



EDUCATION, TRAINING AND DEVELOPMENT PRACTICES SECTOR EDUCATION AND TRAINING AUTHORITY



2018/19 ANNUAL REPORT

S K I L L I N G T H E N A T I O N



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Education, Training and Development Practices Sector Education and Training Authority

2018 / 19 **ANNUAL**
REPORT

PART A

G E N E R A L I N F O R M A T I O N

1. ETDp SETA's Information

Name:

Education, Training and Development Practices
Sector Education and Training Authority
Referred to in this report as ETDp SETA

Physical Address:

ETDp SETA House
2-6 New Street
South Marshalltown
Johannesburg CBD
0001

Postal Address:

Private Bag X105
Melville
2109

Contact details:

Contact Person: Ms Sesi Nombulelo Nxesi
Telephone Number: +27(0)11 372 3302
Email Address: nombulelon@etdpseta.org.za
Website Address: www.etdpseta.org.za

External Auditors:

The Auditor-General of South Africa (AGSA)
300 Middel Street
New Muckleneuk
Pretoria, RSA
0181

Banker:

Standard Bank of South Africa
5 Simmonds Street
Johannesburg
2000

Addresses of the nine provincial offices are presented on the back cover of the report.

2. List of Abbreviations/Acronyms

Acronym Description

AA	Accounting Authority
AET	Adult Education and Training
AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
ANC	African National Congress
APP	Annual Performance Plan
APPETD	Association of Private Providers of Education, Training and Development
ATR	Annual Training Report
B.Ed	Bachelor of Education
Cdos	Career Development Officers
CBO	Community-Based Organisation
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CET	Community Education and Training
CFO	Chief Financial Officer
CHIETA	Chemical Industries Education and Training Authority
COMDEV	Community Development
COSATU	Congress of South African Trade Unions
CS	Constituency Support
DA	Democratic Alliance
DBE	Department of Basic Education
DoE	Department of Education
DHET	Department of Higher Education and Training
ECD	Early Childhood Development
ELRC	Education Labour Relations Council

Acronym Description

ETD	Education, Training and Development
ETDP SETA	Education, Training and Development Practices Sector Education and Training Authority
ETDQA	Education Training and Development Quality Assurance
EWPP	Employee Wellness Programme
FASSET	Finance and Accounting Services Sector Education and Training Authority
FEDUSA	Federation of Unions of South Africa
FET	Further Education and Training
FMPPI	Framework for Managing Programme Performance Information
FP&M SETA	Fibre Processing and Manufacturing Sector Education and Training Authority
GRAP	Generally Recognised Accounting Practice
HEI	Higher Education Institution
HELM	Higher Education Leadership and Management
HoD	Head of Department
HR	Human Resources
IA	Internal Audit
IESBA	International Ethics Standards Board for Accountants
ICT	Information and Communication Technology
IFP	Inkatha Freedom Party
ISAs	International Standards on Auditing
KZN	KwaZulu-Natal
LGSETA	Local Government Sector Education and Training Authority
LIASA	Library and Information Association of South Africa
LP	Limpopo Province

Acronym Description

LSEN	Learners with Special Educational Needs
M&E	Monitoring and Evaluation
MBA	Master of Business Administration
MBL	Master of Business Leadership
MDP	Management Development Programme
MERSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
MICTSETA	Media, Information and Communication Technologies Sector Education and Training Authority
MIS	Management Information System
MOU	Memorandum of Understanding
MPA	Master of Public Administration
MSc	Master of Science
MTSF	Medium Term Strategic Framework
NAISA	National Alliance of Independent Schools Associations
NAPTOSA	National Professional Teachers' Organisation of South Africa
NATU	National Teachers Union
NDP	National Development Plan
NEHAWU	National Education, Health and Allied Workers' Union
NGO	Non-Governmental Organisation
NLPE	Non-Levy Paying Entity
NMU	Nelson Mandela University
NPO	Non-Profit Organisation
NSA	National Skills Authority
NSDS	National Skills Development Strategy
NSF	National Skills Fund
NSFAS	National Student Financial Aid Scheme
NTEU	National Tertiary Education Union
OHASA	Occupational Health and Safety Act
PEU	Professional Educators Union
PFMA	Public Finance Management Act
PGCE	Postgraduate Certificate in Education

Acronym Description

PIMM	Performance Information Management Module
PM&R	Performance, Monitoring and Reporting
PMDS	Performance Management and Development System
PWD	People with Disabilities
QCTO	Quality Council for Trades and Occupations
RMC	Risk Management Committee
RPL	Recognition of Prior Learning
SACE	South African Council for Educators
SACP	South African Communist Party
SADTU	South African Democratic Teachers Union
SAQA	South African Qualifications Authority
SARS	South African Revenue Services
SCM	Supply Chain Management
SDA	Skills Development Act
SDF	Skills Development Facilitator
SETA	Sector Education and Training Authority
SGB	School Governing Body
SLA	Service Level Agreement
SMT	School Management Team
SOP	Standard Operating Procedures
SSP	Sector Skills Plan
TVET	Technical Vocational Education and Training
UCT	University of Cape Town
UNISA	University of South Africa
UoT	University of Technology
USAf	Universities South Africa
W&RSETA	Wholesale and Retail Sector Education and Training Authority
WIL	Work Integrated Learning
WITS	University of Witwatersrand Johannesburg
WPE	Workplace Experience
WSP	Workplace Skills Plan
WSPRs	Workplace Skills Plans Reports

3. Acknowledgements

Executive Authority



*Honourable Dr B Nzimande, MP
Minister of Higher Education,
Science and Technology*



*Honourable Mr B Manamela, MP
Deputy Minister of Higher Education
and Training*

The Education, Training and Development Practices Sector Education and Training Authority's (ETDP SETA's) Accounting Authority, management and staff would like to thank the Ministry of Higher Education and Training for their leadership and support.

The ETDP SETA remains committed to contributing positively towards the realisation of the Department's vision of skilling the nation through a differentiated and fully inclusive post-school education and training system.

Ministry of Basic Education & the Departments of Education



*Honourable Ms AM Motshekga, MP
Minister of Basic Education*



*Honourable Mr ME Surty, MP
Deputy Minister of Basic
Education*

Our appreciation is extended to the Ministry of Basic Education and the Departments of Education (national and provincial) for their financial contribution and collaboration with the ETDP SETA in the implementation of skills development programmes.

LEVY-PAYING ORGANISATIONS

The ETDP SETA's Accounting Authority appreciates all contributions made by the levy-paying organisations through the levy-grant system. The mandate of the ETDP SETA would not have been achieved without the financial contributions made.

The following are the ETDP SETA Constituencies:

- Research Organisations
- Early Childhood Development Centres
- AET Centres/Community Colleges
- Independent Schools
- Public Schools
- TVET Colleges
- Higher Education Institutions
- Private providers of Education and Training
- NGOs dealing with Education and Training
- School Governing Bodies as employers
- Professional Organisations in Education, including quality assurance bodies
- Trade Unions as employers
- Political Parties as employers
- Libraries and Archival Services

4. Foreword by the Chairperson



*Mr Duncan Hindle
Accounting Authority
Chairperson*

Introduction

With the ushering in of a new era for the SETA landscape, we take cognisance of the past challenges and successes of the ETDP SETA in order to chart the next steps. Guided by the Vision and Mission statement of the organisation, the Accounting Authority (AA) is confident that the ETDP SETA has encouraged and supported the promotion and development of skills in the sector. However, we also recognise that the continued challenges of unemployment and inequality drive the need for programmes that alleviate poverty and degradation. The ETDP SETA has strived to achieve the goals set out by the Minister, and those determined by our diverse constituencies, in the quest for a better life for all. It is therefore my pleasure to present the 2018/19 Annual Report, on behalf of the Accounting Authority of the ETDP SETA.

Overview of performance

Performance against predetermined objectives

The ETDP SETA pursued its Five-year Strategic Plan objectives through the implementation of the Annual Performance Plan (APP), which was approved by the Minister and tabled in Parliament. The 2018/19 approved APP had 26 performance indicators spread across four programmes, nineteen targets were achieved, resulting in an overall achievement of 73%. The achieved targets in the APP are all in support of the eight National Skills Development Plan outcomes, which are:

- Identifying and increasing production of occupations in high demand;
- Linking education and the workplace;
- Improving the level of skills in the South African workforce;

- Increasing access to occupationally directed programmes;
- Supporting the growth of the public college system;
- Skills development support for entrepreneurship and cooperative development;
- Encouraging and supporting worker initiated training; and
- Supporting career development services.

Detailed reports on both financial and performance achievements are provided in Part B of this annual report under the subsection Performance Information by Programme. I am pleased to indicate that the ETDP SETA has received an unqualified audit report. However, this is the regression from the previous financial year where the SETA received a clean audit. We will strive to reclaim a clean audit status in future audits.

Strategic Relationships

The ETDP SETA continued to engage with a large number of strategic partners in the implementation of the APP, which covered a variety of constituencies both at the provincial and national level. These partnerships included all our constituent organisations and stakeholders in education and skills.

We appreciate the role played by our social partners and stakeholders who continue to play a pivotal role in ensuring that the AA provides leadership, supervision and an oversight role. Social partners are at the heart of the National Skills Development Plan (NSDP) agreed upon under, among others, the National Skills Accord 2011. It is in this accord that parties agreed that: “Action and implementation should be a hallmark of the partnership, with constituencies identifying areas where they can make firm commitments as well as identifying actions that other constituencies would need to undertake.”

ETDP SETA has established a number of structures in the form of chambers and committees, without which it would have been difficult for this AA to play its oversight role. SETAs, according to the NSDP, will continue to have stakeholder-driven governing bodies referred to as the Accounting Authority (AA).

Challenges faced by the AA

The ETDP SETA experienced staffing challenges in 2018 for a number of months, resulting in a number of strategic positions not filled on a permanent basis. In particular, the delayed appointment of the CEO resulted in a 3-month gap at a critical period, and required substantial investment of time by the Accounting Authority to ensure stability in this period.

The ETDP SETA accumulated surplus funds which were not committed. The SETA has accordingly embarked on wide-scale consultations with all relevant parties to determine how these funds could be used in a catalytic fashion, to substantially change the face of the education and training sector.

Medium to Long-Term Planning

The short term appointment of the current accounting authority is depriving it in ensuring a medium to long-term planning and implementation of the SETA mandate. However, the re-establishment of the SETAs for the extended period up to 31 March 2030 provide some certainty and will enable the organisation to undertake longer term planning. The longer term planning of the ETDP SETA will be based on the:

- NDP vision 2030, the NDP, gazetted June 2019;
- the Human Resource Development Strategy of South Africa;
- the new envisaged medium term strategic framework;
- the Presidential Resolutions of the Job Summit, the Provincial Growth and Development Strategy;
- the requirements of Fourth Industrial Revolution and;
- the Sectors Skills Plan.

The re-establishment of the ETDP SETA for an extended period provides certainty and enables the organisation to undertake longer term planning.

The ETDP SETA continued to plan in line with the NSDS III, which was extended to 31 March 2020. The medium-term planning was done in line with the Medium Term Expenditure Framework (MTEF) and the Medium Term Strategic Framework (MTSF 2014-2019). Long term planning for this period was in line with the National Development Plan (NDP) Vision 2030, with specific reference to Chapter 9.

Acknowledgements and appreciation

I wish to express my sincerest gratitude to all members of the Board for the invaluable contributions they have made in overseeing and reporting on the reports on performance and financial management. We will continue to cherish the contributions of those who chaired committees or chambers of the SETA, with great honour and gratitude.

My gratitude is also extended to the CEO, her senior managers and staff for their efforts in pursuing the mandate. They have worked well with the Accounting Authority, and we have valued the advice they have brought in striving to become a better organisation.

Finally, I wish to thank all our constituencies, partners, and the beneficiaries of our programmes for their interest and their unqualified support to education, training and development practices. We look forward to working with them to further enhance skills development in the ETDP sector.

Duncan Hindle



Accounting Authority Chairperson

30 July 2019

5. Chief Executive Officer's Overview



Ms Sesi Nombulelo Nxesi
Chief Executive Officer

General financial review of the organisation

The financial performance of the ETDP SETA has improved over the years with continuous growth in financial, compliance and administrative controls. Adherence to the Public Finance Management Act (PFMA) and National Treasury Regulations, remain a priority.

The SETA is funded through the following three major sources:

Revenue items	2018/19	2017/18	2016/17
	R'000	R'000	R'000
Levies received from employers	525 688	484 521	427 443
Department Contributions	417 732	369 269	395 908
Investment income	86 824	72 708	58 559
TOTAL	1 030 244	926 498	881 910

Revenue from employers has increased by 9% from the prior year. This is as a result of an increase in levy-contributing employers in the current year compared to the prior year, as well as inflationary increases.

Departmental contributions have increased by 13% from the prior year. The majority of Provincial Departments made their contributions as committed during the first quarter of the financial year with the exception of only two Departments.

Interest from investments increased by 19% from the prior year due to delayed implementation of projects resulting in high cash reserves.

Spending trends

The table below shows the expenditure trends over three years against various budgets.

Expenditure type	2018/19 R'000	2017/18 R'000	2016/17 R'000
Mandatory grants	104 214	91 670	69 435
Discretionary grants	559 726	481 678	519 099
Administration	170 235	160 760	148 048
QCTO transfers	3 152	2 242	1 971

In line with the increase in revenue, mandatory grants expenditure increased by 13% from the prior year.

Discretionary grant spending showed an increase of 16% as compared to the prior year due to the increase in revenue.

Despite an increase of 6% in administrative expenditure compared to the prior year, the ETDP SETA managed to operate within the legislated threshold of 10.5% as per the Grant Regulations.

Capacity Constraints and Challenges facing the ETDP SETA

Human Resources Capacity

The ETDP SETA has nine Provincial Offices in addition to Head Office in Johannesburg. The uncertainties with regard to the SETA landscape and its life span, resulted in the appointment of staff on a contract basis. This has created challenges on staff retention. Not only staff retention had become a problem but talent, expertise and experience got lost in the process. The number of staff members in the Provinces is not able to match the enormity and diversity of our Provinces and their skills needs.

The increase in revenue from the Provincial Government Departments has also necessitated an increase in the capacity of our staff members in order to implement all the SETA Provincial related programmes within a financial year.

The Accounting Authority will review, in due course the Provincial Staff establishment in order to ensure that we have adequate and competent Provincial capacity and this should improve our performance drastically. The extension of the tenure of the SETAs for a period of ten years will also provide certainty and stability in the organisation.

Reporting requirements and Management Information System

The reporting requirements involve huge amounts of information and data. It has been a struggle to get an efficient integrated Management Information System that will eliminate much of information and data errors in our reporting, which required additional manual labour to ensure accuracy of the information and data to be reported to the various structures. We continue to strive for a better Information and Communications Technology system in order to improve our recording keeping management which was also reported by the Auditor General as an area that needs improvement.

The other challenge on reporting of information and data management is that our standard operating procedures involve a lot of documents to be submitted for approval and implementation of programmes and payment processes.

We are reviewing these requirements in order to eliminate unnecessary paperwork that has no relevance for appropriate record keeping and reporting.

Discontinued activities/activities to be discontinued

No activities were discontinued during the 2018/19 financial year.

New or proposed activities

From 2019 /20, ETDP SETA will align its APP with the outcomes of the NSDP.

Request for roll-over funds

The National Treasury approved the utilisation of R180.8 million surplus funds from the 2017/18 financial year. As a result of the surplus, the revised budget that was subsequently approved by DHET in February 2019 which amounted to R1,160 billion.

Supply chain management processes and systems

The ETDP SETA has aligned procurement processes with legislative provisions. The internal controls are effective to minimise risks in the procurement transactions. A new skills set required in the labour market had an adverse effect on the provisioning of training programmes to due to a limited supply of training providers.

Concluded unsolicited bids for 2018/19

No unsolicited bid proposals were concluded in the 2018/19 financial year.

Challenges and Strategies to address those

Late implementation of programmes remains a challenge. However, efforts have been made to impress upon the Departments of Education (DoEs) to make timeous payments of their contributions. The APP has now been aligned with the plans of the implementing partners.

Previous audit report and how the findings were addressed

The previous audit findings were addressed in line with the audit implementation plan.

Future Plans to address financial challenges

The financial statements depict slow spending on discretionary grants due to the late implementation of projects. Management has resolved to implement business process re-engineering to enhance the efficiency of project implementation. There was under expenditure of R323 million, which has been committed for the implementation of programmes that have been identified.

New SETA Landscape

Re-establishment of Sector Education Training Authority

Sector Education Training Authority (SETAs) were re-established from 01 April 2020 to 31 March 2030 (No 1002: Re-establishment of Sector Education Training Authorities).

Economic viability

The ETDP SETA continues to operate as a going concern as the assets and liabilities are fairly stated. Skills Development levy income increased by 9% from R854 million to R943 million. Employer contributions have increased from R369 million the prior year to R417 million in the current year, there has been an increase in Government levy contributions as the majority of the DoEs made their contributions as agreed for the financial year.

Acknowledgements

I wish to extend my gratitude to the Chairperson of the Accounting Authority, Mr Duncan Hindle, the Accounting Authority Members and the Executive Committee for their leadership and support and all the Chairpersons and members of the Committees and Chambers for their commitment and cooperation.

A word of appreciation also goes to the management and staff of the ETDP SETA for their contribution and hard work towards the implementation of the APP. Finally, yet importantly, I wish to thank all our levy payers, departments of education, service providers, suppliers and project beneficiaries for their continued support and cooperation.

Ms Sesi Nombulelo Nxesi



Chief Executive Officer

30 July 2019

6. Statement of Responsibility and Confirmation of Accuracy of 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 (AFS) audited by the Auditor-General.

The Annual Report is complete, accurate and is free from any omissions and has been prepared in accordance with the guidelines for annual reports as issued by National Treasury.

The AFS (Part E) have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (Standards of GRAP), applicable to the ETDP SETA.

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

The AA is responsible for establishing and implementing a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the AFS.

The Auditor General of South Africa (AGSA) is engaged to express an independent opinion on the AFSs.

In our opinion, the Annual Report fairly reflects the operations, performance information, the human resources information and the financial affairs of the ETDP SETA for the financial year ended 31 March 2019.



Chief Executive Officer
30 July 2019



Accounting Authority
Chairperson
30 July 2019

7. Strategic Overview

Vision

The vision of the ETDP SETA is to be a promoter and facilitator in the development and improvement of the skills profile of the sector's workforce to benefit employers, workers and employees in the sector.

Mission

The ETDP SETA holds as its mission, the promotion, facilitation and development of an education, training and development sector in which:

- the skill levels of employees and workers are raised;
- there is a healthy balance between supply and demand in the labour market;
- there are diverse, flexible routes for initial and in-service education and training;
- a variety of career paths are available;
- the quality of education and training provision is improved;
- the levy grant scheme is efficiently administered;
- there is regular liaison with providers, other SETAs, the Department of Labour, the DoE, the National Skills Authority (NSA) and the South African Qualifications Authority (SAQA) and its structures;
- internal and external communication is effective in order to advance national human resource and skills development;
- dialogue and interaction between public and private entities in the sector with regard to skills transfer and training delivery is encouraged; and
- Employers, workers and employees in the sector benefit from quality training, higher productivity and harmonious mutual dependencies.

Values

The ETDP SETA's values include a commitment to:

- transparency and fair conduct;
- honesty and integrity;
- courteousness and caring;
- honouring deadlines;
- promoting equity amongst all our stakeholders;
- cooperative governance; and
- striving for continuous improvement.

8. Legislative and Other Mandates

The ETDP SETA falls under Schedule 3A of the PFMA.

