"Cutting Edge Skills For Quality Public Services"

2018 / 19

ANNUAL REPORT

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General Information

PSETA
Public Service Sector Education & Training Authority

PART A: GENERAL INFORMATION

PSETA INFORMATION

Registered name of the public entity	Public Service Sector Education and Training Authority
ISBN number	978-0-621-47408-4
RP number	160/2019
Registered office address	353 Festival Street Hatfield 0028 Pretoria
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	2nd Floor Lourie Place Hillcrest Office Park 177 Dyer Street Hillcrest 0083
Nedbank	3rd Floor, Nedbank Park 6 Press Avenue Selby Ext 15 Johannesburg 2000

ABBREVIATIONS AND ACRONYMS

AA	Accounting Authority (the Board)
Adv.	Advocate
AG	Auditor-General
AGSA	Auditor-General South Africa
APP	Annual Performance Plan
BAC	Bid Adjudication Committee
BPR	Business Process Reengineering
CAATS	Computer Assisted Audit Techniques
CACH	Central Applications Clearing House
CCMA	Commission for Conciliation Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGICT	Corporate Governance of Information and Communication Technology
COO	Chief Operations Officer
CSE	Corporate Services Executive
DG	Discretionary Grant
DHET	Department of Higher Education and Training
DPSA	Department of Public Service and Administration
ETDP	Education, Training and Development Practices
ETQA	Education and Training Quality Assurance
EA	Executive Authority
EU	European Union
EWP	Employee Wellness Programme
EWSETA	Energy and Water Sector Education and Training Authority
FY	Financial Year
GPSSBC	General Public Service Sector Bargaining Council
GRAP	Generally Recognised Accounting Practices
GSC	Governance and Strategy Committee
G-SETA	Government Sector Education and Training Authorities
HEI	Higher Educational Institution
HR	Human Resources
HRM	Human Resources Management
ICT	Information and Communication Technology
KZN	KwaZulu-Natal
LGSETA	Local Government Sector Education & Training Authority
MoA	Memorandum of Agreement
MHET	Minister of Higher Education and Training
MoA	Memorandum of Agreement

MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NEHAWU	National Education, Health and Allied Workers Union
NGO	Non-Government Organisation
NSDP	National Skills Development Plan
NQF	National Qualifications Framework
NSF	National Skills Fund
NSG	National School of Government
NSDS III	National Skills Development Strategy III
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 Training Authority
QCTO	Quality Council for Trades and Occupations
QDF	Qualification Development Facilitator
RMC	Risk Management Committee
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
SETMIS	Sector Education and Training Management Information System
SIU	Special Investigating Unit
SD	Skills Development
SDF	Skills Development Facilitator
SDLA	Skills Development Levies Act
SITA	State Information Technology Agency
SLA	Service Level Agreement
SP	Strategic Plan
SSP	Sector Skills Plan
S&T	Subsistence and Travel
TID	Technical indicator Descriptor
TVET	Technical Vocational Education and Training (Former FET Colleges)
WIL	Work-Integrated Learning
WSP	Workplace Skills Plan

ACKNOWLEDGEMENTS

The Public Service Sector Education and Training Authority (PSETA) Accounting Authority (AA) would like to express its appreciation to the Ministry of Higher Education and Training (MHET) for the leadership and unwavering support provided to the PSETA and collaboration in implementing the mandate and approved skills development programmes.

The 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 the goals and objectives of the post education schooling system, as in the White paper and National Skills Development Plan 2030.

Adv. Bantomu Diamond Mushwana

Accounting Authority Chairperson

Date: 20 August 2019

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

Deputy Minister of Higher Education, Science & Technology: ***Buti Manamela***

FOREWORD BY THE CHAIRPERSON OF THE ACCOUNTING AUTHORITY

Accounting Authority (AA) Chairperson
Adv. Bantomu Diamond Mushwana

Introduction

On behalf of the Accounting Authority (AA), I present the PSETA Annual Report (AR) for the 2018/19 financial year to our stakeholders. The oversight role played by the AA and its Sub-Committees in implementation of the Annual Performance Plan (APP) is much appreciated.

Overview of the PSETA Strategy and Performance

The PSETA implements the approved Five-Year Strategic Plan through the APP which is developed annually to set the basis of performance in the year under review. The performance achievements for 2018/19 is 80%, which is an improvement of 23% compared to the 2017/18 financial year.

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 Department of Higher Education and Training (DHET). The SLA is a commitment of how the SETA would contribute towards the achievement of the National Skills Development Strategy (NSDS). In the year under review, PSETA achieved 86% achievement compared to 71% the previous year. This translates to a 15% improvement.

Audit Outcome

The AA is humbled that the PSETA has achieved a clean audit opinion from the Auditor General South Africa in this financial year, which is the first in its sometimes troubled times of its history. This audit outcome has been achieved building on the foundation laid in the two prior years where unqualified audits with matters of emphasis were achieved. This demonstrates a sustained and continuous improvement of the internal controls and performance management.

The audit outcome has put a challenge to PSETA to even work harder to sustain this achievement.

Strategic Relationships

The PSETA continued to engage its strategic partners and stakeholders at National and Provincial spheres who are key in championing and coordinating implementing of the programmes. These also includes Parliament and Provincial Legislatures, Public Entities, Higher Education Institutions, Technical Vocational Education and Training (TVET) Colleges, Quality Assurance Institutions and Skills Development Providers, who played an important role in contributing towards the implementation of the priority skills contained in the Sector Skills Plan.

Challenges

The management and implementation model of Discretionary Grant Projects remained a challenge, in particular the process of stakeholders expected to still appoint accredited Skills Development Providers (SDPs) using their Supply Chain Management processes.

The PSETA instituted remedial action of appointing the SDPs using internal processes and collaborated with the National and Provincial Government Departments, Public Entities and Legislature with regard to the recruitment of learners.

Medium to Long term Goals of the Entity

The PSETA continued to plan for the future in line with the National Development Plan 2030 and the White Paper on Post School Education. The Strategic Plan under development has in addition considered the National Skills Development Plan 2030 and sixth administration Medium Term Strategic Framework (MTSF).

Appreciation

The AA, would like to thank Chairpersons and members of Sub-Committees for their commitment and dedication in exercising their oversight roles.

The AA extend its gratitute to the former Acting Chief Executive Officers in the year under review, Management and Staff of PSETA for their contributions to the improved performance and better audit outcome.

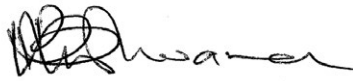
The PSETA Chief Executive Officer, Ms B Lerumo was appointed on 1 February 2019, and to the AA wish her all the best in her appointment and in taking the PSETA to the next higher level.

Bereavement of a Member

It is with great sadness that the AA acknowledge the sudden tragic loss of the independent Chairperson of the ICT Steering Committee, Mr Hangalakani Hlomane in October 2018. Mr Hlomane joined the PSETA as Chairperson of the ICT Steering Committee in April 2017. His contribution to the improvement of the PSETA ICT governance environment has been noted. May his Soul Rest In Peace.

Conclusion

Finally, I wish to thank all PSETA Stakeholders, Partners, Service provider and the Beneficiaries of PSETA's learning programmes for their support, and look forward to working with them in PSETA's endeavour to positively contribute towards the realisation of one of the National Development Plan goals of building a capable developmental state; and growing the economy.



Adv. Bantomu Diamond Mushwana
Accounting Authority (AA) Chairperson
Date: 20 August 2019

1. CEO'S OVERVIEW

General Financial Overview

The PSETA annual revenue grew by 8% to R126 million over the period under review (R117 million in 2017/18). The increase in revenue is largely attributed to the increase in investment income. The PSETA's expenditure increased by 65% to R124 million (R75 million in 2017/18) due to DG spending. The PSETA will remain solvent for the foreseeable future with a healthy cash balance. The most significant liabilities of the PSETA are trade and DG payables, which will be settled in the next twelve (12) months.

Revenue Items	2018/19 R'000	2017/18 R'000	2016/17 R'000
Government Grant	106 425	103 760	55 727
Levies	10 878	10 076	7 687
Investment Income	8 511	2 762	1 142

Spending Trends

The PSETA closed the 2018/19 financial year with R91 million in DG commitments and R4 million in administration commitments. Actual payments during the year to DG funding amounted to R66 million (R23 million in 2017/18). The improvement in disbursement of DG 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	2018/19 R'000	2017/18 R'000	20176/17 R'000
Discretionary Grants (DGs)	65 547	23 233	36 017
Administration	58 625	51 752	51 463

Capacity Constraints and Challenges

Late implementation of projects remains a major challenge, and close working relations with strategic stakeholders are being forged to resolve this dilemma. Management has resolved to review core business processes further to improve the efficiency and timely implementation and monitoring of projects.

Chief Executive Officer
Ms. Bontle Lerumo

Activities Discontinued or to be Discontinued

PSETA did not discontinue any activities in the 2018/19 financial year.

Proposed Activities

Towards the end of 2018/19, PSETA embarked on an initiative to streamline its business processes through Business Process Reengineering (BPR). This change will see the organisation make a paradigm shift resulting in effective governance, efficient performance, and targeted development outcomes for the public sector and transparent accountability mechanisms, as described below:

Shift from function-oriented work performance to service-oriented performance;
Shift from output-based assessment to well-defined outcome-based assessment; 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 2017/18 financial year surplus of R38.3 million was granted in the current financial year and subsequently included in the revised budget. The request for the roll-over of funds for the 2018/19 financial year amounts to R31.7 million.

Supply Chain Management

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

Events After the Reporting Date

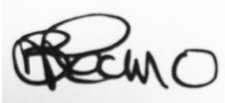
There are no significant events after the reporting date to report on.

Economic Viability

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

Appreciation

A word of gratitude is extended to the Chairperson of the AA, Adv. Mushwana, and the AA members for the leadership and guidance provided, and to Team PSETA for their continuous dedication towards 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 DHET for his continued support and cooperation.



Ms Bontle Lerumo
CEO
Date: 20 August 2019

2. 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 are consistent with the Annual Financial Statements audited by the Auditor-General.

- The Annual Report is complete, accurate, and free from any omissions.
- The Annual Report has been prepared in accordance with the guidelines issued by the National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

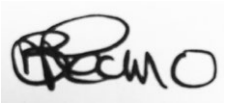
- The Accounting Authority (AA) has an oversight role in the preparation of the Annual Financial Statements by the Chief Financial Officer (CFO) and his team and is assisted by both the Finance and Audit Committees, who review these financial statements prior to submission to the AA, the National Treasury, and the DHET.

- 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 (HR) 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, performance information, HR information, and the financial affairs of the PSETA for the financial year ended 31 March 2019.

Adv. Bantomu Diamond Mushwana
Accounting Authority (AA) Chairperson
Date: 20 August 2019



Ms Bontle Lerumo
CEO
Date: 20 August 2019

3. STRATEGIC OVERVIEW

3.1 Vision

Cutting Edge Skills for Quality Public Services

3.2 Mission

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

- Effective coordination of skills development interventions based on occupationally directed qualifications
- Focusing on learning programmes
- Promoting learner placement and absorption within the Public Service Sector

3.3 Values

- The following are the values of the PSETA:
- Honesty and integrity
- Accountability
- Service excellence
- Fairness and transparency

4. LEGISLATIVE AND OTHER MANDATES

The PSETA was established in terms of Section 9(1) of the Skills Development Act, 1998 (Act No. 97 of 1998), as amended (SDA), and it is classified as a Schedule 3A public entity in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended (PMFA).

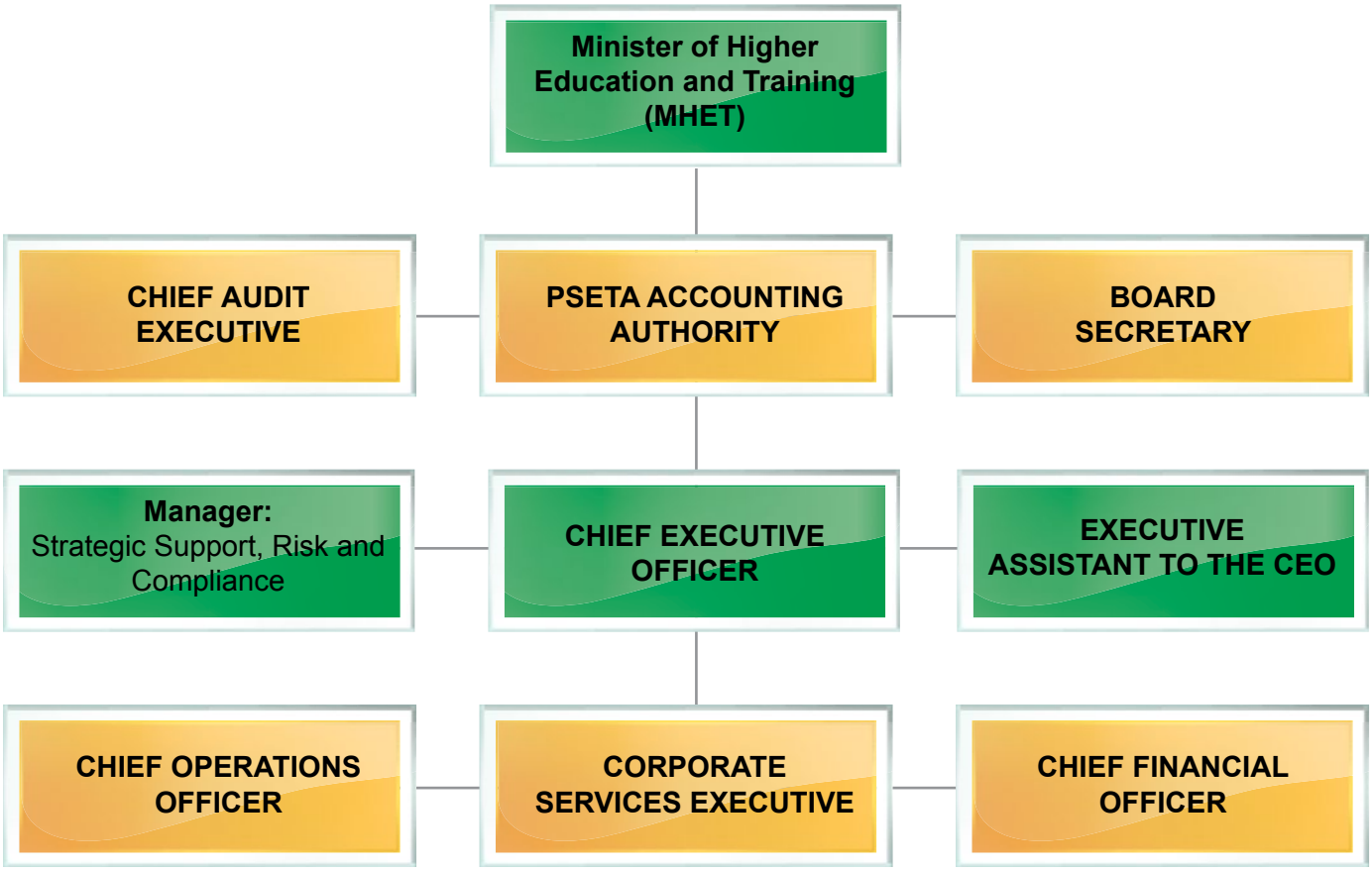
PSETA, like any other public institution, is compelled by section 29(1)(b) of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), as amended, which bestows upon all South African citizens the right to further education, and which the State must provide within reasonable measures.

