMEs they are working with and have empowered so that there can be an integration to ensure that their workers are appropriately and relevantly trained. In this way SMMEs can expand and employ more people. In this way SMMEs need to be an integral part of the growth chain.

I have illustrated with reference to the petroleum and the base chemicals' industry, but my comments are applicable to all our partners in business.

Stronger relationships with partners and international links speaks to my earlier remarks on international benchmarking. This is an opportune time for CHIETA to think of skills for its sector development and all necessary steps to ensure that training in the chemical industry sector can leverage off the considerable resources available globally as South Africa prepares for the future. International research, and its application, to ensure the chemical sector remains at the forefront of training, is critical in terms of shifting the current model of training. As we learn, so it will be important for all to share new benchmarks and their application on formal platforms.

While this research occurs, this new freedom of thought in using international benchmarking may even mean that we have to import human capital to assist in bringing training up to speed. Sometimes it needs to be recognised that training the trainers, as well as the learners, is necessary. Realistically, we are not going to teach a young person to be an expert in chemistry, for example, by using a trainer who is not him- or herself an even bigger expert in that field. It may take us years as South Africa to do this. With 4IR and AI already driving developments throughout the world, and therefore in South Africa, we have no option, in my view, to look at importing human capital to assist us.

CHIETA should also begin investigating the development of international exchange programmes. This would enable us to send appropriate young people with the aptitude for a career in the chemical industry to be trained in countries that wish to partner with us. Some may even be critical of this, but it's important to do it if we are going to make progress.

It is also an option to look at importing human capital in the chemical industry only to assist in developing people fully for a career in our industry. We need actively seek to sponsor more Masters' type programmes, and see how quickly we can capacitate TVET colleges - their lecturers, researchers and their facilities - so that such programmes can become an integral part of the training that is offered.

I say this all against the challenge of the high rate of unemployed youth. It is a major problem for the country and hits home hardest in an environment where one trains and qualifies promising young people, only to see them unable to find work. CHIETA is required to provide leadership in this respect, and looking at new opportunities such as those outlines will be a prerequisite going forward.



**Mashifa Matlala**  
**Board Chairperson**  
**30 July 2019**



#### 4. CHIEF EXECUTIVE OFFICER'S REPORT

With the fourth industrial revolution (4IR) and globalisation now twin realities in our world, South Africa is challenged to respond positively and creatively in ground breaking ways so that it can embrace both these ongoing developments. As the recently appointed chief executive of CHIETA I am deeply aware of these challenges and privileged to be leading our organisation at this time. There can be no doubt that CHIETA is well placed to play a pivotal role in such developments. Realistically, however, one must be aware that there are some actions we can take with respect to 4IR that are outside our immediate influence and control, but there are also others that are within our purview.



**Khathutshelo Mike Ramukumba**

Let me speak first of some of the challenges facing South Africa which are somewhat outside the basic control of CHIETA.

Firstly, there can be no doubt that effective basic education is necessary for our young people if South Africa is to be a competitive player in 4IR. In this respect the introduction of a proficient early education curriculum is a prerequisite. This presupposes access to technology and the internet in such a way that young people can readily use the technology that is available. I believe we have a responsibility to drive this message by lobbying government as our shareholder.

Secondly, I believe it is critical that we work with labour unions as they embrace 4IR. This is important because the world lies at the unions' feet, when it comes to training and development, and the reskilling of workers, so that they can take their rightful place in a world that is now being driven by the latest industrial revolution. The consequence of this, of course, is that the introduction of training and development, geared towards occupation of the future, in the lives of labour unions is critical, otherwise their members will in the fullness of time find themselves unemployed. With this in mind it is important that CHIETA engages not only the unions, but also employer organisations and government.

Embracing 4IR will be an effective investment for all. There is no choice but to embrace it. If we in South Africa don't adapt then the world will leave us behind.

CHIETA is adept at creating capacity in people but this needs to be increased because if that capacity does not include an understanding of the consequences of 4IR, then the country will simply not attract investment that is necessary for growth. The consequence will be unemployment on a far greater scale than now. South Africa has a rich reservoir of creative people but too many find themselves either unemployed or under-employed, and therefore unable to unleash their potential as contributors to a growing South African economy. Poor education at the basic level does not help.

The annual experience of one of our partners in CHIETA, Sasol, is instructive in this respect. Every year the company has to employ some 1 300 foreign coded welders when they shut down plant for maintenance. When the maintenance is finished, the foreigners leave for other work elsewhere in the world. In the meantime we lack skilled workers to do the job for which they come into the country. Most South Africans are simply not yet qualified to do the work, neither are they given the skills to earn a living on this scale as required elsewhere in our global village. This type of experience is the present and the future. We need to be teaching our people about the future, and preparing them for it. Otherwise the world and its workers will leave us behind, because globalisation is a reality.

It is against this backdrop that we as CHIETA also must proactively intensify our leadership role in the actions we are charged to take, and build on the firm foundations that were strengthened during the year under review.

The triple challenge of unemployment, poverty and inequality is one that needs to be addressed. It has become uncomfortably common to hear each new day of the growth of these social ills. The high rate of unemployment figures quarter after quarter and the struggling economy which cannot keep up with population growth, this cannot continue. CHIETA's focus on SMME development must therefore be sharpened so that the economy can be developed to the full, and an increasing number of job opportunities created. In this annual report alone, we see significant stories of the possibilities that exist (see pages 46 and 47) in the development of SMMEs as people acquire proficient skills.

CHIETA must work with all its stakeholders to change the mindset of career choices. We no longer live in the world of our parents, and our career guidance must take cognisance of 4IR and globalisation and showcase the potential of the skills of the future. In the country's urban areas people are more likely to get a glimpse of what that future holds for them. Clearly, we have an important task to focus also on rural areas so that people there can also see the possibilities and seize the opportunities to immerse themselves in the new world of which we are part. To this end CHIETA must be among those lobbying government for free wifi in every school. Indeed, every school should be a free wifi hotspot. It is not an easy task. But it has to be done.

Research shows that over a billion young people will join the global workforce in the next 10 years. One of the greatest challenges we face is helping them make the most of their potential in ways that are appealing to employers. For South Africa there has been contention around the quality of education and many other factors that hinder access to the labour market. However, an equally important and urgent question remains, “how do we prepare for jobs of the future that does not yet exist?”.

Given the rapidly changing nature of work, it is practically impossible to predict the exact hard and soft skills that employers will require in the future. But there can be no doubt that a greater focus on the 21st century skills - transferable soft skills that can be used across a wide range of industries - will bolster graduates’ opportunities. One of CHIETA’s future focus areas must be career guidance programmes aimed at promoting future careers that fall within new opportunities that arise from 4IR. At the same time, introducing students at an early age to industry standard protocols and practice can help to bridge the transition between work and study following graduation.

Our starting point should be that one realistic understands that technology is bringing unprecedented changes to the workplace, and thus proactively address such challenges. As the saying goes “those who will be best suited to face the obstacles presented by an uncertain future will be those who are most ready to move with the times”.

The medium- to long-term strategy for CHIETA to remain relevant in the next decades lies in its ability to redefine a new agenda for research that aims to:

- Identify the new occupations required in the chemical industry as part of the fourth industrial revolution;
- Identify the skills gaps between the skills of today and those the future will require, and create education and training programmes to prepare the future workforce; and
- Understand business value chains and create new occupations, qualifications, and programme models, that will adequately position the sector to deliver in the changing technological landscape.

Our ability to partner with institutions that lead research, tapping into the higher education information (HEI) institutions, research organisations, and international best practice models, will assist us understand how our peers are gearing up, and how best we can learn from such practices, or reinvent our own where needed.

Facilitating dialogues with industry players and communities will begin to surface the key issues that can be elevated for further research, and leveraging partnership with interested parties. This should form our medium- to long-term intervention in building a comprehensive plan to deal with 4IR.

The skills required by 4IR must drive our grant funding process, and through the skills levy we can leverage the focus of the chemical industry. It is important that we do not plan on the basis of skills that will no longer be needed. To this end, engagement with companies, and with the chambers, through the SSP and WSP, is critical.

This can include priorities on which we would base our discretionary grants, thereby adopting an approach that would show a bias for skills in tune with 4IR and globalisation. In so doing we would be actively preparing people not just for employment, but for the application of their skills that places them at the cutting edge of the future. Our grant funding model also has the capability to further transform the sector through programmes that specifically empower women more than we do at present, and black owned companies.

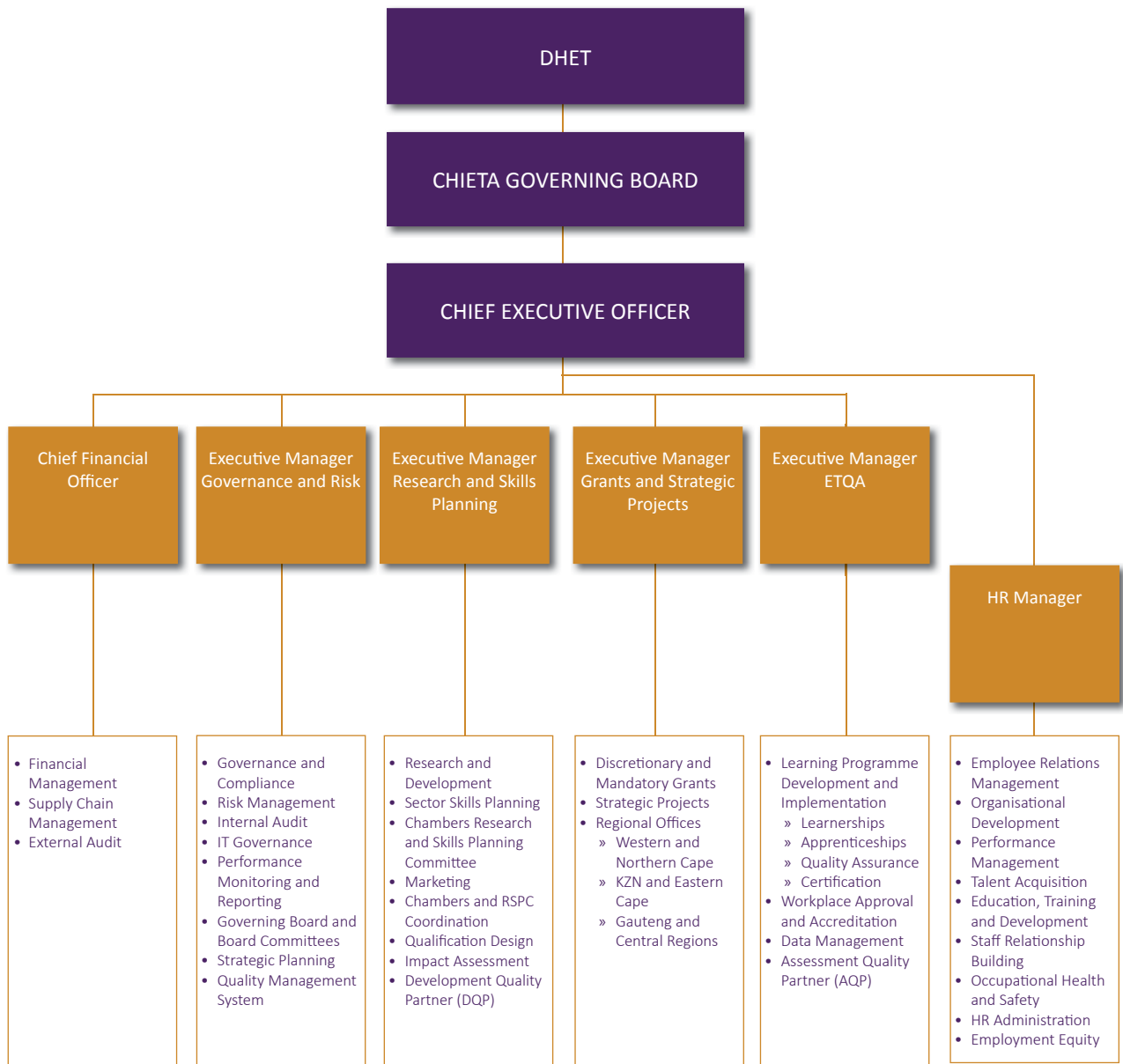
Running in tandem with this would be to build on the sponsorship of development of research work in which we have engaged. The fruits of this are the capability created for those entering the workforce. At the University of the Witwatersrand, for example, we fund special programmes that involve research into the creation of clean energy. Once such research and its inevitable consequences cascade in society, the resolution of major challenges of our age could well be in our grasp! This includes issues such as bringing an end to pollution that plays its own toxic role in choking the economy, supplying new forms of energy that make society less reliant on outmoded and antiquated supplies, and, of course, the creation of jobs and thus the stimulation of the economy.

The role of CHIETA during this and past years has been to be a leader in serving the chemical sector. The development of technology that will impact the chemical industry is already affecting us. Our role is to continue to show leadership so that as the physical, everyday lives of people merge at ever greater speed with developments in artificial intelligence, the internet, and 4IR in general, our stakeholders are well prepared to meet these challenges.



**Khathutshelo Ramukumba**  
**Chief Executive Officer**  
**31 July 2019**

## 5. ORGANISATIONAL STRUCTURE



MEET 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



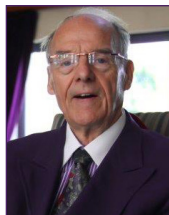
Gerhard Ceronie  
Organised Labour



Adri Swart  
Organised Labour



Kotjoana C Phahla  
Organised Labour



Dr Michael D Booth  
Professional Body



Edzisani Daniel  
Ndou  
Government  
Representative

MEET OUR EXECUTIVES



Khathutshelo Mike  
Ramukumba  
CEO



Kedibone Moroane  
Executive:  
Research and  
Skills Planning



Farhad Motala  
Chief Financial  
Officer



Jay Moodley  
Executive:  
ETQA Manager



Trevor Channing  
Executive:  
Governance  
and Risk



Thulani Shabalala  
Executive:  
Grants and  
Strategic Projects



MEET OUR MANAGERS



Ashvir Isseri  
Grants Manager



Glory Nyathi  
Stakeholder  
Relations Manager



Bennet Kamanga  
Regional Manager:  
Gauteng and Central  
Regions



Princess Moumakoe  
Strategic Projects  
and WIL Manager



Roger Adriaanse  
Regional Manager:  
Western Cape Region



Munya Makota  
Finance Manager



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



Ronnie Naidoo  
Monitoring and  
Evaluation  
Manager



Tshidi Magonare  
Qualifications  
Design and  
Development Manager



Vacant  
ETQA Manager



Vacant  
Human Resources  
Manager

**SCENARIO-BASED STRATEGIC PLANNING AT CHIETA**

Organisational risk management in CHIETA forms an integral part of strategic and scenario planning to identify, assess and mitigate organisational risk that will prevent CHIETA from attaining its strategic objectives and performance targets.

CHIETA regards organisational wide risk management as a key ingredient for strategic and organisational decision making. Being proactive in identifying potential organisational risks has assisted CHIETA in achieving and exceeding its organisational performance targets which Accounting Authority contracts annually with the Executive Authority.

Reviewed and addressed annually by the board of CHIETA, risk is closely managed by the audit and risk committee. In addition, an organisational culture has been built in which everyone, no matter how senior or junior, understands the importance of risks impacting on the way in which daily work is done effectively and efficiently.

Integral to understanding the current and emerging risks impacting on CHIETA's strategic planning processes, CHIETA also commenced with scenario-based strategic planning that defines various plausible outcomes for South Africa and the chemical industry in which strategic responses and agility are entrenched to proactively manage skills development within an ever changing macro and transactional environment.

In both our day to day planning and our scenario mapping, CHIETA recognises the importance of creating an impact on our society in general and the economy in particular. If we are not able to answer in a positive way what is happening to the people we have trained, then our training does not amount to much. And lacks much needed impact. It is regrettable that unemployment in South Africa is so high. Part of the answer to this social ill is to ensure that we are working closely with the industry, to understand and obtain industry foresight in terms of their planned business models and value chains, to strategically align our skills development efforts in direct support to the industry and national imperatives.

In delivering high value outcomes it is all about multi-level partnerships that seamlessly integrate with all our stakeholders in terms of clear outcomes, contributions and role clarification to directly and positively impact the socio-economic challenges at present faced by our country.



## 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 86.

### 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 the fourth industrial revolution (4IR), 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 per cent 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 sector 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

**Table 1: Industrial coverage, subsectors and chambers of the chemical industry**

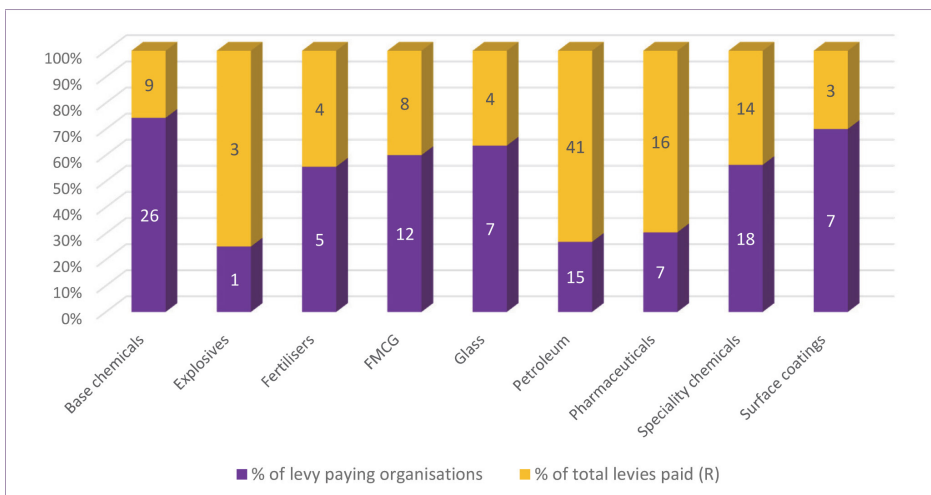
SIC Code	Scope of Coverage/Description	Subsector	Chamber
33410	Manufacture of basic chemicals, except fertilisers and nitrogen compounds	Base chemicals	Petroleum and base chemicals
33430	Manufacture of plastics in primary form and synthetic rubber		
34000	Manufacture of other non-metallic mineral products		
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, e.g. 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		

SIC Code	Scope of Coverage/Description	Subsector	Chamber
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		

In 2018/19 2 719 companies paid skills development levies to CHIETA. This was an increase of 127 from the previous financial year. This increase can mainly be attributed to very small companies that started to pay the SDL – possibly 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 per cent of the levies paid in 2018/2019 although companies in this subsector only comprised 15 per cent of the total number of levy-paying companies in the chemicals industry (Figure 1.1). The reason for this is the presence of a few very large companies in this subsector.

The employers/entities in the sector include a few strategic state owned companies, for example, The Nuclear Energy Corporation of South Africa (NECSA) and PetroSA. These companies play key roles in government strategies to stimulate the local economy. The majority (55 per cent) of the companies in the chemicals industry are classified as either micro or small. 26 per cent are categorised as medium and 19 per cent as large.<sup>4</sup> The high prevalence of micro and small companies in the sector has major implications for the nature of the support which the CHIETA is required to provide to workplaces in relation to skills development.

**Figure 1.1: Subsectoral distribution of levy paying organisations and levy amounts paid: 2018/2019**



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

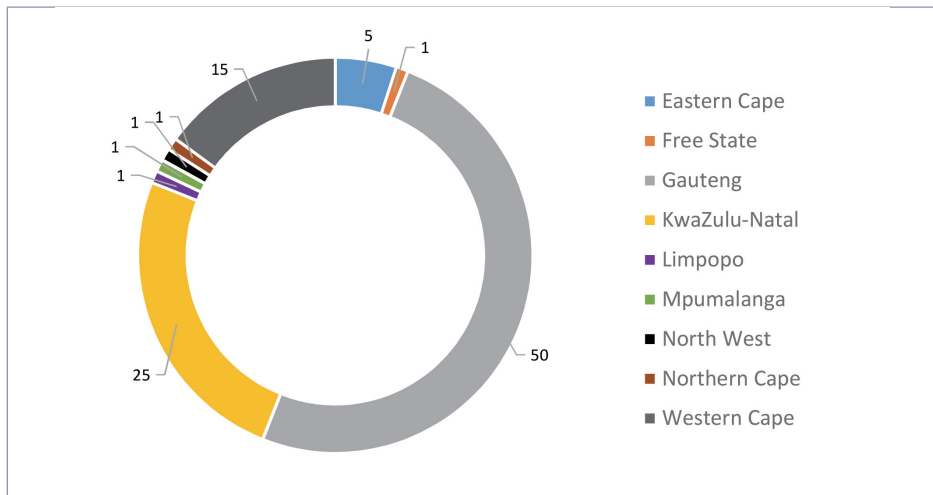
Source: CHIETA’s data system, extracted June 2019

Figure 1.2 shows that 50 per cent of companies that paid levies to the CHIETA in 2018/19 were located in Gauteng, followed by 25 per cent in KwaZulu-Natal, 15 per cent in the Western Cape and 5 per cent in the Eastern Cape. The rest of the provinces had around 1 per cent of companies. The companies in the chemicals industry are mostly located in urban areas.

<sup>4</sup> This categorisation is based on a combined methodology of employment size as well as the levy amounts paid by organisations in the sector. Micro organisations paid less than R10 000 or have less than 10 employees, small organisations between R10 000 and R99 999 or 10 to 49 employees, medium organisations between R100 000 and R999 999 or 50 to 149 employees, and large organisations paid R 1 mil and above or 150 and above employees.



**Figure 1.2: Provincial distribution of levy paying organisations 2018/2019**



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

Source: CHIETA data system, extracted June 2019.

**LABOUR MARKET PROFILE**

**Employment in the sector**

Estimates of total employment in the chemical industry in 2015 to 2019 are depicted in Figure 1.3. The employment figures include all employees – those with permanent appointments as well as those on term contracts.

There was a year-on-year increase in employment since 2015. However in 2018 the estimated employment dropped to 160 308. In 2019 employment increased by just over 11 000 to an estimate of 171 376. This affected the employment trajectory to a 6.9 per cent growth over the total period.

**Figure 1.3: Estimate of total employment in the chemical industry: 2015 – 2019**



Source: CHIETA source-data system June 2019

In 2019 the petroleum subsector employed the largest contingent of workers in the chemical industry representing about 40 089 (23 per cent) of the total workforce). The pharmaceuticals subsector is the second largest with 16 per cent of the workers in the sector. This is followed by speciality chemicals (15 per cent), base chemicals (14 per cent), FMCG 12 per cent, and the glass subsector with 7 per cent of the workers. The other subsectors employ 5 per cent or fewer of the workers in the sector.