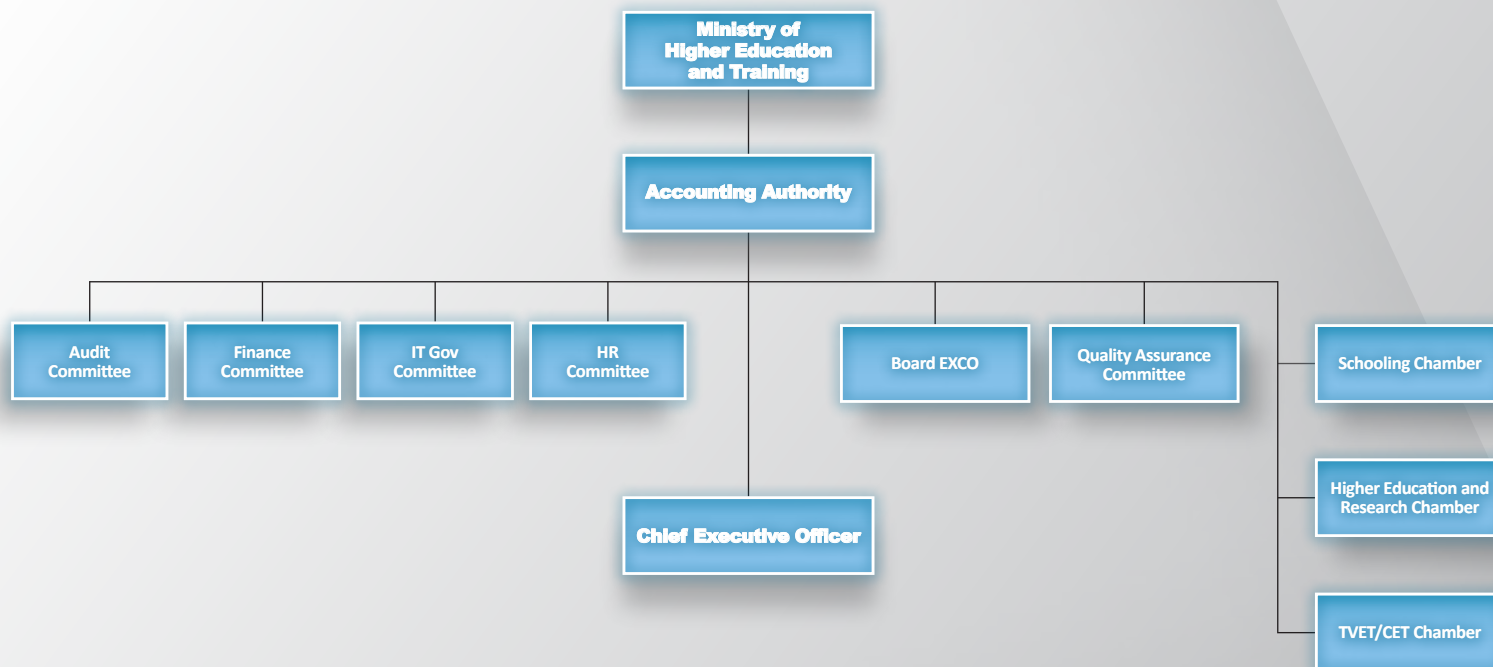
The following are the legislative mandates that govern the work of the ETDP SETA:

- Constitution of the Republic of South Africa (1996);
- The Skills Development Act, 1998 (Act No. 97 of 1998), as amended;
- The Skills Development Levies Act, 1999 (Act No. 9 of 1999);
- The Public Finance Management Act, 1999 (Act No. 1 of 1999);
- Labour Relations Act, 1995 (Act No. 66 of 1995);
- Employment Equity Act, 1998 (Act No. 55 of 1998);
- Protection of Personal Information Act, 2013 (Act 4 of 2013);
- Promotion of Access to Information Act, 2000 (Act No. 2 of 2000);
- The National Treasury Regulations;
- The National Skills Development Strategy III;
- The SETA Grants Regulations – December 2012 (Government Notice No. 35940);
- The Standard Constitution provided for the SETAs (2012);
- National Development Plan Vision 2030;
- The Medium Term Strategic Framework 2014-2019;
- The White Paper on Post School Education and Training (2012);
- The Human Resource Development Strategy of South Africa, 2030;
- Education, Training and Development Sector Skills Plan;
- Occupational and Safety Act, 1993 (Act No. 85 of 1993), as amended;
- and
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and applicable regulations.

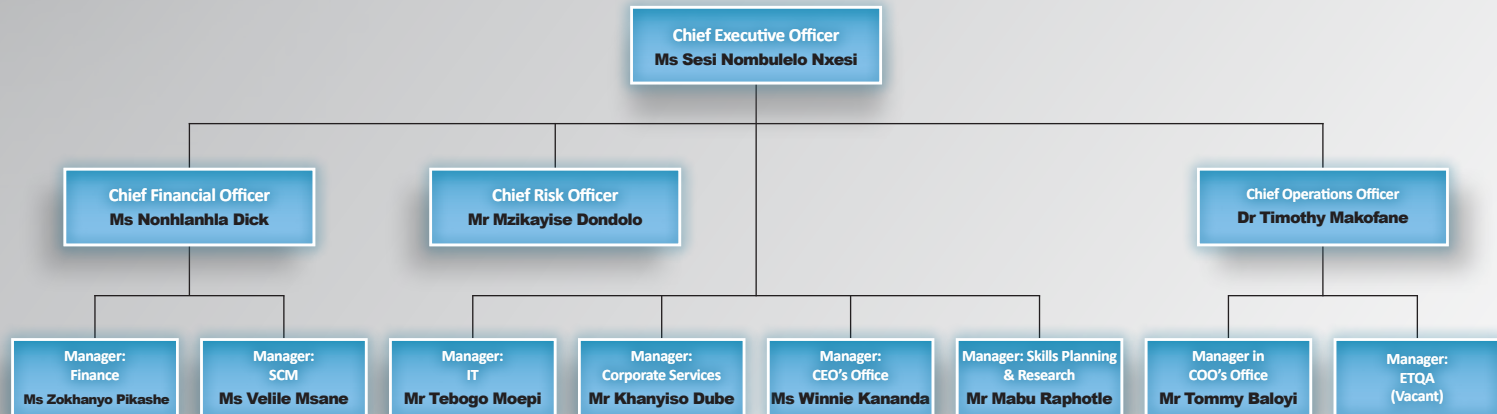
9.

ORGANISATIONAL STRUCTURE

Governance



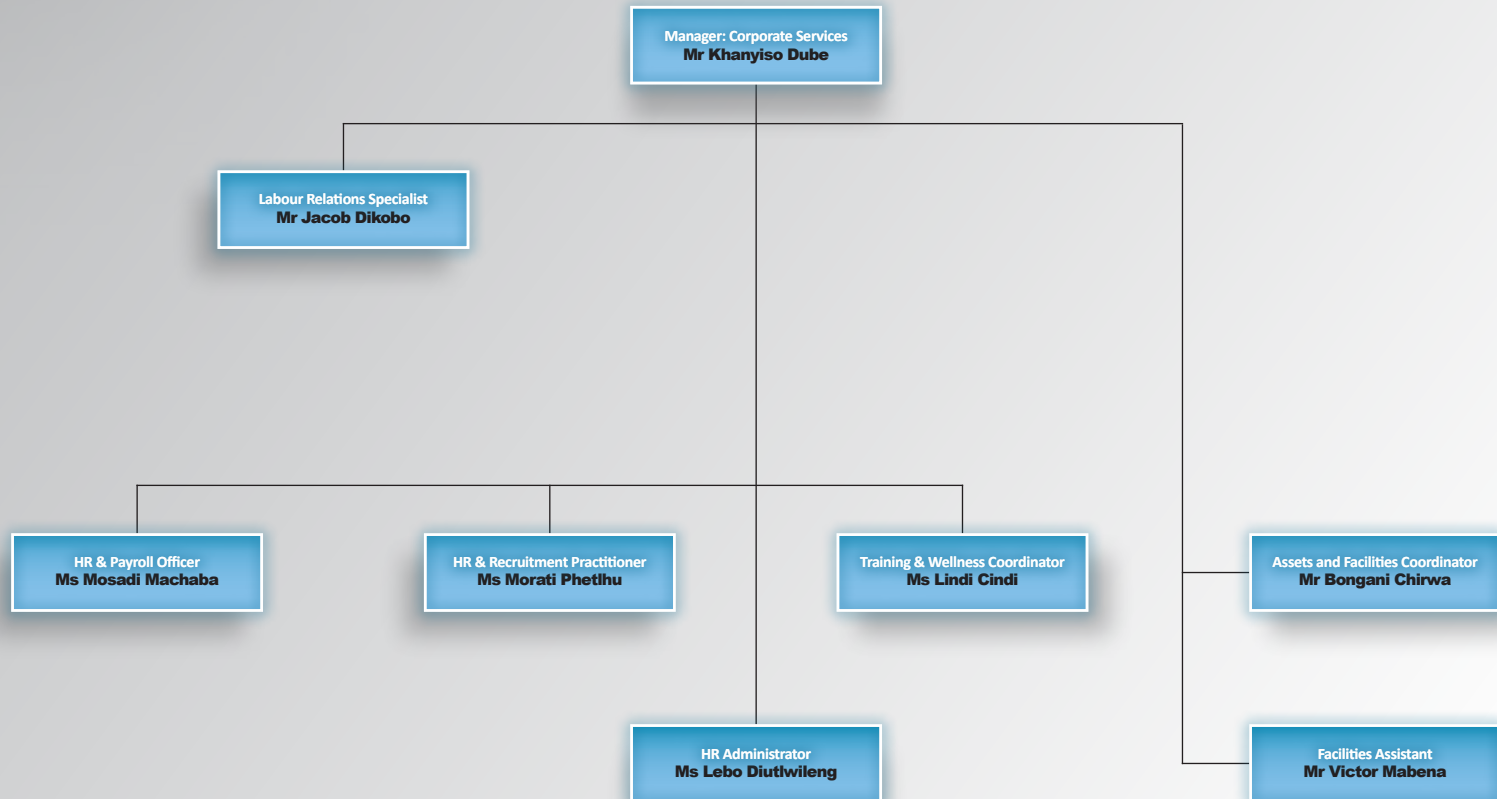
High Level Management Organogram



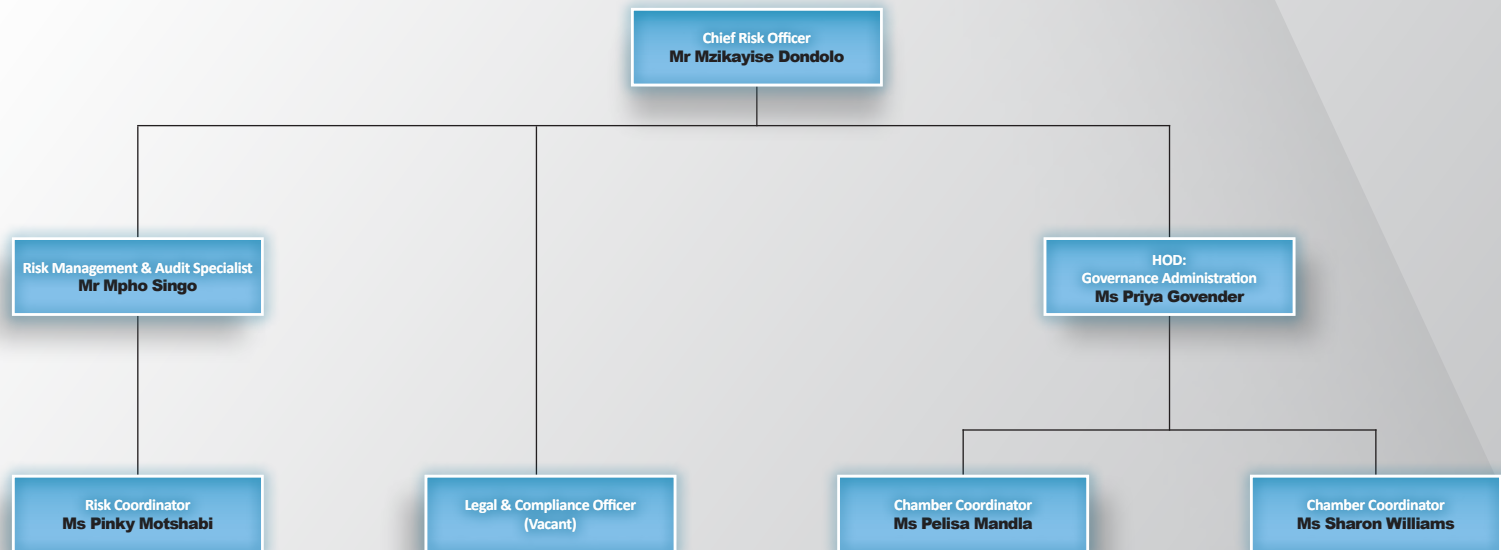
Functional Structure: Office of the CEO



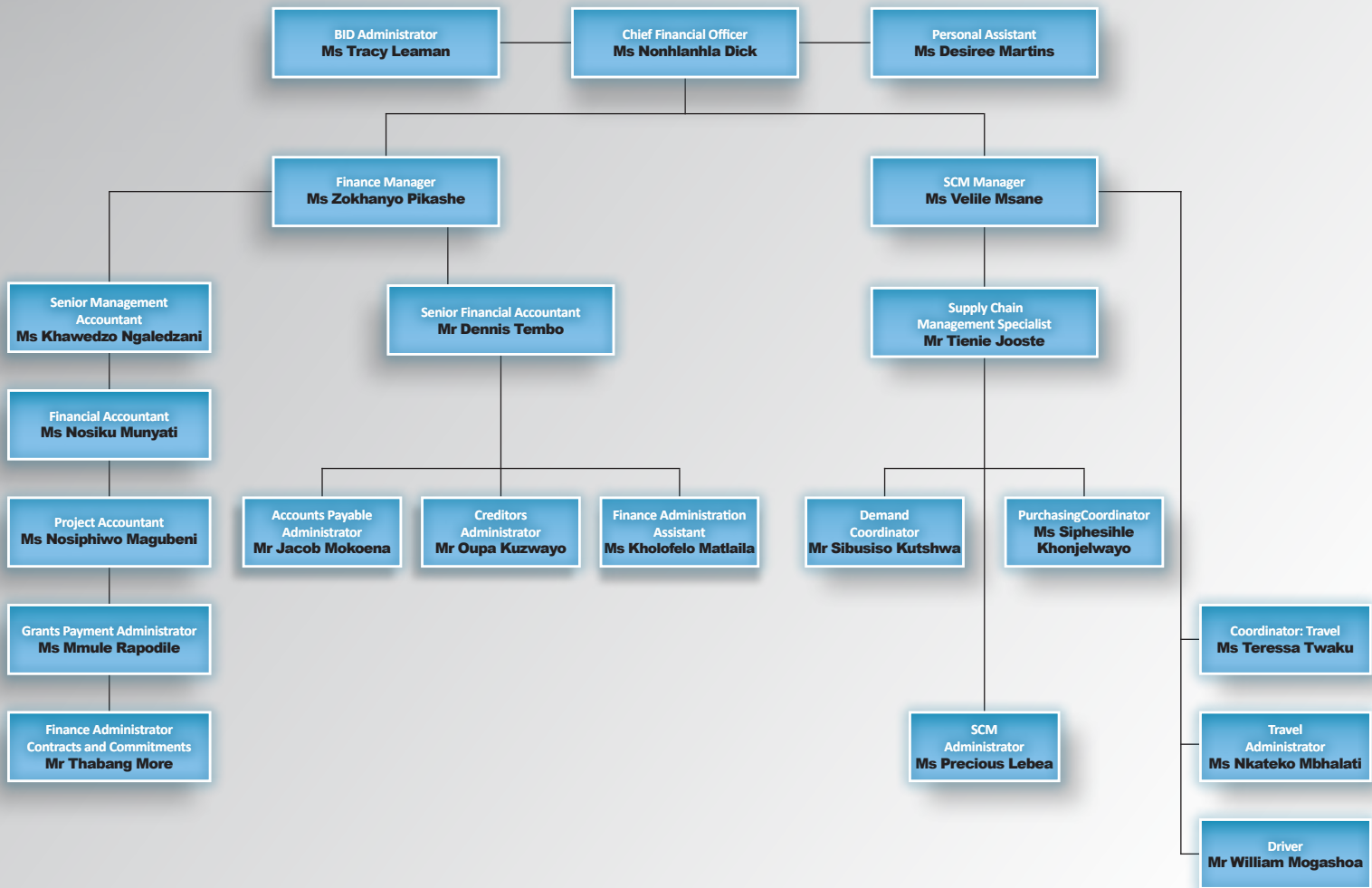
Functional Structure: Corporate Services



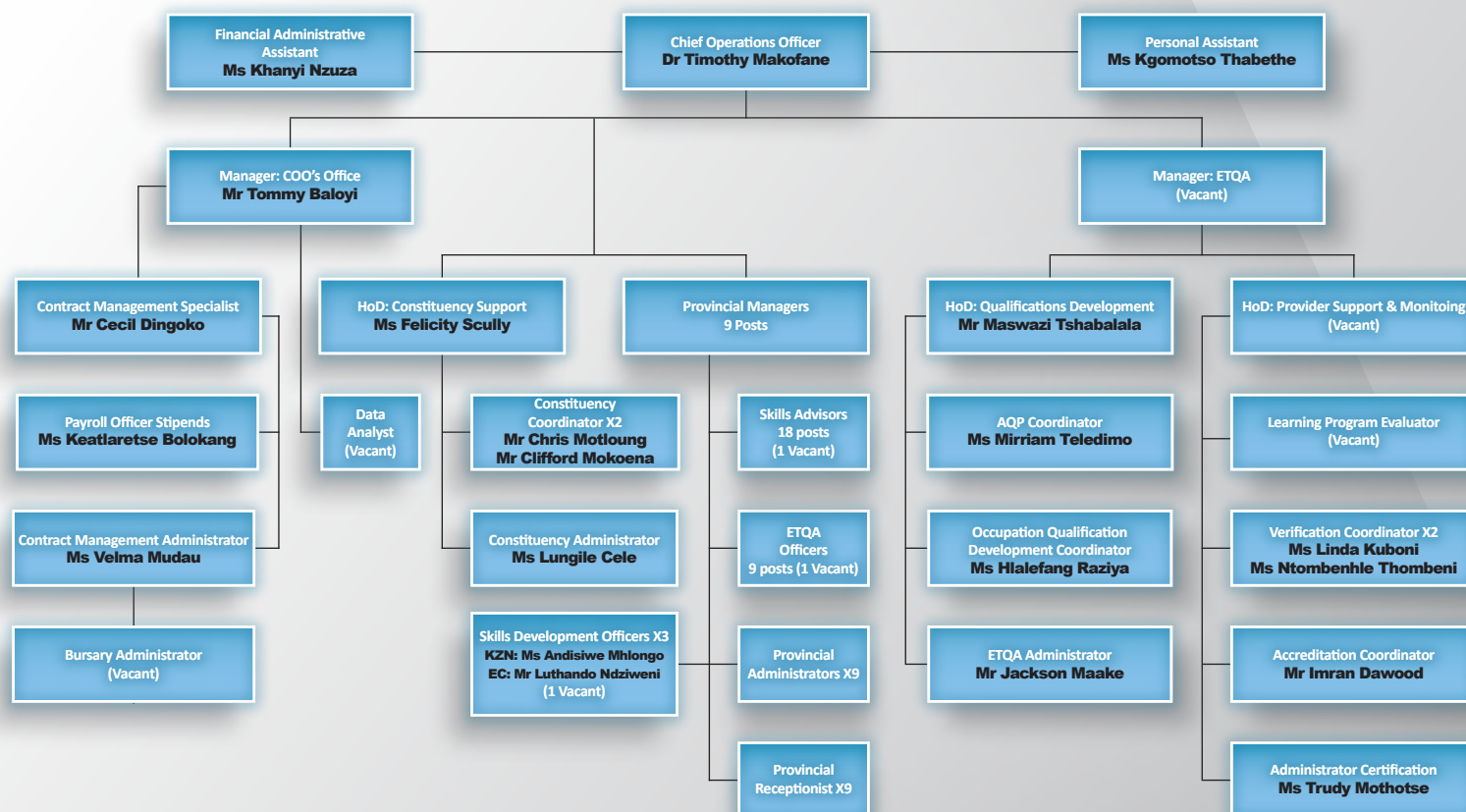
Functional Structure: Governance, Risk & Compliance



Functional Structure: Finance & Procurement



Functional Structure: Operations



Provincial Managers

EC: Ms J Socutshana
FS: Ms T Moleko
GP: Mr G Francis
KZN: Mr K Mabotha
LP: Mr I Mphaphuli
MP: Ms N Mxenge
NC: Mr R Kistiah
NW: Ms N Msebe
WC: Ms F Machimama

Skills Advisors

EC: Mr C Mona
 Mr S Mokoena
FS: Ms S Masia Pos
 Vacant
GP: Ms S Jacobs
 Mr V Naidoo
KZN: Ms B Msomi
 Ms G Le Grange
LP: Mr M Thema
 Mr C Sithole

MP: Ms N Speelman
 Mr D Netshikweta
NC: Mr D Gulston
 Mr C Mpisi
NW: Ms T Chipa
 Ms A Kromhout
WC: Mr A Shasha
 Mr P Kunene

ETQA Officers

EC: Ms N Mtsweni
FS: Ms F Madzivha
GP: Mr N Mnguni
KZN: Ms S Rambehary
LP: Ms L Machebe
MP: Ms V Middleton
NC: Ms C Zwane
NW: Mr M Chauke
WC: Ms J Malan Hendricks

Provincial Administrators

EC: Ms A Kama
FS: Ms E Khetsha
GP: Ms F Mchunu
KZN: Mr X Nxumalo
LP: Ms T Malongete
MP: Mr A Mvuma
NC: Ms J Skennette
NW: Ms T Chabalala
WC: Ms D Boltman

Provincial Receptionists

EC: Ms T Vokiyane
FS: Ms M Molelle
GP: Ms T Ngubane
KZN: Ms N Mazibuko
LP: Ms V Mokgolo
MP: Ms S Maringa
NC: Ms B van der Sandt
NW: Ms F Hlomendlini
WC: Ms D Nonkonyana

PART B

P E R F O R M A N C E I N F O R M A T I O N

1. Auditor-General's Report

The Auditor-General performed the audit on the pre-determined objectives, and the report is provided on pages 91 to 95.



