





2019/2020  
ANNUAL REPORT



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AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

### Bankers



South African Reserve Bank



Specialist Bank and  
Asset Manager



FNB  
First National Bank

# Presentation of the Annual Report

## TO THE MINISTER OF HIGHER EDUCATION AND TRAINING



**Dr Bonginkosi Emmanuel 'Blade' Nzimande**  
Minister of Higher Education,  
Science and Technology

It is my privilege and honour to present – in terms of Section 65 of the Public Finance Management Act, 1999 – the 2019/20 Annual Report of the Services Sector Education and Training Authority (Services SETA) to the Minister of Higher Education and Training, Dr Blade Nzimande.

A handwritten signature in black ink that reads "de Vries". The signature is stylized and cursive.

**Mr Stephen De Vries**  
Chairperson of the Accounting Authority  
Services SETA



**higher education  
& training**

Department:  
Higher Education and Training  
**REPUBLIC OF SOUTH AFRICA**



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DEVELOP AND GROW  
[WWW.SERVICESTETA.ORG.ZA](http://WWW.SERVICESTETA.ORG.ZA)

# PART A STRATEGIC OVERVIEW



# Contents: Part A

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# Abbreviations / Acronyms List

|           |   |        |   |
|-----------|---|--------|---|
| AA        | Accounting Authority  | MOU    | Memorandum of Understanding                                 |
| ABVA      | Association of BEE Verification Agencies                        | MTSF   | Medium Term Strategic Framework                             |
| AET       | Adult Education & Training                                      | NGO    | Non-Governmental Organisation                               |
| AFS       | Annual Financial Statements                                     | NGP    | New Growth Path   |
| AGSA      | Auditor-General of South Africa                                 | NSDS   | National Skills Development Strategy                        |
| ANASA     | Allied Nursing Association of South Africa                      | NSF    | National Skills Fund  |
| APP       | Annual Performance Plan   | OFO    | Organising Framework for Occupations                        |
| APSO      | Federation of African Professional Staffing Organisations       | OPSA   | Association for Office Professionals of South Africa        |
| APR       | Annual Performance Report                                       | PFMA   | Public Finance Management Act                               |
| ATR       | Annual Training Report  | QCTO   | Quality Council for Trades and Occupations                  |
| AQP       | Assessment Quality Partner                                      | RPL    | Recognition of Prior Learning                               |
| BCEA      | Basic Conditions of Employment Act                              | SAIA   | South African Institute of Auctioneers                      |
| BBBEE     | Broad-Based Black Economic Empowerment                          | SAQA   | South African Qualifications Authority                      |
| CBO       | Community Based Organisation                                    | SATAWU | South African Transport and Allied Workers Union            |
| CCMG      | Contact Centre Management Group                                 | SATSA  | South African Textile Services Association                  |
| CEO       | Chief Executive Officer   | SARS   | South African Revenue Service                               |
| CFO       | Chief Financial Officer   | SCM    | Supply Chain Management                                     |
| DHET      | Department of Higher Education and Training                     | SDL    | Skills Development Levy                                     |
| DMASA     | Direct Marketing Association of South Africa                    | SDP    | Skills Development Provider                                 |
| EAAB      | Estate Agency Affairs Board                                     | SETA   | Sector Education and Training Authority                     |
| EOHCB     | Employers Organisation for Hairdressing, Cosmetology and Beauty | SETMIS | Skills Education and Training Management Information System |
| ETQA      | Education and Training Quality Assurance                        | SIC    | Standard Industrial Classification                          |
| EXCO      | Executive Committee   | SIP    | Strategic Integrated Projects                               |
| GAAP      | Generally Accepted Accounting Practice                          | SLA    | Service Level Agreement                                     |
| GRAP      | Generally Recognised Accounting Practice                        | SMME   | Small, Medium, and Micro Enterprise                         |
| HET       | Higher Education and Training                                   | SP     | Strategic Plan  |
| HOTELLICA | Hotel, Liquor, Catering, Commercial and Allied Workers Union    | SSP    | Sector Skills Plan  |
| ICT       | Information Communication and Technology                        | TID    | Technical Indicator Description                             |
| IEASA     | Institute of Estate Agents of South Africa                      | TVET   | Technical and Vocational Education and Training             |
| IFEA      | International Festivals & Events Association Africa             | UASA   | United Association of South Africa                          |
| IPAD      | Industrial Policy Action Plan                                   | WSP    | Workplace Skills Plan                                       |



# Vision, Mission and Values

## Vision

To serve, to deliver,  
for renewal, for  
prosperity

## Mission

Facilitation of quality  
skills development  
for employment and  
entrepreneurship in  
the services sector  
for national economic  
growth

## Values

Accountability  
Innovation  
Integrity  
Professionalism  
Responsiveness





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## Legislative and other mandates

The Services SETA was established in terms of the Skills Development Act of 1998. It receives levy income in terms of the Skills Development Levies Act (1999). The SETA is required to manage these funds in accordance with the terms of the Public Finance Management Act (PFMA) and various regulations emanating from that Act, including Supply Chain Management Regulations. These Acts are amended from time to time and such amendments need to be factored into the work of the Services SETA.

The work of the Services SETA is further guided by the South African Qualifications Act of 1995. This Act provided for the Services SETA to apply to become an ETQA in 2000. This legislation was subsequently adjusted by the National Qualifications Framework Act of 2008, and the 2008 amendments to the Skills Development Act (2008), establishing the Quality Council for Trades and Occupations (QCTO).

The Services SETA is a public entity accountable to the Minister of Higher Education. As a public entity, the SETA must produce a Strategic Plan and Annual Performance Plan (APP) in accordance with Treasury Regulations emanating from the PFMA. As an entity accounting to the Minister, it is incumbent on the Services SETA to respond to the broader government policy and strategy framework.

The National Skills Development Strategy (NSDSIII) provides a framework for the Services SETA to align its work to the New Growth Path (NGP), the Industrial Policy Action Plan (IPAPII), the National Skills Accord and other mandates such as Broad-Based Black Economic Empowerment (B-BBEE). The strategy must also align with other provisions relating to employment equity and the Charter processes in so far as they impact on the services sector.

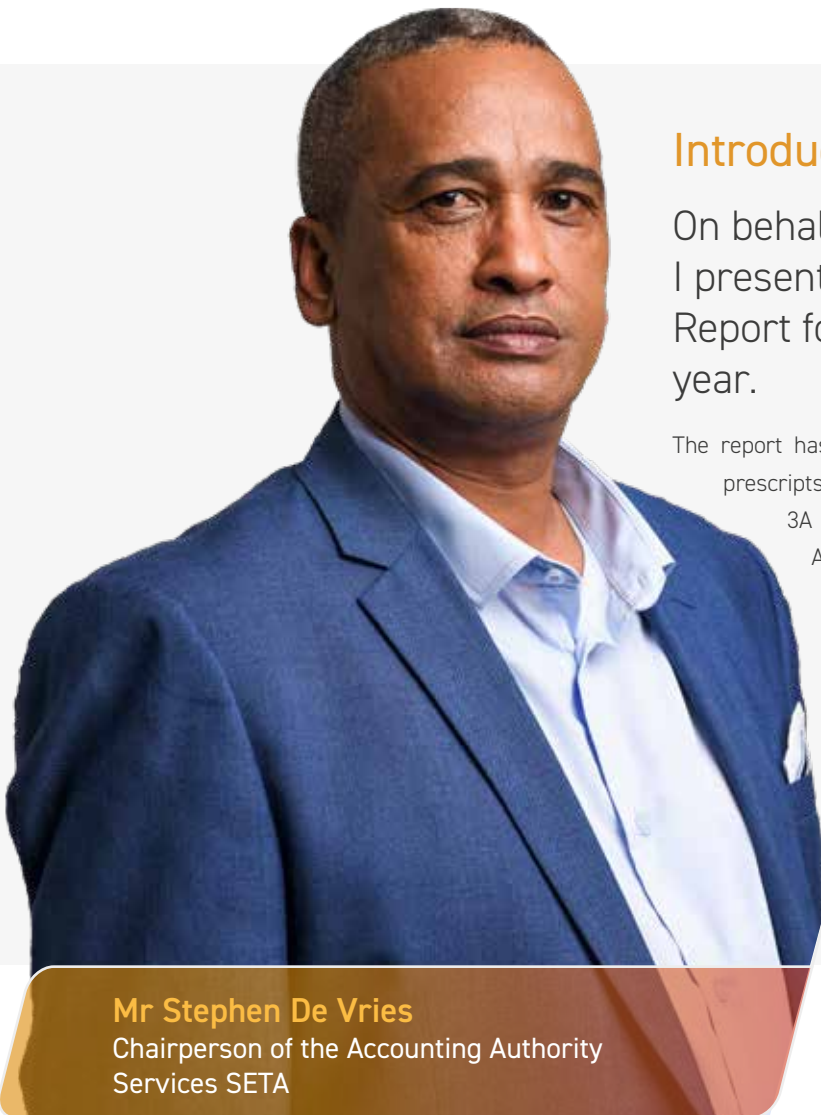
### OTHER MANDATES:

- National Skills Development Strategy III (NSDS III)
- Medium Term Strategic Framework of Government (MTSF)
- National Human Resource Development Strategy
- Youth Development Strategy
- Rural Growth and Development Strategy



# Foreword

## by the Chairperson of the Accounting Authority



**Mr Stephen De Vries**  
Chairperson of the Accounting Authority  
Services SETA

### Introduction

On behalf of the Accounting Authority, I present the Services SETA's Annual Report for the 2019/2020 financial year.

The report has been prepared in accordance with the legislative prescripts that govern public institutions listed in schedule 3A of the Public Finance Management Act. The current Accounting Authority was appointed effectively from 01 April 2020, at a time when South Africa had only just begun grappling with the Covid-19 pandemic which had already claimed many lives across the rest of the world. In a relatively short period, economies started experiencing the devastating impact of lockdown restrictions. Consequently, supporting management to enable business continuity during this challenging time became a primary focus of the Accounting Authority.

*"The Services SETA will continue its mission of facilitating quality skills development for employment and entrepreneurship in the services sector for national economic growth. We recognise the instrumental role that entrepreneurship development will play in reviving and revitalising the economy."*

In the past few months, we have concerned ourselves with developing a deeper understanding of the organisation, its processes as well as the environment in which it operates. We acknowledge that service standards during the lockdown period may not be at the desired levels in some areas of the business. As the Accounting Authority, we are determined to find workable and lasting solutions in consultation with our stakeholders.

## Strategy and Performance Overview

The former Accounting Authority adopted a deliberate strategy *"The Road Less Travelled."* This strategy implies reaching all corners of South Africa, and learners often marginalised in terms of access and infrastructure. *"The Road Less Travelled"* means serving rural communities and enabling learners with disability. This is no easy task and presents continuous challenges, but the potential impact is far-reaching.

The Services SETA made massive strides in developing and deploying systems intended to improve efficiency in its business operations. Among these systems is an eLearning Platform and Invoice Management System. Teething problems are typical when introducing new systems, but stakeholders can look forward to improvements in the future.

The Accounting Authority notes that the overall performance of the organisation declined from 97% in the prior year to 73%. The 24% decrease was primarily due to a shortfall in targets for learner enrolments under Programme 3 (Skills Planning) of the Annual Performance Plan. The regression was due to prioritising exiting of learners from active projects enrolled under NSDS III. In the year under review, the entity continued to verify and manage its high level of financial commitments and implemented tighter expenditure management.

Regrettably, the Auditor-General has issued the Services SETA with a qualified audit opinion for the 2019/2020 financial year. Audit findings that impacted on this audit outcome include misstatements identified in prior and current year balances as well as the understatement of irregular expenditure. Management and the Accounting Authority have already commenced work on the remedial action plan to resolve and prevent repeat findings. Remedial actions include strengthening internal audit capacity, implementing consequence management, curing administrative deficiencies, clarifying interpretation of

regulations, adjusting policy and practice, and improving internal controls.

The outbreak of Covid-19 has been another significant challenge for the organisation. Similar to many other organisations, the Services SETA had to recalibrate its operations, reprioritise its actions and build new online capabilities. We also had to strengthen our health and safety standards to ensure that we safeguard the health and safety of our employees and stakeholders. As the Accounting Authority, we will ensure that we explore all possible measures to support our stakeholders to alleviate the devastating impact of the pandemic.

## Strategic Relationships

As the primary intermediary and facilitator of skills development, the Services SETA needs to establish partnerships with all PSET role players such as sector employers, skills development providers, TVET colleges, universities, and other public and private intermediaries.

During the year under review, the Services SETA partnered with the Gordon Institute of Business Science to deliver an Executive Management Development Programme to build leadership and managerial skills among top levy-paying employers.

We continued to nurture various strategic relationships with government departments and institutions of higher learning as part of implementing our learning and skills development programmes. Most of these projects are long-term, and we remain confident that they will yield the much-needed skills sets for the services sector.

## Short- to Medium-Term Goals

Given the impact of the Covid-19 pandemic and the Skills Development Levy Holiday in the 2020/2021 financial year, the Accounting Authority is mindful of constraints on short-term improvement.

Looking ahead and informed by the National Skills Development Plan (NSDP) 2030 and researched demand, the Services SETA Sector Skills Plan 2021/2022 identifies the following priorities:

- Promoting social and circular economy through entrepreneurship and cooperative development.
- Increasing throughput rates of occupationally directed qualifications through the mobilisation of key industry role players.

- Improving the pipeline of supply by ensuring the relevance of qualifications and capacitation of skills development providers, including TVET Colleges.
- Expanding access to skills development to employees and learners residing in rural and peri-urban communities.

The Accounting Authority will need to consider alternatives for reducing the high level of financial commitments to enable the initiation of new opportunities that will respond to changing sector needs post Covid-19, and which also supports business recovery and business turnaround. The Accounting Authority will focus on organisational performance and closely monitor the implementation of remedial action plans.

The Accounting Authority has identified the need for inclusive and transparent stakeholder engagement to better address stakeholder needs and expectations. We view this engagement as urgent and critical.

## Appreciation and Conclusion

The Accounting Authority would like to thank the Minister of Higher Education, Science and Innovation, and the Department of Higher Education and Training for support and guidance. A special thanks also to the outgoing Accounting Authority, our Audit Committee, the outgoing Chief Executive Officer, our Executives, and our valued staff members for their contributions to the organisation. The Accounting Authority looks forward to working with the incoming CEO in steering the organisation on a path of renewal and recovery.

In conclusion, the Services SETA will continue its mission of facilitating quality skills development for employment and entrepreneurship in the services sector for national economic growth. We recognise the instrumental role that entrepreneurship development will play in reviving and revitalising the economy.



**Mr Stephen De Vries**  
Chairperson of the Accounting Authority  
Services SETA



# Chief Executive Officer's Overview

## Introduction

The Services SETA's 2019/2020 financial year performance shows our organisation's resilience under difficult economic conditions. Our finances have since become healthy following the streamlining of our spending and vigorous project management. Our efforts to improve organisational controls continue.

**Ms Amanda Buzo-Gqoboka**  
Outgoing Chief Executive Officer  
Services SETA

*"As my term concludes, I would like to sincerely thank the Accounting Authority for tirelessly working to ensure that the Services SETA is financially sound and adheres to the highest standards of governance."*

However, as will be shown later in this report, the difficult economic environment that we were in as the sector struggled and thereby affected our levy contributions, coupled with the outbreak of the coronavirus (Covid-19) pandemic, severely affected the organisation's performance.

We remain inspired to make a lasting impact on the services sector as we seek to expand the skills base of all South Africans and more so being alive to the current skills needs that have since been fast-tracked by the pandemic. A skilled citizenry is empowered to participate in the economy.

In the year under review, the reach of our projects has been far and wide. I am particularly pleased that our infrastructure projects managed to reach rural communities across all provinces, where, working with local authorities, learning centres were established. We remain committed to our mission of uplifting and empowering under-represented communities, including disabled learners, cooperatives, and non-governmental organisations, through skills development. Our keen understanding of development imperatives of our country, as outlined in the Skills Development Strategy, motivates us to make interventions with a meaningful social impact for the youth of South Africa.

A notable moment of the past financial year was the coming to an end of the National Skills Development Strategy III (NSDS III). Launched in 2011, the NSDS III aimed to promote the integration of higher and further education and skills development in order to bridge the gap between the world of work and the world of education. Being the last year of the NSDP III, the Services SETA focused on exiting the learners enrolled during this strategic period instead of driving new enrolments.

## Organisational Performance

The Services SETA offered a substantial number of special projects grants and bursaries. We also created infrastructure projects for rural communities; 11 rural development projects were implemented, six more than originally planned. This overwhelming success reflects the Services SETA's commitment to transformation and empowerment. Other key achievements during the financial year under review include:

- support of small businesses and co-ops through enterprise development initiatives.
- higher-than-expected rate of bursars who completed their academic studies (the total number was 2 152 with 1 318 of them being unemployed and 834 employed learners).

- Adult Education and Training (AET) Completed – higher output rate achieved.
- The organisation also overachieved targets for candidacy programmes (industry-specific focus).
- We have managed to integrate our ICT systems and maximised on their capabilities for our stakeholders.

Another significant achievement was the increase in the number of skills development providers (SDPs) who received accreditation. For this to happen, the Services SETA had to go out of the way to help prospective SDPs who had challenges in applying for accreditation. The swelling of the number of SDPs is noteworthy as it increases the Services SETA's capacity to facilitate the provision of the much-needed training programmes nationwide.

Furthermore, the Services SETA contributed remarkably to the industry through the review and realignment of seven historic qualifications (labour inspector, beauty therapy, embalmer, laundry worker, stonemason, small business, and office supervisor) to occupational qualifications.

With the conclusion of NSDS III, our key focus was to drive the completion of learning programmes and the exiting of learners from those programmes, which led to the decline of our overall performance from 97% in the previous reporting period to 73%. This was mostly affected by a deliberate and a strategic move to focus more on exiting learners as the NSDS III was coming to an end.

The organisation also took a strategic approach to ensure that the commencement of projects was aligned to the budget available. Projects were then rolled out in a phased manner, but there were some unavoidable delays to the start of some of the projects.

Another contributor to the decline in the Services SETA's performance was the verification and validation exercises the organisation had to perform this year to ensure the integrity of the data it uses for reporting. Previously, the organisation reported manually.

This process was necessary to ensure accurate, complete, and compliant information aligned to the internal reporting standards including TIDs as well as the Department of Higher Education and Training (DHET) SETMIS. While this transition was a challenging exercise, it was necessary in laying a foundation for better data integrity and compliance for subsequent reporting periods.

## Key projects

I'm particularly pleased that the following projects were either implemented or enhanced in the financial year under review:

- Integration of ICT system and the implementation of the Learner Management Information System.
- Development and introduction of the SETAs eLearning platform.
- Introduction of the Stakeholder Management Platform to enhance our communication with stakeholders.
- Review and improvements in our project management process, to include all key role players and strengthen the learner induction process.
- In-house management of the stipend management system.
- Strengthening the audit management process.
- SMME and Cooperative Capacitation/Support Projects through special projects.
- University of Limpopo Funeral Industry projects – development of qualifications to benefit the funeral industry and the bursaries for learners within the funeral industry.
- University of Cape Town project for research into the haircare industry, learners in the cosmetology industry being absorbed by large industry companies such as L'Oréal.
- Research on Future Jobs with the Services Sector, Research on the funeral industry, Research on the Hairdressing and Beauty Industries, Research and Capacitation of the Auctioneering Industry projects.
- Online platform for Accreditation, External Moderation and Certification (in response to Covid-19 impact).

## Financial Overview and Spending Trends

The Services SETA's revenue remained stagnant, with a total revenue of R1 746 054 versus R1 745 124 from the previous year. There are several reasons for the lack of revenue growth, starting with the composition of the services sectors within the Services SETA scope. The industry largely comprises small and medium enterprises that do not qualify to contribute to the skills levy, making the industry the biggest in size but a small portion of levy contributors.

Added to our challenge was the general economic decline and the increase in the number of companies transferring to other SETAs. The organisation has conducted an in-depth analysis of the factors contributing to the InterSETA transfers out of the Services SETA and we will be engaging current employers to co-develop solutions and better service offerings.

Efforts to curb overspending yielded some results: there was a 32% decline in spending that resulted in a R73 million surplus.

## Capacity Constraints and Challenges

The organisation continues to focus on employee development through the employee bursary scheme. Like many organisations, the Services SETA needs to constantly reskill employees and introduce alternative systems to realise efficiencies. The organisation invested in a number of system enhancements and development of new ones to prepare for the digital era.

All key positions of the organisations were filled except for the two executive positions that remained vacant due to the Department of Higher Education and Training's temporary deferral of filling senior management positions.

## Discontinued Activities or Activities to be Discontinued

There is no consideration of discontinuing activities nor discontinued activities during the period under review.

## Supply Chain Management

The organisation has robust Supply Chain Management (SCM) processes that govern its day-to-day activities. All SCM structures are operational and effective. The organisation did not consider any unsolicited bid proposals during 2019/20 financial year.

## Audit matters

While all efforts were made to ensure effective and efficient financial management and sound controls in line with the Public Finance Management Act, our organisation regrettably received a qualified audit opinion from the Auditor-General due to material misstatements identified related to the opening and closing balances and disclosure notes of the financial statements presented for audit. However, the organisation is currently implementing all risks and audit



action plans arising from the previous financial year. The organisation has committed itself to strengthen its control measures and internal audit processes. A management capacitation programme will be initiated to ensure that the culture of good governance and accountability is instilled and embedded into the day-to-day processes and all key risk areas.

## Difficult conditions

Like any other organisation, the Services SETA was severely affected by the onslaught of coronavirus (Covid-19) and the subsequent imposition of a national lockdown to try to contain the pandemic. As with other countries, our national economy was disrupted. Companies that pay a skills levy that keeps the Services SETA running were given a payment break. As a result, the Services SETA battled to get adequate resources for its operations. As lockdown regulations continue to be steadily relaxed, we are slowly emerging from this difficult period.

## Innovation

While Covid-19 was a devastating blow, paradoxically the pandemic propelled our organisation towards harnessing the use of technology in delivering on its mandate. The Services SETA capacitated skills development providers to offer technology-based learning and has offered support where challenges arose.

## Economic Viability

The Services SETA's economic viability is not at risk and the entity is in a stable financial position.

## Events after the reporting date

The ongoing Covid-19 pandemic threatens to have a negative effect on the Services SETA's future prospects, revenue, project completions and commencements that were planned. Whilst we pride ourselves with the activation of online products in the various areas of our Core Business, challenges remain as we struggle to have the maximum participation from our sector due to ICT infrastructural-related challenges in some communities as we try to ensure that no learner is left behind.

*The organisation continues to focus on employee development through the employee bursary scheme. Like many organisations, the Services SETA needs to constantly reskill employees and introduce alternative systems to realise efficiencies.*

## Acknowledgments

As my term concludes, I would like to sincerely thank the Accounting Authority for tirelessly working and supporting management to ensure that the Services SETA is financially sound and adheres to the highest standards of governance. Over the years, the Services SETA has worked hard to streamline its operations and improve its governance and public image.

Today, we have a dynamic organisation with a clear vision of what it needs to do to upskill South Africans for inclusive economic growth. I would also like to thank all employees who continue to serve the organisation with distinction and integrity. I leave an organisation that has succeeded in forging collaborative links with all stakeholders, employers and industry players. I leave behind an organisation that has integrated and streamlined its processes and systems to ensure efficiencies across the organisation in order to better serve our stakeholders and be responsive. In a year that has seen unparalleled disruption due to a pandemic that no one could possibly have foreseen, everything augurs well for the Services SETA and the services sector as a whole. The time is now that there be renewed focus in supporting the stakeholders beyond the current crisis. The pandemic has demonstrated the fragility of our complex and tightly coupled systems, which could not be protected in the face of the pandemic. As we transcend to new ways of operating against the backdrop of a volatile global economic outlook, of importance for the Services SETA is to now strengthen institutional and stakeholder resilience to ensure that they can continue to operate in a rapidly changing and increasingly uncertain landscape. It has been an honour and a privilege to lead the organisation.



**Ms Amanda Buzo-Gqoboka**

Outgoing Chief Executive Officer  
Services SETA



# Services SETA Sector Profile

## Planning Department

### 1. INTRODUCTORY OVERVIEW

The Planning Department of the Services SETA comprises the Sector Skills and Strategic Planning and Development function; Performance Verification and Reporting Research, Impact Assessments functions, as well as Chamber Operations.

### 2. SECTOR PROFILE

The scope of the Services SETA consists of 70 Standard Industrial Classification (SIC) codes as designated by the Minister of Higher Education and Training (DHET), in terms of the Skills Development Act, 97 of 1998. The services sector is constituted by the following industries:

*Table 1: Sector Breakdown*

| Services SETA Sector Chambers |   |
|-------------------------------|---|
| SIC Code                      | Gazetted Industry Descriptor  |
| 86025                         | Office machinery, equipment and rental leasing                                      |
| 50500                         | Renting of construction or demolition equipment with operators                      |
| 85000                         | Renting of machinery and equipment, without operator and for personal and household |
| 85200                         | Renting of other machinery and equipment  |
| 85300                         | Renting of personal and household goods n.e.c.                                      |
| 99029                         | Function and catering equipment hire  |
| 99035                         | Miscellaneous item hire   |
| 99036                         | Truck hire  |
| 99037                         | Video hire  |
| 99052                         | Truck and plant hire  |
| 99025                         | Dry cleaning and laundering   |
| 99026                         | Garden maintenance services   |
| 99027                         | Domestic services   |

## Services SETA Sector Chambers

| SIC Code | Gazetted Industry Descriptor  |
|----------|---|
| 99002    | General cleaning  |
| 99047    | Pet care  |
| 99018    | Cleaning of carpet and upholstery   |
| 99019    | Cleaning equipment and consumable supplies                                    |
| 9001     | Marketing services  |
| 9002     | Marketing Communications (Incl. Public Relations)                             |
| 9008     | Direct Marketing  |
| 88130    | Market research and public opinion polling                                    |
| 99038    | Brand marketers   |
| 99055    | Call centre management of people  |
| 75110    | National postal activities  |
| 75111    | Banking via post office   |
| 75121    | Mail handling   |
| 88918    | Permanent employment agencies   |
| 88910    | Labour recruitment and provision of staff                                     |
| 88916    | Private employment agencies and temporary employment services                 |
| 88917    | Temporary employment services   |
| 95120    | Activities of professional organisations                                      |
| 95155    | Professional bodies n.e.c   |
| 95991    | Bargaining councils and dispute resolution                                    |
| 95992    | Associations, federations and umbrella bodies                                 |
| 61421    | Import and export of various metals   |
| 88000    | Other business activities   |
| 88141    | General consulting services   |
| 88900    | Business activities n.e.c.  |
| 96490    | Other recreational activities   |
| 99000    | Other service activities  |
| 99014    | Quality management and related services                                       |
| 99016    | NGO management and services   |
| 99015    | Non-financial business management and management consulting                   |
| 99090    | Other service activities n.e.c.   |
| 99039    | Generic project management  |
| 99056    | Event and conference management excluding the operation of convention centres |
| 99022    | Ladies hairdressing   |
| 99023    | Men's and ladies hairdressing   |
| 99024    | Beauty treatment  |

## Services SETA Sector Chambers

| SIC Code | Gazetted Industry Descriptor   |
|----------|--|
| 99041    | Nail technology including nail technologist, nail technicians and distributors and agencies of nail products   |
| 99042    | Non-allied registered perfumery including aromatic oils and related products, perfumery consultants, sales people and agencies of nail products                                    |
| 99043    | Health and skin care incl. health and skin care therapists, stress therapists and somatologists, slimming salons and distributors of slimming products including slimming machines |
| 99044    | Make-up artistry   |
| 99045    | Personal services agencies   |
| 99050    | Distributors of slimming products including slimming machines  |
| 99051    | Distributors of makeup products and related merchandise  |
| 34260    | Cutting, shaping and finishing of stone  |
| 99030    | Funeral and related activities   |
| 99033    | Coffin-making by funeral enterprises   |
| 99034    | Manufacture of Funeral and Tombstones  |
| 99046    | Modelling agencies   |
| 99054    | Fashion design not related to clothing   |
| 50411    | Decorating Business/interior designers and decorators  |
| 84000    | Real estate activities   |
| 84100    | Real estate activities with own or leased properties   |
| 84200    | Real estate duties on a fee or contract basis  |
| 84201    | Real estate valuation services   |
| 84202    | Property management services   |
| 84203    | Estate agencies  |
| 99053    | Valuers, including auctioneers   |

### 2.1. Some of the functions of the chambers:

- Ensure that the Services SETA has relevant, up-to-date information and analysis from the industry to enable it to perform its strategic function of skills planning in the sector.
- Working with industry to strengthen Services SETA's capacity for the supply of skills.
- Ensure meaningful participation of services sector employers in the National Skills Development Strategy through efficient use of resources available for training in the sector.
- Promote effective communication between the SETA and all its stakeholders.
- Educate stakeholders on SETA's offerings and keep them informed on new developments.