This Constitutional mandate is reinforced by the following pieces of legislation, regulations, macro policies and other strategic documents:

- SDA, as amended;
- Skills Development Levies Act, 1999 (Act No. 9 of 1999) (SDLA);
- National Qualifications Framework Act, 2008 (Act No. 67 of 2008);
- General and Further Education and Training Quality Assurance Act, 2001 (Act No. 58 of 2001), as amended;
- PMFA, as amended;
- Treasury Regulations of 2005, as amended;
- SETA Grant Regulations regarding monies received by SETAs and related matters, 2012, as amended (Grant Regulations);
- National Skills Development Strategy III, 2011 (NSDS III);
- National Development Plan, 2030 (NDP);
- Medium Term Strategic Framework, 2014-2019;
- White Paper on Post School Education and Training, 2014;
- National Human Resource Development Strategy for South Africa, 2030;
- National Skills Accord, 2011; and
- National Integrated Human Resource Development Plan, 2014-2018.

5. ORGANISATIONAL STRUCTURE

High-Level Organisational Structure



PART B:
Performance Information

PSETA
Public Service Sector Education & Training Authority

PART B: PERFORMANCE INFORMATION

Acting COO: Ms. Shivanthini Nagalingam-Potter

1. SITUATIONAL ANALYSIS

Service Delivery Environment

The APP for the 2018/19 financial year was implemented through the four (4) programmes listed below.

- **Programme 1: Administration** comprises three (3) sub-programmes:
  - I. Governance, Risk and Compliance;
  - II. Finance and Supply Chain Management (SCM); and
  - III. Corporate Services, which includes Human Resources Management (HRM); Marketing and Communications; and Information and Communication Technology (ICT).

Corporate Services is aimed at building capability for an efficient and effective organisation, and the former two sub-programmes are aimed at addressing realisation of a professionalised, skilled and capable Public Service workforce to support inclusive growth.

- **Programme 2**: **Skills Planning and Research** conducts research, consults on findings, and educates, mobilises and organises the sector in support of the interventions required.
- **Programme 3: Learning Programmes** facilitates and manages the implementation of learning programmes for and within the Public Service sector to address priority skills needs identified in the SSP.
- **Programme 4: Education and Training Quality Assurance (ETQA)** is responsible for improving the flow of skills into the sector through quality assurance of education and training provision.

Performance Highlights

The following key achievements were recorded during the reporting period:

- PSETA achieved 20 out of 25 performance targets in the APP, representing an overall 80% achievement compared to 57% in the previous financial year (2017/18), demonstrating a 23% improvement.
- PSETA entered into six (06) agreements with TVET colleges, one (01) agreement with a university of technology; eight (08) Memoranda of Agreement (MoAs) with employers within the Public Service Sector; eight (08) MoAs with the SDPs; and one (01) MoA with a Non-Government Organisation (NGO) to implement various skills development interventions that have been identified in the SSP.
- The PSETA extended the Memorandum of Understanding (MoU) that was concluded with the Special Investigating Unit (SIU) and French Embassy to expand the specialised training programmes needed within the forensic disciplines in the Public Sector.

Challenges encountered during programme implementation included the following:

- Timely implementation of DG projects by sector stakeholders who have been allocated funding to implement learning interventions. As a result, the affected contracts were cancelled, which has impacted negatively on the performance of the entity.
- Lack of coherence with regards to the skills development and HR development efforts between the PSETA and the Public Service Sector, making it difficult to report on all the skills development interventions that happened in the sector comprehensively.

2.2 Organisational Environment

During the period under review, a new AA was appointment by the Minister, effective 1 April 2018 to 31 March 2020. Additionally, two (2) Members were appointed in January 2019. Nominations for fourteen (14) of the members are drawn from organised labour and organised employers, and one Ministerial appointee, who is the Chairperson.

A major challenge faced by PSETA at the beginning of the 2018/19 financial year and in the implementation of the APP was the acting arrangements for the position of CEO.

This meant that the AA had to appoint Senior Managers to act in this role, which affected operational momentum. As a result, PSETA has experienced instability and turbulence during the year under review.

The post of CEO was vacant from 1 April 2018 and, as a result, Mr Marks Thibela and Farhaan Shamsoodeen served in an acting position, while the process of appointing the CEO was underway. The new CEO, Ms B Lerumo, was appointed on 1 February 2019.

Unlike the previous years, PSETA had a number of cases that were lodged with the Commission for Conciliation Mediation and Arbitration (CCMA), and there was also industrial action by staff. There is a need for the employer to forge a close working relationship with organised labour and create a conducive working environment.

During the period under review, the PSETA conducted 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 project focused on five (5) key areas, as listed below:

- Assessment of the current status of the organisation in relation to staff perceptions and conducting a skills audit;
- Establishing a job grading system;
- Conducting job evaluation;
- Reviewing the existing organisational structure and redesigning it to ensure alignment with the legislative mandate; and
- Developing the Remuneration Strategy and Policy.

The above-mentioned process is in its final stage, and implementation will be carried out in the new financial year. However, it is noted that the pending decision on the issue of the SETA landscape will negatively impact on some part of this process, especially if the PSETA is not re-licensed at the end of March 2020.

PSETA signed a recognition agreement with National Education, Health and Allied Workers Union (NEHAWU) in 2017 and the salary negotiations took longer than anticipated. In addition to the other organisational management challenges, this resulted in industrial action on the part of a significant portion of PSETA employees. The seven days of industrial action was finally averted through an intervention by the AA and, subsequently, a collective agreement was signed on 8 November 2018.

Three (3) investigations were ongoing at year-end. One investigation related to allegations of misconduct committed by a former employee within the Finance Division who resigned in January 2018 before the internal investigation commenced. The second involves a former employee within the ETQA Department, who is alleged to have unlawfully accessed the indicium system, the ICT-based system used for accrediting SDPs and programmes. The third investigation relates to the irregularities identified in the allocation of DG funding that occurred during the 2015/16 financial year. The SIU was appointed by the AA, and a Presidential Proclamation was issued. PSETA is awaiting the final report from the SIU.

2.3 Key Policy Developments and Legislative Changes

The MHET published Government Gazette Vol. 638 No. 41856 on 22 August 2018, making a call for public comment on the proposed new landscape for Sector Education Training Authorities post 31 March 2020.

PSETA participated in the process by making a submission on its views regarding the amalgamation of PSETA with the Local Government SETA (LGSETA), and Energy and Water SETA (EWSETA), within the stipulated timeframes. PSETA's submission does not support the amalgamation with LGSETA and EWSETA as it is clear from the analysis made that these SETAs operate in distinct environments governed by various non-complimentary legislation.

Furthermore, PSETA is in receipt of the NSDP 2030, issued in March 2019 for implementation on 1 April 2020. PSETA will develop a new strategic plan for the next five years (2020 to 2025) and align it with the long-term plan of the NDP Vision 2030 and the NSDP, with specific reference to Chapter 9.

2.4. 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:

- Strengthened capacity and improved control environment within the SCM Unit.
- The Sector Education and Training Management Information System (SETMIS) was fully implemented and operationalised.
- An organisational development exercise was undertaken to assess the capacity of the entity.
- The ICT Strategy was revised and aligned with the Department of Public Service and Administration's (DPSA) Framework on Corporate Governance of Information and Communication Technology (CGICT).
- Improved the Risk Management maturity level from 4.0 to 4.4
- Unqualified audit outcome for the second successive year, demonstrating an upward trajectory in the improvement of internal controls.

Goal 2: Improved sector capabilities to lead capacity-building interventions through research coordination and partnerships.

The following achievements were recorded:

- The SSP was approved by the MHET and used to inform the 2019/20 Strategic Plan update and the APP.
- Multiple research projects were undertaken, including tracer studies of learners on PSETA funded programmes; curriculum review of select PSETA qualifications; and assessment of select Public Administration qualifications.
- Research to strengthen the SSP was conducted, specifically to investigate key skills issues within the Public Service Sector and change drivers and their impact on skills development within the sector. The Human Sciences Research Council was appointed to conduct this research.
- A Skills Plan for the Legislative sub-sector was developed to provide a focused skills development blueprint for the Legislative sector.
- Thirty-five (35) capacity-building workshops were conducted with sector stakeholders for the purposes of strengthening the sector's role and understanding of skills development and HR development processes.

Goal 3: Improved stock of skills into and within the Public Service Sector.

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. Twelve (12) out of the fourteen (14) performance targets were achieved, representing 86%, compared to 62% in 2017/18, which is an improvement of 24%. Improved workplace learning opportunities have been implemented by the sector for the placement of unemployed learners. PSETA has also delivered artisan programmes, learnerships, bursaries, and skills programmes.

A total of 23 295 learners were trained through Developmental Programmes in the Public Service Sector in the 2018/19 financial year (based on HR Reports submitted by government departments to the DPSA). These Programmes include Graduate Interns, Student Interns, Learnerships, and Apprenticeships. An analysis of the number of learners in various Developmental Programmes in the Public Service as at June 2019 reveals the following trends:

- The Apprenticeship Programme is the least prevalent Developmental Programme implemented across the Public Service Sector, with only 775 learners having participated in an Apprenticeship Programme.
- Graduate Interns account for more than half (53%) of the Developmental Programme beneficiaries in the Public Service, followed by the Student Interns, who make up approximately 33% of the number of learners on various Developmental Programmes in the Public Service.
- The number of learners who participated in Learnership Programmes in the Public Service accounts for approximately 11% of the total training on Developmental Programmes in the Public Service Sector.

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

The strategic outcome-orientated goal aims to align supply-side provision with that of demand-side needs. Accredited training providers were supported through monitoring and verification visits conducted throughout the year.

This goal was achieved through Programme 4 of the APP. While one specific target was not achieved, 67% was achieved for two (2) out of the three (3) indicators, the same as in the 2017/18 financial year.

3. PROGRAMME PERFORMANCE BY PROGRAMME

PROGRAMME 1: ADMINISTRATION

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

1.1 SUB-PROGRAMME: GOVERNANCE, RISK AND COMPLIANCE

The purpose of this sub-programme is to ensure that the organisation has effective and efficient governance structures that lead, monitor, and evaluate organisational performance.

1.1.1. Strategic Objective: To ensure the effective and efficient provision of Governance, Risk and Compliance assurance to the organisation.

1.1.2. Progress and Achievement: Indicator achieved 100%.

Strategic Objectives	Performance Indicators	Baseline Information	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement	Comment on Deviations
1.1 Sub-Programme: Governance Risk and Compliance						
To ensure an effective and efficient provision of governance, risk, and compliance assurance for the organisation	Sustain Risk Management Maturity Rating	4	4	4.4	0.4	Target exceeded primarily due to improved governance oversight as there is an independent Chairperson of the Risk Management Committee (RMC).

1.1.3. Linking Performance with Budgets

The under-expenditure evident in the table below is due to the vacancy of the Chairperson of the ICT Steering Committee and the vacancy in the office of the CEO, which were only filled towards the end of the 2018/19 financial year.

Programme 1.1	2017/18			2018/19		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Total	**9 306**	**8 146**	**1 160**	**10 265**	**9 786**	**479**

1.2 SUB-PROGRAMME: FINANCE AND SUPPLY CHAIN MANAGEMENT

The purpose of this sub-programme is to ensure prudent financial management, procurement of goods and services, and reporting in compliance with relevant acts and regulations. It comprises of Financial Accounting and SCM.

1.2.1 Strategic Objective: To ensure prudent management and allocation of resources.

1.2.2 Progress and Achievement: The target for the year has been achieved.

Strategic Objectives	Performance Indicators	Baseline Information	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement	Comment on Deviations
1.2 Sub-Programme: Finance and SCM						
To ensure prudent management and allocation of resources	Unqualified audit with no material misstatements and ompliance findings	Unqualified audit with no findings (material misstatements and compliance findings)	Unqualified audit with no findings (material misstatements and compliance findings)	Unqualified audit with no findings (material misstatements and compliance findings)	None	Target Achieved

1.2.3 Linking performance with budgets

Finance variance is within the materiality framework threshold of R119 000.

Programme 1.2	2017/18			2018/19		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000
Total	**9 292**	**10 931**	**(1 639)**	**9 890**	**9 977**	**(87)**

1.3 SUB-PROGRAMME: CORPORATE SERVICES

The sub-programme provides efficient and effective corporate services functions to internal departments within the PSETA and external stakeholders by providing the following services: HR, ICT, communication, marketing and stakeholder engagements, and auxiliary services.

1.3.1 Strategic Objective: To ensure effective and efficient utilisation and implementation of HR Strategies and practices that support the performance of the organisation.

1.3.2 Strategic Objective: To implement effective Marketing and Communication interventions to support the achievement of organisational goals and objectives.

1.3.3 Strategic Objective: To ensure effective implementation of ICT governance policies and systems in support of the achievement of organisation goals.

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

Strategic Objectives	Performance Indicators	Baseline Information	Planned Target 2018/19	Actual Achieve-ment 2018/19	Deviation from Planned Target to Actual Achievement	Comment on Deviation
1.3 Sub-Programme: Corporate Services						
To ensure effective and efficient utilisation and implementa-tion of Human Resources Strategies and practices that support the performance of the organisation	Percentage implemen-tation of approved training plan, as per submitted Workplace Skills Plan (WSP)	New target	100%	79%	-21%	Target not achieved due to unforeseen circumstances, such as discontinuation of programmes by the insti-tutions and providers, and training providers being nonresponsive.
To implement effective Marketing and Com-munication interventions to support the achievement of organisa-tional goals and objectives	Number of career guidance advocacy sessions	29	30	32	+2	Target exceeded due to unplanned events that were compulsory for the SETA to attend, i.e., Nelson Mandela Day Career Development Festival in the Eastern Cape organised by the DHET, and the National Skills Authority Conference in March 2019.
To ensure effective implemen-tation of ICT governance policies and systems in support of the achievement of organisation goals	Percentage implementa-tion of approved ICT Plan	75%	100%	0%	-100%	The set target is no longer applicable as approval was obtained from Treasury to continue with the current ICT contract. The intention of setting this target was to improve the current ICT system, however, due to key issues relating to, for example, the SETA landscape, investmentand investment cannot be made into a new system that will service the organisation for only 18 months. Work in relation to the achievement of the above target commenced in the prior year. The project was nevertheless cancelled due to the above-cited reasons.

