



ANNUAL REPORT | 2017/18



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







Nelson Mandela
Centenary
2018
Be the Legacy

SERVICES SETA ANNUAL REPORT
2017/2018

Services Sector Education and Training Authority

Country of incorporation and domicile

South Africa

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Bankers

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Standard Bank,
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First National Bank

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PRESENTATION OF THE ANNUAL REPORT TO THE MINISTER OF HIGHER EDUCATION AND TRAINING



Ms Naledi Pandor

Minister of Higher Education and Training

It is my privilege and honour to present in terms of Section 65 of the Public Finance Management Act, 1999, the 2017/18 Annual Report of the Services Sector Education and Training Authority (SSETA) to the Minister of Higher Education and Training, Dr Naledi Pandor.

A handwritten signature in black ink, appearing to read 'mpe', written over a horizontal line.

Dr Marinkie Maria Madiope

Chairperson of the Accounting Authority
Services SETA



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ACRONYMS LIST

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

SDL	Skills Development Levy
SDP	Skills Development Provider
SETA	Sector Education and Training Authority
SIC	Standard Industrial Classification
SIP	Strategic Integrated Projects
SLA	Service Level Agreement
SMME	Small, Medium, and Micro Enterprise
SP	Strategic Plan
SSP	Sector Skills Plan
TID	Technical Indicator Description
TVET	Technical and Vocational Education and Training
UASA	United Association of South Africa
WSP	Workplace Skills Plan

Mission, Vision and Values

MISSION

Facilitation of quality skills development for employment and entrepreneurship in the Services Sector for national economic growth.

VISION

To serve, to deliver, for renewal, for prosperity

VALUES

- Accountability
- Innovation
- Integrity
- Professionalism
- Responsiveness

LEGISLATIVE AND OTHER MANDATES

SKILLS DEVELOPMENT ACT (SDA)

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.

SOUTH AFRICAN QUALIFICATIONS AUTHORITY ACT (SAQA)

The work of the 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).

PUBLIC FINANCE MANAGEMENT ACT (PFMA)

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.

SKILLS DEVELOPMENT STRATEGY ACT (SDA)

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 (BBBEE) and other provisions relating to employment equity and the Charter processes in so far as they impact on the services sector.

OTHER MANDATES:

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

INTRODUCTION

As we enter the penultimate year of the extension of the Nationals Skills Development Strategy III, the Services SETA unwaveringly continues to deliver on its mandate of building a skilled and capable workforce for the services sector to support growth, self-employment and job creation. In this endeavour, the SETA has increased the enrolment of funded learners, across all learning pathways, from 31 876 to 46 692 in 2016/17 and 2017/18, respectively. This represents an increase of 47%.

Another milestone is the launch of a programme of action to support the growth and development of small businesses and cooperatives in partnership with, and through the active involvement of, all key social partners. Research indicates that micro and medium-sized businesses have better prospects of creating jobs than large businesses. Therefore, there is a compelling reason to focus on this sector to increase entrepreneurial activity.

These achievements were realised within the confines of the frameworks and regulations of public finance management. As a result, the Services SETA received an unqualified audit opinion from the Auditor-General of South Africa for the 2017/18 financial year. These achievements came about under the rigorous oversight of the previous Accounting Authority, whose term of office expired on 31 March 2018, and through the hard work of the staff of this organisation.

As a new Accounting Authority, we recognise these sterling achievements and plan to maintain momentum in order to realise our strategic goals of improving the stock and flow of skills and strengthening the capabilities of the services sector and the Services SETA. We are hopeful the investment made in training assessors and moderators, workplace coaches and mentors, and skills development facilitators will ensure that the strategic goals are realised.

We are mindful of the low throughput rate of enrolled learners across learning programmes. The Services SETA has identified access to workplace-based learning opportunities as critical to accelerating the throughput rate of learners in the system. We will strive to achieve this goal by improving our communication and interaction with employers, training service providers and learners. Work is already underway to improve the management of databases of these stakeholders.

We furthermore want to pay special attention to the quality of learners we produce for the sector – either for employment or self-employment. We need to ensure that our qualifications are relevant and up to date. We will therefore, in the next two years, commission a review of all registered and active qualifications that are more than five years old.

Given our track record with regard to learner enrolment, the transformational agenda of the country must be advanced. Women, people with disabilities and the youth must benefit the most from our service offerings such as learning opportunities, training opportunities and discretionary grant allocations. Based on the priorities of our Sector Skills and Strategic Plan, we intend to focus on marginalised industries of our sector to promote inclusivity, equity and justice.

We are committed to upholding the highest level of ethical conduct at all times. Our gratitude goes to the Executive Authority, the Minister of Higher Education and Training, the Department of Higher Education and Training, the Auditor-General of South Africa, our stakeholders and the staff of the Services SETA.



Dr Marinkie Maria Madiope

Accounting Authority Chairperson
Services SETA

EXECUTIVE SUMMARY

The year under review was a litmus test for the Accounting Authority to showcase the results of all resolutions that were taken to steer the Services SETA into the successful implementation of its mandate. This was achieved through focused attention on strengthening provider, stakeholder and core business capacity, and enhancing performance, service delivery and responsiveness to stakeholder needs. Good governance and strong oversight were the cornerstone of improved performance.

The results of the prior year's audit outcome highlighted the need to improve internal control for performance reporting. Interventions were implemented to address this deficiency. These interventions included monthly monitoring and reporting on progress towards the target of the Annual Performance Plan, and the establishment of a performance verification unit to verify all reported performance information. As a result of these efforts, the Auditor-General of South Africa issued a clean audit opinion in the current reporting period, which is a testament to the Services SETA's sound financial and performance management and compliance with applicable legislation.

CONTINUED GOOD GOVERNANCE

The Services SETA Accounting Authority and its committees continued in their upward trajectory of achieving high levels of participation in executing their fiduciary responsibilities, governing and managing the entity in accordance with applicable legislation and providing strategic direction and leadership.

In discharging its duties, the Services SETA Accounting Authority was assisted by six standing committees, namely, the Executive Committee, the Finance Committee, the Audit Committee, the Human Resources and Remuneration Committee, the Governance, Risk and Strategy Committee and the Transformation Committee. Each committee was tasked with responsibilities clearly set out in their terms of reference, primarily focused on ensuring improved performance and accountability in all core functional areas of the Services SETA. An additional mandate awarded to the committees was to focus on enterprise and supplier development and socio-economic development to enable meaningful participation of entrepreneurs in the Services SETA's programme offerings.

STRENGTHENING PROVIDER CAPACITY

The Services SETA implemented a number of programmes aimed at strengthening the supply side of skills development, including the training of assessors and moderators, workplace coaches and mentors, and skills development facilitators. Further programmes were targeted for those subsectors that were previously underserved. These programmes included offerings for the funeral services, hair care services, beauty treatment services, fashion and modelling services, hiring services, cleaning services, and real estate and related services.

In addition, the Services SETA responded to the need to provide skills development initiatives in rural areas. This was done through partnerships with various municipalities, tribal authorities and TVET colleges to ensure

that the offerings reach all sectors of society. These partnerships have yielded various rural development projects. The following communities benefited from these interventions: Ngqeleni, Emfundisweni, Mkhuze, Ga-Mafefe and Tshisaulu.

It is with great pride that the Accounting Authority launched two skills development centres in the Greater Kokstad Municipality and Sakhisizwe Municipality. Another highlight of the year was the launch of a National Artisan Development Academy in the Mangaung Metropolitan Municipality. All centres were opened in partnership with local TVET colleges with the purpose of further increasing access to post-school education and training opportunities. In addition, the Services SETA has further committed to increasing access to skills development initiatives through the development of artisan centres and community colleges.

A key highlight in the calendar of the Accounting Authority was the launch of the Entrepreneurship and Cooperative Development Institute in March. The launch was attended and celebrated by various dignitaries and key role-players in the entrepreneurship and small business sectors. The institute will establish a national benchmark in supporting entrepreneurship, small and micro businesses, and cooperatives.

STAKEHOLDER SUPPORT

Aligned to the values of innovation and responsiveness, the Services SETA continued the facilitation and provision of technical assistance and capacity development to recipients of discretionary grants and mandatory grants through a series of workshops and the dissemination of implementation material throughout the period under review.

The Special Projects Unit continued to provide intensified support to government departments, public entities, non-profit organisations and small businesses through partnerships and innovative projects to achieve transformation imperatives.

The Stakeholder Relationship Management division was further tasked to pursue the identification of workplaces in the public and private sectors with a view to ensuring there is adequate access to workplaces that provide workplace-based learning opportunities to learners in some of our occupational learning programmes.

CONTINUED IMPROVEMENT IN PERFORMANCE

The Services SETA achieved a total of 81% of its Annual Performance Plan targets, which represents a 6% improvement from the previous reporting period. The Services SETA increased the enrolment of funded learners by 47% – from 31 876 to 46 692 learners – in 2016/17 and 2017/18, respectively.

Discretionary grant commitments were retained at R3 590 billion, of which 62% were new allocations. Discretionary grant expenditure increased by 38% – from R1 502 billion to R2 073 billion – in the current year under review. Mandatory grant disbursements decreased by 10% – from R185 million to R166 million – as a direct result of the payment and clearing of the majority of mandatory grant payables in the prior year, which is indicative of improved financial controls and efficiencies in mandatory grant payment processes.

The Services SETA is committed to establishing skills development centres, community colleges and rural development projects. To this end, the SETA spent a cumulative amount of R211 million in the year under review, resulting in a closing balance of R24 million still to be utilised. The Services SETA is also committed to establishing the flagship Entrepreneurship and Cooperative Development Institute. The project plan for the institute has been developed and approved. The projected date of completion of this institute is 2020. It is envisaged that the institute will have a significant impact on skills development and small business support in the entire country.

CHALLENGES MOVING FORWARD

A key challenge that remained a focal point was to increase the responsiveness of the Services SETA to the needs of all stakeholders. This challenge was responded to by improving internal processes for provider accreditation, learner enrolment and certification through the development of a learner management information system.

Further challenges included continuous project coordination and the monitoring of learning programmes, which resulted in the piloting of the Biometric Learner Monitoring System, which is aimed at reducing the administrative process of learner monitoring for both the training providers and the Services SETA.

While solutions have been implemented to alleviate the challenges faced by the SETA, some areas still require improvement, and the management of the Services SETA has been directed to ensure that those areas are remediated within feasible and reasonable timeframes.

CONCLUSION

Our gratitude, as the Accounting Authority of the Services SETA, for yet another progressive year goes to the Executive Authority, the Minister of Higher Education and Training, our line department, namely, the Department of Higher Education and Training, the Auditor-General of South Africa, the Audit Committee, the Executive and other levels of management, our stakeholders, the unions at the Services SETA and our valued staff members.



CHIEF EXECUTIVE OFFICER'S OVERVIEW

CHIEF EXECUTIVE OFFICER'S OVERVIEW

In the current financial year 2017/18, the Services SETA embarked on strengthening its footprint and brand in the Post School Education and Training sector, in line with its goal to improve delivery on its mandate. In support of the new brand identity, supported by a new vision, mission and values, the SETA made deliberate strides to ensure that the organisation would best serve its stakeholders through the delivery of sustainable skills development.

KEY INITIATIVES

In line with the mission of the National Skills Development Strategy III, to increase access to high quality and relevant education and training and skills development opportunities, including workplace learning and experience, to enable effective participation in the economy and society by all South Africans and reduce inequalities. The Services SETA launched a National Artisan Development Academy, in partnership with the Motheo TVET College, in the current year. The Services envisages that this new academy will be a key instrument in supporting the Department of Higher Education's project, "the decade of the artisan", and assist the nation to produce a more skilled workforce in the future as well as contribute to our economic growth and development.

In addition, the Services SETA also launched two skills development centres in the Greater Kokstad Municipality, and the Sakhisizwe Municipality, in partnership with both local municipalities. These centres are envisaged to provide additional access to skills development initiatives, through various learning interventions, to address skills shortages specific to those communities. The Services SETA has also committed to the development of an additional 12 skills development centres, in various local municipalities, of which development has started.

The Entrepreneurship and Cooperative Development Institute was launched in the current reporting period, at a conference that was attended by more than 500 delegates including policy makers, researchers, implementers, intermediaries and entrepreneurs. The flagship programme will be implemented through nine strategic interventions namely; Research and Development, an Online Ecosystem, Business Advisory Services, Monitoring and Reporting; Societies, Micro Entrepreneurship Programme (MEP), Business Growth Programme (BGP), Startup Enterprise Villages and Skills Development.

NEW OPERATIONAL DEVELOPMENTS

To improve on our value of responsiveness, the SETA continues to improve on its Learner Management System (LMIS), to ensure that shorter response times are experienced by our stakeholders on our accreditation of skills development providers, assessors, moderators and certification functions, which are core to the business of the SETA. The Learner Management System is envisaged to become an integrated system that will deliver quality service to all our stakeholders.

The Services SETA had taken a decision to acquire learning material and provide it free of charge to the potential skills development providers, with the intention to assist potential skills development providers to obtain accreditation and also to ensure that all our programmes are delivered in a consistent manner. The SETA has 14 readily available and on offer to potential skills development providers and is in the process of reviewing and realigning 54 qualifications.

The Services SETA has also piloted a Biometric Learner Attendance Monitoring System (BLAMS) and Direct Stipend Disbursement System (DSDS), for projects that were allocated in the 2017/18 financial year. The systems were designed to ease the administrative burden of monitoring learner attendance, stipend disbursement and to automate the monitoring of all learning programmes. As per the norm, the implementation of any new system, will yield unexpected challenges, however the SETA is committed to resolving all identified challenges to ensure the optimal and seamless functioning of both systems.

PERFORMANCE OF THE SETA

The achievement of performance targets has improved compared to the previous period, resulting in an overall achievement of 81% of all performance indicators, which is an improvement of 6% compared to the prior period. The Services SETA is continuously looking for ways to ensure that it achieves 100% of its set targets. The targets that were not achieved were mainly attributable to the timing of activities to pursue set targets and also the fact that certification and completion targets can only be achieved based on learners that are in the pipeline. Management has devised a plan to ensure that these short comings are addressed in the future, through targeted discretionary grant adverts supplemented by special projects where applicable. The SETA is continuously analysing learners in the pipeline to facilitate timely completion and monitoring overall achievement of the targets on a monthly basis. These initiatives are endorsed and overseen by the governance structures of the Accounting Authority.

AUDIT OUTCOMES

The Auditor General has issued the Services SETA with a Clean Audit Opinion, which is an improvement on the Unqualified Audit Opinion that was issued in the previous reporting period. The results of the current year's audit further affirms the position that the Services SETA has sound financial management and internal control over performance reporting. The Services SETA in the current year took a proactive step in strengthening its internal controls over performance reporting, through a progressive project to establish a performance verification unit that will verify all reported information on a monthly basis, and improve its record management processes and procedures. The SETA will continue in its efforts to ensure that all financial and performance related information is accurate, valid and complete, as required by the various standards, regulations and guidelines as prescribed by the relevant statutory bodies.

ACKNOWLEDGEMENT

Management thanks the Accounting Authority for its continued support, guidance and oversight. Furthermore, we have seen greater participation and involvement from our stakeholders and we are appreciative of this as we recognise that for us to achieve our mandate, we need stakeholder participation. I would like to also acknowledge the hard work of the Services SETA team. The goals and objectives of this organisation can only be achieved to the extent that we have a dedicated team.



Andile Nongogo
Chief Executive Officer

SECTOR PROFILE

ABOUT THE CHAMBERS

The Chambers are established in terms of the Skills Development Act 97 of 1998, as amended, Section 12 (1-4).

The following are some of the functions of the chambers:

- Ensure that Services SETA has relevant, up to date information and analysis from the industry to allow it to perform its strategic skills planning function in the sector
- Working with industry to strengthen Services SETA capacity for Supply
- Ensure a value adding participation by the service sector employers in the National Skills development Strategy through efficient use of resources available for training in the sector
- Promote effective communication between the Services SETA and all its stakeholders
- Educating stakeholders on Services SETA's offerings and keeping them informed on new developments
- Increasing possibilities of employment for Services SETA learners by exposing them to suitable workplaces during training

The scope of the Services SETA consist of seventy (70) Standard Industrial Classification (SIC) codes that are clustered into sixteen (16) sub-sectors, which are further grouped into the following six (6) Chambers:

1. Cleaning and Hiring Services,
2. Communication and Marketing Services,
3. Labour and Collective Services,
4. Management and Business Services,
5. Personal Care Services, and
6. Real Estate and Related Services.