- Increasing possibilities of employment for Services SETA learners by exposing them to suitable workplaces during training.

### 2.2. Highlights

Some of the highlights for the period under review include:

#### Partnerships

- Partnership with the Small Enterprise Development Agency (SEDA) through which the Services SETA was given access to SEDA-developed business advising qualifications learning material to accredit skills development providers. The qualifications concerned were FET Certificate: Business Advising Information Support (ID 48883) NQF Level 4 and National Certificate: Business Advising (ID 79886) NQF Level 5.

- The partnership with North West Department of Economic Development, Environment, Conservation and Tourism (DEDECT) to implement self-funded business advisory learning interventions. These were aimed at benefitting unemployed youth and supporting SMMEs within the province with business advisory services.
- Partnership with the CCMA (Commission for Conciliation, Mediation and Arbitration) to provide free training on the New National Minimum Wage to the Services SETA stakeholders.

### The review and realignment of the following into occupational qualifications:

- Labour Inspector, Quality Manager, Quality Assurer, Quality Controller, Quality Inspector, Small Business Mentor/Consultant, Office Supervisor, Market Research Analyst, Embalmer, Stonemason and Beauty Therapist.

### Projects that were implemented by the chambers

- The implementation of hairdressing and beauty short skills programmes in rural Limpopo, North West and Northern Cape aimed at providing unemployed youth with skills that could lead to self-employment.

## 3. RESEARCH

### Strategic Overview

The Planning Department of the Services SETA comprises the Sector Skills and Strategic Planning; Performance Verification and Reporting; and Impact Assessment functions, as well as Chamber Operations. In order to support evidence-based strategic planning and decision-making at the Services SETA, the Planning Department conducts regular research on economic and labour market trends.

#### 3.1. Skills Development and Research

Regarding evidence-based decision-making, the Services SETA sought to look beyond narrow sectoral interests and address broader systemic problems across the economic and education spectra. The following research projects were completed, with a wider impact on the organisation and the post-education and training sector, especially the Sector Education and Training Authorities (SETAs):

#### *(a) OFO Online Mapping Tool*

This online tool has been developed with the assistance of REAL at Wits University. It is meant to simplify access to DHET's Organising Framework for Occupations (OFO) by SETAs' employers, training providers, research institutions and learners. The OFO online tool will improve the use of the OFO, making it easy for users to search and map jobs to occupations. Users will, by way of a search, be able to generate data they could use to map their jobs to occupations or find alternative titles. The online tool is freely available to anyone interested, at [www.ofomapping.co.za](http://www.ofomapping.co.za).

#### *(b) Development of a Cost-Benefit Analysis (CBA) Tool for SETA Projects*

The Services SETA sought to address systemic skills development and planning challenges within the post-education and training sector by evaluating the impact of the investment SETAs have made towards skills development projects and other interventions. Jointly funded by the Services SETA and BankSETA, the study sought to develop a tool for conducting a Cost-Benefit Analysis (CBA) of SETA projects to be used with the high-level Monitoring and Evaluation Framework. While the CBA tool is focused on Work-Based Learning (WBL) projects, its methodology, basic principles and features can also be used for the CBA of other projects undertaken by SETAs. For ease of use, the CBA tool is online and can generate preliminary analysis. It is also accessible free of charge at [www.cbe-tool.co.za](http://www.cbe-tool.co.za).

The following projects are at an advanced stage of finalisation:

#### *(c) Development of High-level Monitoring and Evaluation Framework for SETAs*

Purpose: To develop a high-level Monitoring and Evaluation (M&E) Framework for all SETAs and support all other components of the Research Chair. The framework will be used by the DHET, SETAs and parties appointed to continuously monitor and regularly evaluate the functioning of SETAs and their impact. It will also enable SETAs to be accountable to stakeholders and, in equal measure, to learn from M&E findings in order to increase their positive impact within their spheres of influence.

#### *(d) Evaluating skills development for enterprise development in a township economy*

Purpose: To develop a Monitoring and Evaluation (M&E) Framework for skills development and for enterprise development in a township economy. The framework will enable SETAs to perform contextual diagnostics to assess the probability of favourable outcomes for enterprise development training in different contexts, develop

strategies for creating more enabling environments in designated contexts, and learn from the M&E findings to increase their impact.

*(e) Develop Performance Standards for the assessment of SETA Performance*

Purpose: To develop Performance Standards to be used in the assessment of SETA Performance. It will be guided by the high-level Monitoring and Evaluation Framework and by an evaluation of the existing performance assessment framework(s), in particular the Management Performance Assessment Tool (MPAT).

## 2.2. Research Chair Initiatives and Partnerships

The Research Chair initiatives with Rhodes University's Environmental Learning Research Centre (ELRC) on the development of the SETA-wide Monitoring and Evaluation Framework is ongoing to finalise the three remaining research projects.

In the coming financial year, the Services SETA plans to establish research partnerships with at least one TVET college and one historically poor university to build research and training capacity.



# Core Business



## 1. INTRODUCTORY OVERVIEW

The **CORE BUSINESS** is made up of 11 business units responsible for the primary functions of the Services SETA operations. The business units are interconnected to enable the organisation to fulfil its mandate of facilitating and funding skills development for the services sector. The Services SETA's Core Business also implements quality assurance activities delegated to it by the Quality Council for Trades Occupations (QCTO) in terms of Section 261 (2) of the Skills Development Act (SDA) of 2008.

## 2. QUALIFICATIONS DEVELOPMENT AND MAINTENANCE

The responsibility of the Qualifications Development Unit is to:

- Develop/Re-align/Review Qualifications
- Submit to QCTO for evaluation and registrations

### 2.1. Qualifications Developed/Re-aligned/Reviewed in 2019/2020 Financial Year

- Seven qualifications were developed and re-aligned, and then submitted to the QCTO for evaluation and registration:
  - Beauty Therapy
  - Embalmer
  - Small Business Consultant/Mentor
  - Stonemason
  - Labour Inspector
  - Laundry Worker (General)
  - Office Supervisor
- Three qualifications were brought forward and reviewed from previous financial years based on industry comments and recommendations. These have also been recently submitted to the QCTO for evaluation and registration:
  - Quality Manager
  - Healthcare Cleaner
  - Labour Recruitment Manager

### 2.2. Recommendations

There is a need to design and develop learning material and assessment instruments for registered occupational qualifications and those that have been submitted to the QCTO for consideration and registration.

## 3. ACCREDITATION

The Accreditation of Skills Development Providers (SDPs) is still processed by Services SETA for all legacy qualifications. Skills development providers are expected to first submit a letter of intent to the Quality Council for Trades and Occupations (QCTO) for full qualification accreditation. Recommendations for accreditation are made to QCTO and, therefore, letters of accreditation are issued by QCTO. The council provides accreditation for all occupational-based qualifications. Accreditation of skills development providers has been extended in alignment with the qualification licence.

## 4. MANDATORY GRANTS

The Workplace Skills Planning Unit is responsible for providing technical assistance to skills development facilitators and employers in their submission of Mandatory Grant applications.

The Learner Management Information System (LMIS) module for submission of Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs) was opened earlier in January 2019 to give stakeholders sufficient time to submit their WSP/ATR data before the legislated deadline. Workshops were conducted in all provincial offices and trained provincial personnel were onsite to provide technical support thereby improving the quality of submissions.

The technical support intervention made an impact on the number of WSPs/ATRs submitted. The support interventions reduced by 22% from the previous year result of 733 to the current year's result of 600. This change indicates that more of our skills development facilitators are getting familiar with our online WSP portal.

## 5. LEARNING INTERVENTIONS PROJECT CO-ORDINATION (LIPC)

The **Learning Interventions Project Co-ordination Department (LIPC)** is responsible for the oversight of the Discretionary Grant-funded projects of the Services SETA.

The key participants in the discretionary grant process are:

- Learners
- Lead Employers
- Host Employers
- Skills Development Providers (including assessors, moderators and course facilitators)



As part of the Core Business department, the LIPC represents the Services SETA and its project management role. The department acts as an interface between the employer, skills development providers and learners.

The main function of the department is to ensure that all Discretionary Grant projects are implemented successfully and learners are exited after gaining the required workplace experience and qualifications.

Project coordinators partner with skills providers to ensure the smooth running of projects across various project milestones.

LIPC works together with the Provincial Operations Unit in the implementation and monitoring of projects to enable entities to access Services SETA's services.

### 5.1. Learning Interventions Project Co-ordination (LIPC) – change of systems

#### Learner Management Information System (LMIS)

The LIPC Department moved from using the Project Learner Reporting Tool (PLRT) to using the Learner Management Information System (LMIS).

The system can facilitate the following:

- Allows entities to upload all suspensive clause documents mentioned on the offer letter by the specific deadline.
- Online Quality Assurance of learner documents.
- Approval of compliant learners.
- Issuing of commencement letter.

#### Contract Management System (CMS)

The Contract Management System (CMS) is designed to facilitate the requisition of contracts through the online system, which are then submitted to the legal department for drafting once approved by the immediate departmental manager.

On the system one can:

- Request drafting of the contract once a commencement letter has been issued;
- The request then either gets approved or declined by the immediate manager;
- If approved, the request is sent to the legal department for drafting;
- Once drafted, a contract is issued, with an email sent

directly to the entity to log in and sign the contract online; and

- Once the contract is signed by the entity, they will submit it via the system and it then gets sent back to the legal department for the CEO's signature.

Once all parties have signed the contract, a copy is distributed to both internal and external stakeholders.

## 6. ARTISAN DEVELOPMENT

Apprenticeship training is customarily a three-year engagement culminating in a trade test following three years of training. If candidates are competent in a trade test, they earn the accolade of qualified artisans. The training and production of qualified artisans is a national priority, hence all SETAs are expected to fund apprenticeship projects.

Qualified artisans are needed for the construction of the government's Strategic Integrated Projects (SIPs). Investment in infrastructure development would result in a need for trained and qualified artisans, creating much-needed jobs. The first large cohort of apprentices trained by the Services SETA progressed to their third year of training in 2019 and they are expected to undertake their trade test assessments towards the second half of 2020.

Alternative strategies that would benefit both learners and communities they come from are required in the implementation of projects. One such project was implemented in far-flung villages in the North West. Villages require proper housing and are experiencing a shortage of trained artisans in bricklaying, carpentry and plumbing. Qualified electricians are also in short supply. All things considered, the idea of linking learners in need of experiential training with communities in need of trained artisans in the economically depressed villages was a sound one. Villagers were also accepting of learners coming from outside the area, provided that approval was granted by local chiefs, and communities were alerted of their presence and purpose. The learners took part in the building of houses, a church, a school and a retail shop. Even though some of the structures were not completed when the learners left the village, they had gained sufficient experience and more than 61% of them attained their trade test, with the remainder either awaiting their turn or due for a second attempt at trade testing.

The Services SETA is also taking part in the Centres of Specialisation, a project piloted by the Department of Higher Education and Training. This is an apprenticeship pilot project whose primary purpose is to address the demand for priority trades needed for the implementation of government's National Development Plan and the National

Infrastructure Plan. It also seeks to assist in the building of capacity of the public Technical and Vocational Education and Training College system to deliver QCTO trade qualifications and foster working partnerships between TVET colleges and SETAs.

## **7. UNFUNDED (INDUSTRY-FUNDED) LEARNING INTERVENTIONS**

Under the SETA Workplace-Based Learning Programme Regulations (2018), the Services SETA Industry-Funded Unit is responsible for processing the registration of learners on learning interventions for employers that fall within the scope of the Services SETA. These registrations are processed and managed through the Services SETA Learner Management Information System.

The Department of Higher Education & Training (DHE) only registers learning interventions before their commencement, and does not monitor the implementation of the projects until they have been completed. This means that the department does not keep track of the projects it registers. The disadvantages of not monitoring these projects are:

- An inability to confirm if the learners registered have enrolled with the relevant SETAs;
- An inability to confirm commencement of the learning interventions registered;
- An inability to track the implementation of learning interventions registered;
- An inability to track the learning interventions that have closed off; and
- Employers can claim for tax rebates and improve their BEE scorecards for projects that may actually not have been implemented.

The current focus of the Industry-Funded Unit has been the administrative processes of the regulations that govern it. The department will be introducing a project management model for monitoring and coordinating of projects similar to that being used by other Services SETA departments for funded projects to address the challenges mentioned above.

## **8. CONSTITUENT ASSESSORS AND MODERATORS**

In support of the SDPs assessment and internal moderation human resources requirements, the Services SETA registered 2 130 assessors, as well as 615 moderators across its active historic qualifications, during this reporting period. Qualified and competent assessors and moderators were among the major pillars for the increased number of

learners who were successfully certificated by the Services SETA.

## **9. EXTERNAL MODERATION**

The External Moderation Unit experienced a higher-than-usual volume of requests for external moderation and certification services during the 2019/20 financial year. This increase was as a result of increased Discretionary Grant funding allocated during the 2018/2019 financial year, and Skills Development Providers (SDPs) cleaning up their certification backlogs from the previous years, dating back to 2014/2015.

During the year under review, 333 SDPs applied for external moderation for both full qualifications (leading to the printing of certificates for the competent learners) and skills programmes (leading to the issuing of statements of results to the competent learners).

In total, there were 2 144 Learner Achievement (LA) numbers issued. LA number is a special code of classes that the SDPs submit for external moderation. The 2 144 LA numbers had a total of 23 155 learners who went through the external moderation process.

## **10. CERTIFICATION**

During the 2019/2020 financial year, the printing of certificates and issuing of statements of results were based on external moderation conducted during 2019/2020; 2018/2019 and the previous financial years due to the clearing of certification backlogs caused by several factors over the years. As a result, a total of 76 104 certificates and Statements of Results were printed and issued. The outbreak of the Covid-19 pandemic has expedited the adoption of eLearning in earnest during the 2020/2021 financial year. This could result in faster turnaround times for facilitation and learning, leading to a greater demand for external moderation and certification of learners. The Services SETA has, in anticipation of this eventuality, developed an eLearning platform to assist SDPs in delivering eLearning programmes. The Services SETA continues to support SDPs as they grapple with various challenges of implementing technology-based training.

## **11. PROVINCIAL OPERATIONS**

### **11.1. Outreach Programmes**

Throughout the year under review, Provincial Operations Unit planned and conducted interventions relating to career guidance to reach out to school-going youth in both

peri-urban, rural and remote areas of the country. These interventions relate to school-focused and community-based career events and school visits that seek to enlighten the youth, including youth not in employment, education and training (NEET) on opportunities provided by the post-school education and training sector. In addition, the unit supported other outreach programmes initiated by various government departments with the same objectives.

## **11.2. Stakeholder Education and Technical Support**

Stakeholder education is one of the key programmes of the Provincial Operations Unit. To this end, the unit conducted face-to-face and online stakeholder education sessions aimed at increasing services sector capabilities by supporting and capacitating employers and learners in relation to the supply side of the Services SETA's value chain. These sessions included, among others, supporting employers to submit Workplace Skills Plans (WSP) and Annual Training Plans (ATR) – as required by the Skills Development Act 97 of 1998 – for the processing of mandatory grants.

Other areas of support included providing technical support to lead employers on the use of the Learner Management Information System (LMIS) to enrol learning projects and facilitate improvements in project management and

reporting. One of Services SETA's key strategic goals is improving the stock of skills through increasing learner enrolments on occupationally-directed intermediary learning programmes. As a result of the decommissioning of previously used unintegrated and manual data management systems and platforms, it was necessary to provide stakeholder education and technical support to help in the transition of learning projects from data into the LMIS on learning.

## **11.3. Representation and Participation of Services SETA in SETA and Provincial Government-led Forums**

The Services SETA, through its provincial operations nodes, participated in Provincial Skills Development forums established to fulfil the strategic objectives of the Human Resource Development Council South Africa (HRDC-SA) at provincial level. Other areas of representation include the InterSETA dialogue; the Post-School Education and Training (PSET) college sector, particularly the Community Education and Training; and other local government-led engagements. Here, the organisation shared its offerings and skills development interventions pursuant to partnering in the integrated delivery of skills development interventions.



# Office of the CEO



# 1. Special Projects

## 1.1. Introductory Overview

The 2019/2020 financial year marks the end of the National Skills Development Strategy III. This era provides the organisation with an opportunity to reflect on the impact it has made in its effort to increase access to training and skills development opportunities to address inequalities linked to class, race, gender, age, and disability in our society.

Through the Office of the CEO, the organisation offered special projects grants, bursaries, and created infrastructure projects for under-represented communities such as rural communities, disabled learners, cooperatives, and non-governmental organisations.

## 1.2. Learning Programmes

The Special Projects Unit enrolled a total of 2 609 learners comprising youth, females, and people with disabilities. More than 50% of learners enrolled were from rural areas: females accounted for approximately 50% of the total enrolment and approximately 17% represented disabled learners. While the organisation invested in programmes to benefit these communities, more focus should be given to disabled communities.

The unit is proud to report a throughput of 81,65% for its flagship New Venture Creation (NVC) Programme. This comprises 1 210 learners out of 1 482 learners who were enrolled for the NVC programme in the 2018/2019 financial year. Of the 1 210 learners, 402 of them managed to start and register their own businesses. A total of 1 210 learners completed their NVC learning programme.

## 1.3. Provision of workplaces

The Services SETA put its money where its mouth was when it hosted 30 learners who were in the Business Administration and Hygiene and Cleaning Learnership Programme. The initiative was part of the Services SETA's Skills Development Initiative to act as a host employer to

address challenges facing military veterans. The project was undertaken in partnership with the Azanian People's Liberation Army Military Veterans Association (APLAMVA). Host employers provided much-needed support so learners could secure workplaces for experiential learning. The learners were placed across the Services SETA's business in the head office and have since completed their qualifications and are now certified. This project was in support of the national government's commitment to support military veterans for their contribution to the realisation of a peaceful and democratic South Africa.

## 1.4. SMME Development

One of the barriers to entry in the supply of skills to the SETAs is accreditation. Small and emerging businesses, especially in rural areas, struggle to meet the requirements and standards to acquire accreditation. The SMME Accreditation Support Programme launched in 2018 aimed to close this gap by providing support to the SMMEs for the successful accreditation application. More than 68 small to medium companies participated in the programme and achieved their accreditation status in 2019/2020. The organisation prioritised North West, Mpumalanga and Limpopo as key provinces to benefit from the programme during the year under review. The Services SETA views these programmes as a win-win for it and businesses since the Services SETA depends on adequate accredited skills development providers to roll out its projects. Increasing access and providing opportunities to these SMMEs is not only good for business but is the right thing to do.

Another project the Services SETA rolled out under the Special Projects Unit in 2018 was the SMME Discretionary Grants (DG) Implementation Support Programme. The programme provided skills and support to small and medium companies to effectively implement DG programmes funded by the Services SETA. More than 147 entities participated in this programme.

## 2. Infrastructure Development

Learners from lower-income families face many challenges and struggle to access education due to a lack of information and associated costs of learning such as tuition fees, books, data, availability of learning facilities, and workplaces to get experience from. This situation feeds a cycle of poverty and inequality. Many of the learners in rural areas end up giving up and losing hope of a better future. Some learners have had to move to urban areas or to other provinces to access learning opportunities. With this in mind, the Services SETA Board invested in the establishment of the Services SETA Bursary Scheme and skills development centres in rural areas and townships in partnership with municipalities, traditional authorities, NGOs and other community structures to help uplift learners and indigent communities. The construction of skills development centres further

helps create seasonal work for local communities as the majority of general workers are sourced from these local communities. Additionally, these projects provide artisan learners with valuable practical experience to sharpen their skills. The practical construction has been completed for the Greater Kokstad and Sakhisizwe skills centres. The Greater Kokstad Municipality will work closely with the Community Education and Training to offer community-based education and training. The centre is commissioned to cater for about 300 enrolments a year in different skills or trades: personal care, construction and welding. The Sakhisizwe Municipality took delivery of the skills development centre that will provide the Cala community with a vital learning facility in the area. The nearest learning institution is Ikhala Public TVET College in Queenstown, 300km away.

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## 3. Bursaries

South African youth, especially those who are poor, struggle to obtain access to tertiary education due to the high cost of education. The Services SETA Bursary Programme is one of the learning programmes the organisation offers to employed and unemployed learners. The programme aims to fast track South Africa's skills production for the 21st century by funding learners studying towards a career in some of the scarce skills that the organisation identifies in its Sector Skills Plan. Bursaries awarded are towards qualifications that address critical and scarce skills in the services sector and its subsectors. The Services SETA Bursary Unit provides funding to qualifying learners from the first year of study until completion for students who meet the annual academic performance of 75% for all registered modules.

The number of learners entered in an academic year comprises of new bursars as well as students progressing to the next levels of their studies. Some students secure better funding from other institutions and drop out of the Services SETA bursary programme while others quit because of poor academic performance. During the 2019 academic year, 16% of the learners dropped out of the programme. The Services SETA partners with universities and colleges to roll out the bursary programme and pays for studies directly to the institutions. The Bursary Unit intends to strengthen its

relationship with the universities to ensure that students are not negatively affected by delays in payments and submission of required documents.

Out of the total of 4143 learners who were entered into the programme for the 2019 academic year, the Services SETA settled academic fees for 84% of students due to the 16% dropout rate. Of the funded learners, 62% of the learners completed the 2019 academic year. The unit aims to increase the bursary throughput rate through focused interventions with institutions.

The Services SETA partnered with the Confederation of Associations in the Private Employment Sector (CAPES) to fund the development of two labour-related qualifications for employed learners that were recruited from 54 small businesses through the Labour and Collective Services Chamber. The NQF 7 Employment Services Management Development qualification consists of seven modules and targeted employment services professionals as beneficiaries. The Employment Services Business Management qualification is an NQF Level 5 qualification directed at recruitment practitioners. Both qualifications were developed by the Wits Business School as short courses accredited with the Council on Higher Education (CHE). A total of 207 learners completed the courses. The programme achieved a success rate of 83%.



# Information Communication Technology



Over the past few years, the Services SETA has been on a journey to automate and digitise its business processes aimed at delivering a better customer experience and adhering to good governance. The organisation developed several systems and applications to improve communication, engagement, and business efficiencies. These developments range from minor tweaks with a potential to make a big difference to highly sophisticated applications using the latest information technologies. Stakeholder feedback was also key to championing some of the solutions that the organisation has created through its Information and Technology (ICT) department.

ICT achievements are categorised into ICT Governance, Infrastructure and Applications Architecture:

## 1. ICT Governance Architecture

Notable achievements in ICT Governance are summarised as below:

- Approved ICT Governance Framework
- Approved ICT Strategy and Implementation Plan
- Approved ICT Steering Committee Terms of References
- Approved ICT Universe of Policies
- Established Change Management Board
- Established Project Management Office

## 2. ICT Infrastructure Architecture

Notable achievements in ICT Infrastructure are summarised as below:

- Deployment and Configuration of new Aruba Campus Core Switch and Aruba Network Management Applications
- Deployment and Configuration of HPE 180TB Store Once Data Centre Storage
- Deployment and Configuration of HPE Gen 10 Hosts Servers for Cluster 2 and Cluster 3 Add Hyper V Hosts from 3 to 9
- Migration of Legacy Estate Servers from VMware to Hyper V Live Environment
- Migration of some of the Externally Hosted Applications into Services SETA Owned Data Centre/s
- Vodacom Unified Telephone & Data MPLS, VPN & APN Nationwide roll out
- Enhanced Manage Engine Suite Deployment and Configuration
- Acunetix and Nessus Deployment and Configuration
- Upgraded Mimecast Email Gateway to M20 Advanced Threat Protect
- HPE Environment Assessment
- Deployment and Configuration of Interactive Media Projection Equipment for Boardrooms with Video Conferencing Capabilities
- Migrate Servers to 2012/6/9 and Endpoints to Windows 10
- Restructured VEEAM Protected Backups Environment



## 3. ICT Applications Architecture

Notable achievements are highlighted as below:

### Website – [www.servicesseta.org.za](http://www.servicesseta.org.za)

The Services SETA launched its improved website, creating a more user-friendly portal that enables simplified interaction between the Services SETA and its stakeholders. The website is now a gateway for stakeholders to access other Services SETA systems such as the Learner Management Information System (LMIS), DG Grants Application and the Invoice Management System. Additionally, the website also enables stakeholders to provide feedback and lodge complaints online.

### Stakeholder Communications System

During the reporting period, the Services SETA deployed a Stakeholder Communication System that allows simultaneous broadcast of messages to stakeholders as well as tracking and archiving of all communication previously sent. The system improves our interaction with stakeholders.

### Learner Management and Information System

The **Learner Management and Information System** has been enhanced to promote a strong, yet user-friendly **collaborative environment for all stakeholders** throughout the lifecycle of all learning programmes. The system also allows for proper documentation, verification and compliance when learning programmes commence. These efficiencies have already been realised and are evident with the record number of more than 41 000 certificates and registrations using new bulk printing features.

### eLearning Platform

In preparation for the learning environment in the course of the Fourth Industrial Revolution, the Services SETA introduced an **eLearning** platform to cater for the changing needs of learners. The eLearning platform has been piloted with a group of training providers.

The platform expands the Services SETA's reach and accessibility of learning programmes. It is also cost-effective as it does not require travel to the classroom. The platform also allows for interactive content to be delivered at a self-controlled pace via a computer or a mobile device.

### Invoice Management System

The Invoice Management System (IMS) strives towards the efficient processing of invoices. It is a dynamic system that provides transparency and keeps track of the payment process and keeps suppliers updated on the payment progress. The system also ensures that the Services SETA complies with the regulated 30 days' payment threshold for invoices.

This is consistent with our commitment of ensuring the sustainability of our suppliers and our quest to be catalysts for growth in the services industry.