1.3.5 Strategies to Overcome Areas of Underperformance

An MoU will be signed with two (2) Higher Educational Institutions (HEIs) and priority training, as identified through the WSP process, will be rolled out in partnership with the identified HEIs. SCM processes will commence as soon the WSP is finalised, and the training plan is approved. HR will verify the existence of the proposed programmes in the PDPs with the HEIs and providers, and amend the training plan in case the programme has been discontinued. The training plan will be reviewed on a quarterly basis.

Clear deliverables, as per the ICT Strategy, have been prioritised in the Operational Plan and indicators are aligned with the expected delivery.

1.3.6 Linking Performance With Budgets

The underspending recorded is due to some training interventions that were not implemented in the year under review. Furthermore, savings were realised under legal services as a result of the appointment of a legal specialist.

Programme 1.3	2017/18			2018/19		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Total	**20 009**	**17 260**	**2 749**	**27 303**	**22 686**	**4 617**

PROGRAMME 2: SKILLS PLANNING AND RESEARCH

Strategic Outcome-Oriented Goal 2: Improved sector capabilities to lead capacity-building interventions through research coordination and partnerships.

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 and to form partnerships needed to lead sector capacity-building efforts. 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 indicators were achieved (100% achievement).

Strategic Objectives	Performance Indicators	Baselin Informa-tion	Planned Target 2018/19	Actual Achieve-ment 2018/19	Devia-tion from Planned Target to Actual Achieve-ment	Comment on Deviations
Programme 2: Skills Panning and Research						
To coordi-nate and conduct sector research	Number of skills planning-related research studies conducted	11	11	11	0	Target achieved

Strategic Objectives	Performance Indicators	Baselin Informa-tion	Planned Target 2018/19	Actual Achieve-ment 2018/19	Devia-tion from Planned Target to Actual Achieve-ment	Comment on Deviations
To improve stakeholder capacity for skills planning in the sector	Number of organisation's' WSPs approved by PSETA	142	Total = 136 Small = 6 Medium = 15 Large = 135	Total = 158 Small = 8 Medium = 15 Large = 135	+22	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. The WSPs are further evaluated through a robust process and feedback communicated to each department.
	Number of stakeholder skills planning capaci-ty- building exer-cises conducted	33	34	35	+1	Target exceeded. An additional training committee capacity-building session was required by sector stakeholders.

1.3.5 Linking Performance with Budgets

During the year under review, surplus funding was allocated to this programme for further research in areas identified in the PSETA Research Agenda. The funds allocated for these projects were committed as at 31 March 2019 through the procurement of relevant research services. The outputs of these research projects will be realised in the 2019/20 financial year.

Programme	2017/18			2018/19		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Total	**4 340**	**3 886**	**454**	**7 247**	**4 975**	**2 272**

PROGRAMME 3: LEARNING PROGRAMMES AND PROJECTS

Strategic Outcome-Oriented Goal 3: Improved stock of skills into and within the Public Service Sector.

3.1 SUB-PROGRAMME: LEARNING PROGRAMMES

The purpose of the sub-programme is to facilitate and manage the implementation of learning programmes for and within the Public Service sector to ensure an improved stock of skills and capabilities in delivering consistently high-quality services.

3.1.1. Strategic Objective: To ensure effective implementation of programmes to address scarce and critical skills needs to be identified in the SSP (both employed and unemployed).

3.1.2. Progress and Achievement: 12 out of 14 indicators achieved (86% achievement).

Strategic Objectives	Performance Indicators	Baseline Information	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned arget to Actual Achievement	Comment on Deviations
Programme 3: Learning Programmes and Projects						
To ensure effective implementation of programmes to address scarce and critical skills needs identified in the SSP (both employed and unemployed)	Number of Public Service employees entering learning programmes	51	Learnerships: 250	375	125	Target exceeded due to delays in the start of some projects resulting in the contract being carried over from the previous year to the period under review.
		982	SP: 1000	600	-400	Target not achieved. Experienced difficulties in procuring SDPs to deliver the training programme in a timely manner.
		0	Bursaries: 60	81	+21	Target exceeded due to increased demand for learners.
	Number of Public Service employees completing learning programmes	113	Learnership: 45	45	0	Target achieved.
		0	SP: 900	980	+80	Target exceeded due to delays in the start of some projects resulting in the contract being carried over from the prior year to the period under review.
		37	Bursaries: 50	30	-20	The programme started late and this delayed completion until the new financial year.
	Number of unemployed learners entering learning programmes	384	Learnerships: 250	451	+201	Target exceeded due to delays in the start of some projects resulting in the contract carried over from the previous year to the period under review.
		300	TVET Work-Integrated Learning (WIL): 320	337	+17	Target exceeded due to increased demand for learners.

Strategic Objectives	Performance Indicators	Baseline Information	Planned Target 2018/19	Actual Achieve-ment 2018/19	Devia-tion from Planned arget to Actual Achievement	Comment on Deviations
		150	Bursa-ries: 150	151	+1	Target exceeded. Increase in the number of learners recruited due to the saving realised as a result of the tuition fees set in terms of the PSETA funding framework being lower than the threshold.
		20	Artisans: 60	80	+20	Target exceeded due to delays in the start of some projects resulting in the contract carried over from the previous year to the period under review.
	Number of unemployed learners completing learning pro-grammes	52	Learner-ships 95	101	+6	Target exceeded due to delays in the start of some projects resulting in the contract being carried over from the previous year to the period under review.
		10	Artisans: 20	21	+1	Target exceeded. Majority of completions are from the projects that were im-plemented in the previous financial years.
		New Target	TVET WIL: 15	18	+3	Target exceeded. Majority of completions are from the projects that were implemented in the previous financial years.
	Number of capaci-ty-building sessions conducted to support im-plementation of learning programmes by the sector	33	30	50	+20	Target exceeded. More sessions were conducted with the stakeholders due to the increased number of projects.

3.1.3. Strategies to Overcome Areas of Underperformance

The 400 learners (mentioned in the table above under “Deviation from Planned Target to Actual Achievement” for the “Number of Public Service employees entering learning programmes”) will be trained during the 2019/20 financial year using an SDP who will be appointed to train 1 000 learners during the next financial year. The number will then increase to 1 400. The 20 learners who did not complete the SP programme will be reported on again in the first quarter of the 2019/20 financial year using the learners enrolled for the Monitoring and Evaluation Bursary programme implemented through the Department of Planning, Monitoring and Evaluation.

3.1.4. Linking performance with budgets

The underspending is as a result of savings realised through the usage of pool vehicles instead of rentals.

Programme 3.1	2017/18			2018/19		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Total	**4 613**	**3 892**	**721**	**5 290**	**4 754**	**536**

3.2. SUB-PROGRAMME: PROJECTS MANAGEMENT

The role of projects is to ensure alignment of projects investments to business strategy and increase in number of projects achieving expected benefits on time, on budget and within scope.The purpose of this sub-unit is to provide projects management framework for the implementation of projects within the wider organisational capacity building strategies and supporting the implementation of discretionary grants projects.

3.2.1 Strategic Objective: To set standards and establish disciplines to manage the collection of Discretionary Grant projects in an objective manner in line with the PSETA's strategy.

3.2.2 Linking Performance with Budgets

The under-expenditure was caused by the delays in the allocation of funding to the stakeholders and also the conclusion of the MoA.

Sub-Programme 3.2.	**2017/18**			**2018/19**		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Total	**106 657**	**48 430**	**58 227**	**91 650**	**67 410**	**24 240**

4. PROGRAMME: EDUCATION, TRAINING AND QUALITY ASSURANCE

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

The purpose of this programme is to build the provider capacity required to deliver the priority skills for the sector, developing standards, accrediting providers and quality assuring learning. ETQA undertakes the review of legacy qualifications and development of new occupational qualifications; and capacitation of providers through advocacy workshops.

4.1.1 Strategic Objective: To develop and implement a system to quality assure training provision and ensure the delivery of user-friendly and improved quality assurance training.

4.1.2 Progress and Achievement: Two (2) out of three (3) indicators were achieved, a 67% achievement.

Strategic Objectives	Performance Indicators	Baseline information	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement	Comment on Deviations
Programme 4: Education, Training and Quality Assurance						
To develop and implement a system to quality assure training provision and ensure the delivery of user-friendly and improved quality assurance training	Turnaround time inworking days to accredit Skills Development Providers on PSETA learning programmes	46	45 days	24.39 days	+20.61	Target achieved. Applications for programme approval do not require evaluation of quality management system or site visits, hence the reduction in turnaround times.
	Number of accredited providers monitored	70	73	73	0	Target achieved.
	Number of qualifications developed and/or aligned and submitted to QCTO	New Target	2	0	0	Target not achieved. Delays in the appointment of Qualification Development Facilitator (QDF) caused by poor and/or non-responsive bids. However, the following progress has been made: • QDF appointed at the end of March 2019; • Inception meeting held; • Project plan developed with QDF; • Schedule for scoping sessions developed; and • Appointment of the Community of Experts still ongoing.

4.1.3 Strategies to Overcome Areas of Underperformance

The service provider was appointed in March 2019 and development of the qualification will happen during the 2019/20 financial year and reported on as such.

4.1.4 Linking Performance with Budgets

The under-expenditure is due to the delay in the appointment of the QDF to develop two (02) new occupational qualifications.

Programme 4	2017/18			2018/19		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Total	**4 613**	**3 892**	**721**	**8 495**	**4 577**	**3 918**

Revenue Collection

Sources of Revenue	2017/18			2018/19		
	Estimate R'000	Actual Amounts Collected R'000	(Over)/ Under Collection R'000	Estimate R'000	Actual Amount Collected R'000	(Over)/ Under Collection R'000
Skills Development Levy: Income including interest and penalties (Public Entities)	7 680	10 076	(2 396)	7 910	10 878	(2 768)
Prior year surplus	57 548	-	57 548	38 300	-	38 300
Transfers from other government departments (National Treasury)	103 760	103 760	-	106 425	106 425	-
NSF realised income	-	5	(5)	-	4	(4)
Investment income	648	2 762	(2 113)	8 410	8 511	(101)
Other income	85	11	74	90	39	51
Total	**169 721**	**116 614**	**53 107**	**161 135**	**125 857**	**35 278**

CAPITAL INVESTMENT

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

Infrastructure Projects	2017/18			2018/19		
	Budget R'000	Actual Expenditure R'000	(Over)/ Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/ Under Expenditure R'000
Property, plant and equipment	800	581	219	642	941	(299)
Intangible assets	400	459	(59)	350	507	(157)
Total	**1 200**	**1 040**	**160**	**992**	**1 448**	**(456)**

PART C:
Governance

PSETA
Public Service Sector Education & Training Authority

PART C: GOVERNANCE

PSETA ACCOUNTING AUTHORITY

Adv. B.D. Mushwana
AA Chairperson

Ms. S. Oodit

Ms. S. J. Mahlobogoane

Ms. S. Schalk

Mr. M.J. Dladla

Mr. T.B. Makhafane
(Alternate)

Ms. A. Kelengeshe

Ms. R.M. Benjamin
(Alternate)

Mr. A. du Plessis

Dr. E.L. Mckinney

Mr. B. Maduna

Dr. C.W. White
(Alternate)

Mr. T. Mokhenyenyane

1. INTRODUCTION

The PSETA is a public entity established in terms of the Skills Development Act (SDA) and classified as a Schedule 3A entity in terms of the Public Finance Management Act (Act No. 1 of 1999), as amended (PFMA). It reports to the Minister of Higher Education and Training (MHET) and is governed by the Sector Education and Training (SET) Standard Constitution, as determined by the MHET in terms of Regulation R1399. There are a number of statutory bodies that play an oversight role in the functioning of the PSETA.

2. PORTFOLIO COMMITTEES

The Portfolio Committee on Higher Education and Training exercises oversight over the SETAs, HEIs, and the Department, and may invite any SETA to account on its strategic plan and APPs from time to time. The entity 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 and Training (MHET), who is responsible for appointing members of the AA, 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, an SSP, a Strategic Plan, and an APP. It is also required, in terms of the SDA, to enter into an SLA with the DHET and agree on expected deliverables that contribute towards fulfilment of the Ministerial outcomes.

Quarterly reports detailing the performance against set targets are submitted to the Department, as required by the Treasury Instruction Note 33, which amended part 5 and 30 of the Treasury Regulations, 2005. The EA convenes meetings with the SETA Chairperson and CEO from time to time to discuss strategic policy imperatives affecting the sector and the country. These engagements also present an opportunity for the leadership of the SETA to discuss the challenges encountered with the EA.

4. THE ACCOUNTING AUTHORITY

4.1. Introduction

The PSETA's Constitution is the basis on which its Accounting Authority (AA) is established. It provides oversight and governance for the entity. The AA comprises 15 members drawn from organised labour, organised employers, category of other role players and one Ministerial appointee who is 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 SDA, 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 EA;
- Provide strategic direction for PSETA;
- Liaise with stakeholders;
- Manage institutional risk and ICT governance, and monitor compliance with laws and regulations;
- Monitor the performance of the 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 assessments 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, approving, and recommending for approval to the Minister various budgets, strategic plans and APPs, as well as monitoring the implementation thereof.

The AA is accountable for the SETA's Annual Report, ensures that the SETA continues to be a going concern for the foreseeable future in terms of the accounting principles for the reporting organisation, and member confirms whether the PSETA will continue to be a going concern for the foreseeable future.

The AA determines the implementation and monitoring of policies, procedures, practices and systems to ensure the integrity of risk management, internal controls and compliance with 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 the 15 nominated Members listed in the table below.

CONSTITUENCY	ORGANISATION
Ministerial Appointee	AA Chairperson (1)
Organised Labour	National Education, Health and Allied Workers Union (NEHAWU) (2) Police and Prisons Civil Rights Union (POPCRU) (2) Public Servants Association of South Africa (PSA) (2)
Government Departments and Public Entities	National Departments (3) Provincial Departments (2) Legislature (1)
Other Stakeholders	Bargaining Council – General Public Service Sector Bargaining Council (GPSSBC) (1) South African Development Disability Trust (SADDT) (1)

*Each constituency nominates a main member and alternate member.

