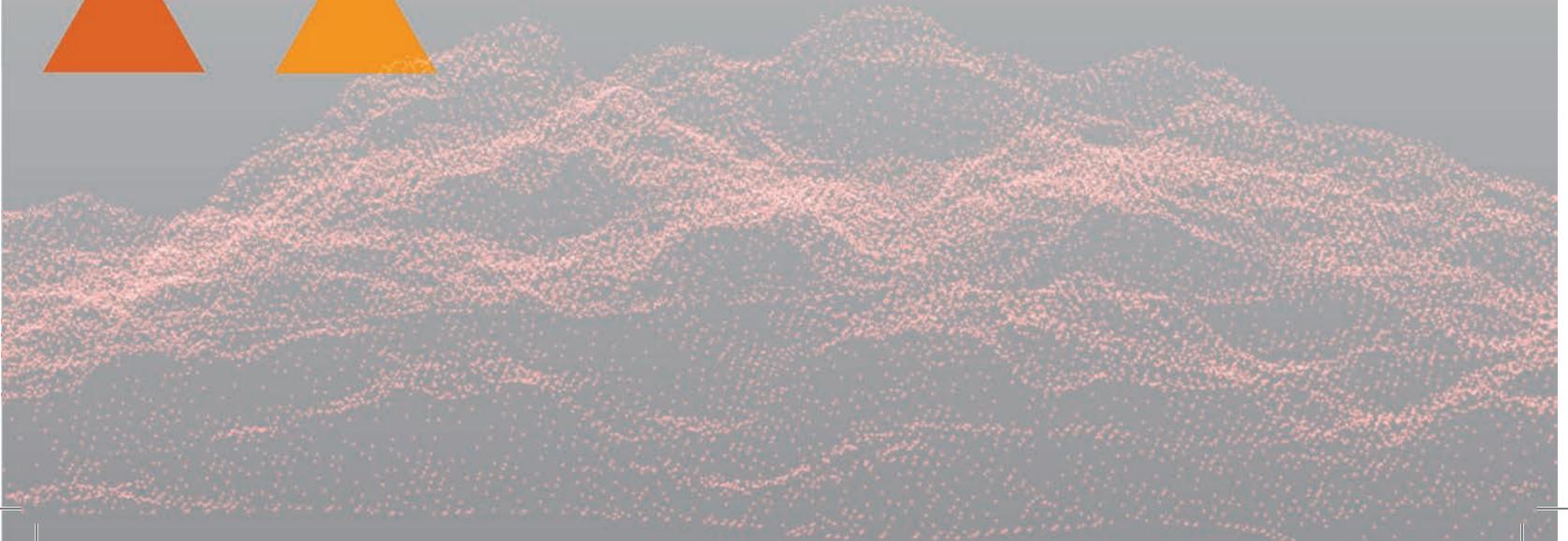
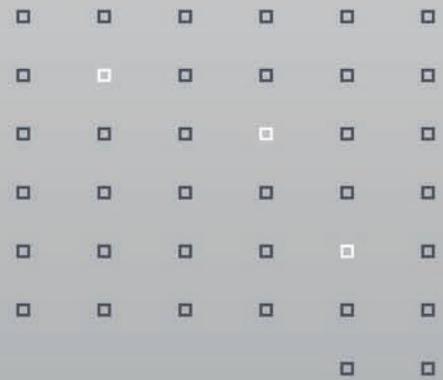


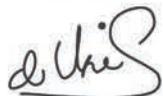
Services Sector Education and Training Authority

# ANNUAL REPORT 2022 / 2023



# PRESENTATION OF THE ANNUAL REPORT TO THE MINISTER OF HIGHER EDUCATION, SCIENCE AND INNOVATION

It is my privilege and honour to present - in terms of Section 65 of the Public Finance Management Act, 1999 - the 2022/23 Annual Report of the Services Sector Education and Training Authority (Services SETA) to the Minister of Higher Education, Science and Innovation, Dr Bonginkosi Emmanuel Blade' Nzimande.



Mr Stephen De Vries

Chairperson of the Accounting Authority  
Services SETA



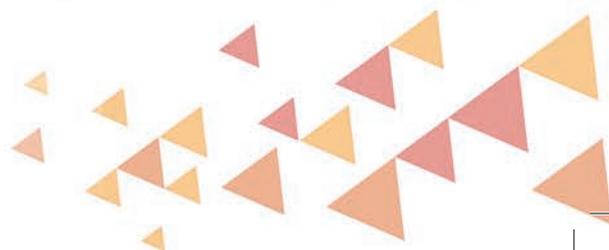
Dr Bonginkosi Emmanuel Blade Nzimande

Minister of Higher Education,  
Science and Innovation



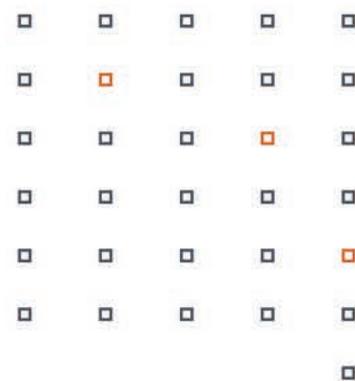
Mr Kgwaridi Buti Manamela

Deputy Minister of Higher  
Education, Science and Innovation

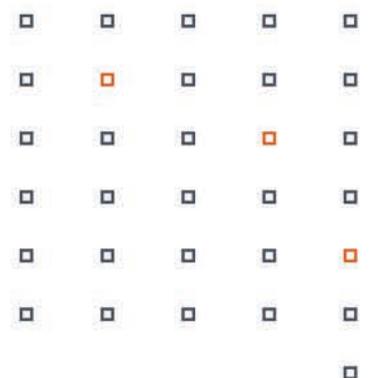


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# PART A



# GENERAL INFORMATION

## PUBLIC ENTITY'S GENERAL INFORMATION

### PUBLIC ENTITY'S CONTACT DETAILS AUDITORS AND BANKERS

**Registered Name**

Services Sector Education and Training Authority

**Telephone Number**

+27 11 276 9600

**Country of Incorporation and Domicile**

South Africa

**Email Address**

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**Website Address**

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**Postal Address**

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2041

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South African Reserve Bank

**Physical Address**

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Postal Address  
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**External Auditors:**

Auditor-General of South Africa (AGSA)

Standard Bank

**Physical Address**

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Manor,  
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**Physical Address**

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Johannesburg, 2193

**BOARD SECRETARIAT:**

Mr Phillip Kwampe

Nedbank

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## 2 LIST OF ABBREVIATIONS/ACRONYMS

<b>AA</b>	Accounting Authority	<b>PPPFA</b>	Preferential Procurement Policy Framework Act
<b>AC</b>	Audit Committee	<b>PPRA</b>	Property Practitioners Regulatory Authority
<b>AET</b>	Adult Education & Training	<b>QCTO</b>	Quality Council for Trades and Occupations
<b>AFS</b>	Annual Financial Statements	<b>RPL</b>	Recognition of Prior Learning
<b>AGSA</b>	Auditor-General of South Africa	<b>SA</b>	South Africa
<b>APP</b>	Annual Performance Plan	<b>SAQA</b>	South African Qualifications Authority
<b>APR</b>	Annual Performance Report	<b>SATAWU</b>	South African Transport and Allied Workers Union
<b>ARPL</b>	Artisan Recognition of Prior Learning	<b>SARS</b>	South African Revenue Service
<b>ATR</b>	Annual Training Report	<b>SCM</b>	Supply Chain Management
<b>AQP</b>	Assessment Quality Partner	<b>SDA</b>	Skills Development Act
<b>BBBEE</b>	Broad-Based Black Economic Empowerment	<b>SDF</b>	Skills Development Facilitator
<b>BEE</b>	Black Economic Empowerment	<b>SDL</b>	Skills Development Levy
<b>CBO</b>	Community-Based Organisation	<b>SDP</b>	Skills Development Provider
<b>CEO</b>	Chief Executive Officer	<b>SETA</b>	Sector Education and Training Authority
<b>CET</b>	Community Education and Training College	<b>SIC</b>	Standard Industrial Classification
<b>CFO</b>	Chief Financial Officer	<b>SME</b>	Subject Matter Expert
<b>COVID-19</b>	Coronavirus Disease 2019	<b>SMME</b>	Small, Medium, and Micro Enterprise
<b>DHET</b>	Department of Higher Education and Training	<b>SOP</b>	Standard Operating Procedure
<b>EAP</b>	Employee Assistance Programme	<b>SP</b>	Strategic Plan
<b>ECD</b>	Entrepreneurship and Cooperative Development	<b>SSP</b>	Sector Skills Plan
<b>EM</b>	Executive Manager	<b>TET</b>	Transformation Empowerment Targets
<b>EOHCB</b>	Employers' Organisation for Hairdressing, Cosmetology and Beauty	<b>TID</b>	Technical Indicator Description
<b>ERM</b>	Enterprise Risk Management	<b>TVET</b>	Technical and Vocational Education and Training
<b>ERRP</b>	Economic Reconstruction and Recovery Plan	<b>UASA</b>	United Association of South Africa
<b>ETDP</b>	Education Training and Development Programme	<b>USAf</b>	Universities South Africa
<b>ETI</b>	Employment Tax Incentive	<b>WBLPA</b>	Workplace-Based Learning Programme Agreement
<b>EXCO</b>	Executive Committee	<b>WPPSET</b>	White Paper on Post-School Education and Training
<b>GAAP</b>	Generally Accepted Accounting Principles	<b>WSP</b>	Workplace Skills Plan
<b>GRAP</b>	Generally Recognised Accounting Practice		
<b>GRSC</b>	Governance Risk and Strategy Committee		
<b>HOTELICCA</b>	Hotel, Liquor, Catering, Commercial and Allied Workers Union		
<b>HRDS</b>	Human Resource Development Strategy		
<b>HRM&amp;D</b>	Human Resource Management and Development		
<b>ICT</b>	Information and Communications Technology		
<b>IPAP</b>	Industrial Policy Action Plan		
<b>MOU</b>	Memorandum of Understanding		
<b>MTSF</b>	Medium Term Strategic Framework		
<b>NDP</b>	National Development Plan		
<b>NGO</b>	Non-Governmental Organisation		
<b>NGP</b>	New Growth Path		
<b>NLRD</b>	National Learners Record Database		
<b>NPO</b>	Non-Profit Organisation		
<b>NQF</b>	National Qualifications Framework		
<b>NSA</b>	National Skills Authority		
<b>NSDP</b>	National Skills Development Plan		
<b>OD</b>	Organisational Design		
<b>OFO</b>	Organising Framework for Occupations		
<b>OHS</b>	Occupational Health and Safety		
<b>PDP</b>	Personal Development Plans		
<b>PFMA</b>	Public Finance Management Act		
<b>POPIA</b>	Protection of Personal Information Act		

Services Sector Education and Training Authority

# ANNUAL REPORT 2022 / 2023

# 3 FOREWORD BY THE CHAIRPERSON



## Introduction

It gives me great pleasure to present the Services SETA's Annual Report 2022/23. The Report is a testament to the steady progress the organisation has made in the last three years with regard to organisational performance against predetermined objectives, financial stability, people management and governance.

**Stephen De Vries**  
**Board Chairperson**

## High-level overview

In the last three years, the organisational performance against predetermined objectives increased significantly, from a low of 40% in 2020/21 to a high of 80% and 84% in 2021/22 and 2022/23, respectively. About 19,112 learners benefitted from the Services SETA interventions.

The organisation's financial position has also improved significantly to about R2,1 billion in total reserves due to prudent financial management systems and controls implemented to responsibly handle the organisation's finances.

Additional positive development in financial stability is the reduction of commitments from R3,3 billion in 2020/21 to about R2,7 billion in 2022/23, which has been achieved due to the excellent relationship the Services SETA has cultivated with the industry, allowing for the rationalisation of contract allocation in a manner for the organisation to continue as a going concern.

To ensure the relevance of the Services SETA and its objective's impact on the services sector through skills development, the organisation has made promising strides in developing new, aligning, and/or reviewing existing occupational qualifications to ensure supply adequacy. About 11 occupational qualifications were developed, realigned, or reviewed, bringing the total to 78 in the last three years. The focus is on building the capacity for supply across the Post-School Education and Training (PSET) system, specifically focusing on Technical Vocational Education and Training (TVET) colleges and employers.

Achievements highlighted above contribute significantly to implementing the Sector Skills Plan Priority Actions, which speaks to strengthening the capacity of supply through the development of adequate and relevant occupational qualifications and the capacitation of TVET colleges and private training providers to train on the new qualifications landscape. Four capacitation workshops were organised nationwide to raise awareness about and build among training providers and employers on the transition from legacy to occupational qualifications. Follow-up sessions are planned for the 2023/24 financial year.

Alignment between the implementation of the SSP 2022/23 (SSP) hard-to-fill vacancies, skills gaps, priority occupations and ERRSS priority skills is being closely monitored to ensure the match between the skills demand and supply. In the period under review, alignment reached more than 60%. This has been possible due to close collaboration with TVET colleges, employers, government departments and entities, and other SETAs as prioritised in the SSP 2023/24.

With a growing unemployment rate in the country and an economic slowdown, many of the young people who complete their studies do not enter employment including self-employment for prolonged periods. Impact on learning interventions implemented by SETAs is measured through annual learner tracer studies. Recent study indicates that about 6 678 out of 20 000 Services SETA learners who responded to the learner tracer study were either employed or started their business upon completing their learning intervention.

What is even more pleasing is the fact that 56,47% of the graduates surveyed found jobs within the sector they studied with 61,72% of the graduates saying that their current job is aligned to the occupational field. This illustrates the match between Services SETA funded learning interventions and industry needs. Insights from this study will be used to inform future Services SETA interventions and the development of relevant occupational qualifications responding to critical skills in demand. Tracer studies to be commissioned on on-going basis to monitor absorption rates timely.

A significant milestone of the year under review is the realisation of organisational stability. The organisation witnessed the most positive response from employees in terms of servicing the organisation, resulting in improved responsiveness. An internal study conducted to measure the approval rating or stakeholder satisfaction revealed that 72% of the respondents were optimistic about the Services SETA. The aim is to increase this rating to more than 75% by 2024/25.

The organisation has had no disruptions in labour relations in the past three years. Annual increases and individual performance reviews have been concluded on time with little disruption. The ongoing organisational design project is receiving widespread support from the general staff and unions. The project will be completed on March 31, 2024, with full implementation by April 1, 2024.

### Strategic Relationships

SETAs, as skills development facilitators, rely heavily on strong partnerships with all key role players in the PSET eco-system, particularly employers, labour, TVET colleges and training providers. Building strong and sustainable relationships with these stakeholders is central to the Services SETA's vision and mission.

To this effect, the Services SETA has established partnerships with at least 12 Universities, 12 TVETs and 5 Community Education and Training (CET) colleges through the Strategic Partnerships and Collaborations Department.

Through Chamber Operations, under the stewardship of Chamber Committees (representing labour, business, and government), the Services SETA had direct engagement with top levy-paying entities to explore areas of collaboration on skills development interventions. More than 400 entities were engaged and encouraged to submit workplace skills plans and annual training reports (WSP/ATRs) to ensure the active participation of employers in skills development interventions. Partnerships with four trade unions and two federations were forged to promote worker-initiated training.

### Challenges faced by the Accounting Authority

In the last three financial years, there have been slight changes in the composition of the Accounting Authority (AA) due to the passing away of one member. The Accounting Authority remained stable and functional. Scheduled meetings took place as planned. Support structures such as the Executive Committee (EXCO), Governance Risk and Strategy Committee (GRSC)HRM, Audit Committee (AC) and others functioned normally with minimal interference from the upper structure. All structures reported to the Accounting Authority quarterly as envisaged. Therefore, there were no challenges by the Accounting Authority.

### The strategic focus over the medium to long-term period

The strategic focus of the Accounting Authority over the medium to long term is to improve the organisation's financial controls. The organisation works closely with the Auditor-General of South Africa (AGSA), the National Skills Authority (NSA) and the Department of Higher Education and Training (DHET) to turn around the audit outcome. The Services SETA receives a qualified opinion.

The additional focus in the medium term is to strengthen organisational stability by timeously completing and implementing corporate design, which aims to ensure alignment of the Services SETAs' strategy and organisational structure to the overall mandate.

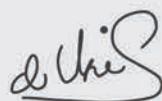
The task of building solid partnerships with all role players will continue unabated. The Services SETA recognises that delivering impactful skills development interventions rests on a strong partnership with other key stakeholders. Impact is also one of the key focus areas of the AA in the medium to long term.

### Conclusion

The Accounting Authority is satisfied with the progress in stabilising the Services SETA concerning overall organisational performance, finance, leadership, and staff morale. This level of stability affords a unique opportunity for the Accounting Authority and management to focus on the core mandate of the Services SETA and, monitoring and evaluating impact and drawing lessons for continuous improvement. This Annual Report documents this journey very clearly.

### Acknowledgements /Appreciation

On behalf of the AA, I would like to thank the management and staff of the Services SETA, organised labour and business, the DHET and NSA for their continued support. We could not have achieved this without your unwavering support.



Mr Stephen De Vries



## 4 CHIEF EXECUTIVE OFFICER'S OVERVIEW

### General financial review

I am pleased to report that the Services SETA continues to make significant strides in improving overall organisational performance and realising financial stability. Organisational performance during the period under review is at 84%, a four percent improvement from the previous financial year, which was at 80%.

**Menzi Fakude**

**Chief Executive Officer**

Services SETA's learning interventions enrolled increased from 14,269 in 2021/22 to 19,112 in 2022/23, recording more than 30% increase. The majority of beneficiaries are unemployed learners, black, female and youth. This provides a healthy pipeline to supply a capable service sector workforce.

Considerable investment has been made in promoting the growth and development of the SMME sector by providing relevant skills development opportunities and linking SMMEs with relevant partners that can further unleash their potential. More than 700 SMMEs, Cooperatives, Community-Based Organisations (CBOs), Non-Governmental Organisations (NGOs) and Non-Profit Organisations (NPOs) benefitted from these interventions. About 279 budding entrepreneurs and enterprises were reached through skills development interventions. Collaboration with inter-government funding agencies and industry bodies further exposed SMMEs to various funding, training, and advisory opportunities.

This progress is also attributable to the close collaboration with organised labour and large business entities. During the period under review, top levy-paying entities were engaged with a view to forging closer collaboration in implementing skills development interventions.

The recently completed business processes optimisation project also contributed to this significant milestone. It is expected that the Organisational Design project underway will accelerate Services SETA performance, efficiencies, and effectiveness.

The organisation's financial position has further improved from the previous financial years. As at 31 March 2023, the Services SETA had a surplus of R757 million, with the total assets exceeding total liabilities by R2,1 billion.

In addition, the Services SETA has made impressive progress in addressing the issue of overcommitment and improving our financial position. Through our project realignment efforts and stakeholder engagements, we have closed the gap between commitments and available funding, paving the way for a more stable and sustainable future. We express our gratitude to our stakeholders for their support and commitment and look forward to continued collaboration and success in the future.

### Spending trends

The SETA Grants Regulations regulate the Services SETA's spending trends. There are two mainline items: administrative and grant expenditures. Administrative, employer and project grant expenditures amounted to R225 million and R974 million, respectively. In both cases, there has been an increase in expenditure from the previous financial year from R 199 million and R745 million, respectively. Like the last financial year, the most significant increase has been realised in relation to employer grants, which is the core mandate of the Services SETA. In the period under review, more than 400 new employers submitted Mandatory Grants claims in line with the Grants Regulations. This was a direct result of the focused campaign to support employers in implementing workplace skills development interventions and cultivating a closer working relationship.

## Capacity constraints and challenges

The Services SETA has faced some capacity challenges due to structural deficiencies, particularly in allocating administration and project support resources. As per industry regulations, the SETA is mandated to allocate a maximum of 10% for administration and 7.5% for project cost support. However, the current human resources structure for project support has consistently exceeded the allocated 7.5%, creating a strain on our spending capabilities.

Like any organisation undergoing transition and managing numerous projects, the Services SETA faced capacity constraints. These constraints are a normal part of the process and require careful management to ensure smooth operations and successful project execution.

In addition, the transition to occupational qualifications has introduced a distinct set of capacity requirements. Developing qualifications, accrediting training providers, approving workplaces and assessment centres, and creating assessment tools are specialised skills and expertise previously outside our scope. To overcome this challenge, we have implemented training programmes to upskill our staff and equip them with the necessary knowledge to engage effectively with the Quality Council for Trades and Occupations (QCTO).

Another effect of the transition was that the organisation needed to speed up the accreditation backlog of the legacy qualifications while starting with building capacity for occupational qualifications. This necessitated the need for additional capacity to deal with the backlog.

We continue working with the QCTO to improve the speed of transition processes and streamline coordination between our organisations. This ongoing collaboration is essential in addressing capacity limitations and ensuring a smooth and efficient transition to occupational qualifications.

## Discontinued key activities

As part of our ongoing strategic review, we have made informed decisions to discontinue certain activities that no longer align with our long-term goals. After carefully evaluating their financial viability and potential for future growth, these decisions were made. The Board approved repositioning the Entrepreneurship and Cooperative Development Programme (ECD). The programme will now partner with the Services SETA and the University of Witwatersrand.

## New or proposed key activities

In the next two financial years, we will continue to build the capacity of Services SETA to supply fit-for-purpose skills development interventions by fast-tracking the transitioning of legacy qualifications to occupational qualifications, reviewing existing occupational qualifications in response to changes in the sectors and developing new occupational qualifications to meet future skills needs of the sector.

To date, 78 occupational qualifications have been developed and registered with the QCTO. The critical, eminent task is to ensure sufficient implementation of these qualifications. Some of the new occupational qualifications will be piloted in the 2023/24 financial year in collaboration with TVET colleges and Employers. The former will provide classroom theoretical and practical learning, while the latter will provide workplace opportunities for workplace learning. Efforts are currently underway to recruit and capacitate suitable TVET colleges and employers to pilot these occupational qualifications.

In addition, the Services SETA aims to complete the organisational design project to ensure alignment with the strategic mandate of the Services SETA. The aim is to establish a suitable organisational structure to respond swiftly to the mandate and avoid irregular expenditure related to overspending on administration cost line item as outlined above. The project will be completed by March 2024, with various phases being continuously implemented upon completion to avoid time waste.

Upgrading our ICT infrastructure, architecture, and systems will remain a top priority for the organisation. The Services SETA is plagued with several ICT systems that do not talk to each other, thereby creating a duplicate of efforts, affecting the quality of data and the turnaround times of service delivery. Steady progress has been made in this regard. The organisational design project alluded to above will contribute immensely to this campaign.

### Requests for rollover of funds

The Services SETA submitted a request to roll over R2,1 billion funds to ensure the seamless continuation of ongoing projects and initiatives. These requests have been made to support the successful completion of critical endeavours that align with our strategic objectives and have the potential to deliver long-term value. The Department of Higher Education and Training granted the approval.

### All concluded unsolicited bid proposals

There were no unsolicited bid proposals for the year under review.

### Whether SCM processes and systems are in place

Efficient supply chain management (SCM) is crucial to our success, and we have made significant investments in this area by capacitating the BID committees with new members and training all committee members. Additionally, SCM created awareness campaigns for employees regarding SCM processes, vendor management and invoice management.

### Challenges experienced and how they will be resolved

Like any organisation, we have been negatively affected by several socio-economic issues ranging from water and electricity loadshedding, and slow economic growth. However, we have successfully resolved these challenges through collaborative efforts and decisive action. Our commitment to open communication, problem-solving, and agile decision-making has allowed us to overcome obstacles and emerge stronger. We remain dedicated to continuously improving our operations and processes to navigate future challenges better.

### Audit report matters in the previous year and how they would be addressed

The previous year's audit report highlighted specific matters that required attention. We have taken these matters seriously and implemented measures to address them effectively. By strengthening internal controls, enhancing financial reporting processes, and seeking external expertise where necessary, we are committed to ensuring transparency, accuracy, and accountability in our financial reporting. Our best efforts notwithstanding, the Services SETA received a qualified audit opinion on financial statements, disclosure note: commitment and material findings on the reliability of performance information on some of our performance indicators within Programme 3. The organisation will continue to work closely with AGSA to remediate inadequacies identified in relation to financial controls and performance management.

### Outlook/ Plans for the future to address financial challenges

Looking ahead, we are confident in our ability to address financial challenges and maintain our positive trajectory. We will continue to leverage our strengths, optimise business processes, and strengthen our systems. We are determined to improve our audit outcomes, employee relations, performance, and financial position.

### Events after the reporting date

There were no events after the reporting date.

### Economic Viability

Our commitment to economic viability remains steadfast. We understand the importance of contributing to the economic growth of our communities and stakeholders. By driving sustainable business practices, creating employment opportunities, and supporting local economies, we strive to impact and foster long-term economic viability positively.

### Acknowledgement/s or Appreciation

I want to express my deepest appreciation to the Department of Higher Education and Training for their unwavering support and trust. Our achievements would not have been possible without our employees' dedication and hard work, who are the driving force behind our success. Their commitment to excellence and innovation has been instrumental in our improved performance. Additionally, I extend gratitude to our employers, partners and all stakeholders for their continued loyalty and collaboration.

### Conclusion

In conclusion, I am immensely proud of our achievements over the past financial year. We have witnessed improvements in our financial position, operational efficiency, and strategic positioning. As we embark on the next phase of our journey, we are confident in our ability to address challenges, seize opportunities, and create sustainable value for our employers. Together, we will continue to build a prosperous future and deliver on the National Skills Development Plan 2030.



Mr Menzi Fakude

# 5 STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

To the best of my knowledge and belief, I confirm the following:  
All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor General of South Africa.

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

The Annual Financial Statements (Part F) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity. The Accounting Authority is responsible for preparing the annual financial statements and the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance, human resources, and annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

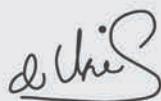
In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information, and the financial affairs of the entity for the financial year ending 31 March 2023.



Mr Menzi Fakude

Chief Executive Officer

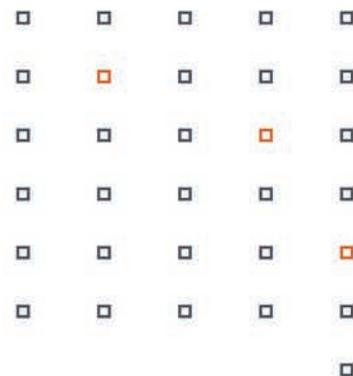
28 August 2023



Mr Stephen De Vries

Chairperson of the Accounting Authority

28 August 2023



# 6 STRATEGIC OVERVIEW

## Vision

A flourishing services sector that creates economic growth and inclusive opportunities for all South Africans.



## Values

- Accountability
- Innovation
- Integrity
- Professionalism
- Responsiveness



## Mission

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

# 7 LEGISLATIVE AND OTHER MANDATES

The Services SETA is a public entity established in terms of the Skills Development Act No.7 of 1998. It receives levy income in terms of the Skills Development Levies Act (1999). The Services SETA is a national public entity established in terms of Schedule 3 (Part A) of the Public Finance Management Act (PFMA) (Act No. 1 of 1991). Therefore, the Services SETA must conduct its financial affairs in line with the PFMA. PFMA regulates financial management in the national government, provincial governments, and SOEs to ensure that all their revenue, expenditure, assets, and liabilities are managed efficiently and effectively. It provides for the responsibilities of persons entrusted with the financial management of those governments.

## 7.1. Legislative Mandate

The Services SETA operates within the following legislative and policy mandates:

- Skills Development Act (SDA), 1998 (Act No. 97 of 1998) as amended
- Skills Development Levies Act, 1999 (Act No 09 of 1999)
- Public Finance Management Act (Act No 29 of 1999)

## 7.2. Other Legislative Mandate

- South African Qualifications Authority Act, 1995 (Act No 58 of 1995)
- National Qualifications Framework Act (Act No 67 of 2008)
- Employment Equity Act, 1998 (Act No 55, 1998)
- Broad-Based Black Economic Empowerment Amendment Act, 2003 (Act No. 53 of 2003) as amended.
- Promotion of Access to Information Act, 2000 (Act No. 2 of 2000)
- Protection of Personal Information Act, 2013 (Act No. 4 of 2013)
- Regulations published in the Government Gazette, No. 35940, 03 December 2012 regarding Monies Received by a SETA and Related Matters

## 7.3. Policy Mandate

- National Development Plan (NDP)
- National Skills Development Plan 2030 (NSDP)
- Human Resource Development Strategy
- New Growth Path
- White Paper on Post-School Education and Training (WPPSET)
- National Skills Accord
- Economic Reconstruction and Recovery Plan (ERRP)

The National Skills Development Plan: 2030 provides a framework for the Services SETA to align its work to the National Development Plan, New Growth Path (NGP), the National Skills Accord, the Economic Reconstruction and Recovery Plan 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.

# 8 ORGANISATIONAL STRUCTURE

Figure 1. Accounting Authority Structure

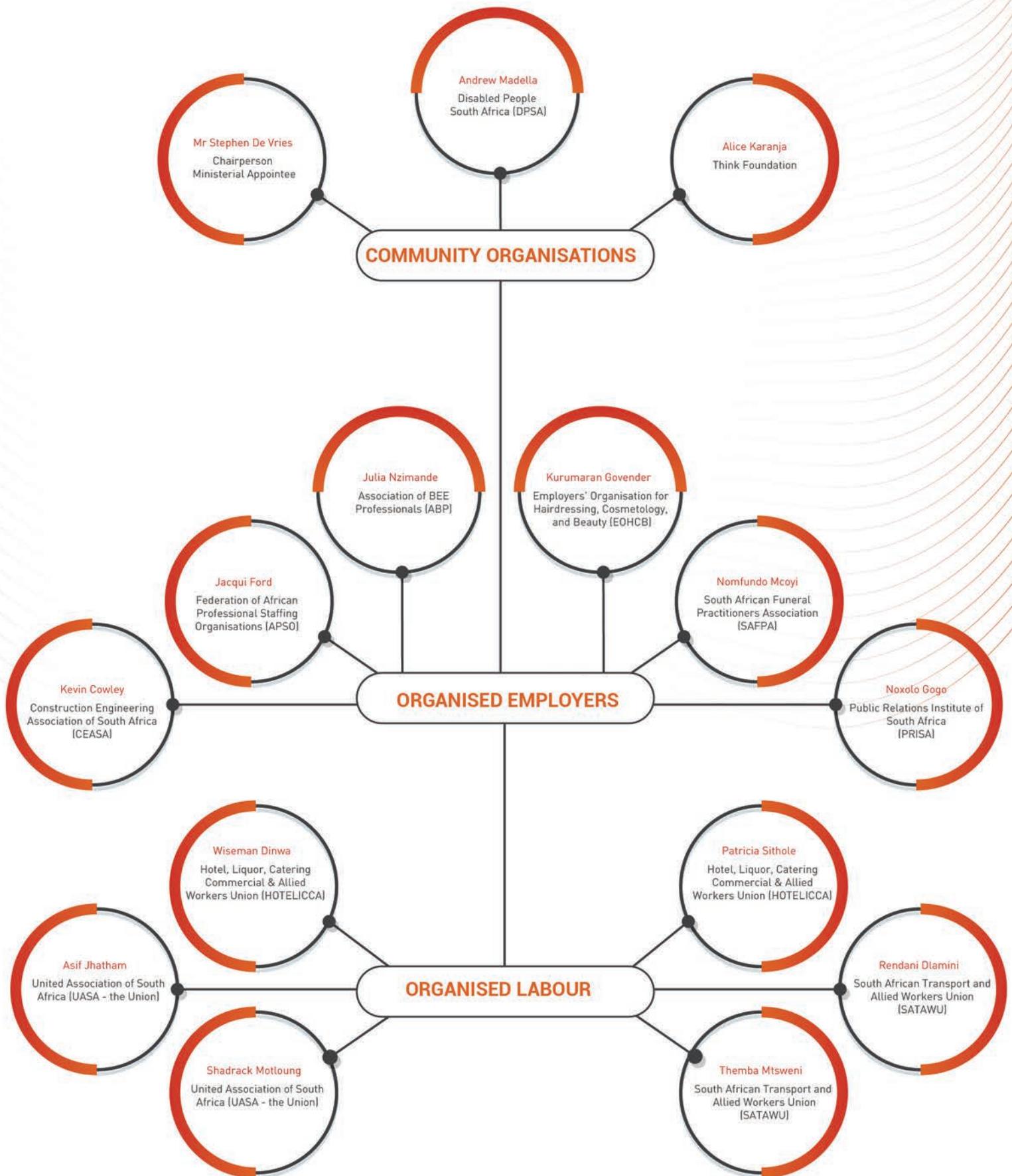
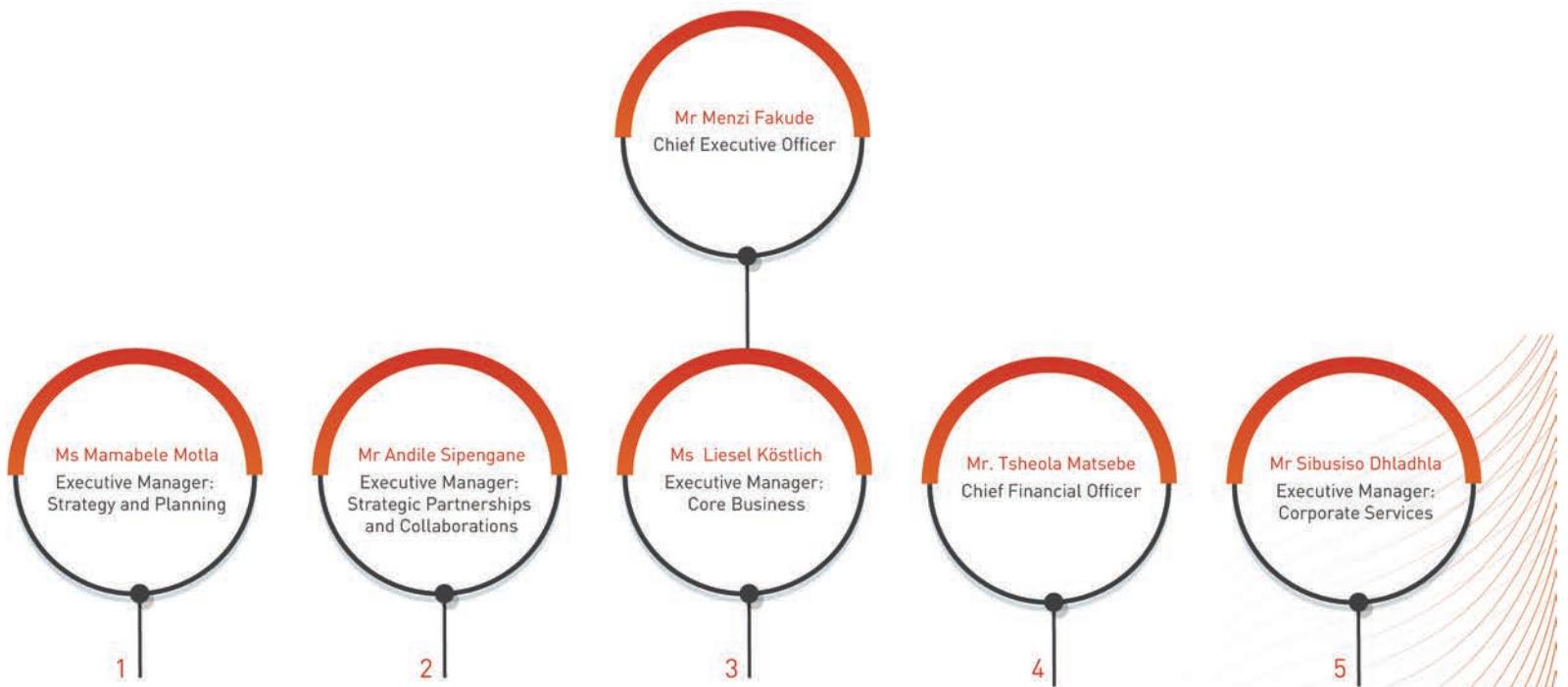


Figure 2. Macro Organisational Structure



- 1 Programmes**
1. Research & impact assessment
  2. Skills Planning
  3. Performance Verification & Reporting
  4. Qualifications Development
  5. Chamber Operations

- 2 Programmes**
1. Special Projects
  2. Bursaries
  3. Entrepreneurship and Cooperative Development
  4. Infrastructure Development
  5. Stakeholder Relations
  6. Transformation

- 3 Programmes**
1. Learning Programme Implementation
  2. Provincial Operations
  3. Mandatory Grants
  4. Quality Assurance
  5. Employer Funded

- 4 Programmes**
1. Supply Chain Management
  2. Financial Management
  3. Financial Reporting
  4. Project Accounting

- 5 Programmes**
1. Human Resource Management & Development
  2. Facilities Management
  3. Information and Communication Technology
  4. Legal Services
  5. Marketing and Communications
  6. Records Management

# PART B





# 1 AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on the audit of the annual performance report (APR) section of the auditor's report.