Table 1: Sector and Sub Sector breakdown

Services SETA Sector Chambers and Sub-sectors			
Sub-sector	Sub-sector title	SIC code	Gazetted industry descriptor
Chamber 1: Cleaning and Hiring Services			
	Hiring Services	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 of 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
	Household Services	99025	Dry cleaning and laundering
		99026	Garden maintenance services

Services SETA Sector Chambers and Sub-sectors

	Domestic services	99027	Domestic services
	Cleaning Services	99002	General cleaning
		99047	Pet care
		99018	Cleaning of carpet and upholstery
		99019	Cleaning equipment and consumable supply
Chamber 2: Communication and Marketing Services			
	Marketing Services	9001	Marketing services
		9002	Marketing communications (Incl. Public relations)
		9008	Direct Marketing
		88130	Market research and public opinion polling
		99038	Brand marketers
	Call centres	99055	Call centre management of people
	Postal services	75110	National postal activities
		75111	Banking via post office
		75121	Mail handling
Chamber 3: Labour and Collective Services			
	Labour recruitment Services	88918	Permanent employment agencies
		88910	Labour recruitment and provision of staff
		88916	Private employment agencies and temporary employment services
		88917	Temporary employment services
	Collective services	95120	Activities of professional organisations
		95155	Professional bodies n.e.c
		95991	Bargaining councils and dispute resolution
		95992	Associations, federations and umbrella bodies
	Chamber 4: Management and Business Services		
	Business services	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.
	Project management Services	99039	Generic project management
		99056	Event and conference management excluding the operation of convention centres

Services SETA Sector Chambers and Sub-sectors

Chamber 5: Personal Care Services

	Hair care Services	99022	Ladies hairdressing
		99023	Men's and ladies hairdressing
	Beauty treatment Services	99024	Beauty treatment
		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
	Funeral services	34260	Cutting, shaping and finishing of stone
		99030	Funeral and related activities
		99033	Coffin making by funeral enterprises
		99034	Manufacture of Funeral and Tombstones
	Fashion Services	99046	Modelling agencies
		99054	Fashion design not related to clothing

Chamber 6: Real Estate and Related Services

	Real Estate and Related services	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

HIGHLIGHTS

Implementation of programmes aimed at strengthening the supply side of skills development within Services SETA subsectors. These involved amongst others training of:

- Assessors
- Moderators
- Skills Development Facilitators (SDF), and
- Coaching and Mentoring

Improvement in participation in skills development for some of the industries which were known to be previously undersubscribed. This was with regards to the introduction of the targeted approach projects by the Services SETA's Accounting Authority of which benefited the following industries;

- Funeral Services
- Hair Care Services
- Beauty Treatment Services
- Fashion and Modelling Services
- Hiring Services
- Cleaning Services
- Real Estate Services, and
- Trade Unions and Federations of trade unions

PROJECTS

Projects that were implemented by the Chambers include:

- New Venture Creation programme for the Fashion and Modelling and Events industries through a discretionary grants process.
- Implementation of the Skills Programmes for Enterprise Development training for 900 SMMEs, Cooperatives and NPO.
- Labour Recruitment Services Skills Programme on the following programmes:
- Employment Services Business Management Programme (NQF 5)
- Management Development for Employment Services Professionals (NQF 7)
- Projects in the Funeral services included the empirical research on both the state of the industry and the training needs; the implementation of enterprise development for the aspiring and the emerging funeral businesses to promote new entrants into the industry; implementation of the discretionary grants targeted at up-skilling the existing workforce as well as providing the young people with skills for entry into the industry that is perceived as not being attractive to this part of the population; recognition of prior learning for 600 individuals to recognise the vast experience that they have gathered during the years in which they have been operating in the industry; internships for HET and TVET colleges to provide them with the necessary experience in the industry; and FSB Regulatory examinations to ensure compliance to the minimum requirements for those that are involved in the insurance services as part of the funeral business.
- Rolling out interventions in line with the R150 million that was set aside to up-skill the workforce in the Hair Care and Beauty Treatment Services which includes short skills programmes in Nail and Beauty Technology, Eyelash and Eyebrow, Hair Removal Therapy, Make Up Artistry, Basic Massage Therapy, ARPL, Basic Barbering, Hair Relaxer, Natural Hair styling, Dry Hair Styling, Shampooing and Blow-drying.

Some of the project that were approved include:

- Support for the Kwazulu Natal Techno-Hubs, through skills development in partnership with the Esayidi, Umfolozi and Majuba TVET colleges to implement New Venture Creation Learnerships and Skills Programmes over a three-year period.
- Support for the Small Enterprise Development Agency (SEDA) to implement Employed and Unemployed skills programmes for learners on New Venture Creation.

- Support for the Amos Kgaphamadi Community Organisation (in partnership with traditional councils that fall under the Ndebele Royal House) to implement various learning interventions in the Dr JS Moroka and Thembisile Hani Local municipalities as well as the construction of the Skills Development Centre.
- Targeted approach to increase participation and up-skill the workforce within the Management and Business Services i.e.
- Business advising
- Event management
- Project management
- Economic empowerment
- Quality, and
- A cross-cutting focusing on revitalisation of township and rural economies

CHALLENGES

Despite the successes of the year, the Chamber Operations do still face the following challenges, of which there are plans to improve in the future:

- Inability of some of the industries to participate in skills development due to inadequate capacity of supply (lack of accredited skills development providers, registered assessors and moderators, qualifications, and learning material).
- Lack of new entrants into some of the industries.
- Large percentage of member companies falling below the threshold of levy-payers.
- Significant number of member companies operating within the informal sector.

AREAS OF IMPROVEMENT

The following key performance areas, have been identified as areas of improvement which will be focused on in the upcoming future:

- Achievement against programmes aimed at strengthening capacity of supply.
- Development of relevant and up to date occupational qualifications for industries.
- Realignment of legacy qualifications into occupational qualifications
- Development of learning material for all active qualifications.
- Implementation of targeted approach to discretionary grants for identified industries.

WAY FORWARD AND FUTURE PLANS

In order to improve on the aforementioned challenges and areas of improvements, the following remedial actions have been planned:

- Continued implementation of programmes aimed at strengthening of capacity of supply.
- Continued development of relevant and up to date occupational qualifications for industries.
- Continued realignment of legacy qualifications into occupational qualifications.
- Continued development of learning material for all active qualifications.
- Continued implementation of targeted approach to discretionary grants for identified industries.

SPECIAL PROJECTS AND INFRASTRUCTURE PROJECTS

BACKGROUND

The Special Projects Unit continues to drive transformation using Skills Development as an instrument. The mandate has tremendously grown beyond Public Institutions and Non-Profit Organisations. While the objective is to advocate transformation, the Special Projects Unit has adopted a contour that we will still ultimately respond to the National Development Plan, Human Resources Development Strategy and National Skills Development Strategy.

The approach has seen the Services SETA, under the Special Projects Unit, partner with big corporates in South Africa to rigorously respond to the unemployment scourge. Such partnerships have the potential to respond to various categories of the population focusing mainly on the Youth as the most affected demographic.

Rural prioritisation remains at the helm of the Special Projects mandate. The Services SETA has reached far ends of the country with a new approach to penetrate rural areas through tribal authorities. Such a decision is informed by economic situation in the country. The thinking behind the strategy is to propel entrepreneurship through which jobs will be created and economic participation by the youth sector will be amassed.

The year under review has seen strengthening of relations with Government Departments and Institutions of Higher Learning. The appetite shown by Government in Skills Development initiatives has encouraged the Services SETA to form more partnerships for the benefit of the country at large.

In supporting Learning programmes to increase access for training opportunities contributing to skills development throughput, Services SETA has expanded on infrastructure of skills development centres. In the addition to the skills development centres referred to above, the Services SETA has recognised a need to support one of the objectives of the White Paper for Post School Education and Training, which is that of catering for the needs of millions of adults and youth who are unemployed, poorly educated and not studying through the establishment of Community Colleges.



RURAL DEVELOPMENT PROJECTS

The approach to mobilise informal and formal formations in rural areas has shown progress in building inclusive economy through skills development initiatives. Limpopo and KwaZulu-Natal took priority where relations were forged with Tribal Authorities. Linked to funded interventions, the Services SETA established Skills Development Centres as structures to facilitate Skills Development and positively respond to the challenges identified in relation to unemployment and lack of requisite skills to support economic drivers within the different municipal areas, with special emphasis on the rural areas.

The following Skills Development Centres and Artisan Development Academies were committed to in the year under review:

No.	Project Name	Partner	Province
1	Motheo National Artisan Development Academy	Motheo TVET College	Free State
2	Greater Kokstad Municipality Skills Development Centre	Greater Kokstad Local Municipality	KwaZulu-Natal
3	Bambanani Campus	Umfolozi TVET College	KwaZulu-Natal
4	Nkandla Campus	Umfolozi TVET College	KwaZulu-Natal
5	Mkuze Skills Development Centre	UMkhanyakude District Municipality	KwaZulu-Natal
6	Paul Pietersburg Skills Development Centre	KZN Department of Social Development	KwaZulu-Natal
7	Nggeleni Chicken Community Project	Mqwangqweni Tribal Authority	Eastern Cape
8	Mount Coke Skills Development Centre	Buffalo City Metropolitan Municipality	Eastern Cape
9	Cala Skills Development Centre	Sakhisizwe Local Municipality	Eastern Cape
10	Nkonkobe Skills Development Centre	Raymond Mhlaba Local Municipality	Eastern Cape
11	Thabazimbi Campus	Waterberg TVET College	Limpopo
12	Prieska Skills Development Centre	Northern Cape Department of Public Works	Northern Cape
13	North West Skills Development Centre	North West Department of Roads & Public Works	North West
14	Beaufort West Skills Development Centre	Beaufort West Local Municipality	Western Cape
15	Lesedi Skills Development Centre	Lesedi Local Municipality	Gauteng

PUBLIC PARTNERSHIPS

The emphasis by NSDS III to collaborate with institutions of Higher Education informed the following allocations and implementation:

UNIVERSITIES & TVET COLLEGES

No.	Institution Name	Province
1	Central Johannesburg TVET College	Gauteng
2	Gert Sibande TEVT College	Mpumalanga
3	Goldfields TVET College	Free State
4	Port Elizabeth TVET College	Eastern Cape

No.	Institution Name	Province
5	Waterberg TVET College	Limpopo
6.	University of Venda	Limpopo
7.	Mthashane TVET College	KwaZulu-Natal
8.	Coastal TEVT College	KwaZulu-Natal
9.	EThekweni TVET College	KwaZulu-Natal
10.	Umfolozu TVET College	KwaZulu-Natal
11.	Elangeni TVET College	KwaZulu-Natal
12.	Majuba TVET College	KwaZulu-Natal
13.	Witwatersrand University	Gauteng
14.	Esayidi TVET College	KwaZulu-Natal

MUNICIPALITIES

The interests shown by municipalities in terms of driving Skills Development, has to an extent enabled these institutions to respond to their Integrated Development Plans by mobilising Youth in immediate areas. The Services SETA positively responded to the call to address unemployment through Skills Development with municipalities being key drivers. The following municipalities were committed in the prior year and implemented in the year under review:

No.	Municipality Name	Province
1	Buffalo City Metropolitan Municipality	Eastern Cape
2	Engcobo Municipality	Eastern Cape
3	Lesedi Municipality	Gauteng
4	Ngqushwa Municipality	Eastern Cape
5	Ngwathe Municipality	Free State
6.	UPhongolo Municipality	KwaZulu-Natal
7.	Rand West Municipality	Gauteng
8.	Thabo Mofutsanyane Municipality	Free State

COOPERATIVE DEVELOPMENT

The initiative took tune from the National Skills Development Strategy III where it compels SETAs to support the establishment of cooperatives as a way to respond to economic participation, entrepreneurship and job creation. The Services SETA through its Planning Department, prioritised an appetite to immensely invest in the establishment of cooperatives. Over 300 cooperatives were established in Western Cape, Eastern Cape, Gauteng, Limpopo, Free State and Mpumalanga. The focus is to now move to the Northern Cape, North West and KwaZulu-Natal in the upcoming reporting period.

UPCOMING INFRASTRUCTURE PROJECTS

Through continuous stakeholder engagements, the Accounting Authority has identified and committed to the development of the following infrastructure projects:

No.	Project Name	Partner	Province
1	Merrivale Skills Development Centre	Umngeni Local Municipality	KwaZulu-Natal
2	Cato Ridge Skills Development Centre	EThekweni Metropolitan Municipality	KwaZulu-Natal
3	Tshisaulu Skills Development Centre	Tshisaulu Tribal Authority	Limpopo
4	Ga-Mafefe	Ga-Mafefe Tribal Authority	Limpopo
5	Ga-Phasha	Ga-Phasha	Limpopo
6	Seshego campus refurbishment	Capricorn TVET College	Limpopo
7	Ngqeleni Skills Development Centre	Mqwangqweni Tribal Authority	Eastern Cape
8	Emfundisweni Refurbishment project	Alfred Nzo Development Agency	Eastern Cape
9	Zwelitsha campus refurbishment and equipment	Lovedale TVET College	Eastern Cape
10	Eastcape Midlands TVET College refurbishment (Uitenhage campus)	Eastern Cape Midlands TVET College	Eastern Cape
11	PE TVET College	PE TVET College	Eastern Cape
12	South Cape TVET College (George campus)	South Cape TVET College	Western Cape
13	Alexander Bay refurbishment	Alexkor	Western Cape
14	Hair and Skin Care institute	University of Cape Town	Western Cape
15	Maluti refurbishment	Maluti TVET College	Free state

COMMUNITY COLLEGES PROJECTS

In line with the Department of Higher Educations, drive to revitalise community colleges, the Services SETA has identified and committed to supporting the development and revitalisation of community colleges in the following cities:

No.	Project Name	Province
1	Elsie's river	Western Cape
2	Emalahleni	Mpumalanga
3	Thohoyandou	Limpopo
4	Kuruman	Northern Cape

PROVINCIAL OPERATIONS

In pursuit of making contributions to the White Paper for Post-School Education and Training systems (and other policy directives' strategic goals and objectives of increasing access to education and training opportunities, the Services SETA delivered services from 10 provincial nodes located at various TVET colleges across the country and one at a provincial government space. Provisioning of stakeholder education, technical support and training through structured sessions to a variety of external stakeholders seeking understanding of the organisation's quality assurance (accreditation and constituency assessor and moderator registration) processes and opportunities on skills development was commissioned. Special focus on capacitating rural-based stakeholders on discretionary grant opportunities was considered. Furthermore, a significant number on engagements and commitments to work with tribal authorities were commissioned resulting into various special learning projects. The Services SETA hosted career guidance events mainly in remote and rural parts of the country and supported such events organised by the public sector.

Transformation Review

At the Services SETA we consider broad based black economic empowerment (B-BBEE) and transformation vital in achieving our mission. We are best at what we do as an organisation, however we continually strive to ensure that our beneficiaries, who are the majority in South Africa, equitably enjoy the prospects and opportunities available in the country.

Our transformation mandate is to ensure that incorporated in our daily operations is consideration of Previously Disadvantaged Individuals (PDIs) and Groups. Our approach ensures compliance with all related regulations that seeks to promote transformation and equity. The Services SETA is being measured on the Generic Specialised Scorecard as gazetted by the Department of Trade and Industry (Dti). We are currently in the process of being verified on our BEE performance.

Management Control

Our Accounting Authority as it stands is a representation of 78% BEE candidates and the remainder non-designated groups. Female representation is 67%. The process of recruiting other Accounting Authority members in order to have a full complement is still underway, which creates an opportunity to achieve a fair representation of all demographics.

Employment Equity

At 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 all employees must be treated with respect and dignity. We have just recently completed the organisations' Employment Equity Plan which the expiry date is in line with the licencing of the SETAs – 2020. The Plan stems from a robust and successful workplace analysis which sought to identify barriers that hinder progress on Employment Equity and provides an opportunity to explore solutions.

We are optimistic about achieving our realistic numeric targets and our recruitment activities are a reflection of this goal. Our focus in the future is to accelerate the inclusion of people living with disability coupled with provision for reasonable accommodation. In addition we will continue to promote women in leadership roles and provide the required support. E.g Leadership Programmes designed for Women

Skills Development

Our employees are at the cornerstone of our organisation and without their dedication to their respective roles, the Services SETA will not be able to remain productive as it is. We believe that empowerment leads to motivation. Our empowerment approach does not only challenge an employee to reach their potential, we invest in rigorous skills and development programmes. These programmes are aimed creating a skilled workforce. In an attempt to create a learning culture, our employees are constantly encouraged to further their studies not only for their development but as a strategic imperative to create pipeline for succession planning.

Our mandate is to promote internships in the workplace and Services SETA is not exempt from this developmental mandate. We had a total of 44 interns participating in a 12 month Internship programme. Despite the BEE benefits, the organisation had an improved human capacity in each unit and interns were able to learn basic principles required in order to secure a job in the future.

Preferential Procurement

Our measurement is based on a combination of suppliers that are awarded via the tender or request for quotation processes and discretionary grants recipients. We are striving to explore Preferential Procurement Policy Framework Act Regulation 2017 which allows an organisation to specify which entities must to apply for tendering based on their BEE status level and the 30% sub-contracting clause to Exempted Micro Enterprises and designated groups.

Supplier Development

Services SETA has invested in a Supplier Development initiative aimed at assisting all SMME Discretionary grantees to successfully complete allocated projects. The initiative entails a comprehensive project management offering 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, where an SMME can be able to interact with the Services SETA in terms of the status of the project and if there are outstanding matters to be resolved.

Enterprise Development

SDF, Assessor and Moderator Programme

Our Enterprise Development approach is intended to feed into our value chain. An SDF, Assessor and Moderator Programmes were successfully completed by seasoned, emerging entrepreneurs and new entrants who have an interest in the skills development space, particularly service area. These Skills Programmes were offered at no cost to the beneficiaries. In order to intensify the impact of the programme, the competent recipients were provided with guidance on how to operate as successful SDFs, Assessors and Moderators

SMME Accreditation Support Programme

Another programme is aimed at assisting SMMEs with the entire Accreditation process. This intervention entails Accreditation Workshops, Skills Programmes in line with business support and assisting these SMMEs with uploading the documents in the Learning Intervention and Monitoring system for accreditation, which is Desktop evaluation. The progress so far is stable and satisfactory, we are optimistic about the desired output.

Establishment and training of new and existing Cooperatives

The Services SETA has invested in developing this category, nationally, with the aim of incorporating operational cooperatives into the supply chain via a competitive bidding process. Additional co-operatives development programmes are in the pipeline.

Our next focus is on unsuccessful potential suppliers who were not awarded due to lack of knowledge around the tendering processes, poor proposal skills, non-compliance and document control. In addition, our intent is to foster relationships with other strategic partners in order to leverage on each other's mandate for the benefit of improving the development of small businesses, cooperatives and small black women owned businesses.

Socio Economic Development

The Services SETA is in the process of constructing turnkey skills development centres to contribute towards infrastructure development.

Motheo Skills Development Centre



Sakhisizwe Skills Development Centre





Kokstad Skills Development Centre



ENTREPRENEURSHIP AND COOPERATIVE DEVELOPMENT INSTITUTE (ECDI)

THE WHY – context and rationale

High unemployment, low economic growth, structural inequality and spatial divides are recognised contextual challenges facing entrepreneurship and cooperative development in South Africa. Formal sector employment cannot absorb the numbers of unemployed youth not in employment, education or training (NEET) currently projected at 6.5 million.