4.4. Membership, Qualifications, and Expertise of the AA Members

Name	Designation	Qualifications	Area of Expertise	Director-ships	Other Committees
Adv. B.D. Mushwana	Ministerial Appointee – Chairperson	Secondary Teacher's Diploma; Burris Degree; LLB; Certificate in Economics and Public Finance; Postgraduate Certificate in Corporate Law	Strategic Leadership and Management; Financial Management; HR; Innovation; Stakeholder Manage-ment and Communications; Legal Services; Corporate Governance	None	Executive Committee
Ms. S. Oodit	Ordinary Member – Category of Role Players	Masters and Labour Law	Strategic Planning; Labour Relations and Dispute Resolution; Policy Development; Financial Management	None	Finance Committe
Dr. E.L. McKinney	Ordinary Member – Category of Role Players	Diploma in Education; Further Education; B.Ed. (Honours) Education Theory; MA in Education; Short Learning Programme; and PhD	Employment Integration and Retention Support; Education Language Development Material	None	Governance and Strategy Committee
Mr M.M. Shingange	Ordinary Member – Organised Labour	Matric	Labour Relations; Union Leadership	None	Governance and Strategy Committee

Mr. T.L Mok-heranyana	Ordinary Member – Organised Labour	Matric	Labour Relations; Union Leadership	None	Remuneration Committee and Executive Committee
Ms. S.J. Mahlobogoane	Ordinary Member – Organised Labour	National Diploma: Public Ad-ministration	Public Administration; Labour Relations; Union Leadership	None	Remuneration Committee and Executive Committee
Mr M.J. Dladla	Ordinary Member – Organised Labour	Teachers Diploma; Leadership Development Certificate	Correctional Services Education; Labour Relations; Union Leadership	None	Finance Committee and Remuneration Committee
Dr. G.T. Esitang	Ordinary Member – Organised Labour	BA (Industrial Sociology and Politics); BProc (Law); LLM; PhD (Law)	Labour Relations; Union Leadership	None	Governance and Strategy Committee
Mr A. du Plessis	Ordinary Member – Organised Labour	BA; Advanced Diploma in La-bour Law; MPhil (Labour Law)	Labour Relations; Union Leadership; Financial Management; External Audit; Financial Consulting; System Development	None	Audit Committee and Finance Committee
Ms. M. Makololo*	Ordinary Member – Organised Employer	BSc (Electrical Engineering); Programme in Financial Management; echnology Leadership Programme; MBA	Electrical Engineering	None	Resigned: 12 September 2018
Ms. A.N. Kelengeshe#	Ordinary Member – Organised Employer	BA (Social Science, Public Affairs and Administration); Postgraduate Diploma in Law, Employment Law and Social Security; Certificate in HRM Postgraduate Certificate in Management Advancement; Certificate in Applied Organisational Development; MBL; Certificate in Legislative Grafting	HR Development; Organisational Devel-opment; Labour Relations; Union Leadership	None	Remuneration Committee
Ms. Q Delwa#	Ordinary Member – Organised Employer	BA (International Relations) (Hons)	Strategic leadership, Governance and Administration; piloting and facilitating the replication and mainstreaming of innovation in the public sector	None	Governance and Strategy Committee

Mr. B. Maduna	Ordinary Member – Organised Employer	BCom (Hons); CTA	Financial Management	None	Audit Committee and Executive Committee
Ms. S. Schalk	Ordinary Member – Legislature	BA (Undergraduate Studies); Higher Diploma in Education; BEd; Women in Management Development; Project Management Certificate; Strategic Thinking and Execution for Growth; Current: MA (Public Administration)	Governance; Strategy Management; Capacity Development; Financial Management; Human Capital Development and Management; Project Management	Wave-length 1173 CC	Governance and Strategy Committee: Chairperson, and Remuneration Committee
Ms. P.D. Gwala-Khumalo (date re-signed: 13 March 2019)	Ordinary Member – Organised Employer	BA (Administration); Postgraduate Diploma in Business Management; Certificates in Junior Management, Project Management, Middle Management, Public Speaking, General Legal Aspects; Management Development Programme	Strategic HRM; ICT Management, including Auxiliary Services Management; Provincial Security Management Service	None	Finance Committee and Executive Committee
Ms. M.G. Tlaletsi	Ordinary Member – Organised Employer	Diploma in Education; BA (Education); BEd; Masters Diploma in HRM	HR Development	None	Remuneration Committee and Finance Committee

*Member resigned within six months after appointment on 01 April 2018

#Member appointed later in the year

4.5. Meeting Attendance

Twelve (12) meetings were held during the financial year.

4.5.1. AA Members' Meeting Attendance

Name	Designation	Date of Appointment	Date Resigned	Meetings Attended
Adv. B.D. Mushwana	Ministerial Appointee – Chairperson	01 April 2018	N/A	12
Ms. S. Oodit	Ordinary Member – Category of Role Players	01 April 2018	N/A	9
Dr. E.L McKinney	Ordinary Member – Category of Role Players	01 April 2018	N/A	6
Mr. M.M. Shingange	Ordinary Member – Organised Labour	01 April 2018	N/A	7
Mr. T.L. Mokheranyana	Ordinary Member – Organised Labour	01 April 2018	N/A	9
Ms. S.J. Mahlobogoane	Ordinary Member – Organised Labour	01 April 2018	N/A	12
Mr. M.J. Dladla	Ordinary Member – Organised Labour	01 April 2018	N/A	11
Dr. G.T. Esitang	Ordinary Member – Organised Labour	01 April 2018	N/A	7

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	1
Ms. Q. Delwa	Ordinary Member – Organised Employer	30 November 2018	N/A	1
Mr. B. Maduna	Ordinary Member – Organised Employer	01 April 2018	N/A	9
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	4
Ms. M.G. Tlaletsi	Ordinary Member Organised Employer	01 April 2018	N/A	4

4.5.2. Alternate Members of the AA

The alternate members have been nominated by the principal members' Constituencies including the Provincial Departments within the scope of the PSETA .

4.6. AA Committees

The AA utilises the following governance Committees that are established in terms of its Constitution to assist in carrying out its roles and responsibilities:

- Executive Committee of the AA
- Audit Committee
- Governance and Strategy Committee
- Finance Committee
- Remuneration Committee
- Risk Management Committee (RMC)
- ICT Steering Committee

4.6.1 AA Executive Committee

Name of Member	Meetings Held	Meetings Attended
Adv. B.D. Mushwana	6	6
Ms. S.J. Mahlobogoane	6	6
Mr. T.L. Mokheranyana	6	3
Ms. P.D. Gwala-Khumalo	6	3
Mr. B. Maduna	6	3

4.6.2 Audit Committee

Name of Member or Alternate	Meetings Held	Meetings Attended
Ms. P. Mzizi (Term ended 30 Sept 2018)	8	2
Mr. P. Mukheli (Term ended 30 Sept 2018)	8	4
Dr. P. Dala	8	8
Ms. N. Nyakaza	8	4
Mr. Z. Myeza	8	3

4.6.3. Governance and Strategy Committee

Name of Member or Alternate	Meetings Held	Meetings Attended
Ms. S. Schalk	1	1
Mr. M. Shingange	1	1
Dr. G.T. Esitang	1	1
Dr. E.L. McKinney	1	1
Ms. M. Makololo	1	Resigned 12 September 2018
Ms. Q. Delwa	1	0

4.6.4. Finance Committee

Name of Member	Meetings Held	Meetings Attended
Ms. S. Oodit	4	4
Mr. M.J. Dladla	4	4
Mr. A. du Plessis	4	3
Ms. P.D. Gwala-Khumalo	4	4
Ms. M.G. Tlaletsi	4	0
Ms. J. Meyer (Specialist)	4	2

4.6.5. Remuneration Committee

Name of Member	Meetings Held	Meetings Attended
Ms. S.J. Mahlobogoane	9	9
Mr. T.L. Mokheranyana	9	4
Mr. M.J. Dladla	9	9
Ms. S. Schalk	9	3
Ms. M.G. Tlaletsi	9	5
Ms. A.N. Kelengeshe	9	0

4.6.6. Risk Management Committee

Name of Chairperson	Meetings Held	Meetings Attended
Mr. R.G. Nicholls	4	4

4.6.7. ICT Steering Committee

Name of Chairperson	Meetings Held	Meetings Attended
Mr. H. Hlomane (Deceased in October 2018)	4	3

4.7. Remuneration of Members of the AA

The remuneration of the members of the AA and the Committees is in line with the circulars on the adjustment of the remuneration levels, and 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 MHET, 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 MHET

based on the National Treasury rates; and

- Members of the AA are reimbursed for all out-of-pocket-expenses, including travel (according to the South African Revenue Service (SARS) travel and subsistence guidelines).

N.B.: Meeting fees (preparatory and attendance) are paid as per the AA Remuneration Policy, which is in line with the rates published by the National Treasury each year.

AA Member Remuneration				
Name	**Meeting fees (R'000)**	**Travel expenses (R'000)**	**Other expenses (R'000)**	**Total (R'000)**
Adv. B.D. Mushwana (Chairperson)	379	14	-	393
Ms. S. Schalk	-	-	-	-
Ms. M.G. Tlaletsi	-	8	-	8
Mr. B. Maduna	-	5	-	5
Ms. P.D. Gwala Khumalo	-	7	-	7
Mr. A. du Plessis	161	2	-	163
Mr. G.T. Esitang	77	2	-	79
Mr. M.M. Shingange	68	2	-	70
Mr. J.M.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
Mr. R.G. Nicholls	111	5	-	116
Mr. H. Hlomane	78	2	-	80
Ms. K. Mashigo (Former Chairperson)	8	1	-	9
Total	**1677**	**86**	**-**	**1763**

4.8. Remuneration of Audit Committee Members

The remuneration of the Members of the Audit Committee is in line with a circular on the adjustment of the remuneration levels, and service benefit packages for office bearers of certain statutory and other institutions. Subsequent to a directive from the MHET, the AA reached the decisions listed below, which were authorised by the EA:

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

N.B.: Meeting fees (preparatory and attendance) are paid as per the AA Remuneration Policy, which is in line with the rates published by the National Treasury each year.

Audit Committee Member Remuneration				
Name	**Meeting fees (R'000)**	**Travel expenses (R'000)**	**Other expenses (R'000)**	**Total (R'000)**
Dr. P. Dala (Chairperson)	142	4	-	146
Mr. Z. Myeza	36	2	-	38
Ms N. Nyakaza	45	1	-	46
Ms. P. Mzizi (Former Chairperson)	35	1	-	36
Mr. P. Mukheli (Former Member)	40	1	-	41
Total	**298**	**9**	**-**	**307**

5. RISK MANAGEMENT

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

An enterprise risk management policy framework is in place to provide direction and guidance to the entity as it 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 stability, and performance are identified, assessed, and appropriately mitigated to an acceptable level, and to address any unfavourable impacts which could decrease benefits to the entity in terms of both current and future opportunities.
The AA is responsible for all fiduciary duties, including risk management. To ensure that the function is effectively carried out, the Audit Committee has been delegated with the responsibility to oversee it. Therefore, a dedicated RMC is chaired by an independent person who is not a PSETA staff member.

The PSETA has an approved Risk Management Charter, Strategy and Policy Framework, and a risk plan which direct the process from beginning to end. Strategic and operational risk registers are maintained, which set out control procedures, risk responses, treatment and implementation action plans with responsibility and timelines identified for each risk.
The RMC is a senior management team that meets every quarter to review identified and emerging risks, controls, and action plans against performance. The RMC is presided over by an independent chairperson.

The RMC reports quarterly to the AA through the Audit Committee on all its activities and issues which may be of concern, including business continuity, fraud and compliance.

6. INTERNAL CONTROLS

Internal control is the responsibility of the management of the entity and it is a fundamental requirement in all areas of the operations. Each manager is responsible for identifying areas of weakness and putting into effect mechanisms, such as standard operating procedures to strengthen the controls. Management ensures that controls are adhered to at all times. Oversight is maintained through audit activities, the RMC, Audit Committee, and various other governance structures which monitor the effectiveness of internal controls.

Management monitors controls through the Risk Management function where they identify controls and mitigating action plans are put in place to improve them in the 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, and internal and external assurance providers on the risk areas affecting the entity.
Within PSETA there are a number of assurance providers that directly or indirectly provide certain assurances over the adequacy and effectiveness of those controls that mitigate the risks, as identified during the risk assessment process described in section 5 above. Collectively, the activities of these assurance providers, each representing a line of defence for the entity, are referred to as the combined assurance.

7. INTERNAL AUDIT AND AUDIT COMMITTEE

7.1. Internal Audit

The 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 helps the entity to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

During the period under review, the Internal Audit department provided assurance on risk management, internal controls, and governance processes through execution of the approved annual plan and additional requests. Internal audits provided assurance on some key aspects of the control environment, compliance with legislation, and performance information reporting.

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

- Audit of the annual 2017/18 Performance Information Report, Ref: 2018/19-01;
- Audit of Discretionary Grants, Ref: 2018/19-04;
- Audit of Discretionary Grants, Ref: 2018/19-06;
- Audit of Information and Communication Technology Governance, Ref: 2018/19-03;
- Follow-up audit of commitment to competency, Ref 2018/19-F1;
- Follow-up audit of Skills Development Act, Ref: 2018/19-F2; and
- Audit of recruitment and termination process, Ref: 2017/18-AC003.

The audit of the internal controls implemented for financial reporting in quarter three was moved to the 2019/20 financial year in order to fulfil the AA's request for the Internal Audit Unit to audit Discretionary Grants (DGs) in the third quarter. The audit of DGs was finalised in that same quarter.

Only one audit was carried over from the financial year 2018/19, which is the audit of HR selection and recruitment.

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 Audit Committee is contained in section 4.6.2.

8. COMPLIANCE WITH LAWS AND REGULATIONS

The 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 monitors the level of compliance and ensures that at all times compliance is not compromised.

9. FRAUD AND CORRUPTION

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

Fraud reported through the hotline number is reported to the Chairperson of the Audit Committee who is independent from the entity. The Chairperson of the Audit Committee reports all fraud-related cases to the Audit Committee and the cases are included in the Audit Committee's report to the AA. Any fraud and corruption reported is investigated adequately. 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 the PSETA environment. To minimise the risk of conflicts of interest, a form for Declarations of Interest is circulated to members of Bid Committees before the commencement of the meetings. To further enhance this process, management has acquired access to the Companies and Intellectual Property Commission's (CIPC) database in order 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 was no case of misconduct or negligence of duty from the AA members that required removal from office or termination of membership.

11. CODE OF CONDUCT

The PSETA's Code of Conduct, set out in the organisation's Constitution is applicable to its AA and Committees. There is also a code of conduct for staff members. During the year under review, they were two cases of misconduct or negligence of duty from the employees that required acceptance of resignation from office and termination of employment

12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

Health and Safety wardens have been appointed and trained in terms of the Internal Governance Framework as per the Occupational Health and Safety Act. Staff Awareness session was held.

13. BOARD SECRETARY

The Board Secretariat function is performed internally and properly resourced. The Board Secretary reports functionally to the AA and operationally to the CEO.

