



ANNUAL REPORT 2019 - 2020



higher education
& training
Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



Public Service Sector Education & Training Authority

**TO BE THE HEART OF DEVELOPING A SKILLED, CAPABLE AND
INNOVATIVE PUBLIC SECTOR WORKFORCE**





ANNUAL REPORT 2019 - 2020

**To be the Heart of
Developing a Skilled,
Capable and Innovative
Public Sector Workforce**



CONTENTS

PART A: GENERAL INFORMATION 6

1. PSETA Information.....	7
2. Abbreviations and Acronyms.....	8
3. Acknowledgements.....	9
4. Foreword by the Chairperson of the Accounting Authority	10
5. Chief Executive Officer's Overview	12
6. Statement of Responsibility and Confirmation of Accuracy for the Annual Report	14
7. Strategic Overview	15
8. Legislative and other Mandates	15
9. Organisational Structure	19

PART B: PERFORMANCE INFORMATION..... 20

1. Situational Analysis.....	21
2. Programme Performance.....	24
3. Revenue Collection.....	30
4. Capital Investment	31

PART C: GOVERNANCE..... 32

1. Introduction	34
2. Portfolio Committees.....	34
3. The Executive Authority.....	34
4. The Accounting Authority.....	34
5. Risk Management.....	41
6. Internal Controls.....	41
7. Internal Audit and Audit Committee.....	41
8. Compliance with Laws and Regulations	42
9. Fraud and Corruption.....	42
10. Minimising Conflict of Interest	42
11. Code of Conduct.....	42
12. Health, Safety and Environmental Issues	42
13. Board Secretary	42
14. Social Responsibility	42
15. Audit Committee Report.....	44

PART D: HUMAN RESOURCE MANAGEMENT 46

1. Introduction	47
2. Human Resource Statistics.....	48

PART E: FINANCIAL INFORMATION 52

1. Auditor-General's Report.....	53
2. Financial Statements for the Year ended 31 March 2020	57



```
    } else {  
        return Double.getNumber() {  
            Scanner sc = new Scanner(System.in);
```

PART A: GENERAL INFORMATION

1. GENERAL INFORMATION

PSETA INFORMATION

Registered name of the public entity	Public Service Sector Education and Training Authority
ISBN number	978-0-621-48414-4
RP number	196/2020
Registered office address	Woodpecker Place Hillcrest Office Park 177 Dyer Street Hillcrest, 0083
Contact telephone numbers	+27 12 423 5700/5711
Email address	communications@pseta.org.za
Website address	www.pseta.org.za

EXTERNAL AUDITORS

Auditor-General South Africa

Physical address	300 Middel Street New Muckleneuk Pretoria South Africa
Postal address	Box 446 Pretoria 0001
Telephone	+27 12 426 8000
Fax	+27 12 426 8257

BANKERS INFORMATION

Bank	Address
ABSA	2 nd Floor Lourie Place Hillcrest Office Park 177 Dyer Street Hillcrest 0083
Nedbank	3rd Floor, Nedbank Park 6 Press Avenue Selby Ext 15 Johannesburg 2000

2. ABBREVIATIONS AND ACRONYMS

AA	Accounting Authority (the Board)
APP	Annual Performance Plan
AC	Audit Committee
AG	Auditor-General
AGSA	Auditor-General South Africa
APP	Annual Performance Plan
BAC	Bid Adjudication Committee
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
CSE	Corporate Services Executive
DG	Discretionary Grants
DHET	Department of Higher Education and Training
DPSA	Department of Public Service and Administration
ETQA	Education and Training Quality Assurance
EA	Executive Authority
EU	European Union
EXCO	Executive Committee
FY	Financial Year
GRAP	Generally Recognised Accounting Practice
GSC	Governance and Strategy Committee
G-SETA	Government Sector Education and Training Authorities
HR	Human Resources
HRM	Human Resource Management
ICT	Information and Communication Technology
KZN	KwaZulu-Natal
MoA	Memorandum of Agreement
MHESI	Minister of Higher Education, Science and Innovation
MIS	Management Information System
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NEHAWU	National Education Health and Allied Workers Union

NQF	National Qualifications Framework
NSA	National Skills Authority
NSF	National Skills Fund
NSG	National School of Government
NSDP	National Skills Development Plan
NT	National Treasury
OQFS	Occupational Qualification Sub-Framework
PFMA	Public Finance Management Act
PIVOTAL	Professional, Vocational, Technical and Academic Learning
POPCRU	Police and Prisons Civil Rights Union
PS	Public Service
PSA	Public Servants Association of South Africa
PSETA	Public Service Sector Education and Training Authority
QCTO	Quality Council for Trades and Occupations
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SDA	Skills Development Act
SETA	Sector Education and Training Authority
SIU	Special Investigating Unit
SD	Skills Development
SDF	Skills Development Facilitator
SDLA	Skills Development Levies Act
SITA	State Information Technology Agency
SOEs	State Owned Enterprises
SP	Strategic Plan
SSP	Sector Skills Plan
S&T	Subsistence and Travel
TID	Technical Indicator Descriptor
TVET	Technical and Vocational Education and Training
WIL	Work Integrated Learning
WSP	Workplace Skills Plan

3. ACKNOWLEDGEMENTS

The Accounting Authority (AA) of the Public Service Sector Education and Training Authority (PSETA) would like to express their appreciation to the Executive Authority, the Minister of Higher Education, Science and Innovation (MHESI), Honorable Dr. Blade Nzimande and the Deputy Minister, Honorable Buti Manamela for the leadership and unwavering support provided to PSETA and collaboration in implementing various skills development programmes.

The PSETA AA appreciates the budget allocation made and all levy paying organisations. The achievement of the PSETA's mandate would not be possible without the cooperation of the PSETA's key strategic partners.

PSETA remains committed to contributing positively to transform the Public Service into a training space and meeting the outcomes of the National Skills Development Plan 2030.



Mr Thulani Tshefuta

Accounting Authority Chairperson

Date: 30 September 2020



Ms Bontle Lerumo

Chief Executive Officer

Date: 30 September 2020



*Honourable Minister of Higher Education, Science & Innovation:
Dr Blade Nzimande*



*Honourable Deputy Minister of Higher Education, Science & Innovation:
Mr Buti Manamela*

4. FOREWORD BY THE CHAIRPERSON OF THE ACCOUNTING AUTHORITY



Mr Thulani Tshefuta
Accounting Authority Chairperson

Introduction

It is my honour and privilege to present on behalf of the Accounting Authority (AA) the Annual Report of the Public Service Sector Education and Training Authority (PSETA) for the 2019/20 financial year. The oversight role played by the AA and its sub-committees in implementation of the Annual Performance Plan (APP) is much appreciated.

High Level Overview of the Entity's Strategy and Performance

PSETA implements the rolling five-year Strategic Plan (SP) through the APP which is developed annually and submitted for approval to the Minister of Higher Education, Science and Innovation (MHESI) and tabling in Parliament. The achievements contained in this Annual Report for the 2019/20 financial year reflect 81% performance. Out of 27 performance targets, 22 have been achieved and the detailed achievements are contained in the next section of this report.

Service Level Agreement

In terms of Section 10 of the Skills Development Act, 1998 as amended, Sector Education and Training Authorities (SETAs) are required on an annual basis to enter into a Service Level Agreement (SLA) with the Director-General (DG) of the Department of Higher Education and Training (DHET) stating how the SETA will contribute towards the achievement of the National Skills Development Strategy (NSDS). In the year under review, the PSETA had 23 SLA targets and achieved 20, representing an 87% achievement compared to 86% in the previous year.

Strategic Relationships

PSETA continued to engage its strategic partners at national and provincial spheres who are key in championing and coordinating specific competencies within the public-sector. This also includes Parliament, Provincial Legislatures, Public Entities, Higher Education Institutions (HEIs), Technical and Vocational Education and Training (TVET) Colleges, Quality Assurance Bodies and skills development providers. These partners played an important role in contributing towards the implementation of the priority skills development interventions contained in the Sector Skills Plan (SSP).

Challenges

Through its research and assessment of the Human Resource and Workplace Skills Plans of the sector, the PSETA has identified an increasing number of projects that need to be undertaken to make a significant impact in the sector. Unfortunately, the budget available is not sufficient to achieve the intended impact.

Additionally, these budget constraints have been aggravated by the increasing number of entities that are no longer contributing towards their monthly skills development levies (SDLs).

This will require the DHET to support the PSETA to obtain a share of the training budgets that are allocated by the National and Provincial departments, or receive an increase in the current Vote that the PSETA is allocated from the National Treasury.

Medium to Long Term Goals of the Entity

PSETA's continues to plan for the future in line with the National Skills Development Plan (NSDP) 2030 and



the SETA licensing period which has been extended to 31 March 2030. Future planning is based on both the Government’s Medium-Term Strategic Framework (MTSF) for 2020/2025 and the NSDP 2030.

Furthermore, the Department of Planning, Monitoring and Evaluation’s (DPME) revised Framework for the SP and APP has guided the entity in its endeavours to finalise the SETA’s SP. This will prepare the SETA for the new planning horizon of 2021/2025 as well as the APP and SLA for 2020/21 in alignment to the NSDP.

Appreciation/Acknowledgements

The AA of PSETA would like to express their appreciation to the Executive Authority, the Minister of Higher Education, Science and Innovation (MHESI), Dr. Blade Nzimande and the Deputy Minister, Buti Manamela for the leadership and unwavering support provided to the PSETA in implementing the skills development programmes.

On behalf of the AA of PSETA, I would like to thank the previous chairperson, Adv Mushwana and previous

members of the AA for their commitment and dedication in exercising their oversight roles.

I further acknowledge and thank the Chief Executive Officer (CEO), management and staff for the dedication demonstrated in ensuring that the PSETA achieves its legislative mandate.

Conclusion

Finally, I wish to thank all PSETA stakeholders, partners and the beneficiaries of its learning programmes for their support, and look forward to working with them in our endeavours to positively contribute towards the realisation of one of the NDP goals which is to professionalise the Public Service.

Mr Thulani Tshefuta

Accounting Authority Chairperson

Date: 30 September 2020

“The achievements contained in this Annual Report for the 2019/20 financial year reflect 81% performance. Out of 27 performance targets, 22 have been achieved and the detailed achievements are contained in the next section of this report.”

5. CHIEF EXECUTIVE OFFICER'S OVERVIEW



Ms Bontle Lerumo
Chief Executive Officer

General Financial Overview

PSETA's annual revenue grew by 3% to R130 million (R126 million in 2018/19). The increase in revenue is largely attributed to the increase in investment income. In the 2020/21 financial year the revenue forecasts for the monthly levies have been revised downwards. This is due to the increased number of entities that are no longer contributing levies or have requested a transfer to their line SETA.

PSETA's expenditure increased by 6% to R132 million (R124 million in 2018/19) due to a slight increase in operational expenditure spending. The increase can be mainly attributed to the first-time implementation of benefits to PSETA staff. PSETA will remain solvent for the foreseeable future with a healthy cash balance. The most significant liabilities of PSETA are trade and Discretionary Grant payables which will be settled in the next twelve (12) months.

Revenue Items R'000	2019/20	2018/19	2017/18
Government Grant	112 304	106 425	103 760
Levies	8 032	10 878	10 076
Investment Income	9 237	8 511	2 762

Spending Trends

PSETA closed the 2019/20 financial year with R91 million in Discretionary Grant commitments and R27 million in administration commitments. The consistency in disbursement of Discretionary Grant funding is attributed to the stability in the finance unit and efficiencies within the learning programmes department which resulted in timeous settlement of outstanding invoices.

Expenditure type R'000	2019/20	2018/19	2017/18
Discretionary Grants	71 021	65 547	23 233
Administration	60 345	58 625	51 752

Capacity Constraints and Challenges

In the year under review, delays were experienced in the advertisement of the Discretionary Grants (DG). The process had to be re-started at the end of the first quarter of the year due to identified policy issues. This had an impact on the implementation of the DG projects which was mitigated through leveraging existing partnerships with Provincial and National stakeholders to ensure implementation within the required timelines.

Management has resolved to further review organisational business processes to improve the efficiency of the organisation.

The limited budgetary constraints continue to be a challenge as it impacts on PSETA's ability to contribute towards a capable and skilled workforce. PSETA intends to take up the discussions on its funding model with the relevant stakeholders in order to establish a more sustainable approach.

Discontinued Activities / or to be Discontinued

PSETA did not discontinue any activities in the 2019/20 financial year.

Proposed Activities

The PSETA strategy, aligned to the NSDP, over next five-year period from 2020/21-2024/25, has repositioned PSETA as an organisation that seeks to aggressively claim

its place as a driver of skills development for the Public Service Sector.

PSETA's revised vision is "to be the heart of developing a skilled, capable and innovative Public sector workforce". Through this revised strategy, PSETA acknowledges that more work needs to be done to better service Public Service stakeholders in a variety of areas such as: focused and integrated stakeholder management; increased research output for the sector; and diversified learning programme provisioning.

In order to support this new strategy, PSETA assessed its organisational capabilities and structure. A reorganised structure will be implemented in the 2020/21 financial year to enable the organisation to deliver on this strategy. Further, for the 2020/21 financial year, focus will be on expanding PSETA's presence across the country. This renewed focus includes the regionalisation of its operations by clustering provinces to allow for a phased in approach and sufficient time for the organisation to resource its expansion.

Regionalisation will allow for PSETA to establish a more focussed presence and delivery of skills development interventions aligned to provincial needs. PSETA will continue to work closely with the provincial administrations in each province.

PSETA has, towards the end of the financial year, embarked on a process of streamlining its business processes through a Business Process Reengineering (BPR). This change will see the organisation making a paradigm shift that will result in effective governance, efficient performance, and targeted development outcomes for Public Sector and transparent accountability mechanisms as follows:

- Shift from a function-oriented work performance to a service-oriented performance;
- Shift from output-based assessment to well defined outcome-based assessments; and
- Shift from an ad-hoc piecemeal view of performance and information to an integrated Data-driven view.

Request for Roll Over of Funds

The request for a roll-over of the 2018/19 financial year surplus of R31.7 million was granted in the current financial year and subsequently included in the revised budget. The request for roll over of funds for the

2019/20 financial year amounts to R123.855 million. Notwithstanding the surplus calculated above, PSETA has commitments at year end due to contracts with several service providers which resulted in the surplus after commitments equal to R5.806 million for the 2019/2020 financial year.

Supply Chain Management

The Supply Chain Management (SCM) unit is fully functional, and controls are in place and constantly reviewed to ensure compliance with various legislative requirements. There were no unsolicited bids during the year.

Events after the Reporting Date

A new PSETA AA was appointed by the MHESI and took office from 01 April 2020.

After year end, the President of South Africa announced relief measures for companies due to the impact of the global COVID-19 pandemic. This included a four-month SDL payment holiday for all companies. The payment holiday has not impacted PSETA as most of the funding is received from a National Treasury Vote and not from the SDL.

Economic Viability

PSETA is in a financially sound position and continues to operate as a going concern.

Appreciation

I would like to extend my gratitude to the previous Chairperson of the AA, Advocate Mushwana and the AA Members for the leadership and guidance provided. Also, to Team PSETA for their continuous dedication towards the sector's skills development and transforming the Public Service into a training space.

I would also like to thank all the PSETA's stakeholders and the Director-General of the Department for Higher Education and Training for their continued support and cooperation.



Ms Bontle Lerumo

Chief Executive Officer

Date: 30 September 2020

6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

- All information and amounts disclosed in the Annual Report is consistent with the Annual Financial Statements audited by the Auditor-General.
- The Annual Report is complete, accurate and is free from any omissions.
- The Annual Report has been prepared in accordance with the guidelines as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.
- The AA has an oversight role in the preparation of the Annual Financial Statements by the Chief Financial Officer and his team and is assisted by both the Finance and Audit Committees who review these financial statements prior to submission to the AA, the National Treasury and the Department of Higher Education and Training.
- The AA has an oversight role in the establishment and implementation of a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements. The CEO and the management team, the internal auditors and the Audit Committee assisted the AA in accomplishing this task.
- The Auditor General South Africa (AGSA) has been engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the PSETA for the financial year ended 31 March 2020.



Mr Thulani Tshefuta

Accounting Authority Chairperson

Date: 30 September 2020



Ms Bontle Lerumo

Chief Executive Officer

Date: 30 September 2020

7. STRATEGIC OVERVIEW



VISION

PSETA's new vision is:
"To be the heart of developing a skilled, capable and innovative Public Sector workforce."



MISSION

PSETA's new mission is to develop a capable, ethical, developmental, skilled and innovative Public Service sector workforce through:

- Researching skills demand and supply in the sector;
- Facilitating the effective delivery of skills development interventions based on occupationally directed qualifications;
- Monitoring, evaluation and reporting of the implementation of education, training and skills development in the sector; and

A capable institution.



VALUES

The PSETA values are:
Honesty and integrity;
Accountability;
Service excellence; and
Fairness and transparency.

8. OUR MANDATE

As a public entity, PSETA is governed by a legal framework, which includes the Constitution of the Republic of South Africa, legislation and policies. This legal framework sets out PSETA's constitutional, legislative and policy mandate and adherence to the framework that are central to the operations of PSETA.

8.1 CONSTITUTIONAL MANDATE

PSETA's constitutional mandate is underpinned by section 29(1) (b) of the Constitution of the Republic of South Africa (Act 108 of 1996) which bestows upon all South African citizens the right to further education and training. This right must be provided by the State (including organs of State such as PSETA) within reasonable measures.

PSETA's constitutional mandate is also derived from the prescripts of section 195(1) of the Constitution, which urge public administration to be governed by the following values and principles:

(a) A high standard of professional ethics must be promoted and maintained.

- (b) Efficient, economic, and effective use of resources must be promoted.
- (c) Public administration must be development oriented.
- (d) Services must be provided impartially, fairly, equitably and without bias.
- (e) People's needs must be responded to, and the public must be encouraged to participate in policymaking.
- (f) Public administration must be accountable.
- (g) Transparency must be fostered by providing the public with timely, accessible, and accurate information.
- (h) Good human resource (HR) management and career development practices, to maximise human potential, must be cultivated.
- (i) Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation.

These Constitutional prescripts and values are the keystones of PSETA's mandate.

8.2 LEGISLATIVE MANDATE

A. Skills Development Act No 97 of 1998 as Amended

PSETA is established in terms of section 9 (1) and (2) of the Skills Development Act (No 97 of 1998 as amended). The Skills Development Act is the enabling legislation and guides PSETA's operations, as set out in section 10 of the Act.