Refer to page 93 the Report of the Auditor's Report, published as Part F: Financial Information of the Annual Report.

## 2 OVERVIEW OF SERVICES SETA'S PERFORMANCE

### 2.1. Service Delivery Environment

#### 2.1.1. Services SETA's Scope of Coverage

The Services SETA is one of the 21 Sector Education and Training Authorities tasked with ensuring the supply of the skilled labour force to support economic growth. The Services SETA's scope of the economy covers 68 Standard Industrial Classification Codes (SIC Codes) grouped into 16 subsectors and six chambers, as demonstrated below.

Key role players and their influence on the services sector include the Accounting Authority, employers, trade unions, TVETs, CETs, universities, industry bodies and associations.

Figure 3. Services SETA Chambers and Subsectors

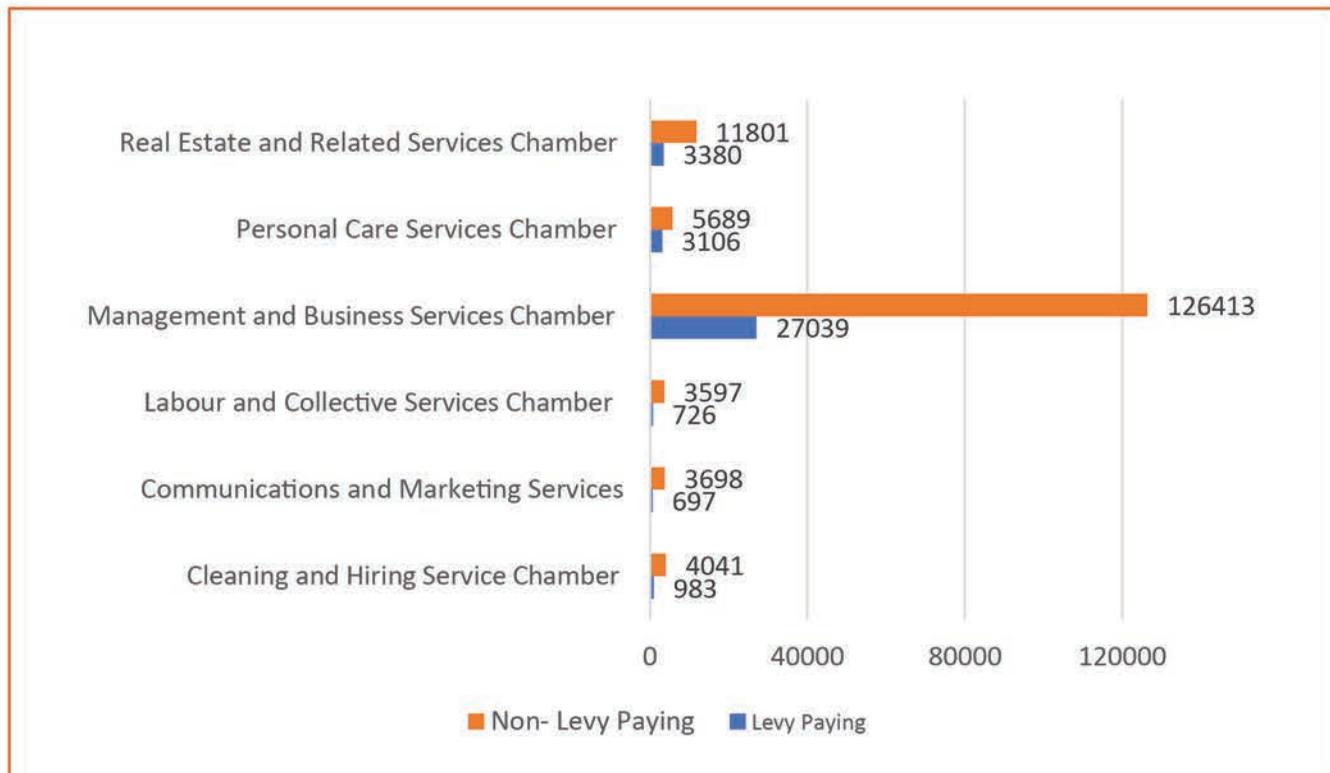


### 2.1.2 Employer Profile

As of February 2023, approximately 191,170 employers were actively trading within the sector. This represents an increase of more than 3,000 new employers entering the services sector. As Figure 4 illustrates, the majority of employers do not pay levies in terms of the law. This means that available discretionary grants must be equitably allocated across the sector to serve a large number of underprivileged employers with skills development interventions.

Most employers are classified as medium to small, implying companies employing no more than 150 people. The Services SETA sector employers are concentrated in Gauteng, KwaZulu-Natal, and the Western Cape provinces.

Figure 4. Services SETA Employers by Chambers



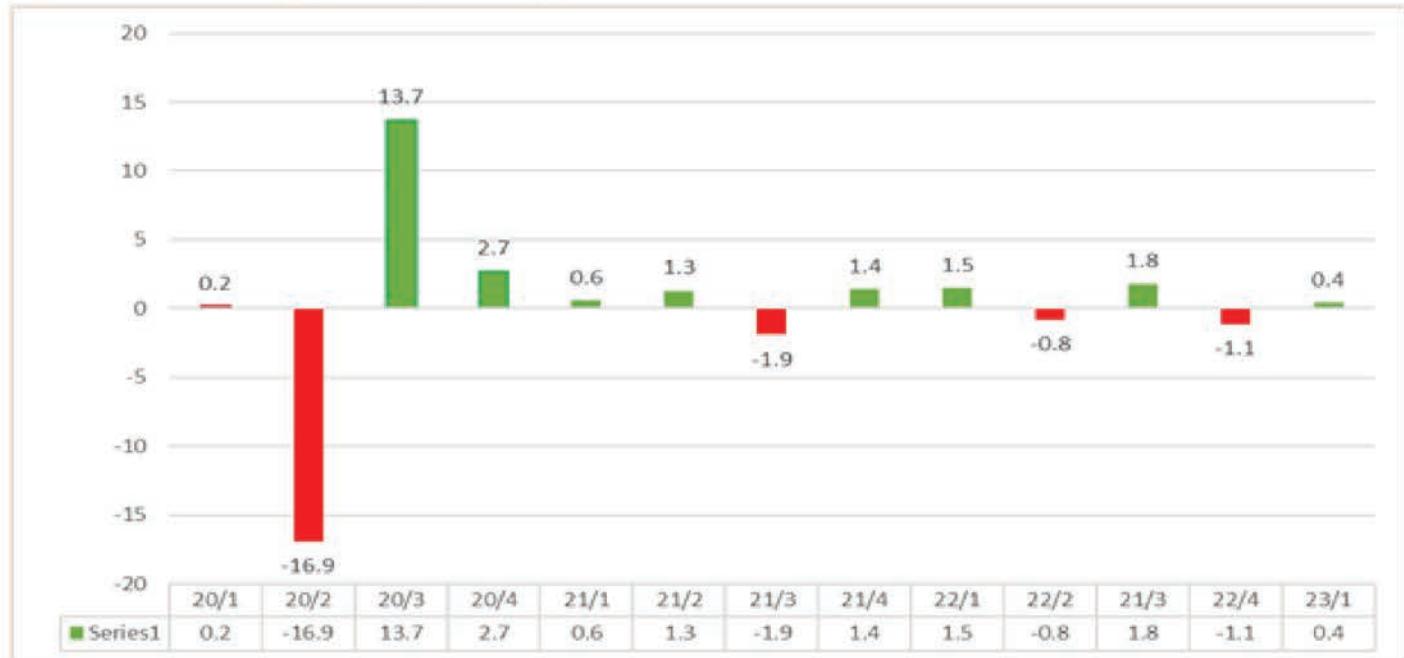
### 2.1.3 Economic Performance

Like the rest of the economic sectors, the services sector faces serious growth challenges, a clear indication that the South African economy has not fully recovered from the effects of the COVID-19 pandemic. As Figure 5 illustrates, despite the promising signs of recovery with the easing of lockdown regulations, economic growth as measured in GDP terms has not fully recovered. The South African economy grew by 0.4% in Quarter 1 of 2023, following a decline of -1.1% in Quarter 4, 2022.

From the recovery perspective, recent global events such as high inflation rates and widespread increases in interest rates are the clearest indicator that the economy is in for a long ride. Increases in commodities such as gas, oil and certain food items are likely to exacerbate an already worse situation. The effects of the war between Russia and Ukraine are yet to filter through, given their role in the world's gas, oil, and grain commodities.



Figure 5. Growth in GDP, Q1 2020- Q1 2023 (%)



Source: Stats SA (2023)

#### 2.1.4. Key Drivers of Skills Demand and Supply

Megatrends identified above directly correlate with skills demand, as companies require a skilled workforce to stay afloat. Research reveals the following megatrends as particularly influencing skills demand in the services sector, to which the Services SETA needs to respond to by designing and delivering relevant skill sets. Each driver reflects critical occupations or how skills development is affected.

Figure 6. Key Change Drivers of Skills Demand for the Services Sector



The Services SETA implemented several skills development interventions to support the services sector and mitigate these change drivers' impact. As Table 1 illustrates, most of these interventions address skills development interventions related to hygiene and cleaning as the economy was still recovering from the devastating effects of the COVID-19 pandemic that profoundly affected the economy, environment, and climate. In addition to hygiene and cleaning-related skills development interventions, ICT, business consulting services, project management, call and contact centres, and related skills have become highly sought after.

**Table 1. Interventions to Address Skills Change Drivers**

Occupation	COVID-19, Green Environment and Climate Change	Economy	Globalisation
Health & Safety Officer	Unemployed = 1		
Commercial Cleaner	Unemployed = 1,721		
	Employed = 100		
Health & Safety Manager	Unemployed = 1		
Cleaning Services Manager	Unemployed = 40		
Cleaning Supervisor	Unemployed = 149		
Call Centre Manager	Unemployed = 1		Unemployed = 1
Call Centre Agent	Unemployed = 440		Unemployed = 440
	Employed = 364		Employed = 364
Occupational Health and Safety Officer	Unemployed = 1		
Service Manager		Unemployed = 2,291	Unemployed = 2,291
Small Business Manager Business Advisor (Specialisation)		Employed = 1,507	Employed = 1,507
Management Consultant		Unemployed = 439	Unemployed = 439
		Employed = 33	Employed = 33
General Clerk		Unemployed = 440	
		Employed = 16	
Programme/ Project Administrator		Unemployed = 528	Unemployed = 528
		Employed = 81	Employed = 81
Research & Development Manager			Unemployed = 2
Advertising/Public Relations Manager			Unemployed = 57
			Unemployed = 1
Marketing Coordinator			Unemployed = 56
			Employed = 13
Sales Representative			Unemployed = 1
Director of Marketing			Unemployed = 2
Programme or Project Manager			Unemployed = 189
			Employed = 1,208

### Key Skills Priorities

The Services SETA's drive to promote growth, development and sustainability of the services sector is anchored around five priority actions identified by the Accounting Authority, informed by the Sector Skills Plan (SSP), which profiles the sector's economic and labour market performance and identifies areas of intervention. The implementation of these priority actions is monitored annually. Progress towards realising these goals is briefly outlined on the following page.

Table 2. Key Skills Priorities Actions and Progress Realised

Key Skills Priorities Actions	Progress Realised
1. <b>Foster Inter -SETA collaboration and industry partnership to promote SMME development in the services sector.</b>	An inter -SETA forum was formed —the model. The collaboration didn't materialise as anticipated, as it was formed to align with the ECD. The partnerships with other role players were later formed to promote SMME development. The SETA managed to train over 1000 SMME/Coops/NGO/Start-Ups in the 2022/23 financial year.
2. <b>Secure workplace training opportunities working in collaboration with the industry, employers, and the SETA.</b>	Criteria for approval of workplaces were developed in collaboration with industry as it is a requirement to roll out occupational qualifications. Cultivating workplaces for our learners remains the core function of the Chamber Operations role. 14 TVET colleges have been identified and approached for piloting occupational qualifications in collaboration with employers. Each college has been paired with an employer. Progress is underway to finalise the list of employers to be paired with identified colleges.
3. <b>Work with QCTO and industry role players to complete and implement registered occupationally directed qualifications.</b>	The SETA managed to develop/re - align 11 occupational qualifications in the 2022/23 financial year. A targeted DG window for occupational qualification was opened in December 2022 to ensure that the occupational qualifications are implemented for use by the industry. The allocations have not yet been concluded as some qualifications have no accredited SDPs. The SETA, working with the industry and the QCTO, are developing assessment instruments and training tools. 78 occupational qualifications have been developed, and 36 have been registered with 10 occupational skills programmes developed as well.
4. <b>Strengthen alignment between industry needs and Services SETA supply through research, implementation, and structured M&amp;E.</b>	A preliminary organisational-wide M&E framework was developed and is ready for broad implementation. The following research topics were conducted as part of the Research Agenda addressing issues related to industry needs: <ol style="list-style-type: none"> <li>1. Skills Forecasting Model: A model of services SETA sectors is a model to forecast future skills needs.</li> <li>2. The Employer Interview: A focused study reliant on industry participation collecting the latest skills needs from the industry.</li> <li>3. Learner Tracer Study: A tracer study was conducted, delving into the impact of training on the industry and its alignment with industry needs.</li> </ol>
5. <b>Development and Implementation of an organisational-wide M&amp;E Framework to improve performance management</b>	Services SETA has a Research and Impact Assessment Manager responsible for the M&E framework and its implementation. A preliminary organisational-wide M&E framework was developed and will be ready for board implementation after extensive internal consultation.

Additional progress is servicing scarce skills for the services sector as measured through hard-to-fill vacancies. The majority of beneficiaries are youth, black and female. This will ensure a healthy supply of skilled workforce for the sector. It will also help alleviate the high unemployment rate among youth by equipping them with essential skills to find employment or start their businesses. It will also increase their chances of studying further.

There has also been a strong focus on ERRP skills related skills such as Call Centre agents and managers of which performance has been recorded though it was lower than anticipated. The SETA had challenges in implementing interventions for the top 10 occupations high in demand, due to the implementation of the SETAs' previous commitments.

We have managed to only implement interventions for 3/10 identified top 10 occupations in high demand. With the strengthening of our M&E function we are hopeful that this control measure will mitigate against this challenge in the 2023/24 financial year and better results can be reported

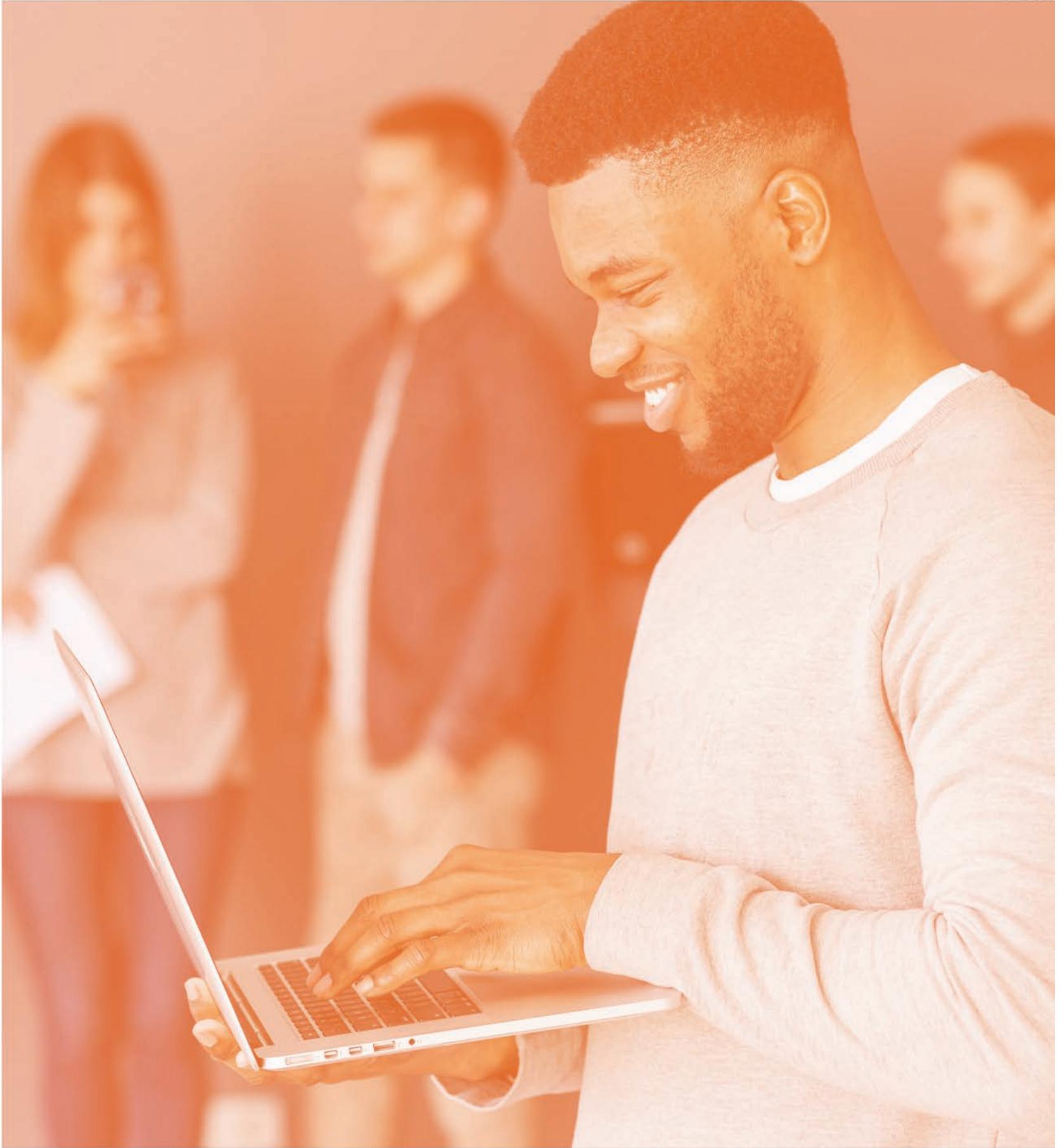


Table 3. Progress Against SSP 2022/23 Hard-To-Fill Vacancies

Occupation	Leadership		AET		Skills Programme		RPL		Bursary		Internship	Candidacy	Artisan
	Unemployed	Employed	Unemployed	Employed	Unemployed	Employed	Unemployed	Employed	Unemployed	Employed			
<b>Cleaning &amp; Hiring Services Chamber</b>													
Health & Safety Officer													
Commercial Cleaner	1,412	40	38		271			60					
Health & Safety Manager											1		
Cleaning Services Manager											40		
Cleaning Supervisor	149												
Service Manager					206								
<b>Communication &amp; Marketing Services Chamber</b>													
Research & Development Manager									2				
Call Centre Manager											1		
Call Centre Agent	440	354						10					
Advertising/Public Relations Manager											58		
Marketing Coordinator	20	13									36		
Sales Representative											1		
Director of Marketing											2		
<b>Management &amp; Businesses Services Chamber</b>													
Programme or Project Manager	189	71				1,137							
Small Business Manager	770												
Business Advisor (Specialisation)					1,290	1,467		40			31		
Management Consultant	18							33	312		30	79	
General Clerk	131	16	150								159		
Programme /Project Administrator	57				470	81					1		
<b>Labour &amp; Collective Services Chamber</b>													
Occupational Health and Safety Officer											1		
Payroll Manager										13			
Recruitment Consultant (Temp & Perm)	28	10											
Recruitment Manager										51			
<b>Personal Care Services Chamber</b>													
Barber	57					469							114
Nail Technician					147								
Hairdresser	57				469								144
Electrician											7		294
<b>Total</b>	<b>3,328</b>	<b>504</b>	<b>188</b>	<b>0</b>	<b>2,853</b>	<b>3,154</b>	<b>0</b>	<b>143</b>	<b>314</b>	<b>64</b>	<b>368</b>	<b>79</b>	<b>552</b>
	<b>3,832</b>		<b>188</b>		<b>6,007</b>		<b>143</b>		<b>378</b>				

## 2.2. Organisational Environment

To respond to the clarion call above, the Services SETA has devised several interventions to improve organisational performance and ensure lasting impact in the services sector. These interventions build on the strengths, weaknesses, opportunities, and threats identified below.

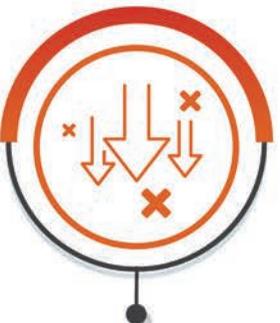
### 2.2.1. SWOT Analysis

Figure 7. SWOT Analysis



#### STRENGTHS

- Stable leadership and Governance
- Committed stakeholders and employees
- Research capacity to guide towards relevance
- Investment in research to improve evidence-based planning with industry
- Strong brand - highly regarded by key stakeholders
- Enjoy legislative mandate to implement skills development
- Regular performance monitoring and evaluation of impact to ensure alignment with the mandate



#### WEAKNESSES

- Integration of systems and business processes
- Inadequate delivery model resulting in the slow implementation of learning interventions
- Centralisation of services and operations
- Aging commitments with multi-year implementation
- Expired historical qualifications and transition to occupational qualifications, identification and capacity to supply
- Funding and implementation of occupational qualifications may result in a reduction in the number of learners enrolled



#### OPPORTUNITIES

- Organisational Design to ensure alignment of organisational structure, skills and business process with strategic objectives NSDP 2023 policy
- Improvement in automation of core business and support processes through system functionality and integration
- Strong focus and presence in entrepreneurship and co-operatives development
- Alignment of services sector skills in demand needs with the implementation of the annual performance plan



#### THREATS

- Negative audit outcomes
- BUSA court judgement - impact on available discretionary grants
- The high number of small and informal sectors - resulting in low revenue and participation in skills development
- Employers and Public Higher Institutions lack support to implement occupational qualifications
- Low rate of participation by employers in workplace training through WSP/ATR
- The decline in employment rates in the services sector in the last two years

### 2.2.2. Vision 2025

Leveraging on the strengths and opportunities identified above, the Services SETA has carved a clear vision for 2025 that informs all strategic plans (SPs) and decisions to achieve the NSDP 2030 mandate. The vision focuses on training for relevance and impact, improved performance through optimised business processes, collaboration with stakeholders and prudent financial management aligned with PFMA.

Figure 8. Vision 2025



Performance against this strategy is monitored quarterly and annually. The analysis of the strategy below and Part B of this report provides a high-level performance review against this vision.

### 2.2.3. A responsive strategy

A thorough reflection of the organisational performance and the set goals triggered a need for a focused strategy to drive performance. The strategy addresses operational and skills-related challenges that hamper performance. Internal considerations include Organisational Performance, Finance, Business Processes Including Systems, People, Stakeholder Relationships and Governance. Progress achieved against this strategy is outlined below.

Table 4. Progress achieved against the Responsive Strategy

Strategy Focus Area	Progress
<b>Organisational Performance</b>	<ul style="list-style-type: none"> <li>Services SETA performance increased from 40% to 80% and then to 84% in 2020/21, 2021/22 and 2022/23, respectively.</li> <li>Two programmes achieved 100% performance against predetermined goals.</li> </ul>
<b>Finance</b>	<ul style="list-style-type: none"> <li>Services SETA's economic health has improved after a prolonged period of intensive care, which seriously affected our ability to deliver on our mandate.</li> <li>This is mainly due to prudent financial controls the organisation has introduced regarding managing the cash flow and addressing commitments.</li> </ul>
<b>Business processes, including systems</b>	<ul style="list-style-type: none"> <li>During the 2021-22 year, the ICT Department has rolled out its strategy underpinned by the Tri-Modal Philosophy supporting the Services SETA's 2019-22 Medium Term Strategic Framework.</li> <li>In line with the approved ICT Strategy, the Tri-Modal Philosophy has resulted in close to 10 focused interventions that ICT implemented.</li> <li>This progress assisted Services SETA in increasing its overall performance and improving financial controls.</li> </ul>
<b>People</b>	<ul style="list-style-type: none"> <li>A key focus of this strategy has been to capacitate the Services SETA staff, create a conducive working environment, and support staff to cope with current economic challenges.</li> <li>The Organisational Design Project currently underway is meant to address these issues, among others. More than 80% of personal development plans (PDP) were implemented, with 100% achieved against the recruitment plan.</li> </ul>
<b>Stakeholders' relationship</b>	<ul style="list-style-type: none"> <li>The Services SETA embarked on aggressive stakeholder relationship management campaigns. The primary focus is on attracting and retaining top Levy payers to ensure their full participation in Services SETA programmes to increase the reach of skills development opportunities.</li> <li>A series of online engagements with CEOs of top levy payers were held to foster closer collaboration.</li> <li>Several workshops were facilitated with qualifying entities to provide technical support regarding the submission of WSP and ATRs – resulting in a modest increase in submission rates.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Effective oversight by the Accounting Authority has resulted in improvements.</li> <li>Since its establishment, the Accounting Authority has provided consistent oversight over the affairs of the Services SETA and guidance on its strategic direction.</li> <li>The Board is fully functional, as demonstrated by the frequency of the scheduled meetings and the meeting attendance rate by members.</li> </ul>

#### 2.2.4. Organisational Design

The Accounting Authority of the Services SETA embarked upon an Organisational Design exercise to position the organisation suitably to fulfil its mandate. The twin objectives of the project are to ensure alignment of the Services SETA's strategy with the new SETA landscape and to put in place suitable organisational structures that assist the organisation in this quest.

The process was preceded by a short-term Business Optimisation Process whose purpose was to stabilise the organisation in the short term while developing a full design of the organisation. The Business Optimisation Process was completed in May 2020. The Organisational Design project started in mid-2022 and is expected to conclude in March 2024. Critical milestones have been achieved in this regard, including Diagnostic Analysis, Culture Survey and Change Readiness, Operating Model, Organisational Structure and Staff Establishment. The process has received widespread support from management and general staff compliment.

## 2.3. Performance Overview

This section provides a brief high-performance point of key functions of the Services SETA. Sections 2.4 & 3 will give a detailed analysis of organisational performance against the Strategic Plan and Annual Performance for the reporting year.

### 2.3.1. Key Performance Highlights and Challenges

In the reporting period, the Services SETA continued to build on the momentum of the previous years in terms of organisational stability, financial position, and overall performance against the APP. At the governance level, all Accounting Authority structures remained functional and effective. AA members did not resign, and all committee meetings occurred as scheduled.

The top management team remained in their positions in the last two years, post business optimisation process intended to improve operational efficiencies. This has been instrumental in realising the achievements of the current financial year, as demonstrated throughout this annual report.

The organisation's financial position continues to improve as control measures put in place are beginning to bear fruit. Levy revenue increased from R1,7 billion to R1,9 billion in 2021/22 and 2022/23, respectively.

Reserve funds are in excess of R2 billion, which shows a stable alignment with the commitment balance at the end of the financial year. The organisation continues to rationalise its commitments and cooperates well with the engaged entities. The financial challenges that remain of great concern for the organisation are in relation to fruitless & wasteful expenditure, irregular expenditure, and validation of commitment balances through the audit process. The settlement of litigation claims unfavourable to the organisation drives fruitless and wasteful expenditure. Irregular expenditure is due to:

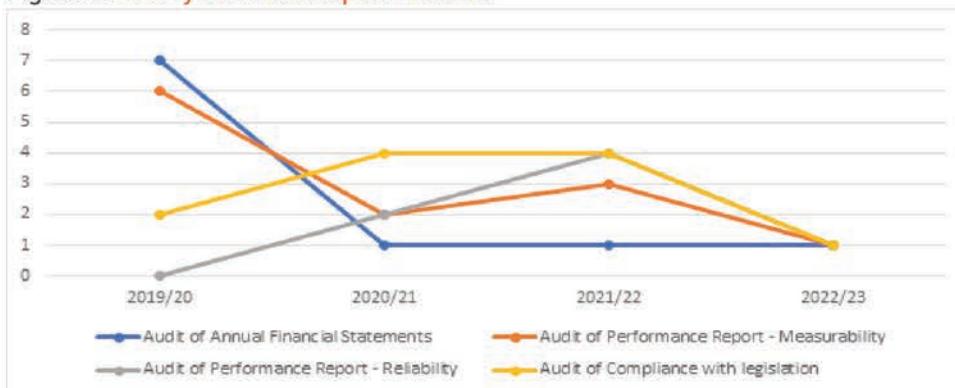
- (i) Misalignment between the organisation's application and interpretation of the requirements of the Grant Regulation in relation to exceeding the 7.5% limit on DG support costs;
- (ii) Project expenditure incurred wherein historical minutes of allocation approval cannot be located;
- (iii) Administrative deficiencies on contract amendments in relation to changes to RAC rates; and
- (iv) Allocation for projects wherein the selection process for awarding special projects does not clearly address the Grant Regulation requirements on open and fair process.

Over the last few years, the organisation has taken great strides to address its documentation issues concerning commitment balances. It is critical to note that as of 31 March 2023, a balance of R37 million was disclosed as part of the narration to the commitment note due to lost data. A process to communicate directly with the identified entities did not yield favourable results as some did not respond timeously while others could not be traced at all.

The availability of DG funds enabled the Services SETA to improve its performance against set targets. Overall organisational performance increased from 80% to 84% in 2021/22 and 2022/23, respectively.

While the organisation, once again, received a qualified audit opinion from the AGSA, there have been significant improvements as the number of findings continues to decrease.

Figure 9. Four-year Audit Report Matters



## 2.3.2. Strategy & Planning

### A. Introduction

This department oversees the implementation of the Services SETA's strategic plans and keeps track of organisational performance. Research and impact assessment, skills planning, organisational performance reporting, stakeholder/industry mobilisation, and the creation of pertinent credentials for the services sector are some of the department's key duties. Figure 10 summarises the department's overall performance.

Figure 10. Strategy & Planning: Key achievements



### B. Planning

The department invested significantly in labour market research to drive evidence-based skills planning. A total of 8 research studies were initiated, 5 of these were completed in the current reporting period, and 3 will be concluded in the subsequent financial year. Research studies undertaken covered a broad area of topics. Some conducted surveillance of skills demand and supply for the sector and explored skills nexus within the Technical Vocational Education and Training (TVET) within the context of Work Integrated Learning. Others investigated the impact of Services SETA interventions on the intended beneficiaries.

Findings from these research studies were effectively used to inform the update of the key strategic documents; the Sector Skills Plan, Strategic Plan and Annual Performance Plan (APP) for the 2023/24 financial year. The Department of Higher Education and Training and the Parliament of the Republic of South Africa duly approved all the documents on 31 March 2023.

The department also launched and implemented the Organisational Strategy Drive through the Skills Planning unit, aimed at educating and creating strategy awareness to the entire organisation.

To provide standardisation and quality control, the Performance Monitoring, Verification, and Reporting sub-unit drafted departmental performance monitoring and reporting policy and put it into practice for the organisation. Implementing Standard Operating Procedures (SOPs) also helped avoid audit findings that might negatively impact the validity, correctness, and comprehensiveness of performance data presented on set targets. Capacitation workshops on reporting, particularly on Technical Indicator Descriptors (TIDs), Survey Hub and SETMIS templates, were conducted with reporting managers.

### C. Stakeholder Mobilisation through Chamber Operations

Chambers' operations are the backbone of the Services SETA's facilitating relationships across industries. The chamber operations' key function is mobilising industry role players to participate in the Services SETA initiatives and opportunities. The Chamber focus areas for 2022/23 are shown in Figure 11 with the following highlights:

**Figure 11. Chamber Operations Key Achievements**



The outcomes of the Governance session resulted in the design and implementation of skills development interventions, some of which were implemented in the year reported on. The balance will be implemented in the 2023/24 financial year. WSP/ATR interventions yielded a positive result. More than 400 entities not submitting their WSP/ATR submitted these for the first time. Fourteen engagements were held with Top Levy payers to explore areas of collaboration, especially concerning WIL placement and the participation of employers in the implementation of occupational qualifications. Through an initiative to establish partnerships between TVET colleges and employers to implement occupational qualifications, 14 TVET colleges have been roped in, and capacitation workshops were held with them around the accreditation process, development of learning material, and training of professionals (SMEs). Currently, the focus is on recruiting employers' participation in the intervention. Additionally, to the 14 TVET colleges initiative, the SETA also identified and approved 9 TVET colleges for the implementation of a flagship project for hairdressing which is the only trade that falls within the Services SETAs' scope.

**D. Qualifications Development**

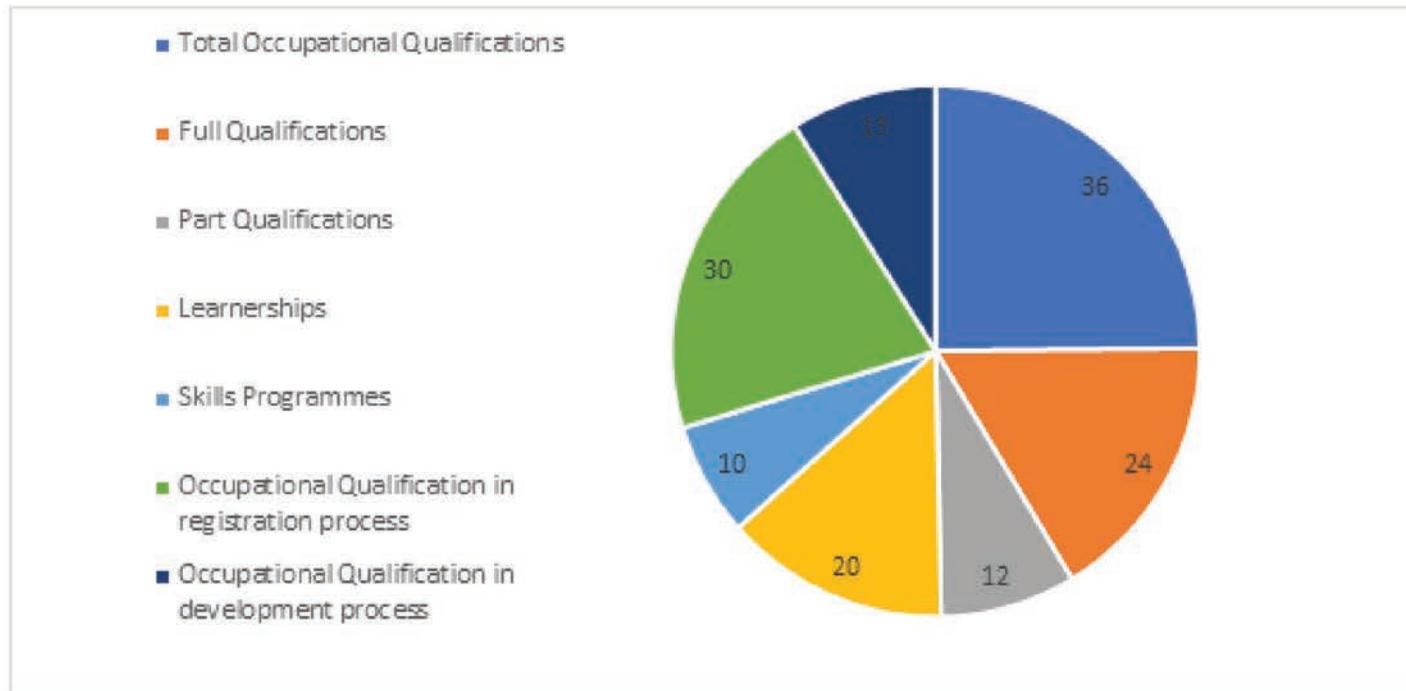
To ensure alignment with the mandate as outlined in NSDP 2030, the Services SETA has invested significantly in building the supply capacity. This includes the development of aligned qualifications, assessment tools, accreditation of assessment centres, registration and approval of workplaces, and registration of assessors and moderators – including capacitation of the TVET system – among others.