14. SOCIAL RESPONSIBILITY

The PSETA has, over the years, associated itself with two annual philanthropic events in the South African calendar. These are the Cell C Take a Girl Child to Work Day® and Nelson Mandela Day.

Take a Girl Child to Work Day

On Friday 25 May 2018, PSETA hosted learners from Olivenhoutbosch Secondary School in Centurion for the Take a Girl Child to Work Day.

The annual event is held in partnership with Cell C under the theme 'Facing Fear, Embracing Ambition'. The event aimed to afford learners the opportunity to gain exposure in the workplace for a day, and to assist them in planning for their future careers. The young scholars were encouraged to realise their personal power to make their greatest dreams come true by believing in themselves.

Take a Girl Child to Work Day is a Corporate Social Investment initiative, which strives to necessitate organisations' positive influence in communities by giving back.

In governance, it is a standard practice for organisations to spend 5% of their revenue in giving back to communities. As a public entity, PSETA also leveraged this influential programme and actively immersed young girls in its dynamic work environment.

Nelson Mandela Day

On 18 July 2018, an inspiring leader would have turned 100 years old. Nelson Mandela, as one of the hailed freedom fighters, played a very prominent role in the new dispensation for a free South Africa. He built a legacy discussed on the day dedicated to him which is emulated by many around the world.

To honour his legacy and to contribute in making a difference, the PSETA implemented an initiative called "Help a Learner Apply" aimed at assisting learners to apply on time at higher education institutions of learning for the 2019 academic year. This initiative was to educate and emphasise the importance of early application using online application systems put in place by universities.

Two schools were identified for this course, namely, Modiri Technical High School situated in the West of Mamelodi and Seshegong Secondary School based in Olivenhoutbosch, Centurion. This course helped 100 learners with online applications to study at the universities of their choice and also helped assisted them with career guidance. Learners were also made aware of the Higher Education Department's Central Applications Clearing House (CACH) online system.

This online application portal searches the databases of institutions of higher education to find where there are still places available and which courses are still available. Universities and colleges encourage prospective learners to use this portal to avoid walk-ins during registration periods.

AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 31 March 2019.

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 by various assurance providers revealed management's implementation of the drivers of internal control in the areas of financial statements, performance reporting, and compliance with applicable legislation. The Audit Committee noted a general improvement in the control environment and did not identify any significant internal control deficiencies.

The Audit Committee is satisfied that the internal audit is operating effectively and provided assurance in terms of control, governance, and risk management, as per the approved risk-based audit plan. As such, the following internal audit work was completed during the year under review:

- Audit of the 2018/19 Performance Information Report;
- Audit of the Control Environment: Ethics and Integrity;
- Audit of the Control Environment: Commitment to Competence;
- Audit of Information and Communication Technology Governance;
- Audit of Compliance to Skills Development Act;
- Audit of the External Audit Matrix; and
- Discretionary Grants Processes.

In-Year Management and Monthly and Quarterly Report

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 and financial management 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 on this 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 and combined assurance requires improvement.

Information Communication Technology (ICT)

There is an independent chairperson who chairs the ICT steering committee. Progress has been made in terms of compliance with the Corporate Governance of Information and Communication Technology (CGICT) framework, as well as the overall enhancement of the ICT control environment.

Compliance with Laws and Regulations

A compliance universe was defined and is supported by a

compliance monitoring process. No instances of material non-compliance, in terms of the requirements of applicable legislation, were reported to the Audit Committee during the year under review.

Auditor-General's Report

The Audit Committee reviewed the implementation plan for audit issues raised in the previous year and is satisfied that the matters have been adequately resolved.

The Audit Committee concurs with 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, to management for their commitment in the journey towards PSETA achieving its first "clean" audit outcome (unqualified with no material findings).

P. Dala

Dr P Dala
Chairperson PSETA Audit Committee
Date: 19 August 2019

Chairperson PSETA Audit Commitee
Dr. P. Dala

PART D: Human Resources Management

PSETA
Public Service Sector Education & Training Authority

PART D: HUMAN RESOURCE MANAGEMENT

Corporate Services Executive: Ms. Morongoe Nkabinde

1. INTRODUCTION

The PSETA is still operating on an inherited organisational structure from the DPSA when it was still one of the Chief Directorates prior to 01 April 2011. The lack of adequate organisational structure aligned to the strategy impacted negatively on the performance of the entity.

In addressing the above challenge, the PSETA embarked on the organisational development exercise that is aimed at assessing its capability to fulfil the legislative mandate. This involved conducting benchmark and comparative studies with similar organisations within the sector and made a determination on the suitable organisational structure. In addition, the remuneration framework, job grading system which enables job analysis and evaluation, skills audit and training interventions were reviewed. This also included a comparison of employee benefits that are offered by other similar entities as a way of retaining critical skills.

Staff Establishment as at 31 March 2019	
Positions	64
Filled	63
Vacant	01
TOTAL	**64**
Positions Additional to the Establishment (as at 31 March 2019)	
Temporary employees	0
Interns	03
WIL Learners	06
TOTAL	**09**

The PSETA Staff Establishment

As at the end of the 2018/19 financial year, the total staff establishment stood at sixty three (63) with one (01) vacancy. The Policy on Staff Recruitment, Selection, Appointment and Probation was reviewed and approved by the AA on 01 February 2019, for the purpose of aligning the policy with the Basic Conditions of Employment Act.

HR STRATEGY

HR Planning

During the financial year under review, the new Remuneration Policy was approved by the AA, and the Policy on Staff Recruitment, Selection, Appointment and Probation was reviewed.

The vacancy rate was 1.56%, with only (01) one position vacant, i.e., the Projects Officer.

One of the challenges within the entity is the inability to retain staff as PSETA does not have adequate financial resources to offer benefits, such medical aid and provident funds. This has impacted on staff turnover in the year under review.

Employee Relations

Unlike the previous years, PSETA had a number of cases that were lodged with the CCMA and there was also industrial action by staff. There is a need for the employer to forge a close working relationship with organised labour and create a conducive working environment.

Training and Development

Training and development is executed by PSETA to ensure that performance is maximised in order to achieve the strategic goals. The behaviour change brought about by training must be measurable in terms of PSETA requirements. Training conducted during the year under review was result-oriented, and the focus was to enhance specific skills and abilities to perform the job. A Workplace Skills Plan (WSP) was submitted to the Education, Training and Development Practices (ETDP) SETA.

The PSETA management team was offered funding to enrol for Executive Development Management, Management Development, or Senior Management Development Programme with the institution of their choice. Out of the eight (08) bursaries awarded, six (06) are in progress, one (01) is to enrol in June 2019, and one (01) has been completed.

Out of thirty-four (34) training initiatives, as per the Annual Training Plan, only twenty-seven (27) 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 Performance Management and Development Policy was revised and approved during the last quarter to ensure that performance management becomes the vehicle for culture change and to assist the entity to achieve its strategic goals and objectives. In addition, the policy ensures that skills gaps identified during the process are mitigated through targeted training programmes and interventions to eliminate poor performance by both individual employees and the organisation. In order to ensure the alignment between the performances of the individuals to that of the organisation, a process of developing clearly defined outputs and indicators was initiated and employees' performance is objectively measured against set targets.

As compared to prior years, PSETA has improved tremendously with a compliance record of 99.6%. Only one employee did not comply and was placed om suspension.

Employee Wellness Programme (EWP)

The process of appointing the service provider to manage employee wellness was concluded during the year under review and the programme was formally launched on 14 June 2018. The aim is to provide comprehensive face-to-face counselling services, support to PSETA employees, provide life management services, managerial support services, managerial consultancy referral services, and fully customised employee wellness awareness campaigns.

2. HR 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 (R'000)	% of Personnel Expenditure to otal Personnel Cost (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
	2018/19	2018/19	2018/19	2018/19
Top Management	4 606	13%	4	1 152
Senior Management	10 404	30%	11	946
Professional Qualified	7 991	23%	14	571
Skilled	6 885	20%	15	459
Semi-skilled	4 471	13%	16	279
Unskilled	509	1%	3	170
TOTAL	34 866	100%	63	553

Performance Rewards

The performance rewards for 2018/19 will be paid during the 2019/20 financial year.

Level	Performance Rewards (R'000)	Personnel Expenditure R'000)	% of Performance Rewards to Total Personnel Cost (R'000)
Top Management	-	4 606	-
Senior Management	-	10 404	-
Professional Qualified	-	7 991	-
Skilled	-	6 885	-
Semi-skilled	-	4 471	-
Unskilled	-	509	-
TOTAL	-	34 866	-

Expenditure on Training

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

Programme Activity/ Objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost (R'000)
Skills Planning and Research	3 411	114	3%
Learning Programmes	4 080	137	3%
ETQA	4 183	136	3%
Corporate Services	7 211	240	3%
Finance	6 447	205	3%
Governance	6 500	206	3%
Projects	3 034	103	3%
TOTAL	34 866	1 141	3%

Approved Posts by Post Level and Vacancy Rates as at 31 March 2019

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

Levels	2017/18 No. of Employees	2018/19 Approved Posts	2018/19 No. of Employees	2018/19 Vacancies	% of Vacan-cies	Comments
Top Management	3	4	4	0	0%	None
Senior Management	9	11	11	0	0%	None
Professional Qualified	13	14	14	0	0%	None
Skilled	15	16	15	1	6.25%	Projects Officer's post vacant
Semi-skilled	15	16	16	0	0%	None
Unskilled	3	3	3	0	0%	None
TOTAL	**58**	**64**	**63**	**1**	**1.56%**	**None**

Employment Changes

Salary Bands	Employment at the Beginning of Period	Appointments	Terminations	Employment at the End of the Period
Top Management	3	1	0	4
Senior Management	10	1	0	11
Professional Qualified	13	1	0	14
Skilled	16	0	1	15
Semi-skilled	15	1	0	16
Unskilled	3	0	0	3
TOTAL	**60**	**4**	**1**	**63**

Vacancy Rates for the Year by Business Units

Programme Activity/ Objective	2017/18 No. of Employees	2018/19 Approved Posts	2018/19 No. of Employees	2018/19 Vacancies	% of Vacancies	Comment
Office of the CEO	5	7	7	0	0%	-
Internal Audit	2	3	3	0	0%	-
Skills Planning and Research	6	6	6	0	0%	-
Learning Programme	10	9	9	0	0%	-
ETQA	9	8	8	0	0%	-
Corporate Services	14	15	15	0	0%	-
Finance	7	10	10	0	0%	-
Projects	6	6	5	1	16.67%	Projects Officer's post vacant
TOTAL	**59**	**64**	**63**	**1**	**1.56%**	

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*	1	1.56%
Dismissal	-	-
Retirement	-	-
Ill Health	-	-
Expiry of Contract	-	-
Other	-	-
TOTAL	**1**	**1.56%**

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

Labour Relations: Misconduct and Disciplinary Action

Description	Number
Verbal Warning	0
Written Warning	1
Final Written Warning	0
Dismissal	0
TOTAL	**1**

Equity Targets and Employment Equity Status as at 31 March 2019

The list includes all staff excluding three (03) 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	3	-	-	-	1	-	-	-
Skilled	6	-	-	-	-	-	-	-
Semi-skilled	5	-	-	-	-	-	-	-
Unskilled	1	-	-	-	-	-	-	-
TOTAL	**21**	**-**	**-**	**-**	**2**	**-**	**-**	**-**

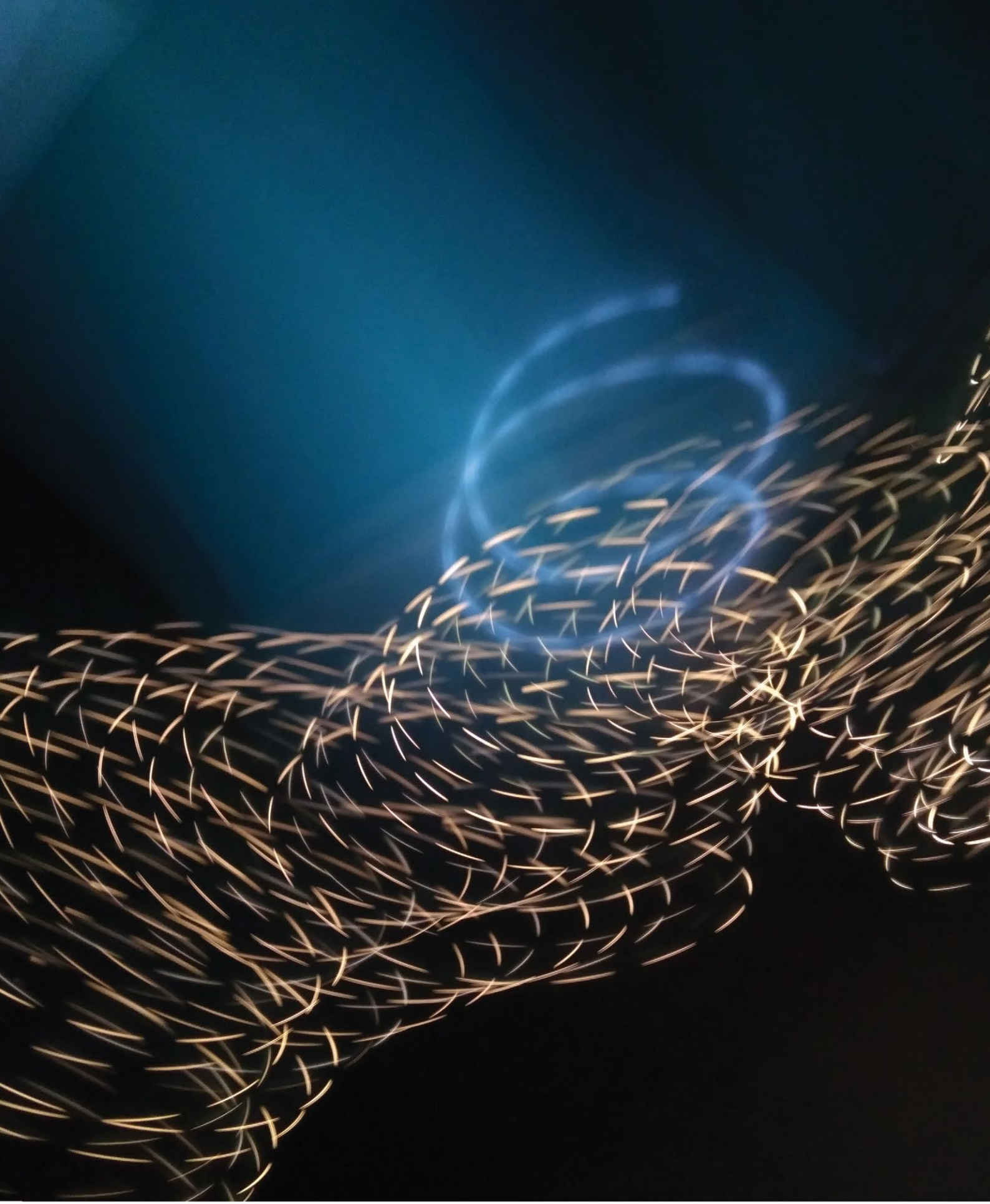
Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	-	-	-	-	-	-	-
Senior Management	3	-	-	-	2	-	1	-
Professional Qualified	10	-	-	-	-	-	-	-
Skilled	10	-	-	-	-	-	-	-
Semi-skilled	10	-	-	-	-	-	-	-
Unskilled	2	-	-	-	-	-	-	-
TOTAL	**37**	**-**	**-**	**-**	**2**	**-**	**1**	**-**

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

The PSETA faced challenges in complying with the Employment Equity Act, 1998 in as far as employing people with disabilities, as currently PSETA does not have any in its staff establishment. Efforts will be made during the new financial year to target such individuals specifically as and when certain positions become vacant and to encourage them to apply through the engagement of structures, such as Disabled People of South Africa, and other formations. The number of female employees during the period under review is forty (40), which represents 57.8%, compared to twenty-three (23) males, representing 42.2%. The number of employed females is a great achievement by PSETA in terms of supporting government initiatives to empower female employees by appointing them in key positions and other occupational levels within the workplace.