We are excited about these developments and we look forward to serving all our stakeholders much better and faster than ever before, helping to accelerate much-needed growth and development in our society.



# Entrepreneurship and Cooperative Development Institute (ECDi)



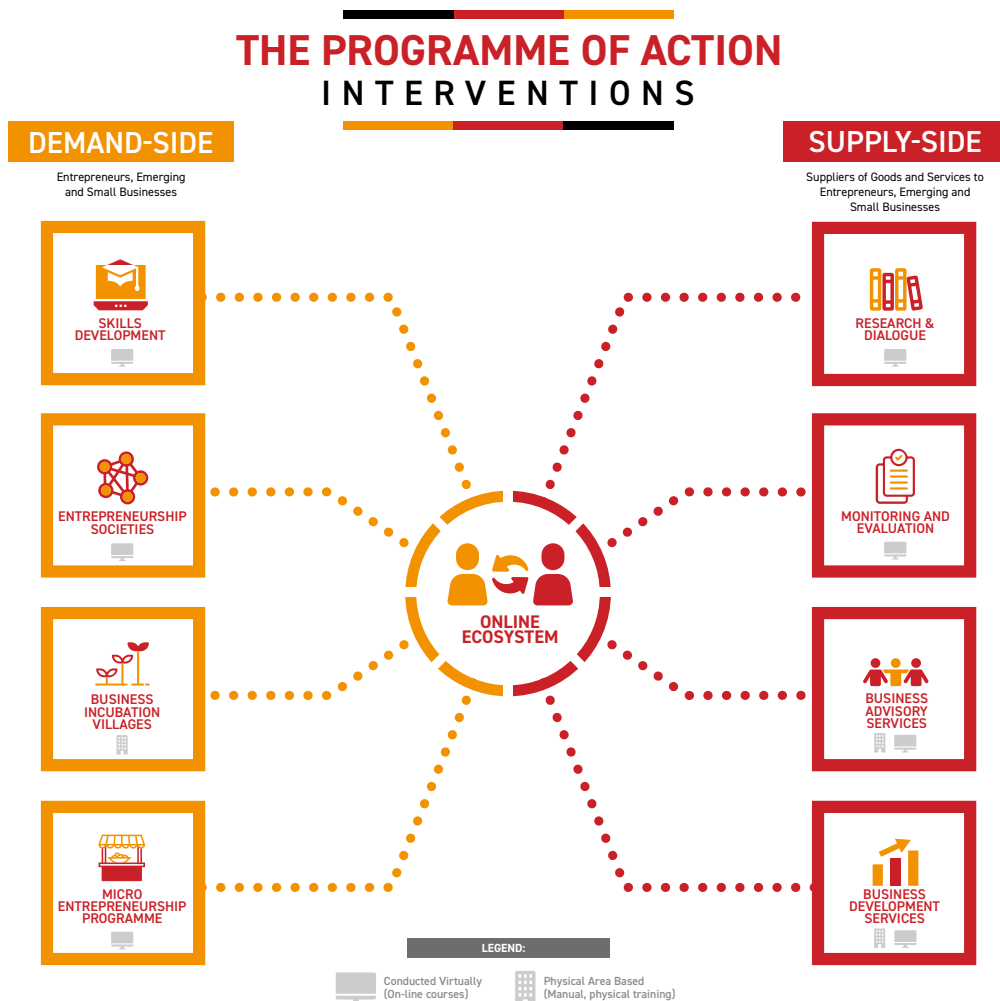
# Introductory Overview

The Services SETA Accounting Authority announced the establishment of the Entrepreneurship and Cooperative Development Institute (ECDi) and its adopted Programme of Action on 1 March 2018 at the inaugural conference attended by more than 500 stakeholders.

The Programme of Action conceptualises the development of new and innovative skills development content, programmes and services to be offered to emerging entrepreneurs and SGBs (Small and Growing Businesses) through business development services providers and/or online. All types and categories of entrepreneurs, of all sizes and at different stages of their business life cycle, stand to benefit, including social entrepreneurs, township entrepreneurs, rural entrepreneurs and cooperative entrepreneurs. Instilling entrepreneurial mindsets and developing entrepreneurial skills across all nature of the entities will promote the innovation needed to achieve new business development, jobs and sustainable growth.

In 2018, a new division was established within the Services SETA to lead the design, development, testing and implementation of the ECDi Programme of Action. The high-level of financial commitments in 2018/19 and 2019/20 significantly impeded the Services SETA's ability to adequately resource the ECDi Division and its work. In 2018/19, plans to build the Institute in Centurion, north of Johannesburg, were deferred. In 2019/20, bids to procure professional services for the development of two out of the nine programmes could not be awarded, and two business incubation sites were recommended for redirection to other partners.

Despite these challenges, the small team continued to work on strengthening partnerships and facilitating stakeholder dialogue. Before sharing achievements, here is a reminder of the ECDi Programme of Action Components:



# Strengthening Partnerships

## Small Business Portfolio

In December 2017, a Memorandum of Understanding (MOU) was concluded between the Department of Small Business Development (DSBD), Small Enterprise Development Agency (SEDA), Small Enterprise Finance Agency (sefa) and the Services SETA (Sector Education and Training Authority). Areas of collaboration include the Services SETA's ECDi and other joint projects and programmes agreed between two or more parties. The partnership is effected through a Joint Steering Committee that meets quarterly. Quorum challenges experienced during 2019/20 and the expiry of the MOU on 31 March 2020 led to the parties conducting a joint evaluation of achievements and challenges. Parties expressed a commitment to renew and strengthen the partnership in the forthcoming financial year.

## Skills Development Portfolio

In June 2018, the Services SETA and Department of Higher Education and Training resolved to establish an InterSETA Committee to support the design and development of the ECDi Programme of Action. This collaboration sought to enable early involvement, adoption and implementation of innovative skills development content and programmes to better support the needs of entrepreneurs and Small and Growing Businesses (SGBs). Seven other SETAs are participating at this initial stage, namely AgriSETA, Cathsseta, EWSETA, fp&mseta, LGSETA, merSETA and W&RSETA. The intention is to bring all SETAs on board over time. Despite the collaborative partnership document only being signed between December 2019 and February 2020 by all the parties, the InterSETA Committee has met quarterly since 1 August 2018. The introduction of new SETA entrepreneurship-related annual performance targets has generated even more opportunities to collaborate, and share approaches and practices.

## Stakeholder Dialogue

One of the objectives of the Research and Dialogue Programme of the ECDi is the establishment of Communities of Practice to disseminate information and research, share best practice and engender ongoing ecosystem dialogue that informs policy formulation, programme design and practical implementation. This seeks to address a lack of information sharing and dialogue that has contributed towards collective failure. Communities of Practice are subject-specific,

focusing on identified aspects of entrepreneurship and small business development, and convene regular engagements to exchange information, research, methodologies and practices.

Aligned to the phased ECDi development plans, the first two Communities of Practice established were for Research, Monitoring and Evaluation, and Business Advisory Services. Stakeholder briefing sessions helped to shape a common understanding on the role and purpose of Communities of Practice, criteria for participation, key stakeholders, rules of engagement, and topics or themes of interest. Quarterly structured dialogues would use an online platform to enable inclusivity and access. LinkedIn Groups created would enable ongoing interaction and information sharing.

Communities of Practice create common learning spaces for expert practitioners and policy makers to connect, share and engage about models, practices and experiences. Through these engagements, Communities of Practice deepen knowledge, foster innovation and improve policy and services for business development. In short, Communities of Practice are effective learning networks.

Following the inaugural online engagement in the previous financial year, the Research, Monitoring and Evaluation (RM&E) Community of Practice convened three times in 2019/20 – on 28 June 2019, 18 September 2019 and 5 March 2020. Targeted participants included Research and Monitoring and Evaluation practitioners and policy makers operating in the South African entrepreneurial ecosystem.

The first series of dialogues focused on contributing towards the development of a national small business and entrepreneurship research agenda. The Department of Small Business Development presented outcomes from a diagnostic review of 129 research reports related to the small business sector assessing quality, validity and relevance; the status of implementing recommendations; and possible research gaps. The dialogue debated challenges of access to research and identified universities as a critical source. At least 21 of the 26 public universities reportedly offer postgraduate programmes that produce entrepreneurship and related research output, which could amount to as many as 300 research reports per annum. Later engagements targeted participation from public universities

to understand qualification and research formats, capacity to supervise entrepreneurship research, topic selection, value and use of research outcomes and research gaps. These online engagements will continue into the forthcoming financial year, promoting collaboration to broaden access to university research.

During these online engagements, the Department of Planning, Monitoring and Evaluation also presented the methodology of evidence synthesis used to map evidence for policy development. The evidence map produces a matrix of sourced literature categorised into interventions and focus areas. The Department of Small Business Development also shared its approach to monitoring and evaluation. Future discussions will explore the development of a national sector-wide small business and entrepreneurship monitoring and evaluation framework.

The first series of dialogues focused on improving the quality of business advisory services. Professional bodies presented professional designations, competency frameworks, behavioural standards, qualifying requirements, and progression pathways. The depth and breadth of competence determines the level of practitioner. The dialogue explored the availability of qualifications specifically designed for business advisors and the status of realigning the occupational qualification for small business consultants, learning preferences, and the role of mentors in supporting the experiential learning of business advisors.

Dialogue on the draft discussion paper on "Improving the Quality of Business Advisory Services in South Africa", which was jointly issued by the Department of Small Business Development (DSBD), Small Enterprise Development Agency (SEDA), SEED and the Services SETA in April 2019, sparked a lot of debate on terminology. Attempts to achieve consensus on occupational terminology were marginally successful. Different perspectives on whether business consultant and business advisor are the same or different remain. Continued dialogue may resolve this over time. The term small business advisor may provide interim relief. The

value of using the Community of Practice as a platform to build consensus among industry role players cannot be overemphasized.

Developing a Continuing Professional Development (CPD) framework, service standards and assessing the impact of technology on the occupation and service delivery emerged as future themes.

**Special Engagements with Entrepreneurs** – to commemorate the 2019 Global Entrepreneurship Week (GEW) and in cognisance of *Nothing About Us Without Us*, the ECDi hosted online conversations with social and township entrepreneurs on 19 and 21 November 2019 respectively. Due to capacity constraints, these engagements replaced the Communities of Practice quarter three online engagements.

Recognising challenges of connectivity and devices, four local partners hosted a group of entrepreneurs at mobile outreach sites namely:

1. Township Entrepreneurs Network (TEN) – Tsakane
2. eKasi Entrepreneurs – Soweto
3. Township Entrepreneurs Alliance (TEA) – Tembisa
4. Trevor Huddleston Memorial Centre – Sophiatown

These engagements produced many insights, facilitating a better understanding of the challenges facing entrepreneurs. The ECDi hosted an engagement of support intermediaries on 11 February 2020 to reflect on opportunities for enhancing support to entrepreneurs, which resulted in the following mindset shifts:

- The need to differentiate the entrepreneurial ecosystem from the entrepreneurial support ecosystem.
- The need to shift control back to entrepreneurs to achieve real empowerment and ownership of action.

The above led to some ground-breaking developments planned for the forthcoming financial year.

## Other highlights for the ECDi:

- Jointly presented the draft discussion paper on "Improving the Quality of Business Advisory Services in South Africa" at the Annual SEED South Africa Symposium on 3 April 2019.
- Presented the ECDi Programme of Action to the South African Commerce Deans Association (SACDA) on 7 June 2019.
- Panellist on the Youth Employment and Entrepreneurship discussion at the fifth edition of The Directors Event on 28 June 2019 – regarded as South Africa's biggest board meeting.
- Participated in the Department of Small Business Development (DSBD) roundtable hosted on 23 July 2019, assisted by the Development Policy Research Unit (DPRU) of University of Cape Town and supported by the European Union-funded Capacity Building Programme for Employment Promotion (CBPEP).
- Presented at the sixth edition of African Entrepreneurship Conference held between 3 and 4 October 2019.
- Between 29 October and 28 November 2019, the ECDi co-presented seven provincial stakeholder engagements, together with the Department of Small Business Development (DSBD) and Small Enterprise Development Agency (SEDA). Funded by the Ecosystem Development for Small Enterprise (EDSE), a project of the European Union, the engagements led to the presentation of the discussion paper on "Improving the Quality of Business Advisory Services in South Africa".



# Enterprise Risk Management



# Enterprise Risk Management

The Enterprise Risk Management (ERM) serves to support the governance, risk and compliance framework of the Services SETA to ensure that the organisation reliably achieves objectives, addresses uncertainty and acts with integrity. Enterprise Risk Management enjoys the support of the Board and the CEO, who demonstrate the importance of a risk-based culture, along with management.

For the past five years, the Services SETA has been committed to ensuring that the organisation complies with organisational-approved Risk Governance Framework. The framework includes methods and processes used to manage risk and seize opportunities related to the achievement of our objectives, and is a risk-based approach to integrating concepts of internal control and strategic planning.

Quarterly risk progress reports were submitted to the Governance Risk and Strategy Committee and the Audit

Committee on time to enable them to exercise their oversight responsibility. Internal Audit conducted an effectiveness audit of the Enterprise Risk Management process and reported that risk management was firmly embedded in the institution, and that metrics to measure the value-add of risk management were in place.

The ERM is constantly scanning the environment for emerging risks. The unit actively participated in the compilation of the organisation's workplace readiness strategy and workplace plan following government's declaration of national disaster on 15 March 2020 due to the outbreak of the coronavirus pandemic.

The Enterprise Risk Department is dedicated to providing assurance to the Board, and guidance and support to the CEO and the rest of the organisational management team.





# Transformation



# B-BBEE - Transformation

## 1. TRANSFORMATION OVERVIEW

As the Services SETA, we consider Broad-Based Black Economic Empowerment (B-BBEE) and transformation vital to achieving our mission. We are best at what we do as an organisation and continually strive to ensure that our beneficiaries, who are the majority of the South African population, equitably enjoy the prospects and opportunities available in the country so they could lead meaningful lives. Our transformation mandate is to ensure that the empowerment of Previously Disadvantaged Individuals (PDIs) and groups is central to our daily operations. Our approach ensures compliance with all related regulations that seek to promote transformation and equity.

The Services SETA has a standing Transformation Committee that meets on a quarterly basis and reports to the Accounting Authority. The mandate of the committee is ensuring compliance with the B-BBEE Codes of Good Practice and ensuring the transformation of undiversified industries within the services sector. In addition, the organisation has a competent resource that provides strategy and guidelines on achieving BEE targets and provides project management on targeted interventions.

The Services SETA is being measured on the Generic Specialised Scorecard as gazetted by the Department of Trade and Industry (Dti). We are currently a Level 3 BEE contributor, with an enhanced procurement level of 110%. The BEE certificate expires on 30 October 2020. The organisation has also successfully submitted its B-BBEE Compliance Report to the B-BBEE Commission.

## 2. MANAGEMENT CONTROL - EMPLOYMENT EQUITY

Our Accounting Authority is represented as follows: 73% Africans; 7% Indians; 7% Coloureds and 13% Whites. The score under this element has been favourable over the past years. However, as an organisation, we strive to achieve the economic active population targets under this category as guided by the Department of Labour.

As the Services SETA, we are cognisant of the fact that equity must be mirrored in our human capital. We are also aware that diversity needs to be embraced throughout our organisation and that all employees must be treated with respect and dignity. As such, our workplace is free from any

form of discrimination and measures are in place to deal with any potential unfair discrimination. The entity has a well constituted Employment Equity Committee that also deals with the skills development element. The committee recently completed the organisation's Employment Equity Plan whose expiry date is in line with the licence duration of the SETAs: 2025. The plan stems from a robust and successful workplace analysis to identify barriers to employment equity and offers a chance to explore solutions.

We are optimistic about achieving our realistic numeric targets and our recruitment activities are a reflection of this goal. Disability inclusion remains our top priority and that has been mirrored by a positive movement in this category, and it is an ongoing endeavour. We have gained momentum in ensuring that each occupational level is fairly represented as guided by the economically active population targets generated by Statistics South Africa (Stats SA). We know our gaps and each opportunity is explored to fill the identified gap.

## 3. SKILLS DEVELOPMENT

Our employees are the cornerstone of our organisation. Without their dedication to their respective roles, the Services SETA would not be able to remain productive. We believe empowerment leads to motivation. Our empowerment approach does not only challenge employees to reach their potential, but we consciously invest in rigorous skills and development programmes. In addition, we are exploring ways to enhance qualifications of employees in the A and B occupational level by finding an equivalent learnership programme with the required credits. These programmes are aimed at creating a skilled workforce. In an attempt to foster a learning culture, our employees are constantly encouraged to further their studies not only for their development, but as a strategic imperative to create a pipeline for succession planning.

In the year under review, the Services SETA had interns participating in a year-long internship programme. Each intern's progress was closely monitored and tracked by their mentor to ensure effective skills transfer and to increase chances of absorption by the industry. Our approach is to exceed our annual performance targets on bursary allocations and for learnerships to target all demographics so we can contribute towards transformation of our society.

## 4. PREFERENTIAL PROCUREMENT

Our measurement in this regard is based on suppliers who are awarded via the tender or request for quotation processes. In this instance, we are guided by the Preferential Procurement Regulations, 2017 of the Preferential Procurement Policy Framework Act, of 2000. The regulations allow an organisation to specify which entities must apply for tendering based on their B-BBEE status level and the 30% sub-contracting clause to Exempted Micro Enterprises and designated groups. This is in line with Section 217 of the Constitution of South Africa. We have been able to maximise scores on the procurement of goods and services from Exempted Micro Enterprises. These are enterprises that are 51% owned by black people and 30% owned by black women. In addition, we received bonus points for procuring from Designated Group Suppliers that are at least 51% Black-owned based on the B-BBEE Recognition Level.

Our goal is to ensure that all our suppliers are B-BBEE-compliant and to continually assist in guiding those seeking compliance. We encourage SMMEs aspiring to do business with the Services SETA to register on the Central Supplier Database that is administered by National Treasury.

## 5. SUPPLIER DEVELOPMENT

The Services SETA has invested in a Supplier Development initiative aimed at assisting all SMME Discretionary grantees to successfully complete allocated projects. The programme has gained traction and remains ongoing as and when there is a new allocation. The initiative entails a comprehensive project management offering that is administered by a reputable service provider. The project is intended to fill the gaps as previously identified, where SMMEs do not successfully complete their projects due to document control, submission requirements and pure lack of business skills. This SMME project is aimed at accelerating learner exit percentage and developing small businesses to run

effectively. The integral part of the project is the live project management tool that enables an SMME to interact with the Services SETA, sharing information on the status of the project and other outstanding matters that may need resolution.

## 6. ENTERPRISE DEVELOPMENT

### 6.1. SMME Accreditation Support Programme

Our Enterprise Development approach is intended to feed into our value chain. Our successful programme is aimed at assisting SMMEs with the entire accreditation process. This intervention comprises Accreditation Workshops and Skills Programmes in line with business support. It also includes providing assistance to SMMEs with the uploading of documents in the Learning Intervention and Monitoring system for accreditation, which is desktop evaluation. The progress so far is satisfactory and we're optimistic about the desired output.

## 7. SOCIO-ECONOMIC DEVELOPMENT

The Services SETA has contributed towards various initiatives aimed at improving non-profit organisations and the well-being of beneficiaries. These contributions are in line with the organisation's Socio-Economic Development policy and the B-BBEE Codes of Good Practice. Our policy is broad and covers infrastructural developments of skills centres, skills development interventions and sponsorships. One initiative that stands out among others is the sponsorship of summits facilitated by the Disabled People of South Africa, which was a success and yielded a positive outcome. We are continually exploring more innovative initiatives.

Our approach to transformation is part of the organisation's DNA, something we hope could be emulated by business and other government entities.



2019/2020  
ANNUAL REPORT



DEVELOP AND GROW  
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# PART B PERFORMANCE INFORMATION



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# 2019-20 Annual Performance Report

## Overview of the Annual Performance Results

The reported performance of the SETA against its Annual Performance Plan targets regressed from 97% in the previous reporting period to 73% in the current reporting period. The regression was primarily due to the reprioritisation of strategic intent of the SETA, to focus on the exiting of learners from the SETAs active projects, to allow for the exiting of learners enrolled under NSDS III, in line with the SETA moving into the NSDP new strategic period.

The alignment of enrolment target to the budget of the SETA resulted in the staggered commencement of learning interventions, which resulted in the delayed implementation of some interventions, resulting in lower-than-planned learner enrolments. Other challenges that the SETA experienced that resulted in the low performance results were verification and validations exercises that were performed to ensure that the data reported, was compliant to reporting standards, was accurate and complete for internal reporting purposes Technical Indicator Description (TIDs) and DHET SETMIS reporting purposes.

### Summary of Achievement (overall APP Targets)

| PROGRAMME                        | ACHIEVED  | NOT ACHIEVED | TOTAL     | %          |
|----------------------------------|-----------|--------------|-----------|------------|
| Programme 1: Administration      | 3         | 1            | 4         | 75%        |
| Programme 2: Skills Planning     | 3         | 0            | 3         | 100%       |
| Programme 3: Learning Programmes | 17        | 9            | 26        | 65%        |
| Programme 4: Quarterly Assurance | 4         | 0            | 4         | 100%       |
| <b>Total</b>                     | <b>27</b> | <b>10</b>    | <b>37</b> | <b>73%</b> |



## PROGRAMME 1:

# Administration

| STRATEGIC OBJECTIVE TITLE        |         | Maintain sound financial management  |
|----------------------------------|---------|--|
| STRATEGIC OBJECTIVE STATEMENT    | 1,1     | Financial affairs of the Services SETA are managed in a transparent, efficient and effective manner to maintain clean audit  |
| STRATEGIC ACTIVITY               |         | Improve management of the Services SETA financial affairs  |
| PERFORMANCE INDICATORS           | 1.1.1   | Outcome of Annual Audit  |
| INDICATOR TYPE                   |         | Non-Cumulative   |
| REPORTING PERIOD                 | 2019/20 | Annually   |
| ANNUAL TARGET                    | 2019/20 | Clean  |
| ANNUAL RESULT                    |         | <b>Qualified</b>   |
| ANNUAL VARIANCE                  |         | <b>Qualified</b>   |
| RESULTS AND VARIANCE EXPLANATION |         | The Auditor-General of South Africa has issued the Services SETA with a qualified audit opinion for the 2018-19 Annual Audit Report, as a result of material misstatements that were identified. |

| STRATEGIC OBJECTIVE TITLE        |         | Maintain sound financial management  |   |
|----------------------------------|---------|--|---|
| STRATEGIC OBJECTIVE STATEMENT    |         | 1,2  | People competencies retained and systems developed to leverage technology-enabling operational efficiency |
| STRATEGIC ACTIVITY               |         | Human resources effectively managed to ensure adequate and sufficiently skilled people retained and performance monitored  |   |
| PERFORMANCE INDICATORS           |         | 1.2.1  | Percentage of staff complement maintained   |
| INDICATOR TYPE                   |         | Non-Cumulative   |   |
| REPORTING PERIOD                 | 2019/20 | Quarterly  |   |
| ANNUAL TARGET                    | 2019/20 | 85%  |   |
| ANNUAL RESULT                    |         | 88%  |   |
| ANNUAL VARIANCE                  |         | 3%   |   |
| RESULTS AND VARIANCE EXPLANATION |         | The staff complement was maintained at 88% (269/305) as at 31 March 2020, which was achieved through continuous recruitment activities that ensured that the SETA maintained a healthy vacancy rate. |   |

| STRATEGIC OBJECTIVE TITLE        |         | Maintain sound financial management   |   |
|----------------------------------|---------|---|---|
| STRATEGIC OBJECTIVE STATEMENT    |         | 1,3   | Accountable governance and leadership oversight focused on high performance, compliance, internal controls and enterprise-wide risk mitigation                  |
| STRATEGIC ACTIVITY               |         | Facilitate compliance and strengthen internal control through assessment, development and monitoring action plans   | Mitigate the negative impact of identified strategic risks  |
| PERFORMANCE INDICATORS           |         | 1.3.1   | Percentage of audit action plans actioned   |
|                                  |         | 1.3.2   | Percentage of risk action plans actioned  |
| INDICATOR TYPE                   |         | Non-Cumulative  |   |
| REPORTING PERIOD                 | 2019/20 | Quarterly   |   |
| ANNUAL TARGET                    | 2019/20 | 100%  |   |
| ANNUAL RESULT                    |         | 100%  | 100%  |
| ANNUAL VARIANCE                  |         | 0%  | 0%  |
| RESULTS AND VARIANCE EXPLANATION |         | 100% (48/48) audit action plans that were due in the year under review, have been actioned as at 31 March 2020, as a result of prioritised departmental activities to ensure that all audit recommendations were addressed. | 100% (29/29) risk action plans that were due in the year under review were monitored and actioned to ensure that all risk mitigation strategies were addressed. |



# PROGRAMME 2:

## SKILLS PLANNING

| STRATEGIC OBJECTIVE TITLE        |         | Conduct credible research to inform planning   |   |   |   |
|----------------------------------|---------|--|---|---|---|
| STRATEGIC OBJECTIVE STATEMENT    |         | 2,1  | Expand research capabilities and credibility to inform relevant and evidence-based planning |   |   |
| STRATEGIC ACTIVITY               |         | Improve the research capabilities of the Services SETA   |   |   |   |
| PERFORMANCE INDICATORS           |         | 2.1.1  | Number of research studies conducted  | 2.1.2   | Number of impact assessment studies conducted |
| INDICATOR TYPE                   |         | Non-Cumulative   |   |   |   |
| REPORTING PERIOD                 | 2019/20 | Quarterly  |   |   |   |
| ANNUAL TARGET                    | 2019/20 | 2  |   | 2   |   |
| ANNUAL RESULT                    |         | 2  |   | 2   |   |
| ANNUAL VARIANCE                  |         | 0  |   | 0   |   |
| RESULTS AND VARIANCE EXPLANATION |         | There are two research studies that were completed in the current year which resulted in the achievement of the annual target, namely: |   | There are two impact studies that were conducted: |   |
|                                  |         | 1. Economic and Labour Market Analysis of the Services Sector for short, medium to long-term demand for skills in the Service SETA     |   | 1. SETA Evaluation Framework                      |   |
|                                  |         | 2. Mapping to OFO and in-depth qualitative investigation of a selection of key occupations within the Services SETA scope of coverage  |   | 2. Services SETA Accreditation Evaluation Report  |   |

| STRATEGIC OBJECTIVE TITLE        |         | Promote industry investment and strengthen workplace mentorship   |  |  |  |
|----------------------------------|---------|---|--|--|--|
| STRATEGIC OBJECTIVE STATEMENT    |         | 2,2   | Promote industry investment in workplace skills development and occupational qualifications strengthening work-integrated learning |  |  |
| STRATEGIC ACTIVITY               |         | Provide technical assistance and support to employers to submit WSP/ATR   |  |  |  |
| PERFORMANCE INDICATORS           |         | 2.2.1   | Number of employers provided with technical assistance support to submit WSP/ATR   |  |  |
| INDICATOR TYPE                   |         | Non-cumulative  |  |  |  |
| REPORTING PERIOD                 | 2019/20 | Annually  |  |  |  |
| ANNUAL TARGET                    | 2019/20 | 500   |  |  |  |
| ANNUAL RESULT                    |         | 600   |  |  |  |
| ANNUAL VARIANCE                  |         | 100   |  |  |  |
| RESULTS AND VARIANCE EXPLANATION |         | There were 600 employers who were provided with technical assistance to enable successful submission of WSP/ATR in order to participate in Mandatory Grants, which resulted in the overachievement of the target. |  |  |  |