The skills development system is transitioning from legacy, unit standard-based qualifications to occupationally directed ones. This requires that legacy qualifications be realigned to the QCTO requirements – to provide for the knowledge, practical experience, and workplace experience modules. The realignment of occupational qualifications also needs to be supplemented by the creation of sufficient capacity of supply.

To drive qualifications development strategy, the Services SETA has set up a cross-functional Qualifications Task Team to prepare for the transition and monitor all aspects of qualifications, including, among others, the development of qualifications and the creation of the necessary capacity of supply for such, setting up of systems for implementation of occupational qualifications, and consideration of appropriate funding model for occupational qualifications.



Figure 12. Chamber Operations Key Achievements



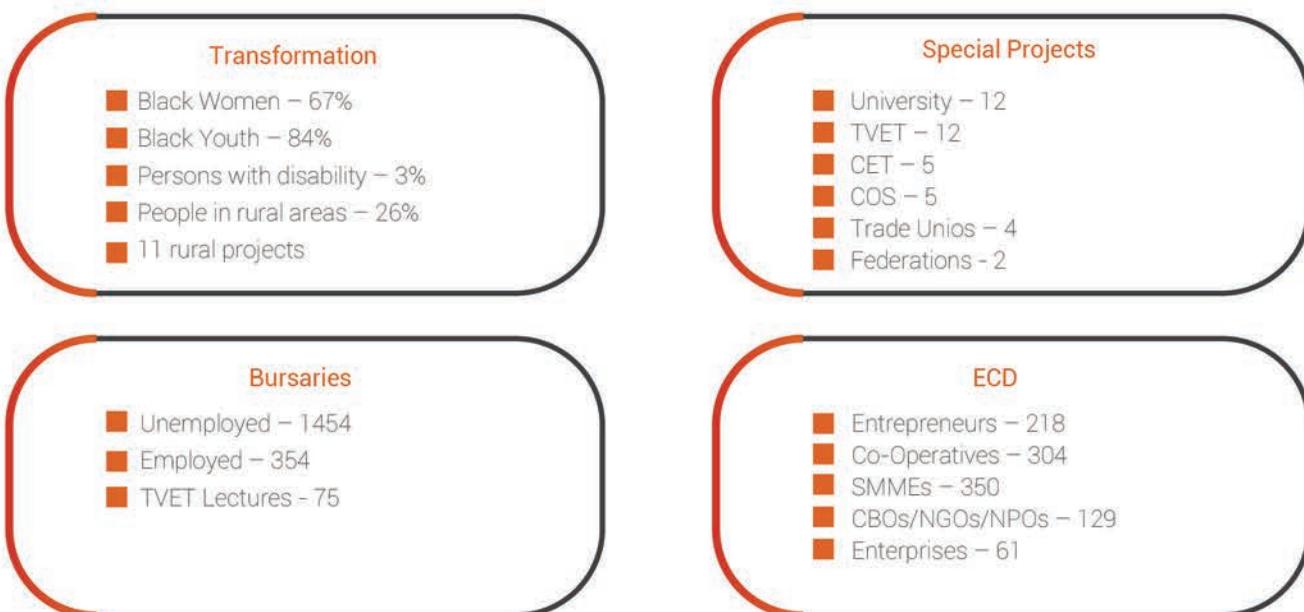
To date, we successfully developed/ realigned about 78 occupational qualifications (full and part-qualifications), with 20 learnerships registered against occupational qualifications, about 36 qualifications registered by QCTO & SAQA and 10 registered skills programmes against occupational qualifications.

### 2.3.3. Strategic Partnership & Collaboration

#### A. Introduction

As highlighted under the "Service Delivery Environment" section, collaboration is central to the Services SETA's skills development strategy. This is born out of the realisation that demand outstrips supply, requiring the formation of strategic partnerships to increase skills development opportunities and reach. To drive this motto, the Services SETA has established a Strategic Partnerships & Collaboration department to align skills development interventions with this overarching goal. To this extent, the Services SETA has identified bursaries, SMEs, entrepreneurship, cooperative development, and infrastructure development as key levers. In addition, special projects are initiated through this department to drive the mandate.

Figure 13. Strategic Partnership & Collaboration



## B. Special Projects

Special projects are designed to address burning issues in the services sector that the Annual Performance Plan might not have adequately catered for, especially transformation-related interventions. These interventions are conceptualised and implemented at the behest of the Accounting Authority. The Special Project unit has achieved 100% of its annual performance target against the strategic implementation plan. Focus areas for the year included capacity-building workshops on Career Development Services initiated by the Service SETA, Training of Career Development Practitioners, TVET Lecturers and Managers, CET colleges lecturers and managers, trade unions and federations, and lastly, the support of centres of specialisation.

Some of the challenges experienced during the year were circumvented through the deployment of ICT, including online platforms. Special Projects was not immune to these challenges and had to adapt together with its partners in skills development.

## C. Transformation through bursaries

The Strategic Partnerships & Collaborations Department initiated several interventions with impactful results to drive transformation in the services sector, as demonstrated in Section 3 of this report. Key among them include:

- Bursaries for unemployed learners with funding directed to the "missing middle" in their final year of study to assist them in settling the amount owed to universities, enabling access to certificates upon completion.
- Bursaries for employed learners to support the Service sector on identified scarce and critical skills.
- Bursaries for employed learners targeting Small and Medium Enterprises
- Bursary funding for Technical Vocational Education and Training College lecturers

To support the missing class students, the Services SETA has partnered with Universities South Africa (USAf) and Youth Access South Africa as implementing agencies to support about 1,205 students with a total amount of R97,510,000.00. In alignment with the organisation's transformation strategy, consideration was made for the transformation imperatives, which included, amongst others, a focus on Persons living with Disabilities, Women, and Rural based communities.

## D. Entrepreneurship and Cooperative Development

The services sector comprises a high number of SMMEs and entrepreneurs operating in the informal sector. Through the Entrepreneurship and Cooperative Development business unit, the Services SETA aims to cater for the needs of Business Start-ups, NPOs, SMMEs and Cooperatives. A few successful interventions are worth highlighting in this annual report. During the period under review, the following interventions were embarked upon:

1. Implementation of the eLearning courses that were developed and customised for startups, Entrepreneurial skills, NPOs and Cooperatives aimed at supporting small businesses in addressing critical skills gaps.
2. Strategic partnerships and collaborative efforts with various public and private intermediaries ranging from local government LED departments and Seda provincial offices to business forums and sector networks, ensured the extensive reach across a mixture of urban, rural, and remote locations across the country. These collaborations can be credited for the success of these skills development interventions.
3. The Services SETA took access challenges into consideration to make participation more inclusive. It implemented a hybrid model, allowing participants who would ordinarily not have access to devices enabling them to participate in online learning, and those with connectivity challenges in remote or rural areas, to have the same opportunity as small businesses and cooperatives who were able to complete the online courses through self-learning. On-site eLearning training interventions were made possible through the intermediary collaborations and availability of the Services SETA mobile learning facility trucks.

Despite the success of the skills training implementation, several external challenges impacted the demand. In some instances, the organisation was unable to render on-site (hybrid) training for prospective small business participants who had expressed interest in the Services SETA's eLearning short courses. These included:

- Political instability in some municipalities
- Network infrastructure limitations
- Load shedding/power outages
- Security risks
- The geographic spread of prospective participants

## E. Sector Transformation

Services SETA's primary mandate is facilitating quality skills development for employment and entrepreneurship in the services sector for national economic growth. Secondary to the mandate is to promote equity in the services sector in line with the Broad-Based Black Economic Empowerment Amendment Act, 2013 (Act No. 46 of 2013). The ultimate goal is to increase participation by Small, Medium and Micro Enterprises (SMMEs) and improve communities' standard of living where previously disadvantaged people, including black women, persons with disabilities, people living in rural areas and the youth, are empowered. The following achievements are worth reflecting upon:

Table 5. Key Transformation Imperative Achievements

Key performance area	Highlights
Accounting Authority representation	<ul style="list-style-type: none"> <li>The Accounting Authority has a constituent member living with Disability which enables the organisation to address Disability gaps across the organisation.</li> </ul>
Employment equity	<ul style="list-style-type: none"> <li>KPI target of 18 by achieving 17.93 (Rounded off) out of a maximum score of 20.</li> </ul>
Employees with Disabilities	<ul style="list-style-type: none"> <li>KPI target met in 2022/23</li> </ul>
Skills development	<ul style="list-style-type: none"> <li>More than 80% of PDPs implemented.</li> <li>28 Interns employed, 61% female (50% African &amp; 11% (Coloured)</li> </ul>
Preferential Procurement	<ul style="list-style-type: none"> <li>29.85 out of 30 points achieved</li> </ul>
Supplier and Enterprise Development	<ul style="list-style-type: none"> <li>Full points were recognised, with 53 out of 254 (21%) SMMEs, 124 out of 304 Cooperatives (41%) and 12 out of 123 NPOs (10%) from rural areas trained. The majority of participants or end beneficiaries are Black.</li> </ul>
Transformation impact on performance information	<ul style="list-style-type: none"> <li>Black Women – 67%</li> <li>Black Youth – 84%</li> <li>Persons with disability – 3%</li> <li>People in rural areas – 26%</li> </ul>

Despite this improvement transforming the sector, in the year under review, the organisation's BEE status Level has decreased from Level 6 (2021/2022) to Level 8 as assessed on the Generic Specialised scorecard. This is due to the impact of the pandemic, as the organisation had to recover, prioritising meeting the organisational Annual Performance Plan targets with limited financial resources. However, current plans are being rolled out to ensure that the organisation sails back to a satisfactory Level 4, as recorded in the past.

## F. Sector Transformation

A total number of 45 TVET and CET practitioners have been trained on an accredited short skills programme for occupationally directed education and training development practices which carried a minimum of 25 credits in Northern Cape and North West Provinces.

Furthermore, 19 Career Development workshops were carried out across all provinces, with the main focus being advocacy on the new Occupational Qualifications framework. Stakeholders were capacitated on;

- Occupational Qualifications transitional arrangements and implications.
- Occupational Qualifications development status and capacity for supply update.
- Occupational Qualifications Phase-In/Pilot approach.

All the above will continue in the current financial year.

## G. Infrastructure development

Three construction projects have been commenced and are currently in different phases of construction. In the delivery of these construction projects, a duty is placed on the construction companies, through terms of reference, to ensure that the local communities in the areas where they are located benefit directly from the projects. Such benefit is in the form of subcontracting, local employment, and material procurement.

Each centre is attached to a TVET college. The TVET colleges, who will be operating the centres upon completion, are the ones responsible for the recruitment allocation of learners for experiential training within the different trades offered on-site. Upon completion, these skills development centres will be responsible for producing skills required to stimulate the local communities within their jurisdiction.

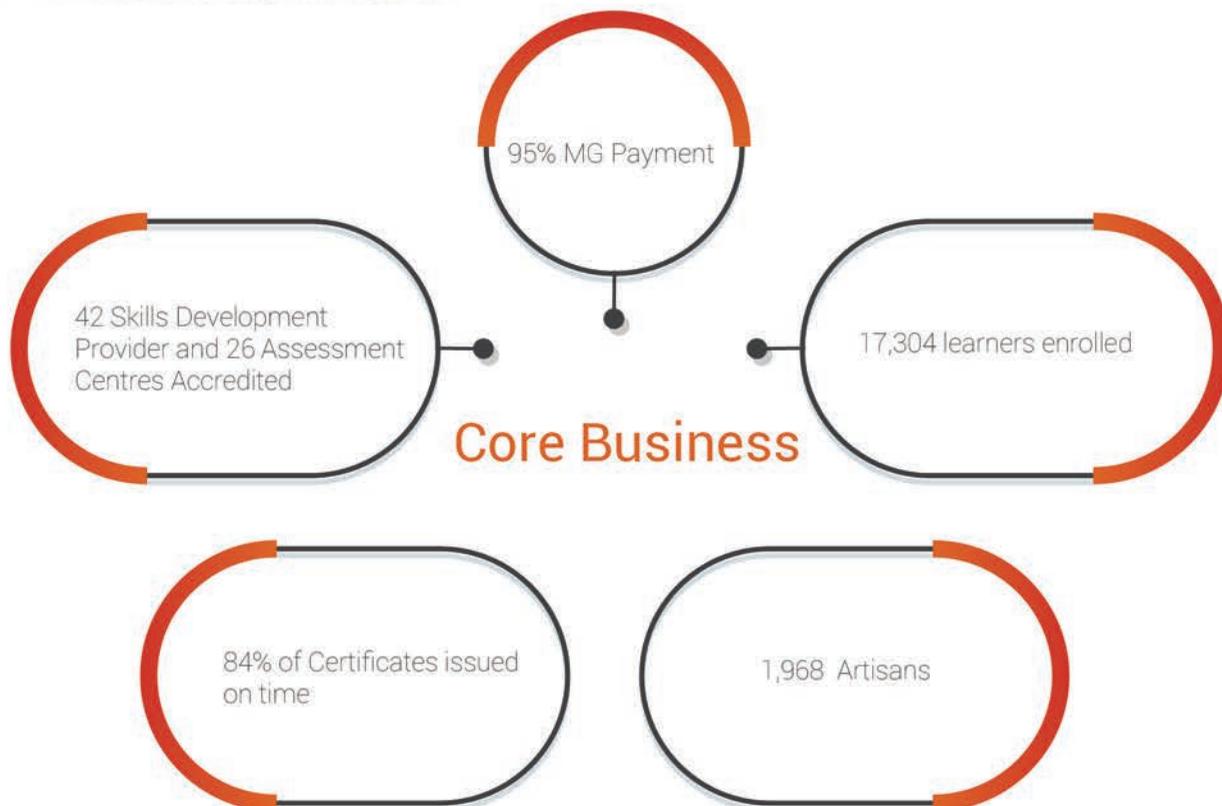
### 2.3.4. Core Business

#### A. Introduction

Core Business is the heart of the Services SETA operations and comprised 52% (129/248) of Services SETA employees at year-end. Core Business processes can be clustered into demand-side and supply-side. The demand-side functions include processing mandatory grant applications, administering the implementation of discretionary grants and registering employer skills development interventions. The supply-side functions include accreditation of Skills Development Providers (SDPs), registration of constituent assessors and moderators, approving workplaces for learning programmes, conducting external moderation of learner achievements, and issuing certificates and statements of results.

Core Business focused on two key priorities in the 2022/23 financial year. That is, transitioning from historical to occupational qualifications and strengthening internal controls through business process development. Considerable progress was made in business process development which will continue into 2023/24. Business processes inform stakeholder capacitation and systems enhancement. Business processes map internal and external activities step-by-step, specifying clear turnaround times. Business processes also accommodate remediation, requests for extension and escalation.

Figure 14. Core Business Key Achievements



Covid-19 has changed our nature of work. Online capabilities have enabled more frequent and cost-effective stakeholder engagement and support. The most significant realisation in 2022/23 was the need to strengthen discretionary grants project monitoring through provincial operations and supporting recipient entities to invoice timeously.

## B. Mandatory Grants

Levy Paying Employers can claim 20% of their 1% Skills Development Levy (SDL) annually from the SETA under which their economic activity is demarcated to fall by submitting a Workplace Skills Plan (WSP) for the forthcoming reporting period and Annual Training Report (ATR) for the previous reporting period having been implemented. The statutory deadline for submission is 30 April of every year. Employers may apply for and be granted a one-month extension subject to certain conditions.

At the end of the 2022/23 financial year, 2,509 prior scheme year claims remained valid but required remediation of documentation for payment. Outstanding declarations of truth, proof of banking details and evidence of implementation often delay reimbursement. Given that claims are valid for five years, 25% (625/2,509) of prior scheme year claims expire on 01 April 2023, leaving a balance of 1,672.

In addition to the above, 95% (4,016/4,219) of applications received in the 2022/23 financial year were approved for payment. The balance of 212 applications requires remediation and will be added to the prior scheme year claims of 1,672, totalling 1,884. The remaining 297 applications were identified as applications with only WSP submissions and may not be approved, as no ATR was submitted.

The Services SETA Accounting Authority resolved to fund employed skills programmes for Skills Development Facilitators (SDFs) supporting Services SETA Levy Paying Employers to increase mandatory grant submission and compliance rate. This offering will continue into 2023/24.

## C. Discretionary Grants

Discretionary Grants refer to Skills Development funding awarded to entities for implementation at the discretion of the SETA Accounting Authority. The majority, 49,5%, of SETA funding is allocated through Discretionary Grants, and 80% must be invested in qualification-aligned learning programmes.

SETAs award Discretionary Grants in response to advertised opportunities or through strategic partnerships to meet annual funded learning programme targets for learners enrolled and completed. Considerations include the SETA SSP, transformational imperatives, and other national priorities. Grant recipients that fail to implement can negatively affect the SETA's performance results. Active collaboration and support are, therefore, critical requirements for success.

The Services SETA implements a tranche payment model informed by working capital requirements for effective implementation. The budget is split into non-stipends and minimum stipend contributions per learner for stipend-bearing learning programmes. Employers are required to disburse learner stipends in compliance with applicable legislation. Expenditure is subject to evidence of learner retention and attendance.

In 2022/23, the Services SETA commenced 364 projects across 214 entities for 17,304 learners, excluding bursaries. In the same period, the Services SETA reported 6,301 successful completions. As of 31 March 2023, the throughput rate for the learners that enrolled in 2021/22 was 37% (4,659/12,519). Core Business will continue reconciling learner terminations, completions, and throughput rates (successful/competent completions) to ensure that all projects and learners are properly accounted for. The real value is only derived from competencies and skills successfully developed.

The Services SETA awarded 26 entities a part-ARPL (Artisan Recognition of Prior Learning) for 1,968 learners that had completed most but not all components of learning required for trade testing. This project will contribute towards the Services SETA artisan completion target.

## C. Employer Skills Development

Various incentives exist to encourage employers to increase their investment in skills development. Employers can benefit from tax deductions for funding learnerships and apprenticeships in terms of Section 12H of the Income Tax Act. The deductions consist of an allowance for enrolment and completion. The allowance amount increases if the learner is a person with a disability. Employers can also benefit from the Employment Tax Incentive (ETI) aimed at encouraging employers to hire young work seekers.

To affect the above, employers submit applications and learner documentation to the Services SETA for verification and enrolment, similar to that processed for SETA-funded learning programmes. A Workplace Based Learning Programme Agreement (WBLPA) must be submitted and registered for all learners.

Employers can also earn maximum skills development B-BBEE (Broad-Based Black Economic Empowerment) points if they spend the required 3% or 6% of their annual payroll on SETA-accredited learning programmes, depending on their business category determined by annual turnover. Evidence of mandatory grant submission and approval by the SETA is required.

In 2022/23, 84% (1,525/1,811) of applications received were approved, and 50% (10,939/22,023) of learner documents received were verified, resulting in 4,008 learners being registered (prior year and current year learners). Demand and document remediation remain high and constrain capacity.

### **E. Skills Development Provider Accreditation**

The Services SETA stopped accepting accreditation applications for historical qualifications at the end of August 2022 and contracted additional human resources to assist in processing all these applications prior to the time limit of 30 June 2023. This freed-up capacity for Services SETA officials to design, develop and initiate business processes aligned to occupational qualifications. Occupational qualifications expand the registration of constituent assessors and moderators to include facilitators and mentors clustered under Subject Matter Experts (SMEs), introduce the accreditation of assessment centres, and require scheduling and moderating of external assessments.

As the recognised Assessment Quality Partner (AQP), the Quality Council for Trades and Occupations (QCTO) allocated 42 Skills Development Providers (SDP) and 26 Assessment Centres accreditation applications to the Services SETA for Occupational Qualifications during the latter part of 2022/23. The new business processes were piloted through processing these applications.

### **F. Workplace Approval**

To strengthen compliance with the Workplace Based Learning Programme Agreement Regulations, the practice of workplace approval was extended from apprenticeships to learnerships and internships in 2021/22. Discretionary Grant funded projects were prioritised upon commencement, and the submission of a workplace approval application was stipulated as a requirement for first tranche payment. The objective of workplace approval is to strengthen workplace-based learning outcomes by facilitating the preparedness and suitability of workplaces.

The approval process typically involves an evaluation of factors such as the physical workspace, resources, equipment, health and safety, compliance with employment and industry regulations, the presence of qualified and experienced mentors to guide and support learners during implementation, and the employer's commitment to providing practical, hands-on learning experiences for learners. The business process will be strengthened for occupational qualifications to ensure compliance with qualification-specific criteria set out in the curriculum document.

A total of 315 workplace approval applications were received in 2022/23, 54% (170/315) for Discretionary Grant projects and 46% (145/315) for apprenticeships, of which 71% (25/170) and 91% (133/145) were approved respectively.

### **G. External Moderation of Learner Achievements and Certification**

External moderation is a quality assurance process that validates the consistency, accuracy and fairness of learner achievements assessed against learner portfolios of evidence. A percentage of learners are randomly selected per cohort. In 2022/23, the Services SETA externally moderated and issued certificates or statements of results for 98% (73,369/74,886) of learners that Skills Development Providers registered as having achieved a whole or part qualification. Comparable with funded learner enrolments, most of the demand stems from non-Services SETA-funded learning programmes.

SETAs are required to upload all learner achievements onto the South African Qualifications Authority (SAQA) National Learners Record Database (NLRD) twice annually as scheduled. The Services SETA successfully uploaded its data and achieved a green status in 2022/23. Learners, employers, and verification agencies can request verification of qualifications via SAQA. Verification of qualifications has become a standard requirement in recruiting job seekers; therefore, data reliability and completeness are critical to facilitate employment.

## **2.3.5. Corporate Services**

### **A. Introduction**

As a key enabler of organisational performance, Corporate Services plays a pivotal role in fostering seamless operations and maintaining a human connection with stakeholders. The department's core responsibilities encompass Human Resources Management and Development, Information and Communications Technology (ICT), Facilities Management, Records Management, and Marketing and Communications.

Corporate Services aims to create a conducive working environment for employees and external stakeholders by serving as a fundamental pillar. This strategic support is crucial in supporting the delivery of the organisation's vision and mission.

## B. Information and Communication Technology

The ICT department emerged as a key driver of innovation, implementing transformative projects to improve service delivery, efficiencies integration and organisational cybersecurity posture. Notably, the department spearheaded the organisation's transition to a fully Microsoft-powered business, ushering in a new era of streamlined operations and heightened productivity. The Microsoft-powered SharePoint solution successfully automated the manual memo approval processes, which continues to improve operational efficiencies within the organisation. The ICT Department also mitigated the current risk of loadshedding and power outages by strengthening the resilience of the organisation's data centre. The point-to-point system integration efforts were further augmented through significant enhancements to the learner management system, paving the way for seamless collaboration and improved service provision. These initiatives laid a solid foundation for systems integration, a pivotal milestone in Services SETA's journey, ultimately leading to a year-on-year reduction of the learner management system queries by more than 65%.

Recognising the importance of a robust online presence, the Corporate Services department dedicated resources to revamping and redesigning the organisation's website. The result was a visually appealing, user-friendly platform that optimised the user experience for stakeholders. The website overhaul aligned with the department's steadfast commitment to harnessing technology as an enabler of superior service delivery. The website's launch was met with a positive response, with users praising its intuitive navigation and modern design.

## C. Human Resources Management and Development

The Human Resource Management and Development (HRM&D) unit was responsible for realigning the organisational structure to enable the organisation to deliver the Occupational Qualifications and, ultimately, the National Skills Development Plan 2030.

The Organisational Development (OD) project aims to create an agile and purpose-driven organisational structure. HRM&D seeks to create a more efficient and effective organisation through this project.

Emphasising staff professional growth and well-being, the HRM&D unit championed implementing the Services SETA Workplace Skills Plan (WSP) to drive a high-performance culture.

In addition, over 100 staff members and their families accessed the Employee Assistance Programme (EAP). The EAP is another strategic programme that showcases the organisation's commitment to the holistic well-being of its most valuable assets, its employees.

At the forefront of Services SETA's accomplishments for the period under review is the unwavering support provided by its passionate and committed workforce. Acknowledging the pivotal role played by employees in driving organisational performance, the Corporate Services department championed initiatives to foster a culture of engagement and value creation. Employee well-being and professional development have sparked a motivated and customer-focused team, evident in the 80% stakeholder satisfaction score. We strive to continue improving our performance and setting the standard for excellence in public service. We are committed to creating an environment of mutual respect and trust and providing employees with the necessary resources to excel and grow professionally.

## D. Facilities Management

The Facilities Management unit emerged as a pillar of support, ensuring staff health and safety across all office locations. The unit provides a secure and conducive work environment by diligently implementing robust measures, fostering productivity and overall well-being. The department's dedication to creating an optimal workplace underscores the organisation's commitment to its employees' welfare. Investments in facilities ensure business continuity during power outages and water shortages.

## E. Records Management

In keeping with regulatory requirements and industry best practices, the Records Management unit spearheaded the successful implementation of the Protection of Personal Information Act (POPIA) and the Promotion of Access to Information Act (PAIA). The achievement demonstrates the department's commitment to data and record management, safeguarding sensitive information and compliance with legislation.

## F. Marketing and Communications

From a marketing and communications standpoint, Services SETA outperformed expectations, surpassing the career exhibition targets in rural and urban areas. A particular highlight was the organisation's active participation and leadership in the Department of Higher Education and Training's Heritage Careers Expo for the second consecutive year.

This three-month-long extravaganza featured engaging career talks, masterclasses, expos, and visits by disadvantaged learners to iconic heritage sites, including Robben Island. Services SETA effectively showcased diverse career opportunities in sectors such as hair, beauty, funeral services, and event management, serving as a catalyst for inspiration and empowerment among learners.

The department would like to extend heartfelt gratitude to the dedicated stakeholders who generously devoted their time to educating learners from disadvantaged schools about the array of careers available in the services sector. These industry insights provided educational value and served as a wellspring of inspiration, nurturing young minds' dreams and aspirations. Their invaluable contributions continue to shape a brighter future for our nation.

In conclusion, the Corporate Services Department of Services SETA support has contributed to helping the organisation achieve its 2022/23 financial year goals. From pioneering technological advancements and nurturing a culture of employee well-being to achieving exceptional stakeholder satisfaction and making significant strides in marketing and communications, the department plays a crucial role in driving Services SETA's performance and solidifying its reputation as a caring and competent organisation. As we reflect on our accomplishments, we recommit ourselves to even greater heights. We remain steadfast in our mission to empower individuals and uplift communities through transformative services.

### 2.3.6. Finance

#### A. Funding

Services SETA is mainly funded by Skills Development Levies as imposed by the Skills Development Levies Act. Section 3(1) and 3(4) of the Skills Development Levies Act No. 9 of 1999, as amended, prescribe for registered member employers of the Services SETA to pay a skills development levy of 1% of the total payroll cost to DHET through SARS. Employers with an annual payroll cost less than R500,000 are exempted in accordance with Section 4(b) of the SDLA (1999) as amended. In addition, Services SETA received interest through investments made in line with Section 14(2) of the Skills Development Act.

#### B. Financial Analysis

It gives me pleasure to provide a three-year graphical picture of our financial performance and position and commentary on the annual financial statements (AFS) for the year ended 31 March 2023.



#### C. Revenue

Overall revenue increased by 15% compared to 2021-2022, which is purely due to the stabilised performance of the services sector employers post the COVID-19 impact. The 2022-2023 revenue is a positive indicator of the ability of employers to stay viable post the COVID-19 years. All surplus funds remain invested with the Reserve Bank on a CPD account as prescribed by PFMA.

#### D. Expenditure

The spend on direct discretionary grants accounts for 50% of the total expenditure incurred in the 2022-22 financial year. This shows a drastic improvement from 2021-22, wherein direct discretionary grants amounted to only 38% of total expenditure. The expenditure incurred for direct discretionary grants is still lower than the approved budget allocated for project spend, indicating that the implementation of projects is still not fully aligned with disbursement for the same period. Mandatory grants expenditure indicates that employers have claimed 56% of the mandatory grants levy portion.

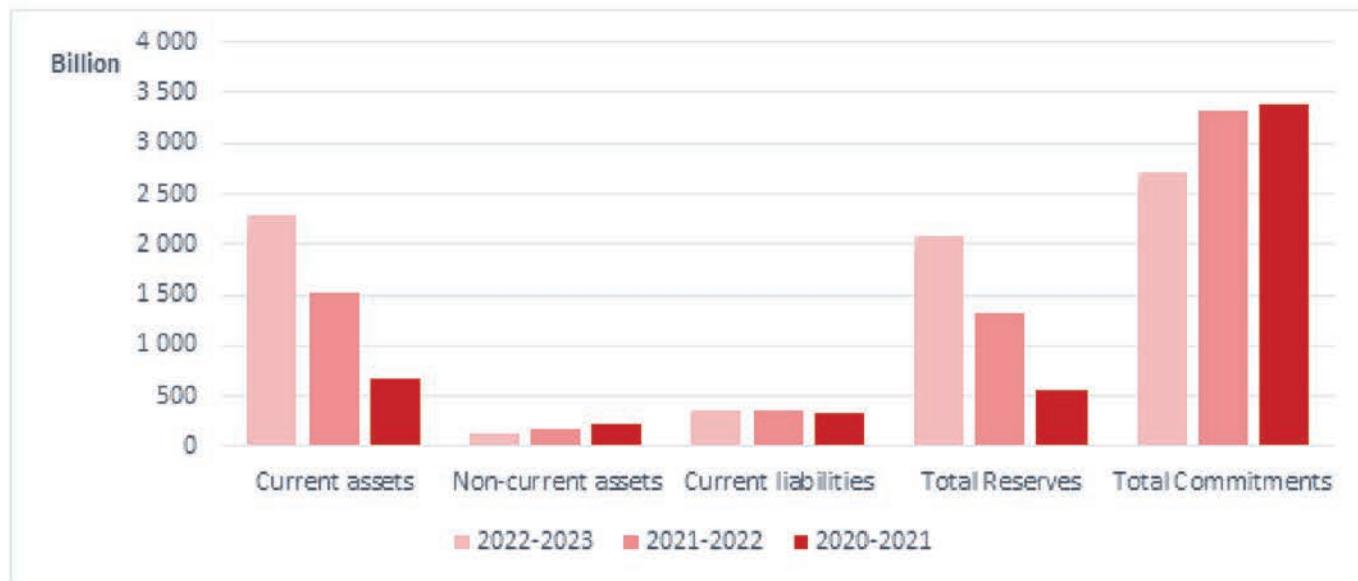
## E. Financial Stability

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Figure 16. Financial Position, 2023



The continuous increase in current assets is attributable to available funds due to learning programmes being implemented later than initially planned, resulting in expenditure overlapping to the ensuing financial year. On average, it takes Services SETA 30 days to settle administration and discretionary grants payables; this indicates improved processes linked to verifying invoices and processing for payment. Services SETA continues to improve its controls to support suppliers and grantees to reduce delays timeously. The current ratio is 6.57:1. The reserve balance and commitment balance are now closer to each other due to the realisation of benefits from the rationalisation process.

## F. Supply Chain Management

We have a sound SCM system established and maintained as Section 76(4) of the PFMA prescribes. During the 2022 - 2023 financial year, the following were awarded:

- R 78,578,967.01 to more than 51% black-owned service providers.
- R 32,978,345.41 to more than 30% of women service providers.
- R 79,736,397.14 with services providers with a favourable BEE Status level (1 - 4)

## G. Supplier Development

The Services SETA continues to develop qualifying suppliers by availing payment of their compliant invoices within ten days, in alignment with internal processes. The goal remains to pay service providers within 15 days of receiving goods or services accompanied by a compliant invoice. Apart from this being a response to limited cash flow challenges SMMEs face, this intervention also yields BEE points on the organisation's scorecard, assisting us in complying with the B-BBEE Act. We are engaging in further interventions for the following financial year.

## 2.4. Progress Towards Achievement of Institutional Impacts and Outcomes

### 2.4.1. Impact Statement

#### Impact statement

A skilled, competitive, and entrepreneurial workforce that drives the economic growth of the services sector and contributes to improved quality of life and eradication of poverty

### 2.4.2. Strategic Outcomes and Outcome Indicators

The five outcomes with outcome indicators below directly respond to the priorities set in the NSDP2030. As demonstrated below, the Services SETA has made significant progress toward achieving institutional impact and outcomes. The institutional programme performance outlined below illustrates the extent of progress at year three of the five-year strategy.

#### Outcome 1: Enhanced organisational capabilities to deliver the strategy (NSDP)

Outcome Indicator	Baseline 2019/20	Target 2024/25	Actual Achievement as at 31 March 2023 (3-Years performance; 2020/21, 2021/22 & 2022/23)	Variance	Improvements required for the remainder of the planning period; 2023/24 and 2024/25
1.1. Quality of financial statements and reliable performance information submitted	Qualified (audited financial year 2019/20)	Clean Audit Outcome	Qualified (audited financial year 2020/21, 2021/22 & 2022/23)	Negative audit outcome.	Management is working closely with internal and external auditors to track all audits regularly. So far, management has held three meetings with AGSA to seek guidance on appropriate interventions.
1.2. The staff complement was maintained	88%	70%	81%, average for three years.	11%	While the staff complement is within acceptable norms and standards, the SETA has embarked on an Organisational Design project to ensure alignment with the new SETA landscape and appropriateness of the structure. The project will be completed on 31 March 2024. Implementation of recommendations will be affected as they emerge.
1.3. Alignment between business needs and ICT implementation plan in place	60%	80%	79%	-1%	ICT is a critical enabler. The SETA has invested heavily in the Learner Information Management System to ensure the reliability and accuracy of the data captured. The SETA is also exploring effective e-learning platforms to facilitate the speedy provisioning of learning programmes without sacrificing its quality.
1.4. Stakeholder satisfaction rating score	0%	75%	72%	-3%	The outcome of the study confirmed that 72% of stakeholders were satisfied. Recommendations will be implemented to improve stakeholder engagement. This study will likely be repeated later to monitor progress in the rating score. In addition, each stakeholder engagement will be constantly evaluated to identify areas of improvement.
1.5. Effective governance and assurance monitoring system	Good Governance report	Good Governance report	Good Governance report for the past three years	-	Governance at the Services SETA has been largely stable and effective. The Accounting Authority and its Committees meet as per the annual calendar without fail. The Secretariat and management regularly provide training workshops to build capacity among AA members.

## Outcome 2: Enhanced mechanism for effective skills planning through collaborative research and partnerships

Outcome Indicator	Baseline 2019/20	Target 2024/25	Actual Achievement as at 31 March 2023 (3-Years performance; 2020/21; 2021/22 & 2022/23)	Variance	Improvements required for the remainder of the planning period; 2023/24 and 2024/25
2.1. Credible and integrated strategic plans developed	Approved SSP, SP and APP	Approved SSP, SP and APP	Approved credible SSP, SP and APP in the past three years:	-	Internal and external review of the Sector Skills Plan, Strategic Plan and Annual Performance Plan found that the Services SETA plans are aligned with regulated frameworks. Areas of improvement include the explicit use of the Theory of Change in the Strategic Plan in line with the planning framework.
2.2. Number of partnerships to broaden access to skills development opportunities	5	80	41	-39	Public institutions of higher education are critical to enabling the SETA to execute its mandate effectively. The Services SETA has launched an aggressive campaign to partner with public TVET and CET colleges. So far, solid partnerships have been established with 41 TVET/CET and Universities. In addition, the Services SETA has contributed to establishing 15 skills development centres across the country. Central to this initiative is a collaboration between the SETA, TVET/CET/University, and municipalities adjacent to these skills development centres to ensure maximum usage and continued existence and usage beyond the Services SETA's presence.
2.3. Percentage increase in submissions of WSPs	(-3%)	5%	-1%	-4%	Participation of employers in skills development is critical. This is the case because employers have firsthand experience and knowledge of skills shortages in their companies. It is, therefore, important that they actively participate in skills development for their respective sectors. The Services SETA has embarked on a deliverable campaign encouraging employer participation in WSP/ATR submission. This strategy is bearing fruit as more employers submit their WSP/ATRs.