PART E:
Financial Information

PSETA
Public Service Sector Education & Training Authority

PART E: FINANCIAL INFORMATION

Chief Financial Officer:
Mr. Farhaan Shamsoodeen

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Public Service Sector Education and Training Authority (PSeta) set out on pages 56 to 94, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of PSeta as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those- standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority for the financial statements

6. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP, the requirements of the PFMA and the SDA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing PSeta's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 2 – skills planning and research	22 – 23
Programme 3 – learning programmes and projects	23 – 26
Programme 4 – education training and quality assurance	26 – 27

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not raise any material findings on the usefulness and reliability of the reported performance information for these programmes:

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

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 19 to 27 for information on the achievement of planned targets for the year and explanations provided for the under or over achievement of a number of targets.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

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

18. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report, chairperson of the accounting authority's report and chief executive officer's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

22. 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

23. 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.

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

Auditor-General

Pretoria
16 August 2019

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

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

Communication with those charged with governance

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

Statement Of Financial Position as at 31 March 2019

Figures in Rand thousand	Note(s)	2019	2018 Restated*
ASSETS			
Current Assets			
Receivables from exchange transactions	2	1 119	1 247
Receivables from non-exchange transactions	3	-	2
Inventories		101	14
Cash and cash equivalents	4	143 981	142 883
		145 201	**144 146**
Non-Current Assets			
Property, plant and equipment	5	1 585	1 270
Intangible assets	6	474	341
		2 059	**1 611**
Total Assets		**147 260**	**145 757**
CURRENT LIABILITIES			
Exchange Transactions			
Payables from exchange transactions	7	3 329	3 141
Provisions	13	1 221	1 373
Operating lease liability	9	-	25
Non-exchange transactions			
Payables from non-exchange transactions	8	12 007	12 308
Employer Grants Payables	10	713	654
Deferred Income Liability - NSF	11	577	510
Deferred Income Liability - CIP	12	-	5
Provisions	14	150	163
Total Liabilities		**17 997**	**18 179**
Net Assets		**129 263**	**127 578**
Reserves			
Aministration reserve		2 059	1 611
Discretionary Reserve		127 204	125 967
Total Net Assets		**129 263**	**127 578**

Statement Of Financial Performance for the year ended 31 March 2019

Figures in Rand thousand	Note(s)	2019	2018 Restated*
REVENUE			
Revenue from non-exchange transactions			
Skills Development Levy: Income	15	10 702	9 883
Skills Development Levy :Penalties and Interest	15	176	193
Transfers from other government entities:National Treasury	15	106 425	103 760
NSF Projects realised income	11	4	5
Total revenue from non-exchange transactions		**117 307**	**113 841**
Revenue from exchange transactions			
Other income	16	39	11
Investment Income	16	8 511	2 762
Total revenue from exchange transactions		**8 550**	**2 773**
Total revenue		**125 857**	**116 614**
EXPENDITURE			
Administration expenses	18	(18 071)	(17 043)
Audit fees	18	(1 921)	(1 962)
Cost of employment	18	(36 653)	(30 419)
Depreciation and amortisation	5&6	(989)	(1 052)
Employer Grant and Project Expenses	17	(65 547)	(23 233)
Finance costs		-	(224)
NSF Project Expenses	11	(4)	(5)
QCTO Expenditure		(35)	(21)
Repairs and maintenance	18	(952)	(976)
Staff Debt Write-off		-	(50)
Total expenditure		**(124 172)**	**(74 985)**
Surplus for the year		**1 685**	**41 629**

Statement of Changes in Net Assets for the year ended 31 March 2019

Figures in Rand thousand	Admin-istrative reserve	Employer Grant Reserve	Discre-tionary reserve	Total reserves	Accu-mulated surplus / deficit	Total
Opening balance previously reported as at 01 April 2017	1 734	-	87 510	89 244	-	89 244
Correction of errors in year ending 01 April 2017	(1)	-	(3 313)	(3 313)	-	(3 313)
Cumulative error adjustment in prior years	(2)	-	20	18	-	18
Restated* balance at 01 April 2017	**1 731**	**-**	**84 218**	**85 949**	**-**	**85 949**
Changes in net assets						
Surplus for the year	-	-	-	-	41 629	41 629
Allocation of unappropriated surplus for the year	-	1 543	40 087	41 629	(41 629)	-
Employer Grant Reserves transferred to discretionary reserves	-	(1 543)	1 543	-	-	-
Excess Admin Reserves transferred to discretionary reserves	(120)	-	120	-	-	-
Total Changes	**(120)**	**-**	**41 750**	**41 630**	**-**	**41 630**
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	-	(1 670)	1 670	-	-	-
Excess Reserves transferred	448	-	(448)	-	-	-
Total changes	448	-	1 237	1 685	-	1 685
Balance at 31 March 2019	**2 059**	**-**	**127 204**	**129 263**	**-**	**129 263**

Cash Flow Statement for the year ended 31 March 2019

Figures in Rand thousand	Note(s)	2019	2018 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Levies, Interest and penalties received		10 635	10 050
Government Grants and Donor Funding		106 425	103 760
Interest income		8 931	2 293
Other cash receipts from stakeholders		37	78
		126 028	**116 181**
Payments			
Compensation of employees		(35 417)	(30 770)
Payments to suppliers and others		(25 031)	(22 854)
Interest paid		-	(224)
Special projects		-	(1 001)
Grants and project payments		(63 034)	(20 578)
		(123 482)	**(75 427)**
Net cash flows from operating activities	**21**	**2 546**	**40 754**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(942)	(581)
Purchase of other intangible assets	6	(506)	(357)
Proceeds on disposal of PPE		-	-
Net cash flows from investing activities		**(1 448)**	**(938)**
Net increase/(decrease) in cash and cash equivalents		**1 098**	**39 816**
Cash and cash equivalents at the beginning of the year		142 883	103 067
Cash and cash equivalents at the end of the year	**4**	**143 981**	**142 883**

Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2019

Figures in Rand thousand	Approved Budget	Adjust-ments	Final Budget	Actual Amounts on compa-rable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
REVENUE						
Skills Development Levy:in-come, interest and penalties	7 910	-	**7 910**	10 878	**2 968**	29.1
Transfers from other government entities - National Treasury	106 425	-	**106 425**	106 425	**-**	
NSF Projects realised income	-	-	**-**	4	**4**	
Investment income	1 376	7 034	**8 410**	8 511	**101**	
Other income	90	-	**90**	39	**(51)**	
Surplus fund retention	-	38 300	**38 300**	-	**(38 300)**	29.2
Total revenue	**115 801**	**45 334**	**161 135**	**125 857**	**(35 278)**	
GRANTS AND PROJECT EXPENDITURE						
Mandatory Grants	(176)	-	**(176)**	(249)	(73)	
Discretionary Grants	(61 284)	(33 781)	**(95 065)**	(65 298)	29 767	29.3
Donor Funding Expenditure	-	-	**-**	(4)	(4)	
Total grants and project expenditure	**(61 460)**	**(33 781)**	**(95 241)**	**(65 551)**	**29 690**	
EXPENDITURE						
Cost of Employment	(35 600)	(1 744)	**(37 344)**	(36 653)	**691**	29.4
Advertising, marketing and pro-motions, communications	(742)	(765)	**(1 507)**	(1 098)	**409**	29.5
AGM and Annual Report and related costs	(113)	(509)	**(622)**	(94)	**528**	29.6
Audit fees	(1 484)	(1 000)	**(2 484)**	(1 921)	**563**	29.7
Bank charges	(79)	-	**(79)**	(34)	**45**	
Catering and refreshments	(254)	(109)	**(363)**	(473)	**(110)**	
Conferences / Venues	(106)	(1)	**(107)**	-	**107**	
Consumables	(138)	-	**(138)**	(30)	**108**	
Consulting and professional fees	(2 051)	(4 782)	**(6 833)**	(5 381)	**1 452**	29.8
Governance Fees	(1 378)	(1 460)	**(2 838)**	(1 975)	**863**	29.9
Insurance	(153)	-	**(153)**	(87)	**66**	
Legal fees	(676)	(501)	**(1 177)**	(344)	**833**	29.10
Operating lease rentals	(2 824)	(317)	**(3 141)**	(3 224)	**(83)**	
Loss on disposal of assets	-	-	**-**	(10)	**(10)**	

Figures in Rand thousand	Approved Budget	Adjust-ments	Final Budget	Actual Amounts on compa-rable basis	Difference between final budget and actual	Reference
Printing and stationery	(547)	(121)	**(668)**	(594)	**74**	
Rates and Taxes, water and electricity and security	(973)	199	**(774)**	(662)	**112**	
Staff recruitment	(159)	(100)	**(259)**	(130)	**129**	29.11
Staff Welfare	(652)	100	**(552)**	(117)	**435**	29.12
Storage Costs	(58)	(47)	**(105)**	(50)	**55**	
Sundry items	(315)	(210)	**(525)**	(563)	**(38)**	
Telephones	(390)	65	**(325)**	(64)	**261**	29.13
Training and Development Gov-ernance	(201)	201	**-**	(95)	**(95)**	
Training and Staff Development	(1 134)	(379)	**(1 513)**	(1 079)	**434**	29.14
Travel and subsistence	(2 172)	(72)	**(2 244)**	(1 940)	**304**	29.15
Repairs and maintenance	(907)	(111)	**(1 018)**	(952)	**66**	
QCTO Expenditure	(45)	-	**(45)**	(35)	**10**	
Workshops	(50)	-	**(50)**	-	**50**	
Depreciation	-	-	**-**	(989)	**(989)**	
Postage and courier	(140)	102	**(38)**	(27)	**11**	
Total operations expenditure	**(53 341)**	**(11 561)**	**(64 902)**	**(58 621)**	**6 281**	
Net Surplus/(Deficit)	**1 000**	**(8)**	**992**	**1 685**	**693**	
Capex	(1 000)	8	(992)	(1 447)	(455)	29.16
NET Surplus / (Deficit) after capex	**-**	**-**	**-**	**238**	**238**	

The original budget was revised during the 2018/19 financial year as a result of National Treasury's approval of the PSETA's request to retain surplus funds.

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2019

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 Training, income from National Skills Funds and contributions received from public entities who contributes 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). The SETA was not in a position to verify that SARS has collected all potential SDL income. Revenue is adjusted for transfers between the SETAs due to employers changing SETAs. Such adjustments are separately disclosed as inter-seta transfers. The amount of the inter-seta adjustment is calculated according to the most recent standard operating procedure issued by DHET. SDL transfers are recognised on an accrual basis when it is probable that future economic benefits or service potential will flow to the SETA and these benefits can be measured reliably.

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

In terms of the DPSA circular, circular HRD 1 of 2013, all departments are required to set aside a minimum of 1% of the total department's annual personnel budget for training and development of its personnel and potential employees.30% of this amount is appropriated to the SETA with which the department is affiliated. For departments belonging to more than one SETA the 30% levy is apportioned proportionally.

These levies are allocated as follows:

33.33%: Administration

66.67%: Discretionary Grants

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 asset. 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 amount 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.

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2019

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 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 unauthorized 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

Irregular expenditure is recognised against the respective class of expense in the period in which it was incurred. These are 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.

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2019

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
Motor Vehicles	5 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 intention 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:

- 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 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

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

1.12.1 Provision for employee entitlements

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

1.12.2 Other provisions

Provisions included in the Statement of Financial Position are provisions for leave and performance awards. Provisions for leave are based on current salary rates and leave days due at the reporting period. Provisions for performance awards are based on estimated performance levels and salary rates prevalent at the reporting date. Employee leave accrued over the period under review are treated as accruals and expensed accordingly.

Termination benefits are recognised only when the payment is made.

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

1.13 Contingent Liabilities

Contingent Liabilities 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.

1.14 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:

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2019

- 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 amortized cost using the effective interest method less any impairment. Interest income is recognized 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%

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

- Administration costs of the SETA 33.33%
- Discretionary grants and projects 66.67%

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

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2019

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)

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Figures in Rand thousand	2019	2018
Staff advances	3	17
Operating lease rental deposits	342	342
Sundry Debtors: Leasehold Improvements	-	22
Staff Debtors	13	41
Prepayment - Operating lease	275	259
Accrued Income	376	566
Other debtors	110	-
	1 119	**1 247**

3. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Figures in Rand thousand	2019	2018
Mandatory grant receivable	**-**	**2**

4. CASH AND CASH EQUIVALENTS

Figures in Rand thousand	2019	2018
Cash and cash equivalents consist of:		
Bank balances	37 979	142 883
Investment with CPD	106 002	-
	143 981	**142 883**

5. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand thousand	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	984	(696)	288	957	(547)	410
Motor vehicles	482	(154)	328	247	(80)	167
Office equipment	206	(126)	80	184	(96)	88
Computer equipment	3 393	(2 504)	889	2 761	(2 156)	605
Total	**5 065**	**(3 480)**	**1 585**	**4 149**	**(2 879)**	**1 270**

Reconciliation of property, plant and equipment - 2019

Figures in Rand thousand	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**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Reconciliation of property, plant and equipment - 2018

Figures in Rand thousand	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	526	61	-	(177)	410
Motor vehicles	4	167	-	(4)	167
Office equipment	119	-	-	(31)	88
Computer Equipment	907	353	(5)	(650)	605
	1 556	**581**	**(5)**	**(862)**	**1 270**

The PSETA has reviewed the residual values and useful lives of all the items of property, plant and equipment. The PSETA determined that due to the cost of the assets and disposal method in place at the end of use of its assets, there is no need for the assets to have residual values.