**Provincial distribution of employees**

**Table 2: Provincial distribution of employees: 2015 – 2019**

Province	2015	2016	2017	2018	2019
	%	%	%	%	%
Eastern Cape	7	6	8	7	8
Free State	6	6	5	6	6
Gauteng	41	44	41	42	40
KwaZulu-Natal	19	17	18	18	18
Limpopo	1	1	1	1	1
Mpumalanga	12	11	13	12	12
North West	2	2	3	3	3
Northern Cape	0	0	0	1	1
Western Cape	12	12	11	11	11
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

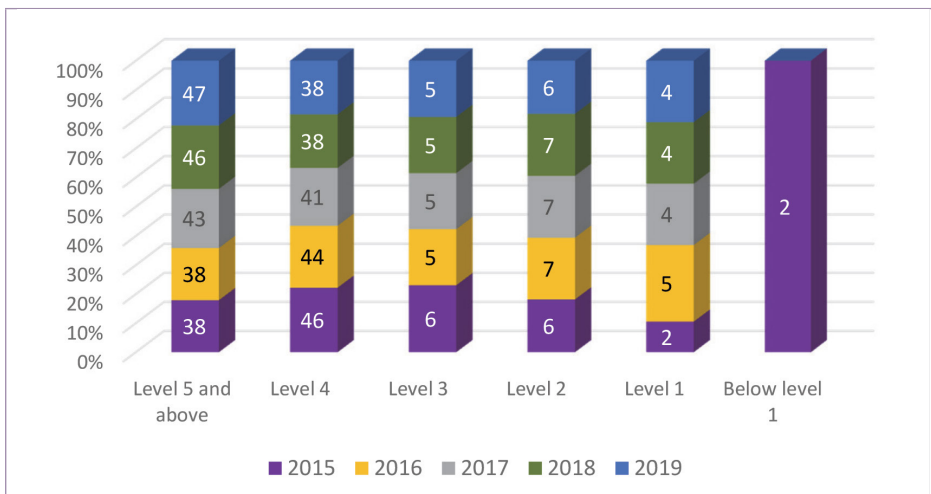
Source: CHIETA source-data system, June 2019

The provincial distribution of employees observed over the period 2015 to 2019 is shown in Table 2. In all five years, Gauteng was the province with the largest number of employees. This was followed by KwaZulu-Natal, Mpumalanga and the Western Cape.

**Educational qualifications of employees**

The qualifications of employees in the chemicals industry are shown in Figure 1.4. In 2019 more than 40 per cent of the employees in the sector had post matric qualifications (NQF levels 5 and above) while 38 per cent held qualifications at NQF Level 4. People with educational levels below NQF level 1 formed only 2 per cent of the workforce in 2015. This figure dropped to almost 0 per cent from 2016 to 2019.

**Figure 1.4: Educational qualifications of employees: 2015 – 2019**



Source: CHIETA data system, June 2019.

**Occupational distribution of employees**

Table 3 shows that the occupational distribution of employees stayed more or less the same over the five year period from 2015 to 2019. In 2019 there are more technicians and associate professionals at 20 per cent in comparison to plant and machine operators and assemblers at 19 per cent. The proportion of managers stayed more or less the same; 13 per cent in 2015, 12 per cent in 2016, 11 per cent in 2017, 12 per cent in 2018 and 11 per cent in 2019. One per cent of workers were categorised as learners throughout the period of review.

**Table 3: Occupational composition of the chemicals industry: 2015 – 2019**

OFO Occupational group	2015		2016		2017		2018		2019	
	N	%	N	%	N	%	N	%	N	%
Managers	20 689	13	20 599	12	19 190	11	18 885	12	18 900	11
Professionals	21 144	13	22 537	14	22 416	13	19 794	12	21 375	12
Technicians and associate professionals	31 421	20	30 697	19	29 633	18	28 017	17	34 668	20
Clerical support workers	15 740	10	16 705	10	19 381	11	16 991	11	17 445	10
Service and sales workers	6 013	4	5 226	3	6 795	4	7 026	4	7 533	4
Skilled and related trades workers	12 626	8	10 893	7	12 243	7	12 505	8	12 498	7
Plant and machine operators and assemblers	25 915	16	33 932	20	33 140	20	30 949	19	32 131	19
Elementary occupations	23 631	15	23 894	14	25 289	15	24 647	15	25 481	15
Learners	891	1	1 174	1	1 089	1	1 346	1	1 341	1
Unknown	2 240	1	126	0	4	0	148	0	4	0
<b>Total</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>	<b>171 376</b>	<b>100</b>

Source: CHIETA source-data system June 2019

Note: Because of rounding percentages may not add up to 100.

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

Table 4 shows the age distribution of workers in the chemicals industry. Throughout the period of review, the majority of the workforce has been between the ages of 36 and 54, followed by youth from the age of 35 and below, then those approaching retirement between the ages 55 and 59. Those above the age of 60 make up the smallest percentage of the workforce. They are typically specialists in their fields due to a combination of factors such as years of experience and qualification.

**Table 4: Age distribution of workers in the chemical industry: 2015 – 2019**

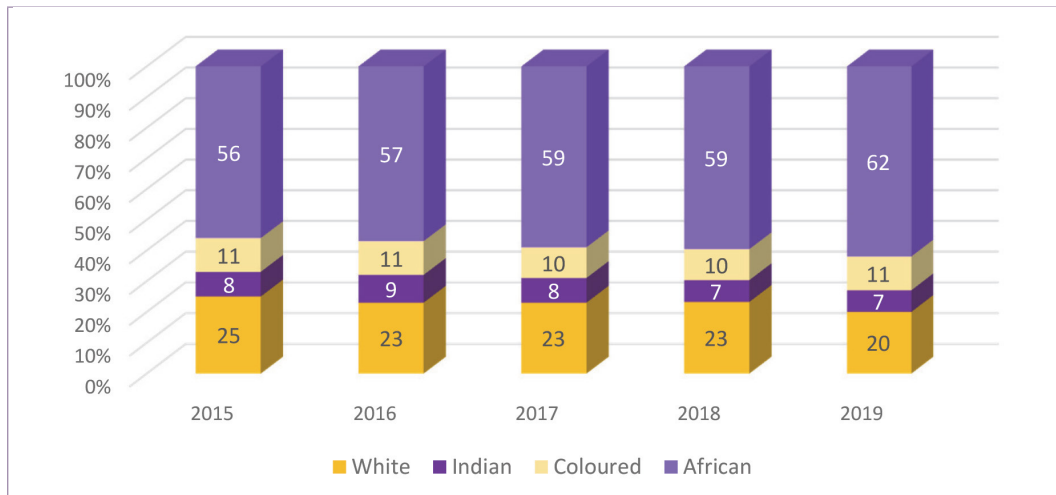
Age	2015		2016		2017		2018		2019	
	N	%	N	%	N	%	N	%	N	%
< 35	59 917	37	64 298	39	66 521	39	61 648	38	64 805	38
36-54	80 182	50	80 321	48	81 541	48	78 472	49	85 313	50
55-59	12 178	8	12 769	8	12 409	7	11 414	7	12 105	7
60+	8 033	5	8 395	5	8 710	5	8 774	5	9 153	5
<b>Total</b>	<b>160 309</b>	<b>100</b>	<b>165 782</b>	<b>100</b>	<b>169 181</b>	<b>100</b>	<b>160 308</b>	<b>100</b>	<b>171 376</b>	<b>100</b>

Source: CHIETA source-data system June 2019

Note: Because of rounding percentages may not add up to 100.

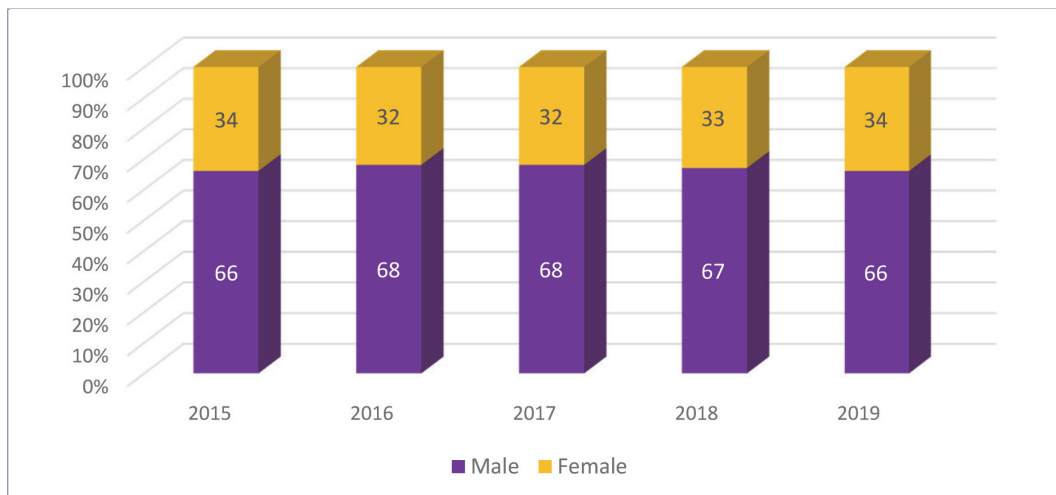
Monitoring of the population group and gender distribution of employees is important in order to keep track of employment transformation in the sector. The composition of the total population group employment is shown in Figure 1.5. The percentage of whites decreased from 25 per cent in 2015 to 20 per cent in 2019 while Africans' share in employment increased from 56 per cent in 2015 to 62 per cent in 2019. The percentage of Indian and Coloured employees remained more or less the same over the period.

**Figure 1.5: Population group composition of employees in the chemicals industry: 2015 – 2019**



Source: CHIETA source-data system June 2019

**Figure 1.6: Gender composition of employees in the chemical industry: 2015 – 2019**



Source: CHIETA source-data system June 2019

There have been minor changes year-on-year and a lack of tangible gender transformation in the sector. In 2015 the sector employed 53 838 (34 per cent) women. In 2016 the sector employed 52 236 (32 per cent) women. In 2017 there were 54 635 women in the sector and they formed 32 per cent of the total workforce, in 2018 there were 52 464 women forming 33 per cent, and 58 169 in 2019 making 34 per cent of the total workforce.

**People with disabilities**

Table 5 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 per cent or less. In 2019 there was a 0.1 per cent decrease in disabled workers employed in the sector. Throughout the period of review, male workers with disabilities have exceeded females at a smaller rate in comparison to the general gender population composition in the sector.

**Table 5: Workers with disabilities according to population group, gender and age: 2015 – 2019**

Disabled workers		2015		2016		2017		2018		2019	
		N	%	N	%	N	%	N	%	N	%
Population group	African	448	46	601	48	751	52	875	56	863	56
	Coloured	138	14	172	14	250	17	203	13	223	14
	Indian	83	8	177	14	99	7	113	7	113	7
	White	304	31	306	24	338	24	365	23	343	22
	<b>Total</b>	<b>972</b>	<b>100</b>	<b>1 256</b>	<b>100</b>	<b>1 437</b>	<b>100</b>	<b>1 557</b>	<b>100</b>	<b>1 541</b>	<b>100</b>
Gender	Female	426	44	474	38	613	43	664	43	668	43
	Male	546	56	782	62	824	57	893	57	873	57
	<b>Total</b>	<b>972</b>	<b>100</b>	<b>1 256</b>	<b>100</b>	<b>1 437</b>	<b>100</b>	<b>1 557</b>	<b>100</b>	<b>1 541</b>	<b>100</b>
Age	16-34	305	31	320	25	476	33	552	35	510	33
	35-54	437	45	647	51	638	44	711	46	721	47
	55-59	118	12	178	14	167	12	174	11	193	13
	60+	111	11	112	9	157	11	120	8	117	8
	<b>Total</b>	<b>972</b>	<b>100</b>	<b>1 256</b>	<b>100</b>	<b>1 437</b>	<b>100</b>	<b>1 557</b>	<b>100</b>	<b>1 541</b>	<b>100</b>
<b>Percentage of total employment</b>			<b>0.6</b>		<b>0.8</b>		<b>0.8</b>		<b>1.0</b>		<b>0.9</b>

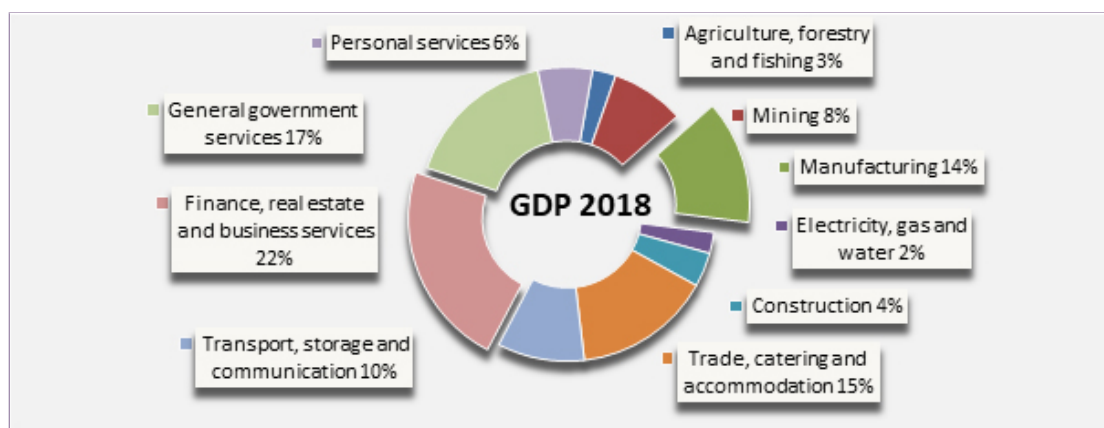
Source: CHIETA data system June 2019

Note: Percentage figures have been rounded off to get to 100 per cent totals.

**ECONOMIC PERFORMANCE**

Figure 1.7 shows a comparison of South African industries’ contribution to the GDP by looking at their gross value add (GVA) at basic prices. In 2018 the manufacturing industry contributed 14 per cent of the South African gross domestic product (GDP). It is the fourth largest contributor followed by trade, catering and accommodation contributing 15 per cent; general government services contributing 17 per cent; and the largest contributor to GDP in 2018 which was finance, real estate and business services contributing 22 per cent.

**Figure 1.7: Industries’ share of GDP 2018**



Source: Statistics South Africa, 2018



In 2018 the chemical industry contributed 3 per cent to the total economy and 25 per cent of total manufacturing gross value added (GVA) at basic prices. The subsector coke and refined petroleum products contributed 1.1 per cent and the subsector other chemicals and man-made fibres contributed 0.8 per cent. The sector was responsible for 11.8 per cent of the country's imports. The coke and refined petroleum products subsector was responsible for 0.2 per cent of imports and the other chemicals and man-made fibres subsector for 6.7 per cent. At the same time the chemicals industry contributed 5.5 per cent of the country's exports.

The chemical industry is capital intensive. In 2018 it accounted for 4.4 per cent of the gross fixed capital formation while it contributed only 1.4 per cent of total formal employment and 0.32 per cent of total informal employment in the country, mainly of high level and artisanal related skills.

**Table 6: The chemicals industry's contribution to the South African economy: 2018**

Subsector	Gross Value Added	Imports	Exports	Gross Fixed Capital Formation	Employment Formal	Employment Informal
Coke & refined petroleum products	1.1%	0.2%	0.4%	1.6%	0.2%	0.03
Basic chemicals	0.5%	3.9%	2.0%	1.3%	0.2%	0.04
Other chemicals & man-made fibres	0.8%	6.7%	2.7%	0.5%	0.6%	0.10
Non-metallic minerals	0.3%	0.8%	0.3%	0.5%	0.4%	0.14
Glass & glass products	0.1%	0.3%	0.1%	0.6%	0.1%	0.01
<b>Total petroleum, chemicals &amp; glass</b>	<b>2.7%</b>	<b>11.8%</b>	<b>5.5%</b>	<b>4.4%</b>	<b>1.4%</b>	<b>0.32%</b>

Source: Quantec

### 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 797 different occupations.

At the end of March 2018, the chemical industry employed 171 376 people. The largest major group occupation was technicians and associate professionals (34 668), followed by plant and machine operators and assemblers (32 131), elementary occupations (25 481), professionals (21 375), managers (18 900), and clerical support workers (17 445). The rest of the people were in occupations that made less than 10 per cent of the total employment respectively. These were skilled and related trades workers (12 498) and service and sales workers (7 533). Learners and those who were not mapped to occupational titles made up 1 per cent 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 2013 to 2017. The growth in the average annual output for national diplomas is reported to be 2.3 per cent for diplomas in chemical engineering and 3.2 per cent 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 2018.

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 HTFV 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 2019, 28 per cent 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 2 263 equating to 1.3 per cent of the total number of positions in the industry.

The total number of HTFVs reported in the period 2015 to 2019 is shown in Table 1-12. The total number of vacancies decreased by 1 290 between 2018 and 2019. The number of professional vacancies dropped sharply from 2018 to 2019 by 470. The number of vacancies for skilled craft and related trades workers also declined in 2019 by 157. The remaining occupational groups decreased at relatively similar rates with the exception of Clerical Support Workers who had the least rate of decrease by 27.

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 decreased from 2.4 per cent in 2018 to 1.8 per cent in 2019. The vacancies for professionals decreased from 4.6 per cent in 2018 to 2.2 per cent in 2019. The vacancy rate for skilled craft and related trades workers (mostly artisans) remained relatively high at 6.3 per cent in 2018 then decreased to 5.2 per cent in 2019.

**Table 7: Hard to fill vacancies reported by employers: 2015 - 2019**

Occupational Category	Number of vacancies					Vacancies as % of positions *				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Managers	148	296	225	468	338	0.7	1.4	1.2	2.4	1,8
Professionals	280	601	565	946	476	1.3	2.6	2.5	4.6	2,2
Technicians and associate professionals	557	305	313	512	326	1.7	1.0	1.0	1.8	0,9
Clerical support workers	381	97	77	89	62	2.4	0.6	0.4	0.5	0,4
Service and sales workers	84	160	46	202	87	1.4	3.0	0.7	2.8	1,1
Skilled craft and related trades workers	723	964	1076	838	681	5.4	8.1	8.1	6.3	5,2
Plant and machine operators and assemblers	697	326	263	348	253	2.6	1.0	0.8	1.1	0,8
Elementary occupations	47	238	153	129	40	0.2	1.0	0.6	0.5	0,2
<b>Total</b>	<b>2 917</b>	<b>2 987</b>	<b>2 718</b>	<b>3 552</b>	<b>2 263</b>	<b>1.8</b>	<b>1.1</b>	<b>1.6</b>	<b>2.2</b>	<b>1,3</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 2019

Although employers identified a total of 194 occupations in which they experienced hard to fill vacancies, the overall impression is that the chemical industry is currently not experiencing major occupational shortages. Occupational shortages are, however, experienced at the specialisation level within key occupations and in certain cases non-specialised occupations that require a certain level of experience. In order to prioritise the skills that are in short supply in the industry a shortened list of hard to fill vacancies was developed.

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>5</sup>.

Skills shortages were reported across all occupational categories, with subsectors common skills needs being<sup>6</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
- Technicians that can work at the level of chemical plant coordinators
  - » 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.

<sup>5</sup> CHIETA chamber meeting, April 2016

<sup>6</sup> CHIETA stakeholder interviews, 2018

### 3. ORGANISATIONAL PERFORMANCE REPORT FOR 2018/19

#### 1. BACKGROUND

The CHIETA board mandated the adoption of the CHIETA Strategic Plan and 2018/19 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 in order to assist the board to discharge its oversight function in a responsible and proactive manner.

The CHIETA performed exceptionally well in 2018/19. In the year under review, we have recorded positive numbers in all areas of our APP. The most important factor to take note of is the achievement of a CHIETA baseline achievement average of **118 per cent**.

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 chemical industry in South Africa. Through sustained partnerships with our stakeholders, our skills development interventions continuously contributed to capacitating the various occupational groups in the sector 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 with the CHIETA Sector Skills Plan (SSP) formed a credible basis and guiding framework for CHIETA's performance targets, funding allocation and monitoring, and reporting on skills development in the chemical industry.

#### ANALYSIS OF LEARNERS PARTICIPATING IN LEARNING PROGRAMMES




A total of **22 942** learners participated in all learning programmes for 2018/19.

This was made up of **8 442** employed learners and **14 500** unemployed learners representing **63** per cent of unemployed learners. Total male learners participating in these programmes was **16 029 (70 per cent)**, while **6 913 (30 per cent)** were female learners. People living with disabilities comprised **727** learners representing **3** per cent of total learners. The number of youth participating in all learning programmes was **12 880** representing **56** per cent of total learners. A total of **2714 (12 per cent)** learners participated from TVET Colleges nationally, and **13 765 (61 per cent)** were from rural districts.

#### 2. ORGANISATIONAL PERFORMANCE REPORT

The performance report is structured according to the approved Strategic Plan and APP 2018/19. 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 relation to the annual target set for 2018/19. The annual performance dashboard 2018/19 in this narrative 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.






Explanatory comments are also provided in the performance dashboard against each reported performance indicator to provide further context to the reported performance areas.

All four programmes are in a green baseline status. Of the **64 performance indicators reported all, 64 (100 per cent) achieved green status**.

## CHIETA STRATEGIC PROGRAMME CONSOLIDATED AND BASELINE PERFORMANCE DASHBOARD

The table below reflects the status of the CHIETA's four strategic programmes over 2018/19 and the percentage of achievement per strategic programme. The total average baseline achievement is **118** per cent.

### CHIETA STRATEGIC PROGRAMMES BASELINE PERFORMANCE DASHBOARD

Programme Number	Strategic Programme	2018/19	Actual	Actual	Actual	Actual	Actual	Variance	Status	Percentage
		Target	Q1	Q2	Q3	Q4	Total		2018/19	Achieved
Programme 1	Administration	38	9	11	11	10	41	3		<b>108%</b>
Programme 2	Research and Skills Planning	613	0	2	40	623	665	52		<b>108%</b>
Programme 3	Occupationally Directed Programme	19 545	2 431	5 723	4 501	10 393	23 048	3 503		<b>118%</b>
Programme 4	ETQA	565	141	175	210	213	739	174		<b>131%</b>
<b>Total CHIETA Baseline Achievement</b>		<b>20 763</b>	<b>2 576</b>	<b>5 912</b>	<b>4 767</b>	<b>11 241</b>	<b>24 496</b>	<b>3 733</b>		<b>118%</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 to CHIETA stakeholders and 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 108 per cent**.

#### 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 under graduates, research reports implemented as per the approved governing board's CHIETA research agenda, post graduate support and industry/university partnerships. The purpose of this programme is to ensure that CHIETA, among other important imperatives, meets the NSDS's objective of a credible mechanism for skills planning, and continues to be an authoritative voice on skills in the chemical industries sector.

The body of knowledge generated from the programme, identifies sector skills needs and informs decision making for prioritisation of interventions for the benefit and value of the sector.