# PROGRAMME 3:

## Learning Programmes

| STRATEGIC OBJECTIVE TITLE        |   | Grow infrastructure and rural development  |  |
|----------------------------------|---|--|--|
| STRATEGIC OBJECTIVE STATEMENT    | 3,1   | Expand infrastructure for skills and enterprise development and target rural development |  |
| DESCRIPTION                      | THE AIM IS TO SUPPORT 5 PROJECTS IN RURAL AREAS AND DEVELOP 15 INFRASTRUCTURE PROJECTS ALIGNED TO SKILLS AND ENTERPRISE DEVELOPMENT   |  |  |
| STRATEGIC ACTIVITY               | Special Projects Implemented to support transformation agenda   |  |  |
| PERFORMANCE INDICATORS           | 3.1.1   | Number of active rural development projects  | 3.1.2 Number of active infrastructure development projects   |
| INDICATOR TYPE                   | Cumulative  |  |  |
| REPORTING PERIOD                 | 2019/20   | Quarterly  |  |
| ANNUAL TARGET                    | 2019/20   | 5  | 15   |
| ANNUAL RESULT                    |   | 11   | 15   |
| ANNUAL VARIANCE                  |   | 6  | 0  |
| RESULTS AND VARIANCE EXPLANATION | <p>Targeted initiatives by the Services SETA to increase access to skills development opportunities in rural areas through Special Projects resulted in the overachievement of the annual target.</p> |  | <p>The following 15 infrastructure development projects are active:</p> <ol style="list-style-type: none"> <li>1. Motheo</li> <li>2. Kokstad</li> <li>3. Prieska</li> <li>4. Nkokobe</li> <li>5. Ga-Phasha</li> <li>6. Ga-Mafefe</li> <li>7. Mkuze</li> <li>8. Mount Coke</li> <li>9. Elsiesrivier</li> <li>10. Ngqeleni</li> <li>11. Paulpietersbug/Dumber</li> <li>12. Beaufort West</li> <li>13. Lesedi (Heidelberg)</li> <li>14. University of Cape Town</li> <li>15. Cala</li> </ol> <p>Targeted initiatives by the Services SETA to increase access to skills development opportunities through infrastructure development resulted in the achievement of the annual target.</p> |

| STRATEGIC OBJECTIVE TITLE        |         | Promote supply and demand partnerships   |   |   |   |
|----------------------------------|---------|--|---|---|---|
| STRATEGIC OBJECTIVE STATEMENT    |         | 3,2 National priorities promoted through supply- and demand-side partnership development   |   |   |   |
| DESCRIPTION                      |         | THE AIM IS TO INCREASE ACCESS TO SKILLS DEVELOPMENT OPPORTUNITIES BY PARTNERING WITH 5 TVET COLLEGES, 3 UNIVERSITIES AND 200 PUBLIC AND PRIVATE PARTNERSHIPS TO PROMOTE WORKPLACE-BASED LEARNING   |   |   |   |
| STRATEGIC ACTIVITY               |         | Special Projects Implemented to support transformation agenda  |   |   |   |
| PERFORMANCE INDICATORS           |         | 3.2.1  | Number of partnerships with institutions of higher learning | 3.2.2   | Number of partnerships developed with public and private entities |
| INDICATOR TYPE                   |         | Cumulative   |   |   |   |
| REPORTING PERIOD                 | 2019/20 | Quarterly  |   |   |   |
| ANNUAL TARGET                    | 2019/20 | 8  |   | 200   |   |
| ANNUAL RESULT                    |         | 9  |   | 557   |   |
| ANNUAL VARIANCE                  |         | 1  |   | 357   |   |
| RESULTS AND VARIANCE EXPLANATION |         | Nine partnerships with institutions of higher learning that were entered into the current reporting period, through various Special Project- and Discretionary Grant-funded opportunities, which resulted in the overachievement of the annual target. |   | 557 partnerships with public and private entities were entered into, in the current reporting period through various Special Project- and Discretionary Grant-funded opportunities and through Sector-Funded support. The overachievement was due a higher demand for SETA programmes and related partnerships. |   |

| STRATEGIC OBJECTIVE TITLE     |         | Promote enterprise development   |                                      |       |  |       |                                  |
|-------------------------------|---------|--|--------------------------------------|-------|--|-------|----------------------------------|
| STRATEGIC OBJECTIVE STATEMENT |         | 3,3 Transformation and sustainability promoted through targeted enterprise development   |                                      |       |  |       |                                  |
| DESCRIPTION                   |         | THE AIM IS ENSURE GROWTH OF LOCAL ECONOMIES THROUGH BUSINESS SUPPORT TARGETING 300 COOPERATIVES, 300 SMES, 100 NGOS AND 4 TRADE UNIONS |                                      |       |  |       |                                  |
| STRATEGIC ACTIVITY            |         |  |                                      |       |  |       |                                  |
| PERFORMANCE INDICATORS        |         | 3.3.1  | Number of small businesses supported | 3.3.2 | Number of non-governmental and community-based organisations supported | 3.3.3 | Number of Trade Unions supported |
| INDICATOR TYPE                |         | Cumulative   |                                      |       |  |       |                                  |
| REPORTING PERIOD              | 2019/20 | Quarterly  |                                      |       |  |       |                                  |
| ANNUAL TARGET                 | 2019/20 | 600  |                                      | 100   |  | 4     |                                  |
| ANNUAL RESULT                 |         | 636  |                                      | 101   |  | 4     |                                  |
| ANNUAL VARIANCE               |         | 36   |                                      | 1     |  | 0     |                                  |

|   |   |  |   |
|---|---|--|---|
| <b>RESULTS AND VARIANCE EXPLANATION</b> | 636 SMMEs and Cooperatives were supported through various Special Project initiatives focusing on enterprise development. The overachievement was due to targeted initiatives aimed at supporting small business through enterprise development and skills development programmes and the following number of small businesses were supported:<br>SMME: 357<br>COOPS: 279 | 101 NGOs were supported through targeted Special Project allocations aimed at providing NGOs with organisation specific skills development programmes, resulting in the overachievement of the target. | 4 Trade Unions were supported through targeted Special Projects allocations, aimed at providing them with specific skills development programmes suitable to their need. The following Trade Unions were supported in the current year:<br>1. COSATU<br>2. Police and Prisons Civil Rights Union<br>3. South African Democratic Teachers Union<br>4. SATAWU |
|---|---|--|---|

| <b>STRATEGIC OBJECTIVE TITLE</b>        |  | <b>Prioritise Services SETA investment</b>                                     |  |
|---|--|--|--|
| <b>STRATEGIC OBJECTIVE STATEMENT</b>    | 3,4  | Enrol unfunded learners to enhance industry's investment in skills development |  |
| <b>DESCRIPTION</b>                      | THE AIM IS TO ENROL 500 UNEMPLOYED UNFUNDED LEARNERS THROUGH SECTOR FUNDED LEARNERSHIPS  |  |  |
| <b>STRATEGIC ACTIVITY</b>               | Process learner enrolments in accordance with commitments  |  |  |
| <b>PERFORMANCE INDICATORS</b>           | 3.4.1  | Number of unfunded learners entered  |  |
| <b>INDICATOR TYPE</b>                   | Cumulative   |  |  |
| <b>REPORTING PERIOD</b>                 | 2019/20  | Quarterly  |  |
| <b>ANNUAL TARGET</b>                    | 2019/20  | 500  |  |
| <b>ANNUAL RESULT</b>                    | 3 075  |  |  |
| <b>ANNUAL VARIANCE</b>                  | 2 575  |  |  |
| <b>RESULTS AND VARIANCE EXPLANATION</b> | 3 075 unfunded learners were processed through the Unfunded Learning intervention unit in support of the SETA's sector employers, which resulted in the overachievement of the target. |  |  |

| <b>STRATEGIC OBJECTIVE TITLE</b>     |  | <b>Prioritise Services SETA investment</b>   |   |
|--------------------------------------|--|--|---|
| <b>STRATEGIC OBJECTIVE STATEMENT</b> | 3,4  | Enrol funded learners to achieve targets, strengthening alignment to scarce and critical demand, and priority skills |   |
| <b>DESCRIPTION</b>                   | THE AIM IS TO ENROL 3 000 EMPLOYED AND 15 000 UNEMPLOYED LEARNERS AND CERTIFY 1 163 EMPLOYED AND 10 306 UNEMPLOYED FUNDED LEARNERS |  |   |
| <b>STRATEGIC ACTIVITY</b>            |  |  |   |
| <b>PERFORMANCE INDICATORS</b>        | 3.4.2  | Number of learnerships entered   | 3.4.3<br>Number of learnerships completed |
| <b>INDICATOR TYPE</b>                | Cumulative   |  |   |
| <b>REPORTING PERIOD</b>              | 2019/20  | Quarterly  |   |
| <b>ANNUAL TARGET</b>                 | 2019/20  | 18 000   | 11 459                                    |
| <b>ANNUAL RESULT</b>                 | 5 265  |  | 10 363                                    |
| <b>ANNUAL VARIANCE</b>               | -12 735  |  | -1 096                                    |

| STRATEGIC OBJECTIVE TITLE        |  | Prioritise Services SETA investment  |  |
|----------------------------------|--|--|--|
| STRATEGIC OBJECTIVE STATEMENT    | 3,4  | Enrol funded learners to achieve targets, strengthening alignment to scarce and critical demand, and priority skills   |  |
| RESULTS AND VARIANCE EXPLANATION | <p>A resolution was taken by the Accounting Authority to stagger commencements in order to align the commencement of training to the SETAs budget, which resulted in delayed commencement of some projects. This led to the non-achievement of "entered" learning interventions.</p> <p>The result achieved can be disaggregated as follows:<br/>Unemployed: 5 060<br/>Employed: 205</p> | <p>Delays in the external moderation processes of the SETA resulted in the delays in finalising external moderation and certification of learners. This ultimately led to the non-achievement of targets.</p> <p>The results achieved can be disaggregated as follows:<br/>Unemployed: 9 623<br/>Employed: 740</p> |  |

| STRATEGIC OBJECTIVE STATEMENT    |  | 3,4  | Enrol funded learners to achieve targets, strengthening alignment to scarce and critical demand, and priority skills |       |                               |
|----------------------------------|--|--|--|-------|-------------------------------|
| DESCRIPTION                      |  | THE AIM IS TO ENROL 500 EMPLOYED AND 3 000 UNEMPLOYED BURSARIES AND CERTIFY 600 EMPLOYED AND 1 200 UNEMPLOYED UNFUNDED LEARNERS  |  |       |                               |
| STRATEGIC ACTIVITY               |  |  |  |       |                               |
| PERFORMANCE INDICATORS           |  | 3.4.4  | Number of bursaries entered  | 3.4.5 | Number of bursaries completed |
| INDICATOR TYPE                   |  | Non-Cumulative   |  |       |                               |
| REPORTING PERIOD                 | 2019/20  | Annually   |  |       |                               |
| ANNUAL TARGET                    | 2019/20  | 3 500  | 1 800  |       |                               |
| ANNUAL RESULT                    |  | 1 237  | 2 152  |       |                               |
| ANNUAL VARIANCE                  |  | -2 263   | 352  |       |                               |
| RESULTS AND VARIANCE EXPLANATION | <p>Delays in the receiving of learner enrolment and applications forms resulted in the under-achievement of the bursary enrolment target, for the current reporting period.</p> <p>The results achieved can be disaggregated as follows:<br/>Unemployed: 1 098<br/>Employed: 139</p> | <p>The target was overachieved due to a higher than expected success rate of learners completing their academic studies for the current reporting period.</p> <p>The results achieved can be disaggregated as follows:<br/>Unemployed: 1 318<br/>Employed: 834</p> |  |       |                               |

| STRATEGIC OBJECTIVE STATEMENT |         | 3,4   | Enrol funded learners to achieve targets, strengthening alignment to scarce and critical demand, and priority skills |       |                                       |
|-------------------------------|---------|---|--|-------|---------------------------------------|
| DESCRIPTION                   |         | THE AIM IS TO ENROL 3 500 EMPLOYED AND 500 UNEMPLOYED LEARNERS AND CERTIFY 800 EMPLOYED AND 1 500 UNEMPLOYED FUNDED LEARNERS IN SKILLS PROGRAMMES |  |       |                                       |
| STRATEGIC ACTIVITY            |         |   |  |       |                                       |
| PERFORMANCE INDICATORS        |         | 3.4.6   | Number of Skills Programmes entered  | 3.4.7 | Number of Skills Programmes completed |
| INDICATOR TYPE                |         | Cumulative  |  |       |                                       |
| REPORTING PERIOD              | 2019/20 | Quarterly   |  |       |                                       |
| ANNUAL TARGET                 | 2019/20 | 4 000   | 2 300  |       |                                       |

| STRATEGIC OBJECTIVE STATEMENT    | 3,4  | Enrol funded learners to achieve targets, strengthening alignment to scarce and critical demand, and priority skills   |
|----------------------------------|--|--|
| ANNUAL RESULT                    | 6 425  | 2 470  |
| ANNUAL VARIANCE                  | 2 425  | 170  |
| RESULTS AND VARIANCE EXPLANATION | <p>The skills programme target was overachieved through various initiatives that targeted specific SETA industries through discretionary grant funding.</p> <p>The results achieved can be disaggregated as follows:<br/>Unemployed: 4 586<br/>Employed: 1 839</p> | <p>The skills programme target was overachieved through various initiatives that targeted specific SETA industries through discretionary grant funding. Due to the short-term nature of the programme, the SETA was able to externally moderate and certificate learners in the current reporting period.</p> <p>The results achieved can be disaggregated as follows:<br/>Unemployed: 1 470<br/>Employed: 1 000</p> |

| STRATEGIC OBJECTIVE TITLE        |         | Prioritise Services SETA investment   |   |
|----------------------------------|---------|---|---|
| DESCRIPTION                      |         | THE AIM IS TO ENROL 4 090 UNEMPLOYED INTERNS, 2 000 TVET STUDENT INTERNS AND 1 500 UNIVERSITY STUDENT INTERNS AND COMPLETE 1 085 INTERNS 2 545 COMPLETE TVET STUDENTS AND 2 423 UNIVERSITY STUDENTS   |   |
| STRATEGIC ACTIVITY               |         |   |   |
| PERFORMANCE INDICATORS           |         | 3.4.8   | Number of internships entered   |
|                                  |         | 3.4.9   | Number of internships completed   |
| INDICATOR TYPE                   |         | Cumulative  |   |
| REPORTING PERIOD                 | 2019/20 | Quarterly   |   |
| ANNUAL TARGET                    | 2019/20 | 7 590   | 6 053   |
| ANNUAL RESULT                    |         | 3 498   | 4 436   |
| ANNUAL VARIANCE                  |         | -4 092  | -1 617  |
| RESULTS AND VARIANCE EXPLANATION |         | <p>A resolution was taken by the Accounting Authority to stagger commencements in order to align the commencement of training to the SETA's budget, which resulted in delayed commencement of some projects. This led to the non-achievement of "entered" learning interventions.</p> <p>The result achieved can be disaggregated as follows:<br/>Unemployed Interns: 1 983<br/>TVET interns: 967<br/>University Interns: 548</p> | <p>Delays in the external moderation processes of the SETA, resulted in the delays in finalising external moderation and certification of learners. This ultimately led to the non-achievement of targets.</p> <p>The results achieved can be disaggregated as follows:<br/>Unemployed Interns: 2 122<br/>TVET interns: 1 497<br/>University Interns: 817</p> |

| STRATEGIC OBJECTIVE TITLE        |         | Prioritise Services SETA investment  |                            |  |                              |
|----------------------------------|---------|--|----------------------------|--|------------------------------|
| DESCRIPTION                      |         | THE AIM IS TO ENROL 2 900 ARTISANS CANDIDATES AND COMPLETE 720 ARTISANS  |                            |  |                              |
| STRATEGIC ACTIVITY               |         |  |                            |  |                              |
| PERFORMANCE INDICATORS           |         | 3.4.10   | Number of artisans entered | 3.4.11   | Number of artisans completed |
| INDICATOR TYPE                   |         | Cumulative   |                            |  |                              |
| REPORTING PERIOD                 | 2019/20 | Quarterly  |                            |  |                              |
| ANNUAL TARGET                    | 2019/20 | 2 900  |                            | 720  |                              |
| ANNUAL RESULT                    |         | <b>689</b>   |                            | <b>253</b>   |                              |
| ANNUAL VARIANCE                  |         | <b>-2 211</b>  |                            | <b>-467</b>  |                              |
| RESULTS AND VARIANCE EXPLANATION |         | A resolution was taken by the Accounting Authority to stagger commencements in order to align the commencement of training to the SETA's budget, which resulted in delayed commencement of some projects. This led to the non-achievement of "entered" learning interventions. |                            | Delays in the finalisations of external assessments (trade tests) and increased learner assessment remediation of results experienced in the current reporting period resulted in the low output results achieved. |                              |

| STRATEGIC OBJECTIVE TITLE        |         | Prioritise Services SETA investment  |   |  |  |
|----------------------------------|---------|--|---|--|--|
| DESCRIPTION                      |         | THE AIM IS TO ENROL 500 RPL AND 1 000 AET AND COMPLETE 297 RPL AND 237 AET   |   |  |  |
| STRATEGIC ACTIVITY               |         |  |   |  |  |
| PERFORMANCE INDICATORS           |         | 3.4.12 Number of Recognition of Prior Learning Learners Entered  | 3.4.13 Number of Recognition of Prior Learning learners completed   | 3.4.14 Number of AET learners entered  | 3.4.15 Number of AET learners completed  |
| INDICATOR TYPE                   |         | Cumulative   |   |  |  |
| REPORTING PERIOD                 | 2019/20 | Quarterly  |   |  |  |
| ANNUAL TARGET                    | 2019/20 | 500  | 297   | 1 000  | 237  |
| ANNUAL RESULT                    |         | <b>382</b>   | <b>340</b>  | <b>151</b>   | <b>297</b>   |
| ANNUAL VARIANCE                  |         | <b>-118</b>  | <b>43</b>   | <b>-849</b>  | <b>60</b>  |
| RESULTS AND VARIANCE EXPLANATION |         | A resolution was taken by the Accounting Authority to stagger commencements in order to align the commencement of training to the SETA's budget, which resulted in delayed commencement of some projects. This led to the non-achievement of "entered" learning interventions. | The target was overachieved in the current reporting period, due to higher output rate for RPL learners that was finalised in the current year. | A resolution was taken by the Accounting Authority to stagger commencements in order to align the commencement of training to the SETA's budget, which resulted in delayed commencement of some projects. This led to the non-achievement of "entered" learning interventions. | The target was overachieved in the current reporting period due to higher output rate for AET learners that was finalised in the current year. |

| DESCRIPTION                      |         | THE AIM IS TO ENROL 100 CANDIDATES AND EXIT 42 CANDIDATES  |                               |  |                                 |
|----------------------------------|---------|--|-------------------------------|--|---------------------------------|
| STRATEGIC ACTIVITY               |         |  |                               |  |                                 |
| PERFORMANCE INDICATORS           |         | 3.4.16   | Number of candidacies entered | 3.4.17   | Number of candidacies completed |
| INDICATOR TYPE                   |         | Cumulative   |                               |  |                                 |
| REPORTING PERIOD                 | 2019/20 | Quarterly  |                               |  |                                 |
| ANNUAL TARGET                    | 2019/20 | 100  |                               | 42   |                                 |
| ANNUAL RESULT                    |         | <b>113</b>   |                               | <b>51</b>  |                                 |
| ANNUAL VARIANCE                  |         | <b>13</b>  |                               | <b>9</b>   |                                 |
| RESULTS AND VARIANCE EXPLANATION |         | The skills programme target was overachieved through targeted initiatives that targeted specific SETA industries that had candidacy programmes to offer. |                               | The skills programme target was overachieved through targeted initiatives that targeted specific SETA industries that had candidacy programmes to offer. |                                 |

## PROGRAMME 4:

# Quality Management

| STRATEGIC OBJECTIVE TITLE     |         | Strengthen and assure quality of supply        |  |       |   |       |  |
|-------------------------------|---------|--|--|-------|---|-------|--|
| STRATEGIC OBJECTIVE STATEMENT |         | 4,1  | Capacitate and support skills development providers to strengthen relevant skills supply |       |   |       |  |
| STRATEGIC ACTIVITY            |         | Facilitate growth and adequacy of provisioning |  |       |   |       |  |
| PERFORMANCE INDICATORS        |         | 4.1.1  | Percentage of SDP applications accredited  | 4.1.2 | Percentage of unsuccessful SDP accreditation remediated | 4.1.3 | Number of qualifications reviewed and realigned to occupational qualifications |
| INDICATOR TYPE                |         | Non-cumulative                                 |  |       | Cumulative  |       |  |
| STRATEGIC OBJECTIVE TITLE     |         | Strengthen and assure quality of supply        |  |       |   |       |  |
| STRATEGIC OBJECTIVE STATEMENT |         | 4,1  | Capacitate and support skills development providers to strengthen relevant skills supply |       |   |       |  |
| REPORTING PERIOD              | 2019/20 | Quarterly                                      |  |       |   |       |  |
| ANNUAL TARGET                 | 2019/20 | 80%  | <b>82%</b>   |       | <b>2%</b>   |       |  |
| ANNUAL RESULT                 |         | 40%  | <b>71%</b>   |       | <b>31%</b>  |       |  |
| ANNUAL VARIANCE               |         | 5  | <b>7</b>   |       | <b>2</b>  |       |  |



|                                  |  |   |  |
|----------------------------------|--|---|--|
| RESULTS AND VARIANCE EXPLANATION | 82% of the SDP applications that were received were processed successfully within the required timeframe, which resulted in the overachievement of the target. | 71% of the unsuccessful SDP applications that were processed and remediated in the current reporting period in order for the applications to be granted accreditations. | 7 qualifications were reviewed and aligned to occupational qualifications, in line with the new requirements to re-align historic qualifications to occupational qualifications, namely:<br>1. Labour Inspector<br>2. Beauty Therapy<br>3. Embalmer<br>4. Laundry Worker<br>5. Stonemason<br>6. Small Business<br>7. Office Supervisor |
|                                  |  |   | Target was overachieved due to the increased sector demand to re-align historic qualifications to occupational qualifications.   |

| STRATEGIC OBJECTIVE TITLE        |         | Improve efficiency in certification  |  |
|----------------------------------|---------|--|--|
| STRATEGIC OBJECTIVE STATEMENT    |         | 4,2  | Improve efficiency in quality assurance of learner achievement for certification |
| STRATEGIC ACTIVITY               |         | Quality assessment of provisioning and learner achievement   |  |
| PERFORMANCE INDICATORS           |         | 4.2.1  | Percentage of external moderations successfully conducted                        |
| INDICATOR TYPE                   |         | Non-cumulative   |  |
| REPORTING PERIOD                 | 2019/20 | Quarterly  |  |
| ANNUAL TARGET                    | 2019/20 | 80%  |  |
| ANNUAL RESULT                    |         | 94%  |  |
| ANNUAL VARIANCE                  |         | 14%  |  |
| RESULTS AND VARIANCE EXPLANATION |         | 94% of the applications that were received for external moderation were successfully scheduled and conducted in the current reporting period, which resulted in the overachievement of the target. |  |



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# PART C GOVERNANCE



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# Corporate Governance

## 1. INTRODUCTORY OVERVIEW

The Accounting Authority (AA) is the highest decision-making structure of the Services SETA, whose principal function entails the governance and management of the SETA in accordance with the Services SETA Constitution; the Skills Development Act (Act No. 97 of 1998); the Skills Development Levies Act (Act No. 9 of 1999); the Public Finance Management Act (Act No. 1 of 1999); and Treasury Regulations.

The AA monitors the performance of the Services SETA regularly to ensure that the targets set out in the Annual Performance Plan (APP) and Service Level Agreement (SLA) with the Honourable Minister of Higher Education and Training are achieved. In addition, the Services SETA submits Quarterly Monitoring Reports (QMR) and an Annual

Performance Report (APR) to the Department of Higher Education and Training, which outline in detail the status of each target in relation to performance.

In carrying out its responsibilities, the AA strives to ensure that:

- an appropriate balance is maintained between strategy, risk, performance and sustainability;
- an adequate and effective process of corporate governance, including the process of risk and audit management, is established and maintained; and
- reasonable procedures are adopted to ensure compliance with all legislation and regulations which may be material to the Services SETA business and affairs.

## 2. MEMBERSHIP OF THE ACCOUNTING AUTHORITY

The membership of the Services SETA AA during the year under review was as follows:

|                           | Name of Member     | Association   |
|---------------------------|--------------------|---|
| 1.                        | Maria Madiope      | Chairperson – Ministerial Appointee                                     |
| 2.                        | Nolwandle Mantashe | Government/Community/Professional Bodies                                |
| 3.                        | Shaheed Peters     | Government/Community/Professional Bodies                                |
| <b>ORGANISED BUSINESS</b> |                    |   |
| 4.                        | Teleni Shabangu    | SAPAA (South African Professional Auctioneers Association)              |
| 5.                        | Duduzile Letseli   | South African Funeral Practitioners Association (SAFPA)                 |
| 6.                        | Vikesh Roopchand   | Direct Marketing Association of South Africa (DMASA)                    |
| 7.                        | Jacqui Ford        | Federation of African Professional Staffing Organisation (APSO)         |
| 8.                        | Victor Msomi       | Employers Organisation for Hairdressing, Cosmetology and Beauty (EOHCB) |

|                         | Name of Member      | Association   |
|-------------------------|---------------------|---|
| <b>ORGANISED LABOUR</b> |                     |   |
| 9.                      | Solomon Mhlanga     | Hotel, Liquor, Catering, Commercial & Allied Workers' Union (HOTELICCA) |
| 10.                     | Shadrack Motloug    | United Association of South Africa (UASA-the Union)                     |
| 11.                     | Asif Jhatham        | United Association of South Africa (UASA-the Union)                     |
| 12.                     | Pamela Snyman       | Institute of Estate Agents of South Africa (IEASA)                      |
| 13.                     | Thamsanqa Magoda    | South African Transport Alliance Workers' Union (SATAWU)                |
| 14.                     | Lebohang Moshoadiba | South African Transport Allied Workers Union (SATAWU)                   |

### 3. COMMITTEES OF THE ACCOUNTING AUTHORITY

In executing its mandate, the AA was assisted by the following standing Committees and six Chamber Committees<sup>1</sup>:

- Executive Committee
- Finance Committee
- Audit Committee
- Human Resources and Remuneration Committee
- Governance, Risk and Strategy Committee
- Transformation Committee

#### Composition of the Standing Committees

The composition of the standing Committees was as follows during the year under review:

#### Executive Committee<sup>2</sup>

| Name of Member        | Appointment | Constituencies                               | Association   |
|-----------------------|-------------|--|---|
| 1. Maria Madiope      | Chairperson | Ministerial Appointee                        | Ministerial Appointee   |
| 2. Nolwandle Mantashe | Member      | Government/Community/<br>Professional Bodies | Government/Community /Professional<br>Bodies                            |
| 3. Duduzile Letseli   | Member      | Organised Business                           | Federation of African Professional Staffing<br>Organisation (APSO)      |
| 4. Shadrack Motloug   | Member      | Organised Labour                             | Organised Labour United Association of South<br>Africa (UASA-the Union) |
| 5. Shaheed Peters     | Member      | Ministerial Appointee                        | Government/Community /Professional Bodies                               |

### 4. FINANCE COMMITTEE

| Name of Member      | Appointment | Constituencies     | Association  |
|---------------------|-------------|--------------------|--|
| 1. Asif Jhatham     | Chairperson | Organised Labour   | United Association of South Africa (UASA-the<br>Union)             |
| 2.Teleni Shabangu   | Member      | Organised Business | SAPAA (South African Professional<br>Auctioneers Association)      |
| 3. Vikesh Roopchand | Member      | Organised Business | Direct Marketing Association of South Africa<br>(DMASA)            |
| 4. Jacqui Ford      | Member      | Organised Business | Federation of African Professional Staffing<br>Organisation (APSO) |
| 5. Pamela Snyman    | Member      | Organised Labour   | Institute of Estate Agents of South Africa<br>(IEASA)              |

<sup>1</sup> The six Chamber Committees, which are all chaired by Members of the Accounting Authority, are: Cleaning and Hiring Services, Communication and Marketing Services, Labour and Collective Services, Management and Business Services, Personal Care Services and Real Estate and related Services.