6. INTANGIBLE ASSETS

Figures in Rand thousand	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer Software and licences	1 964	(1 490)	474	1 458	(1 117)	341

Reconciliation of intangible assets - 2019

Figures in Rand thousand	Opening balance	Additions	Amortisation	Total
Computer Software and licences	341	506	(373)	474

Reconciliation of intangible assets - 2018

Figures in Rand thousand	Opening balance	Additions	Amortisation	Total
Computer Software and licences	173	357	(189)	341

The PSETA has reviewed the residual values and useful lives of all the items of intangible assets. The useful lives of these assets have been extended until 31 March 2020 in line with the life expectancy of the SETA.

7. PAYABLES FROM EXCHANGE TRANSACTIONS

Figures in Rand thousand	2019	2018
Trade payables	821	2 075
Trade Accruals - administration	585	397
Leave pay accrual	1 923	669
	3 329	**3 141**

8. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Figures in Rand thousand	2019	2018
Discretionary grant accruals	5 052	10 982
Discretionary grant payables	6 955	1 326
	12 007	**12 308**

9. OPERATING LEASE LIABILITY

Figures in Rand thousand	2019	2018
Operating lease liability	**-**	**25**

10. EMPLOYER GRANTS PAYABLE

Figures in Rand thousand	2019	2018
Skills development grants payable - mandatory grants	24	10
Inter-seta payables		
Administration	9	3
Mandatory	17	5
Discretionary	41	14
	67	**22**
DHET Levy creditor	622	622
	713	**654**

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

11. DEFERRED INCOME LIABILITY - NSF

Figures in Rand thousand	2019	2018
National Skills Fund		
Opening Balance	510	440
Draw downs and Interest received Interest received and capitalised	71	75
	71	**75**
Utilised and recognised as revenue - conditions met	(4)	(5)
	577	**510**
11.1 NSF project expense detail		
Other project expenses	4	5

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

Figures in Rand thousand	2019	2018
Opening balance	5	5
Amount used	(5)	-
Closing balance	**-**	**5**

13. PROVISIONS

Reconciliation of provisions - 2019

Figures in Rand thousand	Opening Balance	Utilised during the year	Movement during the year	Total
Donor Funding	50	(50)	-	-
Performance Bonus	1 323	-	(102)	1 221
	1 373	**(50)**	**(102)**	**1 221**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Reconciliation of provisions - 2018				
Figures in Rand thousand	**Opening Balance**	**Utilised during the year**	**Movement in the current year**	**Total**
Donor Funding	1 051	(1 001)	-	50
Discretionary Bonus	7 156	(7 156)	-	-
Performance Bonus	1 285	(472)	510	1 323
	9 492	**(8 629)**	**510**	**1 373**

Donor funding in the current and prior financial years relates to NSF only.

Exchange provisions

Discretionary grants provisions comprise of costs to be claimed for services rendered by parties to the PSETA but for which claims have not been received. A reliable estimate is made based on the outstanding tranches on the projects at the reporting date where it is evident training has taken place. The performance bonus provision relates to staff performance and a reasonable estimate of this is made.

14. PROVISIONS - NON-EXCHANGE TRANSACTIONS

Reconciliation of provisions 2019			
Figures in Rand thousand	**Opening Balance**	**Utilised during the year**	**Total**
Provisions	**163**	**(13)**	**150**

Reconciliation of provisions 2019			
Figures in Rand thousand	**Opening Balance**	**Utilised during the year**	**Total**
Provisions	**190**	**(27)**	**163**

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 recognized as levy income.

15. REVENUE FROM NON-EXCHANGE TRANSACTIONS

Figures in Rand thousand	2019	2018
15.1 Skills Development Levy Income		
Administration		
Levies received from SARS	1 009	875
R500k Provision	2	3
	1 011	**878**
Employer grants		
Levies received from SARS	1 907	1 666
R500k Provision	12	7
	1 919	**1 673**

Discretionary grants		
Levies received from SARS	4 772	4 132
R500k Provision	(1)	17
	4 771	**4 149**

Levies from Departments		
Administration	1 000	1 061
Discretionary	2 001	2 122
	3 001	**3 183**
Total	**10 702**	**9 883**
15.2 Skills development Levy income: Interest and penalties		
Skills Development Levy Income:		
Penalties	144	173
Interest	32	20
	176	**193**
15.3 Transfer from other government entities - National Treasury		
First tranche	26 606	25 940
Second tranche	26 606	25 940
Third tranche	26 606	25 940
Fourth tranche	26 607	25 940
	106 425	**103 760**

16. REVENUE FROM EXCHANGE TRANSACTIONS

Figures in Rand thousand	**2019**	**2018**
16.1 Investment income		
Interest received in the bank accounts	8 511	2 762
16.2 Other income		
Grant received for training	37	-
Recovery of Wasteful expenditure	2	11
	39	**11**

17. EMPLOYER GRANT AND PROJECT EXPENSES

Figures in Rand thousand	**2019**	**2018**
Mandatory grants	249	131
Discretionary grants	65 298	23 102
	65 547	**23 233**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

18. ADMINISTRATION EXPENSES

Figures in Rand thousand	2019	2018
18.1 General Administration Expenses		
Loss on disposal of property, plant and equipment	9	5
Operating lease rentals	3 224	2 630
Advertising, Marketing and Promotions	1 098	1 297
Bank charges	34	39
Catering and refreshments	473	353
Consulting and professional fees	5 381	3 709
Legal Fees	344	1 485
Travel & Subsistence	1 940	2 423
Training	1 174	733
Governance Fees	1 975	1 621
Printing and Stationery	594	664
Insurance	87	120
Rates and taxes, water & lights and security	662	985
Staff Recruitment	130	372
Storage Cost	50	36
Workshop	-	77
Sundry items	503	467
Licences and subscriptions	217	-
Cleaning	176	27
	18 071	**17 043**

18.2 Audit Fees		
Audit fees (External)	**1 921**	**1 962**
18.3 Cost of Employment		
Basic salary	26 045	21 968
PAYE	8 753	7 547
Other staff costs	-	173
Incentive (Bonus)	(103)	510
Leave accrual	1 254	(478)
Union Fees	47	45
Workmens Compensation	85	149
Salaries and wages	36 081	29 914
UIF	225	207
SDL	347	298
	36 653	**30 419**

18.4 Repairs and Maintenance		
Motor vehicle Repairs	78	27
Computer Equipment Maintenance	453	416
Equipment Rental	105	83
Building Repairs	316	450
	952	**976**

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

Figures in Rand thousand				2019	2018 Restated*
31 March 2019	**Total per Statement of Financial Performance**	**Administration**	**Mandatory**	**Discretionary**	**Special Projects**
	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	-
Levies from government departments	3 001	1 000	-	2 001	-
Skills developemnt levy: penalties and interest	176	-	-	176	-
Transfer from other government entities	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**	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Figures in Rand thousand					
31 March 2018	**Total per Statement of Financial Performance**	**Adminis-tration**	**Mandatory**	**Discretion-ary**	**Special Projects**
Total Revenue **Skills development levy: Income**					
Admin levy income (10.5%)	878	878	-	-	-
Grant levy income (20%) Mandatory	1 673	-	1 673	-	-
Grant levy income (49.5%)	4 149	-	-	4 149	-
Levies from government departments	3 183	1 061	-	2 122	-
Skills developemnt levy: penalties and interest	193	-	-	193	-
Transfer from other government entities	103 760	47 035	-	56 725	-
NSF Realised Income	5	-	-	-	5
Investment Income	2 762	2 762	-	-	-
Other Income	11	11	-	-	-
	116 614	**51 747**	**1 673**	**63 189**	**5**
Total Expenses					
Administration expenses	(51 726)	(51 726)	-	-	-
QCTO Expenditure	(21)	(21)	-	-	-
NSF Project expenses	(5)	-	-	-	(5)
Employer grants and project expenses	(23 233)	-	(131)	(23 102)	-
	(74 985)	**(51 747)**	**(131)**	**(23 102)**	**(5)**
Net surplus/(deficit per Statement of financial performance allocated	**41 629**	**-**	**1 542**	**40 087**	**-**

20. SEGMENT INFORMATION

Figures in Rand thousand					
Segment surplus or deficit, assets and liabilities					
2019					
Revenue	**Adminis-tration**	**Mandatory**	**Discretion-ary**	**Special projects**	**Total**
Skills Development Levy: income	2 011	1 919	6 772	-	10 702
Skills Development Levy: penalties and inter-est	-	-	176	-	176
Transfers from other government entities - 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 revenue	**50 112**	**1 919**	**73 822**	**4**	**125 857**
Entity's revenue					**125 857**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Expenditure	Adminis-tration	Mandatory	Discretion-ary	Special projects	Total
Employer Grant and Project expenses	-	249	65 298	-	65 547
General Administration Expenses	18 071	-	-	-	18 071
Audit fees	1 921	-	-	-	1 921
Cost of employment	36 653	-	-	-	36 653
Depreciation and Amortisation	989	-	-	-	989
Repairs and Maintenance	952	-	-	-	952
QCTO Expenditure	35	-	-	-	35
NSF Projects Expenses	4	-	-	-	4
Total expenses	**58 625**	**249**	**65 298**	**-**	**124 172**
Net surplus/(deficit) for the year					**1 685**

Assets	Adminis-tration	Mandatory	Discretion-ary	Special projects	Total
Current Assets					
Trade and other receivables from exchange transactions	1 119	-	-	-	1 119
Consumables	101	-	-	-	101
Cash and cash equivalents	143 981	-	-	-	143 981
Non Current Assets					
Property, plant and equipment	1 585	-	-	-	1 585
Intangible assets	474	-	-	-	474
Total assets	**147 260**	**-**	**-**	**-**	**147 260**
Total assets as per Statement of financial Position					**147 260**

Liabilities	Adminis-tration	Mandatory	Discretion-ary	Special projects	Total
Exchange Transactions					
Payables from Exchange Transactions	3 329	-	-	-	3 329
Provisions	1 221	-	-	-	1 221
Non-exchange transactions					
Employer Grants Payables	-	713	-	-	713
Payables from non-exchange Transactions	-	-	12 007	-	12 007
Deferred Income Liability - NSF	-	-	-	577	577
Provisions	-	150	-	-	150
Funds and Reserves					
Administration Reserve	2 059	-	-	-	2 059
Discretionary reserve	-	-	127 204	-	127 204
Total segment liabilities and reserves	**6 609**	**863**	**139 211**	**577**	**147 260**
Total liabilities and reserves					**147 260**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2018 (Restated)					
Figures in Rand thousand					
Revenue	**Administra-tion**	**Mandatory**	**Discretion-ary**	**Special Projects**	**Total**
Skills Development Levy: income	1 939	1 673	6 271	-	9 883
Skills Development Levy: penalties and interest	-	-	193	-	193
Transfers from other government entities - National Treasury	47 034	-	56 726	-	103 760
NSF Projects realised income	-	-	-	5	5
Revenue from exchange transactions					
Other Income	11	-	-	-	11
Investment Income	2 762	-	-	-	2 762
Total segment revenue	**51 746**	**1 673**	**63 190**	**5**	**116 614**
Entity's revenue					**116 614**
Expenditure	**Administra-tion**	**Mandatory**	**Discretion-ary**	**Special Projects**	**Total**
Employer grants and project expenses	-	131	23 102	-	23 233
General Administration Expenses	17 043	-	-	-	17 043
Audit fees	1 962	-	-	-	1 962
Cost of employment	30 419	-	-	-	30 419
Depreciation and Amortisation	1 052	-	-	-	1 052
Finance Costs - Overdue Accounts	224	-	-	-	224
Repairs and Maintenance	976	-	-	-	976
Staff Debt Written Off	50	-	-	-	50
QCTO Expenditure	21	-	-	-	21
NSF Projects Expenses	-	-	-	5	5
Total expenditure	**51 747**	**131**	**23 102**	**5**	**74 985**
Net surplus/(deficit) for the year					**41 629**
Assets	**Administra-tion**	**Mandatory**	**Discretion-ary**	**Special Projects**	**Total**
Current Assets					
Trade and other receivables from exchange transactions	1 247	-	-	-	1 247
Trade and other receivables from non-exchange transactions	-	2	-	-	2
Consumables	14	-	-	-	14
Cash and cash equivalents	142 883	-	-	-	142 883
Non-current Assets					
Property, plant and equipment	1 270	-	-	-	1 270
Intangible assets	341	-	-	-	341
Total segment assets	**145 755**	**2**	**-**	**-**	**145 757**
Total assets as per Statement of financial Position					**145 757**

Liabilities	Administra-tion	Mandatory	Discretion-ary	Special Projects	Total
Exchange Transactions					
Trade and other payables-exchange transactions	3 141	-	-	-	3 141
Operating lease liability	25	-	-	-	25
Provisions	1 323	-	-	50	1 373
Non-exchange transactions					
Payables from non-exchange Transactions	-	-	12 308	-	12 308
Employer Grants Payables	-	654	-	-	654
Deferred Income Liability - NSF	-	-	-	510	510
Deferred Income Liability - CIP	-	-	-	5	5
Provisions	-	163	-	-	163
Funds and Reserves					
Administration Reserve	1 611	-	-	-	1 611
Discretionary reserve	-	-	125 967	-	125 967
Total segment liabilities and reserves	**6 100**	**817**	**138 275**	**565**	**145 757**
Total liabilities and reserves					**145 757**

21. CASH GENERATED FROM OPERATIONS

Figures in Rand thousand	2019	2018
Surplus	1 685	41 629
Adjustments for:		
Depreciation and amortisation	989	1 052
Loss on disposal of PPE	10	5
Movements in provisions	(165)	(8 146)
Movement in Consumables	(87)	(6)
Movement Trade and other receivables from exchange transactions	128	(386)
Other receivables from non-exchange transactions	2	-
Movement in Donor Funding Payable - NSF	67	70
Movement in deferred income liability CIP	(5)	-
Movement in Trade and other Payables - exchange and non-exchange transactions	(112)	6 122
Movement in Employer Grant Payables	59	464
Movement in Operating Lease Liability	(25)	(50)
	2 546	**40 754**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

22. 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

23. IRREGULAR EXPENDITURE

Figures in Rand thousand	2019	2018 Restated*
Opening balance	75 400	62 253
Add: Irregular Expenditure - current year	1 042	15 179
Less: Amounts erroneously raised (Prior period error)	-	(1 976)
Less: Amounts recoverable (not condoned)	-	(6)
Less: Amounts not recoverable (not condoned)	-	(50)
	76 442	**75 400**

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 23 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 is in progress.