The research topics implemented in 2018/19 helped develop a better understanding of the variables which affect the performance of the chemical sector and provided information to also direct CHIETA in terms of its skills planning process.

The Research and Skills Planning Unit seeks to ensure 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 responsive programmes of skills development in all subsectors. The Research Performance Programme seeks to ensure that skills development makes a measurable contribution to the performance and productivity of member organisations and the sector as a whole.



Below is a breakdown of the research projects undertaken in 2018/19:

No	Organisation	Research Agenda Theme	Research Title
1	EE Research Focus	Impact assessment	Tracking and tracing of learners trained in and completed selected CHIETA programmes
2	EE Research Focus	Impact assessment	Impact study on 10 SMMEs trained through the CHIETA Voucher Scheme
3	Vulindlela Human Performance Technology	Impact assessment	The correlation between performance in mathematics and science and other school subjects: focusing on learners supported in the CHIETA Maths and Science Project
4	Second Chance Foundation	Training (TVET) including Work Integrated Learning (WIL)	Towards a needs-based professional development model for WIL Officers in TVET colleges of South Africa
5	Vaal University of Technology	Relevant technical and innovation research to advance the chemical sector	Bio-Oil production from blended sewage sludge and low rank coal using fixed bed microwave

This programme achieved **green baseline status with a score of 108** per cent.

### 3.3 Programme 3: Occupationally directed programmes

This programme is the core of the skills development programmes in the CHIETA. It provides our learners with opportunities to shape the foundation of skills development in our organisations and to contribute to meaningful participation in the economy. At the core of this programme is the creation of more opportunities for skills development in the chemical sector that enhances the efficiencies, performance and productivity of the sector as a whole. This programme is the fundamental programme of 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 seeks to recognise that many of our talented and capable citizens may not have certification. Through this programme they achieve formal recognition and further prepared for the workplace.

Our artisan programme provided a pipeline of key skills for South Africa's infrastructure projects (SIPS) and industry skills needs. The CHIETA Centres of Specialisation, where we implemented welding and rigging in four TVET colleges, were a huge success. Our bursary, Work Integrated Learning and internship programmes also provided solid platforms for employment opportunities in the chemical industries sector.

The White Paper for Post School Education and Training states the important priority of strengthening and expanding public TVET colleges and transforming them into institutions of choice for industry and school leavers. The Department of Higher Education and Training places strong emphasis on SETA support to TVET Colleges and specifically through integrated partnerships on the planning, design, and funding of Occupationally Directed Programmes that address scarce skills needs.

The Occupationally Directed Performance is made up of various subprogrammes. 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 in the chemical industry sector.

This programme reflects primarily the DHET service level agreement targets (SQMR) 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
- Centres of Specialisation
- Candidacy programmes (entered only)
- TVET college programme
- HET programme (WIL)
- Recognition of prior learning (RPL)
- Low level youth and adult language and numeracy skills
- Support to Coops, NGOs, CBOs, CBCs and worker initiated training initiatives
- Support for public sector capacity
- Career and vocational guidance
- Medium-term strategic priorities









The programme achieved **green status with a baseline score of 118** per cent. Significant delivery has transpired in all 41 indicators of this programme.






### 3.3 Programme 4 : ETQA










The main purpose of this programme is to ensure the sustainability of the chemical accreditation of service providers, workplace approvals and accelerate 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 providing training, registering assessors/moderators and ensuring that workplaces are in a state of readiness to implement learning programmes. The programme achieved **green status with a baseline score of 131** per cent. Significant delivery has transpired in this programme.








## 4. CONCLUSION

In conclusion CHIETA has delivered with excellence and has met or exceeded all targets in all four programmes of the Strategic Plan and Annual Performance Plan, 2018/19 as approved by the Executive Authority. The CHIETA management and staff place on record their sincere appreciation to the DHET, CHIETA board, board committees (with special reference to the governance and strategy/audit committees), employers and stakeholders for the assistance, leadership and support during 2018/19 in contributing to our organisational performance achievement for the year.





PROGRAMME 1: ADMINISTRATION											
Performance indicator	2018/19 target	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Total	Variance	Status 2018/19	Achieved	Comments	
1.1.1	Maintaining an unqualified audit report at the end of the financial year 2018/19	1	-	-	-	1	1	0		100%	As confirmed by AGSA report of 2018/19
1.1.2	Ensuring the effective functioning of CHIETA 5 governance and constitutional structures	24	6	8	8	5	27	3		113%	Exceeded as per scheduled governance meetings and engagements. Special governing board and Exco meetings were arranged to further strengthen governance oversight on key organisational areas
1.1.3	Ensuring the planned CHIETA annual admin budget to be a 10% reduction	1	-	-	-	1	1	0		100%	Achieved
1.1.4	ICT strategy and governance framework in support of CHIETA APP deliverables	1	-	-	-	1	1	0		100%	Achieved through board approved ICT strategy and ICT governance framework
1.1.5	Effective functioning of CHIETA QMS structures: Six QMS steering committee meetings	6	2	2	2		6	0		100%	Achieved through the scheduled QMS steering committee meetings
1.1.6	Effective functioning of CHIETA risk management framework: One framework	1	-	-	-	1	1	0		100%	Achieved through the maintaining of a CHIETA strategic risk management framework inclusive of strategic risk registers and cross functional business unit risk registers
1.1.7	Providing four governance charter reports	4	1	1	1	1	4	0		100%	Achieved through quarterly submissions and verifications by DHET
	<b>Baseline</b>	<b>38</b>	<b>9</b>	<b>11</b>	<b>11</b>	<b>10</b>	<b>41</b>	<b>3</b>		<b>108%</b>	<b>Baseline target exceeded</b>





PROGRAMME 2: RESEARCH AND SKILLS PLANNING											
Performance indicator		2018/19 target	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Total	Variance	Status 2018/19	Achieved	Comments
2.1.1	Providing annual WSP and ATR analysis and reporting	1	-	1	-	-	1	0		100%	Provided an analysis of the chemical sector on skills development initiatives in the sector
2.1.2	A total of five research reports inclusive of research partnerships are formed	5	-	-	5	-	5	0		100%	Achieved as a result of the CHIETA research policy framework and board approved research agenda
2.1.3	Updating and maintaining of the nine subsector chamber skills plans	9	-	-	9	-	9	0		100%	Achieved through several chamber meetings in which skills priorities were identified and classified into subsector/chamber skills plans
2.1.4	Maintaining the track and trace system for graduates (including all learning programmes) in the sector	1	-	-	1	-	1	0		100%	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
2.1.5	Ensuring the SSP is well researched providing a credible institutional mechanisms for skills planning	1	-	1	-	-	1	0		100%	Achieved through ongoing collaborations with CHIETA stakeholders on submission of board approved Sector Skills Plan to DHET






PROGRAMME 2: RESEARCH AND SKILLS PLANNING											
Performance indicator	2018/19 target	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Total	Variance	Status 2018/19	Achieved	Comments	
2.1.6	Enrolling 22 master's graduates on scarce and critical skills	22	-	-	19	6	25	3		114%	Exceeded through strategic partnerships with industry through CHIETA discretionary grants funding windows
2.1.7	Enrolling three doctoral graduates in scarce and critical skills	3	-	-	1	2	3	0		100%	Comments as above
2.1.8	Enrolling three post doctoral graduates in scarce and critical skills	3	-	-	3		3	0		100%	Comments as above
2.1.9	Funding support to three industry and university partnerships	3	-	-	2	5	7	4		233%	Delivered through industry and university partnerships through CHIETA discretionary grants funding windows
2.1.10	The number of WSPs from large firms	114	-	-	-	120	120	6		105%	Exceeded through regional skills forums, road shows and interventions to encourage large member companies to participate. Online submission of TSPs and ATRs yielded positive results
2.1.11	The number of WSPs from medium firms	150	-	-	-	170	170	20		113%	Comments as above
2.1.12	The number of WSPs from small firms	300	-	-	-	320	320	20		107%	Comments as above
2.1.13	One impact study to measure CHIETA's effectiveness	1	-	-	1	-	1	0		100%	Achieved as a result of the CHIETA board approved research agenda
	<b>Baseline</b>	<b>613</b>	<b>0</b>	<b>2</b>	<b>40</b>	<b>623</b>	<b>665</b>	<b>53</b>		<b>109%</b>	<b>Baseline target exceeded</b>







PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME											
Performance indicator		2018/19 target	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Total	Variance	Status 2018/19	Achieved	Comments
3.1	Enrolling 1 500 employed learnerships entered (non artisan)	1 500	242	322	445	562	1 571	71		105%	Exceeded through the discretionary grants funding model. Member companies responded favourably to this funding programme
3.2	Enrolling 88 employed bursaries entered	88	20	74	4	0	98	10		111%	Exceeded with greater uptake on employed bursaries entered. For budgetary reasons, companies are favouring bursaries and skills programmes over learnerships and apprenticeships
3.3	Enrolling 3 000 employed skills programme entered	3 000	105	1157	795	961	3 018	18		101%	Exceeded with assistance of chemical sector in providing specific work related and skills programmes so that workers can progress on the NQF
3.4	750 employed learners are certificated on learnership programmes (non artisan)	750	70	110	226	434	840	90		112%	Exceeded through the efforts of the CHIETA providers and the ETQA Unit to accelerate the issuance of certification of learnerships
3.5	60 employed bursaries complete their qualifications	60	0	26	43	0	69	9		115%	Exceeded by encouraging learners to complete their qualifications
3.6	1 500 employed skills programme are certificated	1 500	166	410	141	808	1 525	25		102%	Exceeded through the regional strategy in terms of the implementation timeframes
3.7	Enrolling 2 500 unemployed learnerships entered (non artisan)	2 500	478	1 035	960	961	3 434	934		137%	Exceeded through the discretionary grants funding model. Member companies responded favourably to this in enhancing productivity and performance and obtaining BBBEE benefits














PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME											
Performance indicator		2018/19 target	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Total	Variance	Status 2018/19	Achieved	Comments
3.8	Enrolling 55 unemployed bursaries entered	55	21	33	11	0	65	10		118%	Exceeded. As a result of the fees must fall campaign, CHIETA last year funded the maximum number of bursaries it was able. Success was achieved with the NSFAS, CHIETA bursary scheme and Free State top achiever project. The CHIETA also assisted a substantial number of unemployed youth with bursaries
3.9	Enrolling 550 unemployed internships/ workplace experience entered	550	33	28	38	489	588	38		107%	Exceeded through the discretionary grants funding model. Member companies provided internship programmes for unemployed learners
3.10	Enrolling 1 450 unemployed skills programme entered	1 450	343	755	426	524	2 048	598		141%	Exceeded. In a drive to place learners in workplaces sooner, more accredited skills programmes, leading to a full qualification, were implemented. CHIETA also prioritised continuing learners. Supported by co-funding partnerships with industry
3.11	1 250 unemployed learners are certificated on learnership programmes (non Artisan)	1 250	238	142	283	999	1 662	412		133%	Exceeded as part of companies showing interest on BBBEE benefits to be obtained

PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME											
Performance indicator	2018/19 target	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Total	Variance	Status 2018/19	Achieved	Comments	
<b>3.12</b> 28 unemployed bursaries complete their qualifications	28	0	35	0	0	35	7		125%	Exceeded. As a result of the fees must fall campaign, CHIETA last year funded the maximum number of bursaries it was able. Success was achieved with the NSFAS, CHIETA bursary scheme and Free State top achiever project. The CHIETA also assisted a substantial number of unemployed youth with bursaries	
<b>3.13</b> 275 unemployed internships/ workplace experience are certified	275	13	34	50	220	317	42		115%	Exceeded through driving placement of unemployed interns, for job creation. Also due to the co-funding partnership model between CHIETA and TVET colleges	
<b>3.14</b> 700 unemployed skills programmes are certificated	700	143	285	112	540	1 080	380		154%	Exceeded. In a drive to place learners in workplaces sooner, more accredited skills programmes, leading to a full qualification, were implemented. CHIETA also prioritised continuing learners. Supported by co-funding partnerships with industry	
<b>3.15</b> Enrolling 1 850 artisan entered	1 850	177	403	264	1 027	1 871	21		101%	Exceeded. The discretionary grants funding model prioritised this programme. The prioritised SIPs programmes and DHET Centres of Specialisation (COS) project also contributed	






PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME											
Performance indicator		2018/19 target	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Total	Variance	Status 2018/19	Achieved	Comments
3.16	500 artisan are certificated	500	193	145	179	280	797	297		159%	Exceeded. The support and increased efficiency from the National Artisan Moderating Body (NAMB) assisted the CHIETA pipeline learners
3.17	140 work integrated (HET) entered	140	9	21	11	134	175	35		125%	Exceeded through increased discretionary grants funding uptake and responding to industry and national needs
3.18	70 work integrated learning (HET) are completed	70	4	49	1	42	96	26		137%	Target exceeded. CHIETA has been driving placement of unemployed interns, for job creation. The co-funding partnership between the CHIETA and HET institutions also exceeded our achievement
3.19	30 candidacy programmes entered	30	0	0	0	33	33	3		110%	Exceeded. The discretionary grants funding model prioritised this programme. The prioritised SIPs programmes also contributed
3.20	The number of learners certificated on candidacy programmes for completions after three years	0	0	0	0	0	0	0	N/A	0	This is a three year programme. Certifications will only be reported in 2019/20
3.21	Enrolling 900 recognition of prior learning	900	70	147	99	659	975	75		108%	Exceeded. The discretionary grants funding model prioritised this programme





PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME											
Performance indicator	2018/19 target	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Total	Variance	Status 2018/19	Achieved	Comments	
<b>3.22</b> The number of employers in partnership with CHIETA	130	0	0	0	173	173	43		133%	Exceeded. The discretionary grants funding model is focused on stakeholder partnerships and delivery. Through the regional skills forums more employers in the chemical industries sector were attracted to participate in skills development interventions	
<b>3.23</b> 810 TVET graduates workplace experience entered	810	18	334	62	487	901	91		111%	Exceeded. CHIETA has driven placement of unemployed interns, for job creation. The co-funding partnership between CHIETA and TVET institutions also exceeded target	
<b>3.24</b> 405 TVET graduate workplace experience are completed	405	29	42	138	247	456	51		113%	Comments as above	
<b>3.25</b> 18 TVET college campus partnerships	18	0	0	5	13	18	0		100%	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	
<b>3.26</b> 75 TVET lecturer for capacity building entered	75	8	10	22	44	84	9		112%	Target exceeded. White paper requires SETAs to support TVET lecturer development, hence we looked at maximum that can be funded with the available budget	
<b>3.27</b> 38 TVET lecturer capacity building is completed	38	0	0	10	49	59	21		155%	Target exceeded. White Paper requires SETAs to support TVET lecturer development, hence we looked at maximum that can be funded with the available budget	

PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME											
Performance indicator		2018/19 target	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Total	Variance	Status 2018/19	Achieved	Comments
3.28	Two SETA Offices are opened in TVET Colleges	2	0	0	0	2	2	0		100%	Achieved
3.29	250 learners in AET entered and bridging programmes	250	26	11	105	118	260	10		104%	Exceeded. This was a CHIETA focus area that resulted in positive participation and achievement by stakeholders. A programme for disabled learners participating in AET learning programmes was implemented
3.30	125 learners in AET entered and bridging programmes are certificated	125	25	107	37	61	230	105		184%	Exceeded. This was a CHIETA focus area that resulted in positive participation and achievement by stakeholders. CHIETA prioritised AET applications concentrating on learners living with disabilities and from rural areas
3.31	200 learners in Science/ Maths Bridging Programmes (Second chance/NEET)	200				250	250	50		125%	Exceeded. This was a CHIETA focus area that resulted in positive participation and achievement by stakeholders
3.32	70 learners assisted with matric to obtain university entrance	70				70	70	0		100%	Exceeded. This was a CHIETA focus area that resulted in positive participation and achievement by stakeholders. This is important for careers in the chemical industry

PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME											
Performance indicator	2018/19 target	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Total	Variance	Status 2018/19	Achieved	Comments	
<b>3.33</b> 35 co-ops participating on learning programmes	35	0	0	1	39	40	5		114%	Exceeded. This was a prioritised rural funding model that encouraged co-ops to participate through the CHIETA strategic projects. This programme was implemented within the framework of the outcomes of one of the NSDS III strategic goals	
<b>3.34</b> 110 small business participating in learning programmes	110	0	2	16	104	122	12		111%	Target exceeded. Strategic focus in support of DHET national priorities: to grow the sector with new SMMEs and support current SMMEs, to impact the development and sustainment of entrepreneurs who can contribute to job creation in the industry	
<b>3.35</b> 50 NGOs/ CBOs/ CBCs enrolled in learning programmes	50	0	0	3	51	54	4		108%	Exceeded. This was a prioritised rural funding model that encouraged co-ops to participate through the CHIETA strategic projects	
<b>3.36</b> Five worker initiated training interventions	5	0	0	0	5	5	0		100%	Achieved through the regional outreach strategy for skills development committee support	
<b>3.37</b> Number of public sector partnerships - One	1	0	0	0	1	1	0		100%	Achieved in partnership with the Department of Energy	
<b>3.38</b> Develop one CHIETA career guide inclusive of maths and science guide	1	0	0	1	0	1	0		100%	Achieved through the development of the scarce and critical skills guide	



PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME											
Performance indicator	2018/19 target	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Total	Variance	Status 2018/19	Achieved	Comments	
<b>3.39</b> A total of seven career guidance events are planned and implemented	7	0	0	6	2	8	1		114%	Exceeded. Response to the call by DHET to participate in career guidance expos and workshops. Also one of the prioritised funding areas in the discretionary grants funding programme. Specific attention given to maths and science career guidance with positive uptake and feedback from stakeholders	
<b>3.40</b> Maintain the annual partnership support to three annual professional bodies in vocational and career guidance	3	0	0	2	1	3	0		100%	Achieved through the research and skills planning agenda for 2018/19	
<b>3.41</b> Implementing five projects in government's medium-term priorities	5	0	0	0	5	5	0		100%	Exceeded. This indicator was exceeded through the strategic projects funding model	
<b>3.42</b> 11 rural development projects planned and implemented	11	0	6	5	0	11	0		100%	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	
<b>Baseline</b>	<b>19 547</b>	<b>2 431</b>	<b>5 723</b>	<b>4 501</b>	<b>10 395</b>	<b>23 050</b>	<b>3 503</b>		<b>118%</b>	<b>Baseline target exceeded</b>	

PROGRAMME 4: ETQA											
Performance indicator		2018/19 target	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Total	Variance	Status 2018/19	Achieved	Comments
4.1	A total number of 75 workplaces to be approved	75	8	4	32	38	82	7		109%	Exceeded through ETQA planning frameworks and governance oversight to increase efficiencies in CHIETA TFAC committee
4.2	310 skills development interventions issued for the chemical industry (QALA/ Accreditation /Monitoring /New applications)	310	37	122	146	114	419	109		135%	Exceeded through efficient coordination and implementation by the ETQA Business Unit and demands from the industry
4.3	180 assessors and moderators are registered	180	96	49	32	61	238	58		132%	Target exceeded through a positive application rate received and effective ETQA processes around accreditation
	<b>Baseline</b>	<b>565</b>	<b>141</b>	<b>175</b>	<b>210</b>	<b>213</b>	<b>739</b>	<b>174</b>		<b>131%</b>	<b>Baseline target exceeded</b>

## CHIETA'S RESEARCH IS ON TRACK FOR 4IR

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CHIETA's record through the year speaks for itself. The figures reflect a focused and productive culture. CHIETA rests not only on the laurels of its statistics, but has plans in place to ensure it makes an impact in South Africa, and that this influence increases going forward.

This is based on an identification of skills needs, which are then prioritised through stakeholder engagement and empirical research. This knowledge is delivered to chemical sector employees and new entrants to the chemical sector.

A study conducted in 2017, on product fit and opportunities for value chain participation by SMMEs in the chemical sector, aptly illustrates this. The major objective of the study was to strengthen the role of SMMEs in national and Southern African value chains. This was intended to assist them to ultimately become the chemical technology core for future local, regional and national industrial development.

The objective reflected the National Development Plan (NDP), which emphasises the importance of science and technology as the keys to development, since innovation is regarded as the most important driver of the technology based growth associated with higher living standards. The study drew on an existing framework for development of emerging suppliers and on information derived from the above mentioned study relating to participation in the sector by small enterprises and those from underdeveloped communities.

At the conclusion of the study, strategic project funding (discretionary grant) was availed to pilot a programme for small enterprise and community organisations in the chemical sector. Sponsored by CHIETA, the pilot programme provided developmental support to four small chemical manufacturers. The programme was aimed at the design, development and testing of an integrated model for development of small chemical enterprises, and includes general enterprise development support, refinement of systems, product improvement and market access support.

There are pleasing and encouraging examples in the workplace itself of the impact that CHIETA makes by facilitating training through the development and design of qualifications and courses, and the accreditation of training providers. The stories of five successful learners who are now making a difference in their lives, society and the economy can be read on pages 46 to 47.

An exciting and high impact project is CHIETA's bio-oil production programme, *Bio-oil production from blended sewage sludge and low rank coal using fixed bed microwave assisted pyrolysis*. Its main objective is to increase or enhance research capacity at previously disadvantaged institutions of higher learning and in turn meet transformation imperatives by training black researchers. The project is done in partnership with the Vaal University of Technology and addresses the NDP by creating knowledge for human capacity development and improvement. The project focuses on hazardous waste management by getting rid of sewage sludge from the environment and turning solid waste into useful material, and creating a product through thermochemical valorisation processes. The result is production of bio-oil from sewage sludge and low rank coal using fixed bed microwave assisted pyrolysis technology. The project is multi-pronged in its impact: while meeting the national and skills development imperatives, it also has a significantly positive environmental impact.

It is against the background of stories like these that CHIETA is committed to optimising the opportunities of the fourth industrial revolution (4IR). New technologies and ways of doing things is rapidly affecting and impacting people's lives, indicating a major shift or a revolution. The 4IR is a new era that builds and extends the impact of digitisation in new and unanticipated ways. The 4IR will bring about exponential changes to the way we live, work and relate to one another. As the smart technologies are introduced to and implemented in factories and workplaces, connected machines will dynamically interact, visualising the entire production chain and making decisions themselves.

Obviously, this will change the manner in which work is done.

As an authority on skills for our sector, CHIETA has focused on understanding the significance of this change and its impact. Research is being done to understand the future skills people will need as a result, and to be able to be trained in these skills. This means that skills development needs to be produced timeously. The initial research work conducted included contextualising 4IR in the chemical manufacturing sector to enable strategic engagement and planning.

This work focused on developing discussion and concept papers for the CHIETA's governance structures including commissioned work that aimed to determine *Future skills in the South African chemical sector influenced by the 4IR and green developments* at a subsector level.