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

2. Situational Analysis

Service Delivery Environment

Introduction

The ETDP SETA performance for the year under review was based on its set goals as indicated in the organisational Strategic Plan, APP, and the Service Level Agreement (SLA) with the DHET. As per the APP, the organisation is poised to deliver its services to the public through the implementation of four programmes within which 26 performance indicators were set to be achieved. Overall, 19 were achieved, seven were not achieved. This translates to 73% of targets achieved overall.

The key outputs of the programmes implemented were skills development interventions that were delivered directly to the public. The main beneficiaries of the interventions were various Education, Training and Development (ETD) sub-sectors, namely: schooling, TVET colleges, Higher Education Institutions, private education providers, trade unions, political parties and the unemployed.

The skills development needs of the stakeholders have changed due to the demand in the labour market. Training programmes which were required were not available in the market, and that had an adverse effect on the achievement of targets. The ETDP SETA has to invest in the ETD Sector to prepare training providers or partners to provide required training programmes

Organisational Environment

In the absence of a permanent Chief Operations Officer (COO), different senior managers were assigned to act in the position for a fixed period until the appointment of a permanent COO in March 2019. The late appointment of the COO created instability in the division since different managers were still expected to execute their primary areas of responsibility while filling in for that position.

Furthermore, during the the absence of the CEO over three months due to the re-establishment of the SETAs, an acting CEO was appointed to manage the organisation until further pronouncements on the appointment of the CEO by the Minister, which happened in January 2019.

In response to addressing the challenges of the late implementation of programmes, senior management had to speed up programme implementation in order to improve performance.

The organisation also appointed a Chief Financial Officer (CFO) and a Finance Manager, following the expiry of a contract with a service provider from which the two incumbents were sourced.

The ETDP SETA acquired a clean audit outcome for the 2018/19 financial year from the Auditor General.

Key Policy Developments and Legislative Changes

There were no major policy or legislative developments.

Strategic Outcome Oriented Goals

Goals	Progress
Goal 1: A highly effective organisation with good corporate governance practices.	In the past five years, the organisation has attained good governance compliance reports from DHET. The organisation has sustained a good internal control environment and attained unqualified and clean audit opinions from the AGSA. The organisation has made steady progress in the automation of its business processes, which improved the efficiency of service delivery to the stakeholders.
Goal 2: Labour market information (LMI) mechanism in place to inform sector skills planning through credible and empirical research.	The Sector Skills Plan (SSP) was informed by the labour market information, which enabled the ETDP SETA to better understand the gap between the demand and the supply of skills. The SSP assisted the SETA to improve its strategic and annual performance plans.
Goal 3: A skilled public service personnel to improve teaching and learning and administrative efficiency in schools, TVET colleges, community colleges and higher education institutions.	Four outputs were targeted towards the achievement of this goal. Three out of four were achieved. Further, the results of the survey conducted by the SETA on the completion of programmes by workers in the 2018/19 financial year indicate that over 70% of the workers completed the programmes and that the programmes assisted them in improving efficiency in schools.
Goal 4: Increased number of undergraduates and graduates who successfully enter the post-school education and training system and the labour market.	There was over achievement of all outputs related to undergraduates and graduates. A total of 10 137 learners successfully entered the post-school education and training system, against a target of 8 300 in the year under review. Absorption of graduates into the labour market is still a challenge, with only 30% of the graduates successfully placed after the programme.
Goal 5: Increased number of skilled practitioners in ECD, NGOs, trade unions, political parties, SETAs, professional bodies, libraries and archives institutions through skills development.	There was an increase in the number of skilled practitioners who received support through skills development programmes. However, there was a decrease in the number of trade unions who participated in the programmes for 2018/19.
Goal 6: Improved quality of service delivery and performance through the implementation of quality and monitoring systems.	The ETDP SETA has contributed towards improving the quality of access and progression to higher education programmes. This was done through the quality provisioning of its historically registered qualification by the Skills Development Providers. The purchase of the new Executive Management System contributed to enhanced monitoring of programmes and projects in the 2018/19 financial year. This had a positive effect on alerting management about challenges and progress made regarding implementation for timeous interventions where required.

3. Performance Information by Programme

Programme 1: Administration

Purpose

The purpose of the programme is to ensure effective organisational management and administration.

Strategic objectives

- To increase the level of compliance with legislative provisions; and
- To improve performance levels of the organisation.

Sub-programmes

The programme is made up of the following five sub-programmes:

- Finance, Supply Chain Management and Assets: Provides financial advice to the entity as well as reports on the financial position and performance of the entity, enabling it to make decisions that advance its mandate. The sub-programme is also the custodian of the entity's financial and statutory duties in line with the PFMA and Treasury Regulations;
- Governance (Audit and Risk): Ensures good corporate governance;
- Corporate Services: Provides services aimed at meeting the communication and information needs of the organisation and its stakeholders as well as ensures adequate facilities that comply with Health and Safety regulations;
- Human Resources: Develops a skilled and productive workforce for organisational performance; and
- Information Technology: Operational and a strategic enabler which is essential in managing the transactions, information and knowledge necessary to sustain the organisation.

Progress and Achievements

Four of the seven performance indicators related to the sub-programmes were achieved. This translates into a 57% achievement.

Actual achievements

Strategic Objective	Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Achievement	Comment on deviations
To increase the level of compliance with legislative provisions.	1.1 Percentage level of audit findings resolved on time	-	100%	88%	(12%)	Under-achieved An effort was put to resolving the findings; however, some findings were not fully resolved during the reporting period.
	1.2 Percentage level of strategic risks within approved tolerance and appetite levels	63%	90%	92%	2%	Over-achieved The organisation improved its processes of managing risks.
	1.3 Percentage level of compliance on legislation and policies	98%	100%	99%	(1%)	Under-achieved One of the bids was not advertised on the website within the prescribed period after awarding
To improve the performance levels of the organisation	1.4 Percentage level of organisational performance	66%	95%	73%	(22%)	Under-achieved The planned target was not met due to the non-achievement of targets in different programmes
	1.5 Percentage level of automated business processes	-	80%	80.77%	0.77%	Achieved
	1.6 Number of employees and Governance Structure members trained	(99 -governance members) (99-employees)	119	133	14	Over-achieved Additional employees were trained within the allocated budget.
	1.7 Level of awareness of ETDP SETA's products and services	81%	80%	86%	6%	Over-achieved There were more positive responses from the stakeholders.

Strategy to overcome areas of underperformance

Performance Indicator	Strategy to overcome areas of underperformance
Level of compliance with SCM-related legislative provisions	Enhanced monitoring systems of compliance had been put in place to avoid the recurring of non-compliance to legislation
The percentage level of organisational performance	A turnaround strategy has been put in place to improve the performance of the organisation.
Percentage level of audit findings resolved on time	Measures have been put in place to improve the control environment and control weaknesses that would reduce audit findings.

Changes to planned targets

There were no changes to planned targets.

Linking Performance with Budgets

Administration Budget	2017/18			2018/19		
Sub-Programme Name	Budget	Actual Expenditure	Over/Under Expenditure	Budget	Actual Expenditure	Over /Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
1.1 Corporate Services	3 700	-	3 700	24 322	35 428	(11 106)
1.2 Finance, Supply Chain Management and Assets	8 493	8 489	4	32 453	27 445	5 008
1.3 Governance (Audit & Risk)	5 500	3 405	2 095	15 157	5 322	9 835
1.4 Human Resources	93 800	87 686	6 114	103 770	93 633	10 137
1.5 Information Technology	6 700	5 987	713	18 637	13 689	4 948
TOTAL	118 193	105 567	12 626	194 339	175 517	18 822

- Corporate services: The over-expenditure is due to the acquisition of additional space at head office, and the renewal and renegotiation of the provincial office's rentals, which is at a higher rate;
- Finance, Supply Chain Management and Assets: The ETDP SETA opted for affordable options; including the reduction in the use of consultants to achieve the same activities that were budgeted for in their allocation;
- Governance (Audit & Risk): Some governance committees did not sit due to the changes in the AA's sub-committees and the reduction of the number of chambers, as well as in membership;
- Human Resources: The ETDP SETA had an average of 14 vacancies throughout the year; and
- Information Technology: Service providers were appointed in the last quarter of the financial year, which resulted in the re-advertising of tenders due to non-responsiveness and a lack of compliant suppliers in the market.

Programme 2: Research and Skills Planning

Purpose

The purpose of this programme is to obtain accurate information on the supply of, and demand for, skills to address the skills gaps in the ETD sector.

Strategic Objectives

The strategic objective for this programme is to conduct research to identify the skills gaps or mismatches of skills in the ETD sector for purposes of employability, occupational mobility and entrepreneurship.

Sub-programmes

- Sector Skills Planning: Update of Sector Skills Plan;
- Research: Number of approved research reports by six Research Chairs and partners; and
- Workplace Skills Plans and Annual Training Reports: Submission and Approval of Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs).

Progress and Achievements

Programme 2 had three indicators as per the 2018/19 APP. Two indicators were achieved, resulting in 66% achievement.

Actual Achievements

Strategic Objectives	Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement 2017/2018	Comment on deviations and/or variances
Research identifies the skills gaps or mismatches of skills in the ETD sector for purposes of employability, occupational mobility and entrepreneurship	2.1 An updated approved annual SSP to inform organisational planning	1	1	1	-	Achieved
	2.2 Number of research reports produced	-	6	7	1	Over-achieved One additional research project was commissioned within the allocated budget
	2.3 Number of approved WSPs and ATRs	-	1 200	1 017*	(183)	Under-achieved Low submission of WSPs and ATRs from levy-paying organisations remain a challenge

*This achievement was adjusted from 1 448 down to 1017 following the audit outcome

Strategy to Overcome Areas of Underperformance

Performance Indicator	Strategy to overcome areas of underperformance
Number of approved WSPs and ATRs	The indicator has been changed in the 2019/2020 Annual Performance Plan to the percentage of WSPs, ATR assessed, and feedback given to the employers within three months

Changes to Planned Targets

There were no changes to the planned targets.

Linking Performance with Budgets

Sub-Programme Name	Budget 2017/18	Actual Expenditure 2017/18	Over/ Under Expenditure 2017/18	Budget 2018/19	Actual Expenditure 2018/19	Variance 2018/19
	R'000	R'000	R'000	R'000	R'000	R'000
2.1 Research	-	-	-	4 500	-	4 500
2.2 Sector Skills Plans	11 600	9 015	2 585	2 500	463	2 037
2.3 Work Skills Plans and Annual Training Reports	-	-	-	93 141	95 722	(2 581)
TOTAL	11 600	9 015	2 585	100 141	96 185	3 956

The appointment of researchers to contribute to the development of the SSP occurred late in the financial year, and hence there is under-expenditure on the SSP.

R4 500 000 was budgeted for the renewal of the Research Chairs, which could not be achieved in the year under review.

There was an overspend by 13% on Mandatory Grants expenditure this year, which is in line with the increase in revenue.

- To increase institutional capacity of constituent organisations in the ETD sector;
- To institutionalise monitoring and evaluation in order to comply with the relevant regulatory framework; and
- To increase learners' level of awareness of career choices.

Programme 3: Learning Programmes and Projects

Purpose

The purpose of this programme is to provide services for the implementation, monitoring, evaluation and reporting of learning programmes.

Strategic Objectives

- To improve public sector ETD workers' skills and competencies;
- To increase access to post-schooling education and training for the unemployed;

Sub-programmes

- Implementation of learning programmes as per NSDS goals;
- Special projects (including partnerships);
- Monitoring, Evaluation and Reporting; and
- Career and vocational guidance.

Progress and Achievements

Programme 3 achieved 10 performance indicators out of 13, which translates into an achievement of 77%.

Actual Achievements

Strategic Objectives	Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation/ variance from planned target to actual achievement for 2018/19	Comment on deviations
To improve public sector ETD workers' skills and competencies	3.1 Number of teachers, school managers and government officials enrolled in full qualifications	4 347	4 700	2 868	(1 832)	Under-achieved Late implementation of programmes resulted in non-achievement of the target
	3.2 Number of teachers enrolled in part-qualifications/skills programmes	3 658	7 500	12 834	5 334	Over-achieved More teachers participated in the programmes within the allocated budget
	3.3 Number of TVET and community college lecturers enrolled in skills programmes	479	500	723	223	Over-achieved More lecturers participated in the programme due to the availability of funds
	3.4 Number of public Higher Education Institutions (HEIs) funded for skills development	13	26	26	-	Achieved
	3.5 Number of private HEIs and Further Education & Training (FET) colleges funded for skills development	2	20	23	3	Over-achieved There was an increase in demand within the allocated budget
	3.6 Number of workers completed skills programmes	3 968	5 600	4 564	(1 036)	Under-achieved Late start of programmes resulted in non-completion as at 31 March
To increase access to post-schooling education and training for the unemployed	3.7 Number of unemployed enrolled in skills development programmes	8 173	8 300	11 438	3 138	Over-achieved More intake was accommodated within the budget
	3.8 Number of unemployed people that completed skills programmes	4 860	4 235	4 188*	(47)	Under-achieved Late start of programmes resulted in non-completion as at 31 March

Strategic Objectives	Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation/ variance from planned target to actual achievement for 2018/19	Comment on deviations
To increase institutional capacity of constituent organisations in the ETD Sector	3.9 Number of successful active partnerships with ETD constituencies	-	70	70	-	Achieved
	3.10 Number of education departments' special projects funded	-	5	6	1	Over- achieved One more special project was implemented utilising the available funds
To institutionalise monitoring and evaluation in order to comply with the relevant regulatory framework	3.11 Number of impact studies conducted on previous projects	-	1	1	-	Achieved
	3.12 Number of training sites monitored	-	100	108	8	Over-achieved Eight more projects were monitored within the allocated budget
To increase learners' level of awareness of career choices	3.13 Number of ETD-related career guidance events conducted	80	50	76	26	Over-achieved More career guidance events were organised due to high demand

*This achievement was adjusted from 4 391 down to 4 188 following the audit outcome

Strategies to overcome areas of underperformance

Performance Indicator	Strategies to overcome areas of underperformance
3.1 Number of teachers, school managers and government officials enrolled in full qualifications	A coordination strategy has been put in place for the implementation of programmes among PDoEs, Unions and SETA interventions
3.6 Number of workers that completed skills programmes	Enhanced monitoring system and related tools to manage completions has been put in place for programme implementation and reporting
3.8 Number of unemployed people that completed skills programmes	Enhanced monitoring system and related tools to manage completions has been put in place for programme implementation and reporting

Changes to Planned Targets

National Treasury, and subsequently the Minister of Higher Education and Training, approved the surplus of R180,8 million in February 2019, which enabled the organisation to increase its targets.

Performance Indicator	Planned Target	Revised Target	2018/19 APP Budget (R'000)	Revised 2018/19 APP Budget (R'000)	Additional Allocation (R'000)
3.3 Number of TVET and community college lecturers enrolled in skills programmes	500	750	12 000	17 040	5 040
3.7 Number of unemployed enrolled in skills development programmes	8 300	9 775	338 711	488 800	150 089
3.10 Number of education departments' special projects funded	5	6	30 000	130 821	100 821
TOTAL			380 711	636 661	255 950

Linking Performance with Budgets

Performance Indicator	Budget 2017/18	Commitment 2017/18	Actual Expenditure 2017/18	Variance 2017/18	Budget (B) 2018/19	Actual Expenditure 2018/19	Commitment	Variance 2018/19
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000

3.1 Implementation of learning programmes as per NSDS goals

3.1.1 Employed Learning programmes	368 398	240 379	13 210	128 019	275 710	54 728	398 999	(178 017)
3.1.2 Unemployed Learning programmes	299 300	101 555	183 025	5 181	414 159	89 469	275 393	49 297
3.2 Special DBE projects (including partnerships)	-	-	-	-	164 641	3 424	32 611	128 606
3.3 Monitoring, evaluation and reporting	2 400*	2 400*	1 688*	-	3 748*	-	-	3 748*

Performance Indicator	Budget 2017/18	Commitment 2017/18	Actual Expenditure 2017/18	Variance 2017/18	Budget (B) 2018/19	Actual Expenditure 2018/19	Commitment	Variance 2018/19
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
3.4 Career and vocational guidance	-	-	-	-	1 200	1 324	-	(124)
Total	670 098	344 334	197 923	133 200	859 458	148 945	707 003	3 510

*This was funded from the administration budget

Commitments are as a result of the projects whose duration extend beyond the financial year and implementation continues into the 2019/20 Financial Year. These projects will be reported under completions in 2019/20.

The reasons for under-expenditure was due to the following:

- Unemployed Learning programmes, delays in securing appropriate training providers; and
- Monitoring, evaluation and reporting, the planned impact study was conducted internally using human resource budget.

Programme 4: Quality Assurance

Purpose

To ensure quality provisioning of accreditation, monitoring and quality assurance of learner achievements.

Strategic objective

To improve the quality of graduates through enhancement of quality assurance services.

Sub-programmes

Programme 4 is made up of the following three sub-programmes:

- Number of learning programmes approved;
- Number of Certificates printed and issued; and
- Number of learning materials developed.

Progress and achievement

- 406 learning programmes were evaluated and approved;
- 15 822 certificates of achievement were printed and issued; and
- Three sets of learning materials were developed.

Actual Achievements

Strategic Objectives	Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation/variance from planned target to actual achievement for 2018/19	Comment on deviations
To improve the quality of graduates through enhancement of quality assurance services.	4.1 Number of learning programmes approved	403	400	406	6	Over-achieved More learning programmes were approved than planned within the allocated budget
	4.2 Number of certificates issued	-	400	15 822	15 422	Over-achieved The higher number is as a result of backlog from the previous year
	4.3 Number of learning materials developed	-	3	3	-	Achieved

Strategies to overcome areas of underperformance

None

Changes to planned targets

There were no changes to the planned targets.

Linking performance with budgets

Sub-programme/Activity	Budget 2017/18	Actual Expenditure 2017/18	Over/Under Expenditure 2017/18	Budget 2018/19	Actual Expenditure 2018/19	Over/Under Expenditure 2018/19
	R'000	R'000	R'000	R'000	R'000	R'000
4.1 Learning programme evaluation and accreditation	1 500	208	1 292	2 040	373	1 667
4.2 Certification	-	-	-	2 500	50	2 450
4.3 Qualification and learning material development	-	-	-	1 200	1 163	(37)
TOTAL	1 500	208	1 292	5 740	1 586	4 080

The reasons for under-expenditure was due to the utilisation of internal staff members as Learning Programme Evaluators and the procurement of the certificate templates from the Government Printers, which proved to be less expensive when compared to the private printing companies.

This programme was funded from the administration budget.

ETDP SETA/DHET Service Level Agreement 2018/2019

The table below outlines the ETDP SETA performance against the Service Level Agreement (SLA) with the DHET.

ETDP SETA/DHET Service Level Agreement 2018/2019

GOALS / OUTCOME / OUTPUTS	TARGET	TOTAL	VARIANCE	% ACHIEVED
Large Firms	100	174	74	174%
Medium Firms	300	266	(34)	89%
Small Levy-Paying Firms	800	577	(223)	72%
Learnership Unemployed Entered	1 650	2 232	582	135%
Bursaries Unemployed Entered	1 150	1 193	43	104%
Internships Unemployed Entered	500	3 046	2 546	609%
Skills Programmes Unemployed Entered	2 000	2 046	46	102%
Total Unemployed Entered	6 500	9 534	3 034	
Learnerships Unemployed Completed	680	864	184	127%
Bursary Unemployed Completed	210	121	(89)	58%
Internships Unemployed Completed	815	505	(310)	62%
Skills Programmes Unemployed Completed	1 130	1 478	348	131%
Total Unemployed Completed	2 835	2 968	133	
Full Qualifications Workers Entered/ Learnerships	3 700	2 244	(1 456)	61%
Bursaries Workers Entered	1 000	1 210	210	121%
Skills Programmes Workers Entered	8 000	13 650	5 650	171%
Total Workers Entered	12 700	17 104	4 404	
Full Qualifications Workers Completed /Learnerships	700	341	(359)	49%
Bursaries Workers Completed	1 400	426	(974)	30%
Skills Programmes Workers Completed	3 500	3 691	191	105%
Total Workers Completed	5 600	4 458	(1 142)	
Candidacy Programme Entered	N/A	N/A	N/A	N/A
Candidacy Programme Completed	N/A	N/A	N/A	N/A

ETDP SETA/DHET Service Level Agreement 2018/2019

GOALS / OUTCOME / OUTPUTS	TARGET	TOTAL	VARIANCE	% ACHIEVED
Recognition Of Prior Learning (Rpl)	300	302	2	101%
Total Artisan Entered	N/A	N/A	N/A	N/A
Total Artisan Completed	N/A	N/A	N/A	N/A
University Student Placement Entered	600	762	162	127%
University Student Placement Completed	350	372	22	106%
Lecturer Development Programmes Entered	350	387	37	110%
Lecturer Development Programmes Completed	210	127	(83)	60%
Career Development Officers (Cdos) placed in TVET colleges	250	195	(55)	78%
TVET Student Placement Entered	1 550	1 630	80	105%
TVET Student Placement Completed	1 050	849	(201)	81%
SETA / TVET Partnerships	50	50	0	100%
SETA / University Partnerships	26	26	0	100%
SETA / Constituent Employer Partnerships	70	70	-	100%
SETA / Employer Partnerships	5	6	1	120%
SETA Co-Operatives	N/A	N/A	N/A	N/A
SETA Small Business Support	N/A	N/A	N/A	N/A
SETA NGO, CBO, NLPE And TRADE UNIONS	N/A	N/A	N/A	N/A
AET Programmes Completed	N/A	N/A	N/A	N/A

NOTE: In addition to the reported performance above against the SLA, the ETDP SETA has provided financial support to the 20 public Comprehensive Universities at R5 000 000 each and six Universities of Technology at R3 000 000 each. The total amount is R118 000 000.