Section 10 of the Act, prescribes the functions of SETAs, such as PSETA in particular, section 10 (1) states as follows:

10 (1) A SETA must, in accordance with any requirements that may be prescribed:

- (a) develop a SSP within the framework of the national skills development strategy;
- (b) implement its SSP plan by:
 - (i) establishing learning programmes;
 - (ii) approving workplace skills plans and annual training reports;
 - (iii) allocating grants in the prescribed manner and in accordance with any prescribed standards and criteria to employers, education and skills development providers and workers; and
 - (iv) monitoring education and skills development provision in the sector
- (c) promote learning programmes by:
 - (i) identifying workplaces for practical work experience;
 - (ii) supporting the development of learning materials;
 - (iii) improving the facilitation of learning; and
 - (iv) assisting in the conclusion of agreements for learning programmes, to the extent that it is required;
- (d) register agreements for learning programmes, to the extent that it is required;
- (e) perform any functions delegated to it by the QCTO in terms of section 26I;
- (f) when required to do so as contemplated in section 7(1) of the Skills Development Levies Act, (SDLA), collect the skills development levies, and disburse the levies, allocated to it in terms of sections 8(3) (b) and 9(b), in its sector;
- (g) liaise with the National Skills Authority (NSA) on:
 - (i) the national skills development policy;
 - (ii) the national skills development strategy; and
 - (iii) its SSP;

- (h) submit to the Director-General (of the Department of Higher Education and Training):
 - (i) any budgets, reports and financial statements on its income and expenditure that it is required to prepare in terms of the Public Finance Management Act; and
 - (ii) strategic plans and reports on the implementation of its service level agreement;
- (i) liaise with the provincial offices and labour centres of the Department and any education body established under any law regulating education in the Republic to improve information:
 - (i) about placement opportunities; and
 - (ii) between education and skills development providers and the labour market;
- (j) liaise with the skills development forums established in each province in such manner and on such issues as may be prescribed;
- (k) Subject to section 14, appoint staff necessary for the performance of its functions;
- (l) promote the national standard established in terms of section 30B;
- (m) liaise with the QCTO regarding occupational qualifications; and
- (n) perform any other duties imposed by this Act or the Skills Development Levies Act or consistent with the purposes of this Act.

B. Skills Development Levies Act, No. 9 of 1999, as Amended

The SDLA is another important legislation that impacts PSETA's operations. The main purpose of the SDLA is to regulate a compulsory levy scheme to fund education and training within the various sectors. The compulsory levy scheme seeks to fund the skills development initiative in the country. The intention is to encourage a planned and structured approach to learning, and to increase employment prospects for work seekers.

Section 3 of the SDLA compels employers to pay one percent (1%) of their monthly employee remuneration payroll to the South African Revenue Service (SARS) in the form of a levy. These levies are then collected by the relevant SETA which then distributes levies in their particular sector.

However, section 4(a) of the SDLA states as follows: The levy is not payable by -

- (a) any Public Service employer in the national or provincial sphere of government;

This provision impacts on PSETA as its sector encompasses the Public Services sector and therefore the number and resultant amount of levies PSETA collects is limited.

As a result, PSETA is largely funded through funds allocated through Vote 15, under one of the budget programmes of the DHET.

C. The Sector Education and Training Authorities Grant Regulations of 3 December 2012

The SETA Grant Regulations (2012 Grant Regulations) are also critical to PSETA's operations.

The main purpose of the 2012 Grant Regulations is to improve the focus, management, and effectiveness of a SETA's disbursement and allocation of grants to stakeholders for skills development within its sector.

Regulation 3 provides guidance on the manner in which a SETA must manage its finances, particularly funds received as levies in terms of the SDL Act. Regulations 3 (1) (2) and (6) state as follows:

- (1) Each SETA must, in compliance with the Public Finance Management Act (PFMA), establish banking accounts.
- (2) SETA must use all monies received in terms of the SDL Act to -
 - (a) administer the activities of the SETA;
 - (b) pay employers their Mandatory Grants;
 - (c) implement the SSP and APP as contemplated in the Treasury Regulations issued in terms of the PFMA, through the allocation of the Discretionary Grants.
- (3) A SETA is required to allocate 80% of its available Discretionary Grants within a financial year to PIVOTAL programmes that address scarce and critical skills in its sectors.

Regulation 4 provides guidance on the manner in which a SETA should allocate Mandatory Grants. These are grants that are allocated to employers that pay levies to the SETA and have submitted workplace skills plans (WSP) and annual training reports (ATR) to the SETA. Regulation 4 (4) states as follows:

- (4) 20% of the total levies paid by the employer in terms of section 3(1) as read with section 6 of the Skills Development Levies Act during each financial year will be paid to the employer who submits a WSP and ATR.

Regulation 6 deals with the allocation of Discretionary Grants by a SETA and prescribes a host of requirements to be met. Regulations 6(4) and (8) in particular state as follows:

- (4) A SETA must, on an annual basis and in accordance with any guidelines issued by the DHET, approve a Discretionary Grants Policy, specifying how the SETA Discretionary Grants will be allocated to meet sector needs as set out in the SSP.
- (8) The Discretionary Grants Policy must embrace the principles of transparency, openness, access and fairness.

These provisions are all crucial in providing guidance to PSETA when allocating Mandatory and Discretionary Grants to various stakeholders for skills development programmes, which fall within the SETA's sector.

D. National Qualifications Framework Act, No. 67 of 2008

The National Qualifications Framework (NQF) Act provides for the National Qualifications Framework. The NQF is a comprehensive system, approved by the MHESI, for the classification, registration and publication of articulated and quality-assured national qualifications and part-qualifications.

The objectives of the NQF, as set out in section 5(1) (2) of the NQF Act are as follows:

- (1) The objectives of the NQF are to-
 - (a) create a single integrated national framework for learning achievements;
 - (b) facilitate access to, and mobility and progression within, education, training and career paths;
 - (c) enhance the quality of education and training;
 - (d) accelerate the redress of past unfair discrimination in education, training and employment opportunities.
- (2) The objectives of the NQF are designed to contribute to the full personal development of each learner and the social and economic development of the nation at large.

PSETA employs the provisions of this Act to design training programmes, carry out quality assurance of various training programmes, assess learner achievement and accredit training providers, as per its delegated function from the QCTO.

E. Public Finance Management Act, No 1 of 1999

The PFMA is another critical legislation that impacts on PSETA's operations. PSETA is classified as a National Public Entity, under Schedule 3A of the PFMA and therefore compliance with the prescripts of the PFMA and the Treasury Regulations of 2005, is treated with the utmost importance.

The PFMA regulates financial management in all spheres of government and government institutions to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those governments; and to provide for matters connected therewith.

PSETA is governed by an AA, as per the prescripts of section 49 of the PFMA. The duties and functions of the PSETA AA are guided by the regulations of sections 50 and 51 of the PFMA and include the following:

(a) exercising the duty of utmost care to ensure reasonable protection of the assets and records of the public entity.

(b) act with fidelity, honesty, integrity and in the best interests of the public entity in managing the financial affairs of PSETA.

(c) ensuring that that public entity has and maintains effective, efficient, and transparent systems of financial and risk management and internal control.

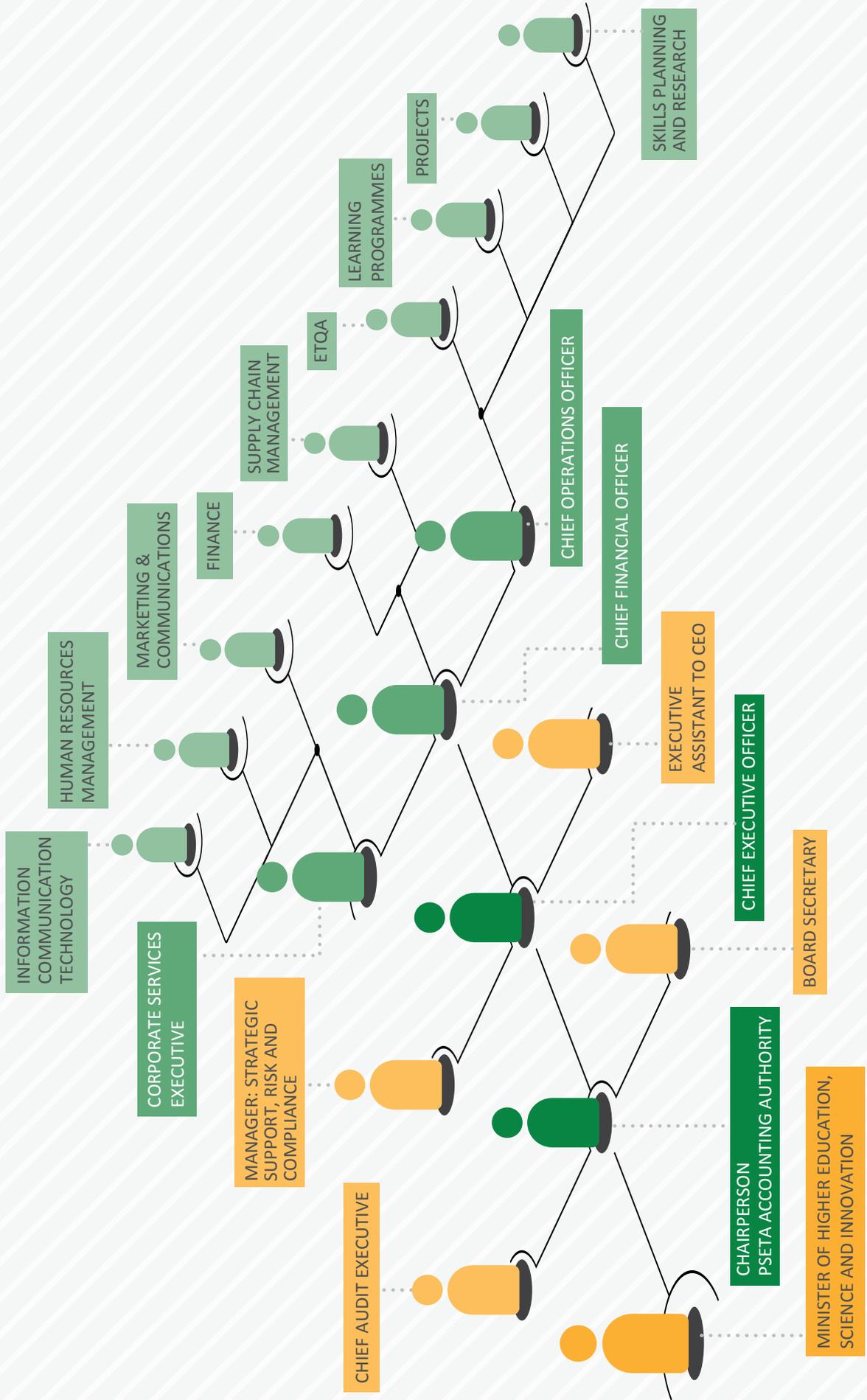
(d) a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77 and

(e) an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive, and cost-effective.

The prescripts of the PFMA, Treasury Regulations and the various practice notes and instructions issued by National Treasury are critical in guiding PSETA in its financial management and corporate governance functions



9. ORGANISATIONAL STRUCTURE





PART B: PERFORMANCE INFORMATION

1. SITUATIONAL ANALYSIS

1.1 Service Delivery Environment

The Public Service sector comprises predominantly large organisations with a significant contribution to the country's GDP. The economic conditions of the country impact the sector and have direct consequences on employment and training in the sector. The Public Service sector is highly legislated with a substantial number of role players that exist to ensure compliance and governance.

Due to the dynamics of the sector, the nature of demand and supply for labour and skills is shaped by a far more complex set of processes than in the private sector. Regional labour market dynamics intersect with policy and political priorities as dictated by the executive.

It is critical for PSETA to align the sectors' activities to the outlined national priorities. In particular, the NDP mandate which promotes the building of a "capable state", underpinned by "effectively coordinated state institutions with skilled public servants committed to the public good and capable of delivering consistently high-quality services".

Sector skills development is driven by new policy directions and priorities initiated by Government which may impact employment and the skills demand. The impact of the Fourth Industrial Revolution (4IR) and its consequent disruptions to the sector will be experienced in the organisation of the state, technology-enabled service delivery models and structure of operations. These all will have significant implications on the skill requirements for the future.

Finally, an important change driver is the increased focus on the capacity building of HR and HRD units in the Public Service, viewing it in a broader and holistic sense as an investment in human capital to meet the state's strategic agenda.

Given the spread of resources and efforts related to skills development in the sector, PSETA engages in a wide variety of partnerships with key stakeholders as well as the supply side providers to deliver on its mandate.

To support the development of the sector, the following are imperative to the successful implementation of PSETA projects:

- Inter-SETA partnerships;
- Partnerships with national departments leading in the

development of priority state capabilities and Offices of the Premier; and

- Partnerships with Technical and Vocational Education and Training (TVET) Colleges and HEIs.

PSETA partnerships have also extended into the international domain which includes the European Union (EU) enabling public entities with highly specialised skills to network with international counterparts.

The APP for the 2019/20 financial year was implemented through the four (4) programmes listed below:

- **Programme 1: Administration** which develops and implements corporate support strategies and systems that contribute towards the achievement of the organisational mandate;
- **Programme 2: Skills Planning and Research**, which coordinates the development of the SSP and conducts research studies relevant to the sector;
- **Programme 3: Learning Programmes and Projects** which are responsible for the implementation of the learning interventions as contained in the SSP; and
- **Programme 4: Education and Training Quality Assurance (ETQA)** which is responsible for the development of occupational qualifications and accreditation of skills development providers and programmes.

1.2 Performance Highlights

The following key achievements were recorded during the reporting period:

- PSETA achieved 22 out of 27 performance targets in the APP, representing an overall 81% achievement compared to 80% the previous year 2018/19.
- A total of 23 Annual SLA targets were applicable and planned for in 2019/20, Twenty (20) of which were achieved representing an 87% achievement compared to 86% for the 2018/19 financial year.
- PSETA entered into six (6) partnership agreements with TVET colleges, one (1) agreement with the Cape Peninsula University of Technology, eight (8) MoAs with employers within the Public Service Sector, eight (8) MoAs with Skills Development Providers and two (2) MoUs with key delivery entities such as the National Youth Development Agency (NYDA) and the Small Enterprise Development Agency (SEDA) to implement various skills development interventions that have been identified in the SSP.

- Based on research conducted in the preceding years, PSETA, in collaboration with the Department of Public Service and Administration (DPSA) has been focussing its efforts on support structures for Recognition of Prior Learning (RPL) implementation for the sector. This includes the training of RPL Advisors and building the capacity of skills development providers to implement RPL interventions. During the year under review, PSETA implemented a pilot RPL programme rolled out in specific provinces and targeted at Public Service employees who have the requisite work experience, however, do not have formal qualifications.
- PSETA, through a partnership arrangement with the North West Provincial Legislature, implemented a special rural development project in the North West province to train 50 unemployed learners as part of a learnership programme.
- PSETA experienced delays in the implementation of DG projects. In the past, funds were allocated to employers in the sector, who in turn had to follow their processes to appoint a training provider. The entity has managed to turn this around by appointing the SDPs and collaborating with National and Provincial Departments to not only identify the beneficiaries within their departments, but to also identify their skills needs. This was executed through a survey tool that employers had to complete and submit along with their WSP.
- This enables PSETA to identify programmes that need to be implemented. This process has also enabled the SETA to package relevant skills programmes addressing identified skills shortages. The streamlining of these processes has greatly improved the implementation of DG projects in comparison to the previous year.

Challenges encountered during programme implementation included the following:

- Though the year started with a full complement of all Executives in place, the COO (Chief Operating Officer) resigned before the end of the first quarter followed by CSE (Corporate Services Executive) in the final quarter of the financial year.
- In the year under review, delays were experienced in the advertisement of the Discretionary Grants (DG). The process had to be restarted at the end of the first quarter of the year due to identified policy issues which had an impact on the implementation of the projects. This was, however, mitigated through leveraging existing partnerships with provincial and national stakeholders to ensure implementation within the required timelines.
- PSETA implemented a pilot Recognition of Prior Learning (RPL) programme in Gauteng, Mpumalanga,

Eastern Cape and Free State provinces. The pending finalisation of an RPL Policy for the Public Service remains a challenge for broader implementation of RPL in the sector.

- Despite the focus on transversal skills, PSETA also facilitates apprenticeship programmes to address the need for qualified artisans in the country. However, challenges with the placement of artisans in the Public Service sector remain due to the lack of sector workplace training.
- The monitoring and reporting of skills development interventions and training implemented by the sector continued to pose a challenge which impacted comprehensive reporting. This is further compounded by the the varying reporting mechanisms regulating the Public Service sector.
- The uncertainty of the SETA landscape beyond March 2020 was resolved with the promulgation of the NSDP in July 2019. Further, an SLA between PSETA and QCTO for the continued implementation of the delegated functions has been concluded for a period of three years, creating some stability within the organisation.

1.3 Organisational Environment

The term of the previous AA led by Advocate Mushwana came to an end on 31 March 2020. The Minister appointed the new AA for a period of five years starting from 1 April 2020 to 31 March 2025. The CEO, Ms B. Lerumo was appointed on 1 February 2019. PSETA will also reorganise its organisational structure to ensure we respond to our mandate and the NSDP 2030.

PSETA continues to improve its operational systems, processes and people to enable it to execute its mandate despite the challenges faced in the Post-School Education and Training (PSET) Sector. A Business Process Re-engineering process, and the procurement of an ERP system was approved in March 2020 and will be finalised in the new financial year.

During the period under review, PSETA further embarked on an organisational capacity assessment to determine whether its systems, structures, functions and processes were aligned to the strategy as informed by the legislative mandate.

The abovementioned processes are at its final stage and implementation will be carried out in the new financial year.

The Ethics and Fraud Hotline was operational.

The long-standing investigation which included the appointment of the Special Investigation Unit (SIU) by

the AA with a Presidential Proclamation issued and that related to Discretionary Grants funding irregularities during the 2015/16 financial year has not been finalised. PSETA has received a draft report and awaits the final SIU report.

1.4 Key Policy Developments and Legislative Changes

The NSDP 2030 was gazetted on 7 March 2019 and issued for implementation with effect from 1 April 2020. In line with the gazetted NSDP and the new SETA landscape, as well as aligning operations with the newly revised Framework for SP and APP issued by DPME, PSETA developed a new five-year Strategic Plan. This plan is aligned to the long-term goals of the NDP Vision 2030, Medium Term Strategic Framework (MTSF) and the NSDP 2030.

PSETA also engaged the DHET during a one-on-one feedback session that culminated into the finalised SP and APP for the new planning horizon of 2020/21 to 2024/25, the MTEF as well as the APP and SLA in alignment with the NSDP 2030.

The SP requires PSETA to embrace new thinking, innovation and more streamlined roles to ensure the skills needs in the Public Service are met and results in the efficient delivery of training solutions. The focus will be on strategic partnerships to ensure that PSETA delivers on its mandate.

1.5 Strategic Outcome Orientated Goals

The PSETA's Five-Year Strategic Plan has four strategic outcome-oriented goals. In the period under review, the following progress was made towards the achievement of the goals;

Goal 1: Enhanced PSETA capabilities to lead the Public Service Sector skills development initiatives.

The following achievements were recorded:

- Improvement of PSETA's internal control environment by monitoring the review of policies and procedures as well as upskilling of staff;
- Organisational development exercises were undertaken to streamline the capacity of the SETA;
- ICT Strategy implementation was monitored as aligned to the DPSA framework on Corporate Governance of Information and Communication Technology (CGICT); and
- Ongoing risk management process practices improvement to sustain an upward trajectory of internal controls.

Goal 2: Improved institutional mechanism for skills planning.