New Venture Creation and Business Advisory occupational qualifications fall under the scope of the Services SETA as do several other qualifications relevant to SMMEs and cooperatives, including business administration, project management, general management, sales and marketing and brand management. Furthermore, the Services Sector has high opportunities for entrepreneurial activity.

THE VISION – resolutions and achievements

Towards the end of 2016/17, the Services SETA Accounting Authority resolved to establish an Entrepreneurship and Cooperative Development Institute (ECDI) and mandated management to conceptualise a Programme of Action.

The Programme of Action was conceptualised during 2017/18 following comprehensive consultation reaching more than 200 individuals from over 100 entities and informed by extensive literature and research citing evidence of impact, successes and failures. Solutions were mapped against segmented problems facing entrepreneurs and enterprises at different levels of capital intensity and stages of business development. Solutions were also evaluated against critical success factors and criteria including relevance, scale, impact, access and sustainability.

An Advisory Committee of experts was established under the auspices of the Services SETA Accounting Authority to inform the development and production of the conceptual framework.

The adopted Programme of Action was officially announced at an Inaugural ECDI Conference held on 01 March 2018. The Conference was attended by more than 500 delegates including entrepreneurial ecosystem stakeholders, policy-makers, researchers, implementers, intermediaries and entrepreneurs.

The Programme of Action comprises of 9 interventions that will be designed and developed into content, products and services for entrepreneurs both virtually and physically. It is not the individual components of the Programme of Action that make it ground-breaking but the combination, integration, scale and approach adopted. The Accounting Authority resolved to establish a new Division within the Services SETA and approved a budget for the design, testing and implementation of the Programme of Action. Furthermore, land was procured in Centurion and construction of the ECDI will commence in 2018/19.

THE MODEL – purpose and approach

The conceptual framework is centred upon two goals namely enhancing the entrepreneurial ecosystem and empowering entrepreneurs. The ultimate impact of these goals is job creation and revenue growth through promotion, development and acceleration of entrepreneurs, small businesses and cooperatives, and, equity and economic inclusivity through transformational imperatives that target black, youth, women and disabled entrepreneurs in townships and rural areas.

The model adopted is similar to that of SETAs, as a primary intermediary the ECDI shall facilitate, fund, enhance quality and refer supply and demand within and across the entrepreneurial ecosystem through partnerships. The objective is to standardise fundable products and services that offer peer, mentored and applied learning to entrepreneurs and enterprises. The intension is to leverage on what already exists and fill supply gaps enhancing relevance, quality and innovation.

Partnerships is an important mechanism through which the Programme of Action will be designed and delivered. The Services SETA concluded a Memorandum of Understanding with the Department of Small Business Development (DSBD) and its agencies, the Small Enterprise Development Agency (SEDA) and the Small Enterprise Finance Agency (sefa) on 05 December 2017. A core ECDI partnership with a Post School Education and Training (PSET) Institution will also be established. InterSETA collaboration through the Department of Higher Education and Training (DHET) will be formalised during the design phase.

THE PROGRAMME of ACTION – interventions

Research and Dialogue: deliverables include a research agenda, research repository, research chairs, research studies, Communities of Practice (committees) and dissemination of publications sharing best practice and research findings

Online Ecosystem: developing a single integrated, interactive and intelligent South African Government system for entrepreneurs and ecosystem practitioners that enables automated matching of supply and demand - One Portal - One Database - One Virtual Incubator

Business Advisory Services: consolidating a national network of categorised and qualified business advisors and developing standardised products that enable funding and automated matching of supply to demand

Monitoring and Evaluation: designing a national scorecard and results framework, and standardising, collecting and sharing output, outcomes and impact data and information

Societies: creating a continuous pipeline of new entrants through self-organised and self-managed voluntary networks of entrepreneurs in schools, colleges, universities, workplaces and communities supported with governance and start-up e-content and e-tools

Micro Entrepreneurship Programme (MEP): identifying existing viable micro enterprise models and developing new demand-led viable business concepts that can be packed as businesses-in-a-box for easy implementation and replication in rural communities and townships

Business Growth Programme (BGP): developing standardised Business Development Services products and leverage funding for high calibre, high potential and high value entrepreneurs of small and medium enterprises to increase jobs, revenue and profit

Startup Enterprise Villages: funding infrastructure development in partnership with TVET colleges and or municipalities and programme implementation that incubates a mix of startups and existing businesses for one to three years across market-led value chains e.g. event management

Skills Development: developing online assessment tools and short-format modular e-learning content for businesses at Startup, Growth and Established stages of development and designing and implementing mentored internships servicing SMMEs with integrated non-core support services.

THE STAGES – systematic and structured

Stage 1 involved conceptualisation of the solution which commenced and completed during 2017/18.

Stage 2 involves design and testing which will be phased and sequenced from 2018/19.

Stage 3 will involve leveraging funding for widespread and scaled implementation, nationally and across all economic sectors.



**Performance against Predetermined Objectives for the
Financial Year 2017/18**

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PERFORMANCE INFORMATION REPORT ON PREDETERMINED OBJECTIVES 2017/18

Structure of results reporting

The 2017/18 Strategic Plan and Annual Performance Plan structured the Services SETA's predetermined objectives into four programmes, each comprising of strategic objectives, programme performance indicators and corresponding targets.

The results achieved between 1 April 2017 and 31 March 2018, or as at the end of this reporting period, together with a result and variance explanation are tabulated by programme and performance indicator. Continued improvements were effected to strengthen the specific, measurable, achievable, relevant and time-bound criteria for predetermined objectives.

Performance Indicator Rating Scale



Target achieved or exceeded
100% and above



Target not achieved
Below 100%

Summary of performance Indicator Ratings by Programme

Programme	Performance Indicators Achieved		Performance Indicators Not Achieved	
1 Administration	5/7	71%	2/7	29%
2 Skills Planning	7/7	100%	0/7	0%
3 Learning Interventions	33/41	80%	8/41	20%
4 Quality Management	2/3	67%	1/3	33%
ALL	47/58	81%	11/58	19%

Comparative Indicator Rating between 2016/17 and 2017/18

A significant improvement has been achieved in overall organisational performance against performance indicators and targets between the previous and current financial years. This comparative rating is presented in the table below and shows an increase from 75% to 81% of performance indicators achieved.

Rating	2017/18		2016/17	
	#	#	#	%
Performance Indicator Achieved	47/58	81%	64/85	75%
Performance Indicator Not Achieved	11/58	19%	21/85	25%

2017/18 Annual Performance Plan Results

Programme 1: Administration

The purpose of this programme is to enable the delivery of the Services SETA's mandate through delivery of support services. This programme is aligned to Strategic Goal 4: Strengthening the Services SETA capability to lead the sector through policies, processes, systems and competencies.

This programme comprises of four sub-programmes, namely Finance, Human Resources, Information Communication Technologies (ICT) and Organisational Governance. A total of 71% (5/7) performance targets were achieved. On the financial scorecard the Services SETA obtained an unqualified audit opinion for the 2016/17 financial year. The overall vacancy rate of 6% for the current year is a significant improvement from the rate of 14% in the previous reporting period, which was as a result of a targeted recruitment strategy which was applied by the Human Resources and Development department, including the appointment of key executive, senior and management personnel to ensure the stability and continuity of operations. In order to improve the organisation's operational efficiencies. The ICT department had achieved a 95% level of delivery on the ICT strategy 3 Year Migration Plan, as all policies and procedures had been reviewed, approved and in the process of implementation. In complying with its governance requirements, all functional governance structures met as scheduled, and the Services SETA had implemented all identified compliance and risk action plans.

Programme 2: Skills Planning

The purpose of this programme is to enable the Services SETA and Services Sector to target relevant skills development. The Services SETA is responsible for researching skills needs within the Services Sector, issuing the Sector Skills Plan, developing strategic and annual performance plans for the Services SETA, monitoring and evaluating organisational performance and conducting targeted evaluations to strengthen programme improvement in executing its mandate. This programme is aligned to all of the Strategic Goals in that it informs the Services SETA and Sector Priorities and capabilities and directs needs and supply in terms of the flow and stock of skills within the Services Sector.

All performance targets were achieved under this programme, including the successful submission and approval of the Sector Skills, Strategic and Annual Performance Plans. The Services SETA has managed to establish research partnerships with public universities, to strengthen its research capabilities, and improved the sectors capacity of supply through the training of skills development facilitators and workplace mentors. The Services SETA has noted a slight increase in Mandatory Grant submission from 3 893 in the previous reporting period to 3 958 in the current reporting period, reflecting an improvement in sector employers participation in Mandatory Grants and employer specific training and development of staff.

Programme 3: Learning Interventions

The purpose of this programme is to disburse SETA discretionary grants through special and regular projects for infrastructure development, to expand access to skills development in rural and underserved areas, and pivotal learning interventions. Special projects are targeted interventions that meet national and transformational imperatives whereas regular projects are granted on application in response to advertised opportunities. The programme consists of four primary functions namely: Special Projects, Learning Intervention Project Coordination, Chambers Operations and Provincial Operations.

A total of 80% (33/41) performance targets were achieved. A total of 46 692 Services SETA funded learners were reported as enrolled during this reporting period, which represents a 47% improvement on the total number learner enrolments from the previous period's reported total of 31 876. A total of 12 035 funded learners had completed their various learning programme, and were upheld through external moderation and reported and completions. The Services SETA committed funding for the establishment of 15 skills

development centres and 5 rural development projects, in collaboration with local TVET colleges. These partnerships aim to progressively achieve transformational imperatives and national priorities enabling access to skills development opportunities in rural areas. The Services SETA also planned and conducted 12 Career Guidance events to promote qualifications and facilitate access to skills development opportunities.

Programme 4: Quality Assurance

The purpose of this programme is to accredit skills development providers and fulfil the QCTO delegated quality assurance of learner achievements function. Registered moderators and assessors is a requirement for skills development provider accreditation. Processing applications for accreditation is a primary function falling under this programme. An average 85% (325 / 381) of skills development practitioner accreditation applications were processed successfully within 90 days as per the pre-set timeframe, and of those that were unsuccessful 67%, were capacitated and assisted to convert their status to successful.



Achievement against Transformational Imperatives of SETA Funded Learning Interventions

The current year enrolment results are disaggregated across transformational imperatives in the table below:



Enrolment	2016/17	2017/18	Unemployed		Female		Black		Disability		Youth		Rural	
Learnerships	14 542	23 227	20 001	86%	15 208	65%	21 971	95%	1 723	7%	20 849	90%	5 862	25%
Bursaries	3 283	4 017	2 715	68%	2 196	55%	2 334	58%	15	0%	3 094	77%	373	9%
Skills Programmes	1 680	5 945	859	14%	4 121	69%	5 684	96%	41	1%	3 265	55%	1 334	22%
Internships	9 212	9 114	8 714	96%	6 165	68%	3 063	34%	52	1%	8 485	93%	3 096	34%
Artisans	2 497	2 254	1 641	73%	607	27%	1 755	78%	0	0%	1 801	80%	0	0%
Recognition of Prior Learning	353	1 021	831	81%	602	59%	802	79%	12	1%	502	49%	253	25%
Adult Education and Training	309	1 064	1 064	100%	809	76%	1 061	100%	84	8%	740	69%	366	34%
Candidacy	0	50	50	100%	33	66%	43	86%	1	2%	19	38%	0	0%
Totals	31 876	46 692	35 875	77%	29 741	64%	36 713	79%	1 928	4%	38 755	83%	11 284	24%


Services SETA funded learner enrolments for the NSDS III Period




The following table represents an overall view of the Services SETA investment in skills development over the NSDS III period. Significant improvement can be seen in learner enrolments from year 3 onwards, which coincides with the appointment of the current governance structures.


NSDS III	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	TOTAL
Financial and Reporting Years	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	
Learnerships enrolled	1 276	314	5 682	3 693	20 029	14 542	23 227	68 763
Employed	491	297	2 595	1 335	1 871	2 272	3 576	12 437
Unemployed	785	17	3 087	2 358	18 158	12 270	19 651	56 326
Bursaries enrolled	128	-	744	3 671	1 409	3 283	4 017	13 252
Employed	128	-	646	1 424	478	312	1 302	4 290
Unemployed	-	-	98	2 247	931	2 971	2 715	8 962
Skills Programmes enrolled	493	200	1 032	789	3 871	1 680	5 945	14 010
Employed	237	-	1 002	789	914	1 455	5 086	9 483
Unemployed	256	200	30	-	2 957	225	859	4 527
Internships enrolled	615	1 026	1 172	3 599	3 087	9 212	9 114	27 825
Artisans enrolled	1 800	-	100	643	476	2 497	2 254	7 770
Recognition of Prior Learning enrolled	-	-	1 314	-	174	353	1 021	2 862
Adult Education and Training enrolled	-	-	578	85	1 734	309	1 064	3 770
Candidacies	-	-	-	-	-	-	50	50
TOTALS	4 312	1 540	10 622	12 480	30 780	31 876	46 692	138 302

Services SETA Annual Performance Report for the period 1 April 2017 to 31 March 2018
Programme 1: Administration



Financial affairs of the Services SETA are managed in a transparent, efficient and effective manner to maintain clean audit						
STRATEGIC OBJECTIVE 1.1.1:	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
Improve management of the Services SETA financial affairs	1.1.1.1 Outcome of audit of Annual Financial Statements	Clean	Clean	Unqualified		The Audit-General of South Africa has issued the Services SETA with an Unqualified audit opinion, with material findings on the audit of performance information, in the 2016-17 Annual Audit Report
People competencies retained and systems developed to leverage technology enabling operational efficiency						
STRATEGIC OBJECTIVE 1.1.2:	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
Human resources effectively managed to ensure adequate and sufficiently skilled people retained and performance monitored	1.1.2.1 Maximum employee vacancy rate	14%	15%	6%		There were 16/281 available positions which resulted in a vacancy rate of 6%, as at 31 March 2018, achieved through continuous recruitment activities during the year, to ensure that key vacant positions were filled.




People competencies retained and systems developed to leverage technology enabling operational efficiency							
STRATEGIC OBJECTIVE 1.1.2:							
STRATEGIC ACTIVITY	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION	
ICT Governance Framework established and implemented to support and enable the business delivering value and improving performance	1.1.2.2 Percentage Delivery of the ICT Strategy 3-Year Migration Plan	-	100%	95%		<p>As at the end of the reporting period, the results of the status of the migration plan was as follows:</p> <ul style="list-style-type: none"> ICT Governance & structure 95%; ITSM Implementation 100%; ICT Organisational Capacity (25%); Application Architecture Solutions (90%); Technology Architecture Solutions (85%) <p>This resulted in an overall implementation rate of 95%, due to delays in fully capacitating the ICT department</p>	



Accountable governance and leadership oversight focussed on high performance, compliance, internal controls and enterprise-wide risk mitigation							
Governance	Performance Indicators		Actual Achievement 2016/17	Annual Target 2017/18	Annual Result	Rating	Results and Variance Explanation
Consistent leadership based on honesty, ethical leadership and good governance enabling responsible oversight of financial and performance reporting	1.1.3.1	Number of functional Governance structures	-	7	7		All governance structures have met by 31 March 2018, as per the governance calendar scheduled meeting, namely: Accounting Authority Committee Executive Committee Governance, Risk and Strategy Committee Finance Committee Human Resources and Remuneration Committee Audit Committee Transformation Committees
Facilitate compliance and strengthen internal control through assessment, development and monitoring action plans	1.1.3.2	Percentage of compliance action plans implemented	100%	100%	100%		All compliance action plans, as per the compliance review checklist have had remedial action plans implemented
Mitigate the negative impact of identified strategic risks	1.1.3.3	Percentage of risk action plans implemented	96%	100%	100%		All risk action plans, as per the compliance review checklist have had remedial action plans implemented

Accountable governance and leadership oversight focussed on high performance, compliance, internal controls and enterprise-wide risk mitigation						
Governance	STRATEGIC ACTIVITY	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING
	Provide effective and efficient legal service	1.1.3.4 Percentage of legal opinions finalised within 30 calendar days from the date of receipt	-	100%	100%	
						All legal opinions that were requested in the current reporting period have been finalised, and within the required timeframe



Programme 2: Skills Planning



Expand research capabilities and credibility to inform relevant and evidence-based planning						
STRATEGIC OBJECTIVE 2.1.1	STRATEGIC ACTIVITY	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING
Produce a well-informed SSP, SP and APP as prescribed	2.1.1.1	Approved Sector Skills, Strategic and Annual Performance Plans	-	Approved	Approved	
	2.1.1.2	Number of research partnerships established with public universities	-	2	3	
						The Minister of Higher Education and Training approved the SP, SSP and APP on 26 March 2018
						3 Research Chairs are currently active: 1. University of Mpumalanga 2. Rhodes University 3. Wits University The overachievement was due to a joint project with DHET and BankSETA on Research Chairs, which resulted in the SETA entering into an additional Research Chair Partnership




Promote industry investment in workplace skills development and occupational qualifications strengthening work-integrated learning						
STRATEGIC OBJECTIVE 2.1.2	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
Provide technical assistance and support to employers to submit Workplace Skills Plans and Annual Training Reports	2.1.2.1 Number of employers that submit Workplace Skills Plans and Annual Training Report	3 893	3 821	3 958		There were 3 958 employers that submitted WSP / ATRs as per the legislated deadline of 31 April 2017. The overachievement was due to an increase in WSP submission due to timeous capacitation workshops hosted by the SETA in all provinces.
	2.1.2.2 Number of SDFs trained	-	500	1 295		Target overachieved due to Skills Programmes that were rolled out during the year through Chamber Operations. The overachievement was due to a higher demand, based on a high number of applications received for the training by various stakeholders, which resulted in the SETA increasing its allocation for training
	2.1.2.3 Number of workplace mentors trained	-	500	1 329		Target overachieved due to Skills Programmes that were rolled out during the year through Chamber Operations. The overachievement was due to a higher demand, based on a high number of applications received for the training by various stakeholders, which resulted in the SETA increasing its allocation for training