4. Highlights and Strategic Partnerships formed during the year under review

Support to people with disabilities

Through a targeted approach towards People living with disabilities, the ETDP SETA has for the period under review placed a total of 200 PWDs in programmes (100 deaf learners in a South African Sign Language Programme with University of Venda, and 100 in ICT Learnership with Waterberg TVET College. This is the ETDP SETA's continued support and contribution in imparting skills and knowledge for them to participate in the economy of the country actively.

TVET lectures piloted the new Advanced Diploma in TVT

In partnership with the Nelson Mandela University, the ETDP SETA implemented an Advanced Diploma in Technical and Vocational Teaching (Adv Dip TVT). This is a two-year part-time programme provides TVET college lecturers with a professional qualification.

The KwaZulu-Natal's Lecturers are amongst the first beneficiaries of this programme. Sixty Lecturers from UMfolozi and Coastal TVET Colleges respectively, were part of the launch of this programme at seven centres across the country in February 2019.

COLLEGE	CAMPUS
Vhembe TVET College, Limpopo	Mavhoi Campus
Umfolozi TVET College, KwaZulu-Natal	Main Campus, Richard's Bay
Coastal-KZN TVET College, KwaZulu-Natal	Swinton Campus
EMCOL: Graaff-Reinet, Eastern Cape	Graaff-Reinet Campus
EMCOL: Makhanda, Eastern Cape	Makhanda Campus
EMCOL TVET: Uitenhage, Eastern Cape	NMU Missionvale Campus
West Coast TVET College, Western Cape	Malmesbury Campus

The programme is delivered through live streaming from Missionvale Campus in Port Elizabeth. The two receiving sites in KZN receive a feed from Nelson Mandela University (NMU). Lecturers are able to interact with their facilitators live from NMU during weekly contact sessions.

This is what some of the participants had to say about their participation in the programme:

"The new qualification will have important benefits for the TVET sector. Most importantly, it will consolidate the academic partnership between

the university and the colleges and contribute to the professionalisation of teaching in the colleges.”

“We believe that the TVET sector has a huge role to play in post-school education in so far as its possible positive impact on the economy of the country.”

Rural Development Programmes

For the period under review, the ETDP SETA Limpopo office has spearheaded the implementation of two rural development projects in the province targeted to ECD Practitioners. A total of 180 ECD Practitioners have been placed in ECD Level 4 & 5. Through this programme, an increase in vocational programme graduates in TVET College will be increased in line with the instruction of the Minister in the DHET. The programmes will significantly contribute to the training of unemployed people in vocational programmes which is one of the priorities set out by DHET of ensuring that TVET Colleges increase the number of graduates in vocational programmes.

A partnership that works – Northern Cape

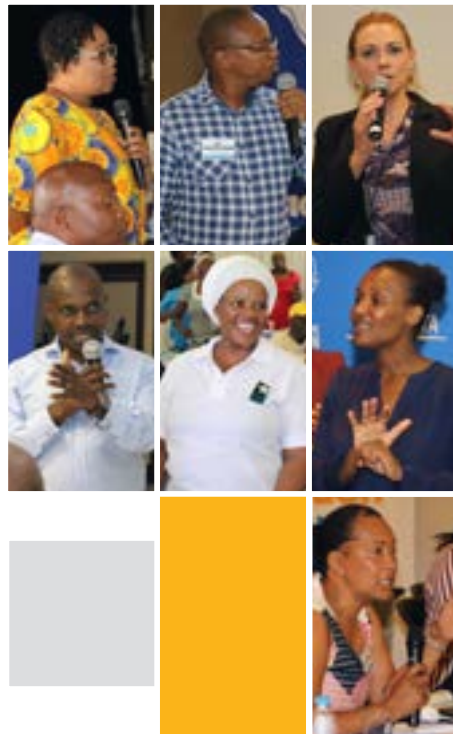
The Office of the Premier of the Northern Cape Province identified the Kai! Garieb municipality (Keimoes) as an area of implementation for the ETDP SETA funded programme.

The office approached the ETDP SETA because core to this initiative was the establishment of an ECD site in the area. The office requested the ETDP SETA to train 30 learners from the area to manage the site to be built through Lotto funding. The training would also ensure that the unqualified practitioners in the Keimoes and Kakamas areas would be included in the training.

Early Childhood Development Level 5

National Skills Authority awarded a Gold Award to False Bay College, as a constituent employer. Recruitment was done by the college in partnership with ECD sites in Khayelitsha and surrounding areas. The allocation was made in line with the government’s obligation to provide services to poor communities.





2019

ETDP • S E T A
STAKEHOLDER
ENGAGEMENT
REPORT

A T T H E C U T T I N G E D G E O F S K I L L S D E V E L O P M E N T

Remaining relevant by ensuring constant engagement with our stakeholders

The ETDP SETA has committed itself towards ensuring engagement and interaction sessions with all its stakeholders, on an annual or biennial basis. This is to ensure a well-informed stakeholder needs basis. In response to this commitment, the ETDP SETA CEO, Ms Sesi Nombulelo Nxesi embarked on Provincial Stakeholder Engagement Sessions during February and March 2019. The sessions served as an enforcement of the ETDP SETA's vision and mission to create honest and transparent platforms for discussions amongst the organisation and its stakeholders.

The objectives for the highly interactive sessions included discussions on pertinent issues, within each Province of South Africa about the role of the ETDP SETA in facilitating and promoting skills development in the Education, Training and Development (ETD) sector with a focus on:

- Education, Training, Development, Quality Assurance related matters and the roles and responsibilities of both the ETDP SETA and the Quality Council for Trades and Occupations (QCTO). The detailed plans of the organisation for the 2019/20 were presented. A reflection on the organisational performance, highlights, challenges and achievements over the previous years discussed;
- How the ETDP SETA is readjusting itself in order to be response and prepared for the Fourth Industrial Revolution;
- An understanding of the annual submission process of the Workplace Skills Plans (WSPs);
- Highlighting areas of priority as identified by the Department of Higher Education and Training (DHET) and to communicate 2019/20 ETDP SETA targets and implementation plans;
- Understanding of Provincial Stakeholder needs relating to skills development;
- Engagement on WSP submission processes;
- Ensuring a common understanding of how products and services of ETDP SETA can benefit existing or potential clients;
- Strengthening of constituency and stakeholder relations.



The interactive engagement sessions were not only about the ETDP SETA sharing information, but also about constituencies and stakeholders openly expressing themselves on their experiences with the organisation at both National and Provincial level. This has allowed the ETDP SETA to look at ways of ensuring successful and relevant programme implementation for the 2019/20 financial year. Indeed these sessions proved once more that the ETDP SETA does not operate in a vacuum but in line with the needs of all its constituencies.



5. Revenue Collection

The skills development levy per the Skills Levies Act is based on 1% of the total annual payroll cost of the employer. Employers with an annual payroll cost below R500 000 are exempt from paying skills development levies to the South African Revenue Service (SARS). SARS is obligated by law to pay over the levies collected from employers to the DHET. DHET pays over 80% of the levies received to the ETDP SETA, and the remaining 20% is paid over to the National Skills Fund. Provincial and national departments in the ETD sector should contribute 30% of their annual training budgets to the SETA. The table below presents the ETDP SETA's sources of revenue.

Table 1 Revenue Collection

	2017/18			2018/19		
	R '000 Budget	R '000 Actual	R '000 Over/Under	R '000 Budget	R '000 Actual	R '000 Over/Under
Skills Development Levies	394 711	470 815	(76 104)	465 701	514 003	(48 302)
Departmental Contributions	433 478	369 269	64 209	455 328	417 731	37 597
Penalties and Interest	13 600	13 707	(107)	13 064	11 685	1 379
Investment Income	22 209	71 746	(49 537)	45 905	86 824	(40 920)
Other	-	225	(225)	-	394	(394)
TOTAL	863 998	925 762	(61 764)	979 998	1 030 637	(50 640)

Revenue from employers has increased by 9% from the prior year. This is attributed to an increase in levy-contributing employers in the current year compared to the prior year as well as an inflationary increase in overall payroll costs of employers.

Departmental contributions have increased by 13% from the prior year. The majority of Provincial Departments honoured their contributions as committed at the beginning of the financial year.

Penalties and interest relate to late submissions and payment of skills development levies by employers to SARS.

Investment Income was significantly higher than the initially forecast for the financial year, with a reported increase of 21% from the prior year. This is largely due to large cash reserves held during the year as a result of delayed implementation of projects.



6. Capital Investment

There were no infrastructure capital projects for the reporting period.



PART C

G O V E R N A N C E

Accounting Authority Members



Mr Duncan Hindle
Chairperson



Ms Sipiwe Louisa Nxumalo



Mr Amos Vusi Monyela



Mr Leonard Saul



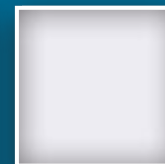
Ms Simone Geyer



Mr Mandla Mthembu



Ms Thirana Moodley



**Employer Rep
vacant**



Mr Sello Sethusha



Mr Kgomotso Kasankola



Mr Nkosinathi Ngcobo



Ms Gloria Kgoleng



Mr John Landman



Mr Theo Toolo



Ms Lindiwe Motshwane

Accounting Authority Committee Chairpersons



Mr Duncan Hindle
EXCO



Mr Vusi Mokwena
Audit Committee



Ms Lindiwe Motshwane
Finance Committee



Mr John Landman
IT Governance
Committee

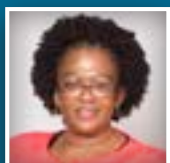


Mr Mandla Mthembu
Quality Assurance
Committee



Mr Sello Sethusha
HR Committee

Accounting Authority Chamber Chairpersons



Ms Gloria Kgoleng
Schooling Chamber



Mr Amos Vusi Monyela
TVET/CET Chamber



Mr Kgomotso Kasankola
Higher Education and
Research Chamber



Ms Pumla Mzizi
Audit Committee
Member



Mr Charles Motau
Audit Committee
Member



Mr Nick Nicholls
Finance Committee
Member

Outsourced Expertise

1. Introduction

The ETDP SETA is a Schedule 3A public entity in terms of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) as amended, and is governed by the standard Constitution which was determined by the Minister of Higher Education and Training and gazetted by Parliament (Government Notice R1399 in Government Gazette No. 24035).

The AA and its structures abide by corporate governance principles that are embodied in the various legislative frameworks, regulations and reports such as the Companies Act and King IV Report.

2. Portfolio Committees

The Portfolio Committee on Higher Education and Training has an oversight role on public entities' of DHET.

The ETDP SETA was not requested to appear before the Portfolio Committee for the 2018/19 financial year.

3. Executive Authority

The Executive Authority of the SETA is the Minister of Higher Education and Training. The Executive Authority appointed an AA from constituencies of the ETD Sector. The AA appointment is effective from 1 April 2018. The table below reflects reports submitted by AA to the Executive Authority.

Report	Date Submitted
Quarterly Monitoring Report Quarter 1	16 th July 2018
Quarterly Monitoring Report Quarter 2	15 th October 2018
Quarterly Monitoring Report Quarter 3	15 th January 2019
Quarterly Monitoring Report Quarter 4	Scheduled to be Submitted on the 15th April 2019
ETDP SETA Planning Documents • Signed 2018/19 APP • Signed 2018/19 SLA • Signed 2019/20 APP • Signed 2019/20 SLA • Signed Amended 2016 – 2020 Strategic Plan	15 th November 2018

4. The Accounting Authority (The Board)

Introduction

The purpose of the AA is to provide strategic leadership and guidance so as to ensure that the ETDP SETA fulfils its mandate and realises its vision and mission in the attainment of the targets as set in the NSDS III and SLA entered into with DHET.

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

- govern and manage the SETA;
- ensure that the SETA achieves the objectives found in clause 5 of the Constitution and performs the functions in clause 6 of the Constitution;
- provide effective leadership and ensure that the SETA implements the goals of the NSDS III and the Performance Agreement with the Minister;
- to set a strategic direction for the SETA;
- liaise with stakeholders;
- ensure that the SETA complies with the relevant statutory requirements and the requirements of the Constitution;
- manage institutional risk;
- monitor the performance of the SETA; and
- apply for the establishment of the SETA in terms of section 9(1) of the Act, read together with the Regulations Regarding the Establishment of Sector Education and Training Authorities, 7 September 1999, as amended by General Notice R106 in the Government Gazette 27254 of February 2005.

Accounting Authority Charter

- The ETDP SETA AA complies with the approved governance charter and provides performance and financial reports quarterly to DHET as per the prescribed template;
- The Charter outlines the Accounting Authority's responsibility with regards to:
 - the adoption of strategic plans,
 - monitoring of operational performance and management,
 - determination of policy processes to ensure the integrity of the public entity risk management and internal controls,
 - Communication policy, and non-executive director, orientation and evaluation; and
- The AA meets on a quarterly basis to ensure that their functions are executed as outlined in the ETDP SETA Constitution and the Accounting Authority Charter.

Composition of the Accounting Authority

The composition of the AA is made up of fifteen members appointed by the Minister. The AA comprises of Members representing the following constituencies and stakeholders in the sector:

- i. Organised Labour;
- ii. Organised Employer (Public Employer and Private Employer);
- iii. Relevant Government departments (DHET); and
- iv. Any interested professional body or bargaining council with jurisdiction in the Sector, which the Minister considers appropriate for the sector.

The table below covers the designation, qualifications, areas of expertise, directorship and other committees

Name	Designation	Highest Qualification	Area of expertise	Accounting Authority Directorships	Other committee or task teams
Duncan Hindle	Chairperson	Bachelor in Education- Honours	Education and Governance	Member of the Umalusi Council, and is a non-Executive Director of the SADTU Investments Holding Company (SIHOLD).	AA Chairperson EXCO Chairperson
Simone Geyer	Member	LLM (Labour Law)	Human Resource Development and Negotiations	-	EXCO Member
Nkosinathi Ngcobo	Member	Masters in Science (MSc)	Human Resource Development	-	-
Sello Sethusha	Member	Post Graduate Diploma in Education Management	Management and Development	SACE Council	HR Committee Chairperson
Mandla Mthembu	Member	Masters in Arts (Kent, the UK)	Policy Analysis and Development; Strategic Management; Organisational Development and Scenario Planning; Research, Training and Development.	Chief Operations Officer (COO) at Accelerated Education Enterprises (AEE) Pty LTD; Board Chairperson at ITHUNGA DEVELOPMENT	QAC Chairperson
Kgomotso Kasonkola (Dr)	Member	PhD Organisational Behaviour	Human Resources and Governance	COMETSA Pty LTD - Director ; Wits Health Consortium; Wits Enterprise; Retirement fund Board of Trustees for WITS- Chairperson; Higher Education Directors Forum - Chairperson; HR and REMCO for USAF	EXCO Member HER Chamber Chairperson

Name	Designation	Highest Qualification	Area of expertise	Accounting Authority Directorships	Other committee or task teams
Moonilall Kooblal(Dr)	Member	PhD Administration	Programme Design, Development & Review Programme Accreditation Registration and Annual Reporting of Institutions Project Management	-	Finance Committee Member
Siphiwe Louisa Nxumalo	Member	Higher Certificate in Education, Business Management and Social Studies	Education; Labour issues Human resource and management; Business management Social programmes	NBC board member Director of critical hope foundation cc; Founder and secretary of critical hope association NPO	Quality Assurance Committee Member
Amos Vusi Monyela	Member	Masters in Public Administration	Human Resource Management	-	EXCO Member IT Governance Committee Member
Lindiwe Martha Motshwane	Member	Advanced Certificate in Education	Finance Labour Issues	Director and Chairperson of Sadtu Investment Holdings Trustee of Sadtu Investment Trust; Trustee of Kopano Ke Matla; Director Kopano Ke Matla Investment Company Finance Committee member at the PSCBC	Fincom Chairperson
Gloria Kgoleng	Member	Bachelors in Education	Education; Finance Labour issues	-	EXCO Member Schooling Chamber Chairperson
John Landman	Member	Master of Fine Arts	Geotechnical Systems Specialist; Information Technology	-	IT Governance Committee Chairperson
Thirona Moodley	Member	B-Paed LLB	Labour Law Education	-	Audit Committee; Member
Theo Toolo	Member	Bachelor in Education in (Hons)	Professional Development Labour Issues; Education	-	-
Leonard Saul	Member	Masters in Education	Strategic Planning and Education	-	-

The table below covers meeting attendance, and date of appointment

Name	Designation	Date of appointment	Date resigned	Meetings attended
Duncan Hindle	Chairperson	April 2018	-	5
Simone Geyer	Member and EXCO	April 2018	-	5
Nkosinathi Ngcobo	Member	April 2018	-	5
Sello Sethusha	Member	April 2018	-	5
Mandla Mthembu	Member	April 2018	-	5
Kgomotso Kasonkola (Dr)	Member and EXCO	April 2018	-	4
Sharon Blignaut	Member	April 2018	October 2018	2
Moonilall Kooblal (Dr)	Member	November 2018	-	1
Siphiwe Louisa Nxumalo	Member	April 2018	-	4
Amos Vusi Monyela	Member and EXCO	April 2018	-	4
Lindiwe Martha Motshwane	Member	April 2018	-	5
Gloria Kgoleng	Member and EXCO	April 2018	-	5
John Landman	Member	April 2018	-	5
Thirona Moodley	Member	April 2018	-	4
Theo Toolo	Member	April 2018	-	4
Leonard Saul	Member	April 2018	-	4

Governance structures

The AA utilises certain governance structures that are established in terms of its Constitution; they are:

1. The Executive Committee;
2. The Audit Committee;
3. The Finance Committee;
4. The Human Resource Committee;
5. The ICT Governance Committee;
6. Quality Assurance Committee; and
7. Three Advisory Chambers;
8. Schooling/ECD Chamber;
9. TVET/CET Chamber;
10. Higher Education and Research Chamber.

The roles and responsibilities of the committees and chambers

The committees and the chambers are assisting the AA by discussing and interrogating reports from management in the respective areas of speciality and recommend the reports to the AA for approval.

Table: Executive Committee

Name of member	Role	Number of meetings held (Including Special Meetings)	Number of meetings attended (Including Special Meetings)
Duncan Hindle	Chairperson	8	8
Simone Geyer	Member	8	8
Gloria Kgoleng	Member	8	7
Amos Vusi Monyela	Member	8	6
Kgomotso Kasonkola (Dr)	Member	8	6

Table: Audit Committee

Name	Role	Number of meetings held Including Special meetings	Number of meetings attended
Vusi Mokwena	Chairperson	9	9
Charles Motau	Member	9	6
Pumla Mzizi	Member	9	8
*Thirona Moodley	Member	2	2
**N Molalekoa	Member	0	0

*appointed on the 31st July 2018; and

**appointed in February 2019 – No meetings were convened since appointment.

Table: Finance Committee

Name of member	Role	Number of meetings held (Including Special Meetings)	Number of meetings attended
Lindiwe Motshwane	Chairperson	5	3
Moonilall Koobal (Dr)	Member	5	2
Neo Maimane	Member	5	1
Nkosipendule Ntantala	Member	5	1
Nick Nicholls	Member	5	5
*K Manona	Member	0	0

*appointed in February 2019- No meetings were convened since appointment

Table: Human Resources Committee

Name of member	Role	Number of meetings held Including Special Meetings	Number of meetings attended
Sello Sethusha	Chairperson	5	5
Francie Terblanche (Dr)	Member	5	2
Enoch Rabotapi	Member	5	4
Xolani Mdoda	Member	5	5
Tseliso Ledimo	Member	5	0

Table: Human Resources Committee (Sub-Committee)

Name of member	Role	Number of meetings held Including Special Meetings	Number of meetings attended
Sello Sethusha	Chairperson	5	5
Lindiwe Motshwane	Member	5	3
Xolani Mdoda	Member	5	5
Simone Geyer	Member	5	4

Table: IT Governance Committee

Name of member	Role	Number of meetings held Including Special Meetings	Number of meetings attended
John Landman	Chairperson	3	3
Ebrahim Ansur	Member	3	3
Sipho Ngcobo	Member	3	1
Amos Vusi Monyela	Member	3	3
David Mawela	Member	3	3

Table: Quality Assurance Committee

Name of member	Role	Number of meetings held Including Special Meetings	Number of meetings attended
Mandla Mthembu	Chairperson	3	3
Confidence Dikgole	Member	3	2
Habib Karimulla	Member	3	3
Siphiwe Nxumalo	Member	3	3
Renny Somnath	Member	3	3

Chambers of the Accounting Authority

The Chambers of the ETDP SETA perform functions of the ETDP SETA delegated to them by the AA in terms of the Constitution.