According to this research, the specialty chemicals subsector companies, for example, did not foresee redundant manufacturing skills due to implementation of 4IR, although manual redundancies are anticipated. The new skills required for 4IR were already in place with skills gaps in autonomous robotics, process automation, and connected devices and general digitisation. The findings for this subsector are that operators need to be multi skilled with computer and IT training.

CHIETA's understanding of this means that it has to ensure that the skills gaps are closed as soon as possible, and to ensure that the qualifications that it is developing factor in the gaps identified and that they are made available to the sector in good time.

### FIVE YOUNGSTERS MAKE AN IMPACT ON SOUTH AFRICA

*The satisfaction of professional development, the realisation of dreams, and fulfilment of a vision are just some of the added values that come from CHIETA's facilitation of training and design of qualifications and courses, and accreditation of training providers. These are the stories of just five young people who have progressed their careers as a result of CHIETA's work.*

**Prince Makgaritsi** was fascinated by electricity from an early age. Growing up in a small, rural village in Limpopo Province, Prince had often thought of becoming an artist, but as he grew older he enrolled at a public college to study electrical engineering.

Prince, however, is a man for a challenge, and when, at the end of 2014, he heard of a CHIETA approved course for electrical apprentices at Omnia Fertiliser, it was the answer to a bigger challenge for which he was waiting. His studies at the Sedibeng Training Centre gave him the theoretical and practical understanding required for a career in the electrical industry. He even found that having to learn to draw schematics for electrical circuits appealed to his interest in art! Small wonder then that he passed his trade test at the first attempt, and is now a qualified electrician, responsible for electrical maintenance on motors and electrical panels, and still working at Omnia which he loves. New challenges came in the form of having to mentor apprentice electricians.

Not a man to desert his roots, Prince started to save money so that he could buy a piece of land in Limpopo to begin his own training centre. His vision is to build a small training centre that can train up to five electricians. His passion for electricity and his training is set to help many others, and to make an even bigger impact on South Africa's economy! (For a podcast on Prince, see <https://www.youtube.com/watch?v=6s8FepiHv2g&feature=youtu.be>).

**Bafana Mahlangu** was raised in Richard's Bay by his Gogo, and life was extremely challenging as he grew up in the sub-tropical town. Unable to complete high school as a result, he nevertheless managed to get a job at a business where he obtained invaluable skills in boilermaking and welding.

Little did he know that in 2002 the Department of Higher Education and Training introduced a programme called Recognition of Prior Learning (RPL), whose aim is to train people like Bafana who had acquired skills but had no formal recognition of them. He heard of the opportunity offered through CHIETA of becoming part of the RPL programme, did a pre-assessment and went for formal training, where his undoubted skills were honed, while his knowledge of his discipline grew apace.

He passed two trade tests in boilermaking and welding on his first attempt at the Richard's Bay Technical Training and Assessment Centre and his life path was changed still more. He saw the potential of starting a business which he did a year ago, and now is able to employ two to four people. He aims to grow the business still further and to employ more people as a result. Not to be put off by the current economic conditions facing all businesses, which he acknowledges are tough, he is set on completing an entrepreneurial development programme. (For a podcast on Bafana, see <https://www.youtube.com/watch?v=2cbUcEMNmog&feature=youtu.be>).

## RESEARCH AND SKILLS PLANNING

With her captivating big smile and passion for her work, **Nompumelelo Mbutho** says that never in her dreams did she imagine she would enter the chemical industry. Nompumelelo started out working as a domestic worker, but when she got the opportunity to get a qualification to enable her to work in the chemical industry, she jumped at the chance. It was learnership in chemical operations under the auspices of CHIETA. She did her theoretical training at Thekwini TVET and her practical training at what was then called ICI Dulux, now AkzoNobel. Her hard work resulted in her getting more opportunities at AkzoNobel, including a year doing practical work in chemical operations. Then it was into a new position as a receiving clerk which included receiving material into the system for planning for production.

Her ambition was fired as she continually improved her skills, and her eye fell on a BTech degree in operations management at the Durban University of Technology. From never imagining a career in the chemical industry, Nompumelelo is now set to take her passion for work to new levels. From domestic worker to skilled management in the chemical industry, CHIETA's learnership has helped make a huge impact on Nompumelelo's life. (For a podcast on Nompumelelo, see <https://www.youtube.com/watch?v=AqmD5Xj6mBM&feature=youtu.be>).

When **Thapelo Leeuw** discovered that micro-organisms had to do with "teeny tiny bacteria and viruses that make you sick and are also in dirt, and how many germs there are in food", her interest was sparked. A career in micro-biology seemed inevitable, and she started off her career through a CHIETA approved programme at Sanofi with an internship. Her keen application to her work soon saw her testing products to ensure that there were no unacceptable microorganisms present in their make-up.

After her internship she became a lab analyst at Sanofi, checking detail such as ensuring that the correct amount of active ingredient was present. An important part of her job was to analyse the amount of time it took for a product to dissolve in a person's stomach and that it delivered the required ingredients in a person's system. After six years, Thapelo was promoted to section head of the chemistry laboratory at Senofi - a new challenge for her as she now had to manage colleagues as well. (The podcast on Thapelo can be found at [https://www.youtube.com/watch?v=aLfpBNZ\\_ZPs&feature=youtu.be](https://www.youtube.com/watch?v=aLfpBNZ_ZPs&feature=youtu.be)).

**Mbongeni Motha's** dream as a little boy growing up in Secunda was to work for Sasol, and now his vision is that one day he could be a foreman or process engineer at this South African chemical giant. But he knows to get there it's up to him to keep progressing as he has done ever since he saw a pamphlet advertising opportunities for learnerships approved by CHIETA. He never imagined he might get such an opportunity, having not done well in maths and science at school. But he put himself through a public college because he understood it would be difficult to get a job without maths and science.

After a tough time on leaving college, including running a small photographic business with his sister, he enrolled in a chemical operations learnership at a TVET college, with workplace learning taking place at the Sasol Nitro Section. He started learning about the manufacture of fertiliser, a challenging process in itself, and completed his workplace learning. Conscientious studying followed. He completed plant technical training and work integrated learning. On completion of his learnership, a permanent position at Sasol followed. Mbongeni is now part of the commissioning team of the Sasol Chemical Operations Nitro Fertilisers new water treatment plant. (For the podcast on Mbongeni, see [https://www.youtube.com/watch?v=Oi4\\_CMCM840&feature=youtu.be](https://www.youtube.com/watch?v=Oi4_CMCM840&feature=youtu.be)).





## 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, the identification of needs and setting of priorities.

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, together with the development and finalisation of the SSP update, strategic plan and annual performance plan, are key elements of the governance structures of CHIETA and its stakeholder constituencies.

The strategic direction for CHIETA is set by the Accounting Authority, which 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.

The committee's 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 in the sector
- To advise CHIETA on scarce occupations/skills and critical skills for the 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 (SSP) and
- 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, in order to compile the SSP for the sector. This takes areas of skills demand, skills supply and scarce and critical skills that inform the strategic plan into consideration
- 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

CHIETA once again achieved its mandate in 2019/20. During this period it developed and submitted the SSP final submission for the chemical sector for the period 2020 to 2025 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 Plan (NSDP) for the period 2020 to 2030, and guided by the DHEST's revised SSP framework and requirements.

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. This SSP is aligned with the NSDP and relevant legislation, strategies and debates around skills development. 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. 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 over 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 will be 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 these vacancies was obtained by analysing the results set out in the hard to fill vacancies table of the WSPs-ATRs submitted for 2018/19, and in discussion within the chambers.

At the end of March 2019 the Chemicals Industry employed 12 498 people in 124 designated trades. The largest group of artisans was mechanical fitters (1 828), followed by quality controller (manufacturing) (1 171), industrial machinery mechanic (1 134), and millwrights (1 053). At the same time there were slightly more than 14 000 employees in the chemical industry working in occupations identified on the OFO 2017 as 'green'. The largest occupational group is chemical production machine operator (11 378), followed by handyperson (5 253), chemical plant worker (4 198), visual merchandiser (3 949), and chemistry technician (3 876).

Once shortages in skills have been reported and analysed, it is imperative that stakeholders are consulted to contextualise the analysis in order to better understand it. This is an important aspect of skills planning in CHIETA as numbers and lists need to be contextualised. Based on the hard to fill vacancies and incorporating relevant factors and variables, CHIETA has developed a priority skills list that, once endorsed by the Accounting Authority, is submitted to the DHEST.

### 4. RESEARCH PROJECTS FOR 2018/19

To supplement the SSP processes and implement CHIETA's research agenda, the following research projects were concluded in 2018/19 and presented at the 5<sup>th</sup> CHIETA Chamber Colloquium:

CHIETA research agenda implementation report		
Research agenda theme	Objective	Research title
Impact assessment	The project aims to track and trace learners trained and completed in selected CHIETA programmes (learnerships, apprenticeships and work integrated learning) in the first three quarters of 2017/18	Tracking and tracing of learners trained and completed in selected CHIETA programmes

CHIETA research agenda implementation report		
Research agenda theme	Objective	Research title
Impact assessment	Impact study on 10 SMMEs trained through the CHIETA voucher scheme	Possible future skills in the chemical sector
Impact assessment	The project aims to compare the performance of learners in maths and science and other school subjects. The focus will be on learners supported through the CHIETA Maths and Science Project	The correlation between performance in maths and science and other school subjects: Maths and Science Project
TVET and WIL	The aim of this research project is to produce a credible framework for a needs-based continuous professional development programme for WIL managers, WIL officers and all functionaries linked to the implementation of an effective WIL programme at a TVET college in South Africa	Towards a needs-based professional development model for WIL officers in TVET colleges of South Africa
Other - relevant technical and innovation research to advance chemical sector	The project focuses on hazardous waste management by eliminating sewage sludge from the environment and turning solid waste into useful product through thermochemical valorisation processes. In an attempt to meet the project objectives, students will engage in practical procedures to produce bio-oil from sewage sludge and low rank coal using fixed bed microwave assisted pyrolysis technology	Bio-oil production from blended sewage sludge and low rank coal using fixed bed microwave assisted pyrolysis

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 biennially. CHIETA continues to support companies to improve the accuracy and quality of data for the next WSP-ATR and PIVOTAL reporting 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 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 interests and
- 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 cooperating to advance their mutual interests. The NSDP 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 of implementing 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>4</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

A partnership can be defined as an arrangement where parties agree to cooperate to advance their mutual interests. DHEST (Department of Higher Education, Science and Technology, DHEST, 2019) contextually defines partnerships as “a collaborative agreement between two or more parties intended to achieve specified outcomes directed towards addressing mutually inclusive skills priorities or objectives within a specified timeframe”. The purpose of this chapter is to identify successes and challenges in creating and maintaining partnerships and propose measures for deepening TVET college partnerships. The chapter will also outline research conducted in the 2018/19 year to build on TVET college support and collaboration.

The National Skills Development Plan (NSDP) 2030 affirms the role of SETAs as facilitators of both the supply and demand side of skills development. Outcome 2 maintains that SETAs should link education and workplaces. Core to the achievement of this objective is a collaborative or partnership approach that improves the linkages with universities, colleges and employers. Outcome 5 of the plan sees supporting the growth of the public college institutional type as a key provider of skills required for socio-economic development. The promotion of training to meet employers' needs at public institutions is therefore a priority. A key finding of this SSP in Chapter 2, which also translates into a key change driver articulated by industry, is the need to improve the quality of the TVET sector. The chemical sector relies significantly on and uses artisanal and technical skills. The TVET and university of technology (UoT) sector therefore remains a very important component of skills supplied to the sector.

CHIETA uses a structured approach that leverages 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 coordinator, funder, and facilitator in the process. Evidence of this collaborative and consultative approach is seen in the establishment of task or steering committees for strategic projects. The advantage of the model is that it leads to the correct identification of supply and demand side needs and 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 leaders not taking skills development as an imperative, general administrative inefficiencies and delays in delivery of projects often resulting from inadequate capacity especially at 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 planned skills development interventions, requests for extensions on projects timeframes, and inadequate evidence submitted to process grants payments.

<sup>4</sup> CHIETA includes signed Memorandum of Agreements with 39 TVETs, UoTs and Universities.

The CHIETA continues to engage its 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, and sharing best practices during regional skills forums.

### THE STATE OF EXISTING PARTNERSHIPS IN THE CHIETA

The CHIETA has partnerships with stakeholders across the skills development value chain. A selection of projects that have successfully used this approach are singled out for purposes of this chapter. Included are strategic partnerships to implement national priorities, partnerships with government departments, including provincial and local governments, partnerships that depict linkages with other SETAs, programme delivery partnerships, and partnerships between industry and institutions.

#### Existing Partnerships

Name of institution/ partner organisation	Nature of partnership (start & end dates)	Objectives of partnership	Value of partnership
<b>TVET College Sector Partnerships</b>	For the 2018 and 2019 skills development years the SETA entered 28 partnerships with TVET colleges across all 9 provinces. The areas of partnerships or interventions are wide ranging and have been identified through research and stakeholder engagements. They include but not limited to work integrated learning, apprenticeships, skills programmes, lecturer development, bursaries and occupational trainer development. Support at university and university of technology level is mainly in research, graduate and post graduate funding.	The partnerships are in line with the mandate of the SETA and have the objective of capacitating the TVET college sector. The chemical sector has a heavy reliance on technical and artisan skills. The TVET sector therefore plays a critical role in the supply of skills for the sector.	The value of the partnerships are the improvement in the quality of learning delivery and supply from TVET colleges.
The challenge with implementation so far has been administration and project management at the colleges. Because TVET colleges by their nature are learning institutions, that takes priority. The CHIETA over the years has strengthened its support to TVET projects through its regional skills advisors and offices.			

Name of institution/ partner organisation	Nature of partnership (start & end dates)	Objectives of partnership	Value of partnership
<b>Centres of Specialisation</b>	The CHIETA is supporting the two trades allocated by DHEST, namely riggers and welders. These trades will be supported through Umfolozi, False Bay, Boland and East Cape Midlands TVET Colleges. A total of 120 apprenticeships, made up of 60 welders and 60 riggers, are being supported. Contracting and the recruitment of learners by employers have been concluded.	The initiative is designed to meet two objectives: firstly to address the demand for priority trades needed for the implementation of government's National Development Plan in general and its National Infrastructure Plan more particularly; and secondly to contribute towards the building of the capacity of its public Technical and Vocational Education and Training (TVET) College system to deliver trade qualifications with employer partners.	The value for the programme lies in its partnership approach that links TVET colleges and workplaces. The programme aims to develop 13 priority trades that have been identified as being in strong demand for the infrastructure programmes as well as for other strategic programmes such as the War on Leaks and the new ocean economy programme, Operation Phakisa. If government decides on nuclear energy, then many of the same trades will be needed for that investment too which can be delivered through the CoS model.
Challenges: The main challenges with the project are finding approved workplaces and fast-tracking workplace approvals. The CHIETA has been looking at efficient approaches to workplace approval which includes collaboration with other SETAs and looking at endorsements.			
<b>Gandhi Mandela Centre of Specialisation for artisan skills in South Africa</b>	Partnership project between the governments of India and South Africa. The CHIETA through strategic engagements with the Deputy High Commissioner of India collaborated on the project in four trades with the Tshwane West TVET College. In addition, CHIETA is supporting the Gandhi Mandela Centre of Specialisation with a further 20 apprenticeships for mechanical fitter, electrician (industrial and domestic), millwright and boilermarker through the Tshwane South TVET College.	The collaborative partnership aims to expand and strengthen bilateral cooperation in skills development and promote quality vocational education and training.	The value of the partnership is in meeting the training requirements of young people and the artisan skill requirements of the country, through linking institutions with industry.
Challenges: The main challenges with the project are finding approved workplaces and fast-tracking workplace approvals. The CHIETA has been looking at efficient approaches to workplace approval which includes collaboration with other SETAs and looking at endorsements.			



Name of institution/ partner organisation	Nature of partnership (start & end dates)	Objectives of partnership	Value of partnership
<b>Operation Phakisa</b>	The CHIETA has been participating in Operation Phakisa Ocean's Economy leg since 2015. The CHIETA is actively involved in the Oil and Gas Exploration and the Manufacturing Skills Initiative working group. The working groups were tasked with developing the skills strategy roadmaps for industry and governance based activities related to the project life cycle. The skills strategy roadmaps include the mechanism for knowledge generation and human capacity building, which is achieved through the establishment of university research chairs among other things. The Oil and Gas Exploration working group identified the need for the establishment of such a research chair to drive knowledge generation, human capacity building and transformation in the oil and gas industry.	Support for Operation Phakisa focuses on undersea explorations, providing artisanal skills for the maintenance of equipment, the training of engineers and on occupation health and safety related interventions. The CHIETA in collaboration with SAIMI, the Energy and Water Sector Education and Training Authority (EWSETA) and the Transport Education and Training Authority (TETA), are co-funding and supporting 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 will 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.	The value of the partnership is the accelerated development of South Africa's ocean economy.

### INDUSTRY/INSTITUTION PARTNERSHIPS

The industry/institution model is the most prominent in the CHIETA. The model can be applied at various levels, and at the conceptual phase should exhibit mutual benefit for stakeholders involved. The partnership can be for curriculum design and development, training and skills development, research, technology development and transfer. The chemicals industry, through research and stakeholder engagement, highlighted their skills development needs and challenges limiting skills development. Some of the supply-side challenges identified are the quality of education at school level, the capacity of TVET colleges to deliver technical courses, and the shortage of learners with good maths and science grades to undertake chemical industry qualification at tertiary institutions.

Within the CHIETA the model has achieved prominence largely due to the commitment and participation of role players to find solutions to problems and challenges in skills development. These industry/institution partnerships are focused on forging strategic partnerships with industry and HET institutions to contribute to the technical and statistical content of the SSP and closing the skills development gaps identified. The purpose of the projects include the provision of current research trends and empirical evidence for the chemical industry and positioning the CHIETA with HET institutions and other industry associations in supporting the national agenda of chemical related skills development demands. The model has been extended to other projects and is the main delivery model on projects for CHIETA. In 2018/19 the CHIETA had three new industry and institution partnerships.

## Industry Institution Partnerships

Industry/institution partnerships	Partnership focus	Areas of support/interventions
University of the Witwatersrand	CHIETA funded Wits University and industry to establish the Africa Energy Leadership Centre (AELC) to develop leadership and management skills to tap into Africa's vast, untapped energy potential and fastest growing regions for energy demand.	Postgraduate and executive education  Research and thought leadership  Networking and professional development
Unilever SA	CHIETA funded Unilever to offer practical exposure and bursaries for tuition fees which includes accommodation, textbooks and meals for students studying towards a BSc degree at University of the Witwatersrand.	UN engineering bursary
Group Technology (Sasol)	CHIETA funded Sasol to offer work integrated learning opportunities to 16 matriculants (ten African females and six African males) from local communities surrounding the Sasolburg site. The project aims to increase participants' employment opportunities by 60%, communicate effectively using corporate communication tools (such as e-mails) and business language skills in oral and written presentation, demonstrate basic numeracy skills, use systems and technology effectively and professionally showing responsibility and ownership towards their work environment, team members and other stakeholders in the organisation.	Sasol WIL and youth development programme
Tshwane University of Technology	CHIETA funded Tshwane University of Technology to support 26 students by exposing them to the industry to gain industrial experience in the technology station in chemicals working on industrial projects and problem solving for future employment.	TUT Wil & Industry Exposure
South African Petroleum Industry Association (SAPIA)	CHIETA funded SAPIA for women in leadership to understand and appreciate their personal and professional journey in relation to leadership and understand emotional intelligence as an enabler for their work and leadership environment.  CHIETA funded SAPIA for the Advanced Certificate in the Management of Oil and Gas to understand strategic imperatives of the oil and gas sector, understanding key governance principles relevant to the sector, key performance indicators on how to manage people, talent management process and succession planning and operational excellence from theory to practice in the oil and gas industry.	Women in Leadership and Advanced Certificate in Management of Oil and Gas
Unilever SA	CHIETA funded Unilever to provide practical workplace exposure to disadvantaged candidates from rural areas studying towards a BSc Engineering degree at University of the Witwatersrand. This programme enables students to master the theoretical subject better when they go back to the institution to complete their third and fourth years of study. The practical workplace exposure will give them competitive advantage when applying for employment.	Wits WIL Programme

## LINKAGES WITH OTHER SETAS

To address some of the identified weaknesses with the Gandhi Mandela CoS project, the British Council has approved funding for a project called the “A21 Digital Guideline”. The project objectives include the design, development and publication of digital online guidelines to allow stakeholders looking to implement a quality apprenticeship system to understand and enhance their roles and responsibilities. The CHIETA hosted the British Council and relevant SETAs on 27 June 2019 at the CHIETA offices to implement a detailed project planning process from May to November 2019. This project is seen as an enhancement of the CoS project and a collaborative SETA project to be facilitated by CHIETA. CHIETA continues to extend its work with various SETAs. This includes working and collaborating with other SETAs and relevant stakeholders for the design and development of qualifications.

## PLANNED PARTNERSHIPS

In 2011, CHIETA had set as one of its main strategic objectives the strengthening and expanding of partnerships, in response to the goals of National Skills Development Plan (NSDP). The NSDP sees the core role of SETAs as linking the workplace and industry through collaborations and partnerships. Over the last few years, CHIETA has enjoyed great success in this regard. New partnerships that innovatively advance the skills development mandate, take forward the objectives of the NSDP and now the plan, and enrich the post school education and training sector continue to be prioritised. Of great importance are industry/institutional partnerships. Below are planned strategic partnerships that will take CHIETA’s strategic objectives forward.