## Outcome 3: Promote access to technical and professional skills for employment and entrepreneurship across the service sector

Outcome Indicator	Baseline 2019/20	Target 2024/25	Actual Achievement as at 31 March 2023 (3-Years performance; 2020/21; 2021/22 & 2022/23)	Variance	Improvements required for the remainder of the planning period; 2023/24 and 2024/25
3.1. Number of entrepreneurs and cooperatives supported	3,233	3,500	2,135	-1,365	Supporting the growth and development of the SME sector is crucial for the services sector economy. A large number of small and informal businesses characterise this sector. The Services SETA has established a programme dedicated to supporting the growth and development of this sector.
3.2. Number of interventions embarked upon with employers to improve enrolment in and completion of priority occupations	-	150	331	181	Occupationally directed qualifications place a greater emphasis on workplace-integrated learning. Since the training is occupationally directed, the intention is to expose the trainee to the world of work as early as possible. This will only be possible with the full cooperation of employers. To this end, the Services SETA is establishing long-term relationships with employers to open more opportunities for work placement.
3.3. Number of learners enrolled in priority occupations	158,334	65,000	33,618	31,382	Targeted interventions focussing primarily on priority occupations, including those that support the ERRSP.

## Outcome 4: Enhanced Quality Assurance efficiencies to execute QCTO delegated functions

Outcome Indicator	Baseline 2019/20	Target 2024/25	Actual Achievement as at 31 March 2023 (3-Years performance; 2020/21; 2021/22 & 2022/23)	Variance	Improvements required for the remainder of the planning period; 2023/24 and 2024/25
4.1. Percentage of external moderation and evaluation conducted within specified timelines	80%	85%	95%	10%	Certificates mean a great deal for job seekers. Undue delays in issuing certificates can profoundly comprise those seeking employment. The Services SETA places prime importance on issuing certificates within a stipulated timeframe. So far, performance is at 95% average.
4.2. Percentage of occupational qualifications aligned to priority skills	35%	60%	52%	-8	Qualifications are a bloodline of SETAs. The transition from legacy to occupational qualifications affords SETAs an opportunity to review its suit of qualifications closely. To date, about 70 qualifications have been developed or aligned with the new framework with about 35 successfully registered.

# 3 INSTITUTIONAL PROGRAMMES INFORMATION

## 3.1. Overview of Performance

### 3.1.1. Progress towards achievement of institutional Impact and Outcomes

As demonstrated below, the Services SETA has made significant progress towards achieving institutional impact and outcomes. The organisation has achieved 84% during the 2022/23 financial year. The institutional programme performance outlined below illustrates the extent of progress.

### 3.1.2. Institutional Programme Performance Information

The Annual Performance Plan comprises four programmes. Programme 1 achieved 86%, Programme 2 achieved 91%, Programme 3 achieved 80%, and Programme 4 achieved 100%, respectively, as demonstrated below:

Programme	Achieved	Not Achieved	Total	%Achieved
Programme 1: Administration	6	1	7	86%
Programme 2: Skills Planning	10	1	11	91%
Programme 3: Learning Programmes	24	6	30	80%
Programme 4: Quality Assurance	2	0	2	100%
<b>Total</b>	<b>42</b>	<b>8</b>	<b>50</b>	<b>84%</b>

Performance Indicator Rating Scale:

 Target achieved or exceeded 100% and above	 Target not achieved Below 100%
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## 3.2. Programme 1: Administration

### 3.2.1. Purpose

The purpose of the administration programme is to enable the delivery of the Services SETA Mandate through the delivery of support services.

### 3.2.2. Description of the Programme

The programme comprises the following sub-programmes:

Sub-Programme	Description
Finance	Ensure that the Services SETA's financial affairs are managed transparently, efficiently and effectively in line with the PFMA.
Human Resources Management and Development	Ensures that people with the required knowledge, competencies and behaviours are recruited, retained, and supported to improve individual productivity and organisational performance at the Services SETA.
Information and Communication Technology	This sub-programme ensures that ICT services are integrated, efficient and innovative, enabling improved organisational efficiency and performance.
Marketing and Communications	Expands stakeholder participation by promoting access to services across all sub-sectors and provinces and growing visibility.
Compliance	Ensures compliance with statutory and regulatory provisions and internal policies and procedures monitored and strengthened to mitigate risk and improve organisational performance.
Risk Management	Is responsible for ensuring that enterprise-wide risk management strategy is developed to strengthen organisational effectiveness.
Governance	Ensures good governance at the Services SETA in line with PFMA pursuant to the mandate as enshrined in the Skills Development Act, Skills Development Levies Act and National Skills Development Plan 2030.

This is a support programme whose aim is to ensure that the Services SETA functions effectively and efficiently. The human resources management and development function, as well as compliance, risk, and governance, performed well in the period under review, resulting in 86% achievement. Functions that require improvements include finance and ICT. Intervention plans have been put in place to remediate identified deficiencies.

### 3.2.3. Outcomes, Outputs and Output Indicators

This programme primarily supports Outcome 1: Enhanced organisational capabilities to deliver the strategy (NSDP), but it also supports the implementation of the other four outcomes as a support programme. Outputs and indicators which support the realisation of the outcomes are outlined below:

#### Programme 1: Administration

SUB-PROGRAMME		1.1 Finance						
RESPONSIBILITY		Chief Financial Officer and Executive Manager: Strategy and Planning						
OUTCOME		Enhanced organisational capabilities to deliver the strategy (NSDP)						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Annual Variance	Rating	Variance Explanation and Plan of Action
Error Free Financial Statements and reliable performance information report	1.1.1. No material findings on financial statements and performance information	Qualified	Qualified	Unqualified	Qualified	-100%		In line with the Audit Report issued by the Auditor-General (AGSA), the organisation received a qualified audit opinion for the 2021/22 financial year on financial statements: Commitments disclosure note and Performance information: insufficient measurement definitions and unreliable supporting evidence.  An improvement was recorded as most of the findings were resolved. This was achieved by monitoring and implementing the recommendations and developing mitigation plans.

SUB-PROGRAMME		1.2. Human Resources Management and Development						
RESPONSIBILITY		Executive Manager: Corporate Services						
OUTCOME		Enhanced organisational capabilities to deliver the strategy (NSDP)						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Annual Variance	Rating	Variance Explanation and Plan of Action
Human resource capacitation	1.2.1. Percentage occupancy maintained	65%	88%	70%	90%	20%		The organisation maintained a 90% out of 70% targeted occupancy rate due to healthy staff turnover, timely filling of critical positions, and the organisation's business optimisation process it recently underwent.
SUB-PROGRAMME		1.3. Information and Communication Technology						
RESPONSIBILITY		Executive Manager: Corporate Services						
OUTCOME		Enhanced organisational capabilities to deliver the strategy (NSDP)						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Annual Variance	Rating	Variance Explanation and Plan of Action
ICT infrastructure and systems plans to support Services SETA	1.3.1. Percentage achievement against prioritised ICT implementation plan	63%	100%	70%	78%	8%		The ICT committee approved 9 projects for the year, and 7 projects were prioritised and successfully implemented. Upgrade of AX Dynamics and Implementation of CRM solutions were deferred to the new financial year due to the technical specification requirements, and a process to appoint a provider could

SUB-PROGRAMME		1.4. Marketing & Communications						
RESPONSIBILITY		Executive Manager: Corporate Services						
OUTCOME		Enhanced organisational capabilities to deliver the strategy (NSDP)						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23 (Unaudited)	Annual Variance	Rating	
Enterprise-wide integrated compliance	1.4.1. Stakeholder satisfaction rating score	99%	100%	100%	100%	0%		The organisation surveyed multiple stakeholders, and the final report's results demonstrated that at least 72% of the respondents were satisfied with our offerings, business processes, and services.
SUB-PROGRAMME		1.5. Organisational Compliance						
RESPONSIBILITY		Chief Executive Officer						
OUTCOME		Enhanced organisational capabilities to deliver the strategy (NSDP)						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23 (Unaudited)	Annual Variance	Rating	Variance Explanation and Plan of Action
Enterprise-wide integrated compliance	1.5.1. Percentage of audit and compliance action plans actioned	99%	100%	100%	100%	0%		100% of the organisation's audit and compliance action plans were executed. The organisational compliance unit monitored the achievement of the action plans. Improved progress made on audit action plans was also reviewed by an internal audit to ensure effective governance and combined assurance which contributed to the reduced material audit findings for internal and external audits, specifically for DG commitments, Performance information, and ICT governance.
SUB-PROGRAMME		1.6. Enterprise-Wide Risk Management						
RESPONSIBILITY		Chief Executive Officer						
OUTCOME		Enhanced organisational capabilities to deliver the strategy (NSDP)						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23 (Unaudited)	Annual Variance	Rating	Variance Explanation and Plan of Action
Enterprise-wide integrated risk management	1.6.1. Percentage of risk action plans actioned	100%	100%	100%	100%	0%		Enterprise Risk Management Department monitored risks registered and ensured that all departments managed their ongoing risks by utilising the combined assurance forum quarterly. The positive result demonstrates that the organisation's risk management controls are robust. The target was achieved due to the 100% actioning of the organisation's risks.
SUB-PROGRAMME		1.7. Board Secretariat						
RESPONSIBILITY		Chief Executive Officer						
OUTCOME		Enhanced organisational capabilities to deliver the strategy (NSDP)						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23 (Unaudited)	Annual Variance	Rating	Variance Explanation and Plan of Action
Effective governance oversight	1.7.1. Quarterly Good Governance Report	4	4	4	4	0		The organisation ensured that there was transparency, accountability, and effective and efficient good governance. The Good Governance Reports were submitted to DHET quarterly as an oversight tool to monitor good governance at the Services SETA.

### 3.3. Programme 2: Skills Planning

#### 3.3.1. Purpose

This is a support programme whose aim is to ensure that the Services SETA functions effectively and efficiently. The human resources management and development function, as well as compliance, risk, and governance, performed well in the period under review, resulting in 86% achievement. Functions that require improvements include finance and ICT. Intervention plans have been put in place to remediate identified deficiencies.

#### 3.3.2. Description of the Programme

This programme consists of two sub-programmes, as outlined below:

Sub-programme	Description
<b>Research, Planning, Monitoring, and Reporting</b>	The services sector needs to be researched, documented, and communicated to enable effective annual planning across all economic sub-sectors. Sector Skills, Strategic, Annual and Operational Performance Plans are aligned and updated annually in compliance with regulatory frameworks.
<b>Mandatory Grants</b>	This sub-programme facilitates the participation of employers in skills development through the submission of WSP/ATRs annually.
<b>Stakeholder Relations, Provincial Operations and Chamber Operations</b>	Expand stakeholder participation, promote access to services across all sub -sectors and provinces and grow visibility.
<b>Special Projects</b>	This sub-programme promotes transformational imperatives and national priorities through partnership development with public college systems and organised labour.

This programme is critical for ensuring that the Services SETA puts appropriate measures in place to implement skills development interventions effectively. This is done through research, establishing and maintaining key partners, and mobilising industry and other PSET role players. This programme performed well, achieving 91% of its target. The focus is deepening impact through systematic and strategic monitoring and evaluation.

#### 3.3.3. Outcomes, Outputs and Output Indicators

This programme contributes to Outcome 2: Enhanced mechanisms for effective skills planning through collaborative research and partnerships. The outcome has three outcome indicators and a five-year target. The alignment of outcomes to the outputs is demonstrated below.

#### Programme 2: Skills Planning

SUB-PROGRAMME		2.1. Planning, monitoring, and reporting						
RESPONSIBILITY		Executive Manager: Strategy and Planning						
OUTCOME		Enhanced mechanism for effective skills planning through collaborative research and partnerships						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Annual Variance	Rating	Variance Explanation and Plan of Action
Revised SSP, SP and APP	2.1.1. Evidence-based SSP, SP and APP	Approved	Approved	Approved	Approved	0		Following an intensive consultation with internal and external stakeholders, the Sector Skills Plan (2023/24), Strategic Plan (2020/21 – 2024/25), Annual Performance Plan (2023/24), and Budget and Materiality Framework for the 2023/24 financial year that were considered by the Services SETA Accounting Authority and submitted to DHET, were approved by the Minister on 31 March 2023.

SUB-PROGRAMME		2.2. Research and impact evaluation						
RESPONSIBILITY		Executive Manager: Strategy and Planning						
OUTCOME		Enhanced mechanism for effective skills planning through collaborative research and partnerships						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Annual Variance	Rating	Variance Explanation and Plan of Action
Skills planning research conducted	2.2.1. Number of sector research agreements signed for TVET growth occupationally directed programmes	2	2	2	2	0	😊	The organisation partnered and signed an agreement with IBASA and Nkangala TVET college to conduct sector research for occupationally directed programmes with a focus on (i) the mismatch between supply and demand and (ii) the state of readiness of TVET Colleges to implement SETA occupational qualifications. The indicator is informed by the NSDP 2030 outcomes for SETAs to work closely with TVET Colleges to build capacity and promote occupational qualifications.
	2.2.2. Number of learners who completed workplace-based learning programmes absorbed into employment or self-employment	25,799	9,235	2,000	6,678	4,678	😊	A tracer study was conducted, and the results demonstrated that at least 6,678 learners who completed workplace-based learning programmes in the past financial years were absorbed into employment or self-employment.
	2.2.3. Percentage of discretionary grants allocated at different skills levels	100%	100%	100%	100%	0%	🔴	The organisation's allocation and spending concentrated more on intermediate than low/elementary-level skills due to the nature of programmes offered within the sector. The workforce and skills required in the services sector are mostly intermediate, followed by the elementary level of occupations, thereby requiring a concerted effort to upskill them. However, we recorded a minor under-achievement with -9% variance for elementary and a high over-achievement for Intermediate.
	High-level skills	3%	17%	30%	17%	-13%		The services sector has a low demand and uptake for a high level of skills (NQF 6 – 10) due to the skills required for most of our industries, which resulted in an under-achievement of 17%. A focused intervention is required for sector industries with professional and high skills demand: Management & Business Chamber, Real Estate Chamber and Labour & Collective Chamber.
	Intermediate level skills	40%	40%	30%	52%	22%		
Elementary level skills	57%	43%	40%	31%	-9%			

SUB-PROGRAMME		2.3. Mandatory Grants						
RESPONSIBILITY		Executive Manager: Core Business						
OUTCOME		Enhanced mechanism for effective skills planning through collaborative research and partnerships						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Annual Variance	Rating	Variance Explanation and Plan of Action
Increased number of employers participating in SETA programmes	2.3.1. Number of WSPs and ATRs approved	4,808	4,560	3,852	4,016	164	😊	A total of 4,016 WSPs and ATRs were approved, and employers and mandatory grants were paid to employers that were eligible for reimbursements.  The overachievement was based on the targeted approach of supporting employers with quality assurance of documents, remediations support and technical assistance offered to employers.
	<i>Number of WSPs and ATRs approved for small firms</i>	3,243	3,081	2,513	2,641	128		
	<i>Number of WSPs and ATRs approved for medium firms</i>	935	870	776	783	7		
	<i>Number of WSPs and ATRs approved for large firms</i>	630	609	563	592	29		
	2.3.2. Number of SETA-Employer partnerships established	507	649	50	267	217	😊	A total of 267 SETA-Employer partnerships were established across different sectors, recording a significant positive variance. This signifies that more employers are investing in upskilling their employees in response to recent megatrends such as COVID-19, Technology and Globalization.

SUB-PROGRAMME		2.4. Strategic Partnerships						
RESPONSIBILITY		Executive Manager: Strategic Partnerships and Collaboration						
OUTCOME		Enhanced mechanism for effective skills planning through collaborative research and partnerships						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Annual Variance	Rating	Variance Explanation and Plan of Action
Promote access to skills development opportunities, including in rural areas	2.4.1. Number of Career Development Practitioners trained	20	40	40	45	5	😊	A total of 45 practitioners were trained in Occupationally directed education, training, and development practice across the country, covering various colleges located in North West and Northern Cape Province.
	2.4.2. Number of career exhibitions	12	25	18	49	31	😊	The organisation hosted and participated in various career exhibitions across the country. There was an increased demand for the organisation to participate in exhibitions to increase Services SETA's accessibility, visibility, and awareness.
	<i>Urban</i>	4	13	8	27	19		
	<i>Rural</i>	8	12	10	22	12		
	2.4.3. Number of capacity-building workshops on Career Development Services initiated	9	18	18	19	1	😊	The capacity-building workshops were conducted in multiple TVET colleges, Practitioners, Managers and Lectures on occupational qualifications and programmes. The intervention is aligned with the NSDP outcome: Support the growth of the public colleges system to deliver occupational-directed programmes.
	2.4.4. Number of partnerships HEIs	8	21	15	29	14	😊	Partnerships with Higher Education Institutions increased to implement different learning interventions such as Bursaries, Skills
	<i>TVET</i>	2	11	7	12	5	😊	Interventions such as Bursaries, Skills Programmes, AET, Learnerships and Artisan programmes. With the increased uptake of SETA learning interventions by the public college systems and bursaries targeted funding for students with debts, including the missing middle, a high number of partnerships with TVET Colleges and Universities were recorded.
	<i>HEI</i>	3	6	4	12	8		
	<i>CET</i>	3	4	4	5	1		
	2.4.5. Number of trade unions/federations supported	9	7	5	6	1	😊	Various trade unions/federations were supported with short skills programmes and/or workshops as an intervention to encourage and support worker-initiated interventions. Over-achieved the target with an additional federation due to an increased need to capacitate organised-labour constituencies.
	<i>Trade Unions</i>	7	5	4	4	0		
	<i>Federations</i>	2	2	1	2	1		

### 3.4. Programme 3: Learning Programmes

#### 3.4.1. Purpose

The skills development programme aims to deliver the Services SETA service offering to the target stakeholders to achieve the mandate. The programme is responsible for disbursing Services SETA discretionary grants through special and regular infrastructure development projects, expanding access to skills development in rural and underserved areas, and pivotal learning interventions.

#### 3.4.2. Description of the Programme

This programme consists of two sub-programmes, as outlined below:

Sub-Programme	Description
Special Projects	This sub-programme aims to ensure that transformational imperatives and national priorities are promoted through partnerships, development and strategic integration resulting in the contracting of learners across learning interventions.
Entrepreneurship and Corporate Development Initiative	The programme promotes the growth and sustainability of SMMEs through targeted interventions.
Learning Programmes Interventions	This sub-programme facilitates the uptake of funded and unfunded learning interventions should be improved and monitored to take good stock of the pool of labour provided within the sector.

This programme is critical in measuring the success of the Services SETA in realising its mandate. The bulk of SLA targets resides in this programme. Overall organisational performance for this programme is 80%. The highlight of achievement is the ability of the Services SETA to provide learning opportunities to more 19 000 learners through learnerships, internships, bursaries, skills programmes, AET, artisan and candidacy. The majority of learners are female, African and youth. More than 3% of beneficiaries are people living with a disability.

Additionally, more than 1 000 SMMEs, Coops, NGOs, CBOs, NPOs and emerging entrepreneurs benefited from these interventions. The throughput rate requires close inspection. The majority of learning programme completion targets were not achieved. The Services SETA is working closely with training providers and employers to unblock these bottlenecks.

#### 3.4.3. Outcomes, Outputs and Output Indicators

This programme contributes to Outcomes 3: Promote access to technical and professional skills across the services sector. The outcome has three outcome indicators and a five-year target. The alignment of the outcomes to the outputs is demonstrated below:



### Programme 3: Learning Programmes

SUB-PROGRAMME		3.1. ECD						
RESPONSIBILITY		Executive Manager: Strategic Partnerships and Collaboration						
OUTCOME		Promote access to technical and professional skills across the services sector						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Annual Variance	Rating	Variance Explanation and Plan of Action
Increased participation by entrepreneurs in SETA offerings	3.1.1. Number of enterprises funded for skills that enhance their growth/development/sustainability of their organisations.	84	763	700	783	83		About 783 enterprises were trained on an E-learning course and skills programmes; these beneficiaries participated in a business advisory workshop to enhance their growth/development to sustain their businesses.  Using the e-Learning platform ensured a broader reach of beneficiaries across all provinces. In addition, the ECD team travelled to rural areas to conduct face-to-face training to promote access to skills development opportunities.
	<i>Cooperatives</i>	0	315	300	304	4		
	<i>SMMEs</i>	84	337	300	350	50		
	<i>CBOs/ NGOs/ NPOs</i>	0	111	100	129	29		
	3.1.2. Number of enterprises trained in the sector and national priority occupations or skills.	-	59	60	61	1		The enterprises embarked on a business advisory workshop on the franchising business model, which attracted a considerable audience from SMEs falling under the services sector.
	<i>Established or emergent cooperatives</i>	-	29	30	30	0		
	<i>Small and emerging enterprises</i>	-	30	30	31	1		
	3.1.3. Number of people trained in entrepreneurship supported to start their business.	0	121	200	218	18		More people embarked on Entrepreneurial skills short course to learn techniques and insight on how to start their own businesses. There was a considerable demand for entrepreneurship training programmes, resulting in over-subscription of this training event.

SUB-PROGRAMME		3.2. Strategic Partnerships						
RESPONSIBILITY		Executive Manager: Strategic Partnerships and Collaboration						
OUTCOME		Promote access to technical and professional skills across the services sector						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Annual Variance	Rating	Variance Explanation and Plan of Action
Partnerships established to promote access to skills development opportunities, including rural areas	3.2.1. Number of Centres of Specialisation supported	7	4	4	5	1		More Centres of Specialisation supported to provide an essential service of closing skills gaps in artisan programmes which are in high demand. Moreover, Artisan Development is a Ministerial project, and SETAs are urged to support it.
	3.2.2. Number of TVET Lecturers exposed to the industry through Skills Programmes	0	40	40	42	2		The TVET lecturers from various TVET colleges were trained on the following unit standard: Apply monitoring and evaluation approaches and tools to assess programme performance.
	3.2.3. Number of Managers receiving training on curriculum-related studies - TVET	5	11	5	11	6		The TVET Managers across various TVET colleges were trained on the 3 various unit standards directly linked to the qualification (Occupationally directed education training and development practice)
	3.2.4. Number of TVET colleges' lecturers awarded Bursaries	0	57	70	75	5		The TVET lecturers were awarded bursaries to study at Tshwane University of Technology towards an Advanced Diploma in Technical and Vocational teaching qualification.
	3.2.5. TVET colleges infrastructure development (equipment/workshops)	0	5	2	3	1		The organisational commitment against NSDP outcomes: Increase access to occupationally directed programmes, support the growth of the public college system, and support TVET Colleges with three infrastructure development projects and skills development centres with workshops in KwaZulu Natal and Northern Cape.
	3.2.6. Number of CET colleges lecturers awarded skills development programmes	0	16	10	10	0		The Free State CET College lecturers received a short course training on End User Computing.
	3.2.7. CET colleges infrastructure development support (equipment/workshops/Connectivity/ICT)	0	3	1	1	0		The organisation supported the KwaZulu Natal CET College in infrastructure development with ICT equipment and connectivity.
	3.2.8. Number of Managers receiving training on curriculum-related studies - CET	0	11	5	10	5		The KwaZulu Natal CET managers received training on Training and Development practices. 100% variance was recorded due to high uptake by the CET with an intention to capacitate human resources for delivering the CET curriculum and programmes.
	3.2.9. Number of CET learners accessing AET Programmes	0	20	20	20	0		The WC CET learners received training on the General Education and Training Certificate - GETC (ABET).

SUB-PROGRAMME		3.2. Strategic Partnerships						
RESPONSIBILITY		Executive Manager: Strategic Partnerships and Collaboration						
OUTCOME		Promote access to technical and professional skills across the services sector						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Annual Variance	Rating	Variance Explanation and Plan of Action
	3.2.10. Number of Rural Development Projects initiated	0	7	5	11	6		Due to an increased organisational focus on rural development interventions as a transformational imperative, more projects for different learning programmes (Learnerships, Internships, SMME development and Skills programmes) were initiated to support people in rural areas due to the increased demand to capacitate and upskill business and youth in rural areas.
SUB-PROGRAMME		3.3. Learning Programmes						
RESPONSIBILITY		Executive Manager: Core Business						
OUTCOME		Promote access to technical and professional skills across the services sector						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Annual Variance	Rating	Variance Explanation and Plan of Action
Increased access and throughput of learners to support the flow of skills to the sector	3.3.1. Number of industry learners entered	899	1,650	610	2,793	2,183		There is a high rate of participation by employers in learning interventions funded through their skills development budgets; this is largely due to a need to re-skill/upskill their workforce responding to skills change drivers identified with the services sector: Globalisation, COVID-19, Economy, Technology and Climate change.
	3.3.2. Number of learners enrolled in learnership programmes	0	4,520	8,000	6,736	-1,264		Workers enrolled into learnerships for various occupations, upskilling interventions to respond to skills change drivers hence the achievement.
	<i>Unemployed</i>	0	3,817	7,000	5,717	-1,283		Projects were activated on time to enrol unemployed learners. However, delays were experienced for a few projects during the quality assurance process to ensure that compliant and reliable performance was reported, resulting in an 18% negative variance against the target.
	<i>Worker</i>	0	703	1,000	1,019	19		Due to the performance outcome of the unemployed sub-indicator, the learnership

SUB-PROGRAMME		3.3. Learning Programmes						
RESPONSIBILITY		Executive Manager: Core Business						
OUTCOME		Promote access to technical and professional skills across the services sector						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Annual Variance	Rating	Variance Explanation and Plan of Action
	3.3.3. Number of learners who completed learnerships programmes	763	262	2,051	1,425	-626		With the reasonable pipeline of enrolments during 2021/22: unemployed 3 827 and worker 703. The completions target for 2022/23 was at least achieved above 60% from this pipeline.  The variance was due to a high number of active projects, which commenced in Q4 of FY 2021/22, whereas learnerships require at least 12 months of training.
	<i>Unemployed</i>	743	262	1,701	1,313	-388		
	<i>Worker</i>	20	0	350	122	-228		
	3.3.4. Number of learners granted bursaries	237	1,627	1,420	1,808	388		The organisation continued with great investment to fund new unemployed bursars (sub-indicator) in partnership with various universities through USAf, contributing towards key national priorities. The high update, above 60%, was due to increased funding challenges for the missing middle and students with existing debts.  However, the indicator was not achieved overall due to non-achieved performance for newly employed and continuing unemployed. This was due to the low uptake of employed bursars in the current financial year, and retention of continuing learners is low for various reasons, including high failure and dropout rates.  The Overall indicator was not achieved due to a sub-indicator not achieved. However, in aggregate the total is above target.
	<i>Unemployed learners (new enrolments)</i>	87	1,072	800	1,353	553		
	<i>Unemployed learners (continuing)</i>	0	112	200	101	-99		
	<i>Workers (new entries)</i>	150	430	420	354	-66		
	<i>Workers (continuing)</i>	0	13	0	0	0		
	3.3.5. Number of learners granted Bursaries completed their studies	243	1,006	652	654	2		The fund disbursed to unemployed bursars by the organisation contributed positively towards the unemployed completion target.  Completion rates are low for working bursars; this has been a challenge and may be due to various reasons, including high failure rates, lack of support interventions by employers and drop rates. The organisation will consider focused support interventions to fund employed bursars.  The overall indicator was reported as not achieved due to a sub-indicator not being achieved.

SUB-PROGRAMME		3.3. Learning Programmes						
RESPONSIBILITY		Executive Manager: Core Business						
OUTCOME		Promote access to technical and professional skills across the services sector						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Annual Variance	Rating	Variance Explanation and Plan of Action
	<i>Unemployed</i>	228	768	400	619	219		
	<i>Worker</i>	15	238	252	35	-217		
	3.3.6. Number of Internships Entered	0	1,161	2,000	2,079	79	😊	South Africa is considered to have one of the world's highest youth unemployment rates. Internship programmes are meant to address this crisis. As a result, both the Presidency and the Ministry of Higher Education and Innovation have placed prime focus on this programme, targeting youth.  Through a Service Level Agreement, the Services SETA supports this intervention and has worked closely with institutions of higher learning, trade unions and employers to find a work placement opportunity for unemployed graduates.
	<i>Unemployed learners</i>	0	427	500	503	3		
	<i>TVET students</i>	0	375	1000	1016	16		
	<i>Universities students</i>	0	359	500	560	60		
	3.3.7. Number of Internships Completed	502	108	505	182	-323	😞	Internships entered are a priority for the organisation, as above. In the prior year, enrolled interns during 2021/22 were 1 161. The variance was due to a high number of active projects, which commenced in Q4 of FY 2021/22, whereas internships require at least 12 months and TVET students at least 18 months. Hence the -91% (highest variance). The indicator was not achieved.
	<i>Unemployed learners</i>	253	93	189	110	-79		
	<i>TVET students</i>	201	15	158	15	-143		
	<i>Universities students</i>	48	0	158	57	-101		
	3.3.8. Number of learners enrolled for Skills Programmes	0	5,896	6,500	6,656	156	😊	Change drivers for skills development in the services sector necessitated industries to invest in short skills programmes to upskill the workforce, and the unemployed participated in the short programmes to be skilled/develop a new set of skills for employability.
	<i>Unemployed</i>	0	2,622	2,500	2,631	131		
	<i>Worker</i>	0	3,274	4,000	4,025	25		

SUB-PROGRAMME		3.3. Learning Programmes						
RESPONSIBILITY		Executive Manager: Core Business						
OUTCOME		Promote access to technical and professional skills across the services sector						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Annual Variance	Rating	Variance Explanation and Plan of Action
	3.3.9. Number of learners completed Skills Programmes	761	1,625	2,958	3,194	236	😊	A high enrolment rate in response to increased demand for short skills programmes to upskill workers and develop new skills for the employed ensured a healthy pipeline for completion to support the industry in filling critical skills required.
	<i>Unemployed</i>	242	1,130	1,225	1,316	91		
	<i>Worker</i>	519	495	1,733	1,878	145		
	3.3.10. Number of unemployed learners enrolled for Candidacy programmes	0	216	120	157	37	😊	A partnership with the real estate, management & business sub-sectors and professional bodies ensured a high subscription to this training intervention. Uptake was high due to a need to upskill and professionalise the workforce in the industry.
	3.3.11. Number of unemployed learners completed Candidacy programmes	0	0	42	125	83	😊	Achieved due to a healthy enrolment pipeline as above, and most candidacy programmes were completed within 12 months, including professional exams.
	3.3.12. Number of artisan learners enrolled	0	355	1,000	1,036	36	😊	Artisan development is a national skills priority due to the country's critical shortage of artisans. The Services SETA is committed to supporting this initiative for various trades, including the hairdresser trade being the only trade belonging to the services sector, hence overachievement.
	3.3.13. The number of artisan learners completed	390	1,517	1,000	1,031	31	😊	In addition to a healthy pipeline of supply from previous years as a direct response to the national priorities, the Services SETA invested in ARPL programmes for employed and skilled learners who lacked recognised qualifications. This intervention increased the completion rates for our sector.
	3.3.14. Number of learners enrolled in RPL/ARPL	0	144	150	190	40	😊	RPL is one of the key interventions aimed at ensuring the upward mobility of workers through recognised qualifications. It is vital to certify these workers to acknowledge their experience and knowledge and facilitate their promotion at their workplaces.  Critical projects were activated from our commitments with appropriate interventions devised and implemented, resulting in an over-achievement of 27%.
	3.3.15. Number of learners who completed RPL/ARPL	8	0	56	79	23	😊	An intensified campaign by the Services SETA to RPL employees with prior work experience in critical industries but lacked recognised qualifications resulted in

SUB-PROGRAMME		3.3. Learning Programmes						
RESPONSIBILITY		Executive Manager: Core Business						
OUTCOME		Promote access to technical and professional skills across the services sector						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Annual Variance	Rating	Variance Explanation and Plan of Action
	3.3.16. Number of workers enrolled in AET programmes	0	350	500	450	-50		<p>There was a change in the current year; the indicator is aimed to skill school-drop outs and literacy for the employed. As a result, recruiting employed learners always presents a challenge, as most employers are reluctant to release employees for training purposes.</p> <p>The organisation did well, achieving 90% in the first year of enrolling workers against an AET programme. The industries within the sector with a workforce requiring this intervention will be mobilised to address the challenge.</p>
	3.3.17. Number of workers who completed AET programmes	4	0	140	143	3		AET programme completions were achieved due to a high enrolment above and a good throughput rate.

### 3.5. Programme 4: Quality Assurance

#### 3.5.1. Purpose

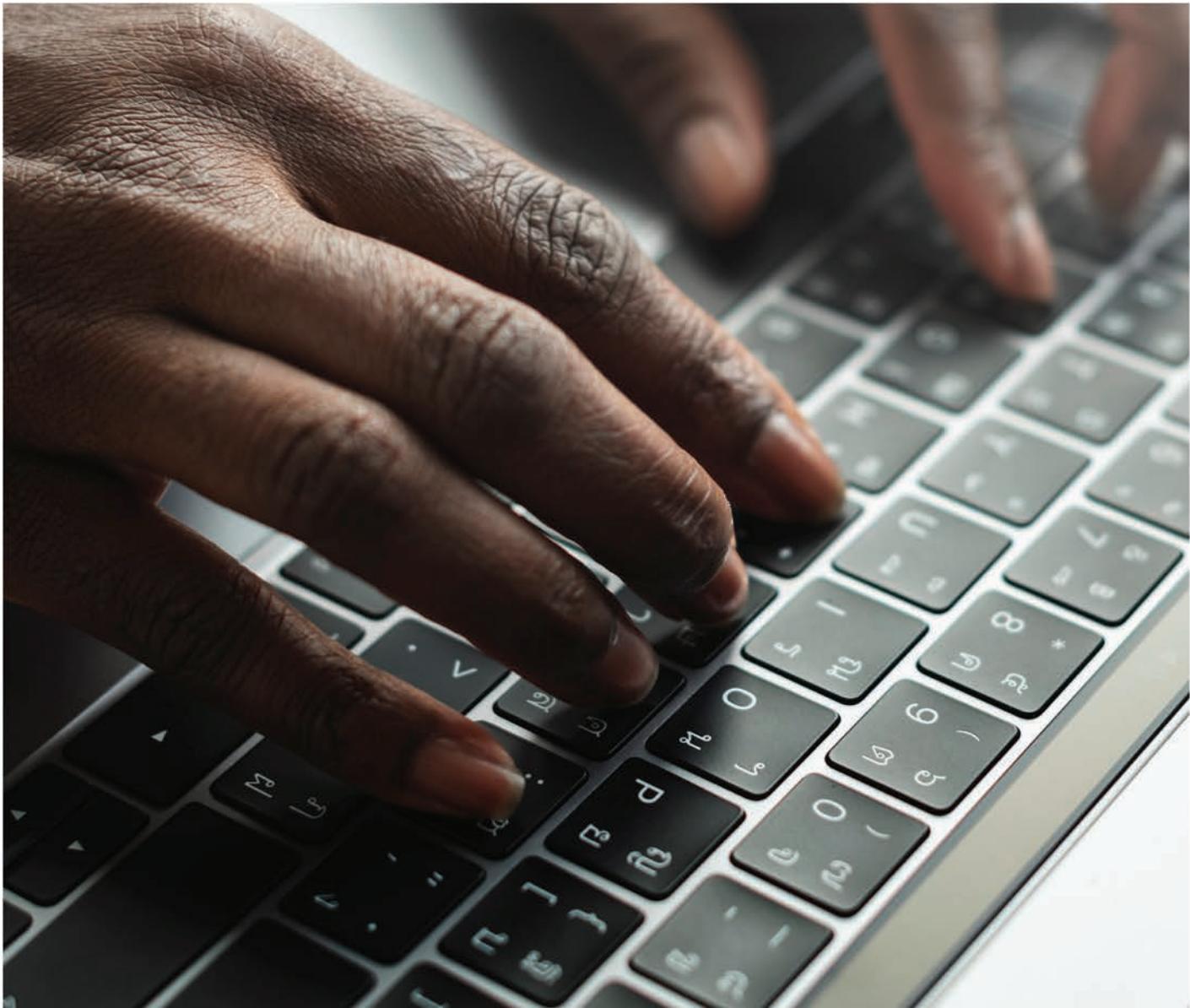
Quality assurance of occupationally directed qualifications in line with the QCTO assessment policy and certification process. This programme contributes to Outcome 5: Enhanced Quality Assurance efficiencies to execute QCTO delegated functions. This sub-programme aims to accredit skills development providers and fulfil the QCTO delegated quality assurance of learner achievement's function.