The opening balance of the 2017/18 irregular expenditure was corrected by way of a prior period error to account for irregular expenditure erroneously raised in the prior years. See note 28.

The balance of irregular expenditure comprises the following

Figures in Rand thousand	2019	2018 Restated*
Opening balance	75 400	62 253
Less: Amounts erroneously raised (Prior period error)	-	(1 976)
Irregularies in the evaluation and awarding of projects	1 042	15 179
Staff Debt write-off	-	(50)
Saff Debt recovery	-	(6)
Closing balance	**76 442**	**75 400**

The PSETA Accounting Authority has referred the irregular expenditure transactions, amounting to R80 492 to the relevant authority 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.

24. FRUITLESS AND WASTEFUL EXPENDITURE

Figures in Rand thousand	2019	2018 Restated*
Fruitless and wasteful expenditure	366	133
Add: Fruitless and Wasteful expenditure incurred during the year	2	233
Fruitless and wasteful expenditure recovered during the year	(7)	-
Irrecoverable amounts written off by the Accounting Authority	(348)	-
	13	**366**

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 finalized.

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

25. RELATED PARTIES

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 Minister of Higher Education and Training. Members may claim travel expenses incurred as a result of attendance of PSETA meetings.

Remuneration of management

Accounting Authority Members

2019

Figures in Rand thousand			
Name	**Meeting Fee**	**Travel Expense**	**Total**
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 JS 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**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2018			
Figures in Rand thousand			
Name	**Meeting Fee**	**Travel Expense**	**Total**
Ms Mashigo - Chairperson of the Accounting Authority	178	8	186
Mr Kobese	63	9	72
Mr Maduna	-	4	4
Mr Mkhize	203	8	211
Mr Mokheranyane	154	11	165
Dr Mckinney	61	2	63
Mr Dladla	193	15	208
Ms Mankoe	93	5	98
Ms Oodit	200	-	200
Mr Hlomane	63	1	64
	1 208	**63**	**1 271**

Independent Committee Members

2019			
Figures in Rand thousand	**Meeting Fee**	**Travel Expense**	**Total**
Name			
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 RG Nicholls - Chairperson of Risk Management Committee	111	5	116
Mr H Hlomane - Former Chairperson of ICT Committee	78	2	80
	487	**16**	**503**

2018			
Figures in Rand thousand	**Meeting Fee**	**Travel Expense**	**Total**
Name			
P. Mzizi - Audit Committee Chairperson	92	3	95
P. Mukheli - Audt Committee Member	60	2	62
P. Dala - Audit Committee Member	68	1	69
	220	**6**	**226**

Key management personnel
2019

Figures in Rand thousand					
Name	**Position**	**Engagement date**	**Salary**	**Other allowances**	**Total**
Ms. B. Lerumo	CEO	1 February 2019-current	314	2	316
Mr. F. Shamsoodeen	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 2017 - current	1 208	11	1 219
			3 938	**651**	**4 589**

* Mr F Shamsoodeen, 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

2018

Figures in Rand thousand						
Name	**Position**	**Engagement date**	**Salary**	**Other allowances**	**Termination benefits**	**Total**
Mrs. S. Huluman	CEO	01 Aug-31 May 2017	266	23	67	356
Mr F Shamsoodeen	CFO	19 Sep 2017-current	609	5	-	614
Mr M Thibela	CEO	04 May 2017-current	1 036	498	-	1 543
Ms N Qamata	CSE	01 Apr 2015-July 2017	298	2	-	300
Ms. M Nkabinde	CSE	01 Nov-current	475	15	-	490
			2 684	**543**	**67**	**3 294**

Transactions with other SETAs
2019

Figures in Rand thousand	Amount Receivable/ (Payable)	Total
MERSETA	(61)	(61)
W&R SETA	(6)	(6)
	(67)	**(67)**

2018

Figures in Rand thousand	Amount Receivable/ (Payable)	Total
LGSETA	**(22)**	**(22)**

Interseta 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Figures in Rand thousand	2019	2018
Transactions with other national public entities and state institutions		
2019		
Name	**Amounts Received**	**Total**
National Treasury	**106 424**	**106 424**
2018		
Name	**Amounts Received**	**Total**
National Treasury	**103 760**	**103 760**
26. COMMITMENTS		
Operating lease commitments		
Minimum lease payments due- within one year	**957**	**683**

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 2019. No provision was made for an option to renew the lease on expiry.

DG Commitments						
Figures in Rand thousand	**Opening balance 01 April 2018**	**Opening Balance Adjust-ments**	**Expend-iture Incurred**	**Write Backs**	**New Contracts**	**Closing balance 31 March 2019**
Type of Programme						
Artisans	14 724	2 061	(5 697)	(3 815)	3 300	10 573
Bursary	14 377	5 352	(7 803)	(3 528)	18 240	26 638
Learnership	24 143	6 716	(33 227)	(1 440)	21 683	17 875
Research	1 000	-	(951)	(1 000)	5 446	4 495
Skills Programme	4 267	521	(4 051)	(2 611)	1 874	-
Workplace Intergrated Learning	9 487	1 899	(13 569)	-	33 718	31 535
Total Discretionary Commitments	**67 998**	**16 549**	**(65 298)**	**(12 394)**	**84 261**	**91 116**

The opening commitments balance was overstated due to a prior period error, see note 28.

27. CONTINGENCIES

Retention of Cash surplus

In terms of section 53 (3) of the PFMA, public entities listed in schedule 3A and 3 C to the PFMA may not retain cash surplus that were realized in the previous financial year without obtaining the prior written approval of National Treasury. During May 2017, National treasury Issued Instruction No. 6 of 2017/18 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 2019 the cash surplus was calculated as follows:

Figures in Rand thousand	2019
Cash and cash equivalents	143 981
Add: Receivables	1 119
Less: Current Liabilities	(17 997)
Less: Commitments (Administration and Discretionary)	(95 432)
	31 671

The submission regarding the request to retain the cash surplus was made to the National Treasury for the 2018/19 financial year on the 31 May 2019.

28. 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:

28.1 The discretionary grant expenditure was overstated prior years, due to creditors being raised that were never paid and no records exist of them.

28.2 The accrual balance being overstated due to accruals being raised with no supporting documentation to raise them.

28.3 The rental expenditure was overstated due to an invoice being raised twice in the prior year, and one month not being recorded.

28.4 The provision balance was understated due to provisions not being raised for discretionary grants.

28.5 The accrual was understated due to accruals not being raised for travel expenditure.

28.6 An amount of R3,3 Million was incorrectly raised as a provision instead of accrual in the 2016/17 financial year, the impact of the error would have been an increase in discretionary grant expenditure in the 2016/17 financial year and a decrease of R3,3 Million in discretionary reserve.

28.7 Storage costs were not recorded

28.8 Accruals amounting to R9 519 000 were incorrectly raised as provisions (3,3 Million related to 2016/17 financial year)

28.9 Provisions were incorrectly raised in the 2017/18 financial year.

28.10 Irregular expenditure of R23 813 000 was incorrectly raised in prior years, since insufficient information was available to determine whether the Vote received from National Treasury was considered to be levies to be utilised in terms of grant regulations or a Vote to assist with the mandate of the SETA. It was subsequently discovered that the Vote received is not considered levies in terms of the Skills Development Act and hence the irregular expenditure of R23 813 000 raised was incorrectly raised since it was raised as non-compliance with the Skills Development Act.

28.11 The effect of the above transactions on Discretionary grant expenditure resulted in an increase in irregular expenditure amounting to R852 608 in the 2016/17 financial year, a decrease in irregular expenditure amounting to R1 976 124.07 in the 2017/18 financial year, and an increase in the current year's irregular expenditure of R1 042 107.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

28.12 The effects of the reversal of provision of the prior year resulted in the closing balance of the 2017/18 commitments register increasing with R16 548 900.

28.13 An asset was incorrectly raised more than once in prior financial years resulting in incorrect asset balances as well depreciation balances

28.14 Payables from non-exchange transactions relating to discretionary grants had, in prior years, been shown under payables from exchange transactions. This has resulted in a reclassification adjustment of R12 308 000 for 2017/18.

Figures in Rand thousand	2019	2018
Effect on Statement of financial position (2017/18)	**Note(s)**	
Increase in Payables from exchange transactions	28.3	23
Increase in Provisions	28.4	57
Increase in Payables from exchange transactions	28.5	29
Increase in Payables from exchange transactions	28.7	2
Increase in Payables from exchange transactions	28.8 & 28.6	6 207
Decrease in Provisions	28.9	(28 578)
Decrease in Property, plant and Equipment	28.13	(1)
Increase in Payables from non-exchange transactions	28.14	12 308
Decrease in Payables from exchange transactions	28.14	(12 308)
Effect on Statement of financial position (2016/17)	**Note(s)**	
Increase in Payables from exchange transactions	28.6	3 312
Decrease in Property, plant and Equipment	28.13	(1)
Cumulative Effects on Statement of financial position prior to (2016/17)	**Note(s)**	
Decrease in Payables from exchange transactions	28.1	(17)
Decrease in Payables from exchange transactions	28.2	(3)
Decrease in Property, plant and Equipment	28.13	(2)
Effect on Statement of financial performance (2017/18)	**Note(s)**	
Increase in Administration expenses	28.3	23
Increase in Employer Grant and project expenses	28.4	57
Increase in Administration expenses	28.5	29
Increase in Administration Expenses	28.7	2
Decrease in Employer Grant and project expenses	28.9	(22 370)
Decrease in Depreciation and Amortisation	28.13	(1)
Effect on Statement of financial performance (2016/17)	**Note(s)**	
Increase in Employer Grant and project expenses	28.6	3 312
Decrease in Depreciation and Amortisation	28.13	(1)
Cumulative Effects on Statement of financial performance before (2016/17)	**Note(s)**	
Decrease in Employer Grant and project expenses	28.1	(17)
Decrease in Administration expenses	28.2	(3)
Decrease in Depreciation and Amortisation	28.13	(2)

29. 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 R119 000 materiality have been explained below.

29.1 Skills development levy: income, interest and penalties

Levies received were in excess of what was budgeted, which is also consistent to that of the prior year. The actual amounts received are not within the control of the PSETA. The variance between the current and prior year is as a result of additional levies received due to the SARS reversals.

29.2 Surplus fund retention

National Treasury approved the retention of surplus funds amounting to R38.3 Million which would ordinarily not be budgeted for.

Grants and Projects Expenditure

29.3 Discretionary Grants

Discretionary grants expenditure incurred for the current financial year is also below budget. The discretionary grant allocation for the year was finalised towards the end of the year which resulted in low spending. The movement in the expenditure is a result of the projects emanating from the prior financial years and newer projects in the latter part of the year.

Administration Expenditure

The total administration expenditure is below budget. Below is a summary of the significant contributors to the savings:

29.4 Cost of employment

The underspending is due to vacancies during the year. The vacancy in the office of the CEO was only filled towards the end of the 2018/19 financial year.

29.5 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.

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29.6 AGM, annual report and related costs

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

29.7 Audit Fees

Due to the significant improvement in the financial management of the PSETA, less time was spent by the auditors during interim audit which resulted in the savings.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

29.8 Consultancy and service provider fees

The late appointment of the External Independent Quality Assurance Reviewer for internal audit contributed to the savings.

29.9 Governance fees

The savings are due to the vacancy of the chairperson of the ICT steering committee and more teleconference meetings held when compared to prior year.

29.10 Legal fees

The appointment of the internal legal specialist, as well as no significant legal cases that required outsourcing of legal services, led to the savings realised by the PSETA

29.11 Staff Recruitment

The saving is due to the filling of most vacancies in the 2017/18 financial year and less resignations in the current financial year in comparison to previous financial years.

29.12 Staff Welfare

The saving is due to the few cases reported to the service provider during the year and less employees utilising the services.

29.13 Telephones

The saving is a result of the new voice-over technology which is cheaper than the Telkom line.

29.14 Training and Staff Development

The learning interventions applied for and taken by the staff members were processed towards the end of the year which resulted in low spending.

29.15 Travel and subsistence

Due to minimal implementation of new projects for the current financial year, a saving was realised.

29.16 Capital Expenditure

The over spending is related to purchase orders issued in the 2017/18 financial year whose expenditure only realised in the 2018/19 financial year.

30. 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 is in progress.

In the current financial year, there was an investigation relating to a former employee in the ETQA department. The investigation has been concluded and its outcome is pending board approval.

31. 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

Figures in Rand thousand								
	Floating rate		**Fixed interest rate**			**Non-Interest bearing**		
	Amount	Effective interest rate	Amount	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in years	Amount	Weighted average effective interest rate %	Total
	R '000	%	R '000	%	R '000		R '000	R '000
31 March 2019								
Assets								
Cash	143 981	5,9%	-		-	-		143 981
Accounts receivable	-		-		-	1 119	1 year	1 119
Total financial assets	**143 981**		**-**					**145 100**
Liabilities								
Accounts payable	-		-		-	15 336	1 year	15 336
Total financial liabilities	**-**		**-**		**-**	**15 336**		**15 336**

31 March 2018								
Assets								
Cash	142 883	1.93%	-		-	-		142 883
Accounts receivable	-		-		-	1 249	1 year	1 249
Total financial assets	**142 883**		**-**			**1 249**		**144 132**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Liabilities								
Accounts payable	-		-		-	15 449	1 year	15 449
Total financial liabilities	**-**		**-**		**-**	**15 449**		**15 449**

Figures in Rand thousand	**31 March 2019**		**31 March 2018**	
	Gross	Impairment	Gross	Impairment
	R '000	R '000	R '000	R '000
Not past due	143 981	-	142 883	-
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).

31. FINANCIAL INSTRUMENTS DISCLOSURE (continued)

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

32. 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.

Figures in Rand thousand	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
	R '000	%	R '000		R '000	R '000
31 March 2019						
Trade and other payables from exchange transactions	15 336	15 336	15 336	-	-	-
31 March 2018						
Trade and other payables from exchange transactions	15 449	15 449	15 449	-	-	-

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 is skills development levy income in the future.

GOING CONCERN

All SETAs operate on a five year license term, linked to the life-cycle of the National Skills Development Strategy (NSDS). NSDS III expires on 31 March 2016 and the PSETA license was scheduled expire on the same time. The

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

MHET extended the SETA's lifespan to 31 March 2018 and further to 31 March 2020. NSDS III is still in force for the remaining duration of the SETA's lifespan.

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. In the event that PSETA is not re-licensed by the 31st March 2020, all existing commitments will be transferred as per the transitional arrangements prescribed by DHET.

NEW STANDARDS AND INTERPRETATIONS

At the date of authorisation of these financial statements, there are Standards and Interpretations in issue but not yet effective. The effective date of these standards are 1 April 2019. These include the following Standards and Interpretations that are applicable to the SETA and may have an impact on future 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.

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