### Planned partnerships (new partnerships)

Name of institution/ partner organisation	Gaps that the partnership will be addressing	Objectives of partnership
<b>Post learnership absorption strategy</b>	To address the challenges of a slow growing economy, changes in jobs and business processes brought about by 4IR and unemployment. The CHIETA has identified the need to improve the impact of skills development in the short-term for beneficiaries	<p>The Post Learnerships Absorption Strategy is aimed at improving post education and training of placements in employment or entrepreneurship opportunities, utilising re-envisioned programmes:</p> <ul style="list-style-type: none"> <li>• Work readiness and job preparedness programmes</li> <li>• Work Integrated Learning programmes</li> <li>• Entrepreneurship development programmes (New Venture Creation Learnerships)</li> <li>• Mentorship (work place mentorship and business development mentorship)</li> </ul> <p>The objectives are to use entrepreneurship as a driver of small business development for job creation. This is to be achieved by unpacking the CHIETA industries value chains and identifying opportunities for creating simple business models that can be taken to scale, investing in environments that enable the industry to take up emerging entrepreneurs and provision of mentorship and small business subcontracting opportunities for the learners, formulating partnerships with TVETs and higher education and training institutions to ensure sustained capacity for our SETA in the areas of training and research to test new models and design programmes with scale as a desired end.</p>

Name of institution/ partner organisation	Gaps that the partnership will be addressing	Objectives of partnership
<b>World Skills Competition</b>	The SETA, TVET college and private provider partnership, which focuses on the implementation of the World Skills Competition standard as a vehicle for impact in skills development and capacity building of the TVET colleges, focusing initially on the electrical trade. Once developed, the pilot will be documented and presented as a scalable model to various TVET colleges and other programmes including welding.	<ul style="list-style-type: none"> <li>• Evaluation of the <b>college workshops</b> to identify gaps in tools, equipment, layout and a plan to close these to enhance the quality and flow of practical teaching and learning</li> <li>• Development and <b>capacity building</b> of selected lecturers on full electrical curriculum and international standards used at the World Skills International competition (WSI), standardised training methodologies and learning materials leading to improved quality of teaching and learning in the college</li> <li>• Establishment of <b>partnerships</b> with industries and schools in the proximity of the college in order to present colleges as higher institutions of choice as well as to facilitate placement of learners for workplace learning</li> <li>• Development and testing of the learner <b>selection guide/tool</b> prior to their enrolments and career advice</li> <li>• A <b>tested case study</b> ready to be duplicated across the country targeting learners between 14-21 years as pipeline candidates for future skills completions alongside their career development</li> </ul>
<b>Partnerships with new universities and TVET colleges</b>	The CHIETA endeavours to expand its partnership model between the universities and TVET colleges through the development of college management and lecturers. CHIETA has supported and partnered with the Northern Cape Rural TVET in work integrated learning but aims to strengthen its support in areas of relevance. Partnerships are also planned with the Sefako Makgatho and Mpumalanga Universities in areas of common interest for the sector	Infrastructure support remain a critical success factor for TVET colleges, particularly rural TVETs. A collaborative stakeholder approach will be explored that sees other stakeholders involved in bringing support that CHIETA cannot offer in TVET colleges.

## 6. QUALIFICATIONS DESIGN AND DEVELOPMENT

The past year was another one in which CHIETA came into its own by providing a platform or network for the development of the occupational qualifications needed to fulfil the skills requirements of the sector. A number of new developments in the qualifications sphere were reported and several updated.

One of these is that of **quality controller** qualification, which fulfils a generic and crucial role in the value chain in all chemical manufacturing processes. Never before has there been such a qualification. This one was developed with the full involvement of stakeholders across CHIETA's stakeholder spectrum to make it fit for purpose in quality controlling the manufacture of products and delivery of services. While some *ad hoc* quality control had previously existed, the profession had not been structured as now with an NQF4 qualification.

Similarly, the recognition of a **gas practitioner** is a new development with six part qualifications that can be independently achieved. Such practitioners will graduate with an NQF5 qualification, and will be proficient in every safety aspect of installing and working with gas – in the domestic, commercial, industrial, and public sectors. Gas is a well recognised supplier of energy and the fact that there are now professional gas practitioners available will give a new status to a profession that is critical in many applications across the board, not least of which is as a source of clean energy.

Two other developments related to glass production were in process of being registered during the year. An existing qualification, that of **glazier** (NQF4), was reviewed and ended up with five independent part qualifications. This provides for a recognition of a profession that demands better and more sophisticated skills than previously.

A second development is that of **manufacturing technician** who, as a glass sector specialisation, is responsible for supervision of manufacturing from start to finish. This goes beyond quality, optimising the glass manufacturing process to eliminating wastage. This is an NQF5 qualification.

An historically registered profession, that of **glass process operator**, was submitted to QCTO for evaluation during the year. This revised profession is responsible for the processing and converting of finished glass to ensure that the final product is more robust so that the glass can be used as firm finishes, such as showers, sliding doors, automotive applications and the like.

In respect of these applications, each of them will have an impact on the developing economy of South Africa, and, at the same time, are important for the expansion of small, medium and micro enterprises (SMMEs) in servicing not only CHIETA's sector, but important industries beyond, such as the construction sector.

With the structured training of mainly the workforce for which CHIETA is responsible, these developments provide opportunities for providing young people with skills so that they can move into jobs, help the economy to grow, and give capacity to employers to draw on new and modern skills that are linked to the implementation of the key features of the fourth industrial revolution. **Automated packaging** is a case in point of a cross sectoral programme at NQF 3 with modern skills that the CHIETA contributed towards its reviewing in partnership with Food and beverages SETA.

In order to reach its maximum efficiency, today's value chain needs to call on all the resources at its disposal. This includes not only the skills of those with formal education qualifications, but also the experience of those who have not had the opportunity to study at registered education institutions.

This is achieved by recognition of prior learning (RPL), a process of assessing someone's skills or knowledge, irrespective of where and how these were learned. Assessment is judged not only on credentials or qualifications they have achieved, but gives employees the opportunity to demonstrate that they are capable of performing specific tasks based on the knowledge gained through their work and life experience. CHIETA recognises that RPL is an important component of the South African landscape, given the historical inequalities of education in the country's history.



**WELL DIRECTED PROGRAMMES YIELD EXCELLENT RESULTS**

CHIETA's mandate to afford youngsters the possibility of building themselves is well illustrated by the success of its occupationally directed programmes. For instance, continued success with the Artisan Recognition of Prior Learning (ARPL) programme, building on the previous two years' progress, has seen some 1 000 ARPL candidates come through the system.

The Trades assessment quality partner in the country is the National Artisan Moderation Body (NAMB), which provides the Artisan Recognition of Prior Learning (ARPL) toolkits to take learners from a point in their professions where they have workplace skills experience, to graduating with a formal and recognised qualification. This clearly stands them in good stead in their future employability and earnings potential – and, in addition, benefits the South African economy.

The ARPL programme forms part of an important value chain to facilitate skills in the sector, and there is an ongoing search for more entities that can assist in delivering it, such as TVET colleges with whom CHIETA is working to take on more of the programmes.

The training is both theoretical in the classroom and practical in the workplace and CHIETA is active in monitoring performance, safeguarding quality control, quality assurance and quality management – all of which goes to ensure that the learner can adequately perform the job for which he or she is being trained in the workplace.

During the year, CHIETA undertook several roadshows and advocacy sessions, all aimed at providing a good foundation to empower companies to provide proficient practical training. As a result of our interaction, there have been many improvements in companies' ability to support learners by providing machinery and tools, for example, and the year has seen an increase in the number of companies that meet basic requirements for learnerships and apprenticeships. This process is monitored by CHIETA on an ongoing basis.

We have also seen growth in the number of companies for which compliance is more than just a tick box exercise, and it is pleasing to see greater passion and commitment from entities providing provision of learning. Our grants are a key stimulus for companies to provide on-the-job workplace experience for youngsters which is beneficial for them. In this tough economic climate, CHIETA values the role of companies and other entities that are willing to work and grow with us.

Further promising results flowed from an analysis of small organisations that have been brought on board and accredited in the last three years. This analysis illustrated that we are meeting the expectations of the Department of Higher Education and Training (DHET) in managing the demand for training in programmes.

All of this feeds into the opportunities for the fourth industrial revolution (4IR) matters to be integrated into our qualifications. CHIETA will be required to review our qualifications for implementation and hence then remain on the cutting edge of ensuring that our learners are prepared for the challenges they are going to meet with new technology that is an incessant reality in the workplace. CHIETA's future monitoring processes of its partners will ensure that our training companies fully understand the consequences of these developments and are responding to them so that the learners are equipped to keep pace with global trends and development.





## 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 (Act No. 97 of 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 historical qualifications. The QCTO remains responsible for ensuring that occupational standards and assessment integrity are upheld.

### 2. THE ROLE OF THE EDUCATION AND TRAINING QUALITY ASSURANCE (ETQA) DEPARTMENT AS A QUALITY ASSURANCE PARTNER (QAP):

**Centralised Administration Sub-Unit:** Receipt, capture and log all documents submitted to the ETQA department for processing.

**Accreditation Sub-Unit:** Accredite and approve skills development providers (SDPs) for specific skills programmes and qualifications. Monitor SDPS in order to improve quality and relevance of education and training in the sector and in this way support skills development provider development.

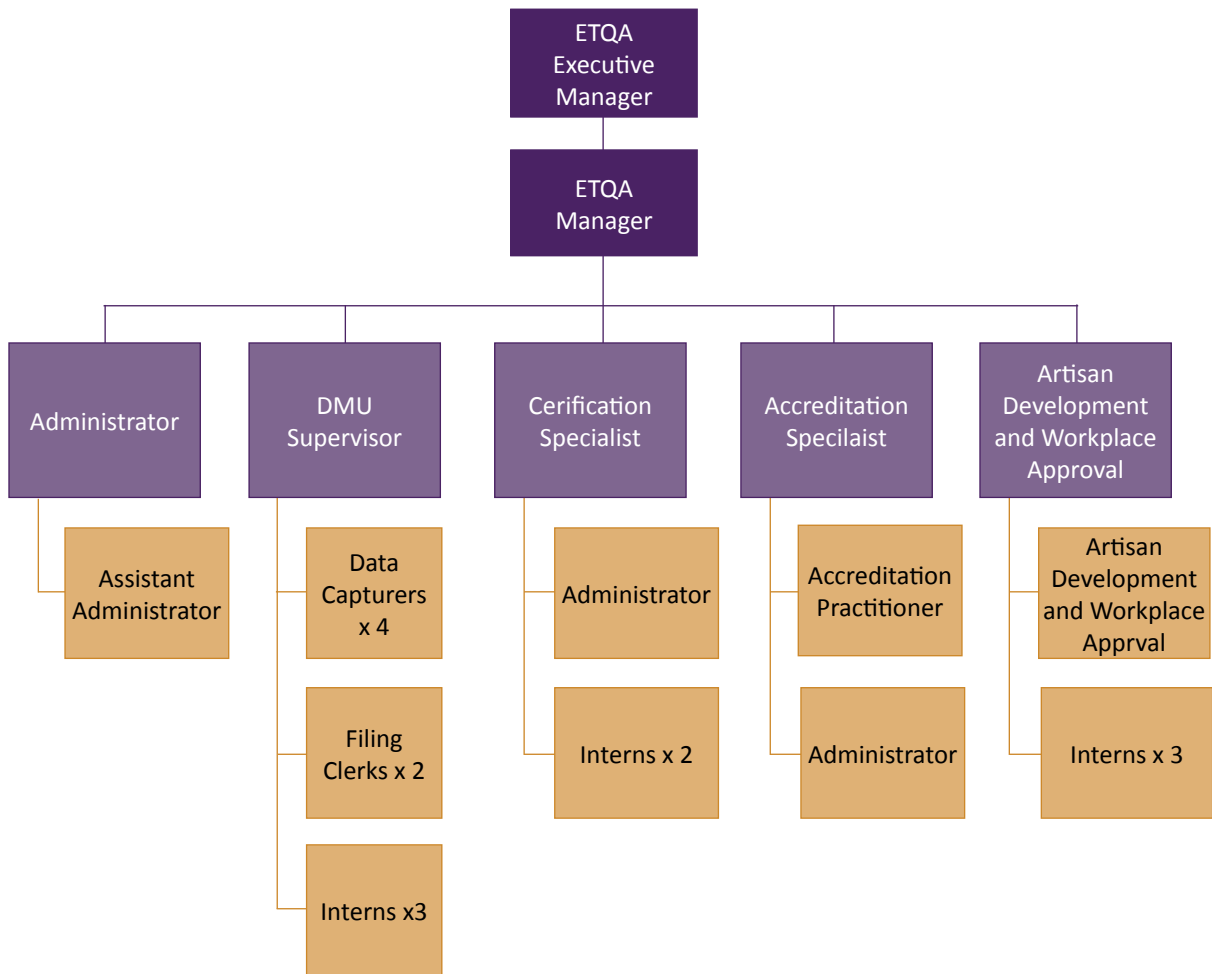
**Quality Assurance of Learner Achievements (QALA) and Certification Sub-Unit:** Veto QALA endorsed by registered assessors in accordance with required standards and criteria. Establish and maintain a database for the recording of learner achievements. Provide for the certification of learners and accredited skills development providers. Register assessors and moderators for specific unit standards, skills programmes and qualifications. Certify learners for skills programmes or qualifications achieved.

**Data Management Sub-Unit:** Quality assurance of documents submitted, learner enrolments and verifications of competency to ascertain learner completions on NQF learnerships and skills programmes.

**Artisan Development and Workplace Approval Sub-Unit:** Quality assurance on approval, monitoring and evaluation of workplaces, enrolment and completions on apprenticeship programme, artisan recognition of prior learning (ARPL) and trade tests.

### 3. THE STRUCTURE OF THE ETQA DEPARTMENT

In order to perform all the activities indicated above the ETQA department is structured as shown below:



The above structure mainly provides for the administrative support requirements for quality assurance activities. In addition to the above personnel, the ETQA department uses 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.

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.

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.

#### 4. QUALITY COUNCIL FOR TRADES AND OCCUPATIONS PROCESS AMENDMENTS

In July 2018, the QCTO made amendments to the process for the accreditation of SDPs who seek approval to provide for learning of whole qualifications. SDPS are now required to submit a letter of intent to the QCTO. Once the QCTO approves the intent for provisioning and assessment, a referral letter is provided indicating which institution should conduct the audit.

SDPS are then requested to apply for the accreditation of the historical qualifications to the relevant SETA. The SETA conducts the audit and provides a recommendation for accreditation to the QCTO. QCTO would then award the accreditation status to the SDP. For the new occupational curriculum based qualifications, the QCTO continues to be responsible for accreditation matters through the support of assessment quality partners (AQPs).

##### ETQA DEPARTMENT ACTIVITIES CONTRIBUTED TO THE FOLLOWING ACHIEVEMENTS FOR 2018/19:

**Table 8: Learner enrolment related achievements**

Indicator	Target	Achieved	Variance	% achievement
Artisan entered	1 850	1 871	21	<b>101</b>
Learnerships unemployed entered	2 500	3 434	934	<b>137</b>
Learnerships employed entered	1 500	1 570	70	<b>105</b>
Skills programmes unemployed entered	1 450	2 048	598	<b>141</b>
Skills programmes employed entered	3 000	3 018	18	<b>101</b>

**Table 9: Learner certification related achievements**

Indicator	Target	Achieved	Variance	% achievement
Learnerships unemployed certificated	1 250	1 662	412	<b>133</b>
Learnerships employed certificated	750	840	90	<b>112</b>
Artisans certificated	500	797	297	<b>159</b>
Skills programmes unemployed certificated	700	1 080	380	<b>154</b>
Skills programmes employed certificated	1 500	1 525	25	<b>102</b>
RPL	900	975	75	<b>108</b>

**Table 10: Workplace approval related achievements**

Indicator	Target	Approved / Endorsed Workplaces	Variance
Total workplaces approved/endorsed	75	82	7

In addition, 24 workplace approval support audits were conducted and a further five audits conducted where the workplaces were rejected.

**Table 11: Quality assurance of learner achievements (QALA)**

Indicator	Total QALA conducted	Learners endorsed (qualifications and statement of results)
Number of QALA audits done	352	5 402

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.

**Table 12: CHIETA constituent assessor and moderator registrations**

Indicator	Target	Achieved	Variance
Assessors and moderators registered	180	238	58

## 5. ADDITIONAL FOCUSED INTERVENTIONS OF THE QAP

The QAP spent time on the following activities in 2018/19:

**Centres of Specialisation (COS) Project:** This project was centrally coordinated by the Department of Higher Education and Training (DHET) to implement 13 engineering trades new curriculum based qualifications through the public TVET colleges in the country. Approval of workplaces to conduct the workplace based learning underpinning these qualifications was required. The ETQA department supported the approval of 24 workplaces for this project.

**Provider Capacity Building:** Ten potential skills development providers were identified in the Northern Cape. The ETQA department staff shared information with them about accreditation criteria and the CHIETA mandated qualifications.

**National Learner Record Database (NLRD) Uploads:** Two NLRD uploads were performed in August 2018 and February 2019. Both these uploads met the SAQA criteria and achieved green status for both compliance and performance requirements.

**NLRD Upload Pilot:** The QCTO is exploring the process for uploading all SETA QAP data to the NLRD and a decision has been taken that the CHIETA will assist them through a pilot process. This role is unfolding and progress will be reported.

**Assisting the National Artisan Moderating Body (NAMB) with accreditation audits:** Together with other SETAs, CHIETA assisted NAMB with quality assurance audits for accreditation of trade test centres during the year.

## 6. CHALLENGES AND AREAS FOR IMPROVEMENT

**Printing and issuing of certificates:** From September 2018 to February 2019, the ETQA department was required to conduct a manual printing process due to challenges as a result of not having a management information system service provider. During this period certificates were printed outside the system and this process took longer than the normal process. This resulted in the lack of implementation of the turn around strategy for improving turn around times.

**Delays in enrolment of learners:** The circumstances mentioned above also created delays with the enrolment of learners on programmes process.

**Registration of assessors and moderators, and the accreditation of skills development providers:** In certain disciplines there are insufficient assessors, moderators and SDPs. The ETQA department will have to give attention to these areas in 2019/20 to increase capacity.

**Reduction of the informal sector through focused training interventions that will ensure compliance and the growth of small businesses:** Continued interventions must be sought.

## GRANTS, STRATEGIC PROJECTS AND REGIONS

### STRONGER TIES WITH PARTNERS BY CHIETA IS KEY TO STIMULATION OF SECTOR

Strategic partnerships and strengthening relationships with the all regions (nine provinces) and TVET colleges have been in the forefront as CHIETA has incessantly built relationships throughout the year. CHIETA plays a key role in the chemical sector by providing guidance and information to the sector, while stimulating new ventures facilitating training opportunities.

During the year a concept paper was produced exploring SMME development and optimisation of CHIETA's relationships with TVET colleges. This is being further explored through an external research service provider.

The role of the regional offices of CHIETA is important, not least because of the vast geographical areas some of them cover. For instance, the KwaZulu-Natal and Eastern Cape offices, in particular, both cover large rural areas. The importance of these offices is self-evident given the need for training in outlying areas.

The past year has been one in which the need to work still more closely with our stakeholders, and to develop **strategies for partnerships**, was imperative. CHIETA adopted a dynamic approach to developing new partnerships, and seized opportunities wherever relevant. SMMEs are often ideal to become full partners in this initiative, assisting in training in the workplace and, where able, providing on-site working opportunities. CHIETA maintains a vigilant guiding role in this process.

The Department of Higher Education and Training (DHET) has asked CHIETA to enter close relationships with **TVET Colleges**, ensuring that relevant vocational courses are offered and experiential learning occurs. The launch of the fulltime presence at the Flavius Mareka College, following the Port Elizabeth TVET office, was exciting and puts a marker down for even greater success in learners experiencing the reality of the workplace, thus providing a sound foundation for their learning and future productive participation in the South African economy. This has all been done with a view to ensuring that we are better able to align other TVET colleges to our work, and to decentralise regional offices, where possible, so that CHIETA's active presence on college campuses means that we can have greater flexibility to respond dynamically to the needs of those being trained. The foundation for this, laid in 2018/19, means that we can be directly in touch with the learner in his or her place of training.

This is at the heart of ensuring we are actively supporting learners, who are obviously important stakeholders. This is integral to the strategy of CHIETA. During the year under review the **CHIETA Centres of Specialisation** were introduced, and are expected to grow during the three-year period for which this initiative has been planned.

Part of CHIETA's progressive approach to training is going to companies, including SMMEs, and seeking placement training, both to obtaining work for the learners, but also for companies to provide training programmes. CHIETA is further looking for various partnerships with all type of stakeholders, including employers, government departments, and institutions of higher learning to ensure adequate absorption of learners after they complete their training programmes. This is consistent with our **Workplace Integrated Learning Programme (WIL)**. These educational activities, integrating theoretical and academic learning of a discipline with its practical application in the workplace, is a prerequisite as we prepare learners for the challenges that they will have to meet in the actual job environment. At the same time, companies can benefit from the work provided by learners eager to acquire new skills. It's a win-win situation, because WIL involves a deliberate, professional approach that benefits both employer and student.

Discretionary grant funding has also been in sharp focus to deliver the SETA mandate. In particular, since the call for free education some two years ago, CHIETA has been more active in awarding bursaries for training learners in skills relevant to our sector. For example, bursaries awarded at the University of Johannesburg in programmes related to skills required in the chemical sector have increased to more than 250 per annum.



# 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:

- Grants Management
- Strategic Projects & WIL
- KwaZulu-Natal Regional Office
- Western Cape Regional Office
- Gauteng and Central Regional Office.

## 2. MANAGEMENT OF GRANTS FOR 2018/19

From 1 April 2018 to 31 March 2019, R289 171 633.28 was disbursed for discretionary grants and R78 289 928.82 for strategic projects. As at 31 March 2019, the total CHIETA commitment based on contractual obligations was R202 185 284.24 for discretionary grants and R32 896 566.61 for strategic projects.

During 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 grants system were made in 2018/19, including drawing up DG manual processes during the absence of the CHIETA MIS system to ensure business continuity.