The following achievements were recorded:

- The SSP was approved by the Minister and used to inform the 2020/21 SP update and the APP.
- A strategic project was undertaken in partnership with the DPSA to develop a Skills Audit Methodology Framework for the Public Service sector. PricewaterhouseCoopers was appointed to develop this framework.
- Three tracer studies were commissioned pertaining to the Apprenticeship, Learnership and Internship programmes which were implemented in the sector. In addition, a tracking and tracer monitoring framework and tool were developed for future tracking of learners.
- An assessment of the Public Administration qualifications and a curriculum review of the PSETA occupational qualification informing the Compulsory Induction Programme for the Public Service were undertaken. The result of these studies informs the PSETA qualifications curriculum.
- 35 capacity-building workshops were conducted to strengthen the sector's role and understanding of skills development and HR development processes.
- A research partnership with the Researching Education and Learning Centre (REAL) of the University of Witwatersrand (WITS) was concluded. The appointment of WITS as a PSETA Research partner for a three-year period seeks to improve and build on the research output of the PSETA.

Goal 3: Improved pool of skills available to and within the Public Service Sector.

The following achievements were recorded:

- PSETA has supported the sector through skills development funding to ensure that the skills levels of employees, as well as those of the unemployed, are improved. In the course of this financial year, PSETA has improved on its turnaround in terms of allocating DG funding which allowed our Skills Development Providers to begin training programmes well on time to meet the overall PSETA targets. Nineteen (19) agreements to the total value of R68 403 250.00 were entered into by PSETA and various stakeholders.
- PSETA implements special projects that are aimed at ensuring the participation of key stakeholders and designated groups within the sector. The purpose of these projects is to provide opportunities to meet the transformational imperatives and priorities of government like rural projects and projects for people with disabilities. PSETA in its previous year, 2018/19 allocated R16 271 250.00 for the training of three

hundred and fifteen (315) people who are living with disabilities.

- From the total of 315 learners, PSETA has in this financial year witnessed a total of 169 disabled beneficiaries successfully completing a National Certificate: Public Administration Learnership levels 3 and 4. Certification and graduation ceremonies of these beneficiaries were held in the Eastern Cape, Free State and Gauteng provinces.
- Worth highlighting is PSETA's partnership with the National Treasury for the implementation of the Accounting Technician Learnership at NQF Level 3 which benefited 200 unemployed learners in the Eastern Cape, Gauteng, Limpopo and the Western Cape provinces.
- PSETA, for the first time, funded the implementation of RPL programmes for the sector in Gauteng, Mpumalanga, Eastern Cape and Free State provinces.

The focus was to ensure Public Service officials obtain a Public Administration Level 5 qualification through the RPL programme.

Goal 4: Improved quality of skills into and within the Public Service Sector.

The following achievements were recorded:

- Accredited training providers were supported through monitoring and verification visits conducted throughout the year. Qualifying learners were certified and issued with Statements of Results.
- For the first time, three occupational qualifications (Public Service Administrator, General Manager: Public Service and Foreign Relations Administrator) were reviewed and submitted to the QCTO.
- A total of four MoUs were entered into with TVET colleges to support the Colleges to offer PSETA qualifications and Skills Programmes.

2. PERFORMANCE BY PROGRAMME

PROGRAMME 1: ADMINISTRATION

Strategic Outcome Oriented Goal 1: Enhanced PSETA capabilities to lead the Public Service Sector skills development initiatives.

1. ADMINISTRATION

1.1. PROGRAMME PURPOSE: To ensure the SETA has effective and efficient governance structures that lead, monitor and evaluate organisational performance, ensure prudent financial management, procurement of goods and services and reporting in compliance with relevant acts and regulations, and provide efficient and effective corporate service functions to internal departments within PSETA and external stakeholders by providing the following services: HR, ICT, improved communication, marketing and stakeholder engagements and auxiliary services.

1.1.1 Strategic Objective: To develop and implement corporate support strategies and systems that contribute towards the achievement of the organisational mandate.

1.1.2 Progress and Achievement: One out of three indicators were achieved (33% achievement).

Strategic Objectives	Performance Indicators	Baseline Information	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement	Comment on Deviations
PROGRAM 1. ADMINISTRATION 2019/20						
To develop and implement corporate support strategies and systems that contribute towards the achievement of the organisational mandate	Percentage Implementation of approved training plan as per submitted WSP	79%	100% Implementation of planned interventions	88.63%	11.37%	Target not achieved. Some planned interventions could not be implemented as the minimum number of participants for a class could not be met

Strategic Objectives	Performance Indicators	Baseline Information	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement	Comment on Deviations
PROGRAM 1. ADMINISTRATION 2019/20						
To develop and implement corporate support strategies and systems that contribute towards the achievement of the organisational mandate	Number of Career guidance advocacy sessions	32	32	34	+2	Target Exceeded as there were additional requests received for exhibitions from external stakeholders. This did not result in over- expenditure
	Percentage Implementation of approved ICT Plan	0%	100%	85%	-15%	Target not achieved. There were delays in the migration to Office 365 due to dependencies on an external service provider. They experienced delays in migrating data from the old platform into the new platform which was unplanned

1.1.3 Strategies to Overcome Areas of Under Performance: HR will verify the existence of the proposed programmes in the Personal Development Plans (PDPs) with the HEIs and providers and amend the training plan if a relevant programme has been discontinued. The training plan will be reviewed on a quarterly basis. The ICT target was achieved in April 2020.

1.1.4 Linking Performance with Budgets Administration: Underspensing due to the late implementation of the ERP project. However, the underutilised budget is committed at the end of the financial year. Furthermore, savings were realised under cost of employment as a result of vacancies experienced during the financial year.

	2018/19			2019/20		
	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
Programme 1	R'000	R'000	R'000	R'000	R'000	R'000
Total	47 458	42 449	5 009	64 382	41 469	22 913

PROGRAMME 2: SKILLS PLANNING AND RESEARCH

Strategic Outcome Oriented Goal 2: Improved institutional mechanism for skills planning.

2.1. PROGRAMME: SKILLS PLANNING AND RESEARCH: The purpose of this programme is to conduct and coordinate research to inform the strategic skills development priorities for the sector. This programme is made up of two organisational business units: Skills Planning and Research.

2.1.1 Strategic Objective: To coordinate and conduct sector research.

2.1.2 Strategic Objective: To improve stakeholder capacity for skills planning in the sector.

2.1.3 Progress and Achievement: All three performance indicators were achieved (100% Achievement).

Strategic Objectives	Performance Indicators	Baseline Information	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement	Comment on Deviations
PROGRAMME 2: SKILLS PANNING AND RESEARCH						
To coordinate and conduct sector research	Number of skills planning related research studies conducted	11	11	11	0	Target Achieved
To improve stakeholder capacity for skills planning in the sector	Number of organisation's WSPs approved by PSETA	Total = 156 Small = 8 Medium = 15 Large = 135	Total = 138 Small = 6 Medium = 10 Large = 122	Total = 165 Small = 14 Medium = 14 Large = 137	Total = +27 Small = +8 Medium = +14 Large = +15	Target exceeded, Departments with their core functions falling within the scope of other line function SETAs have been increasingly encouraged to submit WSPs to PSETA and were assisted with the dual reporting process
	Number of stakeholder skills planning capacity building exercises conducted	35	34	35	+1	Target exceeded; additional capacity building session held due to sector demand

2.1.4 Linking Performance with Budgets Skills Planning and Research: During the year under review, surplus funding was allocated to the Skills Planning and Research programme for further research in identified areas as part of the PSETA Research Agenda. Following this allocation, PSETA was able to appoint an HEI as a PSETA research partner over a three-year period. The funds allocated for this partnership were committed as of 31 March 2020, with the outputs of this research partnership to be realised over the next three-year period from the 2020/21 financial year.

	2018/19			2019/20		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Programme 2	R'000	R'000	R'000	R'000	R'000	R'000
Total	7 247	4 975	2 272	12 892	10 141	2 751

PROGRAMME 3: LEARNING PROGRAMMES AND PROJECTS

Strategic Outcome Oriented Goal 3: Improved pool of skills available to and within the Public Service Sector.

3.1. PROGRAMME: LEARNING PROGRAMMES AND PROJECTS: The purpose of the programme is to facilitate and manage the implementation of learning programmes for and within the Public Service sector.

3.1.1 Strategic Objective: To implement programmes that address skills identified in the SSP.

3.1.2 Progress and Achievement: 14 out of 17 performance indicators were achieved (82% Achievement).

Strategic Objectives	Performance Indicators	Baseline Information	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement	Comment on Deviations
PROGRAMME 3: LEARNING PROGRAMMES AND PROJECTS						
To implement programmes that address skills identified in the SSP	Number of Public Service employees entering learning programmes	375	L/Ship: 250	261	+11	Target exceeded due to a higher number of learners recruited by the Skills Development Providers. There were no additional cost implications leading to economies of scale in training
		600	SP: 1000	1 149	+149	Target exceeded due to increased demand for more learners and a higher number of learners recruited into the programme. There were no additional cost implications leading to economies of scale in training
		81	Burs: 130	132	+2	Target exceeded due to increased demand for more learners
		0	RPL 100	103	+3	Target exceeded due to increased demand for more learners. There were no additional cost implications
		45	L/Ship: 250	261	+11	Target exceeded due to learners from previous financial year's completing projects in the period under review
	Number of Public Service employees completing learning programmes	980	SP: 900	928	+28	Target exceeded due to the high pass rate of learners that entered into the programme
		30	Burs: 40	24	-16	Target not achieved due to learner attrition and high failure rate of learners

Strategic Objectives	Performance Indicators	Baseline Information	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement	Comment on Deviation
PROGRAMME 3: LEARNING PROGRAMMES AND PROJECTS						
To implement programmes that address skills identified in the SSP	Number of unemployed learners entering learning programmes	337	TVET WIL: 350	473	+123	The target was exceeded due to delays in the commencement of some WIL projects in the previous financial year resulting in the contract being carried over to the 2019/2020 financial year
		60	Artisan Development (AD) (Legacy Trades): 40	40	0	Target Achieved
		20	Artisan Dev (AD) (Occupational Qualification): 20	21	+1	Target exceeded due to one learner starting training later than anticipated from the prior year to the period under review
		-	Interns: 10	10	0	Target Achieved.
	Number of unemployed learners completing learning programmes	101	L/Ship: 250	369	+119	Target exceeded due to delays in the commencement of certain projects resulting in the contract being carried over from the previous year to the period under review
		18	TVET WIL: 240	344	+104	Target exceeded. Most completions are from the projects that were implemented in the previous financial year
		-	Burs: 120	91	-29	Target not achieved due to high failure rate of learners on the programme
		10	Artisans Dev: 10	3	-7	Target not achieved due to contract issues between the stakeholder and training provider which ultimately affected the completion of training
		-	Interns: 5	6	+1	Target exceeded due to one learner starting later than anticipated from the prior year to the period under review
	Number of capacity building sessions conducted to support implementation of learning programmes by the sector	50	30	66	+36	Target exceeded. A larger number of sessions were conducted with stakeholders due to the increased number of projects implemented in the year

3.1.3 Strategies to Overcome Areas of Under Performance: The Bursary and Artisan Development Programmes led to the underperformance for the period under review. The Artisan Development Programme was impacted by contractual issues between the stakeholder who was awarded the project and the appointed service provider, which ultimately affected the completion of training. This has since been resolved and the learners will be completing their training in the 2020/21 financial year. In order to address the completion of bursary programmes, the recruitment of beneficiaries will be improved to ensure that learners who are prepared and committed to undergo the training are selected and supported accordingly.

3.1.4 Linking Performance with Budgets Learning Programmes: The underspending is as a result of savings realised through the usage of pool vehicles instead of rentals.

	2018/19			2019/20		
	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
Programme 3	R'000	R'000	R'000	R'000	R'000	R'000
Total	5 290	4 754	536	71 717	71 409	308

3.1.5 Linking performance with budgets Projects

	2018/19			2019/20		
	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
Programme 3	R'000	R'000	R'000	R'000	R'000	R'000
Total	91 650	67 410	24 240	3 779	3 252	527

PROGRAMME 4: EDUCATION AND TRAINING QUALITY ASSURANCE

Strategic Outcome Oriented Goal 4: Improved quality of skills into and within the Public Service sector.

4.1. PROGRAMME: EDUCATION AND TRAINING QUALITY ASSURANCE: The purpose of the programme is to build provider capacity required to deliver priority skills for the sector, developing standards, accrediting providers, and quality assuring learning. ETQA undertakes the review of legacy qualifications, the development of new occupational qualifications and the capacitation of providers through advocacy workshops.

4.1.1 Strategic Objective: To develop and implement a system to ensure quality training provision

4.1.2 Strategic Objective: To develop occupationally based qualifications.

4.1.3 Progress and Achievement: All four (4) performance indicators were achieved (100% achievement).

Strategic Objectives	Performance Indicators	Baseline Information	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement	Comment on Deviations
PROGRAMME 4: EDUCATION AND TRAINING QUALITY ASSURANCE						
To develop and implement a system of quality assuring training provision	RPL advisors trained to facilitate implementation of Recognition of Prior Learning in the public sector. Number of MOUs entered	4	4	4	0	Target Achieved

Strategic Objectives	Performance Indicators	Baseline Information	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement	Comment on Deviations
PROGRAMME 4: EDUCATION AND TRAINING QUALITY ASSURANCE						
To develop and implement a system of quality assuring training provision.	Number of accredited providers monitored	73	75	75	0	Target Achieved
	SETA/TVET Colleges partnerships -Number of TVET colleges assisted to obtain accreditation with the PSETA	N/A	4	4	0	Target Achieved
To develop occupationally based qualifications	Number of qualifications developed and/or realigned and submitted to QCTO	0	2	3	+1	Target exceeded due to an additional qualification having been completed in the period under review

4.1.4 Linking Performance with Budgets: The under-expenditure is due to the delay in the appointment of a qualification development facilitator to develop two (2) new occupational qualifications.

	2018/19			2019/20		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Programme 4	R'000	R'000	R'000	R'000	R'000	R'000
Total	8 495	4 577	3 918	9 076	5 408	3 668

3. REVENUE COLLECTION

Sources of Revenue	2018/19			2019/20		
	Estimate	Actual Amounts Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Skills Development Levy: Income including interest and penalties (Public Entities)	7 910	10 878	(2 768)	8 309	8 032	277
Prior Year Surplus	38 300	-	38 300	31 670	-	31 670
Transfers from other government departments (National Treasury)	106 425	106 425	-	112 304	112 304	-
NSF Donations Income	-	-	-	-	-	-
NSF Realised Income	-	4	(4)	-	2	(2)
CIP	-	-	-	-	-	-
Investment Income	8 410	8 511	(101)	9 550	9 237	313

Sources of Revenue	2018/19			2019/20		
	Estimate	Actual Amounts Collected	(Over)/ Under Collection	Estimate	Actual Amounts Collected	(Over)/ Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Other Income	90	39	51	13	114	(101)
Total	161 135	125 857	35 278	161 846	129 689	32 157

4. CAPITAL INVESTMENT

Capital investment for the PSETA is limited to the procurement and enhancement of property, plant and equipment and intangible assets which are used for production of daily operations. These assets are recorded in the asset register and depreciated on a straight-line basis over its useful lives.

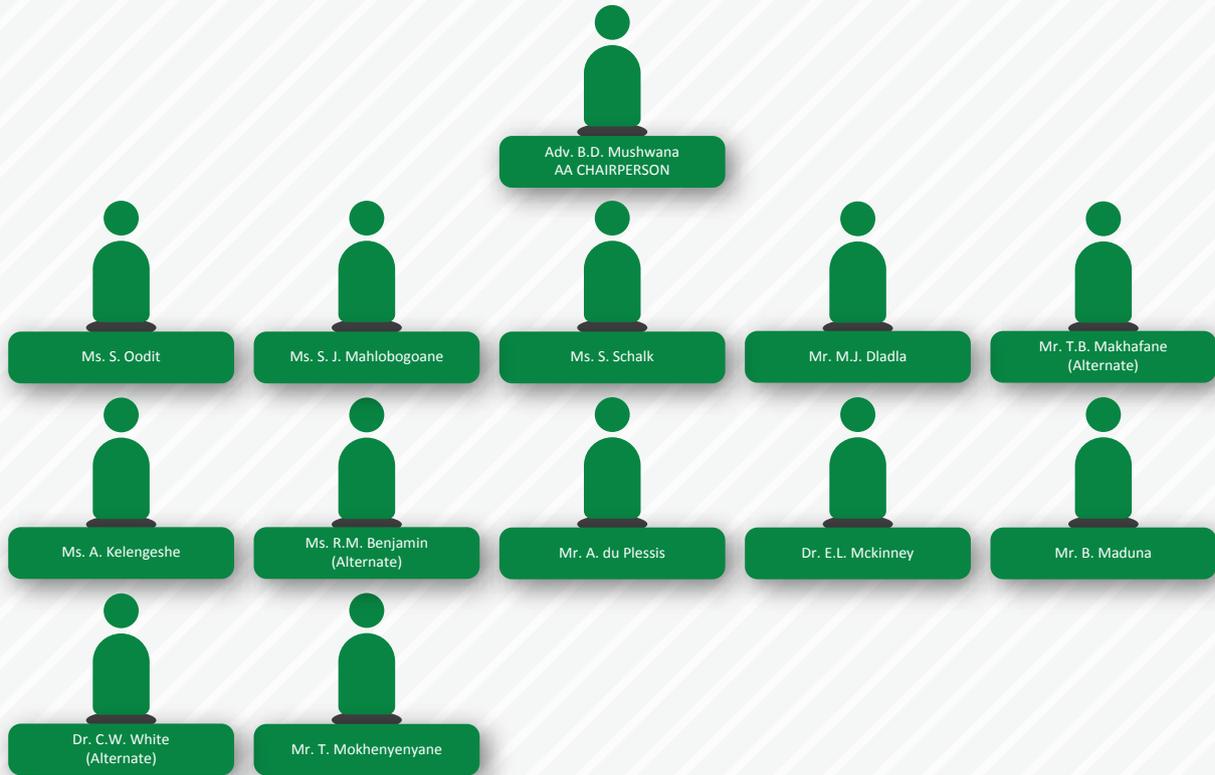
Infrastructure Projects	2018/19			2019/20		
	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Property, plant and equipment	642	941	(299)	660	1 135	(475)
Intangible assets	350	507	(157)	400	1 217	(817)
Total	992	1 448	(456)	1 060	2 352	(1 292)

A person is shown from the chest down, wearing a light-colored shirt, writing in a notebook with a pen. The scene is overlaid with a large, diagonal banner that is green on the left and orange on the right. The text 'PART C: GOVERNANCE' is written in white, bold, uppercase letters across the green portion of the banner. The background is a warm, yellowish-orange color with a grid pattern.