Measurable planning and accurate reporting of organisational performance, and utilisation of evaluation findings to inform services delivery						
STRATEGIC OBJECTIVE 2.1.3						
STRATEGIC ACTIVITY	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
Improve the impact assessment within Services SETA	2.1.3.1 Percentage of organisational performance remedial action plans implemented	-	70%	100%		All remedial action plans as reported on a monthly basis to the Governance Risk and Strategy Committee, have been implemented as assessed by the Planning Department
	2.1.3.2 Number of evaluation studies conducted	-	2	2		There are two evaluation studies that are currently underway: 1. Enterprise Development (NVC) Evaluation Assessment 2. Evaluation assessment into the provisioning and capabilities of Skills Development Centres





Programme 3: Learning Intervention




Expand infrastructure for skills and enterprise development and target rural development						
STRATEGIC OBJECTIVE 3.1.1	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
Special Projects Implemented to support transformation agenda	3.1.1.1 Number of active rural development projects	-	3	5		There are currently 5 rural development projects underway, namely: 1. Ngqeleni project 2. Emfundisweni project 3. Mkhuze Project 4. Ga-Mafefe Project 5. Tshisaulu Project The overachievement was due to an increase in initiatives by the SETA in rural areas to increase access to skills development programmes
	3.1.1.2 Number of active infrastructure development projects	11	15	15		The following 15 infrastructure development projects are active: (i) Motheo (ii) Cala (iii) Kokstad (iv) Prieska (v) Nkonkobe (vi) Bamabana (vii) Nkandla (viii) Thabazimbi






Expand infrastructure for skills and enterprise development and target rural development						
STRATEGIC OBJECTIVE 3.1.1	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
STRATEGIC ACTIVITY						(ix) Mkuze (x) Mount Coke (xi) North West (xii) Ngqeleni (xiii) Paulpietersburg (xiv) Beaufort West (xv) Lesedi (Heidelberg)
National priorities promoted through supply-and demand side partnership development						
STRATEGIC OBJECTIVE 3.1.2	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
Special Projects Implemented to support transformation agenda	3.1.2.1 Number of new TVET college partnerships	15	5	12		Cumulatively there are 12 partnerships with TVET Colleges that were entered into the current reporting period, through various Special Project and DG funding opportunities. The overachievement was due a higher demand for SETA programmes and related partnerships
	3.1.2.2 Number of new University partnerships	11	3	4		Cumulatively there are 4 partnerships with Universities that were entered into the current reporting period, through various Special Project and DG funding opportunities. The overachievement was due a higher demand for SETA programmes and related partnerships







National priorities promoted through supply-and demand side partnership development						
STRATEGIC OBJECTIVE 3.1.2	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
	3.1.2.3 Number of new employer partnerships	649	150	192		Cumulatively there are 192 employer partnerships in place for the current reporting period, through various Special Project and DG funding opportunities. The overachievement was due a higher demand for SETA programmes and related partnerships
Transformation and sustainability promoted through targeted enterprise development						
STRATEGIC OBJECTIVE 3.1.3	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
Special Projects Implemented to support transformation agenda	3.1.3.1 Number of cooperatives supported	207	300	333		Cooperatives were supported through various Special Project initiatives focusing on enterprise development. The overachievement was due to targeted initiatives aimed at supporting cooperatives through enterprise development and skills development programmes
	3.1.3.2 Number of SMEs supported	208	300	351		SMME have been supported through an Accreditation initiative, through Special Projects. SMME were further supported through various DG and Special Project Funding. The overachievement was due to targeted initiatives aimed at supporting SMEs through enterprise development and skills development programmes





Transformation and sustainability promoted through targeted enterprise development						
STRATEGIC OBJECTIVE 3.1.3						
STRATEGIC ACTIVITY	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
	3.1.3.3 Number of non-governmental and community-based organisations supported	124	100	104		NGOs were supported through various DG and targeted Special Project allocations. The overachievement was due to a targeted special project intervention aimed at providing NGOs with organisation specific skills development programmes
	3.1.3.4 Number of non-levy paying employers supported	45	90	902		Special Projects has consolidated support for NLPE through provincial offices, which ensured the achievement of this target. The overachievement was due a higher demand for SETA programmes and related partnerships
	3.1.3.5 Number of Trade Unions supported	6	8	11		Trade Unions were supported through a targeted DG window aimed specifically as Trade Union DG funding, which resulted in the overachievement of the target
STRATEGIC OBJECTIVE 3.1.4	Enrol funded learners to achieve targets, strengthening alignment to scarce and critical demand, and priority skills					
STRATEGIC ACTIVITY	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
Process learner enrolments in accordance with commitments	3.1.4.1 Number of Employed Learnerships Entered	2 272	2 840	3 576		Target over-achieved based on DG, SP and JMPT enrolments realised in the current reporting period. The SETA had received a high number of applications for various interventions which resulted in an increased number of allocations for learner enrolments in the current reporting period




Enrol funded learners to achieve targets, strengthening alignment to scarce and critical demand, and priority skills						
STRATEGIC OBJECTIVE 3.1.4						
STRATEGIC ACTIVITY	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
	3.1.4.2 Number of Unemployed Learnerships Entered	12 270	9 413	19 651		Target over-achieved based on DG, SP and JMPT enrolments realised in the current reporting period. The SETA had received a high number of applications for various interventions which resulted in an increased number of allocations for learner enrolments in the current reporting period
	3.1.4.3 Number of Employed Bursaries Entered	312	883	1 302		Target over-achieved due to a high number of learner application received for bursary funding, which resulted in the SETA having to increase its funding for bursary students
	3.1.4.4 Number of Unemployed Bursaries Entered	2 971	2 650	2 715		Target over-achieved due to a high number of learner application received for bursary funding, which resulted in the SETA having to increase its funding for bursary students
	3.1.4.5 Number of Employed Skills Programmes Entered	1 455	3 500	5 086		The target was overachieved due to a high intake of learners for SDF, Workplace and Coaching Skills Programmes, and Assessor and Moderator skills programmes rolled out during the current reporting period





Enrol funded learners to achieve targets, strengthening alignment to scarce and critical demand, and priority skills						
STRATEGIC OBJECTIVE 3.1.4						
STRATEGIC ACTIVITY	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
	3.1.4.6 Number of Unemployed Skills Programmes Entered	225	450	859		Target over-achieved based on DG, SP and JMPT enrolments realised in the current reporting period. The SETA had received a high number of applications for various interventions which resulted in an increased number of allocations for learner enrolments in the current reporting period
	3.1.4.7 Number of Unemployed Internships Entered	584	2 109	3 267		Target over-achieved based on DG, SP and JMPT enrolments realised in the current reporting period. The SETA had received a high number of applications for various interventions which resulted in an increased number of allocations for learner enrolments in the current reporting period
	3.1.4.8 Number of TVET Student Placements Entered	6 933	1 500	1 980		Target over-achieved based on DG, SP and JMPT enrolments realised in the current reporting period. The SETA had received a high number of applications for various interventions which resulted in an increased number of allocations for learner enrolments in the current reporting period


Enrol funded learners to achieve targets, strengthening alignment to scarce and critical demand, and priority skills						
STRATEGIC OBJECTIVE 3.1.4	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
STRATEGIC ACTIVITY	3.1.4.9 Number of University Student Placements Entered	1 695	5 500	3 867		Target not achieved due to low uptake of DG applications for University Student Placements, in the current funding windows
	3.1.4.10 Number of Artisans Entered	2 497	2 100	2 254		Target over-achieved based on DG, SP and JMPT enrolments realised in the current reporting period
	3.1.4.11 Number of Recognition of Prior Learning Learners Entered	353	1 000	1 021		Target over-achieved based on DG, SP and JMPT enrolments realised in the current reporting period. The SETA had received a high number of applications for various interventions which resulted in an increased number of allocations for learner enrolments in the current reporting period
	3.1.4.12 Number of AET Learners Entered	309	1 000	1 064		Target over-achieved based on DG, SP and JMPT enrolments realised in the current reporting period. The SETA had received a high number of applications for various interventions which resulted in an increased number of allocations for learner enrolments in the current reporting period
	3.1.4.13 Number of candidacies entered	-	50	50		Target has been achieved based a targeted DG window for the Real Estate and Related Services sector

Improve monitoring and coordination of SETA-funded skills development to facilitate timely completion						
STRATEGIC OBJECTIVE 3.1.5						
STRATEGIC ACTIVITY	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
	3.1.5.1	Number of Employed Learnerships Completed	25	1 492	417	 Target was under-achieved due to delayed project implementation, which resulted in delayed learner uploads for certification, resulting in a low rate of turnover for external moderations into successful completions
	3.1.5.2	Number of Unemployed Learnerships Completed	1 707	4 582	5 097	 Target was over-achieved due to a high number of learner completions, stemming from the high enrolments from the prior years that were successfully externally moderated and deemed competent
	3.1.5.3	Number of Employed Bursaries Completed	382	360	435	 Target over-achieved based on an assessment of learners who had successfully completed their respective year of study (all modules)
	3.1.5.4	Number of Unemployed Bursaries Completed	289	600	1 671	 Target over-achieved based on an assessment of learners who had successfully completed their respective year of study (all modules)
	3.1.5.5	Number of Employed Skills Programmes Completed	0	1 241	1 631	 Target was over-achieved based on a high number of employed skills programmes that were completed in the current year, through the Chamber Operations skills programmes, for SDFs, workplace coaches and mentors and Assessor and Moderator training
	3.1.5.6	Number of Unemployed Skills Programmes Completed	2 858	300	322	 Target was over-achieved based on a high number of unemployed skills programmes that were completed in the current year, through the Chamber Operations


Improve monitoring and coordination of SETA-funded skills development to facilitate timely completion						
STRATEGIC OBJECTIVE 3.1.5						
STRATEGIC ACTIVITY	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
	3.1.5.7 Number of Unemployed Internships Completed	1 091	579	383		Target was under-achieved due to delays in the implementation of internship programmes, which resulted in the extension of contract end dates, into the next reporting period
Improve monitoring and coordination of SETA-funded skills development to facilitate timely completion						
STRATEGIC OBJECTIVE 3.1.5						
STRATEGIC ACTIVITY	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
	3.1.5.8 Number of TVET Student Placements Completed	630	1 007	609		Target was under-achieved due to delays in the implementation of internship programmes, which resulted in the extension of contract end dates, into the next reporting period
	3.1.5.9 Number of University Student Placements Completed	288	955	606		Target was under-achieved due to delays in the implementation of internship programmes, which resulted in the extension of contract end dates, into the next reporting period
	3.1.5.10 Number of Artisans Completed	326	840	576		Target was under-achieved due to a low number of learners that had successfully completed their trade tests, without remediation, in the current reporting period



Improve monitoring and coordination of SETA-funded skills development to facilitate timely completion							
STRATEGIC OBJECTIVE 3.1.5	PERFORMANCE INDICATORS		ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
	3.1.5.11	Number of Recognition of Prior Learning Learners Completed	0	346	237		Target was under-achieved due to delays in the implementation of RPL programmes, which resulted in the late starting of learner assessments and moderations for RPL certification
	3.1.5.12	Number of AET Learners Completed	518	1 133	51		Target was under-achieved due to delayed project implementation, which resulted in delayed learner uploads for certification, resulting in a low rate of turnover for external moderations into successful completions
	3.1.5.14	Percentage of Discretionary Grant Projects closed out on time	-	60%	69%		56 DG contracts that were due for completion in the current reporting year, of which 39 closed out on time, resulting in the overachievement of the target

Promote stakeholder participation and information exchange to strengthen relevance and access to services							
STRATEGIC OBJECTIVE 3.1.6	PERFORMANCE INDICATORS		ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
Ensure functional chambers supporting sub-sector growth and capability	3.1.6.1	Number of Functional Chamber Committees	6	6	6		The following 6 (six) Chamber Committees met in this reporting period: 1. Cleaning and Hiring Services 2. Communication and Marketing Services 3. Labour and Collective Services 4. Management and Business Services 5. Personal Care Services 6. Real Estate and Related Services
	3.1.6.2	Number of structured subsector stakeholders engagement conducted	157	120	123		Structured Subsector Stakeholder Engagements were held in line with the Chambers Operational plan for 2017-18 financial year, including additional engagements demanded by stakeholders for capacitation
Render quality support service to key stakeholders through provincial offices	3.1.6.3	Number of functional Provincial Forums	33	9	9		Cumulatively all provincial offices scheduled and convened forums in accordance to the annual operational plan by provincial operations
	3.1.6.4	Number of structured provincial stakeholder engagements conducted	-	90	159		Structured provincial stakeholder engagements were conducted, including additional engagements based on stakeholder demand and requests, which resulted in the overachievement of the target

Promote stakeholder participation and information exchange to strengthen relevance and access to services						
STRATEGIC OBJECTIVE 3.1.6						
STRATEGIC ACTIVITY	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
Building Career and Vocational Guidance	3.1.6.5	Number of career guidance events hosted	33	10	12	 <p>Career guidance events were hosted throughout the year, to increase awareness of Services SETA offerings to the community at large, based on demand and need, which resulted in an overachievement for the current reporting period</p>

Programme 4: Quality Management

Capacitate and support skills development providers to strengthen relevant skills supply							
STRATEGIC OBJECTIVE 4.1.1	PERFORMANCE INDICATORS		ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
Facilitate growth and adequacy of provisioning	4.1.1.1	Percentage of SDP applications processed and successful within 90 days	100%	90%	85%		An average of 85% (325 / 381) SDP applications were processed successfully within the required timeframe, in the current reporting period. The target was not achieved due to delays in processing applications as a result of downtime experienced from the online application portal

Capacitate and support skills development providers to strengthen relevant skills supply						
STRATEGIC OBJECTIVE 4.1.1	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
	4.1.1.2 Percentage of unsuccessful SDP accreditation applicants capacitated	-	20%	67%		An average 67% (166 / 246) of all unsuccessful SDP accreditation applicants were capacitated in the current reporting period. Additional resources were employed, which resulted in the high volume of applications that were processed
Improve efficiency in quality assurance of learner achievement for certification						
STRATEGIC OBJECTIVE 4.2.1	PERFORMANCE INDICATORS	ACTUAL ACHIEVEMENT 2016/17	ANNUAL TARGET 2017/18	ANNUAL RESULT	RATING	RESULTS AND VARIANCE EXPLANATION
Assess provisioning and learner achievement to ensure quality	4.2.1.1 Percentage of Certificates and Statement of Results issued within 90 days	88%(Certificates) 93% (SOR)	90%	99%		99% (21 586 / 21 655) of all applications for certificates and Statement of results were issued within 90 days in the current reporting period. Additional resources were employed, which resulted in the high volume of requests being processed

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CORPORATE GOVERNANCE

Introduction

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.

Accounting Authority

The Accounting Authority 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 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.

During the year under review, the membership of the Services SETA Accounting Authority was as follows:

NAME OF MEMBER		ASSOCIATION
Ministerial Appointees		
1.	Themba Mhambi	Chairperson- Ministerial Appointee
2.	Nolwandle Mantashe	Ministerial Appointee
3.	Madoda Sambatha	Ministerial Appointee
Organised Business		
4.	Kate Moloto	Association of BEE Verification Agencies (ABVA)
5.	Duduzile Letseli	Federation of African Professional Staffing Organisation (APSO)
6.	Vikesh Roopchand	Direct Marketing Association of South Africa (DMASA)
7.	Willem Pietersen	Employers Organisation for Hairdressing, Cosmetology and Beauty (EOHCB)
8.	Teleni Shabangu	SA Institute of Auctioneers(SAIA)
9.	Leigh – Ann Georgiev	Allied Nursing Association of SA (ANASA)
Organised Labour		
10.	Wiseman Dinwa	Hotel, Liquor, Catering, Commercial and Allied Workers Union (HOTELLICA)
11.	Pamela Snyman	Institute Of Estate Agents Of South Africa (IEASA)
12.	Mosa Mofokeng	International Festivals & Events Association Africa (IFEA)
13.	Alpheus Phala	South African Transport and Allied Workers Union (SATAWU)

Committees of the Accounting Authority

In executing its mandate, the Accounting Authority was assisted by the following standing Committees and six Chamber Committees¹:

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

Composition of the Standing Committees

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

Executive Committee²

Name of Member	Appointment	Constituencies	Association
1.Themba Mhambi	Chairperson	Ministerial Appointee	Ministerial Appointee
2.Nolwandle Mantashe	Member	Ministerial Appointee	Ministerial Appointee
3.Madoda Sambatha	Member	Ministerial Appointee	Ministerial Appointee
4.Willem Johannes Pietersen	Member	Organised Business	Employers Organisation for Hairdressing, Cosmetology and Beauty (EOHCB)
5.Mosa Mofokeng	Member	Organised Labour	International Festivals & Events Association Africa (IFEA)

Finance Committee

Name of member	Appointment	Constituencies	Association
1.Kate Moloto	Chairperson	Organised Business	Association of BEE Verification Agencies (ABVA)
2.Teleni Shabangu	Member	Organised Business	SA Institute of Auctioneers (SAIA)
3.Wiseman M Dinwa	Member	Organised Labour	Hotel, Liquor, Catering, Commercial and Allied Workers Union (HOTELICCA)
4. Alpheus Phala	Member	Organised Labour	South African Transport and Allied Workers Union (SATAWU)
5. Leigh-Ann Georgiev	Member	Organised Business	Allied Nursing Association of SA (ANASA)

¹The 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.

²All Chairpersons of the standing Committees of the Accounting Authority are ex officio Members of the Executive Committee.