Chambers are set up as advisory structures to the Accounting Authority and provide a platform for debates, discussions and engagements on education, training and development. They enhance policy development and implementation in the ETD sector. The ETDP SETA has identified three chambers, namely:

- Early Childhood Development Chamber / Schooling Chamber;
- Technical Vocational Education and Training Chamber/ CET Chamber; and
- Higher Education and Research Chamber.

In addition to other functions determined by the AA, chambers must ensure that skills needs for various sectors are researched, identified, and that information is communicated to all constituencies.

Table: Schooling and ECD Chamber

No	Name of member	Role	Number of meetings held	Number of meetings attended
1	Gloria Kgoleng	Chairperson	3	2
2	* Enoch Rabotapi	Member	2	0
3	Diseko Gopane	Member	3	2
4	Charlotte Shirindi	Member	3	2
5	Skhumbuzo Manganye	Member	3	1
6	Sussan Malima	Member	3	3
7	Nosipho Malope	Member	3	2
8	Roseline Tyler	Member	3	2
9	Marubini Lukhaimane	Member	3	3
10	Gavin De Bruyn	Member	3	3
11	Vuyelwa Ntuli	Member	3	2
12	*Richard Thwala	Member	2	1
13	Mduduzi Qwabe	Member	3	2
14	Vuyisile Zali	Member	3	3
15	Betty Qhinebe	Member	3	2
16	Hema Hariram	Member	3	3
17	Johannes Motona	Member	3	1
18	Wiseman Dinwa	Member	3	3
19	Marietjie Le Roux	Member	3	1

*appointed on the 1st November 2018

Table: TVET/CET Chamber Meeting Attendance

No	Name of member	Role	Number of meetings held	Number of meetings attended
1	Amos Vusi Monyela	Chairperson	3	3
2	Patricia Garza	Member	3	3
3	Tsela Moloji	Member	3	3
4	Basani R Hlakane	Member	3	3
5	Kim Dry Courtois	Member	3	1
6	Mokone Mmotse	Member	3	2
7	Mpopelele Agnes Matlawe	Member	3	2
8	Moses Dimakatso Peo	Member	3	2
9	Joyce Kumalo	Member	3	2
10	Gregory Masondo	Member	3	2
11	Takalani Ratshilumela	Member	3	3
12	Jabhi Albert Nkosi	Member	3	3
13	Thami Pannington Mahaye	Member	3	3

Table: HER Chamber Meeting Attendance

No	Name of member	Role	Number of meetings held	Number of meetings attended
1	Kgomotso Kasonkola (Dr)	Chairperson	3	2
2	Ntoza Bam	Member	3	3
3	Helen Kempson (Dr)	Member	3	3
4	Thierry Luescher (Prof)	Member	3	2
5	Shirley Lloyd (Dr)	Member	3	2
6	*Gladys Boakye	Member	3	1
7	Angeline Magabane	Member	3	1
8	Nirmala Gopal (Prof)	Member	3	2
9	Marion Joseph (Dr)	Member	3	3
10	Adel Jacobs	Member	3	2
11	Vonani Mathonsi	Member	3	2
12	Silas Mpungose	Member	3	3
13	Solly Poee	Member	3	3

*Resigned in January 2019

Remuneration of the Accounting Authority members

There has been a significant increase in the remuneration of the Governance Structure Members due to the ETDP SETA paying preparation fees as well as attendance fees in the reporting period. The inflationary rate was effected as per the tariff increase guideline from the National Treasury.

The remuneration indicated in the table below are not confined only to Accounting Authority Meetings but to all meetings convened for the Accounting Authority, which includes Governance Training and APP Strategic Planning.

Name	Meeting Fees	Other expenses: (Travel expense)	Total
Duncan Hindle	R90 210	R30 449	R120 659
Simone Geyer	0	0	0
Nkosinathi Ngcobo	0	R8 281	R8 281
Mandla Mthembu	R62 730	R8 289	R71 019
Kgomotso Kasonkola (Dr)	R41 820	R4 944	R46 764
Amos Vusi Monyela	0	R7 688	R7 688
Sharon Blignaut	R16 368	R3 294	R19 662
Moonilall Kooblal (Dr)	0	0	0
Siphiwe Louisa Nxumalo	R45 687	0	R45 687
Lindiwe Martha Motshwane	R54 096	0	R54 096
Gloria Kgoleng	R50 229	0	R50 229
John Landman	R59 088	R12 486	R71 574
Thirona Moodley	R54 096	R3 078	R57 174
Theo Toolo	R58 413	R5 509	R63 922
Leonard Saul	R45 912	R4 928	R50 840

Committee Chairpersons attending Accounting Authority Meetings

Name	Meeting Fees	Other expenses: (Travel expense)	Total
Vusi Mokwena	R46 682	0	R46 682

Executive Committee Remuneration

Name	Meeting Fees	Other expenses: (Travel expense)	Total
Duncan Hindle	R75 663	0	R75 663
Kgomotso Kasonkola	R43 213	0	R43 213
Gloria Kgoleng	R46 137	0	R46 137
Simone Geyer	0	0	0
Amos Vusi Monyela	0	0	0

Audit Committee Remuneration

Name	Meeting Fees	Other expenses: (Travel expense)	Total
Vusi Mokwena	R74 395	0	R74 395
Pumla Mzizi	R54 344	0	R54 344
Thirona Moodley	R40 920	0	R40 920
Charles Motau	R41 994	0	R41 994
N Molalekoa	0	0	0

Finance Committee Remuneration

Name	Meeting Fees	Other expenses: (Travel expense)	Total
Lindiwe Motshwane	R30 830	0	R30 850
Nick Nicholls	R38 850	0	R38 850
Muni Kooblal (Dr)	R17 268	0	R17 268
Manoshni Perumal	R24 552	0	R24 552
Neo Maimane	0	0	0
Nkosipendule Ntantala	0	0	0
K Manona	0	0	0

IT Governance Committee Remuneration

Name	Meeting Fees	Other expenses: (Travel expense)	Total
John Landman (Chairperson)	R38 265	R3 405	R41 670
Ebrahim Ansur	R29 769	R1 965	R31 734
Sipho Ngcobo	0	0	0
Vusi Amos Monyela	0	R981	R981
David Mawela	R5 452	R405	R5 857

HR Committee Remuneration

Name	Meeting Fees	Other expenses: (Travel expense)	Total
Sello Sethusha	0	0	0
Enoch Rabotapi	0	0	0
Deonita Damons (Dr)	R8 634	R455	R9 089
Tseliso Ledimo	0	0	0
Fransie Terblanche (Dr)	R16 368	R533	R16 901
Xolani Mdoda	R37 953	0	R37 953

HR Committee Remuneration sub Committee

Name	Meeting Fees	Other expenses: (Travel expense)	Total
Sello Sethusha	0	0	0
Simone Geyer	0	0	0
Xolani Mdoda	R41 820	0	R41 820
Lindiwe Motshwane	R24 552	0	R24 552

QAC Remuneration

Name	Meeting Fees	Other expenses: (Travel expense)	Total
Mandla Mthembu	R43 525	R3 899	R47 424
Confidence Dikgole	R29 769	R2 649	R32 418
Habib Karimulla	0	0	0
Siphiwe Nxumalo	R34 086	0	R34 086
Renny Somnath	R34 086	R1 002	R35 088

Schooling/ECD Chamber Remuneration

Name	Meeting Fees	Other expenses: (Travel expense)	Total
Gloria Kgoleng	R5 549	0	R5 549
Sussan Malima	0	3 519	R3 519
Richard Thwala	R4 317	0	R4 317
Mduduzi Qwabe	R8 634	R504	R9 138
Vuyisile Zali	R12 951	0	R12 951
Betty Qhinebe	R8 634	0	R8 634
Hema Hariram	R12 951	R1 492	R14 443
Johannes Motona	R4 317	R488	R4 805
Wiseman Dinwa	R12 951	0	R12 951
Marietjie Le Roux	R4 317	0	R4 317
Charlotte Shirindi	0	0	0
Diseko Gopane	0	0	0
Nosipho Malope	0	0	0
Enoch Rabotapi	0	0	0
Skhumbuzo Manganye	0	0	0
Roseline Tyler	0	0	0
Marubini Lukhaimane	0	0	0
Gavin de Bruyn	0	0	0
Vuyelwa Ntuli	0	0	0

TVET/CET Chamber Remuneration

Name	Meeting Fees	Other expenses: (Travel expense)	Total
Vusi Amos Monyela	0	R972	R972
Patricia Garza	0	0	0
*APPETD	R4 317	0	R4 317
Moses Dimakatso Peo	R8 634	R805	R9 439
Mokone Mmotse	0	R3 794	R3 794
Joyce Kumalo	R8 634	R122	R8 756
Gregory Masondo	R8 634	R567	R9 201
Takalani Ratshilumela	R12 951	R1 154	R14 105
Jabhi Albert Nkosi	R12 951	R5 627	R18 578
Thami Pannington Mahaye	R2 951	R3 482	R6 433
Tsela Moloi	0	0	0
Basani R Hlakane	0	0	0
Mpopelele Agnes Matlawa	0	0	0

*Organisations get paid directly instead of the member attending the meeting, APPETD (Ms Kim Dry-Courtois (TVET))

HER Chamber

Name	Meeting Fees	Other expenses: (Travel expense)	Total
Kgomotso Kasonkola (Dr)	R11 098	0	R11 098
Ntoza Bam	R12 951	0	R12 951
*APPETD	R8 634	0	R8 634
*HSRC	R8 634	0	R8 634
Gladys Boakye (Resigned In January 2019)	R4 317	0	R4 317
Nirmala Gopal (Prof)	R8 634	0	R8 634
Marion Joseph (Dr)	R12 951	0	R12 951
Adel Jacobs	R8 636	0	R8 636
Vonani Mathonsi	R8 636	0	R8 636
Silas Mpungose	R12 951	R634	R13 585
Solly Poee	R12 951	R5 486	R18 437
Shirley Lloyd (Dr)	0	0	0
Angeline Magabane	0	0	0

*Organisations get paid directly instead of the member attending the meeting, HSRC (Prof Luescher), APPETD (Dr Helen Kempson)

5. Risk Management

ETDP SETA Risk Management Committee (RMC) is made up of the senior management team chaired by the Chief Risk Officer. The committee meets monthly.

The following documents were utilised as risk management tools to ensure risks are appropriately managed and to reduce the risk exposures.

- Risk Management Policy;
- Risk Management Framework;
- Risk Appetite and Tolerance Statements; and
- Fraud Prevention and Anti-corruption Policy.

Other policies of the organisation are taken into account when implementing risk management.

The organisation developed the Strategic, APP and Operational risk registers during the 2018/19 financial year. These were monitored by the Risk Management Committee. The strategic risk register focussed on the achievement of the strategic objectives. The APP risk register focused on risks that could negatively impact the organisation from achieving its set Annual Performance Plan targets, and the operational risk register concentrates on the day-to-day risk exposures of the organisation.

6. Internal Controls

The ETDP SETA has policies and Standard Operational Procedures (SOP) in place to strengthen internal controls and the policies are communicated to the staff members subsequent to the review and approval on a yearly basis. The adequacy and effectiveness of the internal control environment is independently reviewed by the Internal Audit function.

7. Internal Audit and Audit Committee

The ETPD SETA has outsourced its internal audit function to Business Innovations Group (BIG) to provide the internal audit service from 1st April 2018 to 31st March 2020.

The key activities of the Internal Audit (IA)

The mandated Internal Audit is to provide independent assurance on the adequacy and effectiveness of the internal controls and provide recommendations to improve identified control weaknesses. The internal auditors present the audit reports to management as well as the Audit Committee.

The audits conducted by the internal auditors are as per the approved audit plan by the Audit Committee. During the year under review, the IA performed several internal audits.

The following reports were presented to the Audit Committee during the 2018/19 financial year:

No	Description	Proposed date	Current Status	Final Reports Issued
General Management of the IA function				
1	Review and update of internal audit charter	Oct 2018	Completed	N/A
2	Development of Annual Internal Audit coverage plan	May 2018	Completed	N/A
3	Attendance and preparation of Annual Risk Committee (ARC) meetings	Ongoing	Ongoing	N/A
4	Attendance of quarterly risk meetings and finalisation of the combined assurance dashboard	Ongoing	Ongoing	N/A
5	Project Management Meetings	Ongoing	Ongoing	N/A
6	Risk workshop	Aug 2018	Completed	N/A

No	Description	Proposed date	Current Status	Final Reports Issued
Projects				
7	Commitment Register Review (2017/18)	May 2018	Completed	Jun 2018
8	Asset Management (2017/18)	April 2018	Completed	Jun 2018
9	Audit of Predetermined Objectives Quarter 4 (2017/18)	May 2018	Completed	Jun 2018
10	Audit of Predetermined Objectives Quarter 2	Sep 2018	Completed	Sep 2018
11	Quality Assurance Review	Sep 2018	Completed	Nov 2018
12	Audit of Predetermined Objectives Quarter 3	Dec 2018	Completed	Jan 2019
13	Follow-up Review	Nov 2018 (started in April)	Completed	April 2019
14	Projects Commitments Register Review	Oct 2018	Completed	Nov 2018
15	Supply Chain Management Review	Feb 2019	Completed	April 2019
16	Audit of Predetermined Objectives Quarter 4	Mar 2019 (April 2019)	Completed	May 2019
17	Annual Financial Statement Review	Apr 2019	Completed	May 2019

Key Activities of the Audit Committee

- The effectiveness of the internal control system;
- The effectiveness of the internal audit function;
- The risk areas of the ETP SETA's operations to be covered in the scope of internal and external audit;
- The adequacy and reliability of the performance and financial information provided by management, and any accounting and auditing concerns identified as a result of internal and external audits;
- The ETP SETA's compliance with legal and regulatory provisions;
- The activities of the internal audit function, including its annual work programme, co-ordination with external auditors, reports on significant investigations and responses by management to specific recommendations; and
- The annual financial statements and the opinion expressed by AGSA thereon.

Audit Committee Meetings attendance

Name	Highest Qualification	Internal/ External	Position In ETD P SETA	Date appointed	Date resigned	Number of meetings held Including Special meetings	Number of meetings attended
Vusi Mokwena (Chairperson)	CA(SA)	External and Independent	N/A	31 May 2018	-	9	9
Charles Motau	Master in Information Technology Master in Business Leadership	External and Independent	N/A	31 May 2018	-	9	6
Pumla Mzizi	CA(SA)	External and independent	N/A	31 May 2018	-	9	8
Thirona Moodley	B Pead; LLB (Labour Law)	Accounting Authority Member (Organised Labour)	N/A	31 July 2018	-	9	2
N Molalekoa	B Comm	Organised Employer	N/A	4 February 2019	-	9	0

8. Compliance with Laws and Regulations

The organisation has controls in place to monitor compliance with applicable legislation. There are compliance tools that are implemented by management to monitor the level of compliance, continuously ensuring it is not compromised.

9. Fraud and Corruption

An independent service provider administers the entity's Fraud Hotline. The Fraud Hotline number is 0800 204 937. The number is on all business cards and is available from the entity's intranet and website. Fraud reported through the hotline is communicated to the Chairperson of the Audit Committee, who is independent from the entity. The reports of fraud-related cases are presented to the Audit Committee and then included in the Audit Committee Report to the Board. All fraud cases reported are investigated. Investigation procedures were developed to ensure uniformity in the reporting and investigation of incidents of fraud and corruption.

10. Minimising Conflict of Interest

Governance Structure members and Bid Committee Members are required to declare any conflict of interest at every meeting of the Board, EXCO and Bid Committee.

The SCM Policy prohibits awards of bids to any persons in the service of the ETDP SETA or an entity which has a direct or indirect interest in the business activities of the ETDP SETA.

Prohibition on awards to persons in the ETDP SETA

To safeguard the integrity of the organisation, no award may, in terms of this Policy, be made to:

- A person who is in the service of the ETDP SETA;
- Any entity which has a direct or indirect interest in the business activities of the SETA Supply Chain Management officials, or any other role players who have any private or business interests in any contract to be awarded.

If there is an interest, it must be disclosed, and the entity or person must withdraw from participating in any manner whatsoever in the process relating to that contract.

11. Code of Conduct

The approved Constitution of the ETDP SETA contains a code of conduct under Schedule 2 that all Governance Structure members have to subscribe to and abide by.

No accounts of misconduct were noted or reported in the period under review.

Processes to be followed when the Code of Conduct is breached is defined in the Constitution as follows:

- a. Clause (8) points 13 and 14 of the Constitution refers to recourse when a Governance member has contravened the Code of Conduct; and
- b. Clause (14) of the Constitution deals with Adherence to the Code of Conduct.

12. Health, Safety and Environmental Issues

The ETDP SETA has observed the Occupational Health and Safety Act as well as requirements to comply with environmental regulations. The organisation has the required infrastructure in the workplace. A Health and Safety Committee has been established. Health and Safety representatives and First Aiders have been appointed for the SETA Offices and were trained in first aid and firefighting. These imperatives are aimed at ensuring the safety of its staff and other stakeholders in the workplace.

13. Audit Committee Report

Audit Committee Responsibilities

The Audit Committee is responsible for the review of the following:

- The effectiveness of the internal control system;
- The effectiveness of the internal audit function;
- The risk areas of the ETDP SETA's operations to be covered in the scope of internal and external audit;
- The adequacy and reliability of the Performance and Financial information provided by management;
- Any accounting and auditing concerns identified as a result of internal and external audits;
- The ETDP SETA's compliance with legal and regulatory provisions;
- The activities of the internal audit function, including its annual work programme, co-ordination with external auditors, the reports on significant investigations and the responses of management to specific recommendations; and
- A review of the annual financial statements and the opinion expressed by the AGSA thereon.

Effectiveness of Internal Control

The Audit Committee has reviewed the internal controls for effectiveness and adequacy. Our assessment of internal controls is that they are adequate and effective without detracting from a need to make improvements. This is consistent with the reports of internal auditors. The AGSA has also made findings on the effectiveness and adequacy of our internal controls. Management is urged to implement them to improve the control environment.

Quality of Management and Monthly/Quarterly Reports Submitted in Terms of Legislation

The Audit Committee received and reviewed quarterly financial and performance reports. Where performances were below the APP targets, management provided reasons for such under-performance and put in place plans to improve identified performance deficiencies. We note that there has been improvement in the annual performance of the ETDP SETA from the previous financial year.

Evaluation of the Public Entity's Financial Statements

The Audit Committee evaluated the AFS presented in the annual report. The AFS fairly presents the financial performance, financial position and results of financial operations.

Principal Activities of the Audit Committee during 2018/19

The Audit Committee undertook the following activities (amongst others) during the financial year:

- Reviewed strategic and operational risk management controls in the SETA;
- Reviewed the final risk register prepared by the ETDP SETA management;
- Reviewed quarterly operational and financial performance information prepared by the ETDP SETA's management for final approval by its Board;

- Reviewed the annual financial statements presented together with the annual report;
- Reviewed and approved the risk-based internal audit plan prepared by internal auditors;
- Reviewed the Audit Committee Charter to ensure its continuing relevance and presented the same to the Board for their final approval;
- Reviewed and approved the Internal Audit Charter;
- Received quarterly and final internal audit reports on their findings;
- Conducted a review of the internal audit function effectiveness;
- Attended Accounting Authority meetings to report the results of the Audit Committee's activities and raise any concerns that the Audit Committee might have had; and
- Received anonymous whistle-blowing reports from an independent service provider and followed up the same with management where relevant.