#### 3.5.2. Description of the Programme

This programme consists of two sub-programmes, as outlined below:

Sub-programme	Description
Certifications	Facilitates speedy issuing of certificates of completion to learners to promote timely employability of learners
Qualification's development	Strengthens supply by ensuring adequacy and availability of occupationally directed qualifications aligned to the QCTO assessment policy and certification process

This programme is aligned to deliver functions delegated to the Services SETA by QCTO, both as Development Quality Partner and Assessment Quality Partner. Programme 4 is dedicated to ensuring efficiencies in building capacity to supply occupational qualifications and ensuring that learners who completed programmes are certified. This programme performed well, achieving 100%.



## Outcomes, Outputs and Output Indicators

This programme contributes to Outcome 4: Strengthened quality partners to improve the supply side. The outcome has an outcome indicator and a five-year target. The alignment of the outcomes to the impact statement is as demonstrated below.

SUB-PROGRAMME		4.1. Certifications						
RESPONSIBILITY		Executive Manager: Core Business						
OUTCOME		Enhanced Quality Assurance efficiencies to execute QCTO delegated functions						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Annual Variance	Rating	Variance Explanation and Plan of Action
Improve learner throughput	4.1.1. Percentage of learners receiving certificates/SOR	87%	97%	80%	98%	18%		<p>Improved internal processes ensure timely scheduling of external moderation issuing of SOR/Certificates; this was due to the reviewed business process.</p> <p>Furthermore, more projected completed learners were loaded for external moderation by the skills development providers, and certificates/SoR were issued within a reasonable turn-around time.</p> <p>The input of certificates due for printing as per approved external moderation reports during the period under review, 75 482, which includes 883 inputs carried forward from moderation reports approved in the prior year/opening balance. Output recorded during the period was 73,620, which resulted in a performance of 98%. Only 2% of learner certificates/SoR from the inputs of the year/period could not be printed as at the 31st of March 2023.</p>

SUB-PROGRAMME		4.2. Qualifications Development						
RESPONSIBILITY		Executive Manager: Strategy and Planning						
OUTCOME		Enhanced Quality Assurance efficiencies to execute QCTO delegated functions						
Output	Output Indicator	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Annual Variance	Rating	Variance Explanation and Plan of Action
Strengthen the development and alignment of SETA qualifications to occupational qualifications	4.2.1. Number of qualifications developed or aligned to the priority skills	5	10	10	11	1		<p>More focus on occupational qualifications requiring realignment/development, with support from industry experts and development facilitators, resulted in improved performance. Six full qualifications and five skills programmes were developed.</p> <p>This performance is aligned with NSDP 2030 outcome: Identification and production of occupations in high demand as qualifications developed will enable capacity to supply directed programmes for occupations in demand.</p>

Table 6. Linking performance with budgets

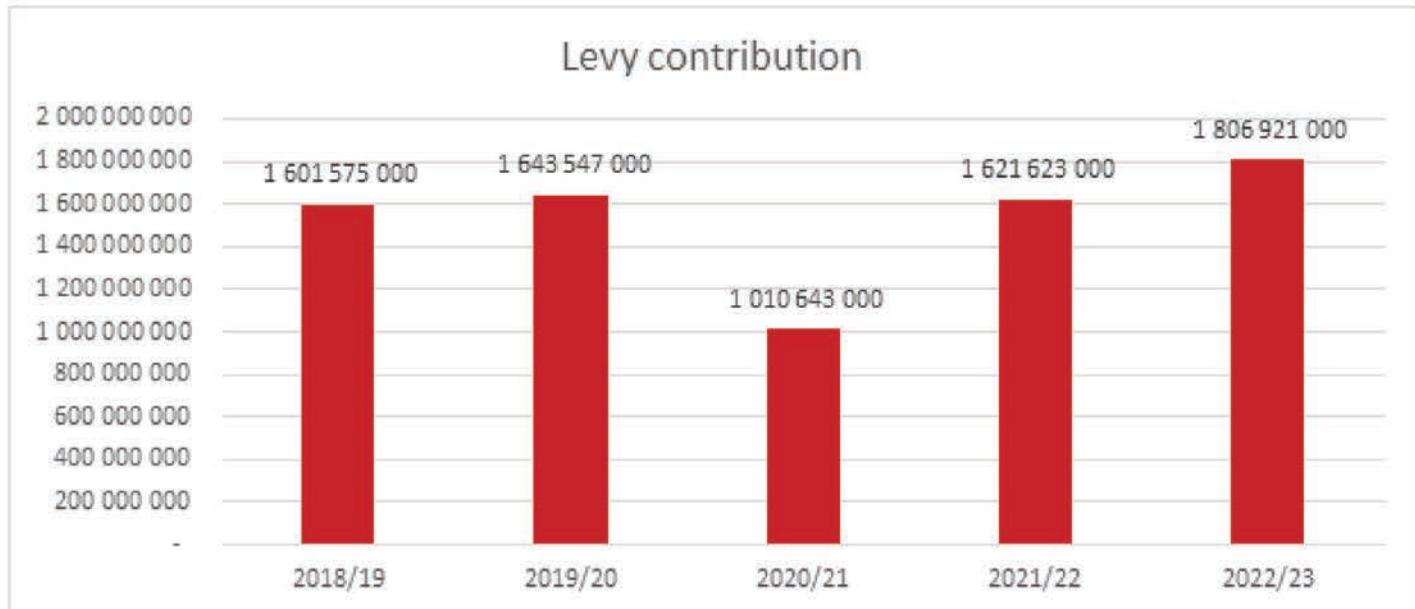
Programme	2022/2023			2021/2022		
	Budget	Actual Amount	(Over)/Under Expenditure	Budget	Actual Amount	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1	200,428	225,831	(25,402)	192,358	199,451	(7,093)
Programme 2- 4	1,342,972	974,987	367,985	1,095,728	745,482	350,246
<b>Total</b>	<b>1,545,400</b>	<b>1,200,818</b>	<b>344,582</b>	<b>1,288,086</b>	<b>944,933</b>	<b>343,153</b>

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## 4 REVENUE COLLECTION

The Services SETA receives revenue through the skills levy collected by South African Revenue Services (SARS) from employers falling under the services sector. Over the last two years, the Services SETA revenue collection points towards a recovery and growth trajectory post the interruption by the COVID-19 pandemic in 2020-21. The figure below illustrates levy revenue trends in the last five years.

Figure 17. Levies Contribution (excluding penalties and interest) 2018/19-2022/23



This programme consists of two sub-programmes, as outlined below:

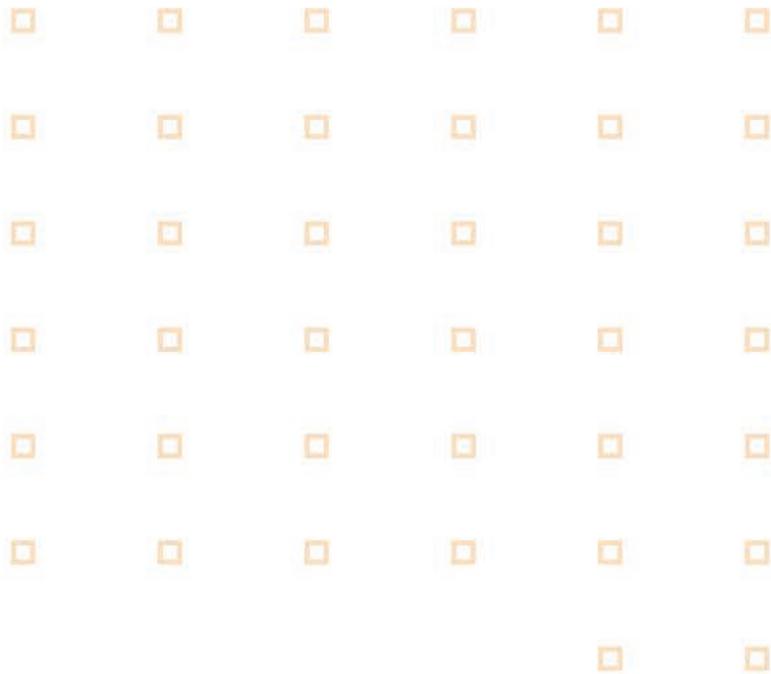
Table 7. Revenue Received from Levies, Penalties and other instruments

Revenue Sources	2022/2023			2021/2022		
	Estimate (R)	Actual Amount Collected	(Over)/Under Collection	Estimate (R)	Actual Amount Collected	(Over)/Under Collection
Levies	1,525,547,899	1,806,921,233	(280,373,334)	1,326,000,000	1,621,622,882	(295,622,882)
Penalties and interest	0	29,624,480	(29,624,480)	0	45,405,122	(45,405,121)
Investment Income	19,852,072	104,561,665	(84,709,593)	15,087,320	33,232,187	(18,144,867)
Other income	0	16,729,127	(16,729,127)	0	7,486,438	(7,486,438)
<b>Total</b>	<b>1,545,399,971</b>	<b>1,957,836,505</b>	<b>(411,436,534)</b>	<b>1,341,087,320</b>	<b>1,707,746,629</b>	<b>(366,659,309)</b>

The table below shows levy contributions by chamber. Management and Business Services Chamber is the largest contributor.

Table 8. Levy Contributions by Chamber

Chamber	Levy Amount	Chamber contribution in %
Cleaning and Hiring Services	R72,570,416	4%
Communication and Management Services	R91,738,318	5%
Labour and Collective Services	R167,360,102	9%
Management and Business Services	R1,355,214,918	74%
Personal Care Services	R24,827,483	1%
Real Estate and Related Services	R127,841,285	7%
<b>Grand Total</b>	<b>R1,839,552,521</b>	<b>100%</b>

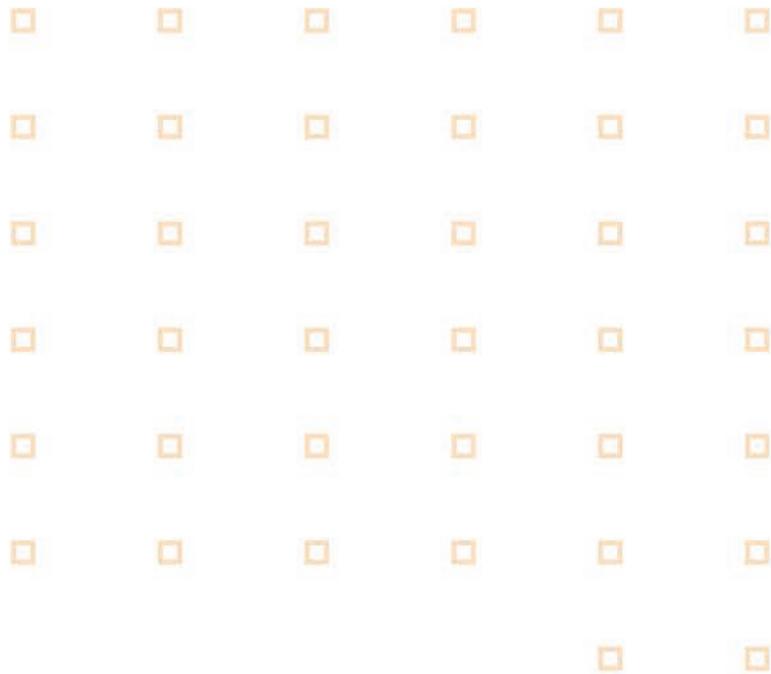


# 5 CAPITAL INVESTMENT

The White Paper on Post-School Education and Training and the National Skills Development Plan 2030 enjoins SETAs to strengthen capacity for supply in the post-school education system, particularly emphasising TVET and CET Colleges. Strengthening capacity for supply includes many activities, as outlined above. In addition to providing lecturer development support interventions, the Services SETA has assisted several colleges with either direct infrastructure development and/or facilitating the development of skills development centres, especially in rural areas. During the period under review, the SETA is currently supporting the development of skills centres in three rural municipalities and one metropolitan municipality.

Table 9. Capital Investment

Description	Discretionary Grant Value
Dumbe Skills Centre	R9,799,237.41
Mkuze Skills Centre	R8,718,156.90
Prieska Skills Centre	R13,814,453.20
<b>Total</b>	<b>R 22,331,847.51</b>



# PART C

## GOVERNANCE





# 1 INTRODUCTION

The Services Sector Education and Training Authority (Services SETA) was established in terms of Section 9 (1) of the SDA, 1998 (Act No 97 of 1998) as amended, as a Sector Education and Training Authority (SETA). The Act outlines the Services SETA's powers, functions, and Accounting Authority (Board) composition. Other pieces of legislation guide the work of the SETA. Regarding corporate governance, the Services SETA is guided by the PFMA, SETA Constitution and other legislations which outline various governance requirements that must be adhered to.

The Services SETA Accounting Authority is appointed by the Minister of Higher Education, Science and Innovation in consultation with the National Skills Authority in terms of section 11 of the Skills Development Act 97 of 1998. In terms of the Act, the Chairperson and 14 members of the Board are appointed on a five-year term.

As the Board members operate part-time and do not have operational responsibilities, the CEO, in terms of section 56 of the PFMA, is delegated by the Board to manage the day-to-day operations, including supervision of staff and management of resources in the organisation. The CEO is required to report to the Board regarding the implementation of decisions taken by the Board.

## 2 PORTFOLIO COMMITTEE

There were meetings between Portfolio Committee on Higher Education Science and Technology and Services SETA's Accounting Authority and Executive Management:

Date	Purpose
02 November 2022	Briefing by the Services SETA on Annual Report 2021/22 and Motheo TVET college National Artisan Academy
15 March 2023	Briefing by the Services SETA on updates in the implementation of audit action plans and measures to improve organisational performance.

## 3 EXECUTIVE AUTHORITY

The Minister of Higher Education, Science and Innovation is Services SETA's Executive Authority, and the Minister is accountable to Parliament for the Services SETA activities. The Services SETA has made all the required submissions to the Executive Authority, National Treasury and Parliament.

During the period under review, the Services SETA submitted the following reports:

Report submitted	Date
2021/22 Annual Report	31 August 2022
2022/23 Quarterly Reports (Performance and Financial)	End of each quarter within the 2022/23 financial year
2023/24 Sector Skills Plan	01 August 2022
2023/24 Strategic Plan, Annual Performance Plan and Service Level Agreement.	30 November 2022

# 4 THE ACCOUNTING AUTHORITY/BOARD

## 4.1. Introduction

The Accounting Authority (Board) is the Services SETA's highest decision-making structure and provides leadership and upholds principles of good corporate governance in the organisation. The Board is ultimately accountable for monitoring the organisational performance against the predetermined objectives and targets set out in the Annual Performance Plan and Service Level Agreement that is entered into with DHET. The current Accounting Authority term started in the 2020/21 financial year and will end in the 2024/25 financial year. The Annual Report of 2022/23 reflects a 5-year mid-term review for this administration.

## 4.2. The role of the Board is as follows:

The role and functions of the Board are described in the Services SETA Constitution and include, but are not limited to, the following:

- ensure that the Services SETA complies with all relevant statutory requirements and requirements of the Constitution, Code of Conduct, accounting principles, and such other principles.
- provide control over the Services SETA and monitor management implementation of the strategic plans and financial objectives as defined by the Board.
- provide effective leadership and ensure that the Services SETA implements the goals of the National Skills Development Plan (NSDP) and Service Level Agreement with the Minister.
- ensure that the Services SETA achieves the objectives contemplated in the SETA Constitution.
- ensure that a comprehensive system of policies and procedures is in place and that appropriate governance structures comprising a balance of skills, experience, independence, and knowledge exist to ensure efficient and prudent stewardship of the Services SETA.
- regularly review and evaluate the risks to the business of the Services SETA, including technology and information risks, protect and enhance same and ensure the existence of comprehensive, appropriate internal controls to mitigate against such risks, as well as ensure there is an effective risk-based internal audit.

## 4.3. Board Charter

The Services SETA Board Charter defines the strategic mandate of the Board and outlines the knowledge, skills and experience required by the Services SETA Board members to perform their fiduciary duties and meet the strategic objectives and National Skills Development Plan targets. The Board Charter also defines the Board's responsibilities, meeting procedures, risk management priorities, governance principles, and Code of Conduct articulated in the Services SETA Constitution. During the period under review, no non-compliance with the Board Charter was reported.



### 4.3. Board Charter

Table 10. Board Composition

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Other Committees or Task Teams (e.g., Audit committee / Ministerial task team)	No. of Meetings attended
Stephen De Vries	Chairperson-Ministerial Appointee	1 April 2020	N/A	Master of Public Administration (MPA)	Executive Committee;	6/6
Andrew Madella	Community Organisations	1 April 2020	N/A	BA Honours: Public Administration (currently studying towards a MA Degree)	Executive Committee; HR&REMCO; Transformation Committee	6/6
Alice Karanja	Community Organisations	1 April 2020	N/A	BA Honours: Industrial Sociology	Executive Committee; HR&REMCO; GRSC	6/6
Julia Nzimande	Organised Business	1 April 2020	N/A	Masters in law	Finance Committee; Transformation Committee	6/6
Noxolo Gogo	Organised Business	1 April 2020	N/A	BA: Communications	GRSC; Transformation Committee	6/6
Nomfundo Mcoyi	Organised Business	1 April 2020	N/A	Diploma in Education	Finance Committee; GRSC;	4/6
Jacqui Ford	Organised Business	1 April 2020	N/A	Management Advancement Programme	Executive Committee; HR&REMCO	5/6
Kevin Cowley	Organised Business	1 April 2020	N/A	Master of Arts: Labour Practices	Audit Committee; HR&REMCO; GRSC	5/6
Kumaran Govender	Organised Business	3 February 2023	N/A	Trade Tested Certificate of Hairdressing	Finance Committee; Transformation Committee	1/6
Wiseman Dinwa	Organised Labour	1 April 2020	N/A	Master of Arts: Labour Policy and Globalisation.	Executive Committee; Finance Committee; GRSC	6/6
Asif Jhatham	Organised Labour	1 April 2020	N/A	BCom Honours: Accounting	Finance Committee; HR&REMCO	5/6
Shadrack Motloug	Organised Labour	1 April 2020	N/A	Nursing Science	GRSC; Transformation Committee	6/6
Patricia Sithole	Organised Labour	1 April 2020	N/A	Diploma: Paralegal	Finance Committee; GRSC	6/6
Rendani Dlamini	Organised Labour	1 April 2020	N/A	SAMTRAC Diploma Paralegal Practice (Bachelor in progress)	HR&REMCO; Transformation Committee	6/6
Themba Mtsweni	Organised Labour	1 April 2020	N/A	Diploma: Financial Accounting	Audit Committee; HR&REMCO	6/6

#### 4.5. Committees

Table 11. Board Composition

Committee	No. of meetings held	No. of members	Name of members
Executive Committee	12	5	Stephen De Vries Andrew Madella Alice Karanja Jacqui Ford Wiseman Dinwa
Finance Committee	4	5	Asif Jhatham Wiseman Dinwa Julia Nzimande Nomfundo Mcoyi Patricia Sithole
Audit Committee	5	6	Kgotlo Rabothata Themba Mtsweni Kevin Cowley Oupa Galane Nadira Singh Thandazile Mkhize
Governance, Risk and Strategy Committee	7	7	Nomfundo Mcoyi Kevin Cowley Patricia Sithole Alice Karanja Noxolo Gogo Wiseman Dinwa Shadrack Motloug
Human Resources and Remuneration Committee	4	6	Themba Mtsweni Asif Jhatham Andrew Madella Alice Karanja Rendani Dlamini Jacqui Ford
Transformation Committee	4	5	Noxolo Gogo Shadrack Motloug Rendani Dlamini Julia Nzimande Andrew Madella



## Remuneration of board members

Table 12. Remuneration of Board Members

Name	R'000						Overall ®
	Board & EXCO	HR&REMCO	FINCOM	Transformation Committee	GRSC	Other [1]	
Stephen de Vries	198,000	-	-	-	-	679,000	877,000
Andrew Madella	141,000	32,000	-	32,000	-	40,000	245,000
Alice Karanja	149,000	32,000	8,000	-	42,000	96,000	327,000
Wiseman Dinwa	149,000	-	56,000	-	40,000	88,000	333,000
Patricia Sithole	53,000	-	56,000	-	40,000	195,000	344,000
Rendani Dlamini	53,000	32,000	-	32,000	-	158,000	275,000
Themba Mtsweni	149,000	43,000	-	-	-	80,000	272,000
Shadrack Motloung	53,000	-	8,000	32,000	46,000	235,000	374,000
Asif Jhatham	125,000	24,000	70,000	-	10,000	118,000	347,000
Jacqui Ford	141,000	16,000	-	-	-	123,000	280,000
Julia Nzimande	53,000	-	56,000	32,000	-	270,000	411,000
Kevin Cowley	53,000	32,000	8,000	-	42,000	155,000	290,000
Noxolo Gogo	149,000	-	8,000	43,000	42,000	143,000	385,000
Nomfundo Mcoyi	109,000	-	32,000	-	30,000	48,000	219,000
Kumaran Govender	9,000	-	-	-	-	32,000	41,000
<b>Total</b>	<b>1,584,000</b>	<b>211,000</b>	<b>302,000</b>	<b>171,000</b>	<b>292,000</b>	<b>2,460,000</b>	<b>5,020,000</b>



## 5 RISK MANAGEMENT

The organisation has an approved Risk Management Policy and Strategy, which are reviewed annually for completeness and relevance. The document supports establishing effective risk management systems that assist the Services SETA in achieving its objectives, aids in decision making, accurate reporting and efficiency amongst management.

Regular risk assessments are conducted to identify new and emerging risks. Monthly and quarterly reviews continue to be conducted to monitor progress against the mitigating strategies and/or controls for the risks, taking into consideration the current risk tolerance level set by the board on 12/25. The organisation's risk profile is made up of strategic and operational risks. Through the Combined

Assurance system, management provides the first level of assurance by reviewing all the risks in the combined risk register. The forum also offered tangible benefits that extend well beyond proving compliance, including comprehensive and prioritised tracking of remedial action on identified improvement opportunities/weaknesses.

The Board has established and delegated the oversight of the risk management function to the Governance, Risk and Strategy Committee (GRSC) and Audit Committees. Whilst the GRSC reviews and recommends the risk report and governance documents to the Board, the Audit Committee assesses the effectiveness of the documented processes and outcomes surrounding key risks at least annually. The Audit Committee should take cognizance of the risk appetite and tolerance levels set by the Board and ensure that the identified mitigation measures are adequate to manage the risks.

The Audit Committee advises the Board on the effectiveness of the risk management system/programme and monitors the effectiveness of the risk management system considering the reports of the internal audit.

The Services SETA Board has acknowledged progress in not only the management of risks but also in identifying and analysing the risks listed in the combined risk register. The combined risk register reflects tangible and effective controls listed to deal with the risks and regular monitoring to assess the relevance and effectiveness of those controls. Some of the risks identified are those which not only affect the Services SETA but are also identified in the South African risk register.

## 6 INTERNAL CONTROL UNIT

The Services SETA is responsible for establishing and implementing a system of internal controls designed to provide reasonable assurance of the integrity of performance information. Services SETA's control environment encompasses various governance functions and operational management practices, including (but not limited to):

- Internal Audit;
- Enterprise Risk Management (ERM) and combined assurance;
- Strategic execution and performance management;
- Governance of stakeholder engagement and management;
- Information technology (IT) management and ICT governance;
- Ethics and fraud risk management; and
- Regulatory compliance.

The scope of the work to be performed by the Internal Audit will be based on its risk assessment (with management input) as approved by the AC to achieve full effectiveness. Audit coverage and any other areas are risk-based as directed and approved by the AC.

Seventeen Internal Audit completed reviews covering finance, information technology, human resources, performance information and the core operational business. Our review revealed certain weaknesses raised with management, who then developed action plans to resolve these matters within clear timeframes. Below are the completed audits:

Table 13. Business Area/Auditable Process

NO:	BUSINESS AREA/AUDITABLE PROCESS
1	Financial Control Review
2	Financial Statements Review (2021/22 Draft AFS)
3	Supply Chain Management
4	Commitment Register 2022/23 Adjustments Review
5	Audit of Performance Information: (QPR 4) 2021/22 and APR 2021/22
6	Audit of Performance Information: (QPR 1-2) 2022/23
7	Audit of Performance Information: (QPR 3) 2022/23
8	Review of Planning Strategic Documents (APP And SP) for the 2023/24 Performance Cycle
9	IT Review: Security Controls Review
10	ICT Value Benefit Realisation
11	Information Communication & Technology General Controls Part 1
12	Information Communication & Technology General Controls Part 2
13	Performance management
14	Follow-Up Review - Internal Audit and AG findings (QPR 1-2)
15	Follow-Up Review - Internal Audit and AG findings (QPR 3-4)
16	Project Site Visits
17	Infrastructure Projects



# 7 INTERNAL AUDIT AND AUDIT COMMITTEES

## 7.1. Internal Audit

The objective of the Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve Services SETA's operations. The internal audit aims to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. Internal Audit helps the Services SETA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit assists the Accounting Authority in achieving the objectives of the institution by evaluating and developing recommendations for enhancement or improvement of the processes through which:

- objectives and values are established and communicated;
- the accomplishment of objectives is monitored;
- accountability is ensured; and
- corporate values are preserved.

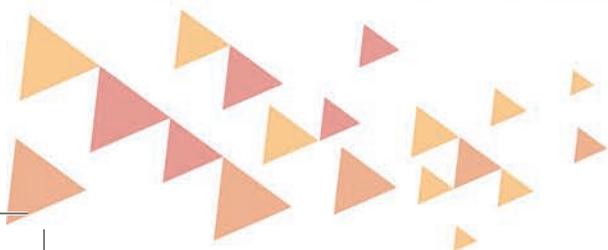
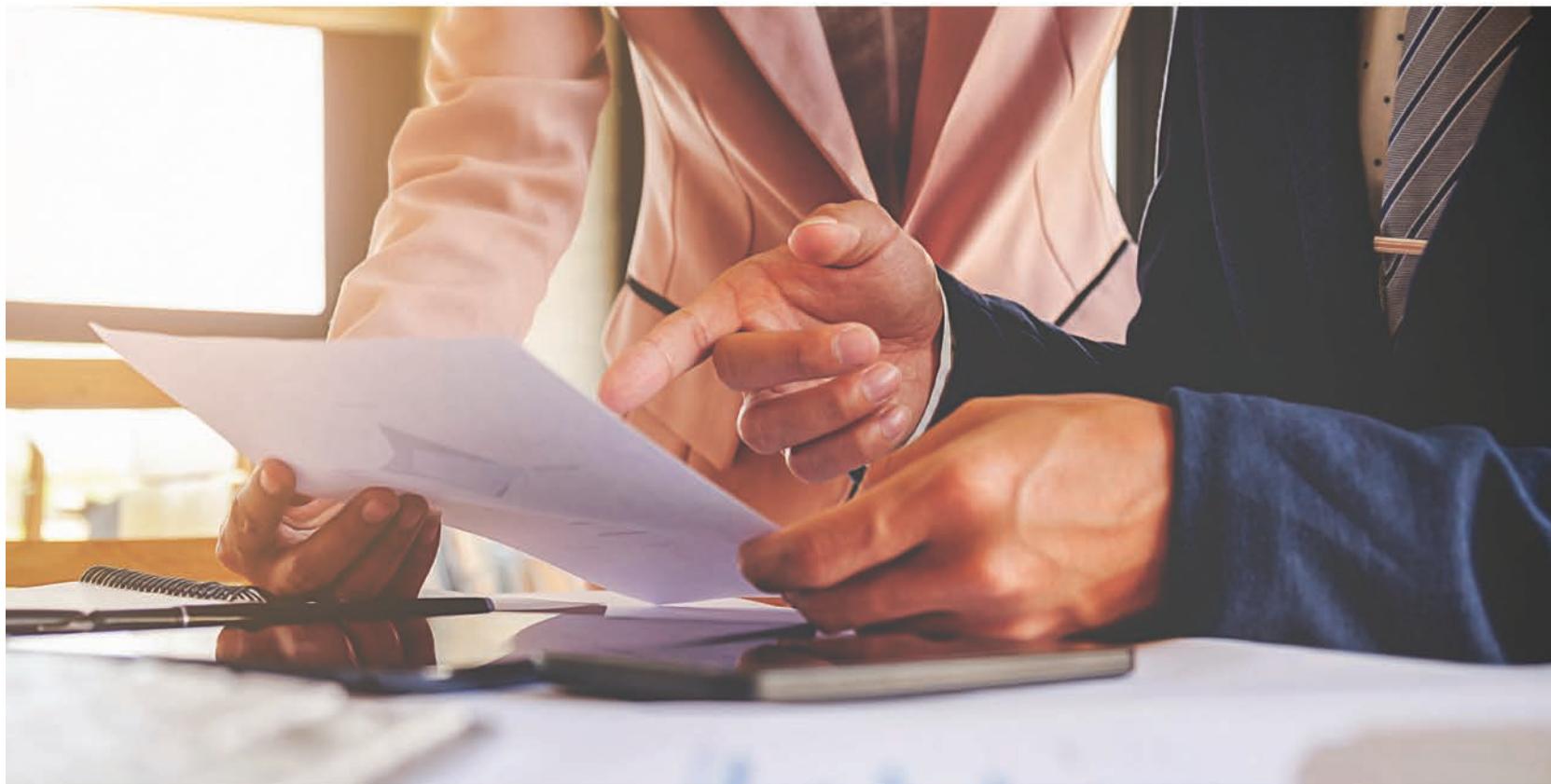
In carrying out audits, the scope of work of the Internal Audit is to determine whether the Services SETA's network of risk management, control systems, and governance processes, as designed and represented by management, is adequate and functioning in an effective manner to provide reasonable assurance that:

- Significant risks relating to achieving Services SETA's strategic objectives are appropriately identified and managed. Interaction with the various governance groups within the organisation occurs as needed;
- Significant financial, operational, managerial, performance and information technology information is accurate, reliable, and timely;
- The actions of Services SETA's employees follow Services SETA's policies, procedures, and applicable laws, regulations, and governance standards;
- Resources and assets are acquired and disposed of economically, used efficiently, and protected adequately; The results of operations or programmes are consistent with the established goals and objectives of Services SETA and are being carried out effectively and efficiently;
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Services SETA;
- Information and the means used to identify, measure, analyse, classify, and report such information is reliable and have integrity;
- The Services SETA's fraud prevention plan is implemented and operating effectively and efficiently; and Assets, revenue, income, and interests of the Services SETA are accounted for and safeguarded against fraud, corruption, losses of all kinds, wastage, inefficient administration, and any other causes.

## 7.2. Audit Committee

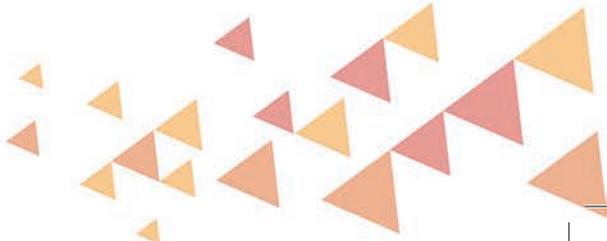
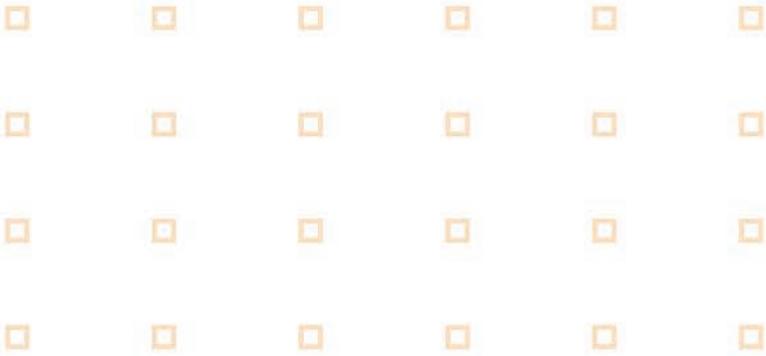
Table 14. Audit Committee

Name of member	Qualifications	Internal or External	If internal, position in the public entity	Date appointed	Date resigned	Number of meetings attended
1. Kgotlo Rabothata	B Compt Honors in Accounting and CA (SA)	External	N/A	01-Oct-20	N/A	7
2. Themba Mtsweni	Diploma: Financial Accounting	Internal	Board Member	01-Oct-20	N/A	7
3. Kevin Cowley	Masters in Human Resources Management	Internal	Board Member	01-Oct-20	N/A	7
4. Oupa Galane	MPhil: Accounting Sciences	External	N/A	01-Oct-20	N/A	7
5. Nadira Singh	B Compt Honors in Accounting and CA (SA)	External	N/A	01-Oct-20	N/A	7
6. Thandazile Mkhize	B Compt Honors in Accounting and CA (SA)ting	External	N/A	01-Oct-20	N/A	7



# 8 COMPLIANCE WITH LAWS AND REGULATIONS

The Services SETA has a department led by a senior manager responsible for risk and compliance management. Part of the function of the senior manager is to compile annually a legislative universe consisting of a list of legislation relevant to the business of the Services SETA and prioritise them using the risk management methodology of likelihood multiplied by impact. A compliance annual plan is then developed, clearly indicating when each legislation will be assessed in that year, the responsible person and the timeframe within which areas of non-compliance identified will be resolved.



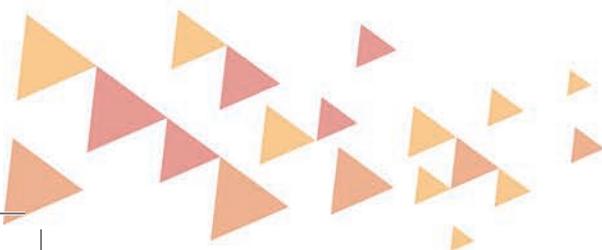
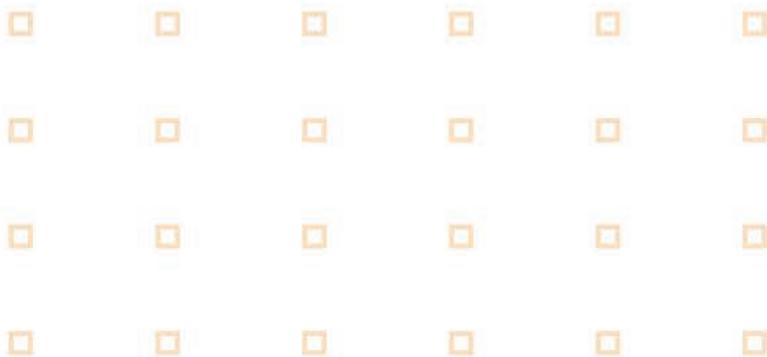
# 9 FRAUD AND CORRUPTION



The Services SETA has an approved Fraud Prevention Plan, which is reviewed annually for relevance. The plan clearly articulates the process to follow to report incidents of possible fraud, corruption or any other unethical behaviour listed in the plan.

A whistleblower line has been procured to enable anonymous reporting of real or suspected incidents of fraud or corruption. The reports from the whistleblower line are analysed and prepared into a report which is tabled at the GRSC and Audit Committee.

Reporting of suspected fraud and corruption incidents is done anonymously. The line is managed by an independent service provider and forwarded to us. An investigation is then carried out to test the veracity of the information reported. Further action is then carried out, i.e., disciplinary action in line with the disciplinary code or referral to the police, depending on the outcome of the investigation.



# 10 MINIMISING CONFLICT OF INTEREST

The Services SETA manages conflict of interest through two mechanisms:

The first is through the annual declarations that employees submit to the Human Resources Management and Development department, which are then analysed, and a report presented to the relevant governance committees. There have been no significant conflicts of interest that have been reported in the current year.

The second mechanism is the Ethics Committee, established under the Office of the CEO and represented by managers from Legal Services, Risk and Compliance management and Corporate Services. The committee meets quarterly to assess ethical matters affecting the SETA, including conflicts of interest and reports to the Governance, Risk and Compliance Committee quarterly. To date, there were no significant matters that were reported by the committee.

# 11 CODE OF CONDUCT

The SETA has a code of conduct that all employees must aspire to maintain. The Code of Conduct is presented during all employees' induction and is shared with all staff members. The Services SETA has values fundamental to how the organisation conducts its business and all activities. The values are reviewed regularly to ensure that they remain relevant. To promote good ethics management, an ethics committee was established that reports to GRSC and AC committees at each meeting.