PART C: GOVERNANCE

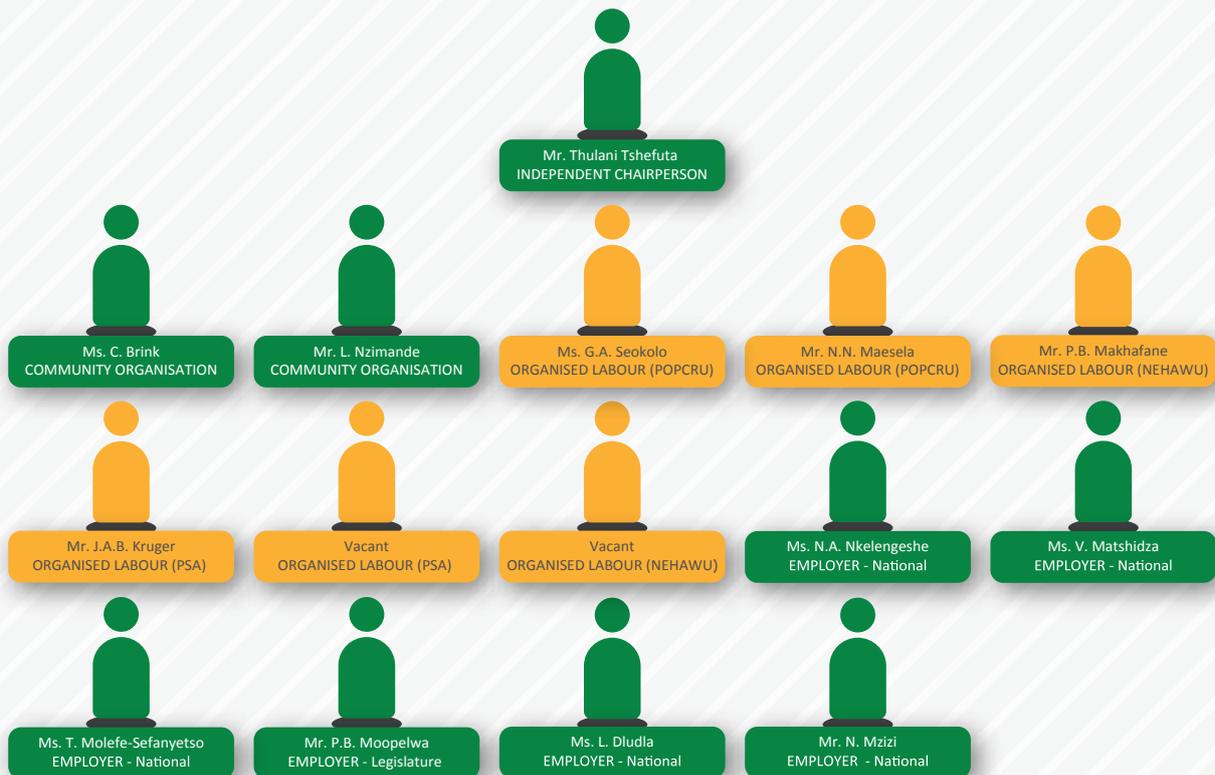
PSETA ACCOUNTING AUTHORITY

Effective until 31 March 2020



As at 01 April 2020

PSETA would like to welcome the new AA, its chairperson, Mr Thulani Tshefuta and members to the PSETA family. The AA plays a fundamental role in PSETA's strategic and operational imperatives.



1. INTRODUCTION

PSETA is a public entity established in terms of the SDA and classified as Schedule 3A in terms of the PFMA, 1999 (Act No.1 of 1999) as amended hereinafter called PFMA. The SETA reports to the MHESI and governed by the Standard Constitution which was determined by the Minister in terms of Regulation R1399. There are a number of statutory bodies that play an oversight role over PSETA's functioning.

2. PORTFOLIO COMMITTEES

The Portfolio Committee on Higher Education and Training exercises oversight over the SETAs, HEI and the Department, and may invite any SETA to from time to time provide information on its strategic and annual performance plans and annual report. PSETA has not appeared before the Portfolio Committee or any other Parliamentary Committee during the year under review.

3. EXECUTIVE AUTHORITY

The Executive Authority (EA) of the PSETA is the Minister of Higher Education, Science, and Innovation, who is responsible for appointment of AA members and determines their remuneration in accordance with the tariffs set by the Minister of Finance.

The entity is required by the DHET to submit, on an annual basis, a SSP and Strategic Plan and APP. It is also required in terms of the SDA to enter into an SLA with the DG of the DHET and agree on expected deliverables that contribute towards the fulfilment of Ministerial outcomes.

Quarterly reports detailing the performance against set targets are submitted to the Department as required in terms of the Treasury Instruction, Treasury Regulations, 2005. Further, PSETA also submits quarterly performance reports that are benchmarked against the SLA. The EA convenes meetings with SETA chairperson and CEO from time to time to discuss strategic policy imperatives requirements affecting the sector and the country. These engagements also present an opportunity for the leadership of the SETA to share the challenges that are encountered with the EA.

4. THE ACCOUNTING AUTHORITY

4.1 Introduction

PSETA's Constitution is the basis on which its AA is established. It provides oversight and governance over the entity. The AA comprises 15 members drawn from organised labour and employers, and one Ministerial appointee, who acts as the chairperson. The AA provides strategic leadership and guidance.

4.2 Role of the Accounting Authority

4.2.1 Powers and Functions

The functions and powers of the AA are outlined in the PSETA's Constitution as follows:

- Govern and manage PSETA in accordance with the PFMA, the SD Act and any other applicable legislation;
- Ensure that PSETA achieves the objectives contemplated in Item 5 and performs the functions contemplated in Item 6 of the Standard Constitution Regulations according to Government Gazette No. 35336, 11 May 2012;
- Provide effective leadership and ensure that PSETA implements the goals of the NSDS and the Performance Agreement with the Minister as the Executive Authority;
- Provide strategic direction for PSETA;
- Liaise with stakeholders';
- Manage Institutional Risk, ICT Governance and monitor law and regulations compliance;
- Monitor the performance of PSETA;
- Ensure that members of the AA and committees comply with the Code of Conduct set out in Annexure 2 of the Constitution;
- Conduct performance assessment of the Audit Committee and the AA; and
- Maintain integrity, responsibility, and accountability at all times.

4.2.2 AA Charter and Progress Made on Complying with the Charter

In the year under review, the AA has provided strategic direction and leadership by reviewing and approving various policies. This included the recommendations of budgets, strategic and APPs as well as monitoring the implementation thereof to the Minister.

The AA oversees the monitoring of policies, procedures, practices and systems to ensure the integrity of risk management, internal controls and compliance to laws and regulations in order to protect the organisation's assets and reputation.

4.3 Composition of the PSETA Accounting Authority

The PSETA AA consists of 15 Members nominated as follows:

CONSTITUENCY	ORGANISATION
Ministerial Appointee	AA Chairperson (1)
Organised Labour	NEHAWU (2) POPCRU (2) PSA (2)
Government Departments and Public Entities	National Departments (3) Provincial Departments (2) Legislature (1)
Other Stakeholders	Bargaining Council – GPSSBC (1) Disability Trust (1)

*Each constituency nominates a Main Member and Alternate Member.

4.4 Membership, Qualification and Expertise of the Accounting Authority members

Name	Designation	Qualifications	Area of Expertise	Directorships	Sub-Committees
Adv B.D Mushwana	Ministerial Appointee – Chairperson	Secondary Teacher’s Diploma; Burris Degree; LLB Degree; Certificate in Economics and Public Finance; Post Graduate Certificate in Corporate Law	Strategic Leadership and Management; Financial Management; Human Resource; Innovation; Stakeholder Management and Communications; Legal Services; Corporate Governance	None	Executive Committee
Ms S. Oodit	Ordinary Member - Category of Role Players	Masters in Labour Law	Strategic Planning; Labour Relations and Dispute Resolution; Policy Development; Financial Management	None	Finance Committee
Dr E.L McKinney	Ordinary Member – Category of Role Players	Diploma in Education; Further Education in Education; B.Ed. (Honours) Education Theory; Masters Degree in Education; Short Learning Programme and PhD	Employment Integration and Retention Support; Education Language Development Material	None	Governance & Strategy Committee
Mr M.M Shingange	Ordinary Member - Organised Labour	Matric	Labour Relations; Union Leadership	None	Governance & Strategy Committee
Mr T.L Mokheranyana	Ordinary Member - Organised Labour	Matric	Labour Relations; Union Leadership	None	Remuneration Committee Executive Committee
Ms S.J Mahlobogoane	Ordinary Member - Organised Labour	National Diploma: Public Administration	Public Administration; Labour Relations; Union Leadership	None	Remuneration Committee; Executive Committee

Name	Designation	Qualifications	Area of Expertise	Directorships	Sub Committees
Mr M.J Dladla	Ordinary Member - Organised Labour	Teachers Diploma Leadership Development Certificate	Correctional Services Education; Labour Relations; Union Leadership	None	Finance Committee Remuneration Committee
Dr G.T Esitang (Date Resigned June 2019)	Ordinary Member - Organised Labour	BA (Industrial Sociology and Politics Majors); Baccalaureus <i>Procurationis</i> (Law); Masters of Law and Doctor of Law	Labour Relations Union Leadership	None	Governance & Strategy Committee
Mr A. du Plessis	Ordinary Member - Organised Labour	BA degree; Advanced Diploma in Labour Law, M-Phil (Labour Law)	Labour Relations; Union Leadership; Financial Management; External Audit; Financial Consulting; System Development	None	Audit Committee Finance Committee
Ms A.N Kelengeshe	Ordinary Member - Organised Employer	Bachelor of Social Science, Public Affairs and Administration; Postgraduate Diploma in Law, Employment Law and Social Security; Certificate, Programme in Human Resource Management, Postgraduate Certificate, Management Advancement Programme; Certificate, Programme in Applied Organisational Development; Masters of Business Leadership (MBL); Certificate, Legislative Drafting	Human Resource Development, Organisational Development, Labour Relations; Union Leadership	None	Remuneration Committee
Ms Q. Delwa (Date Resigned September 2019)	Ordinary Member - Organised Employer	BA Honours. International Relations	Strategic leadership, governance and administration piloting and facilitating the replication and mainstreaming of innovation in the public sector.	None	Governance & Strategy Committee
Mr B. Maduna	Ordinary Member - Organised Employer	B. Com Honours CTA	Financial Management	None	Audit Committee Executive Committee

Name	Designation	Qualifications	Area of Expertise	Directorships	Sub Committees
Ms S. Schalk	Ordinary Member – Legislature	BA (Undergraduate Studies); Higher Diploma in Education; Bachelors of Education; Women in Management Development; Project Management Certificate; Strategic Thinking and Execution for Growth; Current-Masters in Public Administration	Governance; Strategy Management; Capacity Development; Other Management Skills; Financial Management; Human Capital Development and Management; Project Management	Wavelength 1173 CC	Governance & Strategy Committee: Chairperson Remuneration Committee
Ms M.G Tlaetsi	Ordinary Member – Organised Employer	University Diploma in Education; Bachelor of Arts Education; Bachelor of Education; Masters Diploma in Human Resource Management	Human Resource Development	None	Remuneration Committee Finance Committee

4.5 Meeting Attendance

Thirteen (13) meetings were held during the financial year.

4.5.1 Members of the Accounting Authority

Name	Designation	Date of Appointment	Date Resigned	Meetings Attended
Adv B.D Mushwana	Ministerial Appointee – Chairperson	01 April 2018	N/A	13
Ms S. Oodit	Ordinary Member – Category of Role Players	01 April 2018	N/A	12
Dr E.L McKinney	Ordinary Member – Category of Role Players	01 April 2018	N/A	7
Mr M.M Shingange	Ordinary Member – Organised Labour	01 April 2018	N/A	4
Mr T.L Mokheranyana	Ordinary Member – Organised Labour	01 April 2018	N/A	7
Ms S.J Mahlobogoane	Ordinary Member – Organised Labour	01 April 2018	N/A	13
Mr M.J Dladla	Ordinary Member – Organised Labour	01 April 2018	N/A	12
Dr G.T Esitang	Ordinary Member – Organised Labour	01 April 2018	June 2019	1
Mr A. du Plessis	Ordinary Member – Organised Labour	01 April 2018	N/A	10
Ms M. Makololo	Ordinary Member – Organised Employer	01 April 2018	12 September 2018	0
Ms A.N Kelengeshe	Ordinary Member – Organised Employer	30 November 2018	N/A	8
Ms Q. Delwa	Ordinary Member – Organised Employer	30 November 2018	September 2019	0
Mr B. Maduna	Ordinary Member – Organised Employer	01 April 2018	N/A	5
Ms S. Schalk	Ordinary Member – Organised Employer	01 April 2018	N/A	5
Ms P.D Gwala-Khumalo	Ordinary Member – Organised Employer	01 April 2018	13 March 2019	0
Ms M.G Tlaetsi	Ordinary Member – Organised Employer	01 April 2018	N/A	3

4.5.2 Alternate Members of the AA

The Alternate Members have been nominated by the Principal Members constituencies and awaiting the MHET approvals. The appointment of alternates was finalised in May 2019.

4.6 AA Committees

The AA utilises certain governance structures that are established in terms of its Constitution to assist in carrying out its roles and responsibilities. They are:

- The AA Executive Committee;
- The Audit Committee;
- The Governance and Strategy Committee;
- The Finance Committee;
- Remuneration Committee;
- Risk Management Committee; and
- ICT Steering Committee.

4.6.1 The Executive Committee

Name of Member	Meetings Held	Meetings Attended
Adv B.D Mushwana	10	10
Ms S.J Mahlobogoane	10	9
Mr T.L Mokheranyana	10	9
Ms P.D Gwala-Khumalo	10	0
Mr B. Maduna	10	7

4.6.2 The Audit Committee

Name of Member / Alternate	Meetings Held	Meetings Attended
Dr P. Dala	10	10
Ms N. Nyakaza	10	9
Mr Z. Myeza	10	6
Mr A. du Plessis	10	7
Mr B. Maduna	10	3

4.6.3 The Governance and Strategy Committee

Name of Member / Alternate	Meetings Held	Meetings Attended
Ms S. Schalk	4	4
Mr M. Shingange	4	4
Dr G.T Esitang	4	0
Dr E.L McKinney	4	4
Ms Q. Delwa	4	0

4.6.4 Finance Committee

Name of Member	Meetings Held	Meetings Attended
Ms S. Oodit	6	6
Mr M.J Dladla	6	6
Mr A. du Plessis	6	4
Ms P.D Gwala-Khumalo	6	0
Mr B. Maduna	6	5
Ms J. Meyer (Specialist)	6	0

4.6.5 Remuneration Committee

Name of Member	Meetings Held	Meetings Attended
Ms S.J Mahlobogoane	7	7
Mr T.L Mokheranyana	7	4
Mr M.J Dladla	7	7
Ms S. Schalk	7	0
Ms M.G Tlaetsi	7	5
Ms A.N Kelengeshe	7	4

4.6.6 Risk Management Committee

Name of Chairperson	Meetings Held	Meetings Attended
Mr R.G Nicholls	3	3

4.6.7 Information Communication Technology Steering Committee

Name of Chairperson	Meetings Held	Meetings Attended
Mr Mduduzi Zakwe	2	2

4.7 Remuneration of Members of the AA

The remuneration of the Members of the AA and Committees is in line with the circulars on the adjustment of the remuneration levels, service benefit packages for office bearers of certain statutory and other institutions issued by National Treasury on an annual basis. Subsequent to a directive from the Minister of Higher Education, Science and Innovation, the AA reached the decisions listed below:

- Members of the AA are remunerated at the Category S rate for all meetings attended as determined by the MHESI based on the National Treasury rates; and
- Members of the AA are reimbursed for all out-of-pocket-expenses including travel (According to SARS travel and subsistence guidelines).

NB: Meeting fees (preparatory and attendance) are paid as per the AA Remuneration Policy which is in line with the annual rates published by the National Treasury.

Accounting Authority Member Remuneration				
Name	Meeting Fees	Travel Expenses	Other Expenses	Total
	R'000	R'000	R'000	R'000
Mr B. Maduna	229	8	-	237
Ms A. Kelengeshe	16	-	-	16
Mr T.L Mokheranyana	65	3	-	68
Mr M.J Dladla	177	-	-	177
Ms S.J Mahlobogoane (Mkhize)	-	12	-	12
Dr E. McKinney	210	3	-	214
Mr M.M Shingange	9	-	-	9
Ms S. Oodit	-	8	-	8
Ms R. Benjamin	496	41	-	537
Mr A. du Plessis	210	3	-	214
Mr G.T Esiteng	9	-	-	9
Ms G. Tlaetsi	-	8	-	8
Adv D Mushwana	496	41	-	537

Accounting Authority Member Remuneration				
Name	Meeting Fees	Travel Expenses	Other Expenses	Total
	R'000	R'000	R'000	R'000
Ms Primrose Gwala Khumalo	-	-	-	-
Mr Jab Kruger	16	1	-	17
Mr P.B Makhafane	67	12	-	79
Mr M.S Moledi	83	3	-	86
Mr N. Maesela	42	8	-	50
Ms G.A Seokolo	46	12	-	58
Mrs P.B Zulu (Makhubedu)	47	1	-	48
Total	1 891	155	-	2 046

4.8 Remuneration of Members of the Audit Committee

The remuneration of the Members of the Audit Committee is in line with a circular issued (24 June 2014) and approved by National Treasury on the adjustment of the remuneration levels, service benefit packages for office bearers of certain statutory and other institution. Subsequent to a directive from the Minister of Higher Education, Science and Innovation, the AA reached the decisions listed below which were authorised by the Executive Authority:

- Members of the Audit Committee are remunerated at Category S rate for all meetings attended; and
- Members of the Audit Committee are reimbursed for all out-of-pocket-expenses including travel (According to SARS annual kilometre rates) and accommodation costs.

Importantly, meeting fees (preparatory and attendance) are paid as per the AA Remuneration Policy which is in line with the annual rates published by the National Treasury.

Audit and Risk Committee Remuneration				
Name	Meeting Fees	Travel Expenses	Other Expenses	Total
	R'000	R'000	R'000	R'000
Dr P. Dala (Chairperson)	209	4	-	213
Mr Z. Myeza	-	-	-	-
Ms N. Nyakaza	52	2	-	54
Mr R.G Nicholls - Chairperson of Risk Management Committee	40	2	-	42
Total	301	8	-	309

5. RISK MANAGEMENT

PSETA recognises that risk is dynamic and inherent in its internal and external operations setting and as a result, is committed to an optimal management of all risks associated with the performance of functions and delivery of services in order to achieve its vision, mission, objectives and strategic plans.

An enterprise risk management policy framework is in place to provide direction and guidance as PSETA moves towards an integrated and more mature approach to systematic risk management. This approach will ensure that all entity-wide risks that could affect people, business systems and processes, reputation, financial and performance are identified, assessed and appropriately mitigated to an acceptable level. It will also address the impact on both current and future opportunities.

The AA is responsible for all fiduciary duties of which risk management is one. To ensure that the function is effectively carried out, the Audit Committee has been tasked with its oversight. To this end, a dedicated Risk Management Committee, chaired independently, has been established.

PSETA has an approved risk management charter, strategy and policy framework, and risk plan which direct the risk management process from beginning to the end. Strategic and operational risk registers are in place which set out control procedures, risk responses, treatment and implementation action plans with responsibility and timelines identified for each risk.

The Risk Management Committee, made up of a senior management team meets every quarter to review identified and emerging risks, controls and action plans against performance,

The Risk Management Committee reports, on a quarterly basis, to the AA through the Audit Committee on all its activities, including business continuity, fraud and compliance.

6. INTERNAL CONTROLS

Internal control is the responsibility of the PSETA management and is a fundamental requirement in all areas of the operations. Each manager is responsible for identifying areas of weakness and putting mechanisms in place, such as standard operating procedures (SOPs) to strengthen the controls. Oversight is maintained through audit activities, the Risk Management Committee, the Audit Committee and various other governance structures which monitor the effectiveness of these internal controls.

Through the Risk Management function management identifies controls and mitigating action plans which are put in place to improve risk registers.

A Combined Assurance Model is applied to provide a coordinated approach to all assurance activities. The combined assurance model aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas affecting the entity.