Audit Committee³

Name of Member	Appointment	Constituencies	Association
1. James Maboia	Independent Member (Chairperson)	Independent Member	
2. Pamela Beatrice Snyman	Member	Organised Labour	Institute Of Estate Agents Of South Africa (IEASA)
3. Kate Moloto	Member	Organised Business	Association of BEE Verification Agencies (ABVA)
4. Kgotlo Rabothata	Independent Member	Independent Member	
5. Patricia Tshabalala-Stock	Independent Member	Independent Member	

Human Resources and Remuneration Committee

Name of member	Appointment	Constituencies	Association
1. Nolwandle Mantashe	Chairperson	Ministerial Appointee	Ministerial Appointee
2. Pamela Beatrice Snyman	Member	Organised Labour	Institute Of Estate Agents Of South Africa (IEASA)
3. Willem Johannes Pietersen	Member	Organised Business	Employers Organisation for Hairdressing, Cosmetology and Beauty (EOHCB)
4. Alpheus Phala	Member	Organised Labour	South African Transport and Allied Workers Union (SATAWU)
5. Leigh-Ann Georgiev	Member	Organised Business	Allied Nursing Association of SA (ANASA)

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. Vikesh Jaypal Roopchand	Member	Organised Business	Direct Marketing Association of South Africa (DMASA)
3. Wiseman M Dinwa	Member	Organised Labour	Hotel, Liquor, Catering, Commercial and Allied Workers Union (HOTELICCA)
4. Madoda Sambatha	Member	Ministerial Appointee	Ministerial Appointee
5. Teleni Shabangu	Member	Organised Business	SA Institute of Auctioneers (SAIA)
6. Pamela Beatrice Snyman	Member	Organised Labour	Institute Of Estate Agents Of South Africa (IEASA)

³The Committee, whose chairperson is an independent Member, comprises a total of five (5) financially literate Members, the majority (3) of which are independent Members, as dictated by the requirements of sound corporate governance and the Constitution of the Services SETA.

Transformation Committee

Name of member	Appointment	Constituencies	Association
1.Kate Moloto	Chairperson	Organised Business	Association of BEE Verification Agencies (ABVA)
2.Teleni Shabangu	Member	Organised Business	SA Institute of Auctioneers (SAIA)
3. Pamela Beatrice Snyman	Member	Organised Labour	Institute Of Estate Agents Of South Africa (IEASA)
4. Mosa Mofokeng	Member	Organised Labour	International Festivals & Events Association Africa (IFEA)
5. Duduzile M Letseli	Member	Organised Business	Federation of African Professional Staffing Organisation (APSO)
6. Nolwandle Mantashe	Member	Ministerial Appointee	Ministerial Appointee
7. Willem Johannes Pietersen	Member	Organised Business	Employers Organisation for Hairdressing, Cosmetology and Beauty (EOHCB)
8.Wiseman M Dinwa	Member	Organised Labour	Hotel, Liquor, Catering, Commercial and Allied Workers Union (HOTELICCA)
9.Alpheus Phala	Member	Organised Labour	South African Transport and Allied Workers Union (SATAWU)

Frequency of Meetings

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

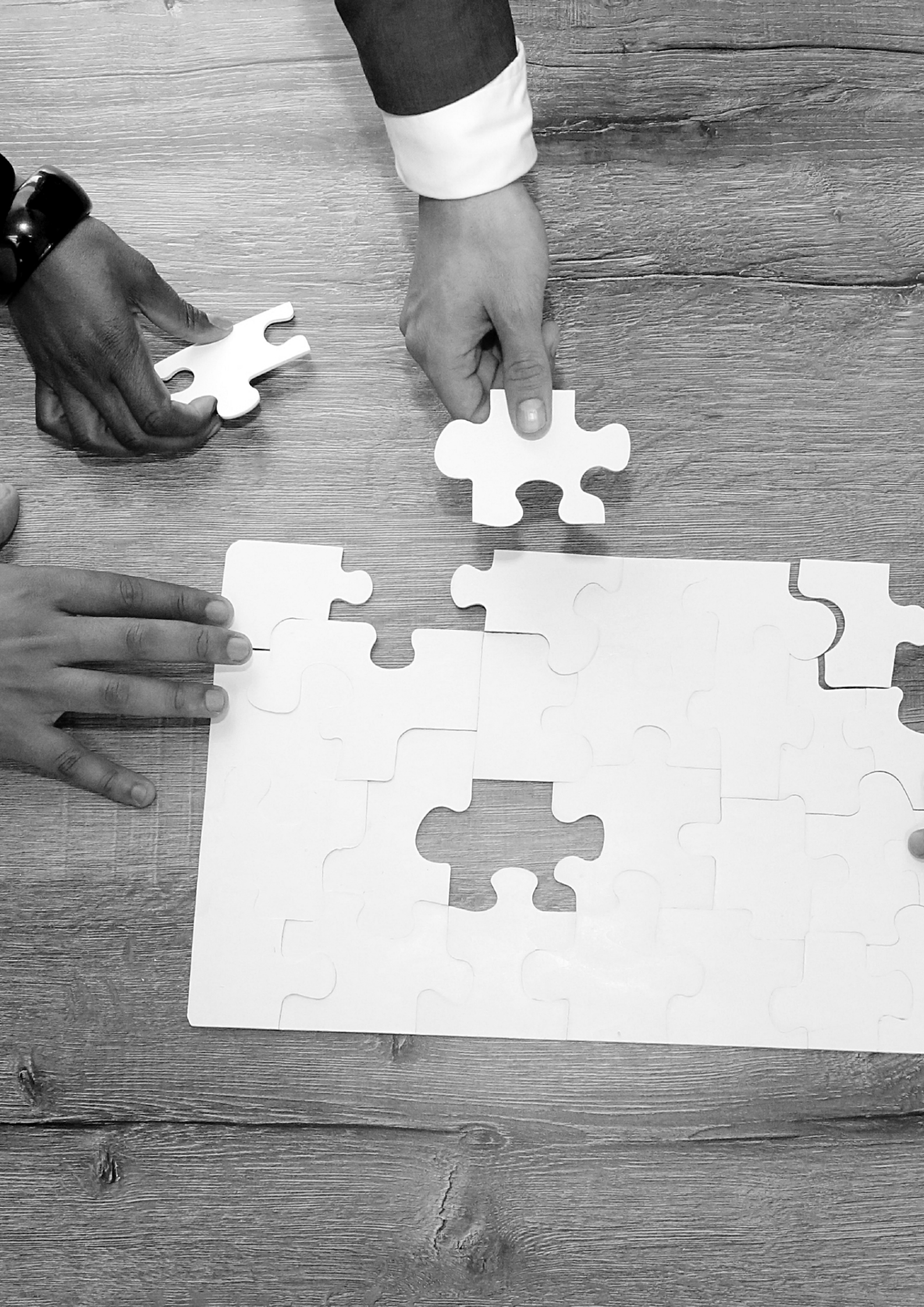
Attendance of Meetings

During the year under review, all meetings of the Accounting Authority and its standing Committees took place as scheduled. The average attendance of all meetings was above 80%.

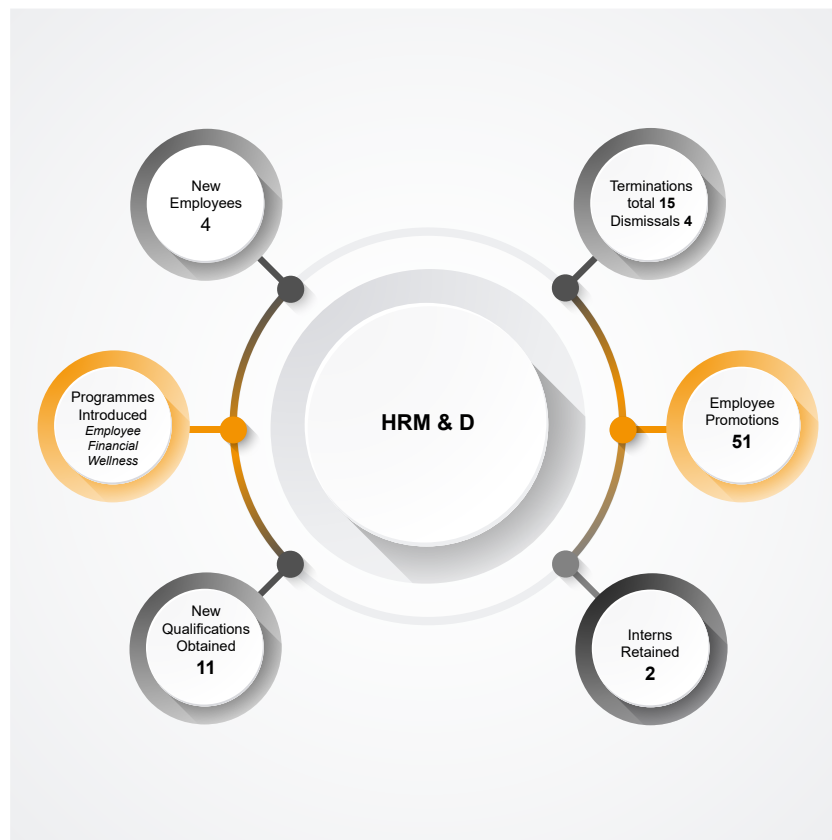


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HRM&D at a glance



The Human Resource Management and Development Department embarked on a standardisation exercise to ensure proper, fair and consistent application to rules and regulations. All HRM&D Policies were reviewed to ensure compliance with amended legislation as well as best practice. We continued to focus on performance management, as well as employee rewards for performing employees.

Occupancy and terminations

The vacancy rate at the end of the financial year was 6.2%, well below the targeted 15%. This is an indication that the organisation has stabilised, the fewer employees are opting to exit the organisation. The Services SETA also lost an employee due to long-term illness, Ms Rabia Cader, in January 2018.

Performance management

The focus on performance management this year was the incorporation of organisational values as part of the performance agreement, in particular, we highlighted responsiveness. At the end of the financial year, employees were rated on their responsiveness with regards to the answering of telephone calls, the number of emails that had been opened and read in their work inbox. Employees that were flagged as unresponsive were reported and this had an impact on their overall performance appraisal score, and therefore their performance bonuses.

Employee wellness

Services SETA introduced financial wellness training for all employees. The objective of the financial wellness programme is to teach employees financial literacy. The following topics are to be covered:

- What is credit?
- Financial planning
- Applying for credit and new tax implications
- Credit bureau information and bonus budgeting
- Retirement planning
- Home ownership and finance
- Vehicle ownership and finance
- Dealing with financial difficulties
- Estate planning
- Debt enforcement and dispute resolution

Employee Rewards

The Services SETA entered into a group scheme agreement with ABSA Bank for preferential rates on mortgage bond as well as vehicle financing. This was augmented by the implementation of a housing subsidy, and mobility assistance. The organisation further implemented a Basic Education subsidy per family, as well as funeral cover for extended families.

The implementation of these rewards, underpinned by the financial wellness service, forms part of the employee value proposition of the Services SETA. Our HRM&D programmes aim to attract, develop and retain the best talent, while extracting maximum value from employees, translated into excellent performance.



Report based on the total number of employees (including employees with disabilities) in each of the following occupational levels: Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals			Total
	Male				Female				Foreign Nationals			
	A	C	I	W	A	C	I	W	Male	Female	Female	
Top management	2	0	0	0	0	0	0	0	0	0	0	2
Senior management	8	0	0	0	8	0	0	2	1	0	0	19
Professionally qualified and experienced specialists and mid-management	15	1	0	2	17	0	2	4	1	0	0	42
Skilled technically and academically qualified workers, junior management, supervisors, foremen, and superintendents	27	5	3	2	69	6	5	3	0	2	2	122
Semi-skilled and discretionary decision making	12	1	1	0	44	2	0	2	0	0	0	62
Unskilled and defined decision making	3	0	0	0	14	1	0	0	0	0	0	18
TOTAL PERMANENT	67	7	4	4	152	9	7	11	2	2	2	265
Temporary employees (Interns)	0	0	0	0	0	0	0	0	0	0	0	0
GRAND TOTAL	67	7	4	4	152	9	7	11	2	2	2	265

Appointments and promotions

The following appointments and promotions were made in the current year under review:

No	Employee	Position	Start Date	Type of
1.	Miss MJ Legote	Manager: Transformation	2017/04/03	External
2.	Mr DW Manzini	Senior Officer: Network and Telecoms	2017/04/03	External
3.	Mrs LS Mashamba	Administrator: Legal Services	2017/04/03	External
4.	Mrs M Lawrence	Administrator: Organisational Compliance	2017/05/02	External
5.	Mr LH Mohlaka	Senior Officer: Server and Security	2017/06/01	External
6.	Mr KI Matlali	Administrator: Grant Allocation and Payments	2017/07/03	External
7.	Mr DT Mathibe	Driver	2017/07/03	External
8.	Miss LF Tebele	Project Assistant	2017/07/03	External
9.	Miss BP Khumalo	Administrator: Payroll	2017/07/03	External
10.	Mr TC Vumazonke	Specialist: Employee Relations	2017/08/01	External
11.	Miss ML Motla	Executive Manager: Office of the CEO	2017/09/01	External
12.	Miss VT Shongwe	Specialist: Board Support	2017/09/04	External
13.	Ms CF Mulaudzi	Manager: Acquisition Management	2017/10/02	External
14.	Ms DP Mwelase	Senior Manager Brand Management	2017/11/06	External
15.	Miss PZ Khanyile	Frontline Services	2018/01/08	External
16.	Mrs JM Phukubje	Manager: Provincial Operations	2018/01/08	External
17.	Mrs DG Lesisa	Senior Officer: Asset Management	2018/01/08	External
18.	Miss M Tlhabetsane	Frontline Services	2018/01/08	External
19.	Miss LC Tshangela	Internal Auditor: Finance	2018/01/08	External
20.	Miss FM Tsimane	Manager: Provincial Operations	2018/01/08	External
21.	Miss TA Mashego	Manager: Risk	2018/01/08	External
22.	Miss S Maluleke	Senior Officer: Organisational Compliance	2018/01/08	External
23.	Mr MM Sebake	Internal Auditor: Performance Information	2018/02/01	External
24.	Miss T Nesamari	Senior Manager: Financial Management	2018/02/01	External
25.	Miss TF Mabuli	Officer: Project Accounting	2018/02/02	External
26.	Miss M Sepuba	Officer: Payments	2018/02/02	External
27.	Mr L Masithi	Internal Auditor: Operations	2018/02/02	External
28.	Miss TL Kabini	Officer Management Accounting	2018/03/01	External
29.	Mr A Sipengane	Executive Manager Core Business	2018/03/01	External
30.	Ms L Köstlich	Executive Manager: Entrepreneurship and Cooperative Development	2018/03/01	Internal
31.	Ms CF Mulaudzi	Senior Manager: Supply Chain Management	2018/03/01	Internal

Terminations

No	Surname	First Name	Position	Type of Termination	Termination Date
1.	Sipula	Dinah	Officer: Training Implementation	Dismissed	April 2017
2.	Mphunga	Andreas	Officer: Provincial Operations (WC)	Resigned	April 2017
3.	Lakey	Sonja	Officer: HR Operations	Resigned	May 2017
4.	Mpitsang	Brenda	Manager: Events	Resigned	July 2017
5.	Petersen	Roberto	Officer: Software Applications	Resigned	July 2017
6.	Setsomi	Teboho	Officer: Provincial Operations (FS)	Resigned	August 2017
7.	Mjoli	Themobile	Officer: Invoice Processing	Dismissed	September 2017
8.	Wouda	Ella	Senior Officer: Quality Assurance	Contract Expiry	September 2017
9.	Lubaxa	Noxolo	Senior Officer: Online Applications	Resigned	October 2017
10.	Mkhize	Thandi	Senior Manager: Quality Management Division	Dismissed	October 2017
11.	Mbongolwane	Walter	Senior Officer: Quality Assurance	Resigned	October 2017
12.	Molomo-Kula	Dineo	Chamber Manager: Real Estate and Related Services	Dismissed	December 2017
13.	Wheeler	Darran	Senior Officer: CAM Registrations	Resigned	December 2017
14.	Cader	Rabia	Administrator: Provincial Operations (WC)	Deceased	January 2018
15.	Khanyile	Lwazi	Senior Officer: Provincial Operations (Limpopo)	Resigned	January 2018



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Services Sector Education and Training Authority

Annual Financial Statements for the year ended March 31, 2018

General Information

Country of incorporation and domicile	South Africa
Registered office	Ristone Office Park 15 Sherborne Road Parktown 2193
Johannesburg	
Business address	Ristone Office Park Sherborne Road Parktown 2193
Johannesburg	
Postal address	PO Box 3322 Houghton Johannesburg 2193
Accounting Authority	Appointed 01 July 2013 The details of the members of the Accounting Authority are disclosed in note 26.
Bankers	Standard Bank, Investec Bank, and First National Bank
Auditors	Auditor-General of South Africa
Board Secretary	Dr Siyabonga Ndabezitha

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The reports and statements set-out below comprise the annual financial statements presented to parliament:

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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 financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the financial statements fairly present the state of affairs of the Services SETA as at the end of the financial year and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives.

The financial statements set-out on page 86 to 130, which have been prepared on the basis of accounting policies applicable to a going concern, were approved by the Accounting Authority on the 25 July 2018.



Dr. Maria Madiope
Chairperson of the Accounting Authority



Andile Nongogo
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 March 31, 2018.

Audit committee members and attendance

The Audit Committee consists of the members listed hereunder and meets at least 4 times per annum as per its approved terms of reference. During the current financial year 5 meetings were held.

Name of member	Number of meetings attended
James Maboja (Chairperson)	5
Patricia Stock (Appointed 24 March 2017)	4
KN Rabothata (Appointed 24 March 2017)	5
Kate Moloto (Accounting Authority member) (Term ended 31 March 2018)	2
Pam Snyman (Accounting Authority Member)	2
Vikesh Roopchand (Accounting Authority Member) (Appointed 23 April 2018)	0

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(1)(a) 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 Services SETA over financial and risk management is effective, efficient and transparent. 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, it was noted that no matters were reported that indicate any material deficiencies in the system of internal controls or any deviations therefrom. Accordingly, we can report that the system of internal controls over financial reporting for the period under review was efficient and effective.

The quality of in-year management and monthly/quarterly reports submitted in terms of the PFMA has been satisfactory.

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports that were prepared and issued to the Accounting Authority of the Services SETA during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements 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's compliance with legal and regulatory provisions and
- significant adjustments resulting from the audit.