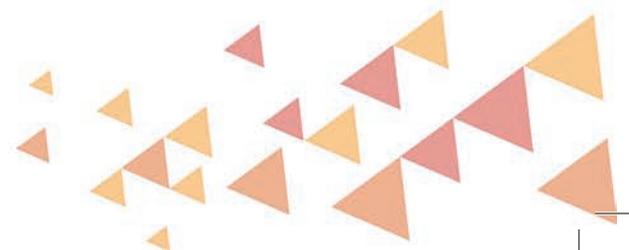
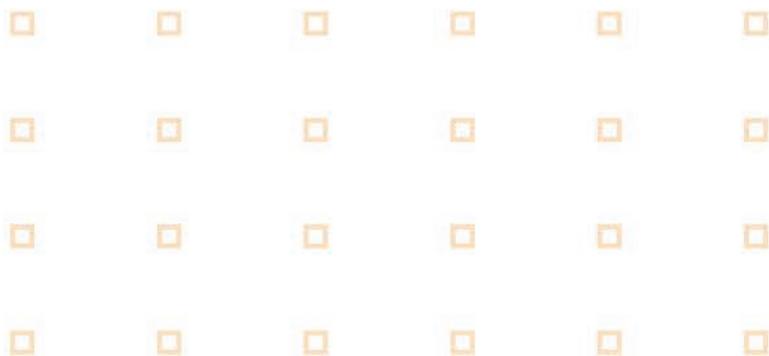
In line with Whistle Blowing Policy, all employees and stakeholders are encouraged to disclose any improper conduct or unethical behaviour through the fraud and ethics hotline that enables anonymous reporting.

Each complaint received is reviewed by the Ethics committee and referred to the appropriate party or parties for investigation. A Whistleblowing hotline report is submitted to the GRSC and Audit Committees for consideration at each meeting. Details of the ethics hotline number and/or email are available on the Services SETA website. Measures are in place to address employees who transgress against the code of ethics. Necessary steps are taken against those found guilty of unethical behaviour. These steps may include disciplinary action that could result in dismissal, laying criminal charges and civil action instituted by the SETA against such an individual.

# 12 HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Services SETA, in terms of Occupational Health and Safety (OHS), did not experience any issues. The Department of Labour did, however, send an Inspector to determine compliance standards against the Occupational Health and Safety Act. The Inspector was assisted in all requests, and no adverse findings have been communicated to the SETA to date.

The Services SETA has also established an OHS committee in line with section 16.2 Occupational Health and Safety Act no 85 of 1993, which is represented by provincial managers, risk and compliance managers, labour representatives, legal services, and other key management representatives. The committee has been established to ensure that the OHS Act is complied with and meets all legal requirements, including safety protocols to combat the Covid-19 pandemic.



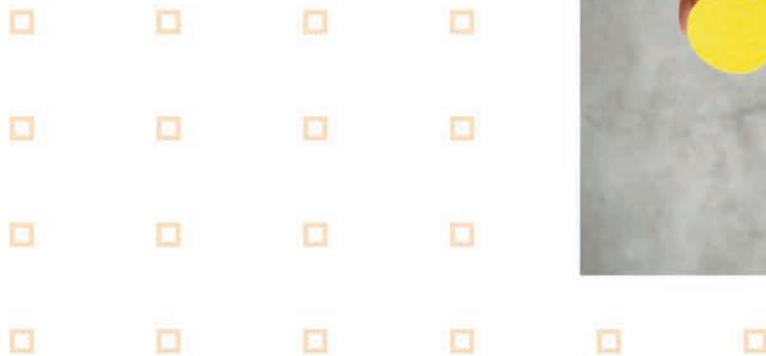
# 13 COMPANY/BOARD SECRETARY

The Board Secretariat function resides within the office of the CEO, with a functional reporting to the Accounting Authority through the AA Chairperson. Members of the Accounting Authority have unlimited access to the advice and services of the Board Secretariat. The Board Secretariat role entails the following, and these duties were discharged accordingly.

- assist the Board in the conduct of the affairs of the Services SETA
- maintenance of statutory records
- preparation and distribution of Board packs meetings
- determining the annual calendar for the Board meetings and its committees
- facilitating the annual performance evaluation process for the Board and its committees
- managing the nomination process of new Board members
- facilitating the induction of new AA members and developing continuous education and training mechanisms for Board members to maintain and improve performance.
- managing conflict of interest for AA members

# 14 SOCIAL RESPONSIBILITY

Corporate giving has remained a priority. To date, ten desktop computers have been donated to a CET based in the KZN province, with room to consider relevant software upgrades needed by the college. In addition, the Board has resolved to donate assets in the form of vehicles (7), trailers (4), desktop computers (17) and play equipment to compliant NPOs, a creche and a public high school situated in the rural areas. The handover process will only be done in the 2023/24 financial year post-derecognising of the assets as per the National Treasury prescripts



# 15 AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended March 31, 2023.

## Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four times per annum per the committee's approved terms of reference. During the current year, 9 audit committee meetings were held.

Name of members	Number of meetings attended
Rabothata, K (Chairperson) CA (SA)	7
Mtsweni, T (AA member)	7
Mkhize, T CA (SA)	7
Singh, N CA (SA)	7
Galane, O	7
Cowley, K (AA member)	7

## Audit committee responsibility

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 these terms of reference 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 currently being audited for effectiveness, efficiency and transparency. In line with the PFMA and the King IV 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 through the risk management process, the identification of corrective actions, and suggested enhancements to the controls and processes.

From the various reports of the internal auditors and the final management report of the Auditor General South Africa, deficiencies in internal controls have been identified; improvements are still required on commitments and alignment of the DG policy to the Grant Regulation. Accordingly, we can report that the internal controls system over the financial reporting for the period under review has shown slight improvement.

## Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements;
- reviewed the AGSA final draft management report and draft audit report; and
- reviewed the Services SETA compliance with legal and regulatory provisions.

The audit committee concurs with and accepts all the internal audit reports and interim management report.

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The audit committee concurs with and accepts all the internal audit reports and interim management report.

### 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.

The Audit Committee submits its report for the year ended March 31, 2023.



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**Chairperson of the Audit Committee**

**Date:** 31 July 2023

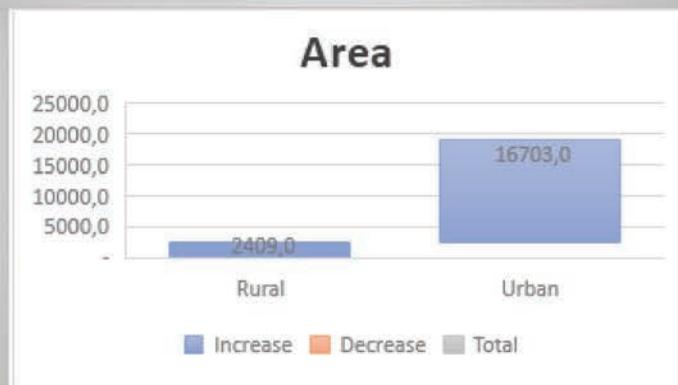
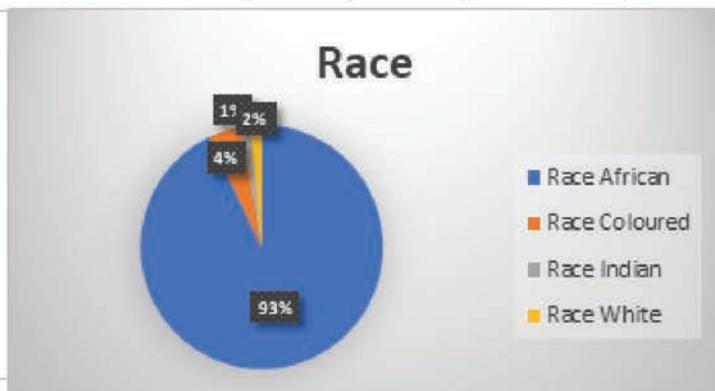
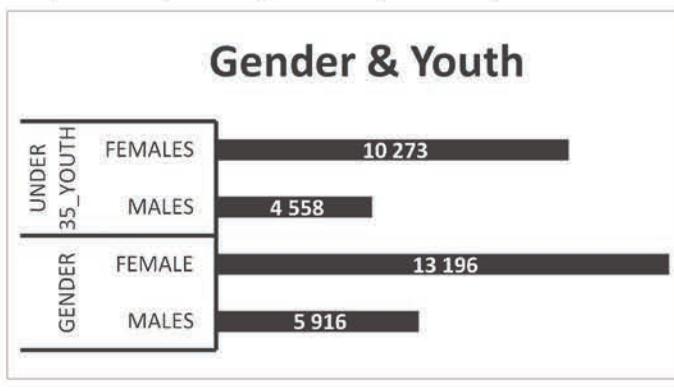
# 16 B-BBEE COMPLIANCE PERFORMANCE INFORMATION

Table 15. B-BBEE Compliance Performance Report Information

Services SETA's application of Code of Good Practice (B-BBEE Certificate Levels 1 – 8):		
Criteria	Answer	Attachment
Determining qualification criteria for the issuing of licences, concessions, or other authorisations in respect of economic activity in terms of any law	No	The issuance of the Services SETA licence is not dependent on the economic activities of the SETA. SETA licences are issued in accordance with the requirements detailed in the Skills Development Act 97 of 1998
Developing and implementing a preferential procurement policy	Yes	There is no Preferential Procurement Policy in existence at the Services SETA. Preferential Procurement is done in accordance with the Supply Chain Management Policy. The provisions of the Preferential Procurement Policy Framework Act, No 5 of 2000, are articulated in that policy.
Determining qualification criteria for the sale of state-owned enterprises	No	This does not apply to Services SETA as a Schedule 3A entity.
Developing criteria for entering into partnerships with the private sector	Yes	Application of specific goals and criteria in the procurement process.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad-Based Black Economic Empowerment	Yes	Discretionary Grant Policy attached with transformation targets included.

Table 16. Transformational Imperatives Learning Programmes performance

Gender		Under 35_Youth		Race				Area		Employment Status	
Males	Female	Males	Females	African	Coloured	Indian	White	Rural	Urban	Employed	Unemployed
5,916	13,196	4,558	10,273	17,747	858	213	294	2,409	16,703	5,588	13,524



# PART D

## HUMAN RESOURCE





# 1 INTRODUCTION

## 1.1. Overview of HR matters at the public entity

The Human Resources Management & Development (HRM&D) Department has a primary function that manages all issues related to the people in the organisation. The department is responsible for supporting the strategic goals of the Services SETA by ensuring that competent people with the right qualifications, experience, skills, and attitude are recruited and retained. The department provides services and support to employees in ways that embrace the organisation's vision and mission.

The department is responsible for policy development and for ensuring the implementation thereof. The HRM&D department assists and supports management in dealing with all employee-related matters, including induction and onboarding, leave management, training and development, performance management, employee relations, payroll administration and employee wellness programme. Implementing the Organisational Design process and change management are other projects the department is leading. HRM&D works closely with all departments to support and respond to their needs.

## 1.2. Set priorities for the year under review and the impact of these priorities.

In FY 2022/2023, the organisation embarked on an Organisational Design Project to align the structure of the organisation with its NSDP2030 objectives to improve efficiency and effectiveness. The Organisational Design initiative was aligned with the organisation transformation journey to optimise the use of our human resources, business processes, functions, and systems.

An Organisational Culture and Change Readiness Survey was conducted, and the survey findings were used in drafting a Talent Management Plan. The project focused on the organisation's value chain and operating model to enable a clearer understanding of the strategy and how individual efforts, roles, processes, teams, and technology support the achievement of strategic objectives. The project focused on developing a customised Services SETA competency framework, which would be used to conduct a skills audit. After the organisational structure is finalized, job profiles with clear roles of individuals in the organisation will be reviewed and updated. Job evaluation and grading using Paterson Grading System will be conducted. Management assured employees the OD project would not lead to job losses or demotions.

A change management strategy will be developed. Relevant policies and procedures to support high-performance culture will be reviewed/developed. Change management interventions will be facilitated, and employees will be assisted with transitioning to new roles. As the process proceeds, a retention strategy and proper talent management Programme will be developed.

## 1.3. Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce

A moratorium on recruitment activities was established to allow the Organisational Design process to correctly align the organisational structure to the organisation's strategic objectives and ensure correct employee placement. The process is to ensure that the jobs are accurately graded. Only critical vacant positions already in the structure were filled during the 2022/23 FY.

## 1.4. Employee performance management framework

The organisation's performance management system is automated, making it easier and more convenient for employees and managers to capture and approve performance agreements and reviews. In the first quarter of the year, employees are expected to capture their performance agreements after thorough engagements with their managers during the performance review process. This is done to also identify learning and development interventions required for employees to improve performance. Employees submit Personal Development Plans (PDPs) that are included in the organisation's training plan for the year. The PDPs address Key Performance Areas which require training and are approved by managers on our ESS system.

## 1.5. Employee wellness programmes

The organisation continued to provide wellness support to employees. This is done through the panel of health and wellness providers contracted for wellness services. 2022/2023 FY recorded a high number of referrals for psychological and financial wellness services. This was due to the country's economic status, cost-of-living crisis, rocketing food and fuel prices, painful increase rate hikes and lack of energy supply, and the impact of COVID-19.

Reports from the providers indicated that most of the presenting problems that cause distress to employees are child and family care issues, relationship issues, financial constraints, bereavement, and mental health/Psychological issues. These problems led to gross impairment in communication, absenteeism, inability to maintain social relationships and poor performance.

Establishing a culture focused on employee health and wellness programmes helps to increase productivity, boost morale, and improve teamwork.

The health and wellness of our employees is of utmost importance. The organisation ensured an intact working environment and helped our employees master the challenges of today's working conditions and the current economic status of our country.

The organisation conducted Financial Webinars to ensure that employees were educated on handling finances and dealing with debt and budget in the country's challenging economy; in addition, the Wellness Day focused on physical wellness and team building to improve staff morale.

## 1.6. Policy development

All Human Resources Policies were reviewed in August 2022. Consultation with labour and Executive Management was conducted in a Bosberaad. The reviewed policies were presented to the Board and were approved in November 2022, and workshops were held to capacitate staff on these reviewed/revised policies.

## 1.7. Highlight achievements

One of the organisational key performance areas is people. The Accounting Authority and the organisation's leadership, working closely with the labour, are committed to the people of the Services SETA. Below are the key highlights:

- Recognising Labour organising with the organisation as a key stakeholder and maintaining a stable relationship, including ongoing bilateral engagements;
- The organisation rolled out an Internship Programme as a host employer for unemployed graduates and appointed 31 Interns to the Programme during 2022/24;
- The organisation successfully submitted the Employment Equity report to the Department of Employment and Labour;
- The WSP/ATR was successfully submitted to the Education Training and Development Programme (ETDP) SETA before the due date. The organisation received an extra budget of R1,100,000 from the ETDP SETA for the learning and development of employees;
- Salary negotiations were concluded in the first quarter of 2022/2023, and salary adjustments were made;
- The Organisational Design Project commenced as planned and is progressing well; and
- The organisation held a successful Wellness Day in September 2022 with a team-building initiative to improve staff morale.

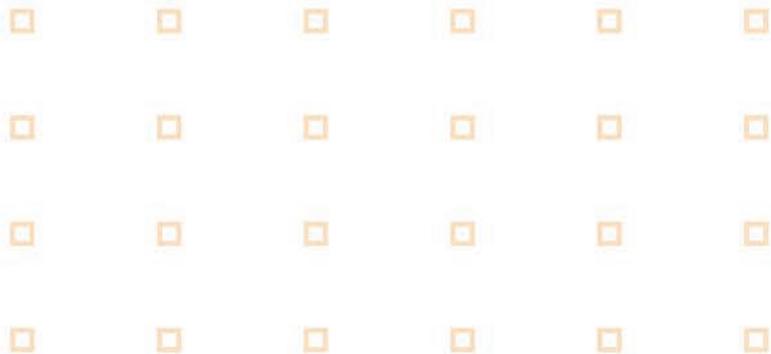
## 1.8. Challenges faced by the public entity

The HRM&D identified one challenge that can be highlighted: non-compliance with the Performance Management Policy. The organisation does not adhere to the due dates for completing the performance management processes. This is caused by other organisational operations that run concurrently with the performance management processes.

### 1.9. Future HR plans /goals

One of the organisational key performance areas is people. The Accounting Authority and the organisation's leadership, working closely with the labour, are committed to the people of the Services SETA. Below are the key highlights:

- Seamless implementation of the Organisational Design project
- Improved People moral



## 2 HUMAN RESOURCE OVERSIGHT STATISTICS

### 2.1. Personnel related expenditure

#### 2.1.1. Personnel cost by salary band

Table 17. Personnel Cost by Salary Band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
General Workers	3,889,636.77	2%	17	228,802.16
Drivers	1,086,419.21	1%	02	543,209.61
Administrators	19,817,638.23	10%	48	412,867.46
Officers	32,547,094.85	17%	62	524,953.14
Senior Officers	53,515,965.90	28%	63	849,459.78
Managers	44,153,397.72	23%	40	1,103,834.94
Senior Managers	20,017,297.02	11%	12	1,668,108.09
Executive Managers	9,418,965.82	5%	04	2,354,741.46
Chiefs	5,412,751.12	3%	02	2,706,375.56
<b>TOTAL</b>	<b>189,859,166.64<sup>1</sup></b>	<b>100%</b>	<b>250</b>	

#### 2.1.2. Performance Rewards

Table 18. Performance Rewards

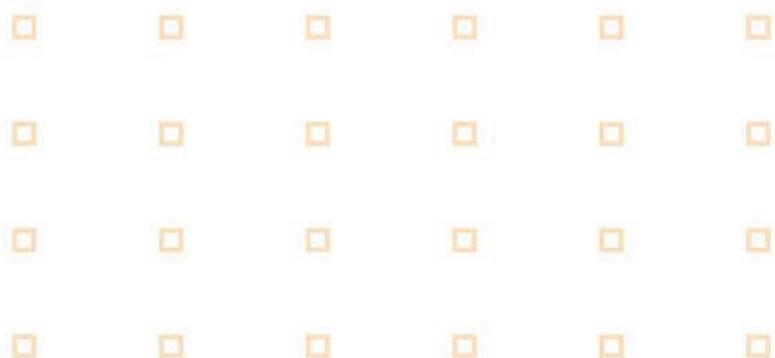
Level	Performance rewards (R'000)	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
General Workers	302,194.44	3,889,636.77	8%
Drivers	83,541.14	1,086,419.21	8%
Administrators	1,402,629.03	19,817,638.23	7%
Officers	1,986,721.26	32,547,094.85	6%
Senior Officers	2,787,133.43	53,515,965.90	5%
Managers	1,913,892.59	44,153,397.72	4%
Senior Managers	638,213.49	20,017,297.02	3%
Executive Managers	322,869.89	9,418,965.82	3%
Chiefs	199,145.81	5,412,751.12	4%
<b>TOTAL</b>	<b>9,636,341.08</b>	<b>189,859,166.64</b>	

This total does not include costs related to leave and COIDA, among others.

### 2.1.3. Training Costs

Table 19. Training Costs

Activity	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
GovTech Conference	1,269,943.03	132,143.00	10.41%	2	R66,071.50
Strategic HRM	849,459.78	17,418.00	2.05%	1	R17,418.00
Microsoft Identity and Access Administrator	849,459.78	21,265.00	2.50%	1	R21,265.00
MS Excel Intermediate	4,938,036.9	224,295.90	4.54%	10	R22,429.50
MS Excel Advanced	5,852,362.12	86,326.82	1.48%	8	R10,790.75
Effective Business Communication	524,953.14	14,550.00	2.77%	1	R14,550.00
Accounts Payable	524,953.14	7,499.00	1.43%	1	R7,499.00
Emotional Intelligence	849,459.78	22,900.00	2.70%	1	R22,900.00
Employee Wellness RTW	89,736,882.22	50,000.00	0.06%	198	R252.52
Career Coaching and Development	7,269,954.42	46,250.00	0.64%	18	R2,569.44
BEE Capacitation Training	19,557,985.16	97,751.15	0.50%	20	R4,887.55
CaseWare	1,103,834.94	5,646.50	0.51%	1	R5,646.50
Coaching and Mentoring	47,308,812.01	152,933.00	0.32%	55	R2,124.06
Assessor Training	9,113,525.98	106,960.35	1.17%	16	R6,685.02
Performance Management refresher	0	0 (Internal)	0	197	0
File Plan, Retention and RMS	0	0 (Internal)	0	29	0



#### 2.1.4. Employment and vacancies

Table 20. Employment and Vacancies

Level	2021/2022 No. of Employees 31 March 2022	2022/2023 Approved Posts	2022/2023 No. of Employees 31 March 2023	2022/2023 Vacancies (Funded and unfunded)	% of vacancies
Executive and Senior Manager	18	2	18	19 Funded 3 Unfunded	95%
Manager	40	3	39	44 Funded 14 Unfunded	87%
Senior Officer	63	6	67	70 Funded 38 Unfunded	96%
Officer	62	0	57	68 Funded 58 Unfunded	84%
Administrator	50	0	49	57 Funded 15 Unfunded	86%
General Workers and Drivers	20	0	20	20 Funded 2 Unfunded	100%
<b>TOTAL</b>	<b>253</b>	<b>11</b>	<b>250</b>		

#### 2.1.5. Employment changes

Table 21. Employment Changes

Salary Band	Employment at the beginning of the period 2022/2023 1 April 2022	Appointments (Including Internal appointments)	Terminations (Including Internal movements)	Employment at the end of the period 2022/2023 31 March 2023
Executive and Senior Manager	18	2	2	18
Manager	39	3	3	39
Senior Officer	64	4	1	67
Officer	60	0	3	57
Administrator	50	0	1	49
General Workers and Drivers	20	0	0	20
<b>Total</b>	<b>251</b>	<b>9</b>	<b>10</b>	<b>250</b>

### 2.1.6. Reasons for staff leaving

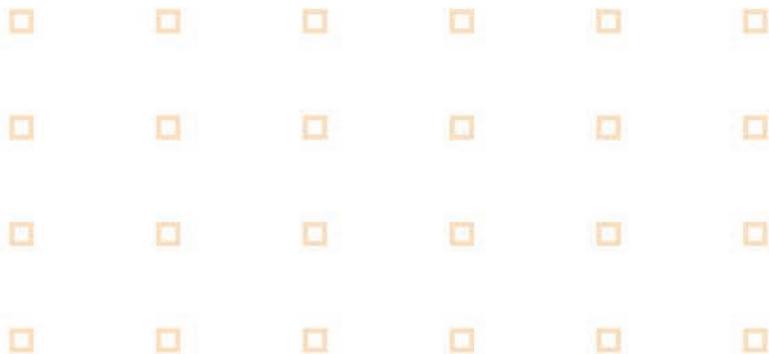
Table 22. Reasons for Staff Leaving

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	2	20%
Dismissal	2	20%
Retirement	4	40%
ill health	0	0%
Expiry of contract	0	0%
Other	2	20%
<b>Total</b>	<b>10</b>	<b>100%</b>

Resignations are due to employees' personal growth and career advancement. Retirements are due to our policy retirement age. Labour Relations: Misconduct and disciplinary action. Critical positions were filled through the recruitment process.

Table 23. Nature of Disciplinary Action

Nature of the Disciplinary Action	Number
Verbal Warning	1
Written Warning	0
Final Written warning	0
Dismissal	2
<b>Total</b>	<b>3</b>



## 2.1.7. Equity Target and Employment Equity Status

Table 24. Workforce Profile

Levels	Male							
	African		Coloured		Indian		White	
	Current 2022/2023	Target	Current 2022/2023	Target	Current 2022/2023	Target	Current 2022/2023	Target
Top Management	2	0	0	0	0	0	0	0
Senior Management	9	0	0	0	0	0	0	0
Professional qualified	13	0	1	1	0	0	2	0
Skilled	33	1	4	1	3	0	1	0
Semi-skilled	9	0	1	0	0	0	0	0
Unskilled	3	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>69</b>	<b>1</b>	<b>6</b>	<b>2</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>0</b>
Levels	Female							
	African		Coloured		Indian		White	
	Current 2022/2023	Target	Current 2022/2023	Target	Current 2022/2023	Target	Current 2022/2023	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	6	0	0	0	0	0	1	0
Professional qualified	15	0	3	0	2	0	3	0
Skilled	71	0	6	0	2	0	3	0
Semi-skilled	36	0	5	0	0	0	1	0
Unskilled	14	0	1	0	0	0	0	0
<b>TOTAL</b>	<b>142</b>	<b>0</b>	<b>15</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>8</b>	<b>0</b>

Table 25. Employees with Disabilities

Levels	Disabled Staff			
	Male		Female	
	Current 2022/2023	Target	Current 2022/2023	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	2	1	0	0
Skilled	2	0	2	0
Semi-skilled	0	0	2	0
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>0</b>

# PART E

## PFMA COMPLIANCE REPORT





# 1 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

## 1.1. Irregular Expenditure

### A) Reconciliation of irregular expenditure

Description	2022/2023	2021/2022	2020/2021
	R'000	R'000	R'000
Opening balance	2,078,258	1,902,322	1,662,107
Prior Period Errors		982	4,306
<b>As Restated</b>	<b>2,078,258</b>	<b>1,903,304</b>	<b>1,666,413</b>
Add: Irregular expenditure confirmed	178,052	174,954	235,909
Less: Irregular expenditure condoned	-	-	
Less: Irregular expenditure not condoned and removed	-397,191	-	
Less: Irregular expenditure recoverable	-	-	
Less: Irregular expenditure not recovered and written off	-	-	
<b>Closing balance</b>	<b>1,859,119</b>	<b>2,078,258</b>	<b>1,902,322</b>

### B) Reconciling notes to the annual financial statement disclosure

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure that was under assessment in 2021/2022		-
Irregular expenditure that relates to 2021/22 and identified in 2022/23		38,965
Irregular expenditure for the current year	178,042	135,989
<b>Total</b>	<b>178,042</b>	<b>174,954</b>

During the year ended March 2023, an amount of R39 million was identified as irregular expenditure incurred in 2021/22 but was identified in the 2022/23 financial year by a review of irregular expenditure transactions relating to commitment balances. This irregular expenditure relates to Projects initiated without adequate evidence for Board approval.

### C) Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

Irregular expenditure amounting to R353 million is currently under determination.

**D) Details of current and previous year irregular expenditure condoned.**

There is no irregular expenditure condoned for during 2021/22 and 2022/23.

**E) Details of current and previous year irregular expenditure removed - (not condoned)**

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure NOT condoned and removed	- 397,191	-
<b>Total</b>	- 397 191	-

**F) Details of current and previous year irregular expenditure recovered.**

No irregular expenditure was recovered for 2021/22 and 2022/23.

**G) Details of current and previous year irregular expenditure written off (irrecoverable)**

There is no irregular expenditure irrecoverable or written off during 2021/22 and 2022/23.

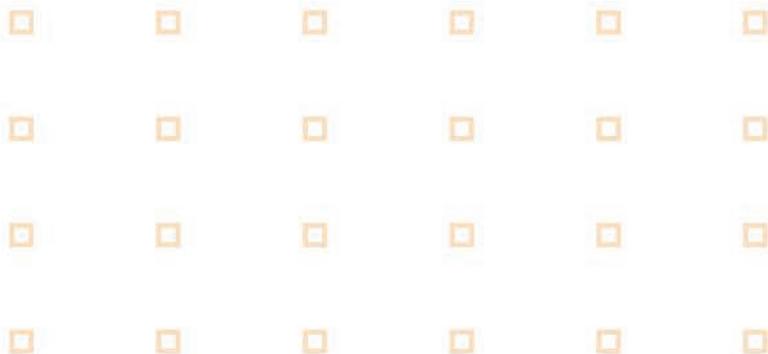
Additional disclosure relating to Inter-Institutional Arrangements

**H) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance) OR (where such institution is responsible for the non-compliance)**

There are no irregular expenditures involving an inter-functional arrangement where either the Services SETA is or is not responsible for the non-compliance.

**I) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure**

Disciplinary steps taken
All above matters were subject to Loss Control Function (LCF ); after assessment and determination, recommendations on steps to be taken were provided
HR used the reports from LCF to implement disciplinary processes.
The outcomes of the disciplinary proceedings were presented to the Accounting Authority for endorsement.
All officials responsible for irregular expenditure have been subjected to disciplinary processes in line with Services SETA policies.



## 1.2. Fruitless and Wasteful Expenditure

### A) Reconciliation of fruitless and wasteful expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	1,495	12,292
Add: Fruitless and wasteful expenditure - current period	4,281	1,495
Less: Fruitless and wasteful expenditure recoverable		-
Less: Fruitless and wasteful expenditures not recovered and written off	- 1,495	- 12,292
<b>Closing balance</b>	<b>4,281</b>	<b>1,495</b>

The fruitless expenditure incurred in the current financial year relates to the interest incurred to settle two litigation matters linked to projects and also payment of legal fees by Services SETA in relation to access to information requests.

Reconciling notes to the annual financial statement disclosure		
Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment in 2021/22	-	-
Fruitless and wasteful expenditure that relates to 2021/22 and identified in 2022/23	-	-
Fruitless and wasteful expenditure for the current year	4,281	1,495
<b>Total</b>	<b>4,281</b>	<b>1,495</b>

### B) Details of current and previous year's fruitless and wasteful expenditures (under assessment, determination, and investigation)

There is no fruitless and wasteful expenditure under assessment, determination and investigation.

### C) Details of current and previous year's fruitless and wasteful expenditures recovered.

There is no fruitless and wasteful expenditure recovered.

### D) Details of current and previous year's fruitless and wasteful expenditures not recovered and written off.

There is no fruitless and wasteful expenditure not recovered and written off.

### E) Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

There is no fruitless and wasteful expenditure not recovered and written off.

## 1.3. Additional Disclosures Related to Material Losses in Terms of PFMA Section 55 (2)(b)(i) & iii)

There were no material losses incurred or to be recovered for the Services SETA.

## 2 LATE AND/OR NON-PAYMENT OF SUPPLIERS

In line with the Compliance and Reporting Framework for 2022-23, Appendix D, "Institutions are required to annually disclose information on payment of supplier's invoices in the annual report of their respective institutions as prescribed below." Public entities are required to report on the information of payment of supplier's invoices from 1 April 2023. No disclosure is required for the 2022/23 period (01 April 2022 – 31 March 2023).

## 3 SUPPLY CHAIN MANAGEMENT

### 3.1. Procurement by other means

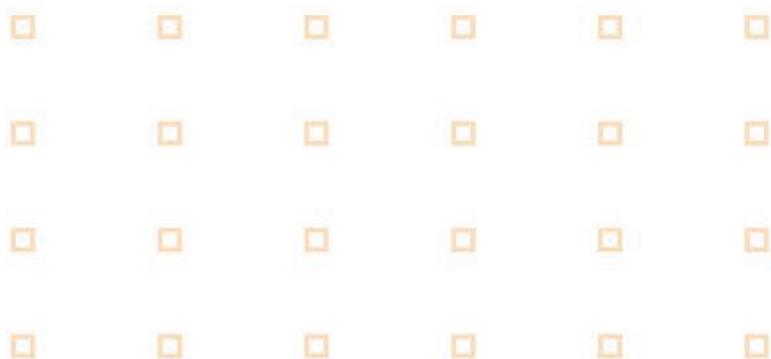
Table 26. Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'
Appointment of Adapt IT Holdings for renewal of CaseWare License	Adapt IT Holdings	Adapt IT Holdings Ltd is the only service provider for this Reporting software (Sole provider)	PO-052448	82,719.50
Appointment of a Chartall Business college to provide their eLearning platform to achieve Services SETA APP targets	Chartall Business college	To enrol learners to the in-house eLearning platform in its current form to avoid delays in achieving Services SETA APP targets. (Impracticality)	PO-052974	1,215,000.00
Appointment of Abeeda & Associates to remediate the developed Occupational Qualification: Beauty Therapist NQF Level 4	Abeeda & Associates	The required remediation by SAQA can only be affected by the service provider who designed the occupational qualification, working in consultation with relevant industry experts (Impracticality)	PO-052993	45,000.00
Appointment of Khomanani X-ray Systems to provide servicing, maintenance, and repairs to the Services SETA x-ray, metal detectors and turnstiles.	Khomanani X-ray Systems	To provide a health and safety environment at Service SETA. (Sole provider)	PO-053597	1,000,000.00
Appointment of Quantec Enterprise to provide the Strategy & Planning Department access to its raw economic data.	Quantec Enterprise	To eliminate poverty and reduce inequality by 2030. (Sole provider)	PO-053951	281,694.80
<b>Total</b>				<b>2,624,414.30</b>

### 3.2. Contract variations and expansions

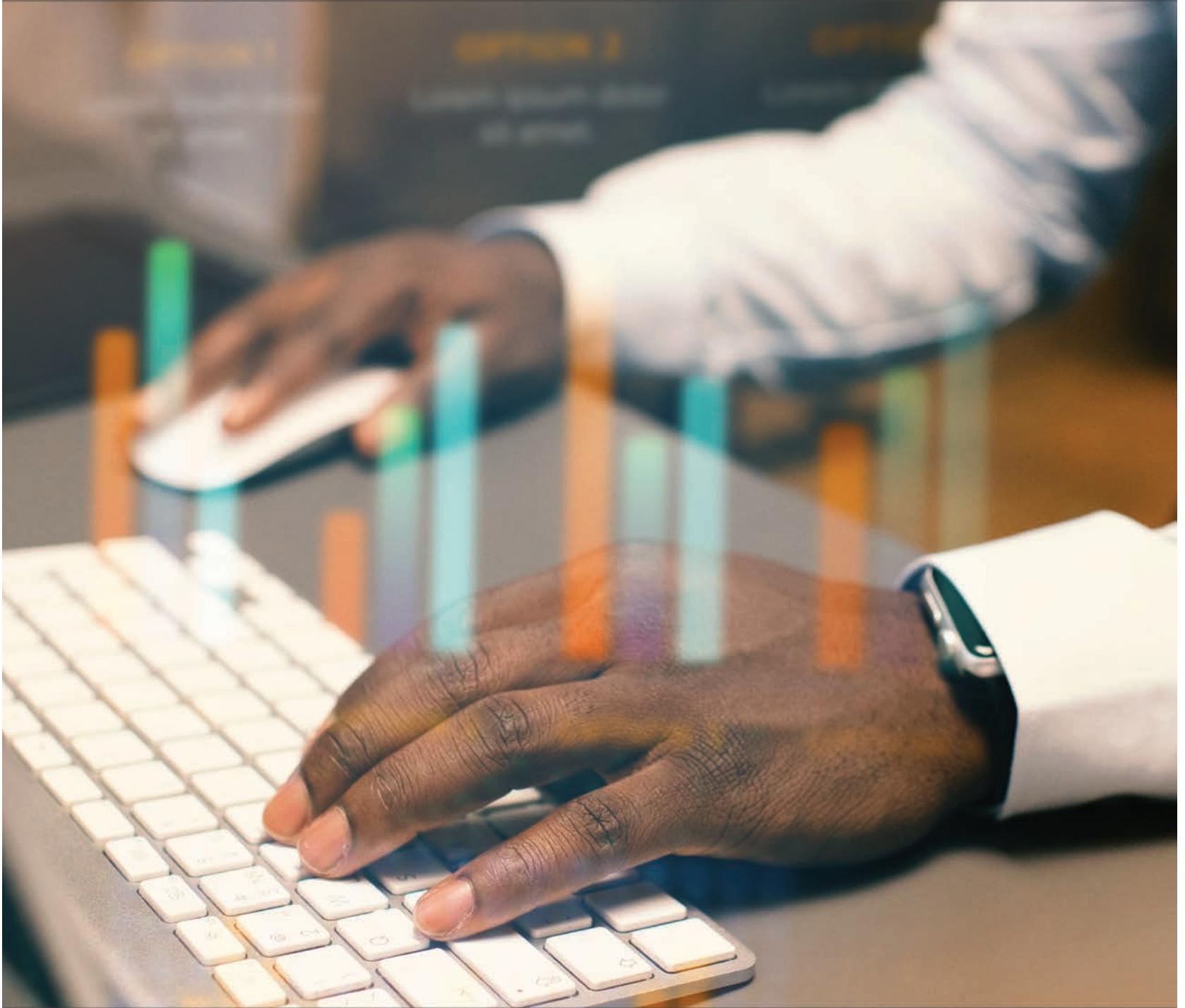
Table 27 . Contract Variations and Expansions

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s	Value of current contract expansion or variation
				R'	R'	R'
Appointment of a service provider for the supply, deployment and maintenance of ups, cooling, and fire systems	Dimension Data (Pty) Ltd	To enable the project to be compliant in accordance with safety and health international standards for certification while ensuring the equipment remains healthy and durable for the longevity of its intended lifespan	Proc T616	2,830,137.55	0	381,011.20
Appointment of service provider(s) to develop/re-align historically registered qualifications into occupational qualifications	Abeeda and Associates (Pty) Ltd	To align processes of qualifications development to the new QCTO policy on the registration of occupational qualifications, part-qualifications, and skills programmes.	Proc T606	651,000.00	45,000.00	52,650.00
Appointment of service provider(s) to develop/re-align historically registered qualifications into occupational qualifications	Pachedu Skills Solutions (Pty) Ltd	To align processes of qualifications development to the new QCTO policy on the registration of occupational qualifications, part-qualifications, and skills programmes.	Proc T606	434,000.00	30,000.00	35,100.00
<b>Total</b>				<b>3,915,137.55</b>	<b>75,000.00</b>	<b>468,761.20</b>



Services Sector Education and Training Authority

# ANNUAL REPORT 2022 / 2023



# PART F



# Index

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

Accounting Authority's Responsibilities and Approval

Report of the Auditor General

Annexure-Auditor Generals' Responsibility for the audit

Report of the Accounting Authority

Statement of Financial Position

Statement of Financial Performance

Statement of Changes in Net Assets

Cash Flow Statement

Statement of Comparison of Budget and Actual Amounts

Accounting Policies

Notes to the Annual Financial Statements

# 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 are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual 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 period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

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.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Authority has reviewed the Services SETA's cash flow forecast for the year to March 31, 2023, and, in the light of this review and the current financial position, it is satisfied that the Services SETA has or has access to adequate resources to continue in operational existence for the foreseeable future.