Within PSETA there are several assurance providers that either directly or indirectly provide certain guarantees regarding the adequacy and effectiveness of the controls that mitigate the risks as identified during the risk assessment process described in point 5, above. Collectively, the activities of these assurance providers, each representing a line of assurance for the entity, are referred to as the Combined Assurance.

7. INTERNAL AUDIT AND AUDIT COMMITTEE

7.1. Internal Audit

PSETA has an Internal Audit Unit reporting functionally to the Audit Committee and operationally to the CEO. Internal Auditing is an independent, objective assurance and consulting activity that is designed to add value and improve an organisation's operations. It assists PSETA in meeting its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

During the period under review, the internal audit dedicated resources mainly to the Discretionary Grants process and the performance information process. This was as a result of the assessment of risk by governance structures. Other key highlights include audits of the follow up of HR findings that internal audit issued from 2016-2018/19 and the audit of the ETQA accreditation process.

The following audit projects were completed and executed in line with the Internal Audit operational plan:

- Audit of the annual 2018/19 Performance Information Report-Ref: 2019/20-01;
- Follow-up audit of Human Resources audit findings in the IA Matrix;
- Audit of Discretionary Grants Ref: 2019/20-04;
- Audit of quarter 1 performance information;
- Audit of Discretionary Grants (shortfall);
- Audit of Discretionary Grants 2020/21 ref 2019/20-11;

- Quarter 3 performance information;
- Review of Delegations of Authority; and
- Audit of the ETQA Accreditation process 2019/20-08.

As of 31 March 2020, the audits of the ETQA Accreditation process and Risk Assessment process were at reporting stage and execution stage respectively. Both audits were therefore carried into the 2020/21 financial year.

7.2. Audit Committee

The independent Audit Committee reports to the AA. The Audit Committee is responsible for:

- The effectiveness of internal audit and internal controls;
- Risk Management;
- The adequacy, reliability, accuracy and regularity of financial information provided to the AA;
- Any accounting and audit concerns;
- Legal and regulatory compliance; and
- ICT governance.

Information relating to the meeting attendance by members of the AC is contained in section 4.6.2.

8. COMPLIANCE WITH LAWS AND REGULATIONS

PSETA is a public entity tasked with a training mandate in the public sector and control of public funds. It is therefore obliged to act in compliance with public laws and regulations. The entity has controls in place to monitor compliance with applicable legislation. These are continuously applied by management who monitor the level of compliance and ensure that compliance is not compromised.

9. FRAUD AND CORRUPTION

PSETA has an approved and reviewed Fraud and Corruption Prevention Control Policy and Action Plan approved by the AA. A whistle-blower policy is in place with an Ethics and Fraud Hotline toll-free number, 0800 202 586 and email, pseta@behonest.co.za that can be used to report any suspicious incident by any person, both external and internal.

Fraud reported through the hotline number is reported to the Chairperson of the Audit Committee. The Chairperson of the Audit Committee reports all fraud related cases to the Audit Committee and these are included in the Audit Committee's report to the AA. Reported incidences of fraud and corruption are investigated. Procedures have been developed to ensure uniformity in reporting and investigating incidences of fraud and corruption.

10. MINIMISING CONFLICT OF INTEREST

SCM is a highly regulated area within PSETA. To minimise the risk of Conflict of Interest, a form for Declaration of Interest is circulated to members of Bid Committees before the commencement of meetings. To further enhance this process, management has acquired access into Companies and Intellectual Property Commission (CIPC)'s database to verify the directors of the companies that conduct business with the entity. This principle also applies to meetings of the AA, its committees and staff. A register of close family members of staff is annually updated and monitored by the HR Unit.

Auditors request the following for Computer Assisted Audit Techniques (CAATS) purposes annually:

- Details of all the employees and AA Members;
- A list of all suppliers that received payments in the current financial period; and
- A list of close family members, partners and associates of the members of the AA, management and SCM officials.

During the year under review, there were no cases of misconduct or negligence of duty from the AA Members that required removal from office or termination of membership.

11. CODE OF CONDUCT

PSETA's Code of Conduct, set out in its Constitution is applicable to the AA and committees. There is also a code of conduct for staff members. During the year under review, no cases of misconduct were reported.

12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

Health and Safety wardens have been appointed in terms of the internal governance framework and were trained in the financial year under review.

13. BOARD SECRETARY

The Board Secretariat function is performed internally and properly resourced. The roles and responsibilities of the Board Secretary are outlined in the SETA's Constitution. The Board Secretary reports functionally to the AA and operationally to the CEO.

14. SOCIAL RESPONSIBILITY

PSETA has over the years associated itself with two annual philanthropic events: the Cell C *Take a Girl Child to Work Day*; and Nelson Mandela Day.

Cell C Take a Girl Child to Work Day

Held annually in partnership with Cell C, PSETA hosted 12 learners on 30 May 2019 from Mothotlung High School, Brits in the North West province. The programme was expanded by Cell C to include girls from Grade 8 and 9.

The event provides learners with the opportunity to gain exposure to the workplace (for a day) and assists them in planning for their future careers. The young scholars were encouraged to believe in themselves and realise their dreams.

Nelson Mandela Day

To honour former President Nelson Mandela's legacy and make a difference, PSETA staff spent the day at Mothotlung High School in Brits, in the North West province.

The day also formed part of the initiative "HELP A LEARNER TO APPLY" aimed at assisting learners timeously apply at Higher Education institutions of their choice for the 2020 academic year.

The activities for the day included:

- Assisting matric learners to apply online to Higher Education institutions;
- Assisting the learners with creating e-mails to easily communicate with the HEIs; and
- Providing career guidance to learners in other grades.



"Education is the most powerful weapon which you can use to change the world." – Nelson Mandela

15. AUDIT COMMITTEE REPORT



Dr. P Dala
Chairperson PSETA Audit Committee

The Audit Committee is pleased to present its report for the financial year ended 31 March 2020.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Sections 51(1) (a) (ii), 76 (4) (d) and 77 of the Public Finance Management Act (PFMA) as well as Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter and has regulated its affairs in compliance with this Charter as well as discharged all its responsibilities as contained therein.

The Effectiveness of Internal Control

The Audit Committee's review of the findings identified by the internal and external auditors reveals that the control environment is generally adequate and effective. However, the Audit Committee has identified the following key areas of concern that should be addressed to further improve the overall adequacy and effectiveness of the control environment:

- Risk management (governance, risk assessment, risk monitoring and combined assurance);
- Compliance monitoring;
- ICT governance, project management and cyber security; and
- Supply chain management.

Internal Audit continues to provide assurance in terms of control, governance and risk management as per the approved risk-based audit plan. However, the inability to complete the approved risk-based audit plan together with an increase in ad-hoc audit engagements has necessitated the need to reposition and adequately resource the Internal Audit function.

PSETA has reported quarterly to the National Treasury and the Executive Authority as is required by the PFMA. The Audit Committee is satisfied with the content and quality of the monthly and quarterly reports prepared and issued by the Accounting Authority during the year under review.

The Audit Committee provided management with recommendations to improve the quality of performance information reporting, which was successfully implemented during the year under review.

Evaluation of Financial Statements

The Audit Committee has:

- reviewed and discussed the Audited Financial Statements to be included in the Annual Report, with Management and reported to the Accounting Authority;
- reviewed the Auditor-General's audit and management reports;
- reviewed changes in accounting policies and practices;
- reviewed the organisation's compliance with legal and regulatory provisions;
- reviewed the information on predetermined objectives to be included in the Annual Report; and
- reviewed the Audited Financial Statements for any significant adjustments resulting from the Audit Report.

Risk Management

A Risk Management Committee is in place and is chaired by an Independent Chairperson who reports to the Audit Committee. Based on the quarterly reviews performed, the effectiveness aspect of risk management in relation to risk assessments and monitoring as well as combined assurance requires improvement.

Information Communication Technology

An ICT Steering Committee is in place and is chaired by an Independent Chairperson who reports to the Audit Committee. There is progress in terms of compliance with the Corporate Governance of Information and Communication Technology (CGICT) framework. However,

improvement is required in relation to the effectiveness of ICT governance, project management and cyber security.

Compliance with Laws and Regulations

A compliance universe was defined and is supported by a compliance monitoring process which requires improvement. However, there were no instances of material non-compliance, in terms of the requirements of applicable legislation, that were reported to the Audit Committee during the year under review.

Auditor General's Report

The Audit Committee concurs and accepts the conclusions of the Auditor General South Africa (AGSA) on the Annual Financial Statements and is of the opinion that the Audited Annual Financial Statements be accepted and read together with the Report of the AGSA.

We would like to express our appreciation to the Accounting Authority for their leadership and support as well as all other assurance providers and most importantly management for their commitment in maintaining the "clean" audit outcome (unqualified with no material findings).

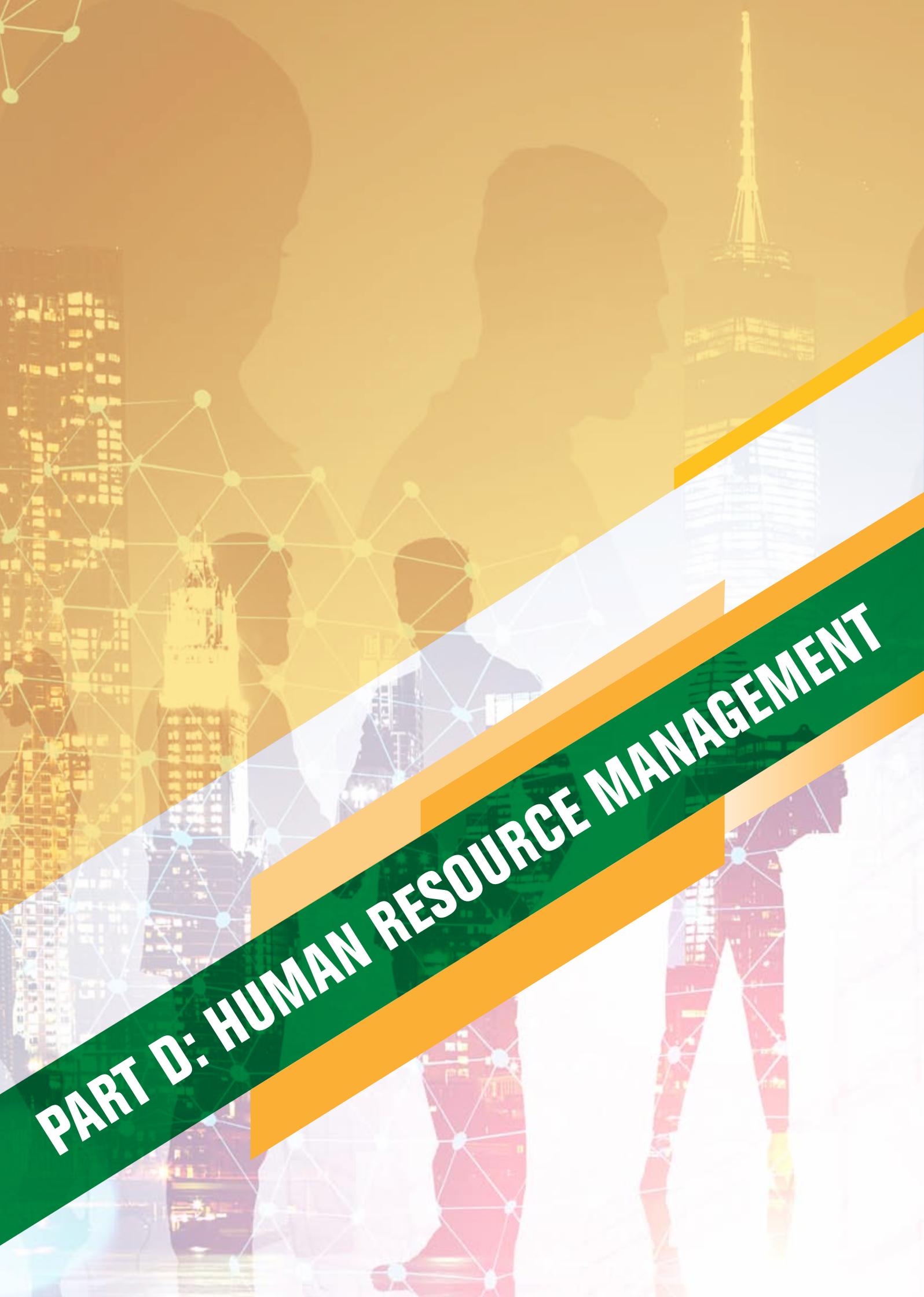


Dr P. Dala

Chairperson PSETA Audit Committee

Date: 9 October 2020

The Audit Committee is satisfied with the content and quality of the monthly and quarterly reports prepared and issued by the Accounting Authority during the year under review and is satisfied with the content thereof.



PART D: HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

PSETA has reviewed its organisational structure to ensure that it is aligned to the new strategy.

The focus will be on building institutional capacity and developing policies that will reposition PSETA as an employer of choice.

The total number of staff in terms of the establishment is as follows:

Staff Establishment as of 31 March 2020	
Positions	64
Filled	57
Vacant	07
Total	64

Positions Additional to the Establishment (as of 31 March 2020)	
Temporary employees	02
Interns	0
WIL Learners	06
Total	08

PSETA Staff Establishment

As at the end of the 2019/20 financial year the total staff establishment stands at fifty-seven (57) with seven (7) vacancies. The Policy on Staff Recruitment, Selection, Appointment and Probation was reviewed and approved by AA on 01 February 2019, the purpose was to align the policy with the Basic Condition of Employment Act.

Human Resource Strategy

Human Resource Planning

During the financial year under review, the following policies were reviewed:

- Remuneration Policy;
- Policy on Staff Recruitment, Selection, Appointment and Probation; and
- Incentive Policy.

As of 31 March 2020, the following posts were vacant and the vacancy rate was 10.94%:

- COO;
- CSE;
- Board Secretary;
- Personal Assistant to the CFO;
- ETQA Specialist;
- SCM Officer; and
- Projects Officer.

Employee Relations

During the year 2017, PSETA entered into a Recognition Agreement (RA) with Organised Labour (NEHAWU).

PSETA Management will continue to forge a close relationship with Organised Labour as part of implementing the signed RA. During the financial year under review, four disciplinary hearings were held of which three were finalised before the end of the financial year. These stemmed from the investigation that was conducted by the Office of the Public Service Commission (PSC).

Training and Development

Training and development are executed by PSETA to ensure that performance is maximised in order to achieve its strategic goals. These behavioural changes as a result of the training must be measurable in terms of PSETA requirements. Training conducted during the year under review was focused on realising return on investment in enhancing certain skills and capabilities.

A Workplace Skills Plan was submitted to ETDP SETA. Out of 88 training initiatives as per Annual Training Plan only seventy-eight (78) training initiatives were implemented either through bursaries or short skills programmes that were offered during the financial year under review.

Performance Management and Development

The development of the Performance and Development Policy was implemented to drive the organisational culture of Performance with Purpose. The Performance Management Process is aimed at recognising high performers and assist in managing poor performance in the organisation by outlining clear process that needs to be followed in line with legislation in dealing with poor performance. The Performance Management system is developed to align the performance of employees in line with organisational objectives and mandate; in such that key performance areas and indicators will have to be defined and identified correctly to enable the process to measure output against the targets set.

Employee Wellness Programme (EWP)

PSETA has appointed a service provider to manage and implement the employee wellness initiatives and programmes for the organisation. The programme offers comprehensive face-to-face counselling services support to PSETA employees, life management and managerial support services, managerial consultancy referral services, and fully customised employee wellness awareness campaigns.

2. HUMAN RESOURCE STATISTICS

Personnel by Cost Programme

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

Level	Personnel Expenditure	% of Personnel Expenditure to Total Personnel Cost	No. of Employees	Average Personnel Cost per Employee
	R'000	R'000		R'000
	2019/20	2019/20	2019/20	2019/20
Top Management	6 867	18%	4	1 717
Senior Management	14 146	36%	11	1 286
Professional Qualified	7 016	18%	14	501
Skilled	5 762	15%	16	360
Semi-skilled	4 676	12%	16	292
Unskilled	509	1%	3	170
Total	38 976	100%	64	721

Performance Rewards

The performance rewards for 2019/20 will be paid during the 2020/21 financial year.

Level	Performance Rewards	Personnel Expenditure	% of Performance Rewards to Total Personnel Cost
	R'000	R'000	%
Top Management	18	6 867	0.05%
Senior Management	28	14 146	0.07%
Professional Qualified	253	7 016	0.65%
Skilled	183	5 762	0.47%
Semi-skilled	123	4 676	0.32%
Unskilled	0	509	0.00%
Total	605	38 976	2%

Expenditure on Training

Staff training costs were budgeted for under Corporate Services and not by individual programme.

Level	Training Cost	Personnel Expenditure	% of Training Cost to Total Personnel Cost
	R'000	R'000	%
	2019/20	2019/20	2019/20
Top Management	192	6 867	3%
Senior Management	395	14 146	3%
Professional Qualified	196	7 016	3%
Skilled	162	5 762	3%
Semi-skilled	130	4 676	3%
Unskilled	14	509	3%
Total	1 089	38 976	3%

Approved Posts by Post Level and Vacancy Rates as of 31 March 2020

The indicated vacancy rates as indicated are for all approved posts.

Level	2018/19 No. of Employees	2019/20 Approved Posts	2019/20 No. of Employees	2019/20 Vacancies	% of Vacancies	Comments
Top Management	3	4	2	2	50%	COO & CSE posts vacant
Senior Management	9	11	11	0	0%	None
Professional Qualified	13	14	12	2	14.29%	Board Secretary and ETQA Specialist vacant
Skilled	15	16	14	2	12.5%	SCM Officer and Projects Officer's posts vacant
Semi-skilled	15	16	16	1	0%	PA to the CFO
Unskilled	3	3	3	0	0%	None
Total	58	64	57	7	10.94%	None

Employment changes

Salary Bands	Employment at the Beginning of Period	Appointments	Terminations	Employment at the End of the Period
Top Management	4	0	2	2
Senior Management	11	0	0	11
Professional Qualified	14	0	2	12
Skilled	16	0	2	14
Semi-skilled	16	0	1	15
Unskilled	3	0	0	3
Total	64	0	7	57

Vacancy Rates for the Year by Business Units

Programme Activity/ Objective	2018/19 No. of Employees	2019/20 Approved Posts	2019/20 No. of Employees	2019/20 Vacancies	% of Vacancies	Comments
Office of the CEO	5	7	5	2	28.57%	COO & BS posts vacant
Internal Audit	2	3	3	0	0%	-
Skills Planning and Research	6	6	6	0	0%	-
Learning Programmes	10	9	9	0	0%	-
ETQA	9	8	7	1	12.5	ETQA Specialist post vacant
Corporate Services	14	15	14	1	6.67%	CSE post vacant
Finance	7	10	8	2	20%	SCM Officer and PA to CFO posts vacant
Projects	6	6	5	1	16.67%	Projects Officer's post vacant
Total	59	64	57	7	10.94%	

Reasons for Staff Leaving

The list includes all staff movement as per establishment excluding the interns.

Reason	Number	% Total No. of Employees Leaving
Death	-	-
Resignation	*7	10.94%
Dismissal	-	-
Retirement	-	-
Ill Health	-	-
Expiry of Contract	-	-
Other	-	-
Total	7	10.94%

*The staff who resigned left for job offers at other SETAs where the salary and conditions of employment is more attractive.