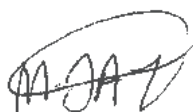
The Audit Committee concurs with and accepts the Auditor-General of South Africa's report on the annual financial statements and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

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.



James Maboa

Chairperson of the Audit Committee

31 July 2018

Date:

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 March 31, 2018.

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 – 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 then extended to 31 March 2018 and has been subsequently extended to 31 March 2020, as per Government Gazette no 40505 issued on 15 December 2016.

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 that 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 endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraint.

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 education and training for the services sector and operates principally in South Africa.

4. Going concern

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 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 – 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 then extended to 31 March 2018 and has been subsequently extended to 31 March 2020, as per Government Gazette no 40505 issued on 15 December 2016.

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 it's Sub-Committees Members

The Executive Management, Accounting Authority and Audit Committee members' remuneration is reflected in note 25 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 2018, set-out on pages 88 to 130, 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 31 May 2018, and are signed on their behalf by:



Dr. Maria Madiope

Chairperson of the Accounting Authority
Services SETA

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE SERVICES SECTOR EDUCATION AND TRAINING AUTHORITY

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Services Sector Education and Training Authority (Services SETA) set out on pages 86 to 130, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Services Sector Education and Training Authority as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act no. 1 of 1999) (PFMA) and the Skills Development Act, 1998 (Act no. 97 of 1998) (SDA).

Basis for opinion

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

Emphasis of matters

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

Early application of new accounting standard

7. As disclosed in note 2 to the financial statements, the public entity elected the early application of GRAP 20: Related party disclosures, as a result, related party transactions are disclosed in terms of this Standard.

Restatement of corresponding figures:

8. As disclosed in note 30 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2018.

Material over-commitment

9. As disclosed in note 22 to the financial statements, the public entity has a commitment balance of R3 590 358 000 for the year ended 31 March 2018. This amount, in turn, exceeded the amount of R877 728 000 for discretionary grant reserve as per statement of financial position.

Responsibilities of accounting authority for the financial statements

10. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with 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.
11. In preparing the financial statements, the accounting authority is responsible for assessing the Services SETA's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

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

12. 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.
13. 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

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 2: Skills Planning	42 – 44
Programme 3: Learning Intervention	45 – 56
Programme 4: Quality Management	56 – 57

17. 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.
18. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:
- Programme 2: Skills Planning
 - Programme 3: Learning Intervention
 - Programme 4: Quality Management

Other matters

19. I draw attention to the matters below.

Achievement of planned targets

20. Refer to the annual performance report on pages 42 to 57 for information on the achievement of planned targets for the year and explanations provided for the under/over achievement of a significant number of targets.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Learning Programmes. As management subsequently corrected the misstatements, I did not raise any material findings on the and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

Other information

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report, Chairperson of the accounting authority's report and Chief Executive Officer's report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.

25. 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.
26. 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. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.
27. I have nothing to report in this regard.

Internal control deficiencies

28. 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 findings on the annual performance report.

Regular, accurate and complete financial and performance reports

29. Management did not ensure that there was sufficient review of the Annual Performance Report to ensure that the achievements reported agreed to the supporting schedules. Material misstatements were identified and corrected between the achievement reported on the annual performance report and the supporting schedules.

Auditor - General



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Pretoria

31 July 2018

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

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

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2018

Statement of Financial Position as at March 31, 2018

	Note(s)	2018 R '000	2017 Restated* R '000
Assets			
Current Assets			
Inventories	3	406	181
Receivables from exchange transactions	4	7,914	10,155
Receivables from non-exchange transactions	5	15,117	9,411
Deposits	9	160	571
Cash and cash equivalents	6	1,424,032	2,256,019
		1,447,629	2,276,337
Non-Current Assets			
Property, plant and equipment	7	128,694	89,212
Intangible assets	8	41,919	37,247
		170,613	126,459
Total Assets		1,618,242	2,402,796
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	101,540	34,195
Payables from non-exchange transactions	11	259,735	258,175
Provisions	12	270,236	304,506
		631,511	596,876
Total Liabilities		631,511	596,876
Net Assets		986,731	1,805,920
Reserves			
Revaluation reserve	13	1,000	1,000
Employer grant reserve	14	10,914	5,314
Administration grant reserve	14	97,090	65,667
Discretionary grant reserve	14	877,727	1,733,939
Total Net Assets		986,731	1,805,920

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2018

Statement of Financial Performance for the year ended 31 March 2018

	Note(s)	2018 R '000	2017 Restated* R '000
Revenue			
Revenue from exchange transactions			
Other Income		90	-
Investment Revenue	15	131,361	165,088
Total revenue from exchange transactions		131,451	165,088
Revenue from non-exchange transactions			
Skills Development Levy: Income	16	1,504,855	1,438,528
Skills Development Levy: Interest and Penalties	16	56,140	48,419
Other Income	16	5,913	124,208
Total revenue from non-exchange transactions		1,566,908	1,611,155
Total revenue		1,698,359	1,776,243
Expenditure			
Employer grants and project expenses	19	(2,239,956)	(1,688,311)
Administration expenses	17	(277,591)	(249,774)
Total expenditure		(2,517,547)	(1,938,085)
Loss on disposal of assets		-	(110)
Net surplus/(deficit) for the year		(819,188)	(161,952)

Statement of Changes in Net Assets

	Revaluation reserve R '000	Employer grant Administration reserve R '000	Administration reserve R '000	Discretionary reserve R '000	Total reserves R '000	Unappropriated reserve R '000	Total net assets R '000
Balance at 01 April 2016	1,450	3,809	65,667	1,897,398	1,968,324	-	1,968,324
Changes in net assets							
(Devaluation) of Buildings	(1,450)	-	-	-	(1,450)	-	(1,450)
Revaluation of Land	1,000	-	-	-	1,000	-	1,000
Net income (losses) recognised directly in net assets	(450)	-	-	-	(450)	-	(450)
Surplus for the year	-	-	-	-	-	(161,952)	(161,952)
Net losses recognised directly in net assets	(450)	-	-	-	(450)	(161,952)	(162,402)
Issue of shares	-	297,570	(61,161)	(398,361)	(161,952)	161,952	-
Reallocation of unappropriated surplus/(deficit)	-	(296,065)	61,161	234,904	-	-	-
Total changes	(450)	1,505	-	(163,457)	(162,402)	-	(162,402)
Restated* Balance at April 1, 2017	1,000	5,314	65,667	1,733,939	1,805,920	-	1,805,920
Changes in net assets							
Surplus for the year	-	-	-	-	-	(819,188)	(819,188)
Total recognised income and expenses for the year	-	-	-	-	-	(819,188)	(819,188)
Application of unappropriated surplus/(deficit)	-	217,855	(80,227)	(956,816)	(819,188)	819,188	-
Reallocation of unappropriated surplus/(deficit)	-	(212,255)	111,650	100,605	-	-	-
Total changes	-	5,600	31,423	(856,211)	(819,188)	-	(819,188)
Balance at March 31, 2018	1,000	10,914	97,090	877,727	986,731	-	986,731
Note(s)	13	14	14	14			

* See Note

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2018

Cash Flow Statement for the year ended 31 March 2018

	Note(s)	2018 R '000	2017 Restated* R '000
Cash flows from operating activities			
Cash receipts from stakeholders			
Levies, interest and penalties received		1,560,995	1,486,947
Interest income		135,214	160,584
Other cash receipts from Stakeholders		90	-
		<u>1,696,299</u>	<u>1,647,531</u>
Cash payments to stakeholders, suppliers and employees			
Employee costs		(176,709)	(133,411)
Grants and project payments		(2,130,556)	(1,340,191)
Payments made to Suppliers and others		(109,336)	(184,685)
		<u>(2,416,601)</u>	<u>(1,658,287)</u>
Cash generated from operations	21	(720,302)	(10,756)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(101,949)	(22,625)
Purchase of intangible assets	8	(9,826)	(16,443)
Proceeds from sale of property, equipment and plant		90	-
Net cash flows from investing activities		(111,685)	(39,068)
Net increase in cash and cash equivalents		(831,987)	(49,824)
Cash and cash equivalents at the beginning of the year		2,256,019	2,305,843
Cash and cash equivalents at the end of the year	6	1,424,032	2,256,019

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2018

Statement of Comparison of Budget and Actual Amounts

	Approved budget R '000	Adjustments R '000	Final Budget R '000	Actual amounts on comparable basis R '000	Difference between final budget and actual R '000	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	-	-	-	90	90	29
Interest received - investment	124,192	41,152	165,344	131,361	(33,983)	29
Total revenue from exchange transactions	124,192	41,152	165,344	131,451	(33,893)	29
Revenue from non-exchange transactions						
Skills Development Levy Income	1,560,899	(7,210)	1,553,689	1,504,855	(48,834)	29
Skills Development Interest and Penalties	-	-	-	56,140	56,140	
Other Revenue - Rollover	-	-	-	5,913	5,913	
Total revenue from non- exchange transactions	1,560,899	(7,210)	1,553,689	1,566,908	13,219	
Total revenue	1,685,091	33,942	1,719,033	1,698,359	(20,674)	
Expenditure						
Personnel	(43,801)	(14,334)	(58,135)	(67,764)	(9,629)	29
Employer grants and project expenses	(1,445,867)	(1,123,608)	(2,569,475)	(2,239,956)	329,519	29
Administrative Expenses	(195,423)	25,614	(169,809)	(209,827)	(40,018)	29
Total expenditure	(1,685,091)	(1,112,328)	(2,797,419)	(2,517,547)	279,872	
Operating surplus/ (Deficit)	-	(1,078,386)	(1,078,386)	(819,188)	259,198	

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget R '000	Adjustments R '000	Final Budget R '000	Actual amounts on comparable basis R '000	Difference between final budget and actual R '000	Reference
Capital Budget						
Non-Current Assets						
Building and other fixed structures	86,078	(56,078)	30,000	37,580	7,580	
Machinery and equipment	10,950	3,350	14,300	3,013	(11,287)	
Motor vehicle	13,300	(13,300)	-	5,153	5,153	
Computer Equipment	9,958	10,250	20,208	4,613	(15,595)	
Computer Software and other intangibles	9,958	10,250	20,208	9,826	(10,382)	
Work in progress	-	-	-	9,902	9,902	
	130,244	(45,528)	84,716	70,087	(14,629)	

Services Sector Education And Training Authority Annual Financial Statements for the year ended 31 March 2018

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), including any interpretations, guidelines and directives, 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 Rands.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 read with Directive 5.

Assets, liabilities, revenues and expenses were not off-set, except where off-setting 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 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.

Property, plant and equipment which have a cost price less than R 5000 are capitalised and fully depreciated in the financial year of acquisition. 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.

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.

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

Subsequent Measurement

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

Revaluations

Land and buildings are revalued every three years or when there is a material difference between the fair values of the land and buildings and their carrying amounts. (The last revaluation was done on 31 March 2018).

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.

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 are 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 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.

Intangible assets which have a cost price less than R5000 are capitalised and then fully amortised in the financial year of acquisition.

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

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.

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 pay-out of any surplus monies determine and allocate discretionary grants to employers, education and training providers and workers of the employers who have submitted an application for a discretionary grant in the prescribed form within the agreed upon cut-off period.

Project expenditure comprises:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and 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
- Launches
- Legal costs
- Travel and accommodation
- Consulting to support Services SETA strategic goals

Non-standard projects

These are projects that include, inter alia, SMMEs, Cooperatives etc. which are treated as direct project costs.

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 Skills Fund (NSF) with an allowance of 5% of the uncommitted funds that will be carried over to the next financial year, except where a request to carry forward the uncommitted funds has been lodged as per the Grant Regulations requirements. The unspent funds are determined by taking the discretionary reserves as per the Statement of Financial Position at the end of the financial period under review less the commitments for training of learners in programmes funded from discretionary funds.

1.4 Administration, grants and project expenditure (continued) 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 substance costs, amongst others.

1.5 Budget information

The approved budget covers the fiscal period from 01-Apr-17 to 31-Mar-18.

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.

1.6 Related parties

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 (DHET), payments to members of the Accounting Authority and key management. Disclosure is made of any transactions with close family members of related parties as well as any transactions not at arm's length and not in the ordinary course of business.

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

1.7 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, an 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. There is a presumption that 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.

A financial asset is cash, residual interest of another entity, a contractual right to receive cash or another financial asset from another entity exchange financial assets or financial liabilities with another entity under conditions that are potentially 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.

1.7 Financial instruments (continued) 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:

Class	Category
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 measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.
Cash and cash equivalents	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.

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

Class	Category
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	Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost.

1.8 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.

1.9 Inventories

Inventory 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 replacement costs. The same cost formula is used for all inventories having a similar nature and usage by the Services SETA.

1.10 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.

Surplus funds are moved to the discretionary fund reserve from the administration reserve based on unspent funds at year-end and from the mandatory grant based on unclaimed grants after the prescribed time-frames have elapsed.

	2018	2017
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 %
	100.00 %	100.00 %

1.11 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.

1.12 Provisions, accruals and contingencies

Provisions are recognised when the Services SETA has a present legal or constructive obligation as a result of past events, and it is probable that this will result in an outflow of economic benefits that can be estimated reliably.

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

A provision is recognised for mandatory grant payments due once the specific criteria set out in the regulations to the Skills Development Act, 97 of 1998 has been complied with by member companies and it is probable that the Services SETA will approve the payment. The measurement of the obligation involves an estimate, based on the established pattern of past practice of approval for each type of grant.

1.12 Provisions, accruals and contingencies (continued)

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

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 disclosed in note 23.

1.13 Revenue recognition

Revenue comprises gross inflows 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.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity 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.

1.13 Revenue recognition (continued)

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.

Inter-SETA 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 inter-seta transfers. The amount of the inter-seta transfers is calculated according to the most recent Standard Operating Procedure as issued by the Department of Higher Education and Training (DHET).

Skills development levy

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 1.2 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.

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 has adopted that these funds should be used solely for the

benefit of service industries in the form of discretionary projects.

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 and wasteful 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 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 Subsequent events

Subsequent events are all events that occur after year-end but before the date on which the financial statements are authorised for tabling in parliament.

Adjusting events are all the events that confirm the financial performance and position of the SETA at year-end and if material the financial statements are adjusted accordingly.

Non-adjusting events which take place after the reporting date are not recognised in the financial statements.

2. New standards and interpretations

2.1 New accounting Pronouncements:

The Services SETA has not applied the following standards and interpretations, as are not applicable to it and or the effective dates are not yet effective and or the effective dates have not been Gazetted by the Minister of Finance, except for GRAP 20 which was adopted earlier.

Standard/ Interpretation, Effective Date and Expected Impact

GRAP 20: Related party disclosure(Early adopted)

The standard provides guidance on related party disclosures to ensure that an entity's financial statements contain the disclosure necessary to draw attention to the possibility that its financial position and surplus or deficit may have been impacted by the existence of connected parties and by transactions and outstanding balances with such parties. The standard will not have an impact on Services SETA as the standard was early adopted.

GRAP 32: Service concession arrangements: Grantor(Not yet effective)

The purpose is to prescribe the accounting for service concession arrangements by the Grantor.

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NOTES ON ANNUAL FINANCIAL STATEMENTS

2018
R '000

2017
R '000

3. Inventories

Inventory consists mainly of consumable stores and is valued at the lower of cost and net replacement value.

Consumable stores	406	181
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4. Receivables from exchange transactions

Trade debtors	2,863	829
Employee costs receivables	138	31
Prepayments	3,157	3,680
Accrued investment income	1,756	5,609
Other receivables	-	6
	7,914	10,155

Reconciliation of employee costs receivables

Opening balance	31	35
Staff costs receivables	111	25
Recovery	(4)	(29)
	138	31

5. Receivables from non-exchange transactions

Inter-Seta Receivable	-	107
Mandatory Grants receivable: SARS Adjustments	15,117	6,898
Discretionary Grants receivable	-	2,021
Mandatory Grants receivable: Legal process	-	385
	15,117	9,411

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.

MG Receivable	17,301	7,130
Provision for Bad Debt - MG	(2,184)	(232)
	15,117	6,898

Mandatory grants receivable: Legal process

During the 2013/14 financial year there was a fraudulent submission of banking details which resulted in a pay-out of R385 thousand of mandatory grants. Legal proceedings are on-going. A provision has been raised.

MG Receivable: Legal	385	385
Provision for bad debts - Legal process	(385)	-
	-	385

5. Receivables from non-exchange transactions (continued)

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 is regularly engaging with the National Skills Fund for the settlement of the overpayment. Due to the uncertainty pertaining to the recoverability of the receivable based on prior years' experience, a provision has therefore been raised.

During the current 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.

Uncommitted funds receivable

Uncommitted funds receivable

Provision for bad debt

9,269	9,269
(9,269)	(9,269)
-	-

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand

Bank balances

Short-term investments

Restricted cash

17	23
122,070	199,324
1,242,992	2,056,672
58,953	-
1,424,032	2,256,019

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

As required in Treasury Regulation 31.2, the Services SETA holds bank accounts with financial institutions approved by National Treasury. The Skills Development Act Regulations states that the Services SETA may, if not otherwise specified by the Public Finance Management Act, invest the moneys in accordance with the investment policy approved by the Accounting Authority, the short term deposits are invested in line with the Investment Policy.