The CHIETA discretionary grants funding policy was revised to address and keep up with the critical areas in the strategic framework of the business, national imperatives, and some of the critical areas of the National Skills Development Strategy III (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 in Gauteng and Central Regions, KwaZulu-Natal, the Western Cape and the Eastern Cape. Through these offices CHIETA ensured increased stakeholder support, increased monitoring and verification of projects, 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 2018/19

**Table 13: Learning Projects**

Programmes	Total learners supported	Total amount approved (R )
AET Provision Incentive	786	1 920 000
Artisans	2 730	50 540 000
Bursaries	1 933	17 575 045
Learnerships	12 430	180 344 500
RPL	3 929	29 683 250
Skills Programmes	10 914	32 679 204
TVET College Lecturer Development	306	3 470 000
Work Placement/Employment Creation	863	15 182 200
Workplace Experience/WIL	2 993	54 931 000
<b>Grand total</b>	<b>36 884</b>	<b>386 325 199</b>

**Table 14: Strategic projects**

Projects	Pivotal (P)/Non pivotal (NP)	Total budget 2017/18 (R)
Chemical industry stakeholder support (SST and M/E)	NP	9 836 725
World skills competition	NP	2 950 000
Regional stakeholder support	NP	2 160 000
Public sector capacity building	P	2 500 000
Small business support (PIVOTAL)	P	2 659 469
CEO strategic projects	NP	5 150 000
Bursary project	P	14 030 000
Career and vocational guidance integrated marketing and relationship management	NP	2 200 000
Career guidance projects	NP	2 000 000
Maths and science teacher and learner support	NP	3 680 485
Rural development projects	P	5 611 241
Learners with disabilities	P	3 439 170
Institutional and industry partnership	P	7 260 000
Strategic infrastructure projects (SIPs) - Centres of Specialisation	P	3 300 000
Trade union support	P	1 800 000
Programme 2 research and skills planning (PIVOTAL)	P	2 040 000
Programme 2 research and skills planning (NON-PIVOTAL)	NP	7 734 470
Qualification development	NP	2 000 000
<b>Total</b>		<b>84 601 560</b>

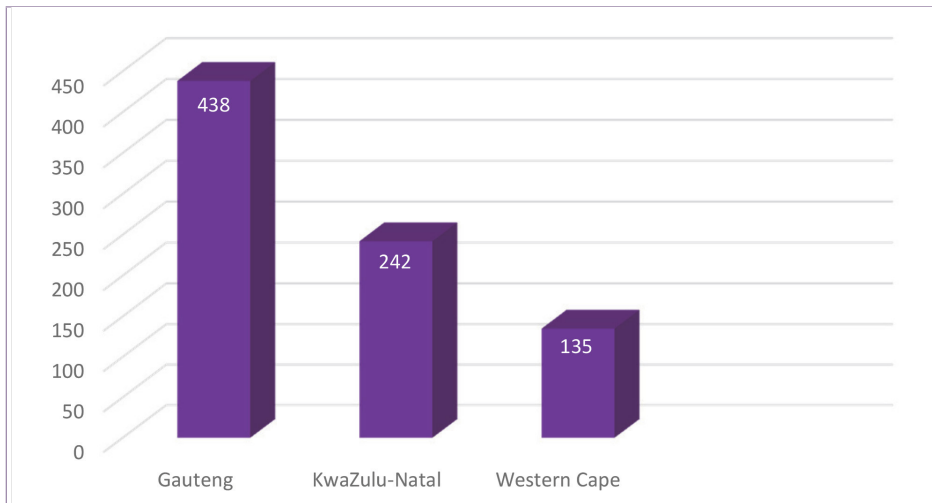
Non pivotal	37 711 680
Pivotal	46 889 880
<b>Total</b>	<b>84 601 560</b>



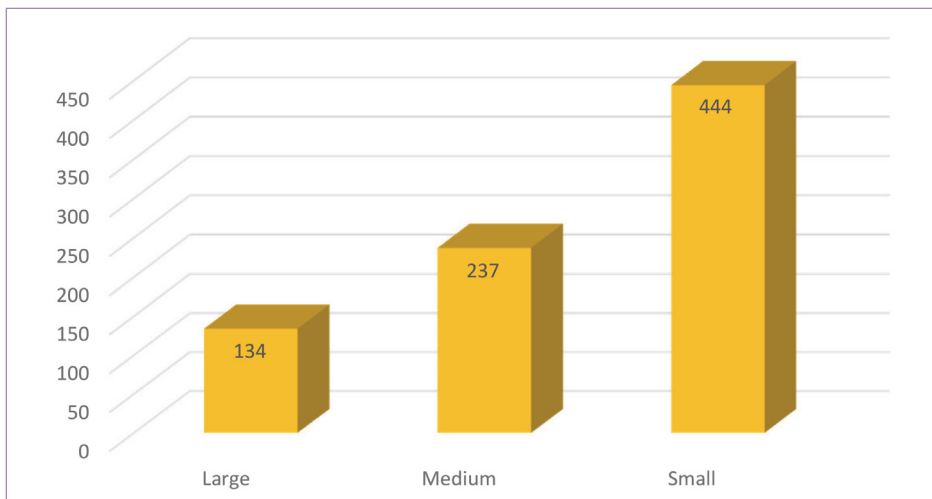
#### 4. MANDATORY GRANTS FOR 2018/19

For the year under review CHIETA has received 815 WSPs, all of which were approved.

**Figure 1.8: Total WSPs**



**Figure 1.9: Total WSPs by size**



#### 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. They are 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 is 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. Through its partnerships with the National Student Financial Aid Scheme and the Free State Education Trust, CHIETA is prioritising bursaries. 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 2017/18, 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 board approved a budget of R1 800 000.00 in 2018/19 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 Ivanplats (Pty) Ltd and the Workers' College SA.

### CHIETA offices in public TVET colleges

CHIETA has offices at two TVET colleges:

- Port Elizabeth TVET College
- Flavius Mareka TVET College.

CHIETA has staff at PE College, and one staff member at Ehlanzeni College. The Ehlanzeni College staff member supports the current coordinating 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 coordinating 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 R59 257 080.50 for the TVET college sector. This was in support of 30 TVET college partnership programmes, the total is made up of R34 241 000.00 from the current financial year, and R25 016 080.50 from the previous financial year.

**Table 15: Funding for TVET college partnership programmes**

Programme	Total funded (R)
Artisans	3 775 000
Bursaries	120 000
Learnerships	3 047 000
RPL	2 040 000
Skills Programmes	1 345 000
TVET College lecturer development	3 407 000
Workplace Experience/WIL	20 444 000
<b>Total</b>	<b>34 241 000</b>

**Strategic infrastructure projects (SIPs) – Centres of Specialisation**

CHIETA, in partnership with the DHET, private employers, TVET colleges and other SETAs, in implementing training of the registered occupational qualifications and trades. CHIETA has allocated a budget of R3 300 000.00 towards this project. CHIETA is implementing these projects in Western Cape and KwaZulu-Natal provinces.

**Strategic bursary projects****CHIETA bursary**

A total of 154 learners were awarded bursaries to the value of R5 649 373.60 through the CHIETA internal bursary project in 2018/19.

**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, which is in support of government national imperatives.



## 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 of 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 III (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 3 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 for 2018/19 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 and
- 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, performance reports and other relevant documents that are 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 the CHIETA. It primarily reviews the non-financial information in the 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 are:

### **Duties of Accounting Authority**

The Accounting Authority must:

- Govern and manage CHIETA in accordance with the PFMA, skills development legislation and any other applicable legislation
- Ensure that CHIETA achieves the objectives contemplated in the approved CHIETA constitution
- 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
- Provide strategic direction for CHIETA
- Liaise with stakeholders
- Ensure that CHIETA complies with all relevant statutory and CHIETA constitutional requirements
- Manage institutional risk
- Monitor and support the organisational performance of CHIETA
- 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 in 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 84 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 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 attitude towards fraudulent activities. To this end, 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 made with CHIETA staff and 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 in respect of CHIETA's values and ethical framework. Governance structures and CHIETA staff are required to provide a detailed annual (or at any stage during the year) declaration of interest 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 in the chemical industry, a strong focus on health and safety standards as part of an integrated training and development model is evident.

Ongoing research in terms of environmental issues relating to chemical production processes is done, 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 scarce and critical skills requirements as defined by the chemical industry. 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.





# 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 developing, implementing and overseeing an integrated strategy in which 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 provides 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, 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 the CHIETA's positive work environment, service conditions and retention management framework.

The 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 members are also assisted to further their tertiary education by being offered study assistance in numerous courses.

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

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

- CHIETA's mandate and role
- The future of 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 2019.

**Table 16: 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	66 346	39 592	8.66	50	792
Projects	390 966	23 504	5.14	48	490
<b>Total</b>	<b>457 312</b>	<b>63 096</b>	<b>13.80</b>	<b>98</b>	<b>644</b>

**Table 17: 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	9 894	16	5	1 979
Line management	16 532	26	9	1 837
Professional qualified	19 407	31	22	882
Skilled	5 990	9	10	599
Semi-skilled	10 770	17	31	347
Unskilled	503	1	21	24
<b>Total</b>	<b>63 096</b>	<b>100</b>	<b>98</b>	<b>5 668</b>

**Table 18: 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	1 358	9 894	13.78%
Line management	1 730	16 532	10.46%
Professional qualified	2 253	19 407	11.61%
Skilled	697	5 990	11.63%
Semi-skilled	1 253	10 770	11.63%
Unskilled	70	503	13.91%
<b>Total</b>			

**Table 19: Staff establishment and staff complement for Administration and Projects Programme**

Programme/activity/objective	2018/19 No. of employees (admin)	2018/19 No. of employees (projects)	2018/19 approved posts	2018/19 vacancies
Top management	5	0	6	1
Senior management	6	3	11	2
Professional qualified	15	7	22	0
Skilled	8	2	10	0
Semi-skilled	13	18	31	0
Unskilled	3	18	21	0
<b>Total</b>	<b>50</b>	<b>48</b>	<b>101</b>	<b>3</b>

The total CHIETA post establishment is 104 and the staff establishment is 98. The vacancy rate was low and within acceptable benchmarks and did not disrupt any business continuity and CHIETA organisational deliverables.

Dedicated projects were worked on by 48 project staff members. These were funded from the CHIETA internship budget and the CHIETA project administration and management budget.

**Table 20: 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	39 592	217	0.0055	28	7.75
Projects	23 505	381	0.016	39	9.77
<b>Total</b>	<b>63 097</b>	<b>598</b>		<b>67</b>	

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

**Table 21: Reasons for staff leaving**

Reason	Number	% of total no. of staff leaving
Death	0	0
Resignation	8	80%
Dismissal	0	0
Retirement	0	0
Ill health	0	0
Expiry of contract	3	15%
Other	2	5%
<b>Total</b>	<b>13</b>	<b>100%</b>

**Table 22: Employment changes**

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	5	1	1	5
Senior management	11	0	2	9
Professional qualified	21	2	1	22
Skilled	11	1	2	10
Semi-skilled	29	8	6	31
Unskilled	20	0	1	21
<b>Total</b>	<b>97</b>	<b>13</b>	<b>13</b>	<b>98</b>

**Table 23: Labour relations: Misconduct and disciplinary action**

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

**Total CHIETA employment equity status**

CHIETA is far advanced in the representation of designated groups as defined by 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 in the employment equity profile of CHIETA.

Disabled staff are not included in the total column since they are already accounted for in the male/female and different race groupings of the table below.

**Table 24: CHIETA employment equity**

Occupational level	Female				Male				Disability		
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	Total
Top management - executive manager	1	0	1	0	2	0	1	1	0	0	6
Senior management	3	0	0	0	3	1	3	0	0	0	10
Professionals - specialist and practitioners	13	2	1	1	10	2	2	0	0	0	31
Skilled - administrators and assistant administrators	19	1	0	0	11	0	0	0	0	0	31
Semi-skilled - administrative intern	7	1	0	0	11	0	0	0	0	1	19
Unskilled - office attendants and cleaner	4	0	0	0	0	0	0	0	0	0	4
<b>Total</b>	<b>47</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>37</b>	<b>3</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>101</b>



## FINANCIAL INFORMATION

### 1. FINANCE OVERVIEW FOR THE YEAR ENDED 31 MARCH 2019

#### Unqualified audit opinion

The CHIETA obtained an unqualified audit opinion for the financial year ended 31 March 2019. 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 2019 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. 97 of 1998).

#### Revenue:

Skills development levy (SDL) income increased by 9.8%, from R501.7 million for the year ended 31 March 2018, to R550.9 million for the year ended 31 March 2019. Total revenue earned increased by 8.8%, from R531 million in the prior period, to R577.9 million in the current financial year.

The contribution of the return on invested funds to total revenue was R20.2 million, representing approximately 3.5% of total revenue.

- Trends in skills development levy income

Figure 1.10 illustrates the trend in SDL income over the last five financial years. SDL income for the year ended 31 March 2019 has increased by 30.6% in comparison with SDL income received for the year ended 31 March 2015. The average annual equivalent increase in SDL income was 6.3% per annum over the five year period from 2015 to 2019. For the entire period since inception in 2000 to date, SDL income has escalated by an annual equivalent average of approximately 18.6% per annum, materially exceeding both inflation and estimated annual salary increments in the chemical sector during this period.

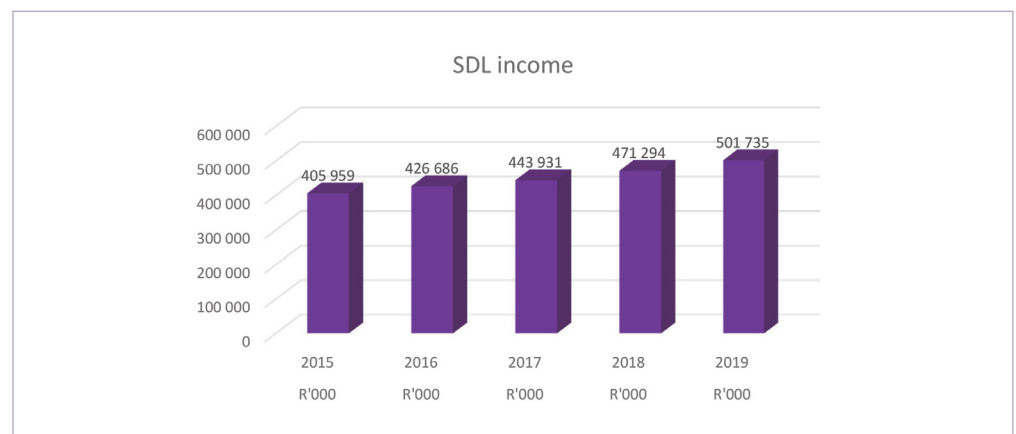


Figure 1.10

**Expenditure:**

Administration expenses remained well within the legislated 10.5% maximum legislated amount allowed by skills development regulations. CHIETA realised savings of over R5.9 million in administration expenses for the financial year ended 31 March 2019. This amount, together with the total investment return of R20.2 million and unclaimed mandatory grants to the value of R11.5 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 R515.6 million in employer grants and project expenses, representing 108% of grant levy income received of R478.5 million for the financial year ended 31 March 2019.

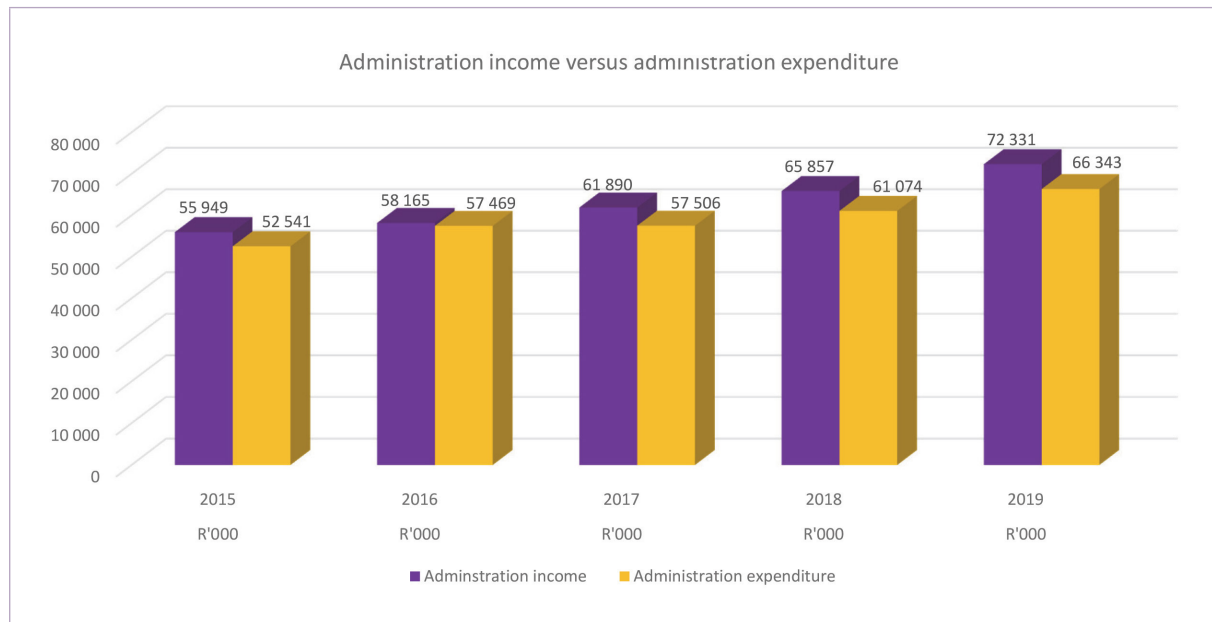
A total of R386.9 million was available as discretionary grant and project levy income, after legislated transfers and an amount of R390.9 million, representing 101% of discretionary grant funds received, was expensed in discretionary grants and project expenses for the financial year ended 31 March 2019.

Expenses on mandatory grants amounted to R124.6 million, represented 91.5% of the skills development levy income received for the purpose of mandatory grants.

- Financial viability and sustainability of operations

Figure 1.11 shows administration income received against administration expenditure for the financial years ended 31 March 2015 to 31 March 2019. 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 2015 to 2019 of R19.2 million was reallocated to discretionary reserves and utilised in discretionary grants and strategic projects for 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 CHIETA and streamlined, effective and efficient human resource capacity.



**Figure 1.11**



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

Figure 1.12 shows the total SDL income received for employer grants and project expenses in each of the last five financial years from 2015 to 2019 compared to the total employer grants and project expenses during the same period. During the financial year ended 31 March 2019, CHIETA expensed over 108% of the SDL income received for the purpose of discretionary grants and project expenses. CHIETA has achieved an annual average disbursement rate of over 111.3% of SDL income received during this five year period from 2015 to 2019.

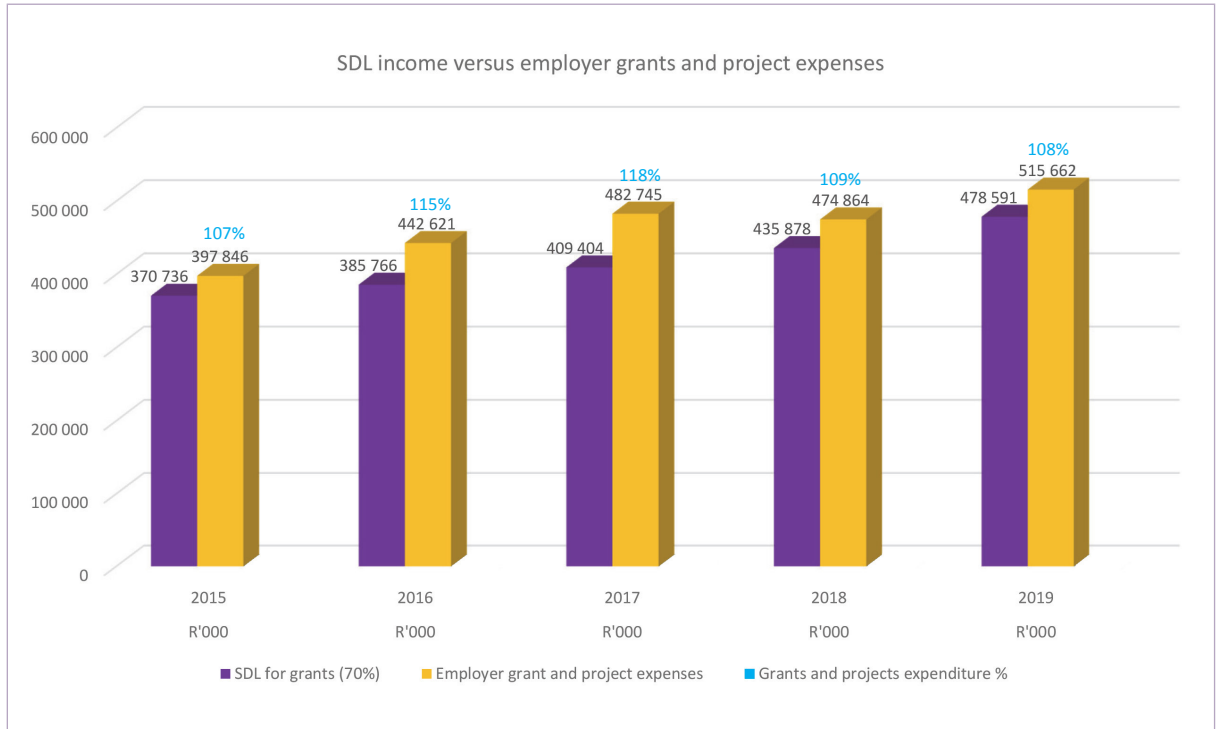


Figure 1.12

**Net deficit, reserves and commitments:**

The total amount available in the discretionary grant reserve at 31 March 2019 decreased by the net deficit of R4 million for the financial year from R240.4 million at 31 March 2018 to R236.3 million at 31 March 2019. 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 (R5.9 million), unclaimed mandatory grants (R11.5 million), investment income (R20.2 million), and SDL: penalties and interest received (R6.7 million), contributed a further R44.3 million to the discretionary reserve during the financial year ended 31 March 2019.

As illustrated in note 15 to the annual financial statements, the CHIETA total commitments of R235 million in discretionary grants and projects represented 99.5% of the total funds available in the discretionary reserve, thereby exceeding the minimum 95% commitment level legislated by the SETA grant regulations.

## REPORT OF THE AUDIT COMMITTEE

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, 1999 (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 2019.

### 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, six meetings were held.

Summary of meetings attended per Audit Committee member:

NAME	17 May 2018	26 July 2018	15 Aug 2018	28 Aug 2018	02 Nov 2018	13 Mar 2019
Nandipha Madiba (Chairperson)	>>	>>	>>	>>	√	√
Lerato Mothae	>>	>>	>>	>>	√	√
Mokgadi Olgar Morata	X	√	√	√	√	√
Chandu Kashiram	√	√	√	√	N/A	N/A
Safeea Rahiman	√	√	√	√	N/A	N/A
Charles Phahla	√	√	√	√	√	N/A
Ronnie Muruven	√	√	√	√	√	√
Adri Swart	>>	>>	>>	>>	>>	√

√ Attended meeting

X Apology

>> Ms Madiba and Ms Mothae appointed from 1 October 2018

>> Ms A Swart replaced Mr Phahla as Labour Board representative on Audit Committee

**NOTE:** Mr C Kashiram and Ms S Rahman's contracts as independent Audit Committee members terminated on 30 September 2018.

### 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 as well as the recommendations of the King IV Code of corporate Governance, and has discharged all its responsibilities as contained in the code.

### EFFECTIVENESS OF INTERNAL CONTROL

The system of control in 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.

The Audit Committee does not agree with the AGSA view that, in the CHIETA context, expenditure higher than budgeted constitutes irregular expenditure. Reserves are a consequence of the current CHIETA business model and already approved by the Executive Authority in previous financial years in support of maintaining our 95% commitment levels as per the SETA grant regulations and to meet contracted organisational performance targets agreed between the Accounting Authority and Executive Authority.

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 from the Auditor-General for the 2018/19 financial year.

#### **EVALUATION OF FINANCIAL STATEMENTS AND ORGANISATIONAL PERFORMANCE**

The Audit Committee has

- Reviewed and discussed the audited financial statements and audited organisational performance report 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 to the report;
- Reviewed adjustments resulting from the audit;
- Reviewed monthly and quarterly reports submitted by management.

The Audit Committee does not concur with and does not accept the Auditor General's conclusion on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be adopted with the concerns and reservations expressed by the CHIETA Audit Committee.