Labour Relations: Misconduct and Disciplinary Action

Description	Number
Verbal Warning	-
Written Warning	-
Final Written Warning	-
Dismissal	-
Total	-

Equity Targets and Employment Equity Status as of 31 March 2020

The list includes all staff excluding three temporary employees additional to the establishment.

Levels	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	-	-	-	1	-	-	-
Senior Management	5	-	-	-	-	-	-	-
Professional Qualified	2	-	-	-	1	-	-	-
Skilled	5	-	-	-	-	-	-	-
Semi-skilled	5	-	-	-	-	-	-	-
Unskilled	1	-	-	-	-	-	-	-
Total	19	-	-	-	2	-	-	-

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	-	-	-	-	-	-	-
Senior Management	3	-	-	-	2	-	0	-
Professional Qualified	8	-	-	-	-	-	-	-
Skilled	9	-	-	-	-	-	-	-
Semi-skilled	10	-	-	-	-	-	-	-
Unskilled	2	-	-	-	-	-	-	-
Total	34	-	-	-	2	-	0	-

Levels	DISABLED STAFF			
	MALE		FEMALE	
	Current	Target	Current	Target
Top Management	-	-	-	-
Senior Management	-	-	-	-
Professional Qualified	-	-	-	-
Skilled	-	-	-	-
Semi-skilled	-	-	-	-
Unskilled	-	-	-	-
Total	-	-	-	-

None of the staff members have declared any disabilities. No new recruits have been identified with disabilities.

Employment Equity

PSETA will strive to attract and recruit people with disabilities by identifying affirmative measures, eliminate barriers with an adverse impact and provide reasonable accommodation for these individuals.

The number of female employees employed during the period under review is thirty-six (36) which represent 63.15% in comparison to twenty-one (21) males which represent 36.84%. This is a wonderful achievement by PSETA in our efforts to support government initiatives to empower female employees by appointing them in key positions and other occupational levels within the workplace.



PART E: FINANCIAL INFORMATION

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

Report on the Audit of Financial the Statements

Opinion

1. I have audited the financial statements of the Public Service Sector Education and Training Authority set out on pages 58 to 97, which comprise statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and 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 PSETA as at 31 March 2020, 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 *Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes) as well as 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.

Emphasis of Matter

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

Events after Reporting Date

7. I draw attention to Note 33 in the financial statements, which deals with events after the reporting date and specifically the possible effects of the future implications of COVID-19 on the public entity's future prospects, performance and cash flows.

Responsibilities of the Accounting Authority for the Financial Statements

8. 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.
9. In preparing the financial statements, the accounting authority is responsible for assessing public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the intention is to liquidate the public entity or cease operations, or there is no realistic alternative but to do so.

Auditor-General's Responsibilities for the Audit of the Financial Statements

10. 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.

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

Report on the Audit of the Annual Performance Report Introduction and Scope

12. 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.
13. My procedures address the usefulness and reliability of 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 do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do 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.

14. 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 2020:

Programmes	Pages in the Annual Performance Report
Programme 3 - Learning Programmes and Projects	27 - 29

15. 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.
16. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:

- Programme 3 - learning programmes and projects.



Other Matter

17. I draw attention to the matter below.

Achievement of Planned Targets

18. Refer to the annual performance report on pages 24 to 30 for information on the achievement of planned targets for the year and explanations provided for the under- or overachievement of a number of targets.

Report on the Audit of Compliance with Legislation

Introduction and Scope

19. In accordance with the PM and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

20. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PM.

Other Information

21. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

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. I did not identify any significant deficiencies in internal control.

Yours faithfully

Auditor - General

Pretoria

30 September 2020



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

2. 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 accounting authority
 - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial

statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the PSETA to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those Charged with Governance

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



FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Statement Of Financial Position as at 31 March 2020

	Note(s)	2020 R '000	2019 R '000
ASSETS			
Current Assets			
Receivables from exchange transactions	3	740	1 119
Inventories		14	101
Cash and cash equivalents	4	136 768	143 981
		137 522	145 201
Non-current assets			
Property, plant and equipment	5	2 115	1 585
Intangible assets	6	1 289	474
		3 404	2 059
Total Assets		140 926	147 260
CURRENT LIABILITIES			
Exchange transactions			
Payables from exchange transactions	7	4 163	3 328
Provisions	12	642	1 221
Non-exchange transactions			
Payables from non-exchange transactions	8	7 969	12 007
Employer Grants Payables	9	715	714
Deferred Income Liability - NSF	10	-	577
Provisions	13	164	150
		13 653	17 997
Total Liabilities		13 653	17 997
Net Assets		127 273	129 263
Reserves			
Aministration reserve		3 404	2 059
Discretionary reserve		123 869	127 204
Total Net Assets		127 273	129 263

Statement of Financial Performance

	Note(s)	2020 R '000	2019 R '000
Revenue			
Revenue from non-exchange transactions			
Transfer revenue			
Skills Development Levy: Income	14	7 970	10 702
Skills Development Levy :Penalties and Interest	14	62	176
Voted funds received from National Treasury	14	112 304	106 425
NSF Projects realised income	10	3	4
Total revenue from non-exchange transactions		120 339	117 307
Revenue from exchange transactions			
Other income	15	114	39
Investment Income	15	9 237	8 511
Total revenue from exchange transactions		9 351	8 550
Total revenue		129 690	125 857
Expenditure			
Administration expenses	17	(18 246)	(18 176)
Audit fees	17	(1 685)	(1 921)
Cost of employment	17	(38 711)	(36 653)
Depreciation and amortisation	5&6	(981)	(989)
Employer Grant and Project Expenses	16	(71 335)	(65 547)
NSF Project expenses	10	(3)	(4)
QCTO Expenditure		(45)	(35)
Repairs and maintenance	17	(674)	(847)
Total expenditure		(131 680)	(124 172)
(Deficit) surplus for the year		(1 990)	1 685

Statement of Changes in Net Assets

	Administrative reserve	Employer Grant reserve	Discretionary reserve	Total reserves	Accumulated Surplus / (Deficit)	Total net assets
	R'000	R'000	R'000	R'000	R'000	R'000
Restated* balance at 01 April 2018	1 611	-	125 967	127 578	-	127 578
Changes in net assets						
Surplus for the year	-	-	-	-	1 685	1 685
Allocation of unappropriated surplus for the year	-	1 670	15	1 685	(1 685)	-
Employer grant reserves transferred to discretionary reserves	-	(1 671)	1 670	-	-	-
Excess reserves transferred	448	-	(448)	-	-	-
Total changes	448	-	1 237	1 685	-	1 685
Balance at 01 April 2019	2 059	-	127 204	129 263	-	129 263
Changes in net assets						
(Deficit) Surplus for the year	-	-	-	-	(1 990)	(1 990)
Allocation of unappropriated surplus for the year	-	1 686	(3 676)	(1 990)	1 990	-
Employer grant reserves transferred to discretionary reserves	-	(1 686)	1 686	-	-	-
Excess reserves transferred	1 345	-	(1 345)	-	-	-
Total changes	1 345	-	(3 335)	(1 990)	-	(1 990)
Balance at 31 March 2020	3 404	-	123 869	127 273	-	127 273

Cash Flow Statement

	Note(s)	2020 R '000	2019 R '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Levies, Interest and penalties received		7 983	10 635
Voted Funds received from National Treasury	14	112 304	106 425
Interest income		9 291	8 931
Other cash receipts from stakeholders		115	37
		129 693	126 028
Payments			
Compensation of employees		(39 449)	(35 417)
Payments to suppliers and others		(26 639)	(25 031)
Grants and project payments		(68 466)	(63 034)
		(134 554)	(123 482)
Net cash flows from operating activities	20	(4 861)	2 546
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(1 135)	(942)
Purchase of other intangible assets	6	(1 217)	(506)
Net cash flows from investing activities		(2 352)	(1 448)
Net increase/(decrease) in cash and cash equivalents		(7 213)	1 098
Cash and cash equivalents at the beginning of the year		143 981	142 883
Cash and cash equivalents at the end of the year	4	136 768	143 981

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R'000	R'000	R'000	R'000	R'000	R'000
Statement of Financial Performance						
REVENUE						
Skills Development Levy: income, interest and penalties	12 880	(4 570)	8 310	8 032	(278)	
Voted Funds received from National Treasury	112 304	-	112 304	112 304	-	
NSF Projects realised income	-	-	-	3	3	
Surplus fund retention	-	31 670	31 670	-	(31 670)	27.1
Other income	14	(1)	13	114	101	
Interest received - investment	9 550	-	9 550	9 237	(313)	
Total revenue	134 748	27 099	161 847	129 690	(32 157)	
GRANTS AND PROJECT EXPENDITURE						
Mandatory Grants	(194)	(194)	(194)	(314)	(120)	
Discretionary Grants	(66 968)	(10 429)	(77 397)	(71 021)	6 376	27.2
Total grants and project expenditure	(67 162)	(10 429)	(77 591)	(71 335)	6 256	
EXPENDITURE						
Cost of Employment	(40 331)	(3 313)	(43 644)	(38 711)	4 933	27.3
Advertising, marketing and promotions, communications	(1 353)	(50)	(1 403)	(710)	693	27.4
AGM and Annual Report and related costs	(341)	(300)	(641)	(310)	331	
Audit fees	(2 634)	654	(1 980)	(1 685)	295	
Bank charges	(79)	-	(79)	(37)	42	
Catering and refreshments	(406)	300	(106)	(413)	(307)	
Conferences / Venues	(107)	107	-	-	-	
Consumables	(138)	138	-	(1)	(1)	
Consulting and professional fees	(5 437)	(12 085)	(17 522)	(3 644)	13 878	27.5
Depreciation	-	-	-	(981)	(981)	27.6
Governance Fees	(2 822)	(249)	(3 071)	(3 646)	(575)	
Insurance	(153)	-	(153)	(131)	22	
Legal fees	(1 247)	300	(947)	(832)	115	
Operating lease rentals	(2 824)	(1 566)	(4 390)	(3 483)	907	27.7
Loss on disposal of assets	-	-	-	(25)	(25)	
Printing and stationery	(708)	1	(707)	(311)	396	

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R'000	R'000	R'000	R'000	R'000	R'000
Rates and Taxes, water and electricity and security	(974)	80	(894)	(816)	78	
Staff recruitment	(159)	-	(159)	(216)	(57)	
Staff Welfare	(652)	-	(652)	(224)	428	
Storage Costs	(59)	(100)	(159)	(65)	94	
Sundry items	(180)	-	(180)	(4)	176	
Telephones	(390)	-	(390)	(87)	303	
Training and Staff Development	(1 337)	(289)	(1 626)	(1 089)	537	
Travel and subsistence	(2 337)	(155)	(2 492)	(1 843)	649	27.8
Repairs and maintenance	(1 079)	(69)	(1 148)	(674)	474	
QCTO Expenditure	(46)	1	(45)	(45)	-	
Workshops	-	(64)	(64)	(83)	(19)	
Licences and subscriptions	(388)	-	(388)	(95)	293	
Equipment rentals	(216)	-	(216)	(133)	83	
Cleaning	-	-	-	(35)	(35)	
Postage and courier	(140)	-	(140)	(16)	124	
Total operations expenditure	(66 537)	(16 659)	(83 196)	(60 345)	22 851	
Net Surplus/(Deficit)	1 049	11	1 060	(1 990)	(3 050)	
Capex	(1 049)	(11)	(1 060)	(2 352)	(1 292)	
NET Surplus / (Deficit) after capex	-	-	-	(4 342)	(4 342)	

The original budget was revised during the 2019/20 financial year as a result of National Treasury's approval of the PSETA's request to retain surplus funds. The final budget amounted to R161 846 000, hence expenditure did not exceed total budgeted revenue.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

1.1 Basis of preparation and Going concern assumption

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

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

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

The 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 and the Public Finance Management Act (PFMA), 1999 (Act No. 1 OF 1999).

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

1.2 Presentation Currency and level of rounding

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

1.3 Revenue recognition

1.3.1 Revenue from non-exchange transactions

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Where the resources transferred to PSETA are subject to the fulfilment of specific conditions, it recognises an asset and a corresponding liability. The assets and the corresponding liability are measured at fair value on initial recognition. Subsequently, any interest that accrues from resources transferred to PSETA before the fulfilment of conditions are capitalised to the liability. As and when the conditions are fulfilled, the liability is reduced and revenue is recognised.

The asset and the corresponding revenue are measured on the basis of fair value of the asset on initial recognition. Non-exchange revenue transactions include the receipt of levy income from Department of Higher Education and Training, income from National Skills Fund and contributions received from public entities who contribute voluntarily to PSETA.

1.3.1.1 Levy income

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

80% of Skills Development Levies are paid over to the SETA (net of the 20% contribution to the NSF). Revenue is adjusted for transfers between the SETAs due to employers changing SETAs. Such adjustments are separately disclosed as inter-SETA transfers. The amount of the inter-SETA adjustment is calculated according to the most recent standard operating procedure issued by DHET. SDL transfers are recognised on an accrual basis when it is probable that future economic benefits or service potential will flow to the SETA and these benefits can be measured reliably.

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

1.3.1.2 Interest and Penalties

Interest and penalties received on the SDL are recognised on receipt since the nature of contribution is voluntary and not enforced through legislation.

1.3.1.3 Transfer from other government entities

The PSETA recognises revenue and a corresponding asset in respect of transfers received from transfers through the National Treasury when the transferred resources meet the definition of revenue and an asset and satisfy the criteria for recognition as revenue and an asset.

1.3.1.4 Funds allocated by the NSF for special projects

Funds transferred by the NSF are accounted for in the financial statements of the SETA as a liability until the related conditions are met. The liability is reduced by any project expenditure incurred and recognised as revenue. Property, plant and equipment acquired for National Skills Fund special projects are capitalised in the financial statements of the SETA, as the SETA has full control of such assets. The depreciation/amortisation expenses related to such assets are expensed against the liability over the lifespan of the asset.

1.3.2 Revenue from exchange transactions

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

1.3.2.1 Investment income

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

1.4 Grants and project expenditure

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

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

Mandatory Grants

Mandatory Grant payable and the related expenditure are recognised when the employer has submitted an

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

Retrospective amendments by SARS

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

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

Discretionary Grants and project expenditure

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

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

Project expenditure comprises:

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

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

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

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

1.5 Prepayments

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

1.6 Irregular expenditure

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

- the PFMA,
- the State tender Board Act, 1968; or any provincial legislation providing for the procurement procedures in that provincial government
- The Skills Development Act,
- The Skills Development Levies Act
- Irregular Expenditure Framework
- PSETA's SCM Policy (only upon contravention of legislative prescripts is irregular expenditure recognised against the respective class of expense in the period in which it was incurred. These are then recorded in the irregular expenditure register).

1.7 Fruitless and wasteful expenditure

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

All irregular, fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the period it was incurred. The expenditure is disclosed in the notes to the financial statements of the reporting period that it has been identified.

1.8 Property, plant and equipment

Property, plant and equipment are stated at cost

less accumulated depreciation and adjusted for any impairment. Property, plant and equipment acquired at no cost are stated at fair value as at the date of acquisition less any subsequent accumulated depreciation.

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; Property, plant and equipment (owned and leased in terms of finance leases) are initially measured at cost.

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

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

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

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

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

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

1.9 Key accounting judgments

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

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

The PSETA reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period, refer to note number 5.

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

Computer Equipment	3 years
Leasehold improvements (Fixtures and Fittings)	Over the lease period
Furniture and Equipment	6 years

1.10 Intangible Assets

An asset is identified as an asset when it:

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

An intangible asset is recognised when:-

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

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

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

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

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

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

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

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

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

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

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

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

Intangible assets are derecognised when:

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

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

An average useful life of 2 years (or the lifespan of the intangible asset) is used when calculating the amortisation of intangible assets.

1.11 Leasing

1.11.1 Operating leases

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

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

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

1.12 Provisions and contingencies

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

1.12.1 Other provisions

Provisions included in the Statement of Financial Position are provisions for performance awards and provision for exempt companies. Provisions for performance awards are based on estimated performance levels and salary rates prevalent at the reporting date.

PSETA recognises a provision for the repayment of levies contributed by companies exempted from contributing skills development levy but continue to do so

1.12.2 Contingent Liabilities

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

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

1.13. Employee benefits

The cost of other employee benefits (not recognised as retirement benefits) is recognised during the period

in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. An accrual is raised for the estimated liability as a result of services rendered by employees up to the reporting date.

Liabilities for annual leave are recognised as they accrue to employees. The entity recognises the leave obligation during the vesting period based on the best available estimate of the accumulated leave expected to vest. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee. The leave liability is recognised as an accrual.

PSETA provides for retirement benefits for some of its permanent employees through a defined contribution scheme to SANLAM.

1.14 Financial instruments

Recognition

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

1.14.1 Financial assets

1.14.1.1 Investments and loans

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

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

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

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

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

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

1.14.1.2 Loans and receivables

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

1.14.1.3 Effective interest rate method

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

1.14.1.4 Impairment and un-collectability of financial assets

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit.

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

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

1.14.2 Financial liabilities

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

1.14.2.1 Financial liabilities at FVTPL

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

1.14.2.2 Gains and losses on subsequent measurement

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

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

1.14.2.3 Other financial liabilities

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

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

De-recognition:

PSETA derecognises financial assets using trade date accounting.

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position

when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived

1.15 Reserves

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

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

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

Administration costs of the SETA	10.5%
Employer grant fund levy	20.0%
Discretionary Grants and projects	49.5%
Contributions to the National Skills Fund	20.0%

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

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

Administration reserve represents the net book value of property, plant and equipment and other commitments of an administration nature arising from signed contracts or as specifically approved by the PSETA board from time to time.

Employer grant reserve represents possible Mandatory Grants claims from newly registered employers that are eligible to submit their Mandatory Grants claims at year end in terms of the grants regulations.

Discretionary reserve represents the excess of Discretionary Grants revenue over discretionary and projects expenditure and includes transfers from

administration and Mandatory Grant reserve where appropriate.

1.16 Related party transactions

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

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

1.17 Capital Commitments

Capital commitments are disclosed in respect of contracted amounts for which delivery by the contractor is outstanding at year end, and for amounts which the Board's approval has been obtained but not yet contracted for.

1.18 Comparatives

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

1.19 Inventory

Inventory consists of consumables on hand at the end of the reporting period and is recognised as assets on the date of acquisition. Inventory is stated at cost and it is determined on a first-in first-out basis. It is subsequently recognised in surplus or deficit as it is consumed.

1.20 Taxation

No provision has been made for taxation as the SETA is exempt from income tax in terms of Section 10 of the Income Tax Act (Act No 58 of 1962)

1.21 Events after reporting date

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

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

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred. The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

2. NEW STANDARDS AND INTERPRETATIONS

Standards and interpretations effective in the current year

The effective date of these standards are 1 April 2019. These include the following Standards and Interpretations that are applicable to the SETA and have been assessed to have no material impact on the financial statements:

GRAP 20: Related Party disclosures

This standard prescribes the disclosure of information relevant to draw attention to the possibility that an entity's financial statements contain the disclosure necessary to draw attention to the possibility that its financial position and surplus or deficit may have been impacted by the existence of connected parties and by transactions and outstanding balances with such parties.