<sup>2</sup> The Chairpersons of the standing Committees of the Accounting Authority are ex officio Members of the Executive Committee.

| Name of Member      | Appointment | Constituencies   | Association  |
|---------------------|-------------|------------------|--|
| 6. Thamsanqa Magoda | Member      | Organised Labour | South African Transport Alliance Workers' Union (SATAWU) |

## 5. AUDIT COMMITTEE<sup>3</sup>

| Name of Member      | Appointment                      | Constituencies     | Association  |
|---------------------|----------------------------------|--------------------|--|
| 1. James Maboaa     | Independent Member (Chairperson) | Independent Member |  |
| 2. Pamela Snyman    | Member                           | Organised Labour   | Institute of Estate Agents of South Africa (IEASA)   |
| 3. Vikesh Ropchand  | Member                           | Organised Business | Direct Marketing Association of South Africa (DMASA) |
| 4. Kgotlo Rabothata | Independent Member               | Independent Member |  |

## 6. HUMAN RESOURCES AND REMUNERATION COMMITTEE

| Name of Member         | Appointment | Constituencies                            | Association   |
|------------------------|-------------|---|---|
| 1. Nolwandle Mantashe  | Chairperson | Government/Community /Professional Bodies | Government/Community/Professional Bodies                        |
| 2. Jacqui Ford         | Member      | Organised Business                        | Federation of African Professional Staffing Organisation (APSO) |
| 3. Lebohang Moshoadiba | Member      | Organised Labour                          | South African Transport Allied Workers Union (SATAWU)           |

## 7. GOVERNANCE, RISK AND STRATEGY COMMITTEE

| Name of Member        | Appointment | Constituencies                            | Association   |
|-----------------------|-------------|---|---|
| 1. Duduzile M Letseli | Chairperson | Organised Business                        | Federation of African Professional Staffing Organisation (APSO)         |
| 2. Thamsanqa Magoda   | Member      | Organised Labour                          | South African Transport Alliance Workers' Union (SATAWU)                |
| 3. Victor Msomi       | Member      | Organised Business                        | Employers Organisation for Hairdressing, Cosmetology and Beauty (EOHCB) |
| 5. Solomon Mhlanga    | Member      | Organised Labour                          | Hotel, Liquor, Catering, Commercial & Allied Workers' Union (HOTELICCA) |
| 6. Shaheed Peters     | Member      | Government/Community /Professional Bodies | Government/Community/Professional Bodies                                |

<sup>3</sup> The Committee, whose chairperson is an independent Member, comprises a total of five (5) financially literate Members, the majority (3) of whom are independent Members as dictated by the requirements of sound corporate governance and the Constitution of the Services SETA. There is currently one (1) vacant position in the Committee.

## 8. TRANSFORMATION COMMITTEE

| Name of Member         | Appointment | Constituencies     | Association   |
|------------------------|-------------|--------------------|---|
| 1. Shadrack Motloung   | Chairperson | Organised Labour   | Organised Labour United Association of South Africa (UASA-the Union)    |
| 2. Teleni Shabangu     | Member      | Organised Business | SAPAA (South African Professional Auctioneers Association)              |
| 3. Victor Msomi        | Member      | Organised Business | Employers Organisation for Hairdressing, Cosmetology and Beauty (EOHCB) |
| 4. Lebohang Moshoadiba | Member      | Organised Labour   | South African Transport Allied Workers Union (SATAWU)                   |

### Accountability

The Chief Executive Officer (CEO) is responsible for and accountable to the AA for all operations in the organisation. Although the AA has delegated certain powers and authorities to the CEO and executive management, as well as committees, the ultimate responsibility for retaining full and effective control of the organisation rests with the AA.

The reporting structures in place across the organisation underpin the commitment to sound corporate governance and afford stakeholders the assurance that the business is managed responsibly to create sustainable value for all stakeholders.

## 9. FREQUENCY OF MEETINGS

While the Accounting Authority, Finance, Audit, Human Resources and Remuneration, Governance, Risk and Strategy, and Transformation Committees convened at least once per quarter, the Executive Committee met at least once per month as prescribed in the Services SETA's Constitution.

### Attendance of Meetings

During the year under review, all meetings of the AA and its standing committees took place as scheduled.



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# PART D HUMAN RESOURCE MANAGEMENT





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# Human Resource Management

## APPOINTMENTS FROM 01 APRIL 2019 TO 31 MARCH 2020

| Name               | Position                                 | Start date | Employment Type |
|--------------------|--|------------|-----------------|
| Mrs. C Ngwenya     | Manager Training Document Management     | 2019/05/02 | External        |
| Ms. MOM Magudulela | Manager: Business Advisory Services      | 2019/06/03 | External        |
| Ms. MAM Posl       | Manager: Provincial Operations           | 2019/06/03 | External        |
| Mr. M Mavunda      | Internal Auditor: Information Technology | 2019/07/01 | External        |
| Miss. ML Serage    | Administrator: Provincial Operations     | 2019/07/01 | External        |
| Ms. K Ngxishe      | Administrator: Board Secretariat         | 2019/08/05 | External        |

## TERMINATIONS FROM 01 APRIL 2019 TO 31 MARCH 2020

| Name                | Position                                | Type of Termination | Termination Date |
|---------------------|---|---------------------|------------------|
| Mrs. S Vilakazi     | Project Coordinator: Implementation     | Resignation         | 2019/04/26       |
| Mrs. GM Ncengwa     | Officer: Hairdressing Interventions     | Resignation         | 2019/05/31       |
| Miss. TP Mngceke    | Specialist: Special Projects            | Discharged          | 2019/07/31       |
| Miss. SN Ndawo      | Officer: Training Implementation        | Discharged          | 2019/08/13       |
| Mr. MK Koetaan      | Project Coordinator: Implementation     | Discharged          | 2019/08/13       |
| Miss. FM Tsimane    | Manager: Provincial Operations          | Resignation         | 2019/09/20       |
| Miss. X Witbooi     | Admin: ECD                              | Resignation         | 2019/09/30       |
| Mrs. JMM Mngomezulu | Project Coordinator: Implementation     | Resignation         | 2019/10/16       |
| Mr. LH Mohlaka      | Senior Officer: Server and Security     | Resignation         | 2019/10/25       |
| Mrs. N Sidondi      | Acting Exec Legal Services              | Resignation         | 2019/11/18       |
| Mrs. NA Mathiba     | Project Coordinator: Quality Management | Resignation         | 2019/12/11       |
| Mrs. FMS Mpofu      | Senior Officer: Quality Assurance       | Deceased            | 2020/02/14       |
| Mrs. GJ Hutchinson  | Manager: Unfunded Learning Programme    | Resignation         | 2020/02/28       |
| Miss. BE Brookes    | Senior Officer: Provincial Operations   | Deceased            | 2020/03/30       |
| Mr. LJ Ramajoe      | Senior Manager: Chamber Operations      | Discharged          | 2020/03/31       |

## EMPLOYMENT PROFILE:

| Occupational Levels  | Male      |          |          |          | Female     |           |          |           | Foreign Nationals |          | Total      |
|--|-----------|----------|----------|----------|------------|-----------|----------|-----------|-------------------|----------|------------|
|  | A         | C        | I        | W        | A          | C         | I        | W         | Male              | Female   |            |
| Top Management   | 1         | 0        | 0        | 0        | 1          | 0         | 0        | 0         | 0                 | 0        | 2          |
| Senior Management  | 10        | 0        | 0        | 0        | 7          | 0         | 0        | 2         |                   | 0        | 19         |
| Professionally qualified and experienced Specialists and Mid-Management  | 20        | 1        | 0        | 2        | 17         | 3         | 2        | 3         | 1                 | 0        | 49         |
| Skilled technical and academically qualified workers, Junior Management, Supervisors, Foremen, and Superintendents | 32        | 4        | 3        | 2        | 76         | 7         | 4        | 3         | 0                 | 2        | 132        |
| Semi-skilled and discretionary decision making   | 10        | 1        | 1        | 0        | 39         | 5         | 0        | 2         | 0                 | 0        | 58         |
| Unskilled and defined decision making  | 3         | 0        | 0        | 0        | 13         | 1         | 0        | 0         | 0                 | 0        | 17         |
| <b>TOTAL PERMANENT</b>   | <b>76</b> | <b>6</b> | <b>4</b> | <b>4</b> | <b>152</b> | <b>16</b> | <b>6</b> | <b>10</b> | <b>1</b>          | <b>2</b> | <b>277</b> |
| <b>GRAND TOTAL</b>   | <b>76</b> | <b>6</b> | <b>4</b> | <b>4</b> | <b>152</b> | <b>16</b> | <b>6</b> | <b>10</b> | <b>1</b>          | <b>2</b> | <b>277</b> |



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# PART E FINANCIAL INFORMATION

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## Accounting Authority's Responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999) to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

**Mr Stephen De Vries**

Accounting Authority Chairperson

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The annual financial statements set out on page 83 to 123, which have been prepared on the basis of accounting policies applicable to a going concern, were approved by the Accounting Authority on 16 October 2020 and were signed on its behalf by:

**Ms Amanda Buzo-Gqoboka**

Chief Executive Officer



# Audit Committee Report

Report of the Audit Committee required by Treasury Regulation 27.1.7 and 27.1.10(b) and (c) issued in terms of the Public Finance Management Act (PFMA) 1 of 1999, as amended by Act 29 of 1999.

We are pleased to present our report for the financial year ended 31 March 2020.

## Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four times per annum as per its approved terms of reference. During the current year eight of meetings were held.

| NAME OF MEMBER                      | NUMBER OF MEETINGS ATTENDED |
|-------------------------------------|-----------------------------|
| James Maboja, CA (SA) (Chairperson) | 8                           |
| Vikesh Roopchand                    | 6                           |
| Kgotlo Rabothata, CA (SA)           | 7                           |
| Pam Snyman                          | 8                           |

Furthermore, at least one representative from the Auditor-General and Internal Auditors are present at all Audit Committee meetings, regardless of whether or not the agenda items directly concern the audit of the Services SETA's financial statements.

## Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this

charter and has discharged all its responsibilities as contained therein.

## The effectiveness of internal control

The system of internal controls applied by the entity over financial and risk management is partially effective, efficient and transparent. This was largely impacted by the current pandemic (Covid-19), which forced the whole world to change how we work and conduct processes. There needed to be a shift and change in how the entity processes, reviews and reports on financial information and performance information.

In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, various internal control deficiencies were noted indicating material misstatements on the financial statements and annual performance report submitted for audit. Internal control deficiencies in relation to compliance with applicable laws and regulations, and implementation of proper records management to support the reported performance information and financial statements were reported.

Accordingly, we have to report that the system of internal control over financial and performance reporting for the period under review was not efficient and effective.

The quality of in-year management and monthly/quarterly reports submitted in terms of the PFMA requires significant changes in order to address all material matters identified and reported by the external and internal auditors.

## Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Authority;

- reviewed the Auditor-General of South Africa's management report and management's response thereto; reviewed changes in accounting policies and practices;
- reviewed the Services SETA compliance with legal and regulatory provisions; reviewed significant adjustments resulting from the audit.

The audit committee concurs with and accepts the Auditor-General of South Africa's report on the annual financial statements, and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

## Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Services SETA and its audits.

## Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Mr James Maboa, CA (SA)

Chairperson of the Audit Committee

23 October 2020





# Report of the Accounting Authority



The Accounting Authority submits this report to the Department of Higher Education and Training and Parliament of the Republic of South Africa for the year ended 31 March 2020.

## 1. Incorporation

The Services Sector Education and Training Authority (Services SETA) was established in terms of Section 9(1) of the Skills Development Act, 1998 (Act No 97 of 1998) as amended, as a Sector Education and Training Authority with effect from 1 April 2000 to March 2005. It was then re-established by the Minister of Labour for the period April 2005 to March 2010. In March 2010, the Minister of Higher Education and Training extended the period of establishment of all SETAs to 31 March 2016. The licence period for all the SETAs was extended to 31 March 2018 and 31 March 2020, and has subsequently been extended to 31 March 2030, as per Government Gazette no 42589 issued on 22 July 2019.

## 2. Governance

The Accounting Authority acknowledges and accepts responsibility for the system of internal financial controls established by the Services SETA and places considerable importance on maintaining a strong control environment. To enable itself to meet these responsibilities, the Accounting Authority sets standards for internal controls aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Services SETA and all employees

are required to maintain the highest ethical standards in ensuring the Services SETA's business is conducted in a manner which in all reasonable circumstances, is above reproach. The focus of risk management in the Services SETA is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operating risk cannot be fully eliminated, the Services SETA endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The audited annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury. The Accounting Authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

### 3. Review of activities

#### Main business and operations

The Services SETA is engaged in post-school education and training for the services sector and operates principally in South Africa.

### 4. Going concern

We draw attention to the fact that for the period ended 31 March 2020, the entity recorded a surplus of R73 million and that the entity's total assets exceed total liabilities by R351 million.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets

and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The SETA is exposed to fluctuations in the employment market, for example sudden increases in unemployment and changes in the wage rates, which lead to changes in the levy income received by SETAs. The Services SETA licence was renewed and expires on 31 March 2030.

### 5. Subsequent events

The Services SETA has submitted to the Minister of Higher Education and Training an application for the rollover of accumulated reserves. At the time of approval of the annual financial statements, the feedback was still outstanding.

### 6. Remuneration of Accounting Authority and its Sub-Committees Members

The Executive Management, Accounting Authority and Audit Committee members' remuneration is reflected in note 28 of the annual financial statements. Executive Management is employed on a full-time basis. The members of the Accounting Authority and Audit Committee are remunerated for attending Board and Sub-Committee meetings as well as other engagements. Their remuneration is based on National Treasury Guidelines and the remuneration is approved by the Minister of Higher Education and Training.

### 7. Approval

The audited Annual Financial Statements for the year ended 31 March 2020, set out on pages 83 to 123, have been approved by the Accounting Authority in terms of section 51(1)(f) of the Public Finance Management Act (PFMA), No1 of 1999 (as amended) on 16 October 2020, and are signed on their behalf by:



**Mr Stephen De Vries**

Accounting Authority Chairperson



# Report of the Auditor-General

to Parliament on the  
Services Sector Education and Training Authority

## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of the Services Sector Education and Training Authority set out on pages 83 to 123, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of the Services Sector Education and Training Authority as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA).

### Basis for qualified opinion

#### Commitments

3. The public entity did not have adequate systems to maintain records of commitments for discretionary grants projects. This resulted in the commitments

balance disclosed in note 26 to the annual financial statements being understated by R229 687 000 (2019: R221 733 000). In addition, I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed as commitments. I could not confirm commitments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the commitments balance stated at R4 622 498 000 (2019: R5 124 817 000) in note 26 to the financial statements.

#### Irregular expenditure

4. The public entity did not fully disclose the irregular expenditure incurred in the prior year as a result of overspending of the approved budget, as well as expenditure incurred exceeding the 7,5% limit for project administration for the current and prior year. Consequently, the irregular expenditure disclosed in note 34 to the financial statements was understated by R891 134 000 (2019: R1 065 568 000).

#### Payables from non-exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence that payables from non-exchange transactions were properly accounted for. Due to the status of the accounting records, there were significant differences between the amount as stated in the financial statements and the underlying listings. I was unable to

confirm the payables from non-exchange transactions by alternative means as the public entity's systems did not permit this. Consequently, I was unable to determine whether any adjustments were necessary to payables from non-exchange transactions stated at R236 684 000 in note 14 to the financial statements.

6. In addition, the public entity did not account for receivables from non-exchange transactions of R4 004 000 in accordance with GRAP 1, Presentation of financial statements, as the balances were set off against payables from non-exchange transactions as per note 14 to the financial statements. Furthermore, payables of R11 665 000 were not disclosed in the financial statements. This resulted in payables from non-exchange transactions being understated by R15 669 000.

## Prior period error

7. The public entity did not disclose the prior period adjustments in accordance with GRAP 3: Accounting policies, changes in accounting estimates and errors, as the nature of the adjustments and some of the affected financial statement items were not disclosed in note 29 to the financial statements. In addition, adjustments made to the prior year balances were not fully disclosed. Consequently, the prior period error was understated by R166 150 000.

## Financial instruments

8. The public entity did not disclose contractual rights and obligations resulting from non-exchange transactions in accordance with GRAP 104, Financial instruments. The public entity has contractual arrangements that give rise to discretionary grants receivables and payables. Consequently, the financial instruments disclosed in note 30 to the financial statements were understated by R111 487 000 (2019: R100 095 000).

## Reserves

9. The public entity's administration grant reserves are carried at R114 676 000 in the statement of financial position and note 11 to the financial statements. The public entity did not state the administration grant reserves at an amount equal to the future depreciation of all administration property, plant and equipment plus 5% of uncommitted discretionary grant funds at the end of the year, in accordance with the accounting policy as disclosed in note 1.8 to the financial statements. Consequently, the administration grant reserves

presented in the statement of financial position and note 11 to the financial statements were understated and discretionary grants reserves were overstated by R19 772 000 (2019: R1 152 000).

## Related parties

10. The public entity is under the control of the Department Higher Education and Training (DHET) and is related to all institutions that are under the same control. Contrary to the requirements of GRAP 20, *Related party disclosures*, the public entity did not disclose related party relationships, transactions and related outstanding balances with institutions which are also under the control of the DHET in note 28 to the financial statements.

## Context for the opinion

11. 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.
12. I am independent of the public entity in accordance with sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
13. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## Emphasis of matter

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

## Events after the reporting date

15. I draw attention to note 32 to the financial statements, which deals with events after the reporting date, the public entity has disclosed the events related to Covid-19.

## Responsibilities of the accounting authority for the financial statements

16. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of 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.
17. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

18. 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.

19. 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

20. 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 on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
21. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or

assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

22. 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 programme presented in the annual performance report of the public entity for the year ended 31 March 2020:

| PROGRAMME                         | PAGES IN THE ANNUAL PERFORMANCE REPORT |
|-----------------------------------|--|
| Programme 3 – learning programmes | 50 – 56                                |

23. 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.

24. The material findings in respect of the reliability of the selected programme are as follows:

## Programme 3: learning programmes

### Indicator 3.4.3: number of learnerships completed

25. An achievement of 10 363 was reported against a target of 11 469 in the annual performance report. However, some supporting evidence provided differed materially from the reported achievement.

## Various indicators

26. The achievements below were reported in the annual performance report for the listed indicators. However, some supporting evidence provided differed materially from the reported achievements, while in other instances, I was unable to obtain sufficient appropriate audit evidence. This was due to a lack of reliable records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to these reported achievements.

| INDICATOR DESCRIPTION                       | REPORTED ACHIEVEMENT |
|---|----------------------|
| 3.4.4 Number of bursaries entered           | 1 237                |
| 3.4.5 Number of bursaries completed         | 2 152                |
| 3.4.6 Number of skills programmes entered   | 6 425                |
| 3.4.7 Number of skills programmes completed | 2 470                |
| 3.4.8 Number of internships entered         | 3 498                |
| 3.4.10 Number of artisans entered           | 689                  |

## Other matter

27. I draw attention to the matter below.

## Achievement of planned targets

28. Refer to the annual performance report on pages 46 to 57 for information on the achievement of planned targets for the year and explanations provided for the under-/overachievement of a number of targets. This information should be considered in the context of the material findings on the reliability of the reported performance information in paragraphs 25 to 26 of this report.

# /// Report on the audit of compliance with legislation

## Introduction and scope

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

## Annual financial statements

31. The financial statements submitted for auditing were not prepared in accordance with the prescribed

financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected, which resulted in the financial statements receiving a qualified opinion.

## Expenditure management

32. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the opinion, the R7 430 000 disclosed in note 34 to the financial statements does not reflect the full extent of the irregular expenditure incurred.

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# /// Other information

33. 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 programme presented in the annual performance report that have been specifically reported in this auditor's report.
34. 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.
35. 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.

36. 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

37. 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 qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
38. The public entity did not adequately review the financial statements and the annual performance report against supporting schedules, as material misstatements were identified through the audit process. These misstatements could have been prevented had effective review controls been implemented.
39. The public entity did not implement proper record management systems to ensure that the reported performance information and financial statements were supported by complete, relevant and accurate schedules and/or documents that were readily available.
40. There was inadequate review and monitoring of compliance with applicable laws and regulations as instances of non-compliance were identified in relation to material misstatements and expenditure management reported on.

## Other reports

41. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
42. An independent legal representative investigated allegations of supply chain irregularities in the procurement of services at the request of the public entity, which covered the 2017-18 financial year. The final report on the investigation was issued on 30 September 2019.

Auditor - General

Pretoria  
09 October 2020



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*





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

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

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
  - conclude on the appropriateness of the Accounting Authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit

evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity 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 my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern

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

### Communication with those charged with governance

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



## ANNUAL FINANCIAL STATEMENTS: CONTENTS

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# Statement of Financial Position

as at 31 March 2020

|  | NOTE(S) | 2020           | 2019               |
|--|---------|----------------|--------------------|
|  |         | R'000          | RESTATED*<br>R'000 |
| <b>Assets</b>                              |         |                |                    |
| CURRENT ASSETS                             |         |                |                    |
| Inventories                                | 5       | 350            | 395                |
| Receivables from exchange transactions     | 6       | 1 368          | 7 283              |
| Receivables from non-exchange transactions | 7       | 29 498         | 28 505             |
| Deposits                                   | 8       | 227            | 196                |
| Cash and cash equivalents                  | 9       | 421 866        | 403 628            |
|  |         | <b>453 309</b> | <b>440 007</b>     |
| NON-CURRENT ASSETS                         |         |                |                    |
| Property, plant and equipment              | 3       | 194 374        | 206 120            |
| Intangible assets                          | 4       | 80 845         | 69 452             |
|  |         | <b>275 219</b> | <b>275 572</b>     |
| <b>Total Assets</b>                        |         | <b>728 528</b> | <b>715 579</b>     |
| <b>Liabilities</b>                         |         |                |                    |
| CURRENT LIABILITIES                        |         |                |                    |
| Payables from exchange transactions        | 13      | 26 491         | 46 354             |
| Payables from non-exchange transactions    | 14      | 236 684        | 220 051            |
| Provisions                                 | 12      | 114 328        | 172 099            |
| <b>Total Liabilities</b>                   |         | <b>377 503</b> | <b>438 504</b>     |
| <b>Net Assets</b>                          |         | <b>351 025</b> | <b>277 075</b>     |
| <b>Reserves</b>                            |         |                |                    |
| Revaluation reserve                        | 10      | 1 810          | 1 000              |
| Employer grant reserve                     | 11      | 16 044         | 549                |
| Administration grant reserve               | 11      | 114 676        | 133 822            |
| Discretionary grant reserve                | 11      | 218 495        | 141 704            |
| <b>Total Net Assets</b>                    |         | <b>351 025</b> | <b>277 075</b>     |

# Statement of Financial Performance

|   | NOTE(S)   | 2020<br>R'000      | 2019<br>RESTATED*<br>R'000 |
|---|-----------|--------------------|----------------------------|
| <b>Revenue</b>                                      |           |                    |                            |
| REVENUE FROM EXCHANGE TRANSACTIONS                  |           |                    |                            |
| Other income  | 17        | 360                | 2 566                      |
| Investment revenue                                  | 18        | 20 680             | 52 438                     |
| <b>Total revenue from exchange transactions</b>     |           | <b>21 040</b>      | <b>55 004</b>              |
| <b>Revenue from non-exchange transactions</b>       |           |                    |                            |
| TRANSFER REVENUE                                    |           |                    |                            |
| Skills development levy: Income                     | 19        | 1 643 548          | 1 601 575                  |
| Skills development levy: Interest and Penalties     | 16        | 45 595             | 47 443                     |
| Other income  | 17        | 35 871             | 41 102                     |
| <b>Total revenue from non-exchange transactions</b> |           | <b>1 725 014</b>   | <b>1 690 120</b>           |
| <b>Total revenue</b>                                | <b>15</b> | <b>1 746 054</b>   | <b>1 745 124</b>           |
| <b>Expenditure</b>                                  |           |                    |                            |
| Administration Expenses                             | 20        | (197 780)          | (216 712)                  |
| Employer grants and project expenses                | 24        | (1 474 970)        | (2 243 230)                |
| Loss on disposal of assets                          |           | (163)              | (392)                      |
| <b>Total expenditure</b>                            |           | <b>(1 672 913)</b> | <b>(2 460 334)</b>         |
| <b>Surplus (deficit) for the year</b>               |           | <b>73 141</b>      | <b>(715 210)</b>           |