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

7. Property, plant and equipment

	2018 (R'000)			2017 (R'000)		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	23,418	-	23,418	15,950	-	15,950
Buildings	68,877	(187)	68,690	51,000	-	51,000
Building machinery	2,342	(2,174)	168	2,342	(1,966)	376
Furniture and fixtures	8,021	(3,190)	4,831	10,574	(5,112)	5,462
Motor vehicles	10,289	(3,068)	7,221	5,136	(1,647)	3,489
Office equipment	4,767	(1,966)	2,801	2,928	(1,400)	1,528
Computer equipment	15,409	(6,878)	8,531	12,066	(5,565)	6,501
Computer network	8,213	(5,081)	3,132	8,616	(4,175)	4,441
Work-in-progress	9,902	-	9,902	468	-	468
Total	151,238	(22,544)	128,694	109,080	(19,865)	89,215

	2018 Opening balance	Additions	Refurbishments	Disposals	Transfers	Revaluation surplus/ (deficit)	Depreciation	Total
7. Property, plant and equipment (continued)								
<i>Reconciliation of property, plant and equipment - 2018 (R'000)</i>								
Land	15,950	7,468	-	-	-	-	-	23,418
Buildings	51,000	30,112	41,687	-	-	(53,922)	(187)	68,690
Building machinery	376	-	-	-	-	-	(208)	168
Furniture and fixtures	5,462	973	-	(8)	-	-	(1,596)	4,831
Motor vehicles	3,489	5,153	-	-	-	-	(1,421)	7,221
Office equipment	1,528	2,050	-	(2)	-	-	(775)	2,801
Computer equipment	6,501	4,549	-	(79)	-	-	(2,440)	8,531
Computer network	4,441	50	-	-	-	-	(1,359)	3,132
Work-in-progress	468	9,902	-	-	(468)	-	-	9,902
	89,215	60,257	41,687	(89)	(468)	(53,922)	(7,986)	128,694

Reconciliation of property, plant and equipment - 2017 (R'000)

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Revaluations	Depreciation	Impairment reversal	Total
Land	14,950	-	-	-	-	100	-	900	15,950
Buildings	34,050	-	21,673	-	-	(4,723)	-	-	51,000
Building machinery	638	-	-	-	-	-	(262)	-	376
Furniture and fixtures	3,521	4,402	-	-	-	-	(2,461)	-	5,462
Motor vehicles	4,517	-	-	-	-	-	(1,028)	-	3,489
Office equipment	965	812	-	-	-	-	(249)	-	1,528
Computer equipment	3,696	4,443	-	(110)	-	-	(1,528)	-	6,501
Computer network	5,980	-	-	-	-	-	(1,539)	-	4,441
Work in progress	9,443	468	-	-	(9,443)	-	-	-	468
	77,760	10,125	21,673	(110)	(9,443)	(4,623)	(7,067)	900	89,215

2018	2017
R '000	R '000

7. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluations was Saturday, March 31, 2018. Revaluations were performed by independent valuer, D. R. Riley (B. Com., DipSurv., N.Dip. (Real Estate), MIV (SA), MRICS of The Property Partnership CC

Land and buildings are re-valued independently every 3 years. During the current financial year, the following recently acquired buildings were revalued due to refurbishment done:

- 1) Western Cape Provincial Office(Cape Town)
- 2) Free State Provincial Office(Mangaung)
- 3) Eastern Cape Provincial Office(East London)
- 4) Eastern Cape Provincial Office(Port Elizabeth)
- 5) Northern Cape Provincial Office (Kimberly)

The Head Office and KwaZulu Natal Provincial Office were not revalued.

The valuations were performed using the income capitalisation method. The assumptions used were based on current market conditions. The Services SETA is concerned about market fluctuations as the properties are owner-occupied and the focus is on delivery of the mandate of the SETA.

The carrying value of the revalued assets under the cost model would have been:

Useful lives

The average estimated useful lives of items of property, plant and equipment have been assessed as follows:

Item

Buildings	20	20
Land	-	-
Furniture and Fittings	5	5
Motor vehicles	5	5
Office equipment	5	5
Computer equipment	5	5
Computer network	5	5

Repairs and Maintenance

During the current financial year, R6.5 million of repairs and maintenance was incurred in order to maintain the condition of the property and machinery of the SETA

The carrying values of the land and buildings under the historical cost model would have been as follows, had the Services SETA not performed the revaluation:

Historical cost model

Land	22,877	18,997
Building	142,740	63,501
	165,617	82,498

2018 2017
R '000 R '000

7. Property, plant and equipment (continued)

Fully depreciated assets with R1 carrying value still in use.

The following assets, including some to be disposed of during the 2018/19 financial year, have been fully depreciated and have been assigned R1 carrying values and are still use. Their original costs are as follows

Property Plant and Equipment

Computer equipment	2,929	2,254
Building machinery	1,522	-
Computer networks	1,528	2,322
Office furniture	3,688	1,816
Office Equipment	1,047	1,463
Motor vehicles	199	-
	10,913	7,855

8. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	37,937	(9,105)	28,832	19,275	(3,951)	15,324
Intangible assets under development	13,087	-	13,087	21,923	-	21,923
Total	51,024	(9,105)	41,919	41,198	(3,951)	37,247

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	15,324	3,794	14,868	(5,154)	28,832
Intangible assets under development	21,923	6,032	(14,868)	-	13,087
	37,247	9,826	-	(5,154)	41,919

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	9,959	8,015	-	(2,650)	15,324
Intangible assets under development	13,495	14,869	(6,441)	-	21,923
	23,454	22,884	(6,441)	(2,650)	37,247

Useful life

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values. The useful life of computer software is an average of 5 years.

Computer software	5	5
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2018	2017
R '000	R '000

8. Intangible assets (continued)

Fully depreciated assets with R1 carrying value still in use

The following intangible assets have been fully amortised and have been assigned R1 carrying values and are still in use. Their original costs are as follows:

Intangible Assets

Computer Software	613	453
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9. Deposits

Short term deposits for lease and Municipal deposits

Bloemfontein	-	58
Cape Town	-	201
Durban	2	2
East London	-	30
Kimberley	-	45
Johannesburg	136	136
Nelspruit	22	22
Port Elizabeth	-	37
Polokwane	-	40
	160	571

10. Payables from exchange transactions

Trade payables	57,338	19,646
Accrued employee costs	36,825	6,337
Accrued leave pay	6,152	6,255
Accrued expenses - Administration expense	1,225	1,954
Operating lease payables	-	3
	101,540	34,195

Previously stated figure for FY2017: R32.154 million

Refer to note 30 for prior year adjustment.

11. Payables from non-exchange transactions

Accrued Expenses :Discretionary Grants	52,544	21,154
Trade Payables: Discretionary grants	78,895	57,189
Mandatory grants payables	128,221	179,667
Inter-SETA payable	75	165
	259,735	258,175

Previously stated figure for FY2017: R257.886 million

Refer to note 30

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 transferrable to the National Skills Fund. Please refer to note 5.

12. Provisions

Reconciliation of provisions - 2018

R'000

	Opening Balance	Additions	Utilised during the year/Change in estimate	Total
Exempt employers	53,034	8,541	(10,822)	50,753
Discretionary grant	221,472	192,010	(197,775)	215,707
Provision for administration expenses	30,000	3,771	(29,995)	3,776
	304,506	204,322	(238,592)	270,236

Reconciliation of provisions - 2017

R'000

	Opening Balance	Additions	Utilised during the year/Change in estimate	Total
Exempt employers	46,129	11,747	(4,842)	53,034
Discretionary Grants	12,241	209,390	(159)	221,472
Provision for administration expenses	25,618	26,605	(22,223)	30,000
	83,988	247,742	(27,224)	304,506

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. 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 mainly includes bursaries awarded in the last quarter of the financial year. In addition, the provision is as a result of the submission of close-out reports in relation to discretionary projects. The Services SETA is still awaiting additional supporting documentation for the submitted close-out reports, finalisation of external moderation and related invoices.

Provision for administration

The Services SETA has a performance management system and this provision for payroll has been set-aside for performance assessment appeals by employees.

13. Revaluation reserve

2018
R '000

2017
R '000

Reserve on revaluation of property, plant and equipment.

Opening balance	1,000	1,450
Revaluation/(Devaluation) during the year - Building	-	(1,450)
(Devaluation)/Revaluation during the year - Land	-	1,000
Closing balance	1,000	1,000

Refer to additional information on the revaluation of land and buildings per note 7

14. Accumulated surplus

Allocation of the surplus for the year to reserves - 2018 (R '000)

	Administration reserve	Employer grants reserve	Discretionary reserve	Total
Skills development levy income	-	-	-	-
-Administration levy income	197,363	-	-	197,363
-Mandatory grant levy income	-	378,594	-	378,594
-Discretionary grant levy income	-	-	928,897	928,897
Penalties and interest	-	-	56,140	56,140
Investment income	-	-	131,361	131,361
Other Income	-	5,913	90	6,003
Total Income	197,363	384,508	1,116,488	1,698,359
Administration expenses	(277,591)	-	-	(277,591)
Employer grants expenses	-	(166,652)	-	(166,652)
Project expenses	-	-	(2,073,303)	(2,073,303)
Total expenses	(277,591)	(166,652)	(2,073,302)	(2,517,547)
Net surplus/(Deficit)allocated	(80,227)	217,855	(956,813)	(819,188)

Reserves movement	Administration reserve	Employer reserve	Discretionary grant reserve	Revaluation reserve	Total
Opening balance	65,667	5,314	1,733,939	1,000	1,805,920
Surplus/(Deficit) for the year	(80,227)	217,855	(956,816)	-	(819,188)
Re-allocation of funds to reserves	111,650	(212,255)	100,605	-	-
	97,090	10,914	877,728	1,000	986,732

14. Accumulated surplus (continued)

Allocation of the surplus for the year to reserves - 2017 (R '000)

Reserves movement	Administration reserve	Employer grant reserve	Discretionary grant reserve	Revaluation reserve	Total
Skills development levy income	-	-	-	-	-
- Administration levy income	188,724	-	-	-	188,724
- Grant levy income	-	359,047	-	-	359,047
- Discretionary levy	-	-	890,757	-	890,757
Penalties and interest	-	-	48,419	-	48,419
Investment income	-	-	165,088	-	165,088
Other income	-	124,208	-	-	124,208
Total income	188,724	483,255	1,104,264	-	1,776,243
Administration expenses	(249,885)	-	-	-	(249,885)
Employer grant	-	(185,685)	-	-	(185,685)
Project expenses	-	-	(1,502,625)	-	(1,502,625)
Total expenses	(249,885)	(185,685)	(1,502,625)	-	(1,938,195)
Net surplus/(deficit) allocated	(61,161)	297,570	(398,361)	-	(161,952)

Reserves movement	Administration reserve	Employer reserve	Discretionary grant reserve	Revaluation reserve	Total
Opening balance	65,667	3,809	1,897,405	1,450	1,968,324
Net devaluation for the year	-	-	-	(450)	(450)
Surplus/(Deficit) for the year	(61,161)	297,570	(398,361)	-	(161,961)
Reallocation of funds to reserves	61,161	(296,064)	234,895	-	-
	65,667	5,315	1,733,939	1,000	1,805,921

Previously stated figure for FY2017: R1,808 billion

Refer to note 30 for prior year adjustment.

15. Investment revenue

	2018	2017
Interest	131,361	165,088

16. Revenue

	2018	2017
Skills Development Levy: Income	1,504,855	1,438,528
Skills Development Levy: Interest and Penalties	56,140	48,419
Other Income	5,913	124,208
	1,566,908	1,611,155

The Other Income relates to the write-off of long outstanding mandatory grant payable in line with the Prescription Act and SARS practice.

The amount included in revenue arising from exchange transactions are as follows:

Recoveries	90	-
Interest received - investment	131,361	165,088
	131,451	165,088

Recoveries include pay-outs received from insurance company for assets that were damaged and or lost during the current year.

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

Revenue from non-exchange

Levies	1,504,855	1,438,528
Skills Development Levy: Interest and Penalties	56,140	48,419
	1,560,995	1,486,947

Skills Development Levy: Penalties and Interest

Levy Penalties received	30,659	26,979
Levy Interest received	25,481	21,440
	56,140	48,419
Levy income: Administration	197,008	189,503
Inter-seta transfers-in	8	14
Inter-seta transfers-out	(10)	-
Voluntary Contribution Admin	125	113
Levies contributed by exempt employers	232	(906)
	197,363	188,724
Levy income: Employer Grants	373,599	360,746
Inter-seta transfers-in	386	27
Inter-seta transfers-out	(19)	-
Levies contributed by exempt employers	4,629	(1,726)
	378,595	359,047

	2018	2017
		Restated*
	R '000	R '000
16. Revenue (continued)		
Levy income: Discretionary Grants	930,324	893,641
Inter-seta transfers-in	40	66
Inter-seta transfers-out	(46)	-
Levies contributed by exempt employers	(2,580)	(3,906)
Voluntary Contributions	1,159	956
	928,897	890,757
	1,504,855	1,438,528

17. Administration expenses

Advertising	30,168	45,482
Auditors remuneration(Refer to note 20)	6,748	4,247
Bank charges	592	344
Consulting and professional fees	45,851	85,385
Rentals	1,746	3,651
Insurance	2,836	2,380
Stakeholders participation	2,073	1,640
IT expenses	7,953	8,773
Printing and stationery	2,100	1,632
Security	4,822	3,874
Staff welfare	2,938	4,889
Subscription and membership fees	325	130
Communication costs	3,070	2,614
Training and recruitment	3,040	5,045
Subsistence and Travel - Local	4,769	4,092
Small Tools	151	79
Electricity and water	2,094	2,323
Repairs and maintenance	6,548	2,277
Quality Council for Trades and Occupations fee 0.5%	8,149	7,890
Accounting Authority and Audit Committee costs	10,094	6,370
Depreciation, amortisation and impairment	63,760	12,554
Employee Costs (Refer to Note 18)	67,764	44,103
	277,591	249,774

Previously stated figure for FY2017: R247,727 million

Refer to note 30 for prior year adjustment.

2018	2017
R '000	R '000

18. Employee related costs

Salaries and wages	105,969	94,260
Bonus	34,690	26,605
Medical aid contributions	16,880	6,085
Compensation for Occupational Injuries and Diseases	444	189
Leave pay provision charge	370	1,423
Housing allowance	-	-
Basic education allowance	2,561	-
Pension contributions - Defined contribution plan	12,180	9,579
Housing benefits and allowances	5,075	-
Transfer to Discretionary grants	(113,106)	(96,297)
Other Fringe benefits	2,700	2,772
	67,764	44,616

Previously stated figure for FY2017: R43.5 million

Refer to note 30 for prior year adjustment

Number of employees	263	246
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19. Employer grants and project expenses

Mandatory grant	166,653	185,685
Discretionary grant	2,073,303	1,502,626
Total Grants	2,239,956	1,688,311

Previously stated figure for FY2017: R1,688,027

Refer to note 30 for prior year adjustment

Discretionary grant expenditure consist of:		
Direct grants and project costs	1,423,921	1,186,046
Discretionary grants support costs	649,382	316,580
Total Grants	2,073,303	1,502,626

20. Auditors' remuneration

Internal Audit Fees	4,440	1,178
External Audit Fees	2,308	3,069
	6,748	4,247

2018
R '000

2017
R '000

21. Cash used in operations

Deficit	(819,188)	(161,952)
Adjustments for:		
Depreciation and amortisation	13,141	9,743
Loss/Profit on disposal of property, plant and equipment	(90)	110
Impairment deficit	53,922	3,558
(Decrease)/Increase in provisions	(34,270)	220,518
Changes in working capital:		
(Increase)/Decrease in inventory	(225)	18
(Increase)/Decrease in receivables from exchange transactions	2,237	(6,869)
(Increase)/Decrease in receivables from non-exchange transactions	-	-
(Increase)/Decrease in receivables from non-exchange transactions	(5,706)	(871)
(Decrease)/Increase in payables from exchange transactions	67,345	11,148
Increase/(Decrease) in payable from non-exchange transaction	2,532	(86,159)
	(720,302)	(10,756)

22. Commitments

22.1 Discretionary reserves

Already contracted for but not provided for

Commitments				3,590,358	2,920,700
2018 - R'000	Opening balance	Approved by Accounting Authority	Amendments	Utilised	Total Commitments
Partnership & Skills Promotion	3,058	390,170	-	(2,234)	390,994
Bursary Support	99,576	93,564	(16,007)	(10,339)	166,794
Small, Medium, Micro Enterprises Co- ordination	1,359	105,595	-	-	106,954
Skills Development Centres	153,427	2,161	80,100	(211,672)	24,016
Artisan	-	211,327	(3,774)	(9,408)	198,145
Experiential and Internship Grant	2,521,191	1,310,062	(130,011)	(1,223,987)	2,477,255
Sector Specialist Capacity Building	118,106	71,700	36,780	(101,423)	125,163
HET Sector Agreement	20,928	-	2,019	(210)	22,737
Rural development	2,644	-	-	-	2,644
Learning programmes	411	-	-	-	411
Candidacy	-	14,100	-	-	14,100
Bursary Support: Universities	-	61,145	-	-	61,145
	2,920,700	2,259,824	(30,893)	(1,559,273)	3,590,358

2017 - R'000	Opening balance	Approved by Accounting Authority	Amendment	Utilised	Total Commitments
Donor :Special project	-	-	333	(333)	-
FET sector agreement	-	-	-	-	-
Partnership & skills promotion	15,296	-	(1,282)	(10,956)	3,058
Bursary support	87,237	110,625	(15,405)	(82,881)	99,576
ETQA Support Grant	11	-	(11)	-	-
Small, medium, micro enterprises co-ordination	34,536	-	(8,014)	(25,163)	1,359
Skills Development Centres	298,122	68,088	(27,951)	(184,832)	153,427
Learning Programmes	411	-	1,585	(1,585)	411
Discretionary Grants: Operational Projects	-	125,353	(125,353)	-	-
Experiential and Internship Grant	1,396,196	2,163,479	(498,671)	(539,813)	2,521,191
Sector Specialist Capacity Building	1,079	205,731	(1,079)	(87,625)	118,106
Rural Development	5,395	-	18,839	(21,591)	2,643
HET Sector Agreement	30,000	-	(3,556)	(5,515)	20,929
Disability Project	-	-	387	(387)	-
QCTO Support	-	-	230	(230)	-
	1,868,283	2,673,276	(659,948)	(960,911)	2,920,700

22. Commitments (continued)

Commitments is a contingent liability and refers to an obligation that exist at the end of the financial year that will obligate the SETA to make a payment or payments in the ensuing years, contingent upon services being rendered.