Internal Audit

The Internal Auditors of the ETDP SETA conducted reviews of reports on Asset Management, Quarterly Performance Information on Predetermined Objectives, Quality Assurance (ETQA), Strategic and Annual Performance Plan, Supply Chain Management Policy and Procedure, Annual Financial Statements Review, Commitment Schedules and follow-ups on the Auditor-General's Management Report. Recommendations were made and incorporated into procedures and controls of the organisation.

External Audit

The Auditor-General in their audit report have emphasised under-expenditure on the budget for the current financial year. This, together with underlying reasons, were discussed with the Auditor-General and management and accepted by the Audit Committee. Management has undertaken to improve internal controls to address the root cause of the under-expenditure together with the rest of the findings in the Auditor-General's management report.

There are no unresolved issues raised by the Auditor-General. We accept the report of the Auditor-General and recommend that it be read together with the annual financial statements.

Conclusion

This report must be read together with the annual report.



Mr Vusi Mokwena: CA(SA), RA

Audit Committee Chairperson



PART **D**

HUMAN RESOURCE MANAGEMENT

1. Introduction

Overview of Human Resource (HR) matters at the Entity

The ETDPSETA has set, as its overall objective, to enhance organisational management and administration and to ensure effective utilisation of its talent to ensure that the organisation fulfils its skills development mandate.

In the period under review, the organisation identified talent development and staff development through skills programmes and bursaries as focal areas in the management of its human resources. The need to align the organisation design to its strategic priorities and processes were identified, and the organisational capacity is under review to achieve this purpose.

Priorities identified for the year under review

The priorities identified for the year were staff development and employee performance.

Staff development

Ninety-four staff members underwent development through skills development programmes. This included awarding bursaries for further studies and for career advancement.

Employee performance management framework

The ETDP SETA has a performance management and development policy and framework. The framework ensures that the performance of staff is aligned with the organisations' priorities.

This was achieved through each division being allocated targets to reach based on the APP. The performance agreements, are aligned to the APP and targets cascaded to all levels of staff based on a line of sight that each position has.

The performance agreements include personal development plans as agreed to between the line manager and the employee. The personal development plan further assists employees in meeting the requirements of the positions and with continuous improvement.

Employee Wellness and Employee Well-being Intervention

The ETDP SETA has continued to implement the Employee Assistance programme that is available at all times to all staff and immediate family members.

The Employee Assistance programme is part of Wellness, and emphasises addressing the psychological, physical, emotional and financial wellbeing in the workplace, recognising that issues and events in employees' personal lives often have an impact on their performance and experience of work.

HR Policy

The HR policy has been reviewed in the reporting period and signed off by the AA. The review was done through consultation with the recognised Union (NEHAWU).

Labour Relations

The employer has entered into a recognition agreement with NEHAWU, which represents the majority of employees in the organisation.

Two staff members were placed on precautionary suspension. Disciplinary hearings were undertaken, which resulted in dismissal.

Staff Turnover

The organisation's staff turnover is at 6.50% for the reporting period. The turnover is within acceptable levels. The organisation aims for a turnover of not more than 10%.

2. Human Resource Oversight Statistics

Personnel Cost by programme

	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp.	Total number of employees	No. of employees	Average personnel cost per employee (R'000)
Programme 1	164 783	6 273	7	-	-	-
Programme 2	107 365	12 586	13	-	-	-
Programme 3	559 726	65 614	71	-	-	-
Programme 4	5 903	8 093	9	-	-	-
Total	837 778	92 566	100	1 341	134	690

Note 1: The above total includes temporary employees and terminations, who were paid through the personnel budget and whose contracts expired at different times of the year.

In some cases where programmes are implemented in an integrated manner, it is difficult to allocate numbers of staff to a specific programme.

Personnel cost by salary band

The table below summarises the employee cost per by occupational level. It provides an indication of the amount spent on personnel costs in the organisation.

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	7 238	7.82	4	1 810
Senior Management	8 904	9.62	7	1 272
Professional qualified	23 495	25.38	22	1 068
Skilled	32 921	35.56	80	412
Semi-skilled	20 008	21.62	14	1 429
Unskilled	0	0.00	0	0
TOTAL	92 566	100%	127	5 991

Performance rewards per band

To encourage good performance, the organisation has granted the following rewards during the financial year. The information is presented in terms of occupational categories.

Programme	Performance rewards (R'000)	Personnel Expenditure	% of performance rewards to total personnel cost
Top Management	188	7 238	0.20
Senior Management	329	8 904	0.36
Professional qualified	712	23 495	0.87
Skilled	1 375	32 827	0.77
Semi-skilled	116	20 008	0.13
Unskilled	0	0	0
TOTAL	2 720	92 472	2.33

Training Costs

The table below summarises the training expenditure over the financial year

Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg. training cost per employee (R'000)
92 472	969	1.05	94	10.31

Employment and vacancies

The tables in this section summarise the position with employment and vacancies. The following tables summarise the number of posts at the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment.

2017/2018		2018/2019		
No. of Employees	Approved Posts	No. of Employees	Vacancies	% of vacancies
123	139	127	12	8.63

Programme	2017/2018	2018/2019			
	No. of Employees	Approved Posts	No. of Employees	Vacancies	% of Vacancies
Top Management	2	4	4	0	0
Senior Management	7	8	7	1	12.5
Professional qualified	24	25	22	3	12
Skilled	54	88	80	8	9.09
Semi-skilled	32	14	14	0	0
Unskilled	4	0	0	0	0
TOTAL	123	139	1 272	12	8.63

Note 2: The total number of employees reflects those that were on the payroll as at the end of the year, excluding temporary and/or short term fixed contracts.

Employment changes

This section provides information on changes to employment over the financial year. The table summarises appointments and service terminations

Salary Band	Employment at the beginning of the period	Appointments	Terminations	Employment at the end of the period
Top Management	2	3	1	4
Senior Management	7	1	1	7
Professionally qualified	24	0	2	22
Skilled	76	8	4	80
Semi-skilled	14	0	0	14
Unskilled	0	0	0	0
Total	123	12	8	127

Reasons for staff leaving

Reason	Number	% of the total number of staff leaving
Death	0	-
Resignation	5	62.5%
Dismissal	2	25%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	1	12.5%
Other	0	0%
Total	8	100%

Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Verbal Warning	3
Written Warning	-
Final Written Warning	-
Dismissal	2

Equity Target and Employment Equity Status

The organisation is satisfied with the progress made to meet equity targets, notably the significant progress made to achieve gender equity.

However, the challenge remains in attracting persons with disabilities and in ensuring that race and gender representation is in line with the demographics of the country.

Vacancies are advertised through national print media, as a way of reaching a large number of potential applicants, which is complemented by internal advertisements, to enable staff to share the vacancies wider than just within the organisation.

ETDP SETA Advertisements for positions include a clause that encourages persons with disabilities to apply and where applicable, an indication of preferences is included.

The tables in this section are based on the formats prescribed by the Employment Equity Act 55 of 1998.

MALE

	African		Coloured		Indian		White	
Levels	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	4	0	0	0	0	0	0
Senior Management	4	0	0	0	0	1	0	0
Professional qualified	9	0	0	0	2	0	1	0
Skilled	22	3	2	1	2	0	0	0
Semi-skilled	2	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	39	7	2	1	4	1	1	0

FEMALE

	African		Coloured		Indian		White	
Levels	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	1	0	0	0	0	0	0
Senior Management	3	2	0	0	0	0	0	0
Professional qualified	8	0	0	0	1	0	1	0
Skilled	42	3	7	1	1	0	4	1
Semi-skilled	11	0	1	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	66	6	8	1	2	0	5	1

DISABLED STAFF

	Male		Female	
Levels	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	2	0	0	0
Skilled	0	1	2	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	2	1	2	0



PART E

FINANCIAL INFORMATION

1. Report of the Auditor-General

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the ETDP SETA set out on pages 98 to 147, 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 statement of comparison of budget information with actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the ETDP SETA as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (GRAP), 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 ETDP SETA 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.

Emphasis of matter

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

Restatement of corresponding figure

7. As disclosed in note 24 to the financial statements, the corresponding figures for 31 March 2018 were restated as a result of an error in the financial statements of the ETDP SETA at, and for the year ended, 31 March 2019

Underspending of the budget

8. As disclosed in the statement of comparison of budget and actual amounts, the ETDP SETA materially underspent the budget by R323 million.

Responsibilities of the accounting authority for the financial statements

9. The board, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the PFMA and 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.
10. In preparing the financial statements, the accounting authority is responsible for assessing the ETDP SETA'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 ETDP SETA or to cease operations, or has no realistic alternative but to do so.

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

11. 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.

12. 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

13. 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.
14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the ETDP SETA. 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.

15. 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 ETDP SETA for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 2: research and skills planning	35 – 37
Programme 3: learning programmes and projects	37 – 41
Programme 4: quality assurance	41 – 43

16. 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.

17. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

Programme 3: learning programmes and projects

18. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicator listed below. The supporting evidence provided indicated that the achievement of this indicator was as follows:

Indicator description	Reported achievement	Audited value
Indicator 3.8: number of unemployed people that completed skills programmes	4 391	3 903

19. In addition, I was unable to obtain sufficient appropriate audit evidence for the subsequent adjustment processed of 203 on the reported achievement of Indicator 3.8: number of unemployed people that completed skills programmes. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether the adjustment made by management was valid.
20. I did not raise any material findings on the usefulness and reliability of the reported performance information for this programme.

- Programme 2: Research and skills planning
- Programme 4: Quality assurance

Other matters

21. I draw attention to the matters below.

Achievement of planned targets

22. Refer to the annual performance report on page(s) 30 to 41 for information on the achievement of planned targets for the year and explanations provided for the under or overachievement of a number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 18 to 19 of this report.

Adjustment of material misstatements

23. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 3: learning programmes and projects and Programme 2: research and skills planning. Management subsequently processed adjustments to the annual performance report to respond to the misstatements, however management placed limitations on the scope of my work. I have therefore raised material findings on the reliability of performance information. The findings are reported above.

Report on the audit of compliance with legislation

Introduction and scope

24. 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 ETDP SETA with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

25. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

26. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA.

27. Material misstatements of liabilities, disclosure items and the statement of changes in net assets identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Other information

28. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes

presented in the annual performance report that have been specifically reported in this auditor's report.

29. 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.
30. 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.
31. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and 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

32. 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. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the unqualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

33. Management did not develop adequate year-end processes and procedures to ensure that the financial statements submitted for auditing are free from material misstatements and are fully supported accurate and complete financial information.
34. Management did not adequately review the financial statements resulting in various material misstatements in the financial statements submitted for audit.
35. The processing and reconciling controls implemented by management during the financial year were not adequate, as performance information records and schedules presented for audit were not always accurate and complete.

Auditor General

Pretoria

31 July 2019



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 ETDP SETA'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 ETDP SETA's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board, which constitutes the accounting authority
- conclude on the appropriateness of the use of the going concern basis of accounting by the board, which constitutes the accounting authority, in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ETDP SETA'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 an 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.

2. Annual Financial Statements for the year ended 31 March 2019

The annual financial statements set out on page 97-111, which have been prepared on the going concern basis, were approved by the Accounting Authority on 30 July 2019 and were signed on its behalf by:



Ms Sesi Nombulelo Nxesi

Chief Executive Officer

31 July 2019



Mr Duncan Hindle

Accounting Authority Chairperson

31 July 2019

The reports and statements comprise the annual financial statements presented to Parliament:

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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	4	931 734	840 083
Revenue from non-exchange transactions: penalties and interest	4.1	11 685	13 707
Investment income from exchange transactions	5	86 824	72 708
Other income	6	394	225
Total revenue		1 030 637	926 723
Expenses			
Consultancy fees		(5 903)	(23 088)
Impairment loss	10	-	(178)
Repairs and maintenance		(7 155)	(3 695)
(Loss) on disposal of assets and liabilities		-	(26)
QCTO expenditure		(3 152)	(2 242)
Mandatory and discretionary grants	7	(663 940)	(573 348)
General Administration Expenses	8	(62 326)	(46 591)
Employee costs	9	(92 568)	(86 936)
Depreciation	10	(1 409)	(989)
Amortisation	11	(874)	(1 257)
Total expenses		(837 327)	(738 350)
NET SURPLUS/(DEFICIT) FOR THE PERIOD		193 310	188 373

Statement of Financial Position as at 31 March 2019

Figures in Rand thousand	Note(s)	2019	2018 Restated*
Assets			
Non-Current Assets			
Property, plant and equipment	10	6 878	3 685
Intangible assets	11	1 038	1 451
		7 916	5 136
Current Assets			
Cash and cash equivalents	12	1 323 913	1 096 861
Consumables	13	33	147
Receivables from non-exchange transactions	14	586	514
Receivables from exchange transactions	15	11 381	8 483
		1 335 913	1 106 005
Total Assets		1 343 829	1 111 141
Current Liabilities			
Payables from non-exchange transactions	16	111 895	80 621
Payables from exchange transactions	17	17 327	10 725
Accrued employee entitlements	18	10 717	10 363
Provision for exempt employers	19	5 287	4 139
Total Liabilities		145 226	105 848
Assets		1 343 829	1 111 141
Less:Liabilities		(145 226)	(105 848)
Net Assets		1 198 603	1 005 293
Reserves			
Administration reserve	21	7 916	5 136
Employer grant reserve	21	23 502	25 603
Discretionary reserve	21	1 167 185	974 554
Total Net Assets		1 198 603	1 005 293

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

Figures in Rand thousand

	Administration reserve	Employer grant reserve	Discretionary reserve	Total reserves	Unappropriated surplus	Total net assets
Balance at 31 March 2017	6 955	58 014	751 951	816 920	-	816 920
Net surplus per Statement of Financial Performance (Restated)	-	-	-	-	188 373	188 373
Allocation of unappropriated surplus	20 578	25 603	142 192	188 373	(188 373)	-
Excess reserves transfer to Discretionary reserve	(22 397)	(58 014)	80 411	-	-	-
Restated Balance at 31 March 2018	5 136	25 603	974 554	1 005 293	-	1 005 293
Net surplus per Statement of Financial Performance	-	-	-	-	193 310	193 310
Allocation of unappropriated surplus	30 092	23 502	139 716	193 310	(193 310)	-
Excess reserves transfer to Discretionary reserve	(27 312)	(25 603)	52 915	-	-	-
Total changes	2 780	(2 101)	192 631	193 310	-	193 310
Balance at 31 March 2019	7 916	23 502	1 167 185	1 198 603	-	1 198 603

Note for Total Reserves

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		943 419	853 713
Investment income		84 672	66 571
Other cash receipts from stakeholders		(1 476)	51
		<u>1 026 615</u>	<u>920 335</u>
Payments			
Compensation of employees		(91 230)	(84 827)
Grants and project payments		(625 695)	(541 129)
Payments to suppliers and other		(77 689)	(150 479)
		<u>(794 614)</u>	<u>(776 435)</u>
Total receipts		1 026 615	920 335
Total payments		(794 614)	(776 435)
Net cash flows from operating activities	20	<u>232 000</u>	<u>143 900</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(5 219)	(636)
Proceeds from sale of property, plant and equipment		249	-
Purchase of intangible assets	11	-	(952)
Proceeds from insurance claims		22	-
Net cash flows from investing activities		<u>(4 948)</u>	<u>(1 588)</u>
Net increase/(decrease) in cash and cash equivalents		227 052	142 312
Cash and cash equivalents at the beginning of the year		1 096 861	954 548
Cash and cash equivalents at the end of the year	12	<u>1 323 913</u>	<u>1 096 860</u>

Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2019

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
Figures in Rand thousand						
Statement of Financial Performance						
Revenue						
Revenue						
Skills Development Levy Income	934 094	180 794	1 114 888	943 419	(171 469)	31
Investment Income	45 905	-	45 905	86 824	40 919	31
Other income	-	-	-	394	394	31
Total revenue	979 999	180 794	1 160 793	1 030 637	(130 156)	
‘Total revenue from exchange transactions’	979 999	180 794	1 160 793	1 030 637	(130 156)	
‘Total revenue from non-exchange transactions’	-	-	-	-	-	
Expenditure						
Consultancy Fees	16 648	-	16 648	5 903	(10 745)	31
Repairs and Maintenance	8 858	-	8 858	7 155	(1 703)	
QCTO Expenses	3 152	-	3 152	3 152	-	
Mandatory and Discretionary	766 864	180 794	947 658	663 940	(283 718)	31
Employee costs	98 474	-	98 474	92 568	(5 906)	31
General expenses	86 003	-	86 003	64 608	(21 395)	31
Total Expenses	979 999	180 794	1 160 793	837 326	(323 467)	

Accounting Policies

1. Presentation of Annual Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations of such standards, issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

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

1.1 Presentation currency

These financial statements are presented in South African Rands, which is one functional currency of the ETDP SETA.

1.2 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Furthermore, all figures presented are rounded to the nearest thousand.

1.3 Going concern assumption

These Annual 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.

1.4 Revenue from non-exchange transactions

Non-exchange revenue transactions results in resources being received by the entity, usually in accordance with a binding agreement. When the entity receives resources as result of non-exchange transaction, it recognises an asset and revenue in the period that the arrangement becomes binding and when it is probable that the entity will receive economic benefit or service potential and it can make a reliable measure of the resources transferred. When the resources transferred to the entity are subject to the fulfilment of specific conditions, it recognises an asset and a corresponding liability. As and when the conditions are fulfilled, the liability is reduced and revenue is recognised. The asset and the corresponding revenue are measured on the basis of the fair value of the asset on initial recognition. Non-exchange revenue transactions include the receipt of levy income from the DHET and contributions received from government departments for which ETDP SETA qualifies as the line function SETA.

1.4.1 Levy income

Skills Development Levy income

The accounting policy for the recognition of Skills Development Levy income is based on section 3(1) and 3(4) of the Skills Development Levies Act No. 9

of 1999, as amended. Registered member companies of the ETDP SETA pay skills development levy of 1% of the total payroll cost to SARS which collects the levies on behalf of the DHET. 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 ETDP SETA (net of the 20% contribution to the National Skills Fund (NSF)). 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 DHET makes an allocation to the entity as required by section 8 of the SDLA, 1999 as amended.

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 Inter-SETA adjustment is calculated according to the most recent standard operating procedure issued by DHET.

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 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, 30% levy is apportioned proportionally. ETDP SETA receives contributions in this regard from the Department of Education across the 9 provinces.

1.4.2 Interest and penalties

Interest and penalties are levied by SARS in terms of the Skills Development Levies Act, 1999 (Act No.9 of 1999) as amended and are recognised on an accrual basis.

1.4.3 Government grants and other donor income

Conditional government grants and other conditional donor funding received are recorded as deferred income when they become receivable

and are then recognised as income on a systematic basis over the period necessary to match the grants with the related costs which they are intended to compensate. Unconditional grants received are recognised when the amounts have been received.

1.4.4 Contributions by the Department of Education

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 personnel and potential employees. 30% of the amount is appropriated to the SETA with which the department is affiliated. For departments belonging to more than one SETA, 30% levy is appropriated proportionally. ETDP SETA receives contributions in this regard from the Department of Education in the 9 provinces.

1.5 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 entity and these benefits can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

1.5.1 Investment income

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

1.6 Grants and project expenditure/payables

A registered organisation may recover a maximum of 20% of its total levy payment as a Mandatory Grant (excluding penalties and interest) by complying with the criteria in accordance with the Skills Development Regulations issued in terms of the Skills Development Levies Act No. 9 of 1999.

Grants and project expenditure are measured at the amounts incurred. These amounts represent the fair value of the transactions.

1.6.1 Mandatory grants payments

Mandatory grant expenditure is recognised when the submission by a member organisation of a Workplace Skills Plan (WSP) and the Annual Training Report (ATR) within the agreed cut off period has been approved by the ETDP SETA for payment. In the case where a WSP/ATR has been approved and transfers from the DHET have been received but actual payment has not been made, an accrual is made for the amounts payable. These grants are measured at the amounts paid / payable which represent the fair value of the transaction. The amount payable is 20% of the levies paid to SARS by the member organisation and remitted to ETDP SETA by the DHET.

1.6.2 Discretionary grants and projects expenditure/payables

Discretionary grants relate to the 49.5% of levies paid to SARS by member organisations and remitted to ETDP SETA by the DHET plus surplus from administration budget, interest earned from the banks and forfeited mandatory grants. This grant is used to fund training and skills enhancing programmes in the sector. The project expenditure is recognised when the training or the skills enhancing programme has been delivered in accordance with the contract of agreement between the ETDP SETA and the training institution or provider. These grants are measured at the amounts paid / payable which represent the fair value of the transaction

Discretionary grant expenditure/liability is recognised as expenses in the period in which they are incurred, in which the conditions are met.

Project expenditure comprise:

- costs that relate directly to the specific project;
- costs that are attributable to the project activity in general and can be allocated to the project; and

- such other costs as are specifically chargeable to the Seta under the terms of the project.