**NANDI MADIBA**  
Chairperson of the Audit Committee  
Date: 25 July 2019

## 2. REPORT OF THE AUDITOR-GENERAL SOUTH AFRICA TO PARLIAMENT ON THE CHEMICAL INDUSTRIES EDUCATION AND TRAINING AUTHORITY (CHIETA)

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Chemical Industries Education and Training Authority (CHIETA) set out on pages 90 to 130, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of CHIETA as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of 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 sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
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 the Standards of GRAP, 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 CHIETA's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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 plan

#### 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 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 2019:

Programmes	Pages in the annual performance report
Programme 2 – research and skills planning	33 – 34
Programme 3 – learning programme and projects	35 – 42
Programme 4 – education training and quality assurance	43

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 these programmes: Programme 2 – research and skills planning, Programme 3 – learning programme and projects, and Programme 4 – education training and quality assurance.

### Report on the audit of compliance with legislation

#### Introduction and scope

15. 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 department with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
16. The material finding on compliance with specific matters in key legislations are as follows.

#### Annual financial statement

17. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(a) of the PFMA. Material misstatement of irregular expenditure identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

#### Expenditure management

18. Expenditure was incurred in excess of the approved budget, in contravention of section 53(4) of the PFMA

#### Other matter

19. I draw attention to the matter below.

**Achievement of planned targets**

20. Refer to the annual performance report on pages 33-34, 35 - 42 and 43 for information on the achievement of planned targets for the year and explanations provided for the under or over achievement of a number of targets.

**Other information**

21. The Accounting Authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report, chairperson of the Accounting Authority's report and chief executive officer's 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.
22. 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.
23. 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.
24. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

**Internal control deficiencies**

25. 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.
26. Management did not adequately review budgeting process to obtain approval for overspending.

*Auditor - General*

Pretoria  
31 July 2019



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 CHIETA’s 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; and
  - 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 2019, set out on pages 90 to 130, 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 28 May 2019, and are signed on their behalf by:



**Khathutshelo Ramukumba**  
**Chief Executive Officer**  
**30 July 2019**



**Mashila Matlala**  
**Chairperson of the Accounting Authority**  
**30 July 2019**

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### 3. REPORT OF THE ACCOUNTING AUTHORITY FOR THE YEAR ENDED 31 MARCH 2019

#### 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 2019 to the executive authority, provincial legislature and parliament of the Republic of South Africa. The 2018/19 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, mandatory 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 2019.

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 3 (NSDS 3). 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).
- SETAs 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 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 CHIETA received R550.9 million in SDL income and realised a 9.8% (R49.1 million) increase in comparison to the levy income earned for the year ended 31 March 2018. SDL income: penalties and interest decreased by 17% from R8.1 million in 2017/18 to R6.7 million for the current period. Return on invested funds of R20.2 million represented 3,5% of total revenue. Total revenue increased by 8.8% from R531 million in the prior financial year to R577.9 million for the year ended 31 March 2019. SDL income also exceeded the approved budget by 5.5% (R28.6 million) while total revenue exceeded the approved budget by 4% (R21.9 million).

#### 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 R5.9 million, representing 8.3% 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 R515.6 million in employer grants and project expenses representing 107.7% of grant levy income received of R478.5 million for the financial year ended 31 March 2019. Employer grant and project expenses exceeded the prior year achievement by R40.7 million, which equates to an 8.6% increase in disbursement rates in comparison with the prior financial year.

### 1.2.3 Discretionary grants and commitments

The CHIETA expended over R391 million in discretionary grants and project expenses for the 2018/19 financial year representing 114% of the SDL income received for discretionary grants and project purposes. The disbursement rate for the 2018/19 financial year exceeded the prior year achievement by 7.6% (R27.6 million). 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 investments and to deliver the substantially expanded SLA targets with the 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 of, and exceeding all CHIETA's SLA targets for the 2018/19 financial year, which are outlined in the report on predetermined objectives on pages 32 to 43 of the annual report for the year ended 31 March 2019.

The objective was also to ensure optimal service delivery and disbursement of discretionary grants and project expenses during the financial year. Discretionary grant allocations and funding priorities were interrogated, ranked and aligned against the priorities of the NSDS 3 and the SSP. The CHIETA expended R339.6 million (92.5%) of its discretionary grant and project expenditure in PIVOTAL programmes and R27.8 million (7.5%) in non PIVOTAL programmes as outlined in note 15 of the annual financial statements for the year ended 31 March 2019.

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 R386.3 million were approved for discretionary grant learning programmes and a further amount of R84.6 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 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 programmes 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 on-line submission platform continued to increase and exceeded anticipated projections during the financial period. The mandatory grant expense increased by 11.9% from R111.5 million for the year ended 31 March 2018 to R124.6 million for the financial year ended 31 March 2019.

The mandatory grant disbursement represented 91.5% of mandatory grant levy income received for the financial year ended 31 March 2019. Unclaimed mandatory grants of R11.5 million were 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 million for the year ended 31 March 2019. The current year deficit was below the prior year deficit by 16% (R779 000). 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 discretionary reserve is 99.5 per cent committed at year end, the CHIETA Accounting Authority promotes the strategy of reducing discretionary grant reserves to an optimal level that will allow us to deliver on our mandate and agreed SLA targets annually. In the current financial year CHIETA also realised a reduction of 1.7 per cent (R4 million) in the CHIETA discretionary reserve, confirming the overarching strategy of reducing any surplus funds.

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

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, Act No 1 of 1999 (PFMA), as amended. CHIETA facilitates skills development in the chemical industries sector. No tariff is charged for services rendered. 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

While 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 CHIETA's strategic objectives or SLA targets compromised.

## 4. Utilisation of donor funds

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

## 5. Business address

2 Clamart Road  
Richmond  
Johannesburg  
2193

## 6. Controlled entities and public entities

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 licence period of CHIETA.

## 10. New/proposed activities

No new activities have been proposed.

## 11. Re-licencing

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

CHIETA continuously updates and implements recommendations emanating from of the 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, coordination with external auditors, the Auditor-General of South Africa (AGSA) 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. CHIETA has developed detailed financial policies and procedures, and a quality management system to guide internal processes. 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.

CHIETA's 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.

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 to 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

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 R241.8 million as at 31 March 2019. Total net assets decreased by the net deficit of R4.6 million for the financial year ended 31 March 2019 in comparison with the prior financial year.

### 12.5 Accounting Authority and Board sub-committee meetings

The Accounting Authority and all CHIETA board sub-committees attend quarterly meetings to discuss strategic matters focusing on delivery of CHIETA's 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, CHIETA's Acting 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 Human Resources 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. 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 2018 to 31 March 2019

	Name	Constituency	Appointment Date	Governing Board Meeting Fee (R)	Committee and other Meeting Fee (R)	Total (R)
1.	Ms M Matlala	Chairperson and Ministerial appointee	01/04/2018	63 242	190 019	253 261
2.	Ms A Swart	United Association of South Africa (UASA)	01/04/2018	43 620	163 501	207 121
3.	Mr C Phahla	General Industries Workers Union of South Africa (GIWUSA)	01/04/2018	44 106	216 951	261 057
4.	Mr G Ceronie	Solidarity	01/04/2018	85 376	160 985	246 361
5.	Mr J Smit	Speciality chemicals, Surface coatings, Pharmaceuticals and Fast Moving Consumer Goods	01/04/2018	62 452	67 314	129 766
6.	Dr M Booth	Professional Association	01/04/2018	62 452	82 460	144 912
7.	Ms K Ramoupi (Payments made to Omnia)	Explosive and Fertiliser Industry Employers Association	01/04/2018	43 170	106 732	149 902
8.	Mr R Muruven	National Petroleum Employers Association (NPEA)	01/04/2018	72 773	146 477	219 250
9.	Mr S Phetla	Glass Industry Employers' Association	01/04/2018	87 513	106 015	193 528
<b>Total</b>				<b>564 704</b>	<b>1 240 454</b>	<b>1 805 158</b>

#### 13.2 Remuneration to independent members of the audit committee 1 April 2018 to 31 March 2019

	Name	Appointment Date	Constituency	Audit Committee and Board Meeting Fee (R)
1.	Mr C. Kashiram*	01/04/2015	Chairperson and Independent Member	199 882
2.	Ms M. Morata	01/10/2018	Independent member	129 795
3.	Ms S. Rahiman*	01/08/2013	Independent member	71 900
4.	Ms N. Madiba**	01/10/2018	Chairperson and Independent member	115 040
5.	Ms L. Mothae**	01/10/2018	Independent member	113 602
<b>Total</b>				<b>630 219</b>

\*Mr C Kashiram's and Ms S Rahiman's terms of appointment ended on 30 September 2018

\*\*Ms N Madiba and Ms L Mothae were appointed to the audit committee from 1 October 2018

- Explanatory notes to Accounting Authority remuneration (13.1) and independent audit committee remuneration (13.2):
  1. 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. Remuneration for Ms K Ramoupi has therefore been paid to her employer (Omnia Group).
  2. 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.
3. The Accounting Authority meeting fee and committee meeting fee are paid in accordance with the approved rate as per the Treasury conversion key.
  4. Audit committee members are remunerated based on the approved SAICA rates as per approved CHIETA remuneration policy for Accounting Authority and committee fees.
  5. 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 2018 to 31 March 2019

Name	Designation	Basic (R)	Allowances (R)	Provident fund (R)	Performance bonus (R)	Total (R)
Mr K Ramukumba	Chief Executive Officer	291 747	-	51 000	-	342 747
Ms K Moroane	Acting Chief Executive Officer/ Research and Skills Planning Executive	1 631 493	248 054	-	344 192	2 223 740
Mr F Motala	Chief Financial Officer	1 405 955	337 793	303 466	377 455	2 424 668
Mr T Channing	Governance and Risk Executive	1 327 894	476 025	-	341 617	2 145 536
Ms T Magonare	Acting Research Executive	1 048 165	235 149	-	182 070	1 465 384
Ms J Moodley	ETQA Executive	902 185	-	136 437	87 059	1 125 681
Ms R Sing	Grants and Projects Executive	263 543	12 000	-	-	275 543
Mr T Shabalala	Grants and Projects Executive	1 108 316	23 585	183 545	207 183	1 522 629
<b>Total</b>		<b>7 979 297</b>	<b>1 332 606</b>	<b>674 448</b>	<b>1 539 576</b>	<b>11 525 927</b>

#### Notes:

1. Mr K Ramukumba was appointed as CEO on 1 February 2019
2. Ms K Moroane was appointed in the capacity of acting CEO from 1 November 2017 to 30 November 2018
3. Mr T Channing acted in the role of CEO from 1 December 2018 to 31 January 2019
4. Ms J Moodley was appointed on 1 July 2018
5. Ms R Sing resigned from her position of grants and projects executive on 15 May 2018
6. Mr T Shabalala was appointed as grants and projects executive on 1 August 2018



**Chairperson of the CHIETA Accounting Authority**  
**28 May 2019**

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2019

	Note	2018/19 R'000	2017/18 R'000
<b>NON EXCHANGE REVENUE</b>			
Skills Development Levy: income	2	550 922	501 735
Skills Development Levy: penalties and interest		6 773	8 161
Other income		3	-
Loss on disposal of assets		(13)	(51)
<b>EXCHANGE REVENUE</b>			
Investment income	3	20 274	21 214
<b>Total revenue</b>	<b>1a</b>	<b>577 959</b>	<b>531 059</b>
<b>EXPENSES</b>			
Employer grant and project expenses	4	(515 662)	(474 864)
Administration expenses	5	(66 343)	(61 023)
<b>Total expenses</b>		<b>(582 005)</b>	<b>(535 887)</b>
<b>NET DEFICIT FOR THE YEAR</b>	<b>1a</b>	<b>(4 046)</b>	<b>(4 828)</b>

## STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2019

	Note	2018/19 R'000	2017/18 R'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	347 246	286 024
Prepayments and advances (Exchange)	8	-	3 490
Accounts receivable	9	2 388	1 977
- Non-exchange		501	1 210
- Exchange		1 887	767
Inventories	19	67	84
		<b>349 701</b>	<b>291 575</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	2 746	2 576
Other intangible assets	7	99	83
		<b>2 845</b>	<b>2 659</b>
<b>TOTAL ASSETS</b>		<b>352 546</b>	<b>294 234</b>
<b>Less: Current liabilities</b>			
Accounts payable	11	109 008	46 774
- Non-exchange		100 165	40 933
- Exchange		8 843	5 841
Provisions	12	1 081	957
		<b>110 089</b>	<b>47 731</b>
<b>TOTAL NET ASSETS</b>		<b>242 457</b>	<b>246 503</b>
<b>FUNDS CONTRIBUTED BY:</b>			
<b>Funds and reserves</b>			
Administration reserve		6 094	6 094
Discretionary reserve		236 363	240 409
<b>TOTAL NET FUNDS</b>		<b>242 457</b>	<b>246 503</b>

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2019**

	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 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>
Net deficit per statement of financial performance	-	-	-	(4 046)	(4 046)
Allocation of net accumulated deficit	5 975	11 581	(21 602)	4 046	-
Excess reserves transferred to discretionary reserve	(5 975)	(11 581)	17 556	-	-
<b>Balance at 31 March 2019</b>	<b>6 094</b>	<b>-</b>	<b>236 363</b>	<b>-</b>	<b>242 457</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

	Note	2018/19 R'000	2017/18 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Operating activities</b>			
Cash receipts from stakeholders		557 287	509 696
Levies, interest and penalties received		557 287	509 696
Cash paid to stakeholders, suppliers and employees		(515 202)	(546 788)
Grants and project payments		(456 430)	(481 656)
Compensation of employees		(38 107)	(34 947)
Payments to suppliers and other		(20 665)	(30 186)
Cash generated/ utilised in operations	13	42 085	(37 092)
Investment income	3	20 274	21 214
<b>Net cash inflow/(outflow) from operating activities</b>		<b>62 359</b>	<b>(15 878)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6 and 7	(1 175)	(1 559)
Proceeds from disposal of property, plant and equipment		38	-
<b>Net cash outflow from investing activities</b>		<b>(1 138)</b>	<b>(1 559)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>61 221</b>	<b>(17 437)</b>
<b>Cash and cash equivalents at beginning of year</b>	10	<b>286 024</b>	<b>303 462</b>
<b>Cash and cash equivalents at end of year</b>	10	<b>347 246</b>	<b>286 024</b>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	Approved budget	Actual	Favourable (unfavourable) variance	Approved budget	Actual	Favourable (unfavourable) variance
		2018/19	2018/19	2018/19	2017/18	2017/18	2017/18
		R'000	R'000	R'000	R'000	R'000	R'000
<b>NON EXCHANGE REVENUE</b>							
Skills Development Levy: income	20.1	522 256	550 922	28 666	499 288	501 735	2 447
Skills Development Levy: penalties and interest	20.2	12 786	6 773	(6 013)	10 276	8 161	(2 115)
Other income		-	3	3	-	-	-
Loss on disposal of assets	20.6	-	(13)	(13)	-	(51)	(51)
<b>EXCHANGE REVENUE</b>							
Investment income	20.3	20 943	20 274	(669)	19 946	21 214	1 268
<b>Total revenue</b>		<b>555 985</b>	<b>577 959</b>	<b>21 974</b>	<b>529 509</b>	<b>531 059</b>	<b>1 550</b>
<b>EXPENSES</b>							
Employer grant and project expenses	20.4	487 440	515 662	(28 222)	464 309	474 864	(10 555)
Administration expenses	20.5	68 546	66 343	2 203	65 201	61 023	4 178
<b>Total expenses</b>		<b>555 986</b>	<b>582 005</b>	<b>(26 019)</b>	<b>529 509</b>	<b>535 887</b>	<b>(6 378)</b>
<b>NET DEFICIT FOR THE YEAR</b>		<b>-</b>	<b>(4 046)</b>	<b>(4 046)</b>	<b>-</b>	<b>(4 828)</b>	<b>(4 828)</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 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.

		<b>Effective Date</b>
Related parties	GRAP 20	Not yet determined
Statutory Receivables	GRAP 108	Not yet determined
Accounting by Principals and Agents	GRAP 109	Not yet determined

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

#### 1.6.2 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 3 licence period of the SETA. 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 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 rands 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 are 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 is 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 however 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 comprises:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and project administration costs 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%
– Office furniture and fittings	10% p/a
– Office equipment	10% p/a

The depreciation charge is to depreciate the book value over 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 take 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,(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:

	2018/19	2017/18
	%	%
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 is 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 timeframes 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 CHIETA. The major classification of activities identified in budget information reflects 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 2019

	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>577 959</b>	<b>66 343</b>	<b>124 696</b>	<b>124 696</b>	<b>305 066</b>	<b>81 854</b>	<b>386 920</b>
Skills Development Levy income:							
Admin levy income	72 331	72 331	-	-	-	-	-
Grant levy income	478 591	-	136 277	136 277	260 460	81 854	342 314
Skills Development Levy: penalties and interest	6 773	-	-	-	6 773	-	6 773
Investment income	20 274	-	-	-	20 274	-	20 274
Other income	3	-	-	-	3	-	3
Loss on disposal of assets	(13)	(13)	-	-	-	-	-
Transfer to discretionary reserve	-	(5 975)	(11 581)	(11 581)	17 556	-	17 556
<b>Total expenses</b>	<b>582 005</b>	<b>66 343</b>	<b>124 696</b>	<b>124 696</b>	<b>309 112</b>	<b>81 854</b>	<b>390 966</b>
Administration expenses	66 343	66 343	-	-	-	-	-
Employer grants and project expenses	515 662	-	124 696	124 696	309 112	81 854	390 966
<b>Net surplus per statement of financial performance allocated</b>	<b>(4 046)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4 046)</b>	<b>-</b>	<b>(4 046)</b>

**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	-	-	-	-	-
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>

## 2. SKILLS DEVELOPMENT LEVY INCOME

	Note	2018/19 R'000	2017/18 R'000
The total levy income per the Income Statement is as follows:			
Levy income: Administration		<b>72 331</b>	<b>65 857</b>
Skills development levies transferred from Department of Higher Education and Training		72 208	65 628
Skills development levies received from government departments		73	69
Interseta transfers in		50	160
Levy income: Employer Grants		<b>136 277</b>	<b>125 153</b>
Skills development levies transferred from Department of Higher Education and Training		136 043	124 717
Skills development levies received from government departments		139	131
Interseta transfers in		95	305
Levy income: Discretionary Grants		<b>342 315</b>	<b>310 726</b>
Skills development levies transferred from Department of Higher Education and Training		341 736	309 646
Skills development levies received from government departments		343	324
Interseta transfers in		235	755
		<b>550 922</b>	<b>501 735</b>
<b>3. INVESTMENT INCOME</b>			
Interest income - Bank deposits		<b>20 274</b>	<b>21 214</b>
		<b>20 274</b>	<b>21 214</b>
<b>4. EMPLOYER GRANT AND PROJECT EXPENSES</b>			
Mandatory grants		124 696	111 523
Disbursed		114 545	119 463
Movement in provisions and accruals		10 151	(7 939)
Discretionary grants		309 112	294 766
Disbursed		274 821	296 783
Movement in provisions and accruals		34 291	(2 017)
Project expenditure		81 854	68 575
Disbursed		68 009	64 759
Movement in provisions and accruals		13 845	3 816
		<b>515 662</b>	<b>474 864</b>
4.1 Discretionary grants expenditure consists of:	<b>15.1</b>		
Direct discretionary grant project costs		289 170	277 147
Direct project administration expenses		19 942	17 618
		<b>309 112</b>	<b>294 766</b>
4.2 Project expenditure consist of:	<b>15.2</b>		
Direct project costs		78 292	65 164
Direct project administration expenses		3 563	3 411
		<b>81 854</b>	<b>68 575</b>

## 5. ADMINISTRATION EXPENSES

	Note	2018/19 R'000	2017/18 R'000
Depreciation		824	584
Amortisation of intangibles		113	92
Operating lease rentals (minimum lease payments) - buildings		3 236	3 224
Maintenance, repairs and running costs - property and buildings		124	272
Utilities		986	929
Advertising, marketing and promotions, communication		1 003	797
Consultancy and service provider fees		2 177	1 645
Legal fees		666	686
Cost of employment	5.1	39 592	35 255
Travel and accommodation		2 587	2 899
Training and development		698	901
Remuneration to members of the Accounting Authority		1 805	1 520
Remuneration to members of the audit committee		630	572
Internal auditors remuneration		898	1 397
External auditor's remuneration - audit fees		2 384	2 331
IT maintenance and internet service (ISP)		731	739
Telephone and fax		756	575
Printing and stationery		1 186	1 266
Insurance costs		178	144
Workshop and meetings		631	465
Quality Council for Trades and Occupations (QCTO)		3 392	2 653
Postage and courier		431	-
Board and committee secretariat		356	-
Other		961	2 076
		<b>66 343</b>	<b>61 023</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	2018/19 R'000	2017/18 R'000
Salaries and wages		<b>34 093</b>	<b>30 185</b>
Basic salaries		27 678	24 974
Performance awards		4 612	3 406
Temporary staff		403	726
Leave provision		1 401	1 079
Social contributions		<b>5 499</b>	<b>5 070</b>
Medical aid contributions		2 111	2 107
Provident fund contributions: defined contribution plans		3 062	2 630
UIF		326	333
		<b>39 592</b>	<b>35 255</b>
<b>Allocation of cost of employment</b>			
Administration expenses	5	<b>39 592</b>	<b>35 255</b>
Average number of employees		77	60

## 6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated depreciation	Closing carrying amount
	R'000	R'000	R'000
<b>Year ended 31 March 2019</b>			
Computer equipment	3 127	(2 208)	919
Office furniture and fittings	3 002	(1 799)	1 203
Office equipment	1 662	(1 039)	624
<b>Balance at end of period</b>	<b>7 792</b>	<b>(5 046)</b>	<b>2 746</b>
Made up as follows:			
Owned assets	7 792	(5 046)	2 746

	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

### Movement summary for the year ended 31 March 2019

	Carrying amount 2018	Additions	Disposals	Scrapped assets	Depreciation	Carrying amount 2019
	R'000	R'000	R'000	R'000	R'000	R'000
Computer equipment	1 120	429	(32)	(9)	(589)	919
Office furniture and fittings	776	582	-	(10)	(146)	1 203
Office equipment	680	34	-	-	(89)	625
<b>Balance at end of period</b>	<b>2 576</b>	<b>1 045</b>	<b>(32)</b>	<b>(18)</b>	<b>(824)</b>	<b>2 746</b>

### 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>

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

	Note	2018/19 R'000	2017/18 R'000
<b>Opening carrying value</b>		83	49
Cost/valuation		621	495
Accumulated amortisation		(538)	(446)
<b>Movements during the year</b>		17	34
Additions		130	126
Amortisation		(113)	(92)
<b>Closing carrying value</b>		99	83
Cost/valuation		685	621
Accumulated amortisation		(586)	(538)

## 8. PREPAYMENTS AND ADVANCES

<b>Prepayments and advances</b>			
Prepayments		-	3 490
<b>Closing balance</b>		-	<b>3 490</b>

## 9. ACCOUNTS RECEIVABLE

Intersecta debtors	Non-exchange	<b>18</b>	310	1 094
Deposits	Exchange		143	143
Trade receivables	Exchange		1 743	618
Employee receivable	Exchange		-	5
Employer receivable	Non-exchange		191	116
			<b>2 388</b>	<b>1 977</b>

### Employer Receivable

Overpayments to employers - opening balance		116	-
Received during the year		(100)	-
Receivables - current year		175	243
Impairments		-	(127)
<b>Closing employer receivable</b>		<b>191</b>	<b>116</b>

### Effect of adjustments on affected employers

R175 814 (2017/18: R242 862) was recognised as a receivable relating to the overpayment to the employers in earlier periods, as a result of inaccurate information received from SARS, and is based on the amount of such grant over payments. An amount of RNil (2017/2018: R127 048) 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 have granted 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

	2018/19 R'000	2017/18 R'000
Cash at bank and on hand	<b>347 246</b>	<b>286 024</b>
Cash at bank	347 241	286 019
Cash on hand	5	5
<b>Cash and cash equivalents at end of year</b>	<b>347 246</b>	<b>286 024</b>

As required in Treasury Regulation 31.2, the National Treasury approved the banks where the CHIETA bank accounts are held. The weighted average interest rate on short-term bank deposits was 6.9% (2018: 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

		2018/19 R'000	2017/18 R'000
	<b>Note</b>	<b>100 165</b>	<b>40 933</b>
Skills development grants payable - mandatory	Non-exchange	10 153	2
Skills development grants payable - discretionary	Non-exchange	64 232	29 940
Skills development grants accrual - discretionary	Non-exchange	487	-
Project creditors	Non-exchange	24 823	10 978
Employer Payable	Non-exchange	471	13
<b>Sundry payables</b>		<b>8 843</b>	<b>5 841</b>
Other Accruals	Exchange	2 382	35
Employee leave and bonus pay accrual	Exchange	6 013	4 527
Trade payables	Exchange	448	1 278
		<b>109 008</b>	<b>46 774</b>

**11.1 Leave and Bonus pay accrual**

	Employee leave provision	Employee performance bonus accrual	2018/19 R'000	2017/18 R'000
Open carrying amount	1 121	3 406	4 527	4 219
Amounts utilised	(1 121)	(3 406)	(4 527)	(4 219)
Change in estimate	1 401	4 612	6 013	4 527
<b>Closing carrying amount</b>	<b>1 401</b>	<b>4 612</b>	<b>6 013</b>	<b>4 527</b>
Current	1 401	4 612	6 013	
<b>Total</b>	<b>1 401</b>	<b>4 612</b>	<b>6 013</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 employees who meet the qualifying criteria. The performance bonus is paid annually to employees who exceed their job performance requirements.