# Statement of Changes in Net Assets

|  | REVALUATION RESERVE | EMPLOYER GRANT RESERVE | ADMINISTRATION RESERVE | DISCRETIONARY RESERVE | TOTAL RESERVES   | UNAPPROPRIATED RESERVE | TOTAL NET ASSETS |
|--|---------------------|------------------------|------------------------|-----------------------|------------------|------------------------|------------------|
|  | R'000               | R'000                  | R'000                  | R'000                 | R'000            | R'000                  | R'000            |
| Opening balance as previously reported                   | 1 000               | 10 914                 | 105 169                | 869 550               | 986 633          | -                      | 986 633          |
| Adjustments  |                     |                        |                        |                       | -                |                        |                  |
| Prior period error - Note 29                             | -                   | -                      | -                      | 5 664                 | 5 664            | -                      | 5 664            |
| <b>Balance at 01 April 2018 as restated*</b>             | <b>1 000</b>        | <b>10 914</b>          | <b>105 169</b>         | <b>875 214</b>        | <b>992 297</b>   | <b>-</b>               | <b>992 297</b>   |
| Changes in net assets                                    | -                   | -                      | -                      | -                     | -                | -                      | -                |
| Surplus for the year                                     | -                   | -                      | -                      | -                     | -                | (715 210)              | (715 210)        |
| Application of unappropriated surplus/(deficit)          | -                   | 220 142                | (4 063)                | (931 363)             | (715 284)        | 715 210                | (74)             |
| Reallocation of unappropriated surplus/(deficit)         | -                   | (230 507)              | 32 716                 | 197 791               | -                |                        |                  |
| <b>Total changes</b>                                     | <b>-</b>            | <b>(10 365)</b>        | <b>28 653</b>          | <b>(733 572)</b>      | <b>(715 284)</b> | <b>-</b>               | <b>(715 284)</b> |
| <b>Restated* Balance at 01 April 2019</b>                | <b>1 000</b>        | <b>549</b>             | <b>133 822</b>         | <b>141 704</b>        | <b>277 075</b>   | <b>-</b>               | <b>277 075</b>   |
| Changes in net assets                                    |                     |                        |                        |                       |                  |                        |                  |
| Fair value gains   | 810                 | -                      | -                      | -                     | 810              |                        | 810              |
| Net income (losses) recognised directly in net assets    | 810                 | -                      | -                      | -                     | 810              | -                      | 810              |
| Surplus for the year                                     | -                   | -                      | -                      | -                     | -                | 73 141                 | 73 141           |
| <b>Total recognised income and expenses for the year</b> | <b>810</b>          | <b>-</b>               | <b>-</b>               | <b>-</b>              | <b>810</b>       | <b>73 141</b>          | <b>73 951</b>    |
| Application of unappropriated surplus/(deficit)          | -                   | 234 574                | 18 254                 | (179 687)             | 73 141           | (73 141)               | -                |
| Reallocation of unappropriated surplus/(deficit)         | -                   | (219 079)              | (37 400)               | 248 432               | (8 047)          | -                      | (8 047)          |
| <b>Total changes</b>                                     | <b>810</b>          | <b>15 495</b>          | <b>(19 146)</b>        | <b>68 745</b>         | <b>65 904</b>    | <b>-</b>               | <b>65 904</b>    |
| <b>Balance at 31 March 2020</b>                          | <b>1 810</b>        | <b>16 044</b>          | <b>114 676</b>         | <b>218 495</b>        | <b>351 025</b>   | <b>-</b>               | <b>351 025</b>   |
| Note(s)  | 10                  | 11                     | 11                     | 11                    |                  |                        |                  |

# Cash Flow Statement

|   | NOTE(S) | 2020             | 2019 <small>RESTATED*</small> |
|---|---------|------------------|-------------------------------|
|   |         | R'000            | R'000                         |
| <b>Cash flows from operating activities</b>                   |         |                  |                               |
| CASH RECEIPTS FROM STAKEHOLDERS                               |         |                  |                               |
| Levies, interest and penalties received                       |         | 1 689 239        | 1 649 288                     |
| Interest income   |         | 21 585           | 53 150                        |
| Other cash receipts from stakeholders                         |         | 360              | 274                           |
|   |         | <b>1 711 184</b> | <b>1 702 712</b>              |
| <b>Cash payments to stakeholders, suppliers and employees</b> |         |                  |                               |
| Employee costs  |         | (197 603)        | (210 732)                     |
| Payments made to suppliers                                    |         | (125 878)        | (170 227)                     |
| Grants and project payments                                   |         | (1 326 009)      | (2 218 592)                   |
|   |         | (1 649 490)      | (2 599 551)                   |
| <b>Net cash flows from operating activities</b>               | 25      | <b>61 694</b>    | <b>(896 839)</b>              |
| <b>Cash flows from investing activities</b>                   |         |                  |                               |
| Purchase of property, plant and equipment                     | 3       | (14 268)         | (91 871)                      |
| Purchase of other intangible assets                           | 4       | (29 168)         | (31 826)                      |
| <b>Net cash flows from investing activities</b>               |         | <b>(43 436)</b>  | <b>(123 697)</b>              |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   |         | <b>18 258</b>    | <b>(1 020 536)</b>            |
| Cash and cash equivalents at the beginning of the year        |         | 403 628          | 1 424 032                     |
| <b>Cash and cash equivalents at the end of the year</b>       | 9       | <b>421 886</b>   | <b>403 496</b>                |

\* See Note 29

# Statement of Comparison of Budget and Actual Amounts

| Budget on cash basis                                |                    |                 |                    |                                    |  |           |
|---|--------------------|-----------------|--------------------|------------------------------------|--|-----------|
|   | APPROVED BUDGET    | ADJUSTMENTS     | FINAL BUDGET       | ACTUAL AMOUNTS ON COMPARABLE BASIS | DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL | REFERENCE |
|   | R'000              | R'000           | R'000              | R'000                              | R'000                                      |           |
| <b>Statement of Financial Performance</b>           |                    |                 |                    |                                    |  |           |
| <b>Revenue</b>                                      |                    |                 |                    |                                    |  |           |
| REVENUE FROM EXCHANGE TRANSACTIONS                  |                    |                 |                    |                                    |  |           |
| Other income - (rollup) -                           | -                  | -               | -                  | 360                                | 360  | 35        |
| Interest received - investment                      | 66 317             | (44 764)        | 21 553             | 20 680                             | (873)                                      | 35        |
| <b>Total revenue from exchange</b>                  | <b>66 317</b>      | <b>(44 764)</b> | <b>21 553</b>      | <b>21 040</b>                      | <b>(513)</b>                               |           |
| <b>TRANSACTIONS</b>                                 |                    |                 |                    |                                    |  |           |
| REVENUE FROM NON-EXCHANGE TRANSACTIONS              |                    |                 |                    |                                    |  |           |
| <b>Transfer revenue</b>                             |                    |                 |                    |                                    |  |           |
| Levies  | 1 685 622          | (46 037)        | 1 639 585          | 1 643 548                          | 3 963                                      | 35        |
| Fines, Penalties and Forfeits -                     | -                  | -               | -                  | 45 595                             | 45 595                                     |           |
| Other Income -                                      | -                  | -               | -                  | 35 871                             | 35 871                                     |           |
| <b>Total revenue from non-exchange transactions</b> | <b>1 685 622</b>   | <b>(46 037)</b> | <b>1 639 585</b>   | <b>1 725 014</b>                   | <b>85 429</b>                              |           |
| <b>Total revenue</b>                                | <b>1 751 939</b>   | <b>(90 801)</b> | <b>1 661 138</b>   | <b>1 746 054</b>                   | <b>84 916</b>                              |           |
| <b>Expenditure</b>                                  |                    |                 |                    |                                    |  |           |
| Employer grants and project expenses                | (1 755 754)        | 297 087         | (1 458 667)        | (1 474 970)                        | (16 303)                                   | 35        |
| Administrative expenses                             | (230 508)          | 24 537          | (205 971)          | (196 993)                          | 8 978                                      | 35        |
| <b>Total expenditure</b>                            | <b>(1 986 262)</b> | <b>321 624</b>  | <b>(1 664 638)</b> | <b>(1 671 963)</b>                 | <b>(7 325)</b>                             |           |
| <b>Operating surplus</b>                            | <b>(234 323)</b>   | <b>230 823</b>  | <b>(3 500)</b>     | <b>74 091</b>                      | <b>77 591</b>                              |           |
| Loss on disposal of assets                          | -                  | -               | -                  | (163)                              | (163)                                      |           |
| <b>Surplus/(Deficit) for the year</b>               | <b>(234 323)</b>   | <b>230 823</b>  | <b>(3 500)</b>     | <b>73 928</b>                      | <b>77 428</b>                              |           |



# Accounting Policies

## 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Companies Act, 71 of 2008.

These annual 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. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

### 1.1. 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.

### 1.2. Property, plant and equipment Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

### Initial Measurement

Property, plant and equipment is initially measured at cost.

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

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

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the



asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Assets under construction (Work in Progress) represents capital expenditure incurred on projects not yet completed nor ready for use at period end. On completion of the projects, the capitalised expenditure gets re-allocated to the appropriate PPE class of assets.

### Subsequent Measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly

to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

### Depreciation

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made every three years unless there are significant change.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

## Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.3. Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A tangible asset is an identifiable non-monetary asset without physical substance. An asset is a resource that is controlled by the entity as a result of past events (for example, purchase or self-creation) and from which future economic benefits (inflows of cash or other assets) are expected.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

## Recognition

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.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. Development costs are capitalised only after technical and commercial feasibility of the asset for sale or use have been established.

## Subsequent measurement

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

## Amortisation

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

## Derecognition

Intangible assets are derecognised: on disposal; or when no future economic benefits or service potential are expected from its use or disposal.

### 1.4. Administration, grants, and project expenditure

#### MANDATORY GRANTS

The grant payable and the related expenditure are recognised when the employer has submitted an application

for a grant in the prescribed form within the agreed upon cut-off period and such application complies with all legislative requirements and when the monthly levy payments have been received from the employer. The grant is equivalent to 20% of the total levies paid by the employer during the corresponding financial period for the skills planning grant.

#### DISCRETIONARY GRANTS AND PROJECT EXPENDITURE

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

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

Project expenditure comprises:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the project;
- such other costs as are specifically chargeable to the Services SETA under the terms of the contract and
- any expenditure incurred to support discretionary grant projects shall be charged to the discretionary grants to the extent that they can be attributed to a particular project.

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

#### DISCRETIONARY GRANTS ADMINISTRATION COSTS

Up to a maximum of 7.5% shall be allocated to administer the project by the employer or training provider. Discretionary Grants Support costs

The 7.5% limit shall not be applicable to the following:

- Salaries of core business staff
- Expenditure incurred as a result of support to project conceptualise, implementation and closure
- Exhibitions
- Legal costs related to discretionary grants
- Travel and accommodation to support discretionary grants and the achievement of the Annual Performance Plan
- Consulting to support Services SETA strategic goals Non-pivotal projects

The 7.5% limit shall not be applicable to non-pivotal projects

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

At the end of the financial period any unspent or uncommitted funds must be transferred to the National Treasury unless approval was granted to retain the unspent funds.

#### ADMINISTRATIVE EXPENDITURE

The funding for administrative expenditure is derived from 10.5% of the total levies paid by the employers.

Administration expenses consist of the operational expenditure incurred by the Services SETA. Operational expenditure includes employee costs for non-core employees, consulting costs and operational travel and subsistence costs and capital expenditure, amongst others.

### 1.5. Financial instruments

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Services SETA shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. The cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Services SETA shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

## ACCOUNTING POLICIES

A financial asset is:

- cash;
- a residual interest of another entity; or a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are favourable to the Services SETA.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Services SETA.

### Classification

The Services SETA has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Category  | Class                                      |
|---|--|
| Financial assets measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.   | Receivables from non exchange transactions |
| Financial assets measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.   | Receivables from exchange transactions     |
| Financial assets which comprise of cash on hand and demand deposits, 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. These are initially and subsequently recorded at fair value. | Cash and cash equivalents                  |
| Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost.  | Provisions                                 |
| Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost.  | Payables from exchange transactions        |
| Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost.  | Payables from non exchange transactions    |

### 1.6. Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance based on the straight-line method. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination take place. The Services SETA does not hold any finance leases.

### 1.7. Inventories

Inventories consist of assets in the form of materials or supplies to be consumed or distributed in the rendering of services and is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the entity and they can be measured reliably.

#### Initial recognition

Inventory, which comprises of consumables and stationery on hand, is initially measured at cost except where it is acquired through a non-exchange transaction, then its costs is stated at fair value as at the date of acquisition.

## Subsequent Measurement

When inventories are exchanged or distributed, the carrying amount of those inventories are recognised as an expense when the goods are distributed, or related service is rendered. The cost of inventories is assigned using the lower of cost or current replacement costs. The same cost formula is used for all inventories having a similar nature and usage by the Services SETA.

### 1.8. Reserves

Reserves are sub-classified in the statement of financial position between the following funds and reserves:

- Administration reserve
- Employer grant reserve
- Discretionary reserve

Revaluation reserve.

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

Member employer company levy payments are set aside in terms of the Skills Development Act and the regulations issued in terms of the Act, as per table below Interest and penalties received from South African Revenue Services (SARS) as well as interest received on investments are utilised for discretionary grants and projects. Other income received are utilised in accordance with the original source of the income.

The net surplus/deficit is allocated to the administration reserve and the discretionary fund reserve in terms of the Grant Regulations. The administration reserve comprises of the future depreciation of all administration property, plant and equipment plus the 5% of uncommitted discretionary grant funds at the end of the year.

A further amount is disclosed in the employer grant reserve for newly registered member companies, participating after the legislative cut-off date and new scheme year levies received for the period ending 31 March. Refer to note for disclosure of this contingent liability.

|  | 2020           | 2019           |
|--|----------------|----------------|
| Administration costs                     | 10.50%         | 10.50%         |
| Mandatory Grants                         | 20.00%         | 20.00%         |
| Discretionary Grants                     | 49.50%         | 49.50%         |
| Received by the SETA                     | 80.00%         | 80.00%         |
| Contribution to the National Skills Fund | 20.00%         | 20.00%         |
|  | <b>100.00%</b> | <b>100.00%</b> |

### 1.9. Retirement benefit costs Defined contribution plans

The Services SETA provides for retirement benefits for all its permanent employees through a defined contribution scheme that is subject to the Pension Funds Act, 1956 as amended. Contributions are at a rate of 15% of pensionable emoluments of which members contribute 7.5%.

The Services SETA's contribution to the defined contribution plans is charged to the Statement of Financial Performance in the year to which they relate and there is no further liability for the Services SETA.

### 1.10. Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to be reversed.

#### Provision for levies exempt companies

Exempt companies provision includes employers who continued paying skills development levies even though they are exempt in terms of Skills Development Act.

### Provision for grants

Provisions are not made for projects approved at year end, unless the service in terms of the contract has been delivered or the contract is of an onerous nature. Where a project has been approved and contracted, it is disclosed as commitments in the notes to the financial statements.

Provisions, accruals and contingencies

Provisions are not made for projects approved at year-end, unless the service in terms of the contract has been delivered or the contract is of an onerous nature. Where a project has been approved and contracted, it is disclosed as commitments in the notes to the financial statements.

### Accruals

Accruals refer to the recording of transactions when they occur and recognised in the financial statements in the periods to which they relate.

#### Accrual for employee entitlement

Accruals refer to the recording of transactions when they occur and recognised in the financial statements in the periods to which they relate.

#### Accrual for employee entitlement

The cost of other employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. An accrual is made for the estimated liability as a result of services rendered by employees up to the last day of the financial year. Leave accruals are included under payables from exchange transactions in the statement of financial position based on the current salary rates and latest approved increases.

Also included under payables from exchange transactions are trade payables.

An accrual for mandatory grants payable is recognised under payables from non-exchange transactions.

### Contingent assets and contingent liabilities.

A contingent liability is 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 in the control of the Services SETA.

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 in the control of the Services SETA.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 27.

### 1.11. Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential received and receivable by the Services SETA, which represents an increase in net assets.

Control of an asset arises when the Services SETA can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Exchange revenue is mostly derived from interest earned. Interest earned is recognised on a time proportionate basis that takes into account the effective yield on the interest investment.

Non-exchange transactions are transactions that are not exchange transactions.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### 1.12. Revenue from non-exchange transactions Skills development levies

In terms of section 3(1) and 3(4) of the Skills Development Levies (SDL) Act, 1999 (Act no. 9 of 1999), registered member companies pay a skills development levy of 1% of the total payroll cost to SARS, who collects the levies on behalf of the DHET. Accounting policy note number 1.8 provides the split of the levies allocated.

Skills development levy income is recognised when it is probable that future economic benefits will flow to the Services SETA and these benefits can be measured reliably. This occurs when the DHET either makes an allocation or payment to Services SETA, whichever occurs first. SDL income is measured at the fair value of the consideration received or receivable.

### Interest and penalties

Interest and penalties are economic benefits or service potential received or receivable by Services SETA, as

determined by legislation, as a consequence of the breach of laws or regulations and is recognised on the accrual basis as the skills development levy.

### Voluntary contributions

Voluntary contributions received from public service employers in the national and provincial spheres of government are recognised on the cash basis. These funds may be used to fund the Services SETA administration costs. The Services SETA allocate the voluntary contributions using the circular from the DHET of 33.33% to administration and 66.66% to discretionary.

### 1.13. InterSETA Transfers

Revenue is adjusted for transfers of employers between SETAs that arise due to incorrect allocation to a SETA on registration for skills development levy or changes to their business that result in a need to change SETAs. Such adjustments are disclosed separately as InterSETA transfers. The amount of the InterSETA transfers is calculated according to the most recent Standard Operating Procedure as issued by the Department of Higher Education and Training (DHET).

### 1.14. Investment income

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

### 1.15. Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 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 is expenditure that was not incurred in the manner prescribed by legislation.

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 which was condoned before year-end and/or before finalisation of the financial statements, must also be recorded appropriately in the irregular expenditure register.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement by the Accounting Authority is obtained at year-end, must be recorded in the irregular expenditure register.

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. Budget information

The approved budget covers the fiscal period from 2019/04/01 to 2020/03/31.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. There are no timing differences on the

budget to actual information as the budget is prepared on an accrual basis.

### 1.19. Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Transactions are disclosed as related party transactions where the Services SETA has, in the normal course of its operations, entered into transactions with entities related to the Department of Higher Education and Training, payments to members of the Accounting Authority and key management.

In addition, InterSETA transactions are disclosed as related party transactions due to employers moving from one SETA to another.

### 1.20. 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 Services SETA will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

## 2. New standards and interpretations

### 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:

| STANDARD/ INTERPRETATION:   | EFFECTIVE DATE:<br>YEARS BEGINNING ON<br>OR AFTER |
|---|---|
| IGRAP 20: Accounting for Adjustments to Revenue   | 01 April 2019                                     |
| IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue        | 01 April 2019                                     |
| GRAP 20: Related parties  | 01 April 2019                                     |
| GRAP 108: Statutory Receivables   | 01 April 2019                                     |
| GRAP 109: Accounting by Principals and Agents   | 01 April 2019                                     |
| IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land | 01 April 2019                                     |
| IGRAP 19: Liabilities to Pay Levies   | 01 April 2019                                     |





# Notes to the Annual Financial Statements

## 3. Property, plant and equipment

|                        | 2020             |   |                | 2019 <sup>RESTATED*</sup> |   |                |
|------------------------|------------------|---|----------------|---------------------------|---|----------------|
|                        | COST / VALUATION | ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT | CARRYING VALUE | COST / VALUATION          | ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT | CARRYING VALUE |
|                        | R'000            | R'000   | R'000          | R'000                     | R'000   | R'000          |
| Land                   | 66 771           | -   | 66 771         | 65 961                    | -   | 65 961         |
| Buildings              | 87 330           | (2 558)   | 84 772         | 94 760                    | -   | 94 760         |
| Building machinery     | 2 781            | (1 993)   | 788            | 2 506                     | (1 677)   | 829            |
| Furniture and fixtures | 19 324           | (10 754)  | 8 570          | 19 174                    | (6 958)   | 12 216         |
| Motor vehicles         | 18 287           | (9 741)   | 8 546          | 18 287                    | (6 101)   | 12 186         |
| Office equipment       | 9 572            | (3 401)   | 6 171          | 8 262                     | (2 417)   | 5 845          |
| Computer equipment     | 23 779           | (15 481)  | 8 298          | 22 112                    | (9 866)   | 12 246         |
| Computer network       | 8 087            | (6 605)   | 1 482          | 7 277                     | (5 200)   | 2 077          |
| Work in progress       | 8 976            | -   | 8 976          | -                         | -   | -              |
| <b>Total</b>           | <b>244 907</b>   | <b>(50 533)</b>                                     | <b>194 374</b> | <b>238 339</b>            | <b>(32 219)</b>                                     | <b>206 120</b> |

### Reconciliation of property, plant and equipment - 2020

|                        | OPENING BALANCE        | ADDITIONS     | DISPOSALS    | REVALUATION SURPLUS/ (DEFICIT) | DEPRECIATION    | TOTAL          |
|------------------------|------------------------|---------------|--------------|--------------------------------|-----------------|----------------|
|                        | R'000                  | R'000         | R'000        | R'000                          | R'000           | R'000          |
|                        | <b>Opening balance</b> |               |              |                                |                 |                |
| Land                   | 65 961                 | -             | -            | 810                            | -               | 66 771         |
| Buildings              | 94 760                 | -             | -            | (7 430)                        | (2 558)         | 84 772         |
| Plant and machinery    | 829                    | 274           | -            | -                              | (315)           | 788            |
| Furniture and fixtures | 12 216                 | 150           | -            | -                              | (3 796)         | 8 570          |
| Motor vehicles         | 12 186                 | -             | -            | -                              | (3 640)         | 8 546          |
| Office equipment       | 5 845                  | 2 172         | (143)        | -                              | (1 703)         | 6 171          |
| Computer equipment     | 12 246                 | 1 885         | (39)         | -                              | (5 794)         | 8 298          |
| Computer networks      | 2 077                  | 810           | -            | -                              | (1 405)         | 1 482          |
| Work in progress       | -                      | 8 976         | -            | -                              | -               | 8 976          |
|                        | <b>206 120</b>         | <b>14 267</b> | <b>(182)</b> | <b>(6 620)</b>                 | <b>(19 211)</b> | <b>194 374</b> |

### Reconciliation of property, plant and equipment - 2019

|                        | OPENING<br>BALANCE | ADDITIONS     | DISPOSALS    | TRANSFERS      | DEPRECIATION    | TOTAL          |
|------------------------|--------------------|---------------|--------------|----------------|-----------------|----------------|
|                        | R'000              | R'000         | R'000        | R'000          | R'000           | R'000          |
| Land                   | 23 418             | 39 219        | -            | 3 324          | -               | 65 961         |
| Buildings              | 68 690             | 24 908        | -            | 976            | 186             | 94 760         |
| Building machinery     | 940                | 183           | (17)         | -              | (277)           | 829            |
| Furniture and fixtures | 7 768              | 7 755         | -            | -              | (3 307)         | 12 216         |
| Motor vehicles         | 7 360              | 6 977         | -            | 1 022          | (3 173)         | 12 186         |
| Office equipment       | 3 128              | 3 975         | -30          | -              | (1 228)         | 5 845          |
| Computer Equipment     | 8 762              | 8 854         | -345         | -              | (5 025)         | 12 246         |
| Computer network       | 3 421              | -             | -            | -              | (1 344)         | 2 077          |
| Work in progress       | 9 901              | -             | -            | (9 901)        | -               | -              |
|                        | <b>133 388</b>     | <b>91 871</b> | <b>(392)</b> | <b>(4 579)</b> | <b>(14 168)</b> | <b>206 120</b> |

*Previously stated figure for FY2019: R207.520 million.*

Refer to note 29 for prior year adjustment.

#### USEFUL LIVES (IN YEARS)

|                        |               |        |
|------------------------|---------------|--------|
| Land                   | Straight line | 0      |
| Buildings              | Straight line | 20     |
| Building machinery     | Straight line | 5 - 10 |
| Furniture and fixtures | Straight line | 5 - 10 |
| Motor vehicles         | Straight line | 5 - 7  |
| Office equipment       | Straight line | 5 - 10 |
| Computer equipment     | Straight line | 3 - 5  |
| Computer network       | Straight line | 3 - 5  |

### Revaluations

Two buildings were revalued in the current year.

Revaluations were performed by independent valuer, Darryl Robert Riley, qualifications: B.Com., DipSurv., N.Dip. (Real Estate), MIV (SA), MRICS, professional valuer (4677/6) of The Property Partnership CC.

### Repairs and Maintenance

During the current financial year, R4.7 million of repairs and maintenance was incurred in order to maintain the condition of the property, plant and equipment of the SETA. Refer to note 21.

#### 4. Intangible assets

|                                     | 2020             |  |                | 2019 <sup>RESTATED*</sup> |  |                |
|-------------------------------------|------------------|--|----------------|---------------------------|--|----------------|
|                                     | COST / VALUATION | ACCUMULATED AMORTIATION AND ACCUMULATED IMPAIRMENT | CARRYING VALUE | COST / VALUATION          | ACCUMULATED AMORTIATION AND ACCUMULATED IMPAIRMENT | CARRYING VALUE |
|                                     | R'000            | R'000  | R'000          | R'000                     | R'000  | R'000          |
| Computer software                   | 101 659          | (37 921)   | 63 738         | 58 590                    | (20 552)   | 38 038         |
| Intangible assets under development | 17 107           | 0  | 17 107         | 31 414                    | 0  | 31 414         |
| <b>Total</b>                        | <b>118 766</b>   | <b>(37 921)</b>                                    | <b>80 845</b>  | <b>90 004</b>             | <b>(20 552)</b>                                    | <b>69 452</b>  |

#### Reconciliation of intangible assets - 2020

|                                     | OPENING BALANCE | ADDITIONS     | TRANSFERS RECEIVED | TRANSFERS       | AMORTISATION    | TOTAL         |
|-------------------------------------|-----------------|---------------|--------------------|-----------------|-----------------|---------------|
|                                     | R'000           | R'000         | R'000              | R'000           | R'000           | R'000         |
| Computer software                   | 38 038          | 19 800        | 24 829             | (1 155)         | (17 774)        | 63 738        |
| Intangible assets under development | 31 414          | 9 367         | -                  | (23 674)        | -               | 17 107        |
|                                     | <b>69 452</b>   | <b>29 167</b> | <b>24 829</b>      | <b>(24 829)</b> | <b>(17 774)</b> | <b>80 845</b> |

#### Reconciliation of intangible assets - 2019

|                                     | OPENING BALANCE | ADDITIONS     | TRANSFERS | AMORTISATION    | TOTAL         |
|-------------------------------------|-----------------|---------------|-----------|-----------------|---------------|
|                                     | R'000           | R'000         | R'000     | R'000           | R'000         |
| Computer software                   | 37 016          | 7 714         | 3 989     | (10 681)        | 38 038        |
| Intangible assets under development | 11 291          | 24 112        | (3 989)   | -               | 31 414        |
|                                     | <b>48 307</b>   | <b>31 826</b> | <b>-</b>  | <b>(10 681)</b> | <b>69 452</b> |

*Previously stated figure for FY2019: R66.653 million.*

Refer to note 29 for prior year adjustment.

#### USEFUL LIVES (IN YEARS)

|                   |               |       |
|-------------------|---------------|-------|
| Computer software | Straight line | 3 - 5 |
|-------------------|---------------|-------|

#### 5. Inventories

|                   | 2020  | 2019  |
|-------------------|-------|-------|
|                   | R'000 | R'000 |
| Consumable stores | 350   | 395   |

## 6. Receivables from exchange transactions

|                            | 2020         | 2019         |
|----------------------------|--------------|--------------|
|                            | R'000        | R'000        |
| Employee costs receivables | 92           | 581          |
| Prepayments                | 1 117        | 5 658        |
| Accrued investment income  | 139          | 1 044        |
| Other receivables          | 20           | -            |
|                            | <b>1 368</b> | <b>7 283</b> |

| Reconciliation of Employee costs receivables | 2020      | 2019       |
|--|-----------|------------|
|  | R'000     | R'000      |
| Opening balance                              | 581       | 138        |
| Staff costs receivables                      | -         | 572        |
| Recovery                                     | (489)     | (129)      |
|  | <b>92</b> | <b>581</b> |

## 7. Receivables from non-exchange transactions

|  | 2020          | 2019          |
|--|---------------|---------------|
|  | R'000         | R'000         |
| Mandatory grants receivables: SARS Adjustments | 14 945        | 13 973        |
| Discretionary grants receivables               | 14 553        | 14 532        |
| Mandatory grants receivable: Legal process     | -             | -             |
|  | <b>29 498</b> | <b>28 505</b> |

### Mandatory grants receivables

Mandatory grants receivable arises as a result of SARS adjustments subsequent to the Services SETA having paid out the grant. The receivable is set off against future mandatory grants payable by the Services SETA to the employer concerned. A provision has been raised

|   | 2020  | 2019  |
|---|-------|-------|
|   | R'000 | R'000 |
| MG Receivable:Legal                     | -     | 385   |
| Provision for bad debts - Legal process | -     | (385) |
|   | -     | -     |

### National Skills Fund Receivable:Uncommitted funds

During the 2014/15 financial year a directive was received from the Executive Authority requiring the Services SETA to make an additional payment as per the new grant regulations.