GRAP 32: Service Concession Arrangements: Grantor

The purpose is to prescribe the accounting for service concession arrangements by the Grantor. It is unlikely that the standard will have a material impact on PSETA's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. It furthermore covers: Definitions, recognition, de-recognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date. It is unlikely that the standard will have a material impact on PSETA's annual financial statements.

GRAP 109: Accounting by Principals and Agents

GRAP 109 outlines principles to assess whether an entity is party to a principal-agent arrangement. It is unlikely that the standard will have a material impact on PSETA's annual financial statements.

IGRAP 17: Service concession arrangements: where a Grantor controls a significant residual interest in an asset

The purpose is to prescribe the accounting for service concession arrangements by the Grantor. It is unlikely that the standard will have a material impact on PSETA's annual financial statements.

Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2020 or later periods:

GRAP 104 (amended): Financial Instruments

It is unlikely that the standard will have a material impact on PSETA's Annual Financial Statements.

Notes to the Annual Financial Statements

	2020 R '000	2019 R '000
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Staff advances	-	3
Operating lease rental deposits	342	342
Staff Debtors	11	13
Prepayment - Operating lease	295	275
Accrued Income	92	376
Other debtors	-	110
	740	1 119
4. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Bank balances	23 199	37 979
Investment with CPD	113 569	106 002
	136 768	143 981

5. PROPERTY, PLANT AND EQUIPMENT

	2020 R '000			2019 R '000		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	1 252	(745)	507	984	(696)	288
Motor vehicles	482	(236)	246	482	(154)	328
Office equipment	262	(150)	112	206	(126)	80
Computer equipment	3 248	(1 998)	1 250	3 393	(2 504)	889
Total	5 244	(3 129)	2 115	5 065	(3 480)	1 585

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	288	310	(5)	(86)	507
Motor vehicles	328	-	-	(82)	246
Office equipment	80	56	-	(24)	112
Computer Equipment	889	769	(21)	(387)	1 250
	1 585	1 135	(26)	(579)	2 115

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	410	27	-	(149)	288
Motor vehicles	167	235	-	(74)	328
Office equipment	88	22	-	(30)	80
Computer Equipment	605	658	(10)	(364)	889
	1 270	942	(10)	(617)	1 585

The PSETA has reviewed the residual values at year end and did not need to re-estimate it, the useful lives of all the items of property, plant and equipment were reviewed and restated where applicable.

6. INTANGIBLE ASSETS

	2020 R '000			2019 R '000		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer Software and licences	3 181	(1 892)	1 289	1 964	(1 490)	474

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer Software and licences	474	1 217	(402)	1 289

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer Software and licences	341	506	(373)	474

The PSETA has reviewed the residual values and useful lives of all the items of intangible assets.

7. PAYABLES FROM EXCHANGE TRANSACTIONS

	2020 R '000	2019 R '000
Trade payables	688	820
Trade Accruals - administration	1 817	585
Leave pay accrual	1 658	1 923
	4 163	3 328

8. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	2020 R '000	2019 R '000
Discretionary Grant accruals	7 607	5 052
Discretionary Grant payables	362	6 955
	7 969	12 007

9. EMPLOYER GRANTS PAYABLE

	2020 R '000	2019 R '000
Skills development grants payable - Mandatory Grants	87	25
Inter-seta payables		
Administration	1	9
Mandatory	2	17
Discretionary	3	41
	6	67
DHET Levy creditor	622	622
	715	714

The DHET Levy creditor relates to an overpayment identified, relating to prior years.

10. DEFERRED INCOME LIABILITY - NSF

	2020 R '000	2019 R '000
National Skills Fund		
Opening Balance	577	510
Draw downs and interest received		
Interest received and capitalised	77	71
	77	71
Utilised and recognised as revenue - conditions met	(3)	(4)
NSF payback	(651)	-
	-	577
10.1 NSF project expense detail		
Other project expenses	3	4

11. DEFERRED INCOME LIABILITY - COMPULSORY INDUCTION PROGRAMME (CIP)

	2020 R '000	2019 R '000
Opening Balance	-	5
Amount used	-	(5)
Closing balance	-	-

12. PROVISIONS

Reconciliation of provisions - 2020

	Opening balance	Additions	Utilised during the year	Total
Performance Bonus	1 221	10	(589)	642

Reconciliation of provisions - 2019

	Opening balance	Reversed during the year	Total
Performance Bonus	1 323	(102)	1 221

The performance bonus provision relates to staff performance and a reasonable estimate of this is made.

13. PROVISIONS - NON-EXCHANGE TRANSACTIONS

Reconciliation of provisions - 2020

	Opening balance	Additions	Total
Exempt employer provision	150	14	164

Reconciliation of provisions - 2019

	Opening balance	Utilised during the year	Total
Exempt employer provision	163	(13)	150

Non-exchange provisions

The provision for SARS reversals is based on employers contributing levies even though they are exempt in terms of the Skills Development Act. The Act requires employers with an annual payroll of at least R500 000, 00 to contribute 1% of the payroll to SARS in the form of Skills Development Levies. The employer contributions are only retained in the provision for a period of 5 years thereafter recognised as levy income.

14. REVENUE FROM NON-EXCHANGE TRANSACTIONS

14.1 Skills Development Levy Income

	2020 R '000	2019 R '000
Administration		
Levies received from SARS	1 047	1 009
R500k Provision	(2)	2
	1 045	1 011
Employer grants		
Levies received from SARS	1 996	1 907
R500k Provision	4	12
	2 000	1 919
Discretionary Grants		
Levies received from SARS	4 940	4 772
R500k Provision	(15)	(1)
	4 925	4 771
Levies from Departments		
Administration	-	1 000
Discretionary	-	2 001
	-	3 001
Total	7 970	10 702
14.2 Skills development Levy income: Interest and penalties		
Skills Development Levy Income:		
Penalties	51	144
Interest	11	32
	62	176
14.3 Voted funds received from National Treasury		
First tranche	28 076	26 606
Second tranche	28 076	26 606
Third tranche	28 076	26 606
Fourth tranche	28 076	26 606
	112 304	106 425

15. REVENUE FROM EXCHANGE TRANSACTIONS

	2020 R '000	2019 R '000
15.1 Investment income		
Interest received in the bank accounts	9 237	8 511
15.2 Other income		
Grant received for training	51	37
Recovery of Wasteful expenditure	-	2
Assets scrapped income	10	-
Insurance recoveries	53	-
	114	39

16. EMPLOYER GRANT AND PROJECT EXPENSES

	2020 R '000	2019 R '000
Mandatory Grants	314	249
Discretionary Grants	71 021	65 298
	71 335	65 547

17. ADMINISTRATION EXPENSES

	2020 R '000	2019 R '000
17.1 General Administration Expenses		
Loss on disposal of property, plant and equipment	25	9
Operating lease rentals	3 483	3 224
Advertising, Marketing and Promotions	710	1 098
Bank charges	37	34
Catering and refreshments	413	291
Consulting and professional fees*	3 644	5 381
Legal Fees	832	344
Travel & Subsistence	1 843	1 463
Training	1 089	1 078
Governance Fees	3 646	2 730
Printing and Stationery	311	594
Insurance	131	87
Rates and taxes, water & lights and security	816	662
Staff Recruitment	216	130
Storage Cost	65	50
Workshop	83	-
Sundry items	639	502
Licences and subscriptions	95	217
Cleaning	35	176
Equipment rentals	133	105
	18 246	18 175

*Consultancy and Professional fees consist primarily of payments made to the service provider in relation to support services for the ERP and Payroll system

	2020 R '000	2019 R '000
17.2 Audit Fees		
Audit fees (External)	1 685	1 921
17.3 Cost of Employment		
Basic salary	26 593	26 045
PAYE	10 179	8 753
Incentive (Bonus)	10	(103)
Leave accrual	(265)	1 254
Union Fees	49	47
Workmens Compensation	105	85
Provident fund (defined contribution plan)*	524	-
Medical	392	-
Housing	519	-
Salaries and wages	38 106	36 081
UIF	223	225
SDL	382	347
	38 711	36 653

*PSETA provides for retirement benefits for all its permanent employees through a defined contribution scheme to the Sanlam fund.

	2020 R '000	2019 R '000
17.4 Repairs and Maintenance		
Motor vehicle Repairs	98	78
Computer Equipment Maintenance	424	453
Building Maintenance	152	316
	674	847

18. ALLOCATION OF NET SURPLUS/(DEFICIT) FOR THE YEAR TO RESERVES

	Total per Statement of Financial Performance	Administration	Mandatory	Discretionary	Special Projects
31 March 2020	R'000	R'000	R'000	R'000	R'000
Total Revenue					
Skills development levy: Income					
Admin levy income (10.5%)	1 045	1 045	-	-	-
Grant levy income (20%) Mandatory	2 000	-	2 000	-	-
Grant levy income (49.5%)	4 925	-	-	4 925	-
Discretionary Skills developemnt levy: penalties and interest	62	-	-	62	-
Voted Funds received from National Treasury	112 304	49 946	-	62 358	-
NSF Realised Income	3	-	-	-	3
Investment Income	9 237	9 237	-	-	-
Other Income	114	114	-	-	-
	129 690	60 342	2 000	67 345	3
Total Expenses					
Administration expenses	(60 297)	(60 297)	-	-	-
QCTO Expenditure	(45)	(45)	-	-	-
NSF Project expenses	(3)	-	-	-	(3)
Employer grants and project expenses	(71 335)	-	(314)	(71 021)	-
	(131 680)	(60 342)	(314)	(71 021)	(3)
Net surplus/(deficit per Statement of financial performance allocated	(1 990)	-	1 686	(3 676)	-

18. ALLOCATION OF NET SURPLUS/(DEFICIT) FOR THE YEAR TO RESERVES

	Total per Statement of Financial Performance	Administration	Mandatory	Discretionary	Special Projects
31 March 2019	R'000	R'000	R'000	R'000	R'000
Total Revenue					
Skills development levy: Income					
Admin levy income (10.5%)	1 011	1 011	-	-	-
Grant levy income (20%) Mandatory	1 919	-	1 919	-	-
Grant levy income (49.5%)	4 771	-	-	4 771	-
Discretionary Levies from government departments	3 001	1 000	-	2 001	-
Skills developemnt levy: penalties and interest	176	-	-	176	-
Voted Funds received from National Treasury	106 425	48 060	-	58 365	-
NSF Realised Income	4	-	-	-	4
Investment Income	8 511	8 511	-	-	-
Other Income	39	39	-	-	-
	125 857	58 621	1 919	65 313	4
Total Expenses					
Administration expenses	(58 586)	(58 586)	-	-	-
QCTO Expenditure	(35)	(35)	-	-	-
NSF Project expenses	(4)	-	-	-	(4)
Employer grants and project expenses	(65 547)	-	(249)	(65 298)	-
	(124 172)	(58 621)	(249)	(65 298)	(4)
Net surplus/(deficit per Statement of financial performance allocated	1 685	-	1 670	15	-

19. SEGMENT INFORMATION

Segment surplus or deficit, assets and liabilities

	Administration	Mandatory	Discretionary	Special projects	Total
2020	R'000	R'000	R'000	R'000	R'000
Revenue					
Skills Development Levy: Income	1 045	2 000	4 925	-	7 970
Skills Development Levy: penalties and interest	-	-	62	-	62
Voted Funds received from National Treasury	50 544	-	61 760	-	112 304
NSF Projects - Realised Income	-	-	-	3	3
Revenue from exchange transactions	-	-	-	-	-
Other Income	114	-	-	-	114
Investment Income	-	-	9 237	-	9 237
Total revenue	51 703	2 000	75 984	3	129 690
Entity's revenue					129 690
Expenditure					
Employer Grant and Project expenses	-	314	71 021	-	71 335
General Administration Expenses	18 246	-	-	-	18 246
Audit fees	1 685	-	-	-	1 685
Cost of employment	38 711	-	-	-	38 711
Depreciation and Amortisation	981	-	-	-	981
Repairs and Maintenance	674	-	-	-	674
QCTO Expenditure	45	-	-	-	45
NSF Projects Expenses	-	-	-	3	3
Total expenses	60 342	314	71 021	3	131 680
Net surplus/(deficit) for the year					(1 990)
Assets					
Current Assets	-	-	-	-	-
Trade and other receivables from exchange transactions	740	-	-	-	740
Inventory	14	-	-	-	14
Cash and cash equivalents	4 696	130	131 942	-	136 768
Non Current Assets	-	-	-	-	-
Property, plant and equipment	2 115	-	-	-	2 115
Intangible assets	1 289	-	-	-	1 289
Total assets	8 854	130	131 942	-	140 926
Total assets as per Statement of financial Position					140 926

19. SEGMENT INFORMATION

	Administration	Mandatory	Discretionary	Special projects	Total
2020	R'000	R'000	R'000	R'000	R'000
Liabilities					
Payables from Exchange Transactions	-	-	-	-	-
Trade and other payables-exchange transactions	4 163	-	-	-	4 163
Provisions	642	-	-	-	642
Non-exchange transactions	-	-	-	-	-
Employer Grants Payables	623	89	3	-	715
Payables from non-exchange Transactions	-	-	7 969	-	7 969
Provisions	22	41	101	-	164
Administration Reserve	3 404	-	-	-	3 404
Discretionary reserve	-	-	123 869	-	123 869
Total segment liabilities and reserves	8 854	130	131 942	-	140 926
Total liabilities and reserves					140 926

19. SEGMENT INFORMATION

	Administration	Mandatory	Discretionary	Special projects	Total
2019 (Restated)	R'000	R'000	R'000	R'000	R'000
Revenue					
Skills Development Levy: Income	2 011	1 919	6 772	-	10 702
Skills Development Levy: penalties and interest	-	-	176	-	176
Voted Funds received from National Treasury	48 062	-	58 363	-	106 425
NSF Projects - Realised Income	-	-	-	4	4
Revenue from exchange transactions	-	-	-	-	-
Other Income	39	-	-	-	39
Investment Income	-	-	8 511	-	8 511
Total segment revenue	50 112	1 919	73 822	4	125 857
Entity's revenue					125 857
Expenditure					
Employer Grant and Project expenses	-	249	65 298	-	65 547
General Administration Expenses	18 176	-	-	-	18 176
Audit fees	1 921	-	-	-	1 921
Cost of employment	36 653	-	-	-	36 653
Depreciation and Amortisation	989	-	-	-	989
Repairs and Maintenance	847	-	-	-	847
QCTO Expenditure	35	-	-	-	35
NSF Projects Expenses	-	-	-	4	4
Total expenditure	58 621	249	65 298	4	124 172
Net surplus/(deficit) for the year					1 685
Assets					
Current Assets	-	-	-	-	-
Trade and other receivables from exchange transactions	1 119	-	-	-	1 119
Consumables	101	-	-	-	101
Cash and cash equivalents	3 980	86	139 338	577	143 981
Non Current Assets	-	-	-	-	-
Property, plant and equipment	1 585	-	-	-	1 585
Intangible assets	474	-	-	-	474
Total assets	7 259	86	139 338	577	147 260
Total assets as per Statement of financial Position					147 260

19. SEGMENT INFORMATION

	Administration	Mandatory	Discretionary	Special projects	Total
2019 (Restated)	R'000	R'000	R'000	R'000	R'000
Liabilities					
Payables from Exchange Transactions	3 329	-	-	-	3 329
Provisions	1 221	-	-	-	1 221
Non-exchange transactions	-	-	-	-	-
Employer Grants Payables	630	42	41	-	713
Payables from non-exchange Transactions	-	-	12 007	-	12 007
Deferred Income Liability - NSF	-	-	-	577	577
Provisions	20	44	86	-	150
Funds and Reserves	-	-	-	-	-
Administration Reserve	2 059	-	-	-	2 059
Discretionary reserve	-	-	127 204	-	127 204
Total segment liabilities and reserves	7 259	86	139 338	577	147 260
Total liabilities and reserves					147 260

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated. This has been discussed in Prior period error Note 32.

20. CASH (USED IN) GENERATED FROM OPERATIONS

	2020 R '000	2019 R '000
(Deficit) surplus	(1 990)	1 685
Adjustments for:		
Depreciation and amortisation	981	989
Loss on disposal of PPE	26	10
Movements in provisions	(565)	(165)
Movement in Consumables	87	(87)
Movement Trade and other receivables from exchange transactions	379	128
Other receivables from non-exchange transactions	-	2
Movement in Donor Funding Payable - NSF	(577)	67
Movement in deferred income liability CIP	-	(5)
Movement in Trade and other Payables - exchange and non-exchange transactions	(3 203)	(112)
Movement in Employer Grant Payables	1	59
Movement in Operating Lease Liability	-	(25)
	(4 861)	2 546

21. MATERIAL LOSSES THROUGH CRIMINAL CONDUCT

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

22. IRREGULAR EXPENDITURE

	2020 R '000	2019 R '000
Opening balance	76 442	75 400
Add: Irregular Expenditure - current year	-	1 042
	76 442	76 442

Due to non-adherence of the Discretionary Grant evaluation process in the 2015/16 financial year, the SIU was approached to investigate the evaluation process. Majority of the irregular expenditure disclosed in Note 22 above relates to this investigation.

The preliminary investigation has been concluded which confirmed that the Discretionary Grants allocation process was irregular. The Accounting Authority took a decision to seek the Presidential proclamation through the SIU for further investigation to establish possibility of recouping funds where PSETA suffered losses as a result of this irregularity.

Former President, Jacob Zuma had on 23 October 2017 in terms of section 2 (2) of the Special Investigating Unit and Special Tribunals Act, 1996, signed a Proclamation authorising the Special Investigating Unit (SIU) to investigate certain matters in respect to the affairs of the Public Service Sector Education and Training Authority (PSETA). The investigation has been finalised and is awaiting the signature of President Cyril Ramaphosa.

22. IRREGULAR EXPENDITURE

	2020 R '000	2019 R '000
The balance of irregular expenditure comprises the following:		
Opening balance	76 442	75 400
Irregularities in the evaluation and awarding of projects	-	1 042
	76 442	76 442

The PSETA Accounting Authority has referred some irregular expenditure transactions, amounting to R80 492 (included in the balance of R76,442 Million above) to the National Treasury for condonation. This was done after investigation of these matters as no losses were reported and the transactions were not related to fraudulent, corrupt or criminal acts. The transactions referred to the relevant authority relates to the contravention of other applicable legislation such as the PFMA and Treasury regulations. The PSETA is awaiting National Treasury to condone the transactions before PSETA can remove the transactions from the irregular expenditure register. PSETA reiterates that the entity did not suffer a loss and that value for money was achieved.

23. FRUITLESS AND WASTEFUL EXPENDITURE

	2020 R '000	2019 R '000
Fruitless and wasteful expenditure	13	366
Add: Fruitless and wasteful expenditure incurred during the year	-	2
Fruitless and wasteful expenditure recovered during the year	(2)	(7)
Irrecoverable amounts written off by the Accounting Authority	-	(348)
	11	13

The fruitless and wasteful expenditure relates to expenses incurred for overbookings and traffic fines for the current year.

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

Expenditure that could be recovered were raised as receivables in the current year.