The audited annual financial statements set out on pages 102 to 156, which have been prepared on the going concern basis, were approved by the accounting authority on July 28, 2023, and were signed on its behalf by:



Stephen De Vries

**Chairperson of the Accounting Authority**



Mr Menzi Fakude

**Chief Executive Officer**

# Report of the auditor-general to Parliament on the Services Sector Education and Training Authority

## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of the Services Sector Education and Training Authority set out on pages 102 to 156 which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Services Sector Education and Training Authority as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Skills Development Act of 97 of 1998 (SDA).

### Basis for qualified opinion

#### Discretionary grants commitments

3. I was unable to obtain sufficient appropriate audit evidence for discretionary grant commitments as the public entity did not maintain accurate and complete records of the contractual information used to determine the commitments. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the following items in the financial statements:
  - Discretionary grants commitments stated at R2 761 237 000 (2022: R3 372 638 000) in note 26 to the financial statements.
  - Irregular expenditure stated at R178 052 000 in note 33 to the financial statements.

## Context for opinion

4. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor general for the audit of the financial statements section of my report.
5. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other 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.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## Emphasis of matter

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

### Prior period error

8. As disclosed in note 28 to the financial statements, the corresponding figures for 31 March 2022 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2023.

## Other matters

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

## National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

10. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 33 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of the Services SETA. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

## Retention of surplus funds

11. There are current deliberations with the National Treasury and the Department of Higher Education and Training regarding the appropriate approval processes for the retained surplus of R1 155 418 000, for the financial year 2021-22, disclosed in note 26. The ultimate outcome of the matter could not be determined and no provision for any liability was disclosed in the financial statements.

## Responsibilities of the accounting authority for the financial statements

12. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.

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

## Responsibilities of the auditor-general for the audit of the financial statements

14. 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.

15. 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

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

17. I selected the following programmes presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected programmes that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers	Purpose
Programme 2: skills planning	[35 - 38]	To enable the Services SETA and Services Sector to target relevant skills development. It 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.
Programme 3: learning programmes	[39-46]	The purpose of the skills development programme is to deliver the Services SETA service offerings to the target stakeholders to achieve the mandate. The programme is responsible for disbursement of Services 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.
Programme 4: quality assurance	[47-48]	This programme contributes to outcome 5: Enhanced Quality Assurance efficiencies to execute QCTO delegated functions". The purpose of this sub-programme is to accredit skills development providers and fulfil the QCTO delegated quality assurance of learner achievement's function.

18. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides the users with useful and reliable information and insights on the public entity's planning and delivery on its mandate and objectives.

19. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives.
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements.
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated.
- the indicators and targets reported on in the annual performance report are the same as were committed to in the approved initial or revised planning documents.
- the reported performance information is presented in the annual performance report in the prescribed manner.
- There is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

20. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

21. The material findings on the performance information of the selected programmes are as follows:

## Programme 3: Learning programmes

### Various indicators

22. The achievement reported in the annual performance report differed materially from the supporting evidence provided for the indicators below:

Indicator description	Target
3.1.1: Number of enterprises funded for skills that enhance the growth/development/sustainability of their organisations	700
3.1.2: Number of enterprises trained in the sector and national priority occupations or skills.	60
3.3.4. Number of learners granted bursaries	1 420

### Other matters

23. I draw attention to the matter below.

### Achievement of planned targets

24. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under achievements. This information should be considered in the context of the material findings on the reported performance information.
25. The public entity plays a key role in delivering services to South Africans. The annual performance report includes the following service delivery achievements against planned targets.

Performance indicators	Planned target	Reported achievement
Programme 3: Learning programmes Targets achieved: 80% Budget spent 89%		
3.3.2 Number of learners enrolled learnership programmes	8 000	6 736
3.3.3 Number of learners completed learnership agreement	2 051	1 435
3.3.5 Number of learners granted bursaries completed their studies	652	654

3.3.7 Number of internships completed	505	180
3.3.16 Number of workers enrolled AET programmes	500	450

### Report on compliance with legislation

26. In accordance with the PM and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
27. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
28. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
29. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### Annual financial statements

30. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/ supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA.
31. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified opinion.

## Expenditure management

32. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R178 052 000 as disclosed in note 33 to the annual financial statements, as required by section 51(1) (b) (ii) of the PFMA. The majority of the irregular expenditure disclosed in the financial statements was caused by discretionary grants contracts awarded without approval from the accounting authority.
33. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R4 281 000, as disclosed in note 33 to the annual financial statements, as required by section 51(1) (b) (ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by interest and other costs on litigation against the public entity.

## Other information in the annual report

34. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.
35. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
36. My responsibility is to read this other information and, in doing so, consider whether it 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.
37. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this

will not be necessary.

## Internal control deficiencies

38. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
39. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
40. The public entity did not prepare accurate and complete financial statements that were supported and evidenced by reliable information. This is evidenced by material misstatements identified on the discretionary grant commitments.
41. The monthly processes for the monitoring and reviewing financial information were not adequately implemented which resulted in financial statements that were not free from material misstatements.
42. Oversight of financial reporting and compliance was not adequately exercised, as the controls in place did not prevent or detect internal control deficiencies, resulting in material misstatements and non-compliance.

*Auditor - General*

Pretoria

01 August 2023



AUDITOR-GENERAL

SOUTH AFRICA

*Auditing to build public confidence*

# Annexure to the auditor's report

## Auditor-general's responsibility for the audit

### Professional judgement and professional scepticism

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 selected requirements in key legislation.

### Financial statements

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.
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on

the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern.

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

### Communication with those charged with governance

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.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 54(2)(c'); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56(1); 56(2) Section 57(b); Section 66(3)(c'); 66(5)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Treasury regulation 8.2.1; 8.2.2 Treasury regulations 16A 3.1; 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A6.2(e);16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(d); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; TR 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A 8.2(1); 16A 8.2(2); 16A 8.3; 16A 8.3(d); 16A 8.4; 16A9.1 16A9; 16A9.1(b)(ii); 16A9.1(c); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2; 16A 9.2(a)(ii); TR 16A 9.2(a)(iii) Treasury regulations 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Treasury regulations 31.1.2(c') Treasury regulations 31.2.1; 31.2.5; 31.2.7(a) Treasury regulations 31.3.3 Treasury regulations 32.1.1(a); 32.1.1(b); 32.1.1(c') Treasury regulations 33.1.1; 33.1.3
Public Service Regulation	Public service regulations 13(c);18; 18 (1) and (2);
Prevention and Combating of Corrupt Activities Act.12 of 2004 (PRECCA)	Section 34(1)
Construction Industry Development Board Act38 of 2000 (CIDB)	Section 18(1)
CIDB Regulations	CIDB regulations 17; 25(1); 25 (5) & 25(7A)
PPPFA	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraphs 4.1; 4.2 Paragraphs 5.1; 5.3; 5.6; 5.7 Paragraphs 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraphs 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraphs 8.2; 8.5 Paragraphs 9.1; 9.2 Paragraphs 10.1; 10.2 Paragraphs 11.1; 11.2

Legislation	Sections or regulations
	Paragraphs 12.1 and 12.2
PPR 2022	Paragraph 3.1 Paragraphs 4.1; 4.2; 4.3; 4.4 Paragraphs 5.1; 5.2; 5.3; 5.4
PFMA SCM Instruction no. 09 of 2022-23	Paragraphs 3.1; 3.3 (b); 3.3 (c ); 3.3 (e ); 3.6
National Treasury Instruction Note 1 of 2015-16	Paragraphs 3.1; 4.1; 4.2
NT SCM Instruction Note 03 2021-22	Paragraphs 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4 (c) -(d); 4.6 Paragraph 5.4 Paragraphs 7.2; 7.6
NT SCM Instruction 4A of 2016-17	Paragraph 6
NT SCM Instruction Note 03 2019-20	Par 5.5.1(vi); Paragraph 5.5.1(x);
NT SCM Instruction Note 11 2020-21	Paragraph 3.1; 3.4 (a) and (b); 3.9; 6.1;6.2;6.7
NT SCM Instruction Note 2 of 2021-22	Paragraphs 3.2.1; 3.2.2; 3.2.4(a) and (b) ; 3.3.1; 3.2.2 Paragraph 4.1
PFMA SCM Instruction 04 of 2022-23	Paragraphs 4(1); 4(2); 4(4)
Practice Note 5 of 2009-10	Paragraph 3.3
PFMA SCM Instruction 08 of 2022-23	Paragraphs 3.2 Par. 4.3.2; 4.3.3
NT Instruction Note 4 of 2015-16	Paragraph 3.4
Second amendment of NTI 05 of 2020-21	Paragraphs 4.8; 4.9 ; 5.1 ; 5.3
Erratum NTI 5 of 202-21	Paragraph 11
Erratum NTI 5 of 202-21	Paragraph 2
Practice Note 7 of 2009-10	Paragraph 4.1.2
NT Instruction note 1 of 2021-22	Paragraph 4.1

# Report of the Accounting Authority

The Accounting Authority submits its report for the year ended March 31, 2023.

## 1. Incorporation

The Services SETA was established in terms of Section 9(1) of the Skills Development Act, 1998 (Act No 97 of 1998) as amended and incorporated on March 1, 2000, and obtained its certificate to commence business on the same day. The new license period was extended to 31 March 2030, as per Government Gazette no 42589, issued on 22 July 2020.

## 2. Review of activities

### Main business and operations

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

The operating results and state of affairs of the Services SETA are fully set out in the attached annual financial statements and do not, in our opinion, require any further comment.

## 3. Going concern

We draw attention to the fact that at March 31, 2023, the Services SETA had a surplus for the year ended March 2023 of R757 million and that the Services SETA's total assets exceeds total liabilities by R2,080 billion.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of Services SETA to continue as a going concern is dependent on a number of factors. The most significant of these are disclosed in note 30 of these annual financial statements.

## 4. Subsequent events

The Accounting Authority is required, as per Instruction Note 12 of 2020/21, to submit to National Treasury an application for rollover of accumulated surpluses by 01 August 2023.

## 5. Members' interest in contracts

There are two Accounting Authority members with a declared interest in Discretionary grant allocation projects. Please refer to note 27 for further details.

## 6. Accounting policies

The 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 the National Treasury.

## 7. Accounting Authority

The Accounting Authority of the Services SETA during the year and to the date of this report are as follows:

<u>Name</u>	<u>Changes</u>
Stephen De Vries	
Julia Nzimande	
Nomfundo Mcoyi	
Noxolo Gogo	
Kevin Cowley	
Jacqui Ford	
Kumaran Govender	Appointed Friday, February 3, 2023
Andrew Madella	
Alice Karanja	
Wiseman Dinwa	
Patricia Sithole	
Rendani Dlamini	
Themba Mtsweni	
Shadrack Motloug	
Asif Jhatham	

## 8. Corporate governance

### General

The Accounting Authority is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Accounting Authority supports the highest standards of corporate governance and the ongoing development of best practices.

The Services SETA confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The Accounting Authority discusses the responsibilities of management in this respect at Accounting Authority meetings and monitors the Services SETA's compliance with the code on a quarterly basis.

### Internal audit

The Services SETA has outsourced its internal audit function to Lunika Incorporated, who succeeded the co-source model previously used by Services SETA. This is in compliance with the Public Finance Management Act, 1999.

## 9. Bankers

Standard Bank of South Africa (operational requirements) South African Reserve Bank (investment of surplus funds)

## 10. Auditors

The Auditor-General of South Africa will continue in office for the next financial period.

## 11. Approval

The audited annual financial statements set out on page 102 to 156, which have been prepared on the going concern basis, were approved by the Accounting Authority on July 28, 2023 and were signed on its behalf by:



Stephen De Vries

Chairperson of the Accounting Authority



Mr Menzi Fakude

Chief Executive Officer

# Statement of Financial Position as at March 31, 2023

Figures in Rand thousand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	374	332
Receivables from exchange transactions	4	3,238	3,657
Receivables from non-exchange transactions	5	1,264	3,301
Deposits	6	215	215
Cash and cash equivalents	7	2,286,696	1,515,884
		<b>2,291,787</b>	<b>1,523,389</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	100,897	121,554
Intangible assets	9	35,859	46,589
		<b>136,756</b>	<b>168,143</b>
<b>Total Assets</b>		<b>2,428,543</b>	<b>1,691,532</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	12	22,167	28,627
Payables from non-exchange transactions	13	141,894	204,433
Provisions	14	184,812	134,367
		<b>348,873</b>	<b>367,427</b>
<b>Total Liabilities</b>		<b>348,873</b>	<b>367,427</b>
<b>Net Assets</b>		<b>2,079,670</b>	<b>1,324,105</b>
Reserves			
Revaluation reserve	10		1,457
Employer Grant reserve	11	1,017	1,005
Administration reserve	11	65,951	83,595
Discretionary Grant reserve	11	2,012,702	1,238,051
		<b>2,079,670</b>	<b>1,324,105</b>
<b>Total Net Assets</b>		<b>2,079,670</b>	<b>1,324,105</b>

# Statement of Financial Performance

Figures in Rand thousand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Other income	17	573	587
Investment revenue	18	104,562	33,232
<b>Total revenue from exchange transactions</b>		<b>105,135</b>	<b>33,819</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Skills development levy: Income	19	1,806,921	1,621,624
Skills development levy: Interest and Penalties	16	29,625	45,405
Other income	15	16,156	6,899
<b>Total revenue from non-exchange transactions</b>		<b>1,852,702</b>	<b>1,673,928</b>
<b>Total revenue</b>	<b>15</b>	<b>1,957,837</b>	<b>1,707,747</b>
<b>Expenditure</b>			
Administration expenses	20	(225,391)	(199,403)
Employer grants and projects expenses	24	(974,696)	(745,137)
Loss on disposal of assets		(731)	(393)
<b>Total expenditure</b>		<b>(1,200,818)</b>	<b>(944,933)</b>
<b>Surplus for the year</b>		<b>757,019</b>	<b>762,814</b>

# Statement of Changes in Net Assets

Figures in Rand thousand	Revaluation reserve	Employer grant reserve	Administration reserve	Discretionary grant reserve	Total reserves	Accumulated surplus/ deficit	Total net assets
Opening balance as previously reported	1,457	381	99,482	476,471	577,791	-	577,791
Prior year error - Note 28	-	-	-	(16,500)	(16,500)	-	(16,500)
<b>Balance at April 1, 2021, as restated*</b>	<b>1,457</b>	<b>381</b>	<b>99,482</b>	<b>459,971</b>	<b>561,291</b>	<b>-</b>	<b>561,291</b>
Surplus for the year	-	-	-	-	-	762,814	762,814
Application of unappropriated surplus/(deficit)	-	194,552	13,978	554,287	762,817	(762,817)	-
Reallocation of unappropriated surplus/(deficit)	-	(193,928)	(29,865)	223,793	-	-	-
Total changes	-	624	(15,887)	778,080	762,817	(3)	762,814
<b>Restated* Balance at April 1, 2022</b>	<b>1,457</b>	<b>1,005</b>	<b>83,595</b>	<b>1,238,051</b>	<b>1,324,108</b>	<b>-</b>	<b>1,324,108</b>
Surplus for the year	-	-	-	-	-	757,019	757,019
Application of unappropriated surplus/(deficit)	-	229,696	11,898	515,425	757,019	(757,019)	-
Reallocation of unappropriated surplus/(deficit)	-	(229,684)	(29,542)	259,226	-	-	-
Fair value adjustment	(1,457)	-	-	-	(1,457)	-	(1,457)
Total changes	(1,457)	12	(17,644)	774,651	755,562	-	755,562
<b>Balance at March 31, 2023</b>	<b>-</b>	<b>1,017</b>	<b>65,951</b>	<b>2,012,702</b>	<b>2,079,670</b>	<b>-</b>	<b>2,079,670</b>
Note(s)	10	11	11	11			

# Cash Flow Statement

Figures in Rand thousand

	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		1,839,552	1,674,203
Interest income		104,537	31,697
Other income		573	559
		<b>1,944,662</b>	<b>1,706,459</b>
<b>Payments</b>			
Employee costs		(196,008)	(184,110)
Admin expenditure		(101,528)	(86,490)
Employer grant and project expenditure		(869,426)	(551,552)
		<b>(1,166,962)</b>	<b>(822,152)</b>
<b>Net cash flows from operating activities</b>	25	<b>777,700</b>	<b>884,307</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(4,828)	(1,001)
Purchase of other intangible assets	9	(2,060)	(1,853)
		<b>(6,888)</b>	<b>(2,854)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>770,812</b>	<b>881,453</b>
Cash and cash equivalents at the beginning of the year		1,515,884	634,431
<b>Cash and cash equivalents at the end of the year</b>	7	<b>2,286,696</b>	<b>1,515,884</b>

# Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand thousand

	Final Budget	Actual amounts on comparable basis	Difference Between the final budget and actual	Reference
<b>Statement of Financial Performance</b>				
<b>Revenue</b>				
<b>Revenue from exchange transactions</b>				
Other income	-	573	573	34 & 17
Investment revenue	19,852	104,562	84,710	34 & 18
<b>Total revenue from exchange transactions</b>	<b>19,852</b>	<b>105,135</b>	<b>85,283</b>	
<b>Revenue from non-exchange transactions</b>				
<b>Transfer revenue</b>				
Skills development levy: Income	1,525,548	1,806,921	281,373	19 & 34
Skills development levy: Interests and Penalties	-	29,625	29,625	34 & 16
Other income	-	16,156	16,156	15
<b>Total revenue from non-exchange transactions</b>	<b>1,525,548</b>	<b>1,852,702</b>	<b>327,154</b>	
<b>Total revenue</b>	<b>1,545,400</b>	<b>1,957,837</b>	<b>412,437</b>	
<b>Expenditure</b>				
Personnel costs - admin and DG support	(204,529)	(191,307)	13,222	22 & 34
Employer grant and project expenses	(1,215,472)	(884,360)	331,112	24
Administrative expenses	(125,399)	(124,420)	979	20 & 34
<b>Total expenditure</b>	<b>(1,545,400)</b>	<b>(1,200,087)</b>	<b>345,313</b>	
<b>Operating surplus</b>	<b>-</b>	<b>757,750</b>	<b>757,750</b>	
Loss on disposal of assets and liabilities	-	(731)	(731)	
<b>Surplus before taxation</b>	<b>-</b>	<b>757,019</b>	<b>757,019</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>-</b>	<b>757,019</b>	<b>757,019</b>	

# Accounting Policies

## 1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

### 1.1 Basis of preparations

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

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

These accounting policies are consistent with the previous period.

### 1.2 Presentation currency

These annual financial statements are presented in the South African Rand, which is the functional currency of the entity.

### 1.3 Going concern assumption

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

### 1.4 Comparative figures

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

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental

to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

Cost of assets, include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add or replace part of. 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 Services SETA 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.

## 1.5 Property, plant and equipment (continued)

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

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

Assets under construction (Work in Progress) represent capital expenditure incurred on projects not yet completed nor ready for use at the end of the period. On completion of the projects, the capitalised expenditure gets transferred out of the WIP account and into the other appropriate property, plant and equipment class of assets.

Major inspection costs, which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above, are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

### 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 the revalued amount being the fair value at the date of revaluation. Buildings subsequently carried at fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land and buildings are revalued every three years or when there are significant improvements to the property.

### Revaluations

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation reserve. 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 reserve to the extent of any credit balance existing in the revaluation reserve 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 as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

### Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their expected useful lives to their estimated residual value. Depreciation starts when the asset is available for use, assets under construction are not depreciated.

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 Services SETA. 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 Services SETA assesses at each reporting date whether there is any indication that the Services SETA expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the Services SETA revises the expected useful life and/or residual value accordingly. The 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.

### Impairment loss

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

An impairment loss of an asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

The Services SETA assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Services SETA shall estimate the recoverable amount of the asset.

## 1.5 Property, plant and equipment (continued)

In assessing whether there is any indication that an asset may be impaired, the Services SETA shall consider external and internal sources of information.

An impairment loss shall be recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset shall be treated as a revaluation decrease.

### 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.

The Services SETA separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 21).

The Services SETA discloses relevant information relating to assets under construction or development in the notes to the financial statements (see note 8).

## 1.6 Intangible assets

An asset is identifiable if it either:

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

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

### 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 Services SETA; and
- the cost or fair value of the asset can be measured reliably.

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

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

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

## 1.6 Intangible assets (continued)

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

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

### Subsequent measurement

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

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

### Amortisation

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

## Derecognition

Intangible assets are derecognised:

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

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

## 1.7 Inventories

Inventories consist of assets in the form of materials or supplies to be consumed or distributed in the rendering of services and are recognised as an asset, if it is probable that future economic benefits or service potential associated with the item will flow to the Services SETA and 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 are stated at fair value as at the date of acquisition.

### Subsequent measurement

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the Services SETA.

## 1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or collectability.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by Services SETA in

the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

### 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
Receivable from exchange	Financial assets initially recognised at fair value and subsequently measured at cost.
Receivable from non-exchange	Financial assets initially recognised at fair value and subsequently measured at cost.
Cash and cash equivalent	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 measured at cost.
Statutory receivable	Financial asset initially recognised at fair value and subsequently measured at cost.

The 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:

## 1.8 Financial instruments (continued)

Class	Category
Payables from exchange transactions	Financial liability initially recognised at fair value and subsequently measured at cost.
Payables from non-exchange transactions	Financial liability initially recognised at fair value and subsequently measured at cost.
Provisions	Financial liability initially recognised at fair value and subsequently measured at cost.

## 1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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 takes place. The Services SETA does not hold any finance leases.

### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.10 Retirement benefit costs - Defined contribution plan

The Services SETA provides retirement benefits for all its permanent employees through a defined contribution scheme that is subject to the Pension Fund 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.

## 1.11 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. 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 discretionary fund reserve in terms of the Grant Regulations. The administration reserve comprises of the future depreciation of all administration property, plant and equipment and amortisation of administrative intangible assets.

A further amount is disclosed in the employer grant reserve for newly registered member companies participating after the legislative cut-off date and new scheme year levies received for the period ending 31 March. Refer to note 26 for disclosure of this contingent liability.

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

## 1.12 Payables

Payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier.

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees.

### Accruals for employee entitlement

The cost of other employee benefits is recognised during the period in which the employee rendered the related services. Employees' 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 the latest approved increases.

### Other payables

Also included under payables from exchange transactions are trade payables on administration expenses.

Accrual for mandatory grants and discretionary grant payable are recognised under payables from non-exchange transactions.

## 1.13 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

A provision is used only for expenditures for which the provision was originally recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

### Operational and capital commitment

The contracts disclosed as operational and capital commitments are made up of the below types of commitments:

- Fixed amount contracts that are effective for longer than one financial period, relating to goods and services for the benefit of the organisation;
- Fixed amount element of contracts with rate-based portion, which are effective for longer than one financial period, relating to goods and services for the benefit of the organisation; and
- Request for quotations (RFQ) purchase orders that are not completed by the end of the financial year, relating to goods or services for the benefit of the organisation.

The rate-based elements of a contract or purchase orders are excluded from the commitment balance as the future value of the contract is undeterminable.

### Discretionary Grant commitment

Items are classified as commitments when the Services SETA has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

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

### Provision for levies exempt employers

Exempt employers provision includes employers who continued paying skills development levies even though they are exempt in terms of the Skills Development Act and have not participated in mandatory grants.

### Provision for grants

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

### 1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the Services SETA receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

When the outcome of a transaction involving an exchange transaction can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Services SETA;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the cost incurred for the transaction and the costs to complete the transaction can be measured reliably.

The Services SETA mostly derive exchange revenue from interest earned. Interest earned is recognised on the time proportionate basis that takes into account the effective yield on the interest investment.

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.

### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

### 1.15 Revenue from non-exchange transactions

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

### Inter-SETA transfers

Revenue is adjusted for transfers of employers between SETAs that arise due to misallocation 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 are 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 sections 3(1) and 3(4) of the Skills Development Levies (SOL) Act, 1999 (Act no.09 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 DHET.

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 DHET either makes an allocation or payment to Services SETA, whichever occurs first. The SOL income is measured at the actual consideration received or receivable.

The split of the levies allocated is as follows:

Administrative levies	10.5%	10.5%
Mandatory grant levies	20%	20%
Discretionary grant levies	49.5%	49.5%
	80%	80%
Contribution to National Skills Fund	20%	20%
	100	100

## Levies - interest and penalties

Interest and penalties are economic benefits or service potential received or receivable by Services SETA, as determined by the South African Revenue Services, as a consequence of the breach of laws or regulations and is recognised on the basis of the skills development levy.

## Levies - Voluntary contributions

Voluntary contributions received from public service employers in the national and provincial spheres of government are recognised on receipt. These funds may be used to fund Services SETA's administration costs. The Services SETA allocates the voluntary contributions using circular No. HRD1 of 2013 from the Department of Public Service and Administration (DPSA) of 33.33% to administration and 66.66% to discretionary funding.

### 1.16 Investment income

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

### 1.17 Administration, grants and project expenditure Mandatory Grant expenditure

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 grant and project expenditure

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

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

- 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. This is limited to 7.5% of the project allocation per grant award.

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

### Administrative expenditure

The funding for administrative expenditure is derived from 10.5% of the total levies paid by the employers. Administration expenses consist of the operational expenditure incurred by the Services SETA. Operational expenditure includes employee costs for non-core employees, consulting costs and operational travel and subsistence costs and capital expenditure, amongst others.

The allocation of 0,5% of the administrative expenditure is payable to the Quality Council for Trades and Occupation as determined by the executive authority on an annual basis.

### Discretionary Grant support costs

Up to a maximum of 7.5% of the Discretionary Grant funding shall be allocated to support the implementation of discretionary grant projects. The Discretionary Grant support costs shall be in line with the administration costs as defined by the Grant Regulations.

### 1.18 Fruitless and wasteful expenditure

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

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

### 1.19 Irregular expenditure

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

Irregular expenditure that was incurred and identified during the current financial year and for which condonement by the National Treasury or relevant 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 annual report 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 be updated accordingly in the irregular expenditure register.

### 1.20 Budget information

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 4/1/2022 to 3/31/2023.

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.

### 1.21 Related parties

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

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

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

Related party transaction is a transfer of resources, services or obligations between the Services SETA and a related party, regardless of whether a price is charged.

Management are those persons responsible for planning, directing and controlling the activities of the Services SETA, including those charged with the governance of the Services SETA in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Services SETA.

### 1.22 Events after reporting date

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

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

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

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

### 1.23 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. The use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the annual financial statements.

#### Key source of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and the residual value of property, plant and equipment and intangible assets.

The Services SETA has reassessed the useful lives of property, plant and equipment and intangible assets for purposes of depreciation and amortisation calculations in light of some assets with an R1 carrying amount.

#### Bursary provision

The Services SETA has based its calculation of the bursary provision on information applicable for the specific financial year.

# Notes to the Annual Financial Statements

Figures in Rand thousand

2023 2022

## 2. New standards and interpretations

### 2.1 Standards and Interpretations early adopted

The entity has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	April 1, 2023	The impact of the change is not material.
• Guideline: Guideline on the Application of Materiality to Financial Statements	Not yet effective	The impact of the change is not material.
• GRAP 104 (as revised): Financial Instruments	April 1, 2025	The impact of the change is not material.
• iGRAP 21: The Effect of Past Decisions on materiality	April 1, 2023	The impact of the change is not material.
• GRAP 2020: Improvements to the standards of GRAP 2020	April 1, 2023	The impact of the change is not material.
• GRAP 1 (amended): Presentation of Financial Statements	April 1, 2023	The impact of the change is not material.

### 2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after April 1, 2023, or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	Not yet effective	Unlikely there will be a material impact.
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction.	April 1, 2023	Unlikely there will be a material impact.

### 3. Inventories

Figures in Rand thousand	2023	2022
Consumable stores	374	332

There are no write-downs relating to inventory; movement is due to consumption and new acquisitions.

#### Inventory balance reconciliation

Opening balance	332	322
Acquisition during the year	272	60
Consumption during the year	(230)	(50)
	<b>374</b>	<b>332</b>

#### Inventory pledged as security

No inventory was pledged as security for the current and prior year.

### 4. Receivables from exchange transactions

Employee debt	-	59
Prepayments	1,334	1,719
Accrued investment income	1,891	1,866
Other receivables	13	13
	<b>3,238</b>	<b>3,657</b>

#### Trade and other receivables pledged as security

No trade and other receivables were pledged as security for the current and prior years.

### 5. Receivables from non-exchange transactions

Mandatory grants receivables: SARS Adjustments	1,218	3,279
Discretionary grants receivables	46	22
	<b>1,264</b>	<b>3,301</b>

MG Receivable	1,218	3,279
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Mandatory grants receivable arises as a result of SARS adjustments subsequent to the Services SETA having paid-out the grants. The receivable is set-off against future mandatory grants payable by the Services SETA to the employer concerned.

## 6. Deposits

Figures in Rand thousand	2023	2022
Short-term deposits for lease and municipal deposits:		
Bloemfontein	33	33
Johannesburg	124	124
Nelspruit	54	54
Port Elizabeth	4	4
	215	215

## 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15	9
Bank balances	449,298	304,134
Short-term deposits	1,837,383	1,008,274
Cash in transit	-	203,467
	2,286,696	1,515,884

No contract debtors were pledged as security for overdraft facilities.

### Cash and cash equivalents pledged as collateral

No cash and cash equivalents were pledged as collateral in the current year or prior year.

Figures in Rand thousand

8. Property, plant and equipment

	2023			2022		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	39,915	-	39,915	41,490	-	41,490
Buildings	61,447	(12,792)	48,655	72,293	(10,069)	62,224
Building machinery	2,767	(2,403)	364	2,771	(2,463)	308
Furniture and fixtures	18,779	(17,401)	1,378	19,436	(16,065)	3,371
Motor vehicles	16,382	(13,393)	2,989	18,287	(11,792)	6,495
Office equipment	10,757	(7,504)	3,253	9,563	(6,120)	3,443
Computer equipment	20,607	(17,568)	3,039	19,944	(16,796)	3,148
Computer network	8,595	(7,291)	1,304	8,596	(7,521)	1,075
<b>Total</b>	<b>179,249</b>	<b>(78,352)</b>	<b>100,897</b>	<b>192,380</b>	<b>(70,826)</b>	<b>121,554</b>

Figures in Rand thousand

## 8. Property, plant and equipment (continued)

### Reconciliation of property, plant, and equipment - 2023

	Opening Balance	Additions	Disposals	Revaluations	Depreciation	Impairment loss	Total
Land	41,490	-	-	(1,575)	-	-	39,915
Buildings	62,224	-	-	(10,846)	(2,723)	-	48,655
Plant and machinery	308	251	-	-	(195)	-	364
Furniture and fixtures	3,371	96	(9)	-	(2,031)	(49)	1,378
Motor vehicles	6,495	-	(638)	-	(2,868)	-	2,989
Office equipment	3,443	1,605	(23)	-	(1,771)	(1)	3,253
Computer equipment	3,148	2,235	(60)	-	(2,284)	-	3,039
Computer networks	1,075	641	-	-	(393)	(19)	1,304
	<b>121,554</b>	<b>4,828</b>	<b>(730)</b>	<b>(12,421)</b>	<b>(12,265)</b>	<b>(69)</b>	<b>(100,897)</b>

### Reconciliation of property, plant and equipment – 2022

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	66,418	-	-	-	(24,928)	41,490
Buildings	70,492	-	-	(3,289)	(4,979)	62,224
Building machinery	475	-	-	(167)	-	308
Furniture and fixtures	5,577	-	-	(2,206)	-	3,371
Motor vehicles	9,421	-	-	(2,926)	-	6,495
Office equipment	5,574	176	(348)	(1,959)	-	3,443
Computer Equipment	4,980	547	(42)	(2,337)	-	3,148
Computer network	1,310	278	-	(513)	-	1,075
	<b>164,247</b>	<b>1,001</b>	<b>(390)</b>	<b>(13,397)</b>	<b>(29,907)</b>	<b>121,554</b>

### Pledged as security

There are no property, plant and equipment assets of Services SETA pledged as security.

### Useful Lives (in years)

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

## Figures in Rand thousand

### 8. Property, plant and equipment (continued)

Item	Depreciation method	Average useful life Not depreciated
Land	Straight-line	20 - 30
Buildings	Straight-line	5 - 25
Building machinery	Straight-line	5 - 25
Furniture and fixtures	Straight-line	5 - 25
Motor vehicles	Straight-line	5 - 25
Office equipment	Straight-line	5 - 25
Computer equipment	Straight-line	3 - 25
Computer network	Straight-line	3 - 25

#### Revaluations

The properties were assessed for market value and residual value at 31 March 2023. The market value was assessed for the Head Office and Durban office. Refer to Note 11 for the movement of the previous surplus in the revaluation reserve relating to land. All other properties were only assessed for residual valuation as they were not due for market assessment in the current year.

Land and buildings are re-valued independently every three years.

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

#### Change in accounting estimate

##### Property, plant and equipment fully depreciated and reassessed (Net carrying amount)

Computer equipment	21	154
Furniture & Fittings	61	387
Office Equipment	58	288
Computer Network	95	1,860
	<b>235</b>	<b>2,689</b>

In the current financial year, 187 items were identified to have been fully depreciated and still in use. A reassessment on the items was conducted and adjustment to the depreciation processed.

## Figures in Rand thousand

### 8. Property, plant and equipment (continued)

#### Property, plant and equipment not reassessed but in use - to be repaired or replaced in the new financial year (Net carrying amount)

Computer network	18	45
Computer equipment	-	120
Furniture and fittings	49	81
Office equipment	1	15
Building machinery	-	20
Motor vehicles	-	290
	<b>68</b>	<b>571</b>

During the financial period, 256 items were identified that, due to current poor conditions, needed to be impaired. These items are still in use; however, they will be repaired or replaced in the new financial period.

#### Reassessed Depreciation

Depreciation - current year	186
Depreciation - future periods	235
	-

The above disclosure is in relation to the new depreciation value after reassessment of the items for the current year and future years.

#### Repairs and Maintenance

During the current financial year, R7.8 million (FY21/22 R6.2 million) of repairs and maintenance was incurred in order to maintain the condition of the property, plant and equipment of the Services SETA. Refer to note 21.