The Services SETA was instructed to pay R1.577 billion and subsequently it was determined that only R1.567 billion should have been paid.

The Services SETA has been regularly engaging with the National Skills Fund for the settlement of the overpayment and the recoverability of the receivable is highly unlikely.

The NSF Receivable has been written-off against the Provision for Bad Debt-NSF due to prescription.

In the previous financial year, a judgement in the matter between the Minister of Higher Education and Training and UBUSA ruled that paragraph 3(12) of the Skills Development Grant Regulations (2012), which requires that the uncommitted funds should be transferred to the National Skills Fund, be set aside.

|                              | 2020  | 2019    |
|------------------------------|-------|---------|
|                              | R'000 | R'000   |
| NSF Receivable               | -     | 9 269   |
| Provision for Bad Debt - NSF | -     | (9 269) |
|                              | -     | -       |

## 8. Deposits

Short term deposits for lease and municipal deposits

|                       | 2020       | 2019       |
|-----------------------|------------|------------|
|                       | R'000      | R'000      |
| <b>Gross balances</b> |            |            |
| Bloemfontein          | 37         | 33         |
| Durban                | 2          | 2          |
| Johannesburg          | 136        | 136        |
| Nelspruit             | 48         | 22         |
| Port Elizabeth        | 4          | 3          |
|                       | <b>227</b> | <b>196</b> |

## 9. Cash and cash equivalents

|                                       | 2020           | 2019           |
|---------------------------------------|----------------|----------------|
|                                       | R'000          | R'000          |
| Cash and cash equivalents consist of: |                |                |
| Cash on hand                          | 26             | 13             |
| Bank balances                         | 130 002        | 155 117        |
| Short-term deposits                   | 116 684        | 241 948        |
| Restricted cash                       | -              | 6 550          |
| Other cash and cash equivalents       | 175 154        | -              |
|                                       | <b>421 866</b> | <b>403 628</b> |

Cash on hand constitutes petty cash that is spread across Services SETA offices, including head office.

As required in terms of Treasury Regulation 31.2, the Services SETA holds bank accounts with financial institutions approved by National Treasury.

The Skills Development Act Regulations state that the Services SETA may, if not otherwise specified by the Public Finance Management Act, invest the monies in accordance with the Investment Policy approved by the Accounting Authority. Short-term deposits are invested in line with the Investment Policy.

Restricted cash consists of interests earned as a result of bank guarantees held as collateral for the acquisition of provincial offices in order to improve accessibility of the Services SETA to learners and stakeholders.

Other cash and cash equivalents include funds that were in transit between an investment account and a cash and bank account as at 31 March 2020.

## 10. Revaluation reserve

|  | 2020         | 2019         |
|--|--------------|--------------|
|  | R'000        | R'000        |
| Reserve on revaluation of property, plant and equipment. |              |              |
| Opening balance  | 1 000        | 1 000        |
| Change during the year - Land                            | 810          | -            |
|  | <b>1 810</b> | <b>1 000</b> |

## 11. Accumulated surplus

| Allocation of the surplus/(deficit) for the year to reserves - 2020 |                        |                        |                             |                     |                  |
|---|------------------------|------------------------|-----------------------------|---------------------|------------------|
|   | ADMINISTRATION RESERVE | EMPLOYER GRANT RESERVE | DISCRETIONARY GRANT RESERVE | REVALUATION RESERVE | TOTAL            |
|   | R'000                  | R'000                  | R'000                       | R'000               | R'000            |
| Skills development levy income                                      |                        |                        |                             |                     |                  |
| - Administration levy income  | 216 021                | -                      | -                           | -                   | 216 021          |
| - Grant levy income   | -                      | 411 200                | -                           | -                   | 411 200          |
| - Discretionary grant levy  | -                      | -                      | 1 016 326                   | -                   | 1 016 326        |
| Penalties and interest  | -                      | -                      | 45 594                      | -                   | 45 594           |
| Investment income   | -                      | -                      | 20 680                      | -                   | 20 680           |
| Other income  | 175                    | 35 289                 | 768                         | -                   | 36 232           |
| <b>Total income</b>   | <b>216 196</b>         | <b>446 489</b>         | <b>1 083 368</b>            | <b>-</b>            | <b>1 746 053</b> |
| Administration expenses   | (197 942)              | -                      | -                           | -                   | (197 942)        |
| Employer grants expenses  | -                      | (211 915)              | -                           | -                   | (211 915)        |
| Project expenses  | -                      | -                      | (1 263 055)                 | -                   | (1 263 055)      |
| <b>Net surplus/(deficit allocated)</b>                              | <b>18 254</b>          | <b>234 574</b>         | <b>(179 687)</b>            | <b>-</b>            | <b>73 141</b>    |
|   | ADMINISTRATION RESERVE | EMPLOYER GRANT RESERVE | DISCRETIONARY GRANT RESERVE | REVALUATION RESERVE | TOTAL            |
|   | R'000                  | R'000                  | R'000                       | R'000               | R'000            |
| Opening balance   | 133 822                | 549                    | 141 704                     | 1 000               | 277 075          |
| Surplus/(Deficit) for the year                                      | 18 254                 | 234 574                | (179 688)                   | 810                 | 73 950           |
| Reallocation of funds to reserves                                   | (37 400)               | (219 079)              | 256 479                     | -                   | -                |
|   | <b>114 676</b>         | <b>16 044</b>          | <b>218 495</b>              | <b>1 810</b>        | <b>351 025</b>   |

| Allocation of the surplus/(deficit) for the year to reserves - 2019 |                        |                        |                             |                     |                  |
|---|------------------------|------------------------|-----------------------------|---------------------|------------------|
|   | ADMINISTRATION RESERVE | EMPLOYER GRANT RESERVE | DISCRETIONARY GRANT RESERVE | REVALUATION RESERVE | TOTAL            |
|   | R'000                  | R'000                  | R'000                       | R'000               | R'000            |
| Skills development levy income                                      |                        |                        |                             |                     |                  |
| - Administration levy income  | 209 986                | -                      | -                           | -                   | 209 986          |
| - Grant levy income   | -                      | 397 522                | -                           | -                   | 397 522          |
| - Discretionary grant levy  | -                      | -                      | 994 337                     | -                   | 994 337          |
| Penalties and interest  |                        |                        | 47 443                      | -                   | 47 443           |
| Investment income   |                        |                        | 52 438                      | -                   | 52 438           |
| Other income  | 2 296                  | 15 268                 | 25 837                      | -                   | 43 401           |
| <b>Total income</b>   | <b>212 282</b>         | <b>412 790</b>         | <b>1 120 055</b>            | <b>-</b>            | <b>1 745 127</b> |
| Administration expenses   | (217 107)              | -                      | -                           | -                   | (217 107)        |
| Employer grants expenses  | -                      | (192 649)              | -                           | -                   | (192 649)        |
| Project expenses  | -                      | -                      | (2 050 581)                 |                     | (2 050 581)      |
| <b>Net surplus/(deficit) allocated</b>                              | <b>(4 825)</b>         | <b>220 141</b>         | <b>(930 526)</b>            | <b>-</b>            | <b>(715 210)</b> |
| Previously reported opening balance                                 | 105 931                | 10 914                 | 869 550                     | 1 000               | 987 395          |
| Prior period error - Note 29  | -                      | -                      | 5 662                       | -                   | 5 662            |
| Surplus/(Deficit) for the year                                      | (4 825)                | 220 141                | (930 526)                   | -                   | (715 210)        |
| Reallocation of funds to reserves                                   | 32 716                 | (230 506)              | 197 791                     | -                   | -                |
|   | <b>133 822</b>         | <b>549</b>             | <b>141 704</b>              | <b>1 000</b>        | <b>277 075</b>   |

## 12. Provisions

| Reconciliation of provisions - 2020 |                 |               |                          |                |
|-------------------------------------|-----------------|---------------|--------------------------|----------------|
|                                     | OPENING BALANCE | ADDITIONS     | UTILISED DURING THE YEAR | TOTAL          |
|                                     | R'000           | R'000         | R'000                    | R'000          |
| Exempt employers                    | 47 082          | 9 870         | (8 564)                  | 48 388         |
| Discretionary grants                | 125 017         | 65 940        | (125 017)                | 65 940         |
|                                     | <b>172 099</b>  | <b>75 810</b> | <b>(133 581)</b>         | <b>114 328</b> |

| Reconciliation of provisions - 2019   |                 |                |                          |                |
|---------------------------------------|-----------------|----------------|--------------------------|----------------|
|                                       | OPENING BALANCE | ADDITIONS      | UTILISED DURING THE YEAR | TOTAL          |
|                                       | R'000           | R'000          | R'000                    | R'000          |
| Exempt employers                      | 50 753          | 10 317         | (13 988)                 | 47 082         |
| Discretionary grants                  | 215 707         | 125 017        | (215 707)                | 125 017        |
| Provision for administration expenses | 3 776           | -              | (3 776)                  | -              |
|                                       | <b>270 236</b>  | <b>135 334</b> | <b>(233 471)</b>         | <b>172 099</b> |

### Provision for exempt levy employers

This provision is for employers who, even though are not obliged to pay the skills development levy because their payroll is less than R500 000, amongst others, still contribute towards the SDL.

The provision covers contributions made over a period of five years by employers with payroll less than R500 000. Any exempt contributions older than five years are swept to discretionary reserves.

### Provision for discretionary grants

In the 2016/17 financial year, the Services SETA established an in-house Bursary Unit.

This provision includes the new allocations and the expected percentage of progressing bursars as well as consideration of the prior year's actual payout ratio, based on historical data.

For the financial year 2019/20 the Services SETA considered verified compliant bursars as at 31 March 2020.

### Provision for administration

The Services SETA has a performance management system and this provision for payroll has been utilised for the 2017/18 performance assessment appeals by employees.

## 13. Payables from exchange transactions

|   | 2020          | 2019          |
|---|---------------|---------------|
|   | R'000         | R'000         |
| Trade payables                            | 7 329         | 11 169        |
| Accrued employee costs                    | 6 850         | 5 224         |
| Accrued leave pay                         | 8 156         | 8 573         |
| Accrued expenses - Administration expense | 4 156         | 21 388        |
|   | <b>26 491</b> | <b>46 354</b> |

*Previously stated figure for FY2019: R46.791 million.*

Refer to note 29 for prior year adjustment

## 14. Payables from non-exchange transactions

|  | 2020           | 2019           |
|--|----------------|----------------|
|  | R'000          | R'000          |
| Accrued expenses: Discretionary grants | 31 841         | 40 779         |
| Trade payables: Discretionary grants   | 65 523         | 44 784         |
| Mandatory grants payables              | 139 320        | 134 425        |
| InterSETA payable                      | -              | 63             |
|  | <b>236 684</b> | <b>220 051</b> |



## 15. Revenue

|   | 2020             | 2019             |
|---|------------------|------------------|
|   | R'000            | R'000            |
| Other income - exchange                         | 360              | 2 566            |
| Interest received - investment                  | 20 680           | 52 438           |
| Levies  | 1 643 548        | 1 601 575        |
| Skills Development Levy: Penalties and Interest | 45 595           | 47 443           |
| Other income - non-exchange                     | 35 871           | 41 102           |
|   | <b>1 746 054</b> | <b>1 745 124</b> |

The amount included in revenue arising from exchanges of goods or services are as follows:

|                                | 2020          | 2019          |
|--------------------------------|---------------|---------------|
|                                | R'000         | R'000         |
| Other income - exchange        | 360           | 2 566         |
| Interest received - investment | 20 680        | 52 438        |
|                                | <b>21 040</b> | <b>55 004</b> |

The amount included in revenue arising from non-exchange transactions is as follows:

|   | 2020             | 2019             |
|---|------------------|------------------|
|   | R'000            | R'000            |
| Levies  | 1 643 548        | 1 601 575        |
| Skills Development Levy: Penalties and Interest | 45 595           | 47 443           |
| Other income - non-exchange                     | 35 871           | 41 102           |
|   | <b>1 725 014</b> | <b>1 690 120</b> |

Other Income-Non-exchange includes the write-off of long outstanding payables and recoveries(refunds)

|                                    | 2020          | 2019          |
|------------------------------------|---------------|---------------|
|                                    | R'000         | R'000         |
| <b>Other income - Non-Exchange</b> |               |               |
| Mandatory grants write-off         | 35 105        | 15 268        |
| Discretionary grant write-off      | 767           | 13 392        |
| DG Recoveries                      | -             | 12 442        |
|                                    | <b>35 872</b> | <b>41 102</b> |

## 16. Skills Development Levy: Penalties and Interest

|                                    | 2020          | 2019          |
|------------------------------------|---------------|---------------|
|                                    | R'000         | R'000         |
| Penalties                          | 23 277        | 25 209        |
| Interest                           | 22 318        | 22 233        |
| Penalties - Inter-SETA Transfer In | -             | 1             |
|                                    | <b>45 595</b> | <b>47 443</b> |

## 17. Other revenue

|                         | 2020  | 2019  |
|-------------------------|-------|-------|
|                         | R'000 | R'000 |
| Other income - exchange | 360   | 2 566 |

Other income includes pay-outs received from insurance company for assets that were damaged and or lost during the current year, the recovery of SDL from ETDP SETA and the write-off of long outstanding administration trade payables.

The amount included in other revenue arising from exchanges of goods or services are as follows:

|                              | 2020       | 2019         |
|------------------------------|------------|--------------|
|                              | R'000      | R'000        |
| Profit on Disposal of Assets | -          | 4            |
| Insurance Recoveries         | 175        | -            |
| Admin Write-off              | -          | 2 292        |
| MG - Refund                  | 184        | 270          |
|                              | <b>359</b> | <b>2 566</b> |

The amount included in other revenue arising from non-exchange transactions is as follows:

|                                | 2020          | 2019          |
|--------------------------------|---------------|---------------|
|                                | R'000         | R'000         |
| Mandatory grants write-off     | 35 105        | 15 268        |
| Discretionary grants write-off | 767           | 13 392        |
| DG Recoveries                  | -             | 12 442        |
|                                | <b>35 872</b> | <b>41 102</b> |

### Transfers

|  |               |               |
|--|---------------|---------------|
| Other revenue arising from exchanges transactions    | 360           | 2 566         |
| Other revenue arising from non-exchange transactions | 35 871        | 41 102        |
|  | <b>36 231</b> | <b>43 668</b> |
|  | <b>72 103</b> | <b>84 770</b> |

## 18. Investment revenue

|                         | 2020   | 2019   |
|-------------------------|--------|--------|
|                         | R'000  | R'000  |
| <b>Interest revenue</b> |        |        |
| Bank                    | 20 680 | 52 438 |

## 19. Levies

|                                  | 2020             | 2019             |
|----------------------------------|------------------|------------------|
|                                  | R'000            | R'000            |
| Levy income: Administration      | 216 192          | 209 509          |
| InterSETA transfers-in -         | -                | 3                |
| InterSETA transfers-out -        | -                | -8               |
| Admin - Voluntary -              | -                | -                |
| Admin - Exempt Employers         | (171)            | 482              |
|                                  | <b>216 021</b>   | <b>209 986</b>   |
| Levy income:Employer Grants      | 411 526          | 396 344          |
| InterSETA transfers-in -         | -                | 6                |
| InterSETA transfers-out -        | -                | (16)             |
| MG - Exempt Employers            | (326)            | 918              |
|                                  | <b>411 200</b>   | <b>397 252</b>   |
| Levy income:Discretionary Grants | 1 017 048        | 992 089          |
| InterSETA transfers-in -         | -                | 15               |
| InterSETA transfers-out -        | -                | -39              |
| DG - Exempt Employers            | (808)            | 2 272            |
| DG - Voluntary                   | 87               | -                |
|                                  | <b>1 016 327</b> | <b>994 337</b>   |
|                                  | <b>1 643 548</b> | <b>1 601 575</b> |

DG Voluntary income comprises of contributions made by government institutions directly to the SETA

## 20. Administration Expenditure

|   | 2020           | 2019           |
|---|----------------|----------------|
|   | R'000          | R'000          |
| Advertising and promotional material                  | 2 876          | 20 300         |
| Auditors remuneration <sup>(Refer to note 23)</sup>   | 6 011          | 6 221          |
| Bank charges  | 498            | 588            |
| Consulting and professional fees                      | 29 624         | 56 165         |
| Rentals   | 3 024          | 3 819          |
| Insurance   | 3 806          | 4 489          |
| Venue hire, catering and refreshments                 | 847            | 1 933          |
| IT expenses   | 9 385          | 10 080         |
| Printing and stationery                               | 1 746          | 1 967          |
| Security  | 7 396          | 5 530          |
| Staff welfare   | 248            | 1 092          |
| Subscriptions and membership fees                     | 38             | 30             |
| Communication costs                                   | 4 681          | 2 725          |
| Training and recruitment                              | 3 413          | 4 319          |
| Subsistence and travel - local                        | 2 628          | 2 936          |
| Small tools   | 16             | 24             |
| Electricity and water                                 | 4 089          | 3 352          |
| Repairs and maintenance <sup>(Refer to Note 21)</sup> | 4 665          | 3 388          |
| Quality Council for Trades and Occupations fee 0.5%   | 10 964         | 10 590         |
| Accounting Authority and Audit Committee costs        | 10 349         | 7 195          |
| Depreciation, amortisation and impairment             | 26 220         | 15 351         |
| Employee costs <sup>(Refer to Note 22)</sup>          | 65 256         | 54 618         |
|   | <b>197 780</b> | <b>216 712</b> |

*Previously stated figure for FY2019: R215,079 million.*

Refer to note 29 for prior year adjustment

## 21. Repairs and maintenance

|                                     | 2020         | 2019         |
|-------------------------------------|--------------|--------------|
|                                     | R'000        | R'000        |
| Building maintenance                | 3 125        | 1 854        |
| Equipment and machinery maintenance | 85           | 168          |
| Motor vehicle expenses              | 1 455        | 1 366        |
|                                     | <b>4 665</b> | <b>3 388</b> |

## 22. Employee costs

|   | 2020          | 2019          |
|---|---------------|---------------|
|   | R'000         | R'000         |
| Salaries and wages                                  | 130 089       | 119 968       |
| Incentives  | 7 947         | 925           |
| Medical aid contributions                           | 27 241        | 25 336        |
| Compensation for Occupational Injuries and Diseases | 512           | 187           |
| Leave pay provision charge                          | 352           | 2 879         |
| Basic education allowance                           | 2 993         | 3 019         |
| Pension contributions - Defined contribution plan   | 15 171        | 14 281        |
| Housing benefits and allowances                     | 9 966         | 8 311         |
| Other fringe benefits                               | 2 766         | 2 870         |
| Reallocate to DG                                    | (131 781)     | (123 158)     |
|   | <b>65 256</b> | <b>54 618</b> |

## 23. Auditors' remuneration

|                     | 2020         | 2019         |
|---------------------|--------------|--------------|
|                     | R'000        | R'000        |
| Internal audit fees | 2 042        | 2 750        |
| External audit fees | 3 969        | 3 471        |
|                     | <b>6 011</b> | <b>6 221</b> |

## 24. Employer grants and project expenses

Employer grants and project expenses for the year is stated after accounting for the following:

|                     | 2020             | 2019             |
|---------------------|------------------|------------------|
|                     | R'000            | R'000            |
| Mandatory grant     | 211 914          | 192 649          |
| Discretionary grant | 1 263 056        | 2 050 581        |
|                     | <b>1 474 970</b> | <b>2 243 230</b> |

| Discretionary grant expenditure consist of : | 2020             | 2019             |
|--|------------------|------------------|
|  | R'000            | R'000            |
| Direct project costs                         | 1 005 279        | 1 550 161        |
| Discretionary grant support costs            | 257 777          | 500 420          |
|  | <b>1 263 056</b> | <b>2 050 581</b> |

Previously stated figure for FY2019: R2.048 billion. Refer to note 29 for prior year adjustment

## 25. Cash generated from (used in) operations

|  | 2020          | 2019             |
|--|---------------|------------------|
|  | R'000         | R'000            |
| Surplus (deficit)                          | 73 141        | (715 210)        |
| <b>Adjustments for:</b>                    |               |                  |
| Depreciation and amortisation              | 19 210        | 14 166           |
| Gain on sale of assets and liabilities     | 163           | 389              |
| Bad debts written off                      | -             | 1 398            |
| Movements in provisions                    | (57 771)      | (98 137)         |
| <b>Changes in working capital:</b>         |               |                  |
| Inventories                                | 45            | 12               |
| Receivables from exchange transactions     | 5 915         | (2 354)          |
| Receivables from non-exchange transactions | (993)         | (10 531)         |
| Payables from exchange transactions        | (19 862)      | (61 730)         |
| Payable from non-exchange                  | 41 846        | (24 842)         |
|  | <b>61 694</b> | <b>(896 839)</b> |

## 26. Commitments

|   | 2020          | 2019          |
|---|---------------|---------------|
|   | R'000         | R'000         |
| <b>Already contracted for but not provided for:</b> |               |               |
| CONTRACTED FOR OPERATIONAL AND CAPITAL EXPENDITURE  |               |               |
| Operational commitments                             | 13 361        | 32 954        |
| Capital commitments                                 | 870           | 10 835        |
|   | <b>14 231</b> | <b>43 789</b> |

|             | 2020      | 2019      |
|-------------|-----------|-----------|
|             | R'000     | R'000     |
| Commitments | 4 622 498 | 5 124 817 |

| 2020                                  |                                |                  |                     |                      |                     |
|---------------------------------------|--------------------------------|------------------|---------------------|----------------------|---------------------|
|                                       | RESTATED<br>OPENING<br>BALANCE | NEW<br>APPROVALS | TOTAL<br>AMENDMENTS | TOTAL<br>EXPENDITURE | TOTAL<br>COMMITMENT |
|                                       | R'000                          | R'000            | R'000               | R'000                | R'000               |
| Discretionary grants support          | 36 887                         | -                | 85 118              | (103 702)            | 18 303              |
| Unemployed learnership                | 1 432 666                      | -                | 93 943              | (317 356)            | 1 209 253           |
| Employed Learnership (Bursary)        | 145 094                        | -                | 522                 | (14 978)             | 130 638             |
| Artisan Apprenticeship and trade test | 493 324                        | 162 052          | 29 621              | (209 882)            | 475 115             |
| Trade test                            | 11 265                         | -                | (18)                | (909)                | 10 338              |

| 2020                                |                                |                  |                     |                      |                     |
|-------------------------------------|--------------------------------|------------------|---------------------|----------------------|---------------------|
|                                     | RESTATED<br>OPENING<br>BALANCE | NEW<br>APPROVALS | TOTAL<br>AMENDMENTS | TOTAL<br>EXPENDITURE | TOTAL<br>COMMITMENT |
|                                     | R'000                          | R'000            | R'000               | R'000                | R'000               |
| Internship - HET                    | 287 891                        | -                | 5 564               | (41 329)             | 252 126             |
| Internship - Nated                  | 423 739                        | -                | (1 197)             | (89 978)             | 332 564             |
| Internship - TVET / Workplace       | 255 546                        | -                | 1 689               | (25 336)             | 231 899             |
| Bursaries:Employed                  | 40 663                         | -                | -                   | 151                  | 40 814              |
| Bursaries:Unemployed - Honours      | 30 257                         | -                | -                   | -                    | 30 257              |
| Adult Education and Training        | 11 596                         | -                | 187                 | (1 761)              | 10 022              |
| Recognition of Prior Learning       | 13 924                         | -                | 731                 | (4 091)              | 10 564              |
| Skills programmes: Employed         | 392 530                        | -                | 24 728              | (21 887)             | 395 371             |
| Skills programmes: Unemployed       | 14 090                         | -                | 61 989              | (14 056)             | 62 023              |
| Candidacy                           | 14 232                         | -                | 110                 | (2 629)              | 11 713              |
| Financial Services Regulatory Board | 235                            | -                | -                   | -                    | 235                 |
| Special Projects                    | 1 520 881                      | 32 327           | 4 817               | (156 762)            | 1 401 263           |
|                                     | <b>5 124 820</b>               | <b>194 379</b>   | <b>307 804</b>      | <b>(1 004 505)</b>   | <b>4 622 498</b>    |

| 2019   |                                |                  |                     |                      |                                 |
|--|--------------------------------|------------------|---------------------|----------------------|---------------------------------|
|  | RESTATED<br>OPENING<br>BALANCE | NEW<br>APPROVALS | TOTAL<br>AMENDMENTS | TOTAL<br>EXPENDITURE | RESTATED<br>TOTAL<br>COMMITMENT |
|  | R'000                          | R'000            | R'000               | R'000                | R'000                           |
| Discretionary grants support                                 | 28 914                         | 17 362           | 133 363             | (142 751)            | 36 888                          |
| Unemployed learnership                                       | 878 964                        | 784 453          | 246 938             | (477 690)            | 1 432 665                       |
| Employed learnership (Bursary)                               | 146 857                        | 23 329           | 13 808              | (38 900)             | 145 094                         |
| Artisan Apprenticeship and trade test                        | 430 309                        | 170 625          | 56 657              | (164 267)            | 493 324                         |
| Trade test   | 8 221                          | 5 044            | (675)               | (1 326)              | 11 264                          |
| Internship - HET   | 265 368                        | 59 820           | 134 069             | (171 367)            | 287 890                         |
| Internship - Nated   | 207 458                        | 218 049          | 116 353             | (118 121)            | 423 739                         |
| Internship - TVET / Workplace                                | 152 989                        | 57 381           | 122 005             | (76 830)             | 255 545                         |
| Bursaries:Employed   | 39 635                         | 1 000            | 414                 | (386)                | 40 663                          |
| Bursaries:Unemployed - Honours full-time                     | 22 566                         | 7 500            | -                   | 191                  | 30 257                          |
| Adult Education and Training                                 | 16 659                         | 2 915            | (2 131)             | (5 847)              | 11 596                          |
| Recognition of Prior Learning                                | 20 633                         | 2 945            | (422)               | (9 232)              | 13 924                          |
| Skills programmes: Employed                                  | 395 324                        | 50 795           | 4 208               | (57 797)             | 392 530                         |
| Skills programmes: Unemployed                                | 27 220                         | 0                | (1 418)             | (11 713)             | 14 089                          |
| Other Financial Services Regulatory Board<br>Regulatory Exam | 0                              | 310              | (75)                | 0                    | 235                             |
| Candidacy  | 15 600                         | 5 880            | (49)                | (7 199)              | 14 232                          |
| Special Projects   | 1 536 028                      | 303 138          | 25 130              | (343 414)            | 1 520 882                       |
|  | <b>4 192 747</b>               | <b>1 710 547</b> | <b>848 176</b>      | <b>(1 626 649)</b>   | <b>5 124 817</b>                |

Commitments is a future obligation that will be transferred to liability once the service has been rendered and the entity has an obligation to pay the service providers.

Included in the amendment of R860 million is R695 million constructive amendment as a result of rate increases effective from 01 April 2018.