24. RELATED PARTIES

Relationships

Controlling entity

The SETA's controlling entity is DHET

Entities under common control

By virtue of the fact that PSETA is a National Public Entity controlled by DHET, it is considered related to other SETAs, the QCTO, TVET Colleges, Universities and the NSF. The transactions are consistent with normal operating relationships between the entities and are undertaken on terms and conditions that are normal for such. Where there were transactions and balances arising due to the movement of funds between entities under common control of the DHET, these amounts are disclosed below:

Transactions with employer companies represented at the PSETA board

Employer representatives of the PSETA Board do not receive allowances for attending Board Meetings except for Ministerial appointees and labour representatives who receive Board attendance fees as determined by the MHESI. Members may claim travel expenses incurred as a result of attendance of PSETA meetings.

Accounting Authority Members

2020	Meeting fee	Travel expense	Total
	R'000	R'000	R'000
Adv D. Mushwana - Chairperson of the Accounting Authority	496	41	537
Ms G. Tlaletsi	-	8	8
Mr B. Maduna	-	7	7
Mr A. Du Plessis	210	3	213
Mr G. Esitang	9	-	9
Mr M. Shingange	65	3	68
Mr J. Dladla	241	22	263
Ms J.S Mahlobogoane Mkhize	229	8	237
Mr T. Mokherenyana	147	12	159
Ms S. Oodit	177	-	177
A. Kelengeshe	-	2	2
R. Benjamin	-	12	12
Jab Kruger	16	1	17
P.B Makhafane	67	12	79
M.S Moledi	83	3	86
M.S Maesela	42	8	50
G.A Seokolo	46	12	58
P.B Makhubedu	47	1	48
E. Mckinney	16	-	16
	1 891	155	2 046

Accounting Authority Members

2019	Meeting fee	Travel expense	Total
	R'000	R'000	R'000
Adv D. Mushwana - Chairperson of the Accounting Authority	379	14	393
Ms Mashigo - Former Chairperson of AA	8	1	9
Ms G. Tlaletsi	-	8	8
Mr B. Maduna	-	5	5
Ms P. Gwala Khumalo	-	7	7
Mr A. Du Plessis	161	2	163
Mr G. Esitang	77	2	79
Mr M. Shingange	68	2	70
Mr J. Dladla	212	17	229
Ms J.S Mahlobogoane Mkhize	269	12	281
Mr T. Mokherenyana	130	9	139
Ms S. Oodit	166	-	166
Dr E. Mckinney	18	-	18
	1 488	79	1 567

Independent Committee Members

2020	Meeting fee	Travel expense	Total
	R'000	R'000	R'000
P. Dala - Audit Committee Chairperson	209	4	213
Z. Myeza - Audi Committee Member	-	-	-
N. Nyakaza - Audi Committee Member	52	2	54
Mr R.G Nicholls - Chairperson of Risk Management Committee	40	2	42
	301	8	309

Independent Committee Members

2019	Meeting fee	Travel expense	Total
	R'000	R'000	R'000
P. Mzizi - Former Audit Committee Chairperson	35	1	36
P. Mukheli - Former Member	40	1	41
P. Dala - Audit Committee Chairperson	142	4	146
Z. Myeza - Audit Committee Member	36	2	38
N. Nyakaza - Audit Committee Member	45	1	46
Mr R.G Nicholls - Chairperson of Risk Management Committee	111	5	116
Mr H. Hlomane - Former Chairperson of ICT Committee	78	2	80
	487	16	503

Key management personnel

2020	Position	Engagement date	Salary	Performance bonus	Other allowances*	Total
Ms B. Lerumo	CEO	1 February 2019 - current	1 884	-	12	1 896
Mr F. Shamsodeen	CFO	19 September 2017 - Current	1 239	18	12	1 269
Mr M. Thibela	COO	04 May 2017 - 31 May 2019	202	-	2	204
Ms S. Nagalingam-Potter	COO#	1 June 2019 - current	1 001	14	199	1 214
Ms M. Nkabinde	CSE	01 November 2017 - 27 February 2020	1 139	-	11	1 150
Mr P. Mphaga	CSE^	9 December 2019 - 20 February 2020	1 001	-	55	1 056
			6 466	32	291	6 789

* Other allowances include travel, cellphone and acting allowances.

Ms S Nagalingam-Potter, the current skills planning manager, acted as COO from 1 June 2019 to current

^Mr P Mphaga, the current ICT manager, acted as CSE from 9 December to 20 February 2020.

Key management personnel

2019	Position	Engagement date	Salary	Other allowances*	Total
Ms B. Lerumo	CEO	1 February 2019 - current	314	2	316
Mr F. Shamsodeen	CFO	19 September 2017 - Current	1 208	235	1 443
Mr M. Thibela	COO	04 May 2017 - Current	1 208	403	1 611
Ms M. Nkabinde	CSE	01 November - Current	1 208	11	1 219
			3 938	651	4 589

*Mr F Shamsodeen, the current CFO acted as CEO from 1 October 2018 to 31 January 2019.

Mr M Thibela, the current COO acted as CEO from 1 April 2018 to 30 September 2018

Transactions with TVET Colleges and Universities

2020	Intervention	Remaining Commitment	Total
Name of TVET College/University			
College of Cape Town	Artisan	5 775	5 775
College of Cape Town	Artisan	4 950	4 950
Wits Commercial Enterprise	Research	7 498	7 498
Gert Sibande TVET College	Bursary	800	800
Flavius Mareka TVET College	Bursary	3 234	3 234
Gert Sibande TVET College	Bursary	1 516	1 516
Motheo TVET College	Bursary	3 346	3 346
Sekhukhune TVET College	Workplace Integrated Learning	880	880
Tshwane South TVET College	Workplace Integrated Learning	1 524	1 524
Westcol TVET College	Workplace Integrated Learning	1 833	1 833
Gauteng South West TVET College	Workplace Integrated Learning	1 524	1 524
Gert Sibande TVET College	Workplace Integrated Learning	915	915
Majuba TVET College	Workplace Integrated Learning	1 537	1 537
Umgungundlovu TVET College	Workplace Integrated Learning	1 524	1 524
Lovedale TVET College	Workplace Integrated Learning	5 660	5 660
Boland TVET College	Workplace Integrated Learning	4 354	4 354
Esayidi TVET College	Workplace Integrated Learning	3 962	3 962
Majuba TVET College	Artisan	5 775	5 775
Northlink TVET College	Workplace Integrated Learning	4 528	4 528
Kwan2 in Partnership with Walter Sisulu University	Bursary	200	200
		61 335	61 335

Transactions with TVET Colleges and Universities

2019	Intervention	Remaining Commitment	Total
Name of TVET College/University			
Northern Cape Rural FET College	Workplace Integrated Learning	857	857
Northern Cape Urban FET College	Workplace Integrated Learning	943	943
Gert Sibande TVET College	Bursary	1 092	1 092
Flavius Mareka TVET College	Bursary	3 234	3 234
Gert Sibande TVET College	Bursary	2 100	2 100
Motheo TVET College	Bursary	3 552	3 552
Umfolazi TVET College	Learnership	363	363
Boland TVET College	Learnership	247	247
Waterberg TVET College	Workplace Integrated Learning	508	508
Ikhala TVET College	Workplace Integrated Learning	136	136
Maluti TVET College	Workplace Integrated Learning	270	270
King Hintsa TVET College	Workplace Integrated Learning	508	508
Sekhukhune TVET College	Workplace Integrated Learning	4 750	4 750
Tshwane South TVET College	Workplace Integrated Learning	2 830	2 830
Westcol TVET College	Workplace Integrated Learning	3 396	3 396
Gauteng South West TVET College	Workplace Integrated Learning	4 354	4 354
Gert Sibande TVET College	Workplace Integrated Learning	2 612	2 612
Majuba TVET College	Workplace Integrated Learning	4 354	4 354
Umgungundlovu TVET College	Workplace Integrated Learning	4 354	4 354
Cape Peninsula University of Technology	Bursary	1 000	1 000
Kwan2 in Partnership with Walter Sisulu University	Bursary	2 000	2 000
		43 460	43 460

The related parties note has been adjusted to show PSETA's commitments with TVET Colleges and Universities. This has been discussed in prior period error Note 32.

Transactions with other SETAs

2020	Amount receivable/ (Payable)	Total
W&R SETA	(6)	(6)
	(6)	(6)

Transactions with other SETAs

2019	Amount receivable/ (Payable)	Total
MERSETA	(61)	(61)
W&R SETA	(6)	(6)
	(67)	(67)

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

Transactions with other national public entities and state institutions

2020	Amounts Received	Total
National Treasury	112 304	112 304

Transactions with other national public entities and state institutions

2019	Amounts Received	Total
National Treasury	106 424	106 424

25. COMMITMENTS

Operating lease commitments		Restated
Minimum lease payments due - within one year	886	824

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

The lease agreement entered into effective 1 January 2014 for a period of 2 years 6 months, expiring on the 30 June 2016 has been extended until 30 June 2020. No provision was made for an option to renew the lease on expiry.

The prior period amount has been restated to R824 000 and discussed in prior period error Note 32.

DG Commitments

Type of Programme	Opening balance 01 April 2019	Amendments	Expenditure Incurred	Write Backs	New Contracts	Closing balance 31 March 2020
Artisans	10 573	-	(3 926)	-	16 500	23 147
Bursary	26 638	-	(8 412)	(4 319)	2 160	16 067
Internship	-	-	(473)	-	1 320	847
Qualifications Development	-	-	(735)	-	1 200	465
Learnership	17 875	-	(15 832)	(5 672)	8 547	4 918
Recognition of prior learning	-	-	(1 150)	-	4 600	3 450
Research	4 495	-	(4 858)	-	9 315	8 952
Skills Programme	-	-	(4 318)	-	6 398	2 080
Workplace Intergrated Learning	31 535	1 500	(31 340)	(826)	30 476	31 345
Total Discretionary Commitments	91 116	1 500	(71 044)	(10 817)	80 516	91 271

Other Commitments

2020	
Operational Expenditure	
Approved and contracted	921
Total operational commitments	921
Capital Expenditure	
Approved and contracted	21 618
Total capital commitments	21 618

Operational Expenditure

The PSETA entered into a contract to appoint a service provider to assist with Business Process Re-engineering. The services are not expected to extend beyond the next 12 months.

Capital Expenditure

The PSETA entered into a contract to appoint a service provider to assist in the development of an Enterprise Resource Planning solution. The services are expected to extend beyond the next 12 months.

26. CONTINGENCIES

Retention of Cash surplus

In terms of section 53 (3) of the PFMA, public entities listed in schedule 3A and 3C to the PFMA may not retain cash surplus that were realised in the previous financial year without obtaining the prior written approval of National Treasury. During September 2020, National Treasury issued Instruction No. 12 of 2020/21 which gave more detail to the surplus definition. According to this instruction, a surplus is based on the formula used below:

As of the 31 March 2020 the cash surplus was calculated as follows:

Cash and cash equivalents	136 768
Add: Receivables	740
Less: Current Liabilities	(13 653)
	123 855

Notwithstanding the surplus calculated above, PSETA has commitments at year end through contracts with several service providers, some of which have been disclosed in Note 25 above. Reflected below is the accumulated surplus after taking into account the impact of PSETA's year end commitments.

Committed amounts at 31 March 2020

Surplus calculated above	123 855
Commitments	(118 049)
Net surplus after commitments	5 806

The submission regarding the request to retain the cash surplus will be made to the National Treasury for the 2019/20 financial year upon completion of the audit by the Auditor General.

Other contingent liabilities

Salary deduction claim

During August 2019, PSETA received court papers issued out of the Labour Court by NEHAWU regarding the salary deductions that PSETA implemented during January and February 2019, following the strike action that took place between 30 October and 07 November 2018. The total amount of the salary deductions was R337 732.47.

Acting Allowance claim

The SCM Specialist acted as an SCM Manager from 09 March 2018 to 03 March 2019 without being compensated an acting allowance because the SCM position was not vacant as per PSETA policies. The SCM Specialist is claiming an amount of R408 000.00 (four hundred and eight thousand Rand) acting allowance for the period 08 February 2018 up to 03 March 2019. The matter has yet to be set down for hearing at the Labour Court.

Mandatory Grants -BUSA

In October 2019, BUSA won a court case against DHET where the department's decision to decrease the Mandatory Grant levies and grants percentage was decreased from 50% to 20% in terms of section 4(4) of the Seta grant regulations was set aside. The court did not decide on the Mandatory Levy or Grant percentage to be applied from the court date onwards.

The effect of the ruling is that the Minister would have to decide on the percentage for Mandatory Grants in consultation with the sector.

The Minister has not yet made the decision in regard to the Mandatory Grant percentage.

DHET continued to show the Mandatory Levies portion as 20% in 2019/20 year in the levy download information.

The SETA continued to pay and accrue Mandatory Grants at 20% in the 2019/20 financial year in the absence of a revised percentage which is aligned to the approved Annual Performance Plan.

The Mandatory Grant expenditure as well as the Mandatory Grant liability were calculated using Mandatory Grant percentage of 20%.

The SETA therefore discloses a contingent liability in regard to the amount of the Mandatory Grants payable to qualifying levy payers from the date of the court decision to the year end.

This is disclosed as a liability as the intention of the litigants, BUSA, was to increase the Mandatory Grant percentage from 20%.

The timing and amount of this contingent liability is uncertain and no reasonable estimate can be made at this point.

PSETA has assessed the potential impact of a significant change to the percentage of Mandatory Levies and considered this impact to not be material.

Currently the department is in discussions with BUSA in regard to the Mandatory Grant percentage. The total known potential contingent liabilities amount to R124.6 Million

27. EXPLANATION OF MATERIAL VARIANCES BETWEEN ACTUAL RESULTS AND FINAL BUDGET

The explanation of variances between actual results and the final budget was done on the basis of the entity's materiality framework whereby all variances in excess of the R625 907 materiality have been explained below.

27.1 Surplus fund retention

National Treasury approved the retention of surplus funds amounting to R31.7 Million which would ordinarily not be budgeted for.

Grants and Projects Expenditure

27.2 Discretionary Grants

Discretionary Grants expenditure incurred for the current financial year is also below budget. The Discretionary Grant revised budget after receipt of retention of surplus funds for the year was finalised towards the end of the year which resulted in low spending.

Administration Expenditure

27.3 Cost of employment

This is due to savings from the non-implementation of benefits for managers, implementation date of the provident fund starting in October 2019 instead of April 2019, certain employees not qualifying for medical and housing allowances effective from April 2019 and vacancies during the course of the financial year.

27.4 Advertising, marketing and promotions, communications

The underspending is as a result of late procurement processes undertaken towards the end of the financial year and lesser funds spent during the year.

27.5 Consultancy and service provider fees

The consultancy and professional fees revised budget after receipt of retention of surplus funds for the year was finalised towards the end of the year which resulted in low spending. The appointment of the provider for the new ICT system was therefore done later in the year which contributed to the savings.

27.6 Depreciation

Depreciation is a non-cash expense and as such it is not budgeted for.

27.7 Operating lease rentals

A saving was realised due to favourable lease terms negotiated with the landlord.

27.8 Travel and Subsistence

Due to improved planning regarding the monitoring of projects, savings were realised.

28. INVESTIGATIONS

Due to non-adherence of the Discretionary Grant evaluation process in the 2015/16 financial year, the SIU was approached to investigate the evaluation process. The irregular expenditure disclosed in Note 22 above relates to this investigation.

The preliminary investigation has been concluded which confirmed that the Discretionary Grants allocation process was irregular.

The Accounting Authority took a decision to seek the Presidential proclamation through the SIU for further investigation to establish possibility of recouping funds where PSETA suffered losses as a result of this irregularity.

Former President, Jacob Zuma had on 23 October 2017 in terms of section 2 (2) of the Special Investigating Unit and Special Tribunals Act, 1996, signed a Proclamation authorising the Special Investigating Unit (SIU) to investigate certain matters in respect to the affairs of the Public Service Sector Education and Training Authority (PSETA). The investigation has been finalised and is awaiting the signature of President Cyril Ramaphosa.

29. FINANCIAL INSTRUMENTS DISCLOSURE

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

	Floating rate		Fixed interest rate			Non- Interest bearing		Total
	Amount	Effective interest rate	Amount	Weighted average effective interest rate	Weighted average period for which the rate is fixed in years	Amount	Weighted average period for which the rate is fixed in years	
31 March 2020	R'000	%	R'000	%	R'000	R'000	R'000	R'000
Assets								
Cash	136 768	6,69%	-	-	-	-	-	136 768
Accounts receivable	-	-	-	-	-	740	1 year	740
Total financial assets	136 768		-		-	740		137 508
Liabilities								
Accounts payable	-	-	-	-	-	12 132	1 year	12 132
				41				
Total financial liabilities	-		-		-	12 132		12 132
31 March 2019								
Assets								
Cash	143 981	5.9%	-	-	-	-	-	143 981
Accounts receivable	-	-	-	-	-	1 119	1 year	1 119
Total financial assets	143 981		-		-	1 119		145 100
Liabilities								
Accounts payable	-	-	-	-	-	15 335	1 year	15 335
Total financial liabilities	-		-		-	15 335		15 335

Cash and cash equivalents

	31 March 2020		31 March 2019	
	Gross	Impairment	Gross	Impairment
	R'000	R'000	R'000	R'000
Not past due	136 768	-	143 981	-
Past due 0 - 30 days	-	-	-	-
Past due 31 - 120 days	-	-	-	-
Past due 1 year	-	-	-	-

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

Accounts receivable

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

Accounts payable

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

Fair values

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

Investments

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

Borrowings

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

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

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

30. RISK MANAGEMENT

Liquidity risk

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

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
31 March 2020	R'000	R'000	R'000	R'000	R'000	R'000
Trade and other payables from exchange transactions	4 163	4 163	4 163	-	-	-
Trade and other payables from non-exchange transactions	7 969	7 969	7 969	-	-	-

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
31 March 2019	R'000	R'000	R'000	R'000	R'000	R'000
Trade and other payables from exchange transactions	3 328	3 328	3 328	-	-	-
Trade and other payables from non-exchange transactions	12 007	12 007	12 007	-	-	-

Credit risk

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

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

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

Market risk

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

31. GOING CONCERN

All SETAs operate on a license term, linked to the life-cycle of the National Skills Development Strategy (NSDS). The entity is currently established until 31 March 2030. There are no known instances which cast doubt on the SETA's ability to continue as a going concern for the next 12 months. The financial position of PSETA is adequate for a conclusion to be reached that the operations will continue and the going concerns assumption is confirmed.

32. PRIOR PERIOD ERRORS

To comply with GRAP 3, adjustments to correct the prior period errors were effected onto the comparative figures. The above necessitated the adjustments below:

- 32.1) The segment reporting Note 19 has been adjusted to show a more accurate split between various segments.
- 32.2) The related parties Note 24 has been adjusted to show PSETA's commitments with TVET Colleges and Universities.
- 32.3) The Operating lease commitments in Note 25 has been adjusted to reflect minimum lease payments due within 1 year of R 824 000 (a decrease of R133 000).

33. EVENTS AFTER THE REPORTING DATE

Subsequent to year end, the President of South Africa announced relief measures for companies due to the impact of the global coronavirus pandemic (COVID-19). One of the relief measures was a four (4) month Skills Development Levy payment holiday for all companies.

PSETA has assessed that the impact of the payment holiday will not be material as majority of the PSETA funding is received from a National Treasury Vote and not from Levies.



Woodpecker Place, Hillcrest Office Park, 177 Dyer Street, Hillcrest, 0083
Telephone: 012 423 5700 • Fax: 012 423 5755/65
Email: communications@pseta.org.za • Website: www.pseta.org.za