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

1.7 Quality Counsel for Trade and Occupation (QCTO)

QCTO expenditure is in line with Section 2(4) of the Grants Regulations issued in terms of Government Gazette 35940, therefore the expenditure will be in line with the amount determined by the Minister of Higher Education and Training.

1.8 Consumables

Consumables are recognised as an asset at cost on the date of acquisition and are subsequently recognised in surplus or deficit as they are consumed. The balance is subsequently measured at the lower of the cost and current replacement cost.

Consumables are prepaid stationery, refreshments and cleaning materials.

1.9 Property, plant and equipment

Property, plant and equipment is initially recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is stated at historical cost less accumulated depreciation and adjusted for any impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items. No assets are held with the primary objective of generating a commercial return; hence all assets are classified as non-cash generating. Depreciation is calculated on the straight-line method to write off the cost of each asset

to estimated residual value over its estimated useful life as noted below. The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

Item	Depreciation method	Rates
Audio-visual equipment	Straight line	20%
Office Furniture and fixtures	Straight line	15%
Motor vehicles	Straight line	20%
Office equipment	Straight line	20%
Computer Equipment	Straight line	33%
Leasehold improvements	Straight line	15%
Kitchen equipment	Straight line	15%
Minor assets	Straight line	100%

Each part of an item of Property, plant and equipment is depreciated separately. Depreciation commences when the items of Property, plant and equipment are available for use and ceases at the earlier of the date that asset is classified as held for sale or included in a disposal group classified as held for sale and the date that the asset is derecognised.

Gains and losses on disposal of Property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining the operating surplus/deficit.

Costs relating to repairs and maintenance are recognised in surplus/deficit as incurred.

1.10 Intangible assets

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 carried at cost less any accumulated amortisation and adjusted for any impairment losses. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Intangible assets are amortised on the straight-line basis over their expected useful lives to their estimated residual value.

Item	Amortisation method	Average useful life
Computer software and licences	Straight line	33%

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

1.11 Leasing

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This liability is not discounted.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

The cost of employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

Liabilities for bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employee renders the related services are recognised as they accrue to the employee. The performance bonus liability is recognised as an accrual.

Leave liability

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

The ETDP SETA calculates the value of leave not taken at year-end based on the guaranteed package or basic salary. The value of leave is recognised in the statement of financial position as a short-term employee benefit.

Pension plan: Defined contribution plans

The entity operates a defined contribution plan, the assets of which are held in separate trustee-administered funds. The plan is generally funded by payments from the entity and employees and is managed by external fund managers determined by the members of the fund.

The rules of the defined contribution plan determine the following in respect of contributions:

- Contribution by employee = 7.5% of retirement funding income
- Contribution by employer = 7.5% of retirement funding income

1.13 Provisions and contingencies

Provisions are recognised when the ETDP SETA 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.

ETDP SETA recognises a provision for the repayment of levies contributed by companies exempted from contributing skills development levy but continue to do so. The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation. A contingent asset is a possible asset 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 entity.

A contingent liability is:

- a. 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 entity or
- b. a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

1.13 Provisions and contingencies (continued)

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. Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. Commitments are disclosed in a note to the financial statements if both the following criteria are met:

Contracts should be non-cancellable or cancellable at significant cost; and Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts are excluded.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 22.

1.14 Financial instruments

Financial instruments are recognised when the ETDP SETA becomes party to the contractual provisions of the instrument. Financial instruments carried in the statement of financial position include cash and bank balances, trade and other receivables and trade and other payables. These instruments are carried at their amortised cost.

1.14.1 Financial assets

The ETDP SETA classifies its financial assets into one of the categories discussed below:

Receivables from exchange and non-exchange

ETDP SETA classifies receivables from exchange and non-exchange transactions as financial assets at amortised costs and measures these during the effective interest method. These financial assets are not quoted in an active market and have fixed or determinable payments as defined in the standards of Generally Recognised Accounting Practice. Interest income is recognised by applying the effective interest rate.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly

discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period.

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 receivables from non-exchange transactions 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 surplus or deficit for the year.

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand and deposits held at call. They are initially recognised at fair value, and are subsequently carried at amortised cost using the effective interest method

1.14.2 Financial liabilities

All financial liabilities of the entity are classified as financial liabilities at amortised cost. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition. The entity has trade payables as a class of financial liabilities as reflected on the face of the statement of financial position and to the notes thereto.

Derecognition

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, with interest expense recognised on an effective yield basis.

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.

1.15 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Where such a situation exists the nature and type of transactions and relationships between parties are disclosed in the notes to the Financial Statements.

1.16 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

Irregular expenditure as defined in Section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- a. this Act; or
- b. the State Tender Board Act, 1968 (Act No 86 of 1968), or any regulations made in terms of the Act; or
- c. any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required, with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year-end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements. Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the

disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Officer or Accounting Authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.18 Segment information

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

Segment information is presented based on service. Service segments relate to a distinguishable component of ETDP SETA that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. ETDP SETA's service segments are mandatory, discretionary and administration activities.

1.19 Events after reporting date

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

those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

1.20 Reserves

Net assets are classified based on the restrictions placed on the distribution of monies received in accordance with the SETA Grant Regulations as follows:

- Administration reserve
- Mandatory reserve
- Discretionary reserve

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%

Government department levy payments are set aside for the purpose of:

- Administration costs of the SETA 33.3%
- Discretionary grants and projects 66.7%

Interest and penalties received from SARS as well as interest received on investments is utilised for discretionary grant projects.

Surplus funds in the administration and unallocated funds in the employer grant reserves are moved to the discretionary fund reserve. Provision is made in the administration reserve equal to the book value of depreciable assets. A contingent liability is disclosed for newly registered member companies, participating after the legislative cut-off date.

1.21 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation

of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Fair value estimation

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for ETDP SETA's similar financial instruments.

Impairment testing

Management uses fair value less cost to sell in identifying the assets that may have been impaired.

Provisions

Provisions are best estimates of the expenditure required to settle the obligation raised by management using the available information at the time of preparing the annual financial statements.

Notes to the Annual Financial Statements for the year ended 31 March 2019

Figures in Rand thousand

2019

2018

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact
GRAP 12 (as amended 2016): Inventories	01 April 2018	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
GRAP 16 (as amended 2016): Investment Property	01 April 2018	
GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	
GRAP 27 (as amended 2016): Agriculture	01 April 2018	
GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	
Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements

Notes to the Annual Financial Statements for the year ended 31 March 2019

Figures in Rand thousand

2019

2018

3. Allocation of net surplus for the year to reserves

	Administration reserve	Employer grant reserve	Discretionary reserve	2018/19	2017/18
ADMIN levy income (DHET)	64 235	-	-	64 235	62 265
Grant Levy (DHET)	-	127 716	322 052	449 768	408 549
Grant levy income (DHET)	139 244	-	278 488	417 731	369 269
Skills development levy: penalties and interest	-	-	11 685	11 685	13 707
Levy- DBE and DHET	-	-	-	-	-
Investment income	-	-	86 824	86 824	72 708
Other income	-	-	394	394	225
Total revenue	203 479	127 716	699 443	1 030 637	926 723
Administrative expenses	170 235	-	-	170 235	162 760
QCTO expense	3 152	-	-	3 152	2 242
Employer grants and project expenses	-	104 214	559 726	663 940	572 386
NSF Expenses	-	-	-	-	-
Total expenses	173 387	104 214	559 726	837 327	737 388
Net surplus/(deficit) per Statement of Financial Performance	30 092	23 502	139 717	193 310	189 335

Notes to the Annual Financial Statements for the year ended 31 March 2019

Figures in Rand thousand

2019

2018

4. Revenue from Non-exchange transactions

The total levy income per the Statement of Financial Performance is as follows:

Levy income:Administration	203 479	185 355
Levies received from levy payers	64 235	62 265
Government levies received	139 244	123 090
Levy income:Employer Grants	127 716	117 273
Levies received from levy payers	127 716	117 273
Levy income: Discretionary Grants	600 539	537 455
Levies received from levy payers	322 052	291 276
Government levies received	278 488	246 179
Revenue from non-exchange transactions:penalties and interest	-	-
	931 734	840 083

4.1 Revenue from non-exchange transactions: penalties and interest

Penalties and interest	11 685	13 707
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5. Investment income from exchange transactions

Interest income

Accrued	8 003	6 813
Bank Deposits	78 821	65 895
	86 824	72 708

Notes to the Annual Financial Statements for the year ended 31 March 2019

Figures in Rand thousand

2019

2018

6. Other income

Mandatory grants received	128	116
Insurance recoveries	40	51
Other	133	58
Gains on disposal of assets	93	-
	394	225

7. Mandatory and Discretionary Grants

Mandatory grants	104 214	91 670
Discretionary grants	559 726	481 678
	663 940	573 348

Notes to the Annual Financial Statements for the year ended 31 March 2019

Figures in Rand thousand

2019

2018

8. General administration expenses

Building related costs

Operating rentals- building	17 104	11 236
Security and cleaning	2 255	1 660
Water and electricity	3 145	2 164

Other administration costs

Remuneration of audit committee members	212	153
Meeting and board fees	2 127	1 228
Auditors remuneration	2 938	3 438
Staff training and development	1 231	1 022
Recruitment	1 050	476
Stationery and consumables	1 453	843
Advertising, marketing and promotions, communication	5 846	2 631
Legal fees	1 134	303
Travel and subsistence Allowance	9 965	9 065
Courier fees	870	495
Hire of equipment	3 905	2 769
Insurance	378	411
Bank charges	602	492
Workshops and AGM	1 306	2 656
Staff relocation	310	154
Printing and postage	2 097	1 369
Refreshments and catering	1 988	1 574
Telephone and cellular	1 141	1 464
Interest	31	19
Other expenses	1 238	969
Total per Statement of Financial Performance	62 326	46 591

Notes to the Annual Financial Statements for the year ended 31 March 2019

Figures in Rand thousand

2019

2018

9. Employee costs

Salaries and wages

Basic	80 693	75 377
Pension contributions: employee	4 088	4 018
Non-pensionable allowance	361	164
Annual Leave	878	991

Employer contributions

Medical Aid contributions	2 240	2 164
Pension contribution: defined contribution plan	4 088	4 018
UIF	220	204
	92 568	86 936

Total employee costs

92 568

86 936

Average number of employees: **127** (2018:123)

Notes to the Annual Financial Statements for the year ended 31 March 2019

10. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Office furniture and fittings	5 136	(3 627)	1 509	4 483	(3 349)	1 134
Motor vehicles	1 001	(60)	941	428	(388)	40
Office equipment	818	(537)	281	577	(491)	86
Computer equipment	8 836	(5 424)	3 412	6 602	(4 544)	2 058
Leasehold improvements	754	(629)	125	754	(593)	161
Audio-visual equipment	500	(293)	207	415	(252)	163
Kitchen equipment	103	(61)	42	82	(53)	29
Minor assets	272	(273)	(1)	270	(256)	14
Assets under construction	362	-	362	-	-	-
Total	17 782	(10 904)	6 878	13 611	(9 926)	3 685

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions at cost	Disposals at net book value	Depreciation	Total
Office furniture and fittings	1 134	653	-	(278)	1 509
Motor vehicles	40	1 001	(34)	(66)	941
Office equipment	86	241	-	(46)	281
Computer equipment	2 058	2 301	(32)	(915)	3 412
Leasehold improvements	161	-	-	(36)	125
Audio-visual equipment	163	89	(1)	(44)	207
Kitchen equipment	29	20	-	(7)	42
Minor asset	14	2	-	(16)	-
Assets under construction	-	362	-	-	362
	3 685	4 669	(67)	(1 408)	6 879

Notes to the Annual Financial Statements for the year ended 31 March 2019

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions at cost	Disposals at net book value	Depreciation	Impairment loss	Total
Office furniture and fittings	1 264	147	(29)	(225)	(23)	1 134
Motor vehicles	49	-	-	(9)	-	40
Office equipment	1 095	34	(884)	(98)	(61)	86
Computer equipment	2 359	385	(27)	(577)	(82)	2 058
Leasehold improvements	196	-	-	(35)	-	161
Audio-visual equipment	186	60	(36)	(36)	(11)	163
Kitchen equipment	24	9	-	(4)	-	29
Minor assets	19	-	-	(4)	(1)	14
	5 192	635	(976)	(988)	(178)	3 685

Pledged as security

There is no property, plant and equipment that is pledged as security.

11. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation	Accumulated amortisation and impairment	Carrying value
Computer software	3 476	(2 438)	1 038	3 499	(2 048)	1 451

Reconciliation of intangible assets - 2019

	Opening balance	Additions at cost	Reclassification	Amortisation	Total
Computer software	1 451	547	(86)	(874)	1 038

Notes to the Annual Financial Statements for the year ended 31 March 2019

Figures in Rand thousand

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11. Intangible assets (continued)

Reconciliation of intangible assets - 2018

	Opening balance	Additions at cost	Disposals at net book value	Amortisation	Total
Computer software	1 763	952	(6)	(1 258)	1 451

12. Cash and cash equivalents

Cash on hand	44	37
Cash at bank	118 066	8 777
Short-term investments	1 205 803	1 088 047
Cash and Cash equivalents at the end of year	1 323 913	1 096 861

The security of cash and cash equivalents is ensured by only contracting with the top four financial institutions. The carrying value, at which cash and cash equivalents are disclosed, approximates their fair values.

As required in National Treasury regulation 31.2.1, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short term bank deposits was 7% (Prior year 7%).

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Figures in Rand thousand

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13. Consumables

Consumables

33

147

33

147

Consumables consist of the following:

Catridges = R680

Stationery = R26 255

Refreshments = R4 350

Cleaning material = R1 589

14. Receivables from non-exchange transactions

Employer receivables

480

451

less:provision for doubtful debts

-

(58)

Staff debtors

144

121

Provision for staff debtors

(66)

-

Inter SETA transfers receivable

28

-

586

514

R480 000 (2018: R451 000) was recognised as a receivable relating to grant overpayments to levy-paying employers in prior periods, as a result of levy income reversals done after grants have been paid. An amount of R0 (2018:R58000) was provided for as doubtful debt as ETDP SETA is confident that it will recover the full balance. Also refer to Note 15 for grant amounts owed to levy-paying employers as a result of subsequent changes in levy information. R144 000 (2018: R121 000) was recognised as a receivable relating to amounts owing from the staff members. An amount of R66 000 (2018: R0) was provided for as doubtful staff debt. ETDP SETA is confident that it will recover the net balance.

Receivables from non-exchange transactions past due but not impaired.

Notes to the Annual Financial Statements for the year ended 31 March 2019

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14. Receivables from non-exchange transactions (continued)

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 31 March 2019, R 480 000 (2018: R 393 000) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Above 3 months past due

480

393

15. Receivables from exchange transactions

Deposits

616

579

Interest receivable

8 003

6 813

Sundry receivables

1 328

1 091

Prepayments

1 434

-

11 381

8 483

Landlord/Supplier

Engel & Volkers

Rental

64

Blue Beacon Investments

Rental

70

The Kaywood Trust

Rental

43

The Michael Family Trust

Rental

64

Frikkie Pienaar

Rental

44

Gensec Properties

Rental

52

JHI Sanlam Life

Rental

64

Road Hogg Tours

Rental

67

Umoya House

Rental

860

The Document Warehouse

IT Software Licences

106

1 434

Notes to the Annual Financial Statements for the year ended 31 March 2019

Figures in Rand thousand

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16. Payables from non-exchange transactions

Skills development grants payable	8 876	12 470
Inter Seta transfer payable	25	25
Project creditors	36 656	11 352
Project accruals	66 338	56 774
	<u>111 895</u>	<u>80 621</u>

17. Payables from exchange transactions

		Restated
Trade payables	6 224	3 962
Accruals	4 864	3 404
Staff and payroll creditors	3 785	2 801
Liability resulting from straight line valuation of leases	2 454	558
	<u>17 327</u>	<u>10 725</u>

The effect of discounting, where applicable, was considered and found to be immaterial given the short term nature of these payables. The carrying amount approximates the fair value of each class of payables

Notes to the Annual Financial Statements for the year ended 31 March 2019

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18. Accrued employee entitlements

	Employee leave R'000	Employee bonus R'000	2018/19 R'000	2017/18 R'000
Open carrying amount	6 211	4 152	10 363	8 267
Amounts utilised during the year	(4 734)	(3 187)	(7 921)	(4 047)
Charged to income during the year	4 712	3 563	8 275	6 143
Closing carrying amount	6 189	4 528	10 717	10 363

The liability for the payment of leave pay is accrued and is calculated as number of leave days accumulated at the daily pay rate per payroll.

An accrual is made for the payment of a 13th Cheque at the end of November for those employees who have opted to take a 13th Cheque and is calculated each month as the number of employees involved times one twelfth of their 13th Cheque. This is accumulated to date of payment.

19. Provision for exempt employers

Reconciliation of provision for exempt employers - 2019

	Opening carrying amount	Additions during the year	Closing carrying amount
Levies refundable provision	4 139	1 148	5 287

Reconciliation of provision for exempt employers - 2018

	Opening carrying amounts	Additions during the year	Write-offs	Closing carrying amount
Levies refundable provision	3 835	987	(683)	4 139

Notes to the Annual Financial Statements for the year ended 31 March 2019

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19. Provision for exempt employers (continued)

The 2019 amount R5,287m (2018: R4,139m) relates to levies incorrectly contributed by exempt employers. The employers are exempt from contributing SDL due to legislation changes which came into effect from 1 August 2005.

In terms of the Skills Development Circular No. 09/2013, SETAs are able to utilise exempted amounts contributed after the expiry date of five years as stipulated in terms of section 190(4) of the Tax Administration Act. In terms of section 4(7) of the SETA Grant Regulations, all unclaimed mandatory grants should be transferred to the discretionary funds because the employer cannot claim it back after the expiry date.

20. Cash generated from operations

Restated

Surplus	193 310	188 373
Adjustments for:		
Depreciation and amortisation	2 282	2 246
Impairment	-	178
Loss/(Profit) on Disposal	(93)	26
Movements in provisions	-	2 399
Proceeds from insurance claim	(21)	956
Changes in working capital:		
(Increase)/Decrease in receivable	(3 932)	(3 444)
(increase)/ Decrease in consumables	114	57
Increase/(Decrease) in payable	40 340	(46 891)
	232 000	143 900

Notes to the Annual Financial Statements for the year ended 31 March 2019

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21. Reserves

21.1.1 Discretionary Commitments

Of the balance of R1,167bn available in the Discretionary reserve at the end of the year, the commitments detailed below of R874 m have been made for projects and skills priorities. Expenses that relate to these commitments are included in grant expenses in the Statement of Financial Performance.

Discretionary reserves

2018/19

	Opening balance	Adjustments	New contracts	Total expenditure	Closing Balance
Programme 3.1	449 276	(72 690)	101 117	(290 449)	187 254
Programme 3.2	13 297	(1 258)	84 409	(12 928)	83 520
Programme 3.3	215 585	(44 717)	16 872	(117 682)	70 058
Programme 3.4	17 930	(13 150)	48 255	(10 192)	42 843
Programme 3.5	1 914	3 219	23 814	(5 487)	23 460
Programme 3.7	-	(1 576)	366 438	(89 469)	275 393
Programme 3.9	-	(247)	36 283	(3 424)	32 612
Programme 3.10	-	-	183 109	(32 429)	150 680
Young people with disability supported through skills program	-	-	8 665	-	8 665
	698 002	(130 419)	868 962	(562 060)	874 485

2017/18

	Opening balance	Adjustments	New contracts	Total expenditure	Closing balance
Programme 2	213 048	273	762	(122 176)	66 363
Programme 3	57 699	(14 834)	215 759	(61 723)	216 607
Programme 4	288 535	(137 750)	396 894	(240 017)	309 858
Programme 5	54 591	(20)	13 287	(57 762)	14 277
Letters of Award	-	-	90 897	-	90 897
	613 873	(152 331)	717 599	(481 678)	698 002

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21.1.2 Administrative Commitments

2018/19	Opening Balance	Adjustments	New Contracts	Total Expenditure	Closing balance
Administrative commitments	41 605	(39 337)	25 756	(17 816)	10 208
Total	41 605	(39 337)	25 756	(17 816)	10 208

2017/18	Opening Balance	Adjustments	New Contracts	Total Expenditure	Closing Balance
Administrative commitments	19 648	34 637	27 185	(39 865)	41 605
Total	19 648	34 637	27 185	(39 865)	41 605

21.2 Administration reserve

Reserve retained to cover the carrying values of property plant and equipment/intangible assets which will be depreciated in future years

7 916

5 136

21.3 Employer grant reserve

The reserve is retained to cover the first time employer registrations and future mandatory grants pay-out. The surplus remaining in the reserve will be swept to the Discretionary Reserve on 1 August

23 502

25 603

21.4 Total of future minimum lease payments under non-cancellable leases:

21.4.1 Operating Leases - Buildings

No later than one year	17 267	8 079
Later than one year and not later than five years	4 438	9 199
	21 705	17 278

Notes to the Annual Financial Statements for the year ended 31 March 2019

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21. Reserves (continued)

Details of operating lease agreements:

Heading	Service	Commencement date	Termination date	Option to renew	Escalation % p.a.
CBD, Johannesburg	Rental	1 September 2017	30 June 2020	Yes	8 %
Nelspruit	Rental	01 July 2018	30 June 2020	Yes	10 %
Potchefstroom	Rental	01 July 2018	30 June 2020	Yes	10 %
Kimberley	Rental	01 July 2018	30 June 2020	Yes	10 %
East London	Rental	01 July 2018	30 June 2020	Yes	10 %
Cape Town	Rental	01 April 2018	31 March 2019		- %
Durban	Rental	01 July 2018	30 June 2020	Yes	8 %
Polokwane	Rental	01 July 2018	30 June 2020	Yes	6 %
Bloemfontein	Rental	01 October 2018	30 June 2020	Yes	8 %
Braamfontein, Johannesburg	Rental	01 July 2018	30 June 2020	Yes	9 %

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22. Contingencies

22.1 Retention of surpluses

In terms of section 53 (3) of the PFMA, public entities listed in Schedule 3A and 3C to the PFMA may not retain cash surpluses 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 a revised definition of a surplus. According to this instruction, a surplus is based on cash and cash equivalents, plus receivables, less current liabilities and commitments at the end of the financial year.