This committed expenditure relates to discretionary grants and operational expenditure and will be financed by the allocation from DHET, retained surpluses, existing cash resources, funds internally generated, and so on.

The implementation of these commitments will be phased in based on APP targets.

In line with Grant Regulation No. 35940, sub-regulation 6(12), 89% of discretionary grant funding has been allocated to PIVOTAL programmes.

|  | 2020             | 2019             |
|--|------------------|------------------|
|  | R'000            | R'000            |
| Contracted for operational and capital expenditure | 14 231           | 43 789           |
| Project Commitments                                | 4 622 474        | 5 124 817        |
|  | <b>4 636 705</b> | <b>5 168 606</b> |

This committed funds relates to discretionary fund, operational and capital expenditure and will be financed by available bank facilities, future levy income allocated to the SETA and retained surpluses, funds and so on.

Previously started figure R 3972, Refer to note 29 for prior year adjustment.

## 27. Contingencies Contingent liabilities

Matter of DHET versus and employers, represented by Business Unity South Africa (BUSA) case.

In October 2019, BUSA won a court case against DHET where the department's decision to decrease the mandatory grant levies and grants percentage was decreased from 50% to 20% in terms of section 4(4) of the Seta grant regulations was set aside. The court did not decide on the mandatory levy or grant percentage to be applied from the court date onwards. The effect of the ruling is that the Minister would have to decide on the percentage for mandatory grants in consultation with the sector.

The Minister has not yet made the decision in regard to the mandatory grant percentage.

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

The SETA continued to pay and accrue mandatory grants at 20% in the 2019/20 financial year in the absence of a revised percentage which is aligned to the approved annual performance plan.

The mandatory grant expenditure in Note 3 as well as the mandatory grant liability in note 13 were calculated using mandatory grant percentage of 20%.

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

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

The timing and amount of this contingent liability is uncertain and no reasonable estimate can be made at this point. Currently the department is in discussions with BUSA in regard to the mandatory grant percentage.

### First time employer registrations

The Skills Development legislation allows an employer, registering for the first time, six months to submit an application for a mandatory grant.

At the reporting date it is estimated that, as a result, additional mandatory grants expenditure of R16 million (2018/19: R552 000) will be payable, should the employers submit compliant reports.

The amount is contingent on the number of submissions received and approved.



## 2020 Scheme year levies received

At the reporting date, no levies were received in respect of the 2020 scheme year (R0.0 in 2018/19), for which, Government Gazette 43508 read with the Skills Development legislation allows an employer until 31 July 2020 to submit an application for a mandatory grant.

## Contingent liabilities on legal matters

Claims by various service providers for R904 thousand (2018/19: R904 thousand) with regards to contracts that were cancelled

## Contingent assets

### 27.1. Claims against former employees

This relates to undue enrichment R44.8 million (2018/19: R25.6 million) of former employees.

## 27.2. NSF uncommitted funds liability

In terms of paragraph 3(11) of the 2012 Grant Regulations, a SETA must have committed or spent a minimum of 95% of discretionary funds available to it by the 31st March of each year and a maximum of 5% of uncommitted funds may be carried over to the next financial year.

In terms of paragraph 3(12), the remaining surplus of discretionary funds must be paid by the SETA to the National Skills Fund (NSF).

The Labour Appeal Court, in a matter between the Minister of Higher Education and Training and Business Unity South Africa, set aside paragraph 3(12) of the Grant Regulations.

Therefore, uncommitted funds are no longer transferable to the National Skills Fund. SETAs are, however, required to disclose the uncommitted surplus.

|                              | 2020             | 2019             |
|------------------------------|------------------|------------------|
|                              | R'000            | R'000            |
| Uncommitted funds            |                  |                  |
| Discretionary grant reserves | 172 441          | 142 790          |
| Less commitments             | (4 662 474)      | (5 124 820)      |
| Over-committed funds         | (4 450 033)      | (4 982 030)      |
| 95% thereof                  | (4 227 531)      | (4 732 929)      |
|                              | <b>(222 602)</b> | <b>(249 101)</b> |

## Retention of Surplus Funds as at 31 March 2020

In terms of the Public Finance Management Act (1 of 1999), as amended, all surplus funds as at year-end must be forfeited to National Treasury should an application for the retention of surplus funds be denied.

The Services SETA submitted an application for the retention of accumulated funds as at 31 March 2020 to National Treasury.

Instruction 6 of 2017/18 issued in May 2017 clarified that the surplus funds should be determined as follows:

|   | 2020               | 2019               |
|---|--------------------|--------------------|
|   | R'000              | R'000              |
| Surplus/(Deficit) funds                     |                    |                    |
| Cash and equivalents at the end of the year | 421 868            | 403 628            |
| Add:Receivables                             | 30 866             | 35 788             |
| Less:Current liabilities                    | (377 501)          | (438 399)          |
| Less:Commitments                            | (4 622 474)        | (5 124 820)        |
|   | <b>(4 547 241)</b> | <b>(5 123 803)</b> |

## Litigations

The Services SETA seeks to review and set aside a tender award made to the Respondent. The review proceedings were brought in the Johannesburg High Court. The value of the tender awarded is R 25 million

## 28. Related parties

Management has identified the following parties as related parties:

| Relationships  |  |
|--|--|
| Members of the Accounting Authority  | Refer to members' report note  |
| Ultimate controlling entity  | Department of Higher Education, Science and Technology   |
| Entities with a representative serving on the Services SETA's Accounting Authority | UASA(S.M. Motloun, Jhatham), Hotelica(S Mhlanga), SATAWU (T Magoda),SAIA(T Shabangu), IEASA(P Snyman)  |
| Other department with significant influence  | National Treasury  |
| Key stakeholders   | National Skills Fund<br>National Students Financial Aid Scheme   |
| Significant affiliates   | Other 20 SETAs, QCTO   |
| Members of key management  | Amanda Buzo-Gqoboka - Chief Executive Officer<br>Tsheola Matsebe - Chief Financial Officer<br>Nompilo Sidondi - Acting Executive Manager: Legal Services<br>Liesel Kostlich - Executive Manager:Entrepreneurship and Cooperative Development<br>Management Mamabele Motla - Executive Manager in the Office of the CEO<br>Sibusiso Dhladhla - Executive Manager:Planning<br>Andile Sipengane - Executive Manager:Core Business |

## Related party balances

| InterSETA Payable                                    | 2020  | 2019  |
|--|-------|-------|
|  | R'000 | R'000 |
| Chemical Industries Education and Training Authority | 0     | (39)  |
| Education Training and Development Practices SETA    | 0     | (24)  |
|  | 0     | (63)  |

The InterSETA payable refers to a payable as a result of levy payers that have requested to be transferred from the services sector to another sector.

| Related party transactions                             | 2020      | 2019      |
|--|-----------|-----------|
|  | R'000     | R'000     |
| <b>Levy income and penalties and interest</b>          |           |           |
| Department of Higher Education, Science and Technology | 1 690 361 | 1 645 383 |
| <b>QCTO 0.5% as per Grant Regulations</b>              |           |           |
| QCTO Fees (0.5%)                                       | 10 964    | 10 590    |
| <b>Rental income foregone</b>                          |           |           |

| Related party transactions | 2020  | 2019     |
|----------------------------|-------|----------|
|                            | R'000 | R'000    |
| KwaZulu-Natal office space | -     | (121,00) |
| Generator                  | -     | (25,00)  |

#### Rental Income Foregone

By virtue of the Services SETA being a National Public Entity related to entities and departments in the National sphere of government, it is considered related to, DHET, National Skills Authority, QCTO and other SETAs.

The transactions are consistent with normal operating relationships between the entities, and are undertaken on terms and conditions that are normal for such transactions.

Where there were transactions and balances arising due to the movement of funds between entities under common control of the department, these amounts were disclosed as above.

The Services SETA has forgone income due to the relations as per above note, the calculation of estimated foregone rental income for office space and a generator that the Services SETA would have had to receive in the absence of the related party is presented above as Rental Income Foregone.

#### Remuneration of management Board members

| 2020                     |                |                        |                   |   |              |              |
|--------------------------|----------------|------------------------|-------------------|---|--------------|--------------|
|                          | BOARD AND EXCO | REMUNERATION COMMITTEE | FINANCE COMMITTEE | GOVERNANCE, RISK AND STRATEGY COMMITTEE | OTHER        | TOTAL        |
|                          | R'000          | R'000                  | R'000             | R'000                                   | R'000        | R'000        |
| <b>Name *1</b>           |                |                        |                   |   |              |              |
| Madiope, M (Chairperson) | 193            | -                      | -                 | -                                       | 251          | 444          |
| Jhatham, A               | 98             | -                      | 84                | -                                       | 101          | 283          |
| Letseli, D               | 154            | -                      | -                 | 113                                     | 606          | 873          |
| Ford, J                  | 91             | 54                     | 47                | -                                       | 247          | 439          |
| Moshoadiba, L            | 99             | 54                     | -                 | -                                       | 226          | 379          |
| Mantashe, N              | 122            | 68                     | -                 | -                                       | 155          | 345          |
| Snyman, P                | 99             | -                      | 62                | -                                       | 330          | 491          |
| Shabangu, T              | 75             | -                      | 39                | -                                       | 70           | 184          |
| Motloun, SM              | 145            | -                      | -                 | -                                       | 164          | 309          |
| Magoda, T                | 91             | -                      | 54                | 78                                      | 187          | 410          |
| Msomi, V                 | 99             | -                      | -                 | 86                                      | 454          | 639          |
| Roopchand, V             | 67             | -                      | 54                | -                                       | 190          | 311          |
| Mhlanga, S               | 99             | -                      | -                 | 86                                      | 342          | 527          |
| Peters, S                | 154            | -                      | -                 | 86                                      | 233          | 473          |
|                          | <b>1 586</b>   | <b>176</b>             | <b>340</b>        | <b>449</b>                              | <b>3 556</b> | <b>6 107</b> |

| 2019                  |                |                        |                   |   |              |              |
|-----------------------|----------------|------------------------|-------------------|---|--------------|--------------|
|                       | BOARD AND EXCO | REMUNERATION COMMITTEE | FINANCE COMMITTEE | GOVERNANCE, RISK AND STRATEGY COMMITTEE | OTHER        | TOTAL        |
|                       | R'000          | R'000                  | R'000             | R'000                                   | R'000        | R'000        |
| <b>Name</b>           |                |                        |                   |   |              |              |
| Madioppe, M (Chair) @ | 193            | -                      | -                 | -                                       | 303          | 496          |
| Jhatham, A #          | 56             | -                      | 31                | -                                       | 64           | 151          |
| Letseli, D @          | 154            | -                      | -                 | 105                                     | 373          | 632          |
| Ford, J @             | 91             | 31                     | 39                | 8                                       | 211          | 380          |
| Moshoadiba, L #       | 58             | 78                     | -                 | -                                       | 163          | 299          |
| Mantashe, N @         | 137            | 63                     | -                 | -                                       | 210          | 410          |
| Snyman, P @           | 108            | 31                     | 39                | -                                       | 358          | 536          |
| Shabangu, T @         | 83             | -                      | 47                | -                                       | 192          | 322          |
| Motloug, SM @         | 154            | -                      | 16                | 16                                      | 195          | 381          |
| Magoda, T #           | 49             | 54                     | 23                | 54                                      | 118          | 298          |
| Msomi, T @            | 100            | 86                     | -                 | 78                                      | 316          | 580          |
| Roopchand, V @        | 99             | -                      | 39                | 8                                       | 170          | 316          |
| Mhlanga, S #          | 25             | -                      | -                 | 62                                      | 225          | 312          |
| Peters, S #           | 63             | -                      | -                 | 62                                      | 149          | 274          |
|                       | <b>1 370</b>   | <b>343</b>             | <b>234</b>        | <b>393</b>                              | <b>3 047</b> | <b>5 387</b> |

1\* The term of the Accounting Authority ends 31 March 2020.

@ Nine members appointed by the Minister of Higher Education and Training 01 April 2018.

# Five members appointed by the Minister of Higher Education and Training 01 September 2018.

### Members of the Audit Committee

| 2020                     |                      |               |           |            |
|--------------------------|----------------------|---------------|-----------|------------|
|                          | AUDIT COMMITTEE FEES | DISBURSEMENTS | OTHER     | TOTAL      |
| <b>Name</b>              |                      |               |           |            |
| Maboa, MJ (Chair)        | 55                   | 0             | 14        | 69         |
| Rabothata, KA            | 44                   | 3             |           | 47         |
| Snyman, P (AA member)    | 21                   |               |           | 21         |
| Roopchand, V (AA member) | 21                   |               |           | 21         |
|                          | <b>141</b>           | <b>3</b>      | <b>14</b> | <b>158</b> |

| 2019                    |                         |               |            |
|-------------------------|-------------------------|---------------|------------|
|                         | AUDIT<br>COMMITTEE FEES | DISBURSEMENTS | TOTAL      |
|                         | R'000                   | R'000         | R'000      |
| <b>Name</b>             |                         |               |            |
| Maboa, MJ(Chairperson)  | 62                      | -             | 62         |
| Stock, P *1             | 21                      |               | 21         |
| Rabothata, KA           | 55                      | 19            | 74         |
| Snyman,P(AA member)     | 49                      |               | 49         |
| Roopchand, V(AA member) | 49                      |               | 49         |
|                         | <b>236</b>              | <b>19</b>     | <b>255</b> |

\*1 Resigned as at 30 September 2018

### Executive management

| 2020  |               |                          |                           |            |               |
|---|---------------|--------------------------|---------------------------|------------|---------------|
|   | EMOLUMENTS    | PENSION,<br>MEDICAL, UIF | TRAVEL AND<br>SUBSISTANCE | INCENTIVE  | TOTAL         |
|   | R'000         | R'000                    | R'000                     | R'000      | R'000         |
| <b>Name</b>   |               |                          |                           |            |               |
| Buzo-Gqoboka A (Chief Executive Officer)                                      | 2 333         | 233                      | 4                         | 151        | 2 721         |
| Motla ML (Executive Manager in the Office of the CEO )                        | 1 690         | 282                      | 5                         | 117        | 2 094         |
| Matsebe T (Chief Financial Officer)   | 1 855         | 191                      | 8                         | 112        | 2 166         |
| Kostlich L ( Executive Manager:Entrepreneurship and Cooperatives Development) | 1 940         | 205                      | 1                         | 111        | 2 257         |
| Dhlahla S ( Executive Manager: Planning)                                      | 1 748         | 221                      | 2                         | 111        | 2 082         |
| Sipengane A (Executive Manager: Core Business)                                | 1 781         | 190                      | 7                         | 109        | 2 087         |
| Sidondi N (Acting Executive Manager:Legal Services) *5                        | 1 144         | 129                      | -                         | 53         | 1 326         |
|   | <b>12 491</b> | <b>1 451</b>             | <b>27</b>                 | <b>764</b> | <b>14 733</b> |

| 2019  |               |                          |                           |                                 |               |
|---|---------------|--------------------------|---------------------------|---------------------------------|---------------|
|   | EMOLUMENTS    | PENSION,<br>MEDICAL, UIF | TRAVEL AND<br>SUBSISTANCE | OTHER<br>SHORT TERM<br>BENEFITS | TOTAL         |
|   | R'000         | R'000                    | R'000                     | R'000                           | R'000         |
| <b>Name</b>   |               |                          |                           |                                 |               |
| Buzo-Gqoboka A (Chief Executive Officer) *1                                   | 2 572         | 218                      | 3                         | -                               | 2 793         |
| Nongogo A ( Chief Executive Officer)*2  | 1 162         | 104                      | -                         | -                               | 1 266         |
| Motla ML (Executive Manager in the Office of the CEO )                        | 1 703         | 268                      | 3                         | -                               | 1 974         |
| Matsebe T (Chief Financial Officer)   | 1 929         | 193                      | -                         | -                               | 2 122         |
| Kostlich L ( Executive Manager:Entrepreneurship and Cooperatives Development) | 2 021         | 206                      | -                         | -                               | 2 227         |
| Dhlahla S ( Executive Manager: Planning)*3                                    | 1 754         | 200                      | -                         | -                               | 1 954         |
| Sipengane A (Executive Manager: Core Business)                                | 1 781         | 188                      | -                         | 1                               | 1 970         |
| Ndhlovu N(Executive Manager:Stakeholder Relationship Management) *4           | 1 568         | 239                      | -                         | 11                              | 1 818         |
| Sidondi N (Acting Executive Manager:Legal Services)*5                         | 875           | 92                       | -                         | -                               | 967           |
|   | <b>15 365</b> | <b>1 708</b>             | <b>6</b>                  | <b>12</b>                       | <b>17 091</b> |

\*1 Appointed as Chief Executive Officer through Government Gazette effected 01 April 19 and acted from August 18.

\*2 Term as Chief Executive Officer ended 31 July 2018

\*3 Appointed as Executive Manager:Planning from 01 August 2018

\*4 Resigned 31 January 2019

\*5 Appointed as Acting Executive Manager: Legal Services from 01 October 2018 and resigned 18 November 2019\*

## 29. Prior period error

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

| Statement of financial position | 2018 |                     |          |
|---------------------------------|------|---------------------|----------|
|                                 | NOTE | CORRECTION OF ERROR | RESTATED |
| Intangible assets               |      | 5 662               | 5 662    |
| Accumulated reserves            |      | (5 662)             | (5 662)  |
|                                 |      | -                   | -        |

| Statement of financial position | 2019  |                        |                     |                |
|---------------------------------|-------|------------------------|---------------------|----------------|
|                                 | NOTES | AS PREVIOUSLY REPORTED | CORRECTION OF ERROR | RESTATED       |
| Property, Plant & Equipment     |       | 207 520                | (1 400)             | 206 120        |
| Intangible assets               |       | 66 653                 | 2 799               | 69 452         |
| Accumulated surplus             |       | 275 248                | (1 399)             | 273 849        |
|                                 |       | <b>549 421</b>         | <b>0</b>            | <b>549 421</b> |

## 29.1. Commitments

During the current financial year, errors and omissions affecting the prior year commitment balances were corrected resulting in the restatement of the opening balance.

The corrections were as a result of active learning interventions where contracts had expired and funds written-back

however due to additional payments that had to be effected for continuation of the learning interventions, the contracts were revived in order to ensure that affected learners are not disadvantaged.

Other prior year errors were as a result of casting errors on the schedule, project closures and cancellations that were not recognised, contractual commitments previously.

omitted in the schedule and contracted amounts incorrectly included in the commitments schedule. The net effect of the total correction is summarised as per table hereunder:

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

|  | 2019             | 2018             |
|--|------------------|------------------|
| Previously disclosed closing balance   | 3 972 849        | 3 590 359        |
| (Increase)/Decrease due to restatement | 1 151 971        | 265 085          |
| <b>Revised closing balance</b>         | <b>4 622 474</b> | <b>4 192 747</b> |

## Property, plant and equipment

During the financial year ended 31 March 2018 a journal was erroneously processed for the capitalisation of minor assets (<R5000), the journal had a net effect of R0.00 as the furniture cost was decreased and the accumulated depreciation was increased, the correction of the error resulted in a net effect of R0.00 as follows:

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

| Heading   |                    |
|---|--------------------|
| Increase/(Decrease) in non current assets       | (1 403 000)        |
| (Increase)/Decrease in accumulated depreciation | 1 704              |
|   | <b>(1 401 296)</b> |

## 29.2. Intangible assets

During the financial period ended 31 March 2019 we raised an accrual for an invoice amounting to R1,403,000 for the enhancement of the stakeholder database system, however it was discovered that the service provider had not yet completed the enhancement, the correct invoice was submitted again during 24 July 2019 at an amount of R761,875.00 when the work was completed ,accounting for the invoice in 2018/19 financial year resulted in an overstatement of computer softwares.the error was corrected and the impact is as follows:

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

### 30. Risk management Financial risk management

The Services SETA's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Services SETA's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance.

The entity uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting authority.

Entity treasury identifies, evaluates and hedges financial risks in close co-operation with the entity's operating units.

The accounting authority provide written principles for overall risk management, as well as written policies covering

specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Due to the dynamic nature of the underlying businesses, Services SETA's treasury maintains flexibility in funding by maintaining availability under committed short term investments.

The Services SETA's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments.

| At 31 March 2020                 | CARRYING AMOUNT | 6 MONTHS OR LESS | 6 MONTHS OR MORE | MORE THAN 1 YEAR |
|----------------------------------|-----------------|------------------|------------------|------------------|
|                                  | R'000           | R'000            | R'000            | R'000            |
| Trade and payables from exchange | (26 491)        | (25 999)         | -                | (492)            |

| At 31 March 2019                 | CARRYING AMOUNT | 6 MONTHS OR LESS | 6 MONTHS OR MORE | MORE THAN 1 YEAR |
|----------------------------------|-----------------|------------------|------------------|------------------|
|                                  | R'000           | R'000            | R'000            | R'000            |
| Trade and payables from exchange | (46 354)        | (45 564)         | (235)            | (555)            |



## Market risk

The SETA is exposed to fluctuations in the employment market for example sudden increases in unemployment and changes in the wage rates which lead to changes in the levy income received by SETAs.

## Interest rate risk

The Services SETA manages its interest rate risk by effectively investing Services SETA's surplus cash in terms of deposits with different financial institutions according to the SETA's investment and cash flow management policy.

## Fair value interest rate risk

| 2020                                  | EFFECTIVE RATE | FLOATING RATE AMOUNT | NON-INTEREST BEARING AMOUNT |
|---------------------------------------|----------------|----------------------|-----------------------------|
|                                       | R'000          | R'000                | R'000                       |
| Receivable from exchange transactions | 0%             | -                    | 1 368,00                    |
| Cash and cash equivalent              | 6,90%          | 421 866,00           | -                           |
| Payables from exchange transactions   | 0%             | -                    | (26 491,00)                 |

| 2019                                  | EFFECTIVE RATE | FLOATING RATE AMOUNT | NON-INTEREST BEARING AMOUNT |
|---------------------------------------|----------------|----------------------|-----------------------------|
|                                       | R'000          | R'000                | R'000                       |
| Receivable from exchange transactions | 0%             | -                    | 7 283                       |
| Cash and cash equivalent              | 6,40%          | 403 628              | -                           |
| Payables from exchange transactions   | 0%             | -                    | (46 354)                    |

## 31. Going concern

We draw attention to the fact that for the period ended 31 March 2020, the entity had surplus of R73 million and that the entity's total assets exceed its liabilities by R 351 million.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors.

The most significant of these is that the judgement in the matter between DHET and BUSA, unfavourably affect SETAs. Currently Services SETA pays mandatory grants at 20% in line with split in the levy downloads received from DHET.

## 32. Events after the reporting date

The Honourable Minister of Higher Education and Training has appointed a new board which assumed duty on the 01 April 2020.

On Monday 23 March 2020, the Honourable President of South Africa announced measures to assist South Africa in its fight against COVID-19; including a nationwide lockdown effective for 21 days from midnight on Thursday 26th March 2020.

Further extensions and levels of lockdown were announced with different restrictions and relieves. Among the relieves announced by Government was a directive issued by DHET for SETAs to pay stipends during lock down.

The President's address to the nation on 21 April 2020, indicated measures to be implemented by government to assist business to deal with the pandemic.

The measure that had a direct effect on Sector Education and Training Authorities (SETAs) was on the four months Skills Development Levy holiday from 1 May 2020 to assist all businesses with cash flows. This was later gazetted as part of Disaster Management Tax Relief Bill.

### 33. Fruitless and wasteful expenditure

|   | 2020     | 2019      |
|---|----------|-----------|
|   | R'000    | R'000     |
| <b>Opening balance</b>                  | 19       | 19        |
| Add: Fruitless and wasteful expenditure | 0        | 0         |
| Less: Amount written off - current      | (19)     | 0         |
| <b>Closing balance</b>                  | <b>0</b> | <b>19</b> |

Expenditure relating to SARS interest and penalties relate to People system configuration which resulted in the usage of a wrong payroll report for the calculation of the pay as you earn.

The system has now been configured correctly. No criminal or disciplinary actions were taken as the mishap was not under the control of employees involved. An application to SARS has been submitted to waive the penalty.

SARS Interest and Penalties

### 34. Irregular expenditure

|   | 2020           | 2019           |
|---|----------------|----------------|
|   | R'000          | R'000          |
| <b>Opening balance</b>                      | 269 149        | 110 575        |
| Add: Irregular Expenditure - current period | 7 430          | -              |
| Add: Irregular Expenditure - prior period   | 11 840         | 158 574        |
| Less: Amounts condoned                      | (158 574)      | -              |
| <b>Closing balance</b>                      | <b>129 845</b> | <b>269 149</b> |

\*1 In the financial statements for FY18/19 it was reported that clarification from the Executive Authority and National Treasury, who are the relevant authority and custodian of the legislation will be sought regarding the over-expenditure on the mandatory and discretionary grants, which are the core mandate of the SETA. Clarification was received from the relevant authorities and resulted in the irregular expenditure of R158.5million(FY18/19) and R0.0million(FY17/18) being condoned and not as previously reported irregular expenditure of R17.1million(FY18/19) and R832million(FY17/19)

|   | 2020           | 2019           |
|---|----------------|----------------|
|   | R'000          | R'000          |
| <b>Analyses of closing balance of irregular expenditure</b> |                |                |
| Awaiting condonation  | 89 022         | 228 326        |
| Not condoned  | 40 823         | 40 823         |
|   | <b>129 845</b> | <b>269 149</b> |

Incidents/cases identified in the current year include those listed below:

|  | DISCIPLINARY STEPS TAKEN/<br>CRIMINAL PROCEEDINGS | 2020          | 2019     |
|--|---|---------------|----------|
| Costs incurred in excess of the approved budget in terms of section 53(4) of the PFMA : current year | To apply for Condonement                          | 7 430         | -        |
| Awards to non-qualifying service provider  | To apply for Condonement                          | 8 883         | -        |
| Construction expenditure incurred in excess of the allowed 20% variation                             | To apply for Condonement                          | 2 957         | -        |
|  |   | <b>19 270</b> | <b>-</b> |

## 35. Budget differences

### Material differences between budget and actual amounts

The Final Budget column in the Statement of Comparison of Budget and Actual Amounts represent the reprioritisation of the budget by the Accounting Authority as approved by the Minister with the APP

### Total Income

The Total Income for the year to 31 March 2020 amount to R1.746 billion compared to the forecast of R1.661 billion, resulting in a favourable variance of 5.1% (R84.9 million).

Total Income comprises of levies, payables write off and investment income. Levy income amounting to R1.689 billion compared to the revised budget of R1.639 billion

resulting in a favourable variance of 3% (R49.5 million), mainly due to SARS adjustment. Payables write offs are mainly subscribed mandatory grants.

Another component of Total Income is other income which comprises of investment income of R20.6million resulting in a adverse variance of R873 thousand.

In addition, long outstanding payables amounting to R36.1million have been written off in line with the prescription principle as they have prescribed.

### Grants

Project grants and mandatory grants disbursements for the period under review amounted to R1.475 billion, which resulted in an adverse variance of 1% (R15.3 million).

This is attributable to the increased level of disbursements due to discretionary grants commitments which are in line with the Services SETA's mandate, which is to promote skills development.

### Administration costs

The administration expenditure has a favorable variance of R8.9 million as a result of cost savings and reprioritization initiatives.







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AND TRAINING AUTHORITY  
(SERVICES SETA)



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