Offers for appointment to the value of R698.5 million were issued to prospective bidders and the related contracting process has not been finalised as at 31 March 2018.

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

Previously stated figure for FY2017: R2.811 billion.

Refer to Note 30

Contracted Operational Expenditure

	2018 R '000	2017 R '000
Operational Commitments		
*Operational commitments	23,537	-
Capital Commitments		
* Motor vehicles	16,337	-
Total operational commitments		
Operational commitments	23,537	-
Capital commitments	16,337	-
	39,874	-

Comparatives are not provided since prior year's operational commitments were rate based.

22.2 Operating leases

Minimum lease payments due
- within one year

- 4

Operating lease payments represent rentals payable by the Services SETA for the rental of provincial office properties and rental of photocopying machines. The SETA's remaining rental agreement for the Mpumalanga provincial office expires on 31 April 2018. No contingent rent is payable.

23. Contingent assets and liabilities

23.1 Contingent Liabilities

First time employer registrations

The Skills Development legislation allows an employer, registering for the first time, 6 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 R10.9 million (2016/17: R5.4 million) will be payable. The amount is contingent on the number of submissions received and approved.

2018 Scheme year levies received

At the reporting date R1 thousand of levies were received in respect of the 2018 scheme year (R0.0 million in 2017), for which, the Skills Development legislation allows an employer until 30 April 2017 to submit an application for a mandatory grant.

Surplus Funds as at 31 March 2018

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 2018 to National Treasury.

Contingent liabilities on legal matters

*Claims by various service providers for R1.5 million with regards to contracts that were cancelled.

23.2 Contingent assets

Claims against former employees for undue enrichment R47.7 million.

Arbitration has been awarded to the Services SETA in a case against Bryanlee for the amount of R376 thousand plus interest.

24. Related parties

Relationships

Management has identified the following parties as related parties:

Members of the Accounting Authority	Refer to members' report on page 60
Ultimate controlling department	Department of Higher Education
Entities with a representative serving on the Services SETA's	UASA(S.M. Motlounge), Hotelica(W Dinwa), SATAWU
Accounting Authority	(A Phala)
Other department with significant influence	National Treasury
Key stakeholder	National Skills Fund
	National Students Financial Aid Scheme
Significant affiliates	Other 20 SETA's
Defined contribution scheme for employees of entity	Momentum Life
	Bonitas
	Discovery Medical Aid
Members of key management	Andile Nongogo - Chief Executive Officer
	Tsheola Matsebe - Chief Financial Officer
	Amanda Buzo-Gqoboka -
	Executive Manager: Legal Services
	Liesel Kostlich - Executive Manager:
	Entrepreneurship and Cooperative
	Development
	Ntombizodwa Ndhlovu - Executive
	Manager: Stakeholder Relationship
	Management
	Mamabele Motla - Executive Manager in
	the Office of the CEO
	Sibusiso Dhladhla - Acting Executive
	Manager: Planning
	Andile Sipengane - Executive Manager:
	Core Business

Related party transactions and balances

Inter-Seta Receivable 2018	Opening balance R'000	Transaction value R'000	Closing balance R'000
Finance and Accounting Services Sector Education and Training Authority	107	(107)	-

Inter-Seta Receivable 2017	Opening balance R'000	Transaction value R'000	Closing balance R'000
Finance and Accounting Services Sector Education and Training Authority	-	107	107

Inter-Seta Received 2018	Total
Manufacturing, Engineering and Related Services Sector Education and Training Authority	386
Public Sector Education and Training Authority	49
	435

Department of Higher Education and Training

Levy Income and penalties and interest 2018

Department of Higher Education and Training	1,557,070
	1,557,070

Levy Income and penalties and interest 2017

Department of Higher Education and Training	1,492,726
	1,492,726

Inter-Seta Payable 2018

Construction Sector Education and Training Authority	-	(31)	(31)
Chemical Industries Education and Training Authority	(165)	165	-
Banking Sector and Education and Training Authority	-	(44)	(44)
	(165)	90	(75)

Inter-Seta Payable 2017

Chemical Industries Education and Training Authority	-	-	-
	-	(165)	(165)
	-	(165)	(165)

25. Remuneration

The meeting attendance fees for Accounting Authority members serving on the Audit Committee are included under Other in the Accounting Authority Remuneration table.

Members of the Audit Committee 2018 (R'000)	Audit Committee fees	Disbursements	Total
Maboa, J (Chairperson)	55	-	55
Stock, P *1	48	-	48
Rabothata, KN *1	48	15	63
	151	15	166

Members of the Audit Committee 2017 (R'000)	Audit Committee fees	Other Committee Meetings	Disbursements	Total R'000
Maboa, J (Chairperson)	55	7	-	62
Motlhamme, L	14	-	1	15
	69	7	1	77

1 Started as Audit Committee member from 24 March 2017

Members of the Accounting Authority 2018 (R'000)	Board and Exco	Remco	Finco	Governance	Other	Total
Mhambi, T (Chairperson)	181	-	-	-	-	181
Petersen, W	145	49	-	-	718	912
Dinwa, W	75	-	50	78	714	917
Moloto, K	80	-	48	-	608	736
Mofokeng, M	131	-	-	-	694	825
Mantashe, N	124	66	-	-	554	744
Sambatha, M *1	-	-	-	-	-	-
Shabangu, T	46	-	36	71	327	480
Snyman, P	74	42	7	78	463	664
Roopchand, V	31	-	7	71	150	259
Letseli, D	102	-	7	105	635	849
Phala, A	60	42	35	7	386	530
Leigh-Ann Georgiev	8	35	29	-	19	91
Motloun SM	45	-	-	-	135	180
	1,102	234	219	410	5,403	7,368

25. Remuneration (continued)

Members of the Accounting Authority 2018 (R'000)	Board and Exco	Remco	Finco	Governance	Other	Total
Mhambi, T	150	-	-	-	9	159
Petersen, W	113	207	-	-	442	762
Dinwa, W	38	173	35	55	334	635
Moloto, K	92	7	50	13	228	390
Mofokeng, M	113	152	-	-	298	563
Mantashe, N	113	53	-	-	325	491
Shabangu, T	37	139	21	48	161	406
Snyman, P	45	41	10	59	403	558
Roopchand, V	37	-	7	48	155	247
LetseLi, D	78	125	5	70	227	505
Phala, A	22	41	35	7	222	327
Leigh-Ann Georgiev	16	14	17	4	49	100
	854	952	180	304	2,853	5,143

*1 Since appointment as Member of the North West Provincial Legislature, the member has not been eligible to receive meetings attendance allowance and serves without claiming any allowance.

2018 (R'000)	Emolument	Pension, medical aid and UIF	Travel and subsistence	Bonus Payments	Total
Nongogo A (Chief Executive Officer)	2,699	260	-	548	3,507
Motla ML (Executive Manager in the Office of the CEO *1	942	131	-	179	1,252
Matsebe T (Chief Financial Officer)	1,675	173	-	299	2,147
Kostlich L (Executive Manager: Entrepreneurship and Cooperatives Development) *2	1,780	184	9	312	2,285
Buzo-Gqoboka A (Executive manager: Legal Services)	1,861	193	-	415	2,469
Sipengane A (Executive Manager: Core Business) *3	139	15	-	-	154
Ndhlovu N (Executive Manager: Stakeholder Relationship Management)	1,682	263	-	111	2,056
Dhladhla S (Acting Executive Manager: Manager) *4	1,352	127	-	290	1,769
	12,130	1,346	9	2,154	15,639

25. Remuneration (continued)

2017 (R'000)	Emolument	Pension paid or receivable	Travel and subsistence	Bonus Payments	Total
Nongogo A	2,227	232	7	375	2,841
Buzo-Gqoboka A	1,625	188	-	303	2,116
Kostlich L	1,559	179	-	293	2,031
Matsebe T	698	76	-	-	774
Ndhlovu N	1,477	254	-	112	1,843
	7,586	929	7	1,083	9,605

*1 Appointed Executive Manager in the Office of the CEO from 01 September 2017

*2 Acting Executive Manager: Enterprise Development Institute from 13 July 2017 and permanently appointed from 01 March 2018

*3 Appointed Executive Manager: Core Business from 01 March 2018

*4 Acting Executive Manager: Planning from 13 July 2017

26. Risk management

Financial risk management

The Services SETA's activities expose it to a variety of financial risks: market risk (including 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 Services SETA's financial performance. The Accounting Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of 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, the Services SETA treasury maintains flexibility in funding by maintaining availability under committed short-term investments. At year-end the investment in short-term deposits amounted to R978 million.

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

The table below analyses the Services SETA's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

26. Risk management (continued)

2018	Carrying amounts	Contractual cash flows	6 months or less	6 months or more	More than 1 year
Trade and payables from exchange transactions	(101,540)	(101,540)	(95,690)	(1,044)	(4,806)

2017	Carrying amounts	Contractual cash flows	6 months or less	6 months or more	More than 1 year
Trade and payables from exchange transactions	(34,195)	(34,195)	(29,192)	(3,695)	(1,308)

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. No significant events occurred during the year that the SETA is aware of.

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

Year ended 31 March 2018	R'000 Floating rate Amount	Effective Interest rate	R'000 Non-interest bearing	R'000 Total
Receivables from exchange transactions	-	-	7,914	7,914
Cash and cash equivalents	1,424,036	6.72%	-	1,424,036
	-	-	-	-
Payables from exchange transaction	-	-	(101,540)	(101,540)
Net financial assets	1,424,036	-	(93,626)	1,330,410

Year ended 31 March 2017	R'000 Floating rate Amount	Effective Interest rate	R'000 Non-interest bearing	R'000 Total
Receivables from exchange transactions	-	-	10,155	10,155
Cash and cash equivalents	2,256,019	7.29%	-	2,256,019
Payables from exchange transaction	-	-	(34,210)	(34,210)
Net financial assets	2,256,019	-	(24,055)	2,231,964

26. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Services SETA only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The ageing of other receivables from exchange transactions that are not impaired:

	2018 Gross 7,883	2017 Gross 10,119
Not past due		
Past due 1 - 30 days	-	-
Past due 31 - 120 days	-	-
Past due 120 - 365 days	-	-
More than one year	31	36
	7,914	10,155

27. Fruitless and wasteful expenditure

SARS interest and Penalties

2018	2017
19	-

SARS Interest and Penalties

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.

28. Irregular expenditure

	2018 R '000	2017 R '000
Opening balance	183,859	103,690
Add: Irregular Expenditure - current year	-	80,169
Less: Approved by DHET *1	(79,467)	-
Closing balance	104,392	183,859

*1 Approval was obtained in the previous financial year however clarification was obtained from the Executive Authority in the current financial year.

Analysis of closing balance of irregular expenditure

Awaiting condonation	63,569	143,036
Not condoned	40,823	40,823
	104,392	183,859

28. Irregular expenditure (continued)

Details of irregular expenditure – current year

Contravention	Disciplinary steps taken/criminal proceedings		
Payments made in contravention of Supply Chain Management regulations.	No disciplinary steps taken since the employees concerned having taken reasonable steps to ensure compliance	-	702
Costs incurred in excess of the 10.5% administration costs limit as per Grant Regulations	No disciplinary steps taken. The irregular expenditure can only be determined at year-end in terms of a calculation.	-	79,467
		-	-
		-	80,169

Possible irregular expenditure has been identified and is currently under investigation. At the time of the finalisation of the annual financial statements and the audit, the said investigation had not been finalised.

29. Budget differences

Material differences between budget and actual amounts

Skills Development Levy and Penalties and Interest

The levy receipts for the period ended 31 March 2018 amounted to R1.566 billion, resulting in a R13.2 million favourable variance as a result of SARS reversals, slight improvement in economic conditions and the write-off of long-outstanding mandatory grants payables

Investment Income

Investment income for the period under review amounted to R131.5 million which is R33.9 million below the budget. The unfavourable variance is attributable to increased spending on discretionary grants, skills development centres and lower interest rates, which then led to decrease in cash and cash equivalents during the year which then led to lower funds available for investing.

Grants

Project grants and mandatory grants disbursements for the period under review amounted to R2.239 billion, which resulted in a favourable variance of R329.5 million. This may be attributable to the delays in the construction of the Entrepreneurship and Co-operative Development Institute and other skills development centres.

Administration expenses

Administration expenses including personnel costs amounted to R277.6 million resulting in an adverse variance of R49.6 million. The unfavourable variance is mainly due to the concerted effort by the SETA to reduce reliance on consultants as well as other cost saving initiatives which was countered by the increase in the cost of employment and the impairment of the land and buildings.

30. Prior period error

30.1 Payables from exchange

During the year under review it was realised that accruals for administration expenses were understated by R2.1 million. This includes the understatement of the Leave Accrual by R513 thousand and understatement of the Meeting Attendance fees by R1.5 million. This will lead to an increase in Payables from Exchange and administration costs.

	2017 R'000
Statement of Financial Performance	
Increase in Administration Costs	2,056
Statement of Financial Position	
Increase in Payables from Exchange - Leave costs	(513)
Increase in Payables from Exchange - Meeting attendance	(1,543)

30.2 Payables from non exchange,

During the year under review it was realised that R284 thousand, paid in the current financial year, was actually incurred in the prior year. This will lead to an increase in Discretionary Grants payables and discretionary grants expenses

	2017 R'000
Statement of Financial Performance	
Increase in Discretionary Expenses	284
Statement of Financial Position	
Increase in Payables from Non-Exchange	(284)

30.3 Commitments

During the current financial year, active contracts that expired in the previous financial year were revived in order to ensure that affected learners are not disadvantaged and formula error was identified on the schedule. The net effect of the correction of the expired contracts is summarised as per table hereunder

	2017	2016
Previously disclosed closing balance	2,811,689	1,859,134
Increase/(Decrease) in Approvals	174,095	-
(Increase)/Decrease in Amendments to Contracts	(72,674)	9,148
(Increase)/Decrease in Amendments to Contracts	9,148	-
Increase/(Decrease in utilisation of contracts	(1,560)	-
Revised closing balance	2,920,948	1,868,282

31. Going concern

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.

We draw attention to the fact that the Services SETA's licence expires on the 31 March 2020 and the continuation of its existence is dependent on the relicensing by the Minister of Higher Education.

We, furthermore, draw attention to the fact that at March 31, 2018, the entity had a surplus/(deficit) of (R825,570) million and that the entity's total assets exceed its liabilities by R 986 731 million.

32. Events after the reporting date

Application to National Treasury to seek approval for the retention of accumulated surpluses as at 31 March 2018 has been made.

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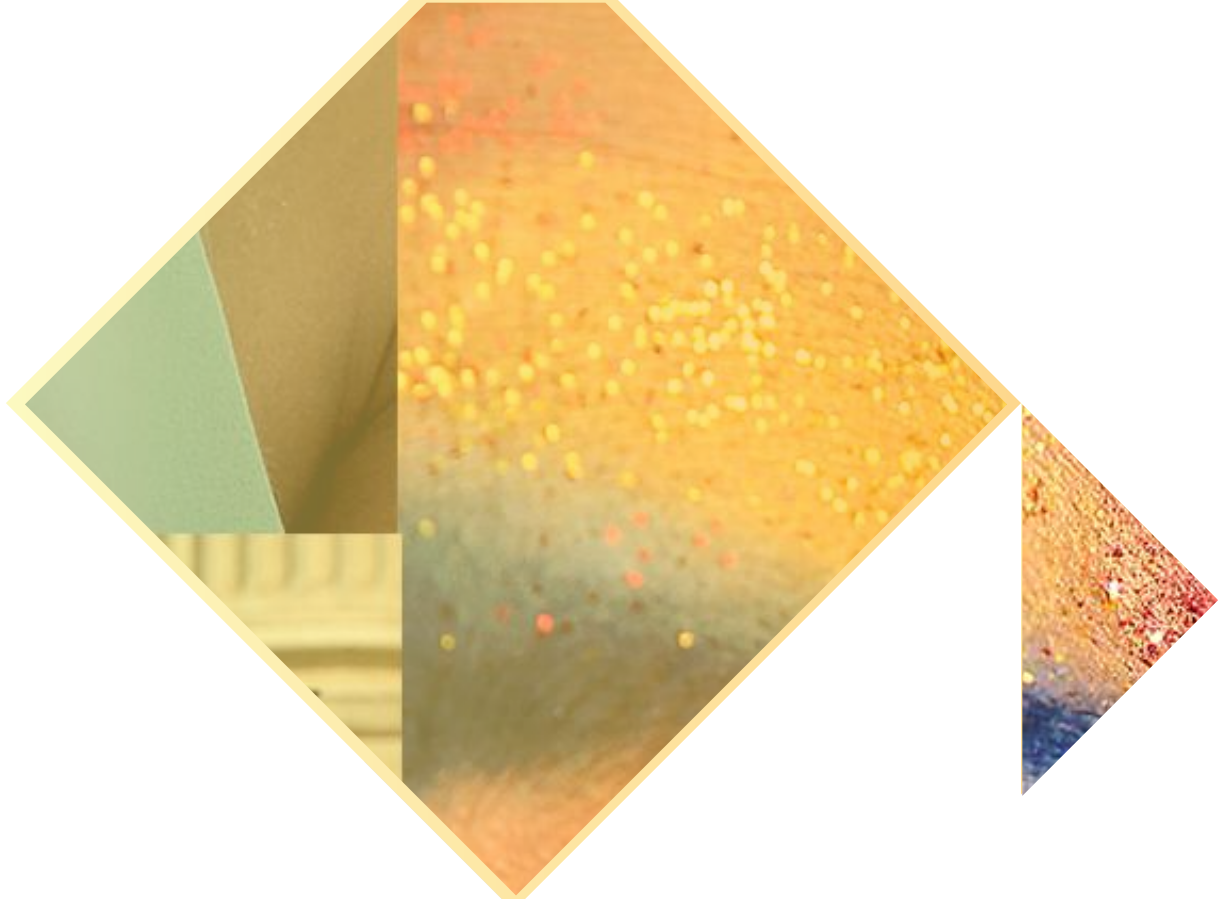
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**higher education
& training**
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