As of 31 March 2019 the surplus for the year is as follows:

	Note	2018/19	2017/18
Cash and Cash Equivalents	12	1 323 913	1 096 861
Plus: Net Receivables	14-15	11 967	8 035
Less: Current Liabilities	16-19	(145 226)	(104 886)
Less: Commitments	21	(874 485)	(739 607)
		316 169	260 403

22.2 Litigations and claims

The SETA is involved in a dispute with former employees regarding the termination of their employment contracts. The matter is currently with the CCMA and management had no indication of the financial exposure at the time of reporting. The SETA is also in a dispute with a service provider regarding breach of contract, this is still an ongoing case. Upon finalisation, an agreement will be drafted, the same will be reviewed and adjudicated by the a private arbitrator, this exercise has an estimated value of R513 000. The SETA is also involved in a dispute of an alleged unpaid bursary fund. The value of this claim is estimated at R 41 070.

Notes to the Annual Financial Statements for the year ended 31 March 2019

22.3 First time employer registration

First time employers who wish to apply for mandatory grants with the Skills Development Levy are allowed to do so within six months of registration. At reporting date, it is estimated that, as a result, additional mandatory grant expenditure of R106 000 (2018: R232 000) will be payable. The amount is contingent on the number of submissions received and approved.

22.4 Expired contracts with service providers

The SETA has agreements with service providers which did not meet the definition of commitments in terms of the Grant Regulations Act, however, due to possible obligations, these amounts have been disclosed as contingencies with an estimated value of R179 million.

23. Related parties

23.1 Transactions with other SETAs.

Inter SETA transactions arise due to the movement of employers from one SETA to another. All transactions were at arm's length. The parent entity of all SETAs is the Department of Higher Education and Training.

Notes to the Annual Financial Statements for the year ended 31 March 2019

23. Related parties (continued)

Received	Amount of the transaction	Amount receivable/ (payable)	Amount of the transaction	Amount receivable/ (payable)
SERVICES SETA	24	25	215	-
FASSET	-	-	51	-
CATHSETA	-	15	3	-
W & R SETA	-	-	2	-
INSETA	-	-	16	-
CONSTRUCTION SETA	-	-	35	-
HEALTH & WELFARE SETA	-	-	2	-
	-	-	16	-
BANKSETA	-	10	-	-
MERSETA	-	33	-	-
	24	83	340	-
Paid				
BANKSETA	76	-	-	-
MERSETA	251	-	(10)	-
MICTSETA	-	-	(60)	-
CETA	-	-	(65)	-
SERVICES SETA	270	-	(5)	-
W & R SETA	-	-	(10)	-
TETA	-	-	(10)	-
CATHSETA	148	-	(2)	-
FASSET	-	-	(18)	-
FP & M SETA	-	-	(2)	-
	745	-	(182)	-

Notes to the Annual Financial Statements for the year ended 31 March 2019

23. Related parties (continued)

23.2 Transactions with other related parties

The ETDP SETA recognises that related party transactions can present potential or actual conflicts of interest, it is therefore the policy of the ETDP SETA that at the time of evaluating contractual engagements the contracting parties are requested to provide evidence of company registrations and ownership/directorship.

All the stakeholders are also requested to declare their interest prior to start of all official meetings.

Related party	Nature of relationship	Transaction type	2018/19 R'00 Amount of the transaction	Amount payable/ (receivable)	2017/18 R'00 Amount of the transaction	Amount payable/ (receivable)
BANK SETA	Levy payer	Mandatory grant	-	-	59	-
FP&M SETA	Levy payer	Mandatory grant	-	-	49	-
LG SETA	Levy payer	Mandatory grant	-	-	43	-
W & R SETA	Levy payer	Mandatory grant	-	-	175	-
QCTO	Accreditation body	QCTO expenditure	3 152	-	2 242	-
Department of Higher Education	Controlling entity	Revenue contributions	17 949	-	15 563	-
Provincial Department of Education	Entity under common control	Revenue contributions	399 902	-	353 706	-
			421 003	-	371 837	-
Receivables						
LG SETA	Levy payer	Administration	-	-	525	-

Notes to the Annual Financial Statements for the year ended 31 March 2019

23. Related parties (continued)

Remuneration of management Key management personnel

Key management personnel

2019

Name	Basic Remuneration	Pension	Medical	Performance bonus	Other benefits received	Total
* Chief Executive Officer	2 021	117	-	143	532	2 813
Chief Risk Officer	1 480	69	41	45	-	1 635
** Chief Operations Officer appointed 01 March 2019	1 488	6	1	-	-	1 495
*** Chief Financial Officer appointed 01 August 2018	1 706	47	8	-	-	1 761
	6 695	239	50	188	532	7 704

2018

Name	Basic salary	Pension	Medical	Performance bonus	Total
Chief Executive Officer	2 213	176	-	114	2 502
Chief Risk Officer	1 382	66	38	-	1 486
Chief Operations Officer	1 214	55	23	-	1 292
Chief Financial Officer	1 517	-	-	-	1 517
	6 326	297	61	114	6 797

* Chief Executive Officer's contract came to an end on 30 September 2018. New appointment was effective 01 January 2019. Included in the Basic salary is the Acting allowance of the Acting CEO for the period of three months.

** This amount relates to Acting allowance as the Chief Operations Officer was appointed on 01 March 2019. Included in the Basic salary amount is the acting allowance of the Acting COO for the period up to 31 March 2019.

*** The Chief Financial Officer was seconded and the Basic Remuneration represents the amounts paid by the ETDP SETA to the service provider up to 31 August 2018. The Chief Financial Officer was appointed on 01 August 2018.

Notes to the Annual Financial Statements for the year ended 31 March 2019

23. Related parties (continued)

Remuneration of Accounting Authority Members

2019

Name	Meeting fees	Other expenses	Total
D Hindle- Chairperson	90	31	121
N Ngcobo	-	8	8
M Mthembu	63	8	71
K Kasonkola (Dr)	42	5	47
VA Monyela	-	8	8
Sharon Blignaut	16	3	19
Siphiwe Louisa Nxumalo	46	-	46
Lindiwe Martha Motshwane	54	-	54
Gloria Kgoleng	50	-	50
John Landman	59	12	71
Thirona Moodley	54	3	57
Theo Toolo	58	6	64
Leonard Saul	46	5	51
	<u>578</u>	<u>89</u>	<u>667</u>

2018

Name	Meeting fees	Other expenses	Total
S Mabusela	38	-	38
S Khuzwayo	17	-	17
L Maphila	3	-	3
V Hofmeester	26	-	26
J Landman	49	22	71
K Bonaconsa	6	-	6
BKM Nhlapho	16	2	18
M Cloete	32	6	38
M Mthembu	39	5	44
VA Monyela	42	5	47
N Ngcobo	-	7	7
N Caluza	10	1	11
	<u>278</u>	<u>48</u>	<u>326</u>

The increase in board fees compared to prior year is due to ETDP SETA paying preparation fees in the current year, which was not paid in the previous years. “

Notes to the Annual Financial Statements for the year ended 31 March 2019

24. Prior period errors

Intangible assets

Property, plant and equipment were depreciated at the tax rates. The useful lives and residual values were not appropriately considered. (Give the nature of the error.)

In 2018, a journal to write off R502 871 of an intangible asset was erroneously duplicated. This resulted in the cost and accumulated depreciation of intangible assets being understated. The net effect of the error is Rnil.

Accruals

Discretionary grant accruals were overstated by R120 216 000 at 31 March 2018. An error of judgement occurred upon the estimation of the status of completion of the related services and this led to an over-accrual as at the close of the prior financial year. Subsequent information has confirmed that such services have been terminated due to reasons beyond the control of service providers.

Accrued interest

Accrued interest were understated by R 962 000 at 31 March 2018. An error of judgement occurred up the estimation of interest receivable from investments. Subsequent information has confirmed that such interest to the value of 962 000 was received by the SETA on the 3rd of April 2018

Payables from non-exchange

Payables from non-exchange were understated by R68 126, and payables from exchange were overstated by the same amount.

The errors are therefore corrected retrospectively in the 2017/2018 financial statement as required by GRAP 3 paragraph 44.

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24. Prior period errors (continued)

Statement of financial position

2019

2018

Intangible assets

Increase in Receivables from exchange transactions

-

962

Decrease in payables from exchange transactions

-

120 216

Increase in discretionary reserves

-

121 178

Increase in payables from non-exchange transactions

-

68 126

Decrease in payables from exchange transactions

-

68 126

-

-

Statement of financial performance

Increase in investment income from exchange transactions

-

962

Decrease in mandatory and discretionary grants

-

120 216

Increase in net surplus for the period

-

121 178

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25. Risk management

Financial risk management

Liquidity risk

At 31 March 2019

	Not Later than one month	Later than one month but not later than three months	Later than three months but not later than one year	Later than one year but not later than five years
Trade and other payables	120 321	-	-	-

At 31 March 2018

	Not later than one month	Later than one month but not later than three months	Later than three months but not later than one year	Later than one year but not later than five years
Trade and Other payables	78 851	-	-	-

Credit risk

Market risk

Interest rate risk

ETDP SETA manages its interest risk by spreading its funds over the four major banks in which it uses current account, call account and short term investments. A cash management system is used for monitoring bank balances. The sensitivity of surplus funds to interest rates is dependent on the prime rates variations. At the reporting date, the prime rate was 10.50% (Prior year: 10.5%).

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25. Risk management (continued)

For the year ended 31 March 2019	Floating rate	Effective Interest rate % pa	Non-interest bearing	Total
Financial Assets		- %		
Cash	1 323 913	7.10 %	-	1 323 913
Accounts receivable	11 381	- %	586	11 967
Total financial assets	1 335 294	- %	586	1 335 880
Financial Liabilities		- %		
Accounts payable	(120 321)	- %	(24 905)	(145 226)
Total financial liabilities	(120 321)		(24 905)	(145 226)

For the year ended 31 March 2018	Floating rate	Effective Interest rate % pa	Non-interest bearing R	Total
Financial Assets		- %		
Cash	1 096 824	7 %	37	1 096 861
Accounts receivable	8 483	- %	514	8 997
Total financial assets	1 105 307	- %	551	1 105 858
Financial Liabilities		- %		
Accounts payable	(78 851)	- %	(22 858)	(221 926)
Total financial liabilities	(78 851)		(22 858)	(221 926)

25.1 General

In the course of its operations, the ETDP SETA is exposed to interest rate, liquidity risk and market risk. In order to monitor these risks, the ETDP SETA has developed a risk management strategy in terms of Treasury Regulation 28.1.

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25. Risk management (continued)

Below is the ETDP SETA's risk management process.

25.2 Operational risk

Operational risk is the risk of loss arising from system failure, human error or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The ETDP SETA cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risk, the ETDP SETA is able to manage risk. Controls include effective segregation of duties, monitoring, authorisation, reconciliation, staff education and risk assessment processes.

25.3 Liquidity risk

This risk is managed via proper working capital management, expenditure management, actual versus forecast cash flows and the cash management policy. Adequate reserves in support of existing commitments and liquid resources are maintained. The table below provides an analysis of ETDP SETA's financial liabilities into their maturity groupings as per the Statement of Financial Position. These amounts are not discounted as they are as per contracts:

31 March 2019

	Not later than one month R'000	Later than one month but not later than three months R'000	Later than three months but not later than one year R'000	Later than one year but not later than five years R'000
Trade and other payables	104 169	8 901	10 717	-

31 March 2018

	Not later than one month R'000	Later than one month but not later than three months R'000	Later than three months but not later than one year R'000	Later than one year but not later than five years R'000
Trade and other payables	78 851	12 495	10 363	-

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25. Risk management (continued)

25.4 Credit risk

Financial assets which potentially subject ETDP SETA to the risk of non-performance by counter parties and thereby to concentration of credit risk, consist mainly of cash and cash equivalents and accounts receivable. Except for the global economic meltdown which may impact on the income received from the levy paying organisations no events occurred during the year that may impact on the accounts receivable. The ETDP SETA management limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of their investment policy in terms of Treasury Regulation 31.2. The ETDP SETA's exposure is continuously monitored by a Finance Committee convened in accordance with the PFMA. Credit risk with respect to levy paying employers is limited due to the nature of the income received. The ETDP SETA does not have any material exposure to any individual or counter-party. The ETDP SETA's concentration of credit risk is limited to the Education, Training and Development industry in which the ETDP SETA operates. No events occurred in the industry during the financial year that may have an impact on the accounts receivable that has not been adequately provided for. Accounts receivable are presented net of allowance for doubtful debt where applicable.

25.5 Market risk

The ETDP SETA 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 ETDP SETA is aware of.

Fair values

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

No financial asset or liability was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial instruments.

Notes to the Annual Financial Statements for the year ended 31 March 2019

Figures in Rand thousand

2019

2018

25. Risk management (continued)

26. Going concern

The annual financial statements have been prepared based on the expectation that the ETDP SETA will continue to operate as a going concern for at least the next 12 months. Further the SETAs have been re-established to operate beyond 31 March 2020 by the Minister of Higher Education and Training in the Gazette 42290 issued on the 7 March 2019. The Gazette states that SETAs have no limited lifespan, but a mechanism to address non-performance will be established. Where required, the Minister will introduce institutional reviews as the socio-economic policy is not static. Furthermore, SETAs demarcation, amongst others will be based on industrial classification, value chain and financial viability.

27. Events after the reporting date

No significant events occurred after the reporting date which required further disclosure in the financial statements

28. Fruitless and wasteful expenditure

Opening Balance

602

577

Amount raised in the year

21

25

Amount recovered in the year

-

-

623

602

The fruitless and wasteful expenditure relates to interest paid on late payment of invoices, flight cancellation fees, fines and charges on withdrawal of tenders.

Notes to the Annual Financial Statements for the year ended 31 March 2019

Figures in Rand thousand	2019	2018
29. Irregular expenditure		
Opening Balance	2 187	1 348
Add: Irregular Expenditure- current year	821	839
Less: Amounts condoned	(1 348)	-
	1 660	2 187

Details of irregular expenditure condoned

Irregular expenditure was incurred as a result of expired tax clearance certificate supplied by the landlord for office space rental in Bloemfontein.	Condoned by (condoning authority)	1 348
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The irregular expenditure relates to landlords who had expired tax clearance certificates. The landlords have subsequently submitted valid tax clearance certificates.

Notes to the Annual Financial Statements for the year ended 31 March 2019

Figures in Rand thousand

2019

2018

30. Segment information

Segment surplus or deficit, assets and liabilities

2019

Revenue from non-exchange transactions	Administration	Mandatory	Discretionary	Unallocated	Total
Skills development levy: income	203 479	127 716	600 539	-	931 734
Skill development levy: penalties and interest	-	-	11 685	-	11 685
Investment income	-	-	86 824	-	86 824
Other income	-	-	394	-	394
Total segment revenue	203 479	127 716	699 442	-	1 030 637
Entity's revenue	203 479	127 716	699 442		1 030 637

Expenditure

Administration expenses	170 234	-	-	-	170 234
QCTO expenses	3 152	-	-	-	3 152
Employer grants and project expenses	-	104 214	559 726	-	663 940
Total segment expenditure	173 386	104 214	559 726	-	837 326
Total segmental surplus/(deficit)	30 093	23 502	139 716		193 311

Assets

Non-current assets	7 916	-	-	-	7 916
Consumables	33	-	-	-	33
Receivables from non-exchange transactions	76	510	-	-	586
Receivables from exchange transactions	-	11 381	-	-	11 381
Cash and cash equivalents (Unallocated asset)	-	-	-	1 323 913	1 323 913
Total segment assets	8 025	11 891	-	1 323 913	1 343 829
Total assets as per Statement of financial Position	8 025	11 891		1 323 913	1 343 829

Notes to the Annual Financial Statements for the year ended 31 March 2019

Figures in Rand thousand

2019

2018

30. Segment information (continued)

2019

Liabilities	Administration	Mandatory	Discretionary	Unallocated	Total
Payables from non-exchange	-	111 895	-	-	111 895
Payables from exchange transactions	15 904	-	1 423	-	17 327
Provision for exempt employers	-	-	5 287	-	5 287
Accrued employee entitlement	10 717	-	-	-	10 717
Total segment liabilities	26 621	111 895	6 710	-	145 226
Total liabilities as per Statement of financial Position	26 621	111 895	6 710		145 226

2018

Revenue from non-exchange transactions

Skill development levy: income	185 355	117 273	537 455	-	840 083
Skill development levy: penalties and interest	-	-	13 707	-	13 707
Investment income	-	-	72 708	-	72 708
Other income	225	-	-	-	225
Total segment revenue	185 580	117 273	623 870	-	926 723
Entity's revenue	185 580	117 273	623 870		926 723

Expenditure

Administration expenses	162 760	-	-	-	162 760
QCTO expense	2 242	-	-	-	2 242
Employer grants and project expenses	-	91 670	481 678	-	573 348
Total segment expenditure	165 002	91 670	481 678	-	738 350
Total segmental surplus/(deficit)	20 578	25 603	142 192		188 373

Notes to the Annual Financial Statements for the year ended 31 March 2019

Figures in Rand thousand

2019

2018

30. Segment information (continued)

2018

Assets	Administration	Mandatory	Discretionary	Unallocated	Total
Non-current assets	5 136	-	-	-	5 136
Consumables	147	-	-	-	147
Receivables from non-exchange transactions	121	393	-	-	514
Receivables from exchange transactions	-	8 483	-	-	8 483
Cash and cash equivalents (Unallocated asset)	-	-	-	1 096 861	1 096 861
Total segment assets	5 404	8 876		1 096 861	1 111 141
Total assets as per Statement of financial Position	5 404	8 876		1 096 861	1 111 141

Liabilities

Payables from non-exchange	-	12 495	68 126	-	80 621
Payables from exchange transactions	10 725	-	-	-	10 725
Provision for exempt employers	-	-	4 139	-	4 139
Accrued employee entitlements	10 363	-	-	-	10 363
Total segment liabilities	21 088	12 495	72 265	-	105 848
Total liabilities as per Statement of financial Position	21 088	12 495	72 265		105 848

Notes to the Annual Financial Statements for the year ended 31 March 2019

Figures in Rand thousand

2019

2018

31. Budget differences

Material differences between budget and actual amounts

The investment income for the year was higher than budget due to large cash balances held during the year. The average rate of return was 7%.

The consultancy fee budget included fees for the outsourced finance staff and IT project costs, ETQA consultants, Research and Chairs. All these project costs were not fully utilised during the financial year due to contract cancellation and the Research Chairs were only appointed at the end of March 2019.

The approval of the surplus funds relating to the 2018/19 surplus realised was received in February 2019. The R180m has been committed towards funding Teacher development, Learnerships, Internships and TVET College lecture development and support.

Due to the late implementation of the programmes that were approved per the 2018/19 APP, a large portion of the Discretionary Grants approved budget for 2018/19 was not spent, however funds have been committed towards the approved programmes earmarked for the 2018/19 financial year.

Mandatory Grants have been disbursed as per the completed and approved WSPs received and processed for the 2018/19 financial year.

Due to the approved positions that remained vacant during the financial year, the employee costs budget was not fully spent for the 2018/19 financial year.

General expenses are lower than budget due to underspending on Travel and Accommodation, Document scanning, Video conferencing, Staff training, Data & Records management projects.

Notes

Notes

Notes

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