**12. PROVISIONS**

	Opening 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 2019:</b>				
Exempt employers provision	957	249	(126)	1 081

**Reconciliation of Provisions for the year ended 31 March 2018:**

Exempt employers provision	887	278	(208)	957
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An amount of R1 080 746 (2018 - R957 218) 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 the DHET and SETAS, 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

	2018/19 R'000	2017/18 R'000
Net deficit as per statement of financial performance	(4 046)	(4 828)
Adjusted for non-cash items:		
Depreciation	824	584
Amortisation	113	92
Increase/(decrease) in provisions:		
Relating to grants	124	70
Adjusted for items separately disclosed		
Investment income	(20 274)	(21 214)
Net Loss/Profit on disposal of assets	13	51
Adjusted for working capital changes:		
Increase in receivables	(394)	(265)
Increase/(decrease) in payables	62 234	(8 346)
Decrease/(increase) in prepayments and advances	3 490	(3 236)
<b>Cash generated/(utilised) in operations</b>	<b>42 085</b>	<b>(37 092)</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 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 R236 360 (R'000) available in the discretionary reserve for the year ended 31 March 2019, R202 185 (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 R32 897 (R'000) is committed to strategic sector projects. During the financial year an amount of R289 172 (R'000) was utilised on contractual deliverables in discretionary grant programmes and an amount of R78 290 (R'000) was utilised on strategic sector projects.

15. COMMITMENTS (continued)

15.1 Discretionary reserve (continued)

Discretionary grant programmes	Opening balance 1 April 2017 R'000	Approved by authority R'000	Discretionary grant project management R'000	Not yet contracted/ adjustments R'000	Utilised grants R'000	Approved by Accounting Authority R'000	Discretionary grant project management R'000	Not yet contracted/ adjustments R'000	Utilised grants R'000	Utilised discretionary grants project management R'000	Adjustments R'000	Closing balance 31 March 2019 R'000
NP Adult Basic Education and Training (ABET)	1 494	525	65	-	1 015	1 920	75	-	1 086	75	537	1 216
P Apprentice/artisan training and development	30 505	49 049	2 911	(700)	45 790	50 540	2 766	(765)	40 111	2 766	9 949	29 713
P Recognition of Prior Learning (RPL)	21 108	14 575	1 171	-	18 423	29 683	1 277	(200)	18 522	1 277	8 372	17 995
P TVET lecturer development	1 489	2 005	127	-	1 993	3 470	128	-	1 849	128	430	2 437
P Graduate development	28	-	-	-	-	19	-	-	-	-	19	-
P Bursaries	40 365	32 664	3 135	(30)	49 309	17 575	1 653	(28)	23 963	1 653	3 588	12 167
P Skills programmes	16 906	14 541	1 216	-	19 123	32 679	1 534	(246)	22 248	1 534	7 762	13 865
P Workplace experience/WIL	13 316	24 760	1 480	(36)	23 276	54 931	2 289	(4 019)	33 192	2 289	3 482	26 115
P Work placement/employment Creation	10 424	11 382	771	-	12 126	15 182	947	(442)	13 739	947	2 424	6 069
P Learnerships	91 016	109 912	6 730	(3 110)	105 873	180 345	9 273	(1 195)	134 462	9 273	37 201	92 609
P Other Occupationally directed programmes	368	-	14	-	221	147	-	-	-	-	147	-
	<b>227 019</b>	<b>259 411</b>	<b>17 618</b>	<b>(3 876)</b>	<b>277 147</b>	<b>386 325</b>	<b>19 942</b>	<b>(6 895)</b>	<b>289 172</b>	<b>19 942</b>	<b>73 910</b>	<b>202 185</b>

Legend  
NP: Non pivotal  
P: Pivotal

## 15. COMMITMENTS (continued)

### 15.2 Strategic sector projects

Projects	Opening balance 1 April 2017 R'000	Approved by Accounting Authority management R'000	Strategic project R'000	Adjustment to 2017/2018 budget R'000	Not yet contracted R'000	Utilised project management R'000	Utilised Strategic Projects R'000	Adjustments R'000	Opening balance 1 April 2018 R'000	Approved by accounting authority management R'000	Strategic project R'000	Adjustment to 2018/2019 budget R'000	Not yet contracted R'000	Utilised project management R'000	Utilised strategic projects R'000	Closing balance 31 March 2019 R'000
NP Chemical stakeholder support (SST and M/E)	-	14 000	-	3 000	-	3 768	-	1 587	-	8 250	-	1 587	-	9 837	-	-
NP World skills competition	-	2 310	-	57	-	722	-	-	-	2 950	-	-	-	2 072	-	485
NP Regional stakeholder support	-	2 000	-	-	-	393	-	160	-	2 000	-	-	-	2 109	-	-
P Apprenticeship/artisan development	-	7 000	214	-	-	1 083	214	-	3 569	-	174	-	-	2 517	1 052	-
P Public sector capacity	789	2 308	139	3 823	-	102	139	-	5 290	2 500	137	-	-	1 991	11	5 788
P Small business support	649	1 863	82	180	181	28	82	-	1 582	2 659	216	-	-	3 129	2	1 111
NP Small business support	24	-	-	-	-	24	-	-	-	-	-	-	-	-	-	-
P Bursary project (18.2 learners)	2 693	5 500	327	3 692	51	551	327	-	7 701	14 030	941	-	-	13 650	25	8 056
P CEO strategic projects	-	3 000	214	(418)	-	-	214	(489)	240	5 639	234	-	-	3 390	-	2 000
NP Career and vocational guidance/integrated marketing and relationship management	-	2 756	-	-	-	139	-	-	-	4 200	-	-	-	4 060	140	-
P SMME strategy /voucher project	-	5 500	456	-	-	485	456	-	24	-	2	-	-	24	-	-

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Projects	Opening balance 1 April 2017 R'000	Approved by Authority 2017 R'000	Strategic project management R'000	Adjustment to 2017/2018 budget R'000	Not yet contracted R'000	Utilised project management R'000	Utilised Strategic Projects R'000	Adjustments R'000	Opening balance 1 April 2018 R'000	Approved by authority management R'000	Strategic project management R'000	Adjustment to 2018/2019 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 2019 R'000
P Maths and science	1 330	4 000	419	125	-	419	419	-	865	3 680	255	-	2	255	3 696	170	677
P Rural and cooperatives development	522	2 800	154	-269	-	154	154	17	1 346	5 611	296	-	-	296	4 291	31	2 635
P AET programmes learners with disabilities	2 086	3 883	326	(177)	-	326	326	343	1 874	3 439	220	-	-	220	3 184	296	1 834
P Skills programmes	871	1 500	94	205	-	94	94	960	588	-	40	-	-	40	581	6	-
P Institutional and industry partnership	1 561	7 300	410	309	-	410	410	1 033	3 646	7 260	497	-	-	497	7 209	38	3 659
P ISOEs	565	-	13	-	-	13	13	-	425	-	-	-	-	-	75	500	-
P Strategic infrastructure skills development projects (SIPs)	201	-	16	-	-	16	16	31	0	4 130	121	(830)	550	121	1 761	-	989
P Trade union learning practitioner programme	1 282	1 500	115	-	335	115	115	193	990	1 800	135	-	-	135	1 951	22	818
P Programme 2 - research and skills planning	1 849	4 500	182	(1 881)	-	182	182	152	2 321	2 200	192	(160)	-	192	2 787	258	1 316
NP Programme 2 - research and skills planning	1 402	10 500	-	(4 286)	-	-	-	979	330	8 002	-	(268)	78	-	6 628	67	1 291
P TVET & WIL	2 599	3 000	250	(2 100)	-	250	250	400	360	-	24	-	-	24	342	18	-
NP Qualifications development	-	2 600	-	(57)	-	-	-	101	59	2 000	-	-	-	-	1 923	60	76
P Cooperatives, NGOs, CBOs, CBCs support	-	-	-	-	-	-	-	-	-	4 250	85	-	856	85	1 232	-	2 162
<b>Total</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>3 411</b>	<b>11 503</b>	<b>31 211</b>	<b>84 602</b>	<b>3 568</b>	<b>-</b>	<b>1 486</b>	<b>3 568</b>	<b>78 290</b>	<b>3 140</b>	<b>32 897</b>

Legend  
NP: Non pivotal  
P: Pivotal

### 15.3 Operating Leases

Minimum lease payments under operating leases recognised as an expense in the year

2018/19	2017/18
R'000	R'000
3 236	3 224

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Not later than one year

3 406

3 154

Later than one year and not later than five years

-

3 379

**3 406**

**6 533**

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 fruitless and wasteful expenditure were incurred during the year ended 31 March 2019 (2018 - R Nil)

### Irregular expenditure

Opening Balance

-

-

Irregular expenditure - current year

(26 019)

(6 378)

**Closing Balance**

**(26 019)**

**(6 378)**

### Details of irregular expenditure

During 2018/19 CHIETA exceeded its budget by an amount of R26 019 (R'000), 2017/18 (R6 378). This was due to the exceeding of the employer grants and projects budget in order to achieve and exceed on our service level agreement targets with the Department of Higher Education and Training and to achieve and exceed on the 95% disbursement targets required by the SETA grant regulations. The over expenditure against budget was funded from available discretionary reserves disclosed in the balance sheet and statement of changes in net assets.

## 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:

Year ended 31 March 2019	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>Assets</b>								
Cash	326 972	6,9%	20 274	6,9%	0,08	-	-	347 246
Accounts receivable	-	-	-	-	-	2 388	0,08	2 388
	<b>326 972</b>	<b>6,9%</b>	<b>20 274</b>	<b>6,9%</b>	<b>0,08</b>	<b>2 388</b>	<b>0,08</b>	<b>349 634</b>
<b>Liabilities</b>								
Accounts payable	-	-	-	-	-	109 008	0,04	109 008
	-	-	-	-	-	109 008	0,04	<b>109 008</b>

### Year ended 31 March 2018

Total financial assets	264 810	6,8%	21 214	6,8%	0,08	1 977	0,08	288 001
Total financial liabilities	-	-	-	-	-	46 774	0,04	46 774
	<b>264 810</b>	<b>6,8%</b>	<b>21 214</b>	<b>6,8%</b>	<b>0,08</b>	<b>48 751</b>	<b>0,06</b>	<b>334 775</b>

### Maturity Analyses

	2018/19 R'000	2017/18 R'000
<b>Accounts Payable</b>	<b>109 008</b>	<b>40 933</b>
Not later than one month	108 538	40 920
Later than three months	471	13
<b>Accounts Receivable</b>	<b>2 388</b>	<b>1 977</b>
Not later than one month	1 743	623
Later than one month and not later than three months	310	1 094
Later than three months	334	259

## **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 vs. 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		2017/18 R'000	
	Transfers in/ (out) during the year	Amount receivable/ (payable)	Transfers in/ (out) during the year	Amount receivable/ (payable)
<b>Receivables</b>	<b>70</b>	<b>310</b>	<b>126</b>	<b>1 094</b>
ETDP SETA	70	-	-	-
MERSETA	-	152	126	1 094
FASSET	-	112	-	-
Services SETA	-	39	-	-
Wholesale and Retail SETA	-	8	-	-
<b>Total</b>	<b>70</b>	<b>310</b>	<b>126</b>	<b>1 094</b>

Transactions with board member representative companies:

Constituency of Board Member	Transacting Company	Transaction type	2018/19 R'000		2017/18 R'000	
			Amount of the transaction	Amount receivable/ (payable)	Amount of the transaction	Amount receivable/ (payable)
<b>Payables</b>						
Explosives and fertilisers	Omnia	Discretionary grant	6 767	(1 237)	11 005	(7 404)
Base chemicals and petroleum	Sasol Limited	Discretionary grant	-	-	26 243	(13 201)
Government department/ Ministerial appointee	Department of Energy	Discretionary grant	1 830	(950)	949	(564)
Government department/ Ministerial appointee	Department of Energy	Strategic project	960	(576)	600	(240)
Glass	Consol	Discretionary grant	3 750	(1 487)	5 566	(2 151)
<b>Total</b>			<b>13 307</b>	<b>(4 250)</b>	<b>44 363</b>	<b>(23 560)</b>

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

2018/19 R'000	2017/18 R'000
67	84
-	-
<b>67</b>	<b>84</b>

## 20. COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2019

### 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 5% increase in SDL income for the financial year, and realised a 9.8% increment. The increase in the number of 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 3.2% below budget due to lower average cash holding during the 2018/19 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 2019

	2018/19				Total R'000
	Administration R'000	Mandatory R'000	Discretionary R'000	Unallocated R'000	
<b>REVENUE:</b>					
<b>NON EXCHANGE REVENUE</b>					
Skills Development Levy: income	72 331	136 277	342 315	-	550 922
Skills Development Levy: penalties and interest	-	-	6 773	-	6 773
Other income	-	-	3	-	3
Loss on disposal of assets	(13)	-	-	-	(13)
<b>EXCHANGE REVENUE</b>					
Investment income	-	-	20 274	-	20 274
<b>Total Segment Revenue</b>	<b>72 318</b>	<b>136 277</b>	<b>369 365</b>	<b>-</b>	<b>577 959</b>
<b>EXPENDITURE:</b>					
<b>EXPENSES</b>					
Discretionary grants and project expenditure	-	-	(390 966)	-	(390 966)
Mandatory and implementation grant	-	(124 696)	-	-	(124 696)
Employee compensation costs	(39 592)	-	-	-	(39 592)
Other administration expenses	(26 751)	-	-	-	(26 751)
<b>Total Segment Expenditure</b>	<b>(66 343)</b>	<b>(124 696)</b>	<b>(390 966)</b>	<b>-</b>	<b>(582 005)</b>
<b>Total Surplus/(Deficit)</b>	<b>5 975</b>	<b>11 581</b>	<b>(21 602)</b>	<b>-</b>	<b>(4 046)</b>

	2018/19				Total R'000
	Administration R'000	Mandatory R'000	Discretionary R'000	Unallocated R'000	
<b>Assets</b>					
Cash and cash equivalents	-	-	-	347 246	347 246
Accounts receivable	1 952	125	310	-	2 388
Inventories	67	-	-	-	67
Property, plant and equipment	2 746	-	-	-	2 746
Other intangible assets	99	-	-	-	99
<b>Total Assets</b>	<b>4 864</b>	<b>125</b>	<b>310</b>	<b>347 246</b>	<b>352 546</b>
<b>Liabilities</b>					
Accounts payable	8 843	10 623	89 055	-	108 521
Provisions	142	270	669	-	1 081
	<b>8 985</b>	<b>10 893</b>	<b>89 724</b>	<b>-</b>	<b>109 602</b>

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>

Signed on behalf of the Accounting Authority by:



**Chairperson of the Accounting Authority  
(Ms Mashila Matlala)**



**Chief Executive Officer  
(Mr Khathutshelo Ramukumba)**

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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.

Therefore events of a similar nature as considered material and significant but do not constitute material and significant will be managed “in-house” by the Accounting Authority in terms of formal enquiries and disciplinary processes defined by the human resources policies and procedures.

## 2. Legal Framework

In terms of Treasury Regulations, section 28.1.5, issued in terms of the Public Finance Management Act, Act No. 1 of 1999, 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 provide curriculums, 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. organised 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 organisation 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 organisation, 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

### 4.1 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.

### 4.2 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

### 5.1 Definition

A transaction is significant if conducting the transaction is vitally important to fulfil 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.

## 5.2 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; and the
- Annual report.

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



## ANNEXURE A

### TREASURY REGULATION 28.1.5

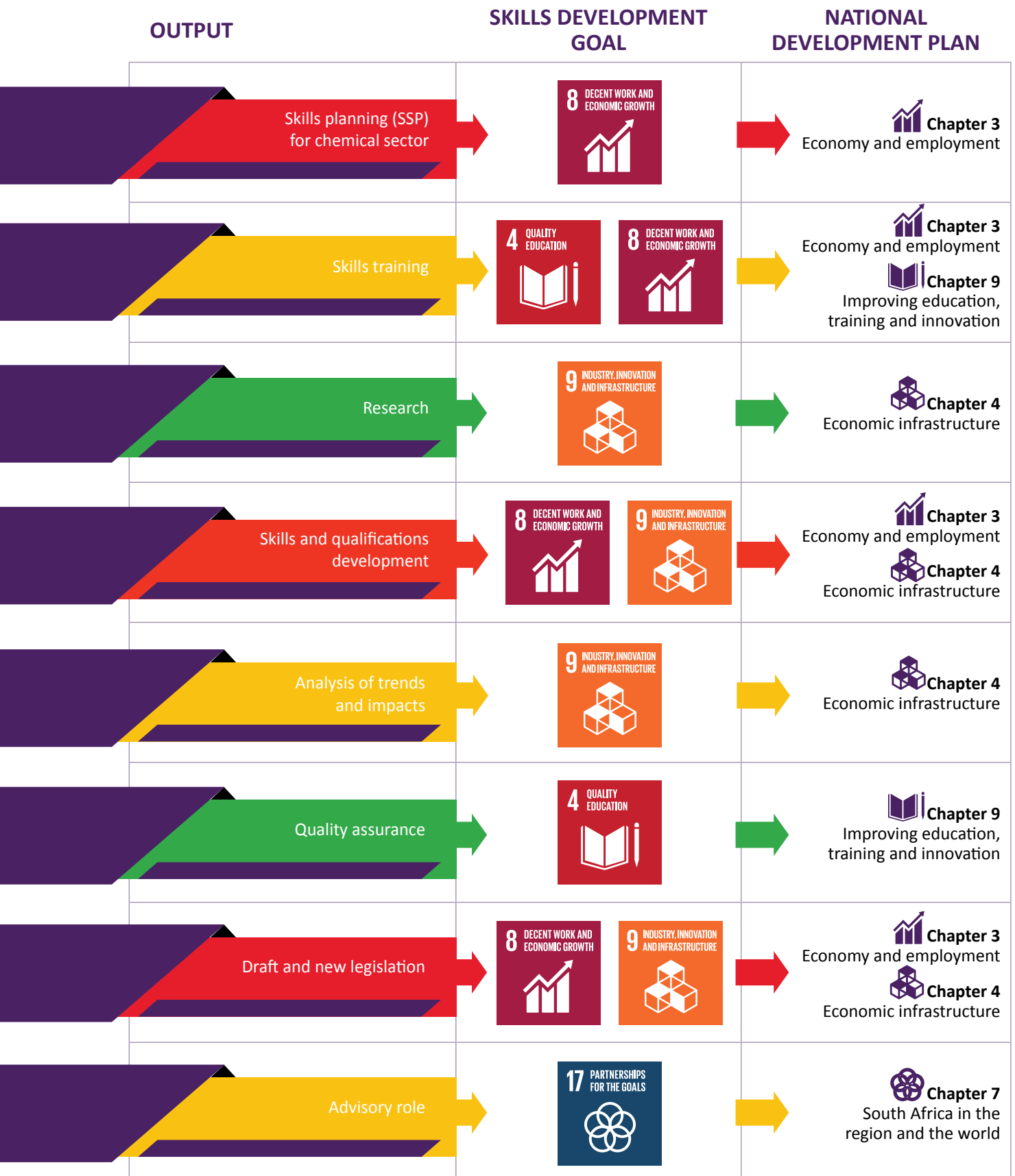
“For purposes of “material” [sections 50(1), 55(2) and 66(1) (c) of the Act] and “significant” [section 54(2) of the Act], the Accounting Authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority in consultation with the external 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 inform the relevant treasury in writing of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction in the event of – (a) the establishment or participation in the establishment of a company; (b) participation in a significant partnership, trust, unincorporated joint venture or similar arrangement; (c) acquisition or disposal of a significant shareholding in a company; (d) acquisition or disposal of a significant asset; (e) commencement or cessation of a significant business activity; and (f) 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

## CHIETA'S VALUE CREATING BUSINESS MODEL

CHIETA adds value to the chemical industry in South Africa and thereby the country's economy through partnerships with stakeholders, skills development interventions, capacitating occupational groups, research and development and sector skills plan.



## NOTES



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