### 9. Intangible assets

	2023			2022		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	89,375	(74,340)	15,035	93,579	(65,755)	27,824
Computer software under development	20,824	-	20,824	18,765	-	18,765
<b>Total</b>	<b>110,199</b>	<b>(74,340)</b>	<b>35,859</b>	<b>112,344</b>	<b>(65,755)</b>	<b>46,589</b>

## 9. Intangible Assets

Figures in Rand thousand

2023 2022

### Reconciliation of intangible assets – 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	27,824	-	(1)	(12,788)	15,035
Computer software under development	18,765	2,059	-	-	20,824
	<b>46,589</b>	<b>2,059</b>	<b>(1)</b>	<b>(12,788)</b>	<b>35,859</b>

### Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	44,539	1,531	(3)	(18,243)	27,824
Computer software under development	18,443	322	-	-	18,765
	<b>62,982</b>	<b>1,853</b>	<b>(3)</b>	<b>(18,243)</b>	<b>46,589</b>

There are no intangible assets of Services SETA pledged as security.

Figures in Rand thousand

2023

2022

### 9. Intangible assets (continued)

Useful Lives (in years)

Computer Software                      Straight line                      3-25

### Change in accounting estimate

Fully amortised intangible assets still in use	2,289	12,225
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In the current financial year, five items were identified to have been fully amortised and still in use. A reassessment of the items was conducted, and adjustment to the amortisation processed.

The current year amortisation for the items reassessed amounted to R1,5 million, and amortisation for future periods is R2.3 million.

### 10. Revaluation reserve

Reserve on revaluation of property, plant and equipment.

Opening balance	1,457	1,457
Change during the year	(1,457)	-
	-	1,457

During the current financial period, the revaluation of Head Office and Durban properties resulted in the devaluation of both properties. The available reserve relates to land and was utilised for the current year's devaluation of same land.

## Figures in Rand thousand

### 11. Accumulated surplus

Allocation of the surplus/(deficit) for the year to reserves – 2023

	Administration reserve	Employer grant reserve	Discretionary grant reserve	Total
Skills development levy income	-	-	-	-
-Administration levy income	237,156	-	-	237,156
-Grant levy income	-	451,940	-	451,940
-Discretionary grant levy	-	-	1,117,825	1,117,825
Penalties and interest	-	-	29,624	29,624
Investment income	-	-	104,562	104,562
Other income	573	16,156	-	16,729
<b>Total income</b>	<b>237,729</b>	<b>468,096</b>	<b>1,252,011</b>	<b>1,957,836</b>
Administration expenses	(225,391)	-	-	(225,391)
Employer grants expenses	-	(238,400)	-	(238,400)
Project expenses	-	-	(736,295)	(736,295)
Loss on disposal of assets	(440)	-	(291)	(731)
	<b>11,898</b>	<b>229,696</b>	<b>515,425</b>	<b>757,019</b>

	Administration reserve	Employer grant reserve	Discretionary grant reserve	Revaluation Reserve	Total
Opening balance	83,595	1,005	1,238,052	1,457	1,324,109
Surplus/(deficit) for the year	11,898	229,696	515,425	-	757,019
Reallocation of funds to reserve	(29,542)	(229,684)	259,226	-	-
Fair value adjustment	-	-	-	(1,457)	(1,457)
	<b>65,951</b>	<b>1,017</b>	<b>2,012,700</b>	<b>-</b>	<b>2,079,668</b>

## Figures in Rand thousand

### 11. Accumulated surplus (continued)

Allocation of the surplus/(deficit) for the year to reserves – 2022

	Administration reserve	Employer Grant reserve	Discretionary Grant reserve	Total
<b>Skills development levy income</b>	-	-	-	-
-Administration levy income	212,841	-	-	212,841
-Grant levy income	-	405,138	-	405,138
-Discretionary grant levy	-	-	1,003,643	1,003,643
Penalties and interest	-	-	45,405	45,405
Investment income	-	-	33,232	33,232
Other income	587	6,897	3	7,487
<b>Total income</b>	<b>213,428</b>	<b>412,035</b>	<b>1,082,283</b>	<b>1,707,746</b>
Administration expenses	(197,834)	-	-	(197,834)
Employer grants expenses	-	(217,483)	-	(217,483)
Project expenses	-	-	(516,348)	(516,348)
Loss on disposal of assets	(51)	-	(342)	(393)
Prior period error – note 28	(1,565)	-	(11,307)	(12,872)
<b>Net surplus/(deficit) allocated</b>	<b>13,978</b>	<b>194,552</b>	<b>554,286</b>	<b>762,816</b>

	Administration reserve	Employer grant reserve	Discretionary grant reserve	Revaluation reserve	Total
Surplus/(deficit) for the year	99,482	381	476,473	1,457	577,793
Prior Period Error – Note 29	-	-	(16,500)	-	(16,500)
Surplus/(deficit) for the year	13,978	194,552	554,286	-	762,816
Reallocation of funds to reserve	(29,865)	(193,928)	223,793	-	-
	<b>83,595</b>	<b>1,005</b>	<b>1,238,052</b>	<b>1,457</b>	<b>1,324,109</b>

### 12. Payables from exchange transactions

Trade payables	3,679	3,915
Accrued employee costs	2,874	3,055
Accrued leave pay	7,139	11,712
Accrued expenses - administrative expenses	8,475	9,945
	<b>22,167</b>	<b>28,627</b>

Figures in Rand thousand

2023

2022

## 12. Payables from exchange transactions

The previously stated figure for accrued expenses in FY21/22 was R6 million. Refer to note 28 for the prior year's adjustment.

Refer to note 29 for the ageing of the payables from exchange transactions.

## 13. Payables from non-exchange transactions

Donor funding	3,495	5,728
Accrued expenses: Discretionary grants	25,635	47,224
Trade payables: Discretionary grants	28,721	38,362
Mandatory grants payables	81,357	112,899
Inter-SETA payable	2,686	220
	<b>141,894</b>	<b>204,433</b>

Previously stated figure for accrued expenses (DG) in FY21/22 was R22 million. Refer to note 28 for prior year adjustment.

Refer to note 29 for the ageing of the payables from non-exchange transactions.

Donor funding relates to funds received for a partnership between Services SETA and the North-West Department of Economic Development, Environment, Conservation and Tourism (DEDECT).

## 14. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Under/(over) provision	Total
Exempt employers	52,481	9,852	(13,131)	3,600	52,802
Discretionary grants	81,886	132,010	(36,324)	(45,562)	132,010
	<b>134,367</b>	<b>141,862</b>	<b>(49,455)</b>	<b>(41,962)</b>	<b>184,812</b>

### Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Under/(over) provision	Total
Exempt employers	45,526	9,938	(9,816)	6,833	52,481
Discretionary grants	10,649	81,886	(27,656)	17,007	81,886
	<b>56,175</b>	<b>91,824</b>	<b>(37,472)</b>	<b>23,840</b>	<b>134,367</b>

Figures in Rand thousand

2023

2022

#### 14. Provisions (continued)

##### Provision for exempt levy employers

This provision is for employers who, even though they are not obliged to pay the skills development levy (SOL) because their payroll is less than R500 thousand, amongst others, still contribute towards the SOL. The provision covers contributions made over a period of five years. Any exempt contributions older than five years are swept to discretionary reserves.

##### Provision of discretionary grants

For the financial year 2022/2023, the Services SETA considered verified compliant bursars as at 31 March 2023. The balance as at 31 March 2023 relates to estimated liability in relation to active bursars.

#### 15. Revenue

Other income - exchange	573	587
Interest received - investment	104,562	33,232
Skills Development Levy: Income	1,806,921	1,621,624
Skills Development Levy: Penalties and Interest	29,625	45,405
Other income - non-exchange	16,156	6,899
	<b>1,957,837</b>	<b>1,707,747</b>

Figures in Rand thousand	2023	2022
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### 15. Revenue (continued)

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

Other income - exchange	573	587
Interest received - investment	104,562	33,232
	<b>105,135</b>	<b>33,819</b>

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

#### Taxation revenue

#### Transfer revenue

Skills Development Levy: Income	1,806,921	1,621,624
Skills Development Levy: Penalties and Interest	29,625	45,405
Other income - non-exchange	16,156	6,899
	<b>1,852,702</b>	<b>1,673,928</b>

Other Income: non-exchange includes the write-off of mandatory balances that have prescribed and creditors' balances no longer payable.

### 16. Skills Development Levy: Penalties and Interest

Penalties	14,924	21,770
Interest	14,701	23,635
	<b>29,625</b>	<b>45,405</b>

### 17. Other revenue

Other income - exchange	573	587
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Other income: exchange transaction includes the annual MG fund for Services SETA, recovery from insurance claims, and write-offs relating to payables/receivables that have prescribed.

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

MG - Refund	320	345
Insurance Recoveries	253	214
Admin Write-off	-	28
	<b>573</b>	<b>587</b>

### 18. Investment revenue

#### Interest revenue

Bank	104,562	33,232
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The amount included in Investment revenue arising from exchange transactions amounted to R 105 million (2022: R33 million).

**Figures in Rand thousand**
**2023**
**2022**
**19. Levies**

Levy income: Administration	237,550	213,783
Inter-seta transfers-out	(353)	(28)
Admin - Exempt Employer	(42)	(913)
	<b>237,156</b>	<b>212,842</b>
Levy income: Employer Grant	452,692	406,931
Inter-seta transfers-out	(671)	(54)
Employer grant - Exempt Employers	(80)	(1,739)
	<b>451,940</b>	<b>405,138</b>
Levy income: Discretionary Grants	1,119,686	1,008,080
Inter-seta transfer-out	(1,662)	(133)
DG grant - Exempt Employers	(199)	(4,303)
	<b>1,117,825</b>	<b>1,003,643</b>
	<b>1,806,921</b>	<b>1,621,623</b>

**20. Administration expenses**

Accounting Authority and Audit Committee costs	9,147	9,007
Advertising and promotional material	2,833	2,838
Auditors' remuneration (Refer to Note 24)	9,155	8,039
Bank charges	229	218
Communication costs	8,081	10,188
Depreciation, amortisation and impairment – admin-related assets	24,244	19,746
Consulting and professional fees	13,752	17,124
Rentals	1,092	1,110
Insurance	2,317	2,971
Venue hire, catering and refreshments	1,067	202
IT expenses	13,924	10,601
Printing and stationery	542	555
Security & storage	7,309	6,478
Staff welfare	1,334	1,385
Subscriptions and membership fees	100	22
Training and recruitment	5,315	2,388
Travel and accommodation	1,631	636
Small tools	32	36

Figures in Rand thousand	2023	2022
Electricity and water	4,217	4,417
Write off	59	-
Repairs and maintenance (Refer to Note 22)	7,808	6,217
Employee costs (Refer to Note 23)	100,970	87,253
Quality Council for Trades and Occupations fee 0.5%	10,231	7,829
Interest and penalties incurred	2	143
	<b>225,391</b>	<b>199,403</b>

The previously stated amount for admin expenses in 2021-22 was R197 million. Refer to note 28 for prior year adjustment.

Figures in Rand thousand

2023

2022

**21. Repairs and maintenance**

Building maintenance	5,686	5,223
Equipment and machinery maintenance	302	84
Motor vehicle expenses	1,820	910
	<b>7,808</b>	<b>6,217</b>

Previously stated amount for repairs and maintenance expenses in 2021-22 was R6.1 million. Refer to note 28 for prior year's adjustment.

**22. Employee costs**

Salaries and wages	138,600	126,803
Medical aid contributions	26,013	26,363
Compensation for Occupational Injuries and Diseases	119	312
Leave pay provision charge	(3,637)	1,658

**Allowances**

• Basic education allowance	3,010	3,026
• Other fringe benefits	2,279	2,155
• Pension contributions - Defined contribution plan	15,215	14,755
• Housing benefits and allowances	9,707	10,046
Reallocate to DG	(90,336)	(97,866)
	<b>100,970</b>	<b>87,252</b>

**23. Auditors' remuneration**

Internal audit fees	2,460	2,188
External audit fees	6,695	5,851
	<b>9,155</b>	<b>8,039</b>

**24. Employer grants and project expenses**

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

**Overall expenditure**

Mandatory grant expenses	238,400	217,483
DG direct expenses	595,027	354,742
DG support expenses	141,269	172,912
	<b>974,696</b>	<b>745,137</b>

The previously stated amount for DG direct expenses in FY2021-22 was R346 million. Refer to note 28 for prior year adjustment.

Figures in Rand thousand

2023

2022

**24. Employer grants and project expenses (continued)**

The discretionary grant support expenditure consists of below elements:

DG - Bank charges	7	152
Legal fees	10,134	9,101
Professional Fees & Consultancy - Indirect	8,666	14,305
Donations - support	122	315
DG Computer & Systems	-	1,019
Storage and security	80	167
DG Employee Costs	90,336	97,866
DG Stationery & Consumables (Inc Certificates)	191	1,214
Marketing Material	6,546	3,437
Collaborations- Expos	3,947	-
Travel and accommodation	3,441	1,129
DG – Transportation Costs	182	80
Depreciation and mortization (DG-related assets)	11,842	17,931
DG asset impairment	-	23,871
DG – interest and penalties incurred	4,279	1,352
Venue Hire, Catering and Refreshments	1,496	973
	<b>141,269</b>	<b>172,912</b>

The discretionary grant direct expenditure consists of the below elements:

Learnerships – Unemployed	152,492	59,975
Bursaries/ Learnerships – Employed	15,140	5,474
Apprenticeship and trade test	133,209	102,867
Bursaries – Unemployed	105,712	95,133
Internships – Unemployed entering internships	24,190	9,092
Internship – SETA own	1,425	-
Internships - FET college interns	25,245	13,333
Internships - FET Graduate Placement (NCV)	25,537	6,056
Adult Education and Training	1,172	126
Recognition of Prior Learning	1,097	190
Skills programmes - Employed	50,210	12,953
Skills programmes - Unemployed	16,641	18,177
Candidacy programme	6,759	524
Co-ops Support	1,215	-

Figures in Rand thousand	2023	2022
Infrastructure Development	26,517	27,137
Qualification Development	4,680	3,625
Capacitation for Skills Programmes	518	81
Research studies	3,269	-
	<b>595,028</b>	<b>354,743</b>

## 25. Cash generated from operations

Surplus	757,019	762,814
<b>Adjustments for:</b>		
Depreciation and amortisation	25,054	31,640
Loss on disposal of assets	731	393
Movements in provisions	50,445	78,192
Asset revaluation loss	11,031	29,908
<b>Changes in working capital:</b>		
Inventories	(42)	(10)
Receivables from exchange transactions	419	(2,463)
Other receivables from non-exchange transactions	2,037	22,676
Payables from exchange transactions	(6,455)	7,887
Payable from non-exchange transactions	(62,539)	(46,730)
	<b>777,700</b>	<b>884,307</b>

## 26. Contingencies

### 26.1 Commitments

The Services SETA commitments consist of operating & capital commitments and discretionary grant commitments. Already contracted for but not provided for:

#### Operational commitment

• Operational admin commitment	24,003	34,095
• PPE assets	312	2,830
	<b>24,315</b>	<b>36,925</b>

#### Discretionary grant commitment

• Commitment - discretionary grants	2,761,237	3,372,638
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Figures in Rand thousand

2023 2022

26. Contingencies (continued)

2023

R'000

	Audited 21/22 closing balance	Adjustment	Adjusted opening balance	New Approvals	Amendments	Expenditure	Expenditure outside contract / commitment terms	Total commitments
Discretionary grants support	8,898	(8,898)	-	-	-	-	-	-
Unemployed learnership	637,713	(16,060)	621,653	89,475	94,987	(147,604)	2,597	661,108
Employed Learnership	101,470	(8,533)	92,937	-	8,643	(11,449)	135	90,266
Artisan Apprenticeship	356,414	17,666	374,080	23,723	182,001	(117,945)	102	461,961
Trade test	18,013	921	18,934	49,200	8	(15,765)	-	52,377
Internship - HET	88,518	2,337	90,855	561	8,911	(22,277)	479	78,529
Internship - Nated	164,529	(10,615)	153,914	80,369	87,040	(21,851)	465	299,937
Internship - TVET / Workplace	63,088	307	63,395	221	70,036	(14,749)	301	119,204
Bursaries: Employed	41,722	5,985	47,707	1,510	1,070	(791)	-	49,496
Bursaries: Unemployed - Honours	33,991	(6,775)	27,216	-	220	-	-	27,436
Adult Education and Training	10,897	(138)	10,759	8,033	1,032	(1,155)	-	18,669
Recognition of Prior Learning	14,120	(556)	13,564	-	5,483	(1,774)	-	17,273
Skills programmes: Employed	321,149	(29,071)	292,078	1,174	(108,475)	(30,537)	-	154,240
Skills programmes: Unemployed	85,869	20,819	106,688	1,118	(6,453)	(12,699)	-	88,654
Candidacy	23,276	(2,107)	21,169	-	3,681	(6,712)	-	18,138

Other Financial Services Regulatory Board Exam	25	125	150	-	25	-	-	175
Special Projects	725,408	647,312	1,372,720	39,010	(896,434)	(41,481)	-	473,815
Qualification development	217	-	217	7,170	653	(3,146)	-	4,894
E-learning	-	1,785	1,785	-	382	(1,168)	-	999
Research	3,269	-	3,269	-	-	(3,269)	-	-
Non-Credit bearing	-	-	-	750	-	-	-	750
Infrastructure	-	59,548	59,548	22,533	70,161	(15,295)	-	136,947
Bursaries	-	-	-	-	5,154	-	-	5,154
Business Advisory Services	-	-	-	-	1,215	-	-	1,215
	<b>2,698,586</b>	<b>674,052</b>	<b>3,372,638</b>	<b>324,847</b>	<b>(470,660)</b>	<b>(469,667)</b>	<b>4,079</b>	<b>2,761,237</b>

## Figures in Rand thousand

### 26. Contingencies (continued)

#### Expenditure outside contract/commitment terms

In consideration of the NSDP, Service SETA applies staggered implementation of projects which start upon receipt of the offer letters. Entities are required to submit documentation of their learners for vetting to ensure that minimum qualification requirements are met. Due to changes made over the years, entities with old offer letters/contracts required amendments to be made to their initial offer/contract to align with approved new training rates. As a result of high subscriptions by stakeholders, not all contracts were updated with entities, resulting in expenditure incurred in excess of the initial offer/contract.

#### Rationalisation of legacy discretionary grant allocations (In addition to the commitment disclosed above)

The Services SETA suffered a cyber-attack in 2018, which resulted in the loss of critical information. A task team was established to assist in the recovery of lost information in the form of contractual agreements. The Services SETA was able to recover some of the lost information, however, the recovery of data for various projects amounting to R123 million was unsuccessful. Contact with entities was made, and contractual agreements amounting to R56 million were further recovered. Furthermore, an estimated commitment amounting to R30 million was removed from the commitment schedule through confirmations as non-existence. Entities with estimated commitments amounting to R37 million are undergoing a rationalisation process to remediate any identified gaps.

#### Rate-based contracts

Prior to 01 April 2021, the Services SETA had contracts that were not capped by nature for goods and services provided by suppliers. A rate per commodity was applied to these contracts. This type of contract resulted from the impracticability of reliable estimating quantities that would be required during the duration of the contracts. The budgeting process for the organisation is directly linked to the overall annual performance targets on the annual performance plan. These rate-based contracts were linked to the overall budgeting process.

#### Expenditure difference between notes 24 and 26

Expenditure on the commitment note No. 26 is different to the DG direct expenditure disclosed on Note 24 by R125 million; this is due to payments made for discretionary grants that do not give rise to a commitment, comprising mainly of short skills programs, bursaries and legacy projects that are no longer on the commitment schedule.

Operational commitment	24,315	36,925
Discretionary grant commitment	2,761,237	3,372,638
	<b>2,785,552</b>	<b>3,409,563</b>

Committed expenditure relates to DG projects and operational expenditure and will be financed by available allocation from DHET, retained surpluses, existing cash resources, and funds internally generated. The implementation of these commitments will be phased in based on APP targets. 80% of discretionary grant funding has been allocated to PIVOTAL programmes, in line with Grant Regulation No. 35940, sub-regulation 6(12).

#### 26.2 DHET and employers, represented by Business Unity South Africa ('BUSA') case

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

**26. Contingencies (continued)**

The effect of the ruling is that the Minister would have to decide on the percentage for mandatory grants in consultation with the sector. The Minister has not yet made a decision regarding the mandatory grant percentage.

DHET continued to show the mandatory levies portion as 20% in the 2022/23 year in the levy download information. The Services SETA continued to pay and accrue mandatory grants at 20% in the 2022/23 financial year in the absence of a revised percentage which is aligned with the approved annual performance plan.

The mandatory grant expenditure in Note 24, as well as the mandatory grant liability in note 13, were calculated using mandatory grant percentage of 20%.

The Services SETA therefore discloses a contingent liability in regard to the amount of the mandatory grants payable to qualifying levy payers from the date of the court decision to the year end. This is disclosed as a liability as the intention of the litigants, BUSA, was to increase the mandatory grant percentage from 20%. The timing and amount of this contingent liability is uncertain, and no reasonable estimate can be made at this point.

Currently, the department is in discussions with BUSA regarding the mandatory grant percentage.

**26.3 First-time employer registrations**

The Skills Development legislation allows an employer, registering for the first time, six months to submit an application for a mandatory grant. At the reporting date, it is estimated that, as a result, an additional mandatory grant expenditure of R1 million (2021/22: R1 million) will be payable should the employers submit compliant reports. The amount is contingent on the number of submissions received and approved.

**26.4 Litigation matters**

Claims by various service providers against the Service SETA with a total exposure amounting to R30 million (2021/22: R111 million). The timing and possibility of reimbursement is unknown as it is dependent on the courts/arbitration process.

Alleged breach of contract - (legal cost remains - matter settled)	-	4,700
Cost payable due to alleged damages - matter still pending before the High court	22,180	21,981
Matter in High court for alleged breach of contract by SETA - matter closed	-	58,000
Action for damages in the High Court alleging breach of contract by SETA	600	1,084
Cost relating to additional work for a skills centre - matter settled	-	17,300
Claim in relation to an award for the training of learners	3,500	3,500
CCMA matter for unfair dismissal	3,130	3,130
Unfair dismissal lodged with CCMA and Labour court (closed)	-	200
Unfair dismissal - matter closed	-	800
Interdict issued to stop construction of chicken-run farm on community land (legal costs)	730	250
Information requested on previously completed tender by OUTA - matter closed	-	350

**Figures in Rand thousand****2023****2022**

Labour court matter - unfair dismissal

120

-

**30,260****111,295****26.5 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 of March of each year and a maximum of 5% of uncommitted funds may be carried over to the next financial year. In terms of paragraph 3(12), the remaining surplus of discretionary funds must be paid by the SETA to the National Skills Fund (NSF).

The Labour Appeal Court, in a matter between the Minister of Higher Education and Training and Business Unity South Africa, set aside paragraph 3(12) of the Grant Regulations. Therefore, uncommitted funds are no longer transferable to the National Skills Fund. SETAs are, however, required to disclose the uncommitted surplus.

Discretionary Grant reserves

2,012,702

1,238,051

Less: DG commitment

(2,761,237)

(3,372,638)

95% thereof

711,108

2,027,858

**(37,427)****(106,729)****26.6 Retention of Surplus Funds as at 31 March 2023**

In terms of the Public Finance Management Act (1 of 1999), as amended, all accumulated surplus funds as at yearend must be forfeited to National Treasury should an application for the retention of surplus funds be denied. The Services SETA will submit an application for the retention of accumulated funds as at 31 March 2023 to the National Treasury.

In addition to below, the Services SETA has commitments amounting to R2.8 billion (2022: R3.4 billion).

National Treasury Instruction note No. 12 of 2020/21, issued in September 2020, clarified that the surplus funds should be determined as follows:

Cash and cash equivalents

2,286,696

1,515,884

Receivables from exchange transactions

3,238

3,657

Receivables from non-exchange transactions

1,264

3,301

Payables from exchange transactions

(22,169)

(28,624)

Payable from non-exchange transactions

(141,894)

(204,433)

Provisions

(184,812)

(134,367)

**1,942,323****1,155,418**

## 27. Related parties

### Relationships

Members of the Accounting Authority	Refer to members' report note
Ultimate controlling entity	Department of Higher Education, Science and Innovation
Other departments with significant influence	National Treasury
Key stakeholders	National Skills Fund
Significant affiliates	Other 20 SETAs; QCTO
Entities under common control	All Public Higher Education and Training Institutions (HET)
Members of key management	Fakude M – Chief Executive Officer Matsebe T – Chief Financial Officer Motla M – Executive Manager: Strategy & Planning Kostlich L – Executive Manager: Core Business Dhladhla S – Executive Manager: Corporate Services Sipengane A – Executive Manager: Strategic Partnerships

### Entities under common control

By virtue of the Services SETA being a National Public entity related to entities and departments in the National spheres of government, it is considered related to DHET, National Skills Authority, QCTO, other SETAs, public universities and TVET colleges. The transactions are consistent with normal operating relationships between the entities and are undertaken on terms and conditions that are normal for such transactions.

### Higher Education and Training Institutions - exempt entities

Transactions relating to allocations to Discretionary grant allocations whose terms and conditions are similar to other grantees.

### Related party balances

#### Inter- SETA payables

SASSETA	1,253	-
MQA	-	220
MIC SETA	1,433	-

The inter-SETA payable refers to a payable as a result of levy payers that have been transferred from the services sector to another sector.

### TVET and Universities' payables

University of Witwatersrand	(80)	-
University of Johannesburg	(42)	-
Fort Cox college	-	(26)
Motheo TVET college	-	(67)
Taung Agricultural TVET college	(48)	(48)
Fort Cox college	-	(26)
Vaal University of Technology	(31)	(136)

### Commitments with related parties

TVETs	220,208	201,096
Universities	189,518	269,868
CETs	6,396	6,201

Refer to the commitment note for more details.

The above balances relate to the discretionary grants awarded to the providers.

### Related party transactions

#### Levy income, penalties and interest

Department of Higher Education, Science and Innovation	1,852,702	1,673,928
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#### Purchases from related parties

TVETs - linked to commitments	34,610	22,175
Universities - linked to commitments	4,789	1,829
CETs - linked to commitments	1,701	

#### QCTO 5% as per Grant regulation

QCTO	10,231	7,829
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#### Remuneration of management

### (Footnotes)

1. This total does exclude costs related to leave and COIDA, among others.
2. 253 vs 251 (2 employees left on the 31 March 2022) hence 251 opening on the 01 April 2022.

Figures in Rand thousand

2023

2022

## 27. Related parties (continued)

### Management class: Board members 2023

Name	Board & EXCO	HRR REMCO	Finance Committee	Transformation Committee	Governance, Risk & Strategy Committee	Other	Total
De Vries, S (Chairperson)	198	-	-	-	-	679	877
Madella, A	141	32	-	32	-	40	245
Karanja, A	149	32	8	-	42	96	327
Dinwa, W	149	-	56	-	40	88	333
Sithole, P	53	-	56	-	40	195	344
Dlamini, R	53	32	-	32	-	158	275
Mtsweni, T	149	43	-	-	-	80	272
Motloug, S	53	-	8	32	46	235	374
Jhatham, A	125	24	70	-	10	118	347
Ford, J	141	16	-	-	-	123	280
Nzimande, J	53	-	56	32	-	270	411
Cowley, K	53	32	8	-	42	155	290
Gogo, N	149	-	8	43	42	143	385
Mcoyi, N	109	-	32	-	30	48	219
Govender, K*	9	-	-	-	-	32	41
	<b>1,584</b>	<b>211</b>	<b>302</b>	<b>171</b>	<b>292</b>	<b>2,460</b>	<b>5,020</b>

Figures in Rand thousand

2023

2022

27. Related parties (continued)

2022

Name	Board & EXCO	HR& REMCO	Finance Committee	Transformation Committee	Governance, Risk & Strategy Committee	Other	Total
De Vries, S (Chairperson)	182	-	-	-	-	513	695
Madella, A	122	31	-	31	-	93	277
Karanja, A	137	31	-	-	70	156	394
Dinwa, W	137	-	62	-	54	171	424
Sithole, P	52	-	62	-	54	190	358
Dlamini, R	52	31	-	-	-	179	262
Mtsweni, T	130	31	-	31	-	162	354
Motloug, S	52	-	-	31	73	199	355
Jhatham, A	59	8	89	-	-	83	239
Ford, J	129	23	-	-	-	115	267
Nzimande, J	52	-	62	31	-	238	383
Cowley, K	43	31	-	-	70	152	296
Gogo, N	137	-	-	42	70	163	412
Mcoyi, N	81	-	31	-	89	124	325
	<b>1,365</b>	<b>186</b>	<b>306</b>	<b>166</b>	<b>480</b>	<b>2,538</b>	<b>5,041</b>

\*1 New Accounting Authority members started 03 February 2023

Figures in Rand thousand

2023

2022

## 27. Related parties (continued)

### Management class: Executive management

#### 2023

Name	Emoluments	Pension, Medical, UIF	Incentives	Total
Fakude M (Chief Executive Officer)	2,744	329	119	3,192
Motla ML (Executive - Strategy and Planning)	1,943	289	78	2,310
Matsebe T (Chief Financial Officer)	1,938	205	78	2,221
Kostlich L (Executive - Core Business)	2,285	222	85	2,592
Sipengane A (Executive - Strategic Partnerships)	2,017	205	78	2,300
Dhladhla S (Executive - Corporate Services)	1,898	241	78	2,217
	<b>12,825</b>	<b>1,491</b>	<b>516</b>	<b>14,832</b>

#### 2022

Name	Emoluments	Pension, medical & UIF	Total
Fakude M (Chief Executive Officer)	2,628	301	2,929
Motla ML (Executive: Strategy and Planning)	1,740	287	2,027
Matsebe T (Chief Financial Officer)	1,833	195	2,028
Kostlich L (Executive - Core Business)	1,996	209	2,205
Sipengane A (Executive - Strategic Partnerships)	1,833	195	2,028
Dhladhla S (Executive - Corporate Services)	1,872	230	2,102
	<b>11,902</b>	<b>1,417</b>	<b>13,319</b>

### Audit Committee

#### 2023

Name	Audit Committee fees	Other engagements	Travel claims	Total
Rabothata, K (Chairperson)	69	152	21	242
Cowley, K (AA member)	62	-	-	62
Galane, O	69	35	-	104
Mtshweni, T (AA member)	62	-	-	62
Singh, N	69	35	-	104
Mkhize, T	69	-	-	69
	<b>400</b>	<b>222</b>	<b>21</b>	<b>643</b>

Figures in Rand thousand

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2022

Name	Audit Committee fees	Other engagements	Travel expenses	Total
Rabothata, K (Chairperson)	56	90	3	149
Cowley, K (AA member)	42	7	-	49
Galane, O	55	7	-	62
Mtsweni, T (AA member)	55	7	-	62
Mkhize, T	55	7	-	62
Mkhize, T	55	7	-	62
	<b>318</b>	<b>125</b>	<b>3</b>	<b>446</b>

## 28. Prior period error

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

### Nature of error

Reserves, Administration expenditure and Grants and Project expenditure - during the current financial year FY2022-23, the Services SETA received additional invoices from service providers for which work was done in prior years. Although the claims and invoices were dated in the current financial year, through reviews of documents pertaining to work done, the expenditure was accrued for in the relevant financial period.

### Statement of financial position

2021

	As previously reported	Correction of error	Restated
Property, plant and equipment	164,247	-	164,247
Intangible assets	62,982	-	62,982
Payables from exchange	(20,736)	-	(20,736)
Cash and cash equivalents	634,431	-	634,431
Payables from non-exchange	(234,664)	(16,500)	(251,164)
Provisions	(56,175)	-	(56,175)
Other current assets	27,708	-	27,708
Reserves	(577,793)	16,500	(561,293)
	-	-	-

Figures in Rand thousand

2023

2022

2022

	As previously reported	Correction of error	Restated
Property, plant and equipment	121,554		121,554
Intangible assets	46,589		46,589
Payables from exchange	(24,617)	(4,007)	(28,624)
Cash and cash equivalents	1,515,884		1,515,884
Payables from non-exchange	(179,037)	(25,396)	(204,433)
Provisions	(134,367)		(134,367)
Other current assets	7,505		7,505
Reserves	(1,353,511)	29,403	(1,324,108)
	-	-	-

Statement of financial performance

2022

	As Previously Reported	Correction of Error	Restated
Total revenue	1,707,747	-	1,707,747
Admin expenditure	(197,808)	(1,592)	(199,400)
Employer grants and projects expenses	(733,830)	(11,307)	(745,137)
Loss on disposal	(393)	-	(393)
<b>Surplus/(deficit) for the year</b>	<b>775,716</b>	<b>(12,899)</b>	<b>762,817</b>

Statement of changes in net assets

2021

	As previously reported	Correction of error	Restated
<b>Reserves</b>			
Administrative reserve	99,482	-	99,482
Employer grant reserve	381	-	381
Revaluation reserve	1,457	-	1,457
Discretionary grants reserve	476,473	(16,500)	459,973
	<b>577,793</b>	<b>(16,500)</b>	<b>561,293</b>

Figures in Rand thousand

2023

2022

2022

	As previously reported	Correction of error	Restated
<b>Reserves</b>			
Administrative reserve	83,595	-	83,595
Employer grant reserve	1,005	-	1,005
Revaluation reserve	1,457	-	1,457
Discretionary grant reserve	1,267,454	(29,403)	1,238,051
	<b>1,353,511</b>	<b>(29,403)</b>	<b>1,324,108</b>

### Cashflow statement

Due to the adjustments made to admin and DG expenditure, the expenditure on the cash flow and net working capital movement changed.

Cashflow statement	Previous balance	Correction of error	Restated balance
Admin expenditure	(88,873)	2,383	(86,490)
Employer grant and project expenditure	(549,170)	(2,383)	(551,553)
	<b>(638,043)</b>	<b>-</b>	<b>(638,043)</b>

### Cash generated from operations

	Previous balance	Correction of error	Restated balance
Surplus	775,716	(12,902)	762,814
Asset revaluation loss	29,911	(3)	29,908
Change in working capital - Payable from exchange transactions	3,879	4,008	7,887
Change in working capital – Payables from non-exchange transactions	(55,627)	8,897	(46,730)
	<b>753,879</b>	<b>-</b>	<b>753,879</b>

### Disclosure notes

The following prior period errors adjustments occurred:

#### Related parties - TVET, Universities and other balances

Due to the adjustments relating to DG direct expenditure for invoices received in the current financial year for work done in prior years, adjustment to expenditure was done. Also, a review of contractual documents and the definition of the related party resulted in an adjustment to the balances of the related party note.

## 28. Prior period error (continued)

2022

	Previous amount	Correcting of error	Restated amount
Commitment - TVET balance	144,761	56,335	201,096
Commitment - University balance	128,606	141,262	269,868
Commitment - CET balance	-	6,201	6,201
Commitment - TVET expenditure	22,886	(711)	22,175
Commitment - Scibante balance	4,104	(4,104)	-
Commitment - Scibante expenditure	1,107	(1,107)	-
Commitment - Ditsela balance	527	(527)	-
Commitment - Scibante expenditure	1,107	(1,107)	-
	<b>303,098</b>	<b>196,242</b>	<b>499,340</b>

**Commitment**

The adjustment is mainly due to services rendered in the previous years; however, invoices only submitted in the year under review and contracts dated past periods limited to March 2020. Furthermore, supporting documents for amendments confirmed after 31 March 2022.

Presented below are those items contained in the commitment disclosure note that have been affected by the prior year adjustment.

2022

	Previous amount	Correction of errors	Restated amount
Balance per commitment note	2,698,586	617,957	3,316,543

**Irregular expenditure**

Adjustments made to the opening balance of irregular expenditure are due to the movement of expenditure from the current year to the periods when work was completed; thus, expenditure was incurred prior to the expiry of the contracts. During the current financial year, projects were identified to have been implemented without adequate documentation for Board approval on allocations.

Figures in Rand thousand

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## 28. Prior period error (continued)

2022	Previous amount	Correction of errors	Restated amount
Project expenditure outside contract terms	42,361	(1,171)	41,190
Projects implementation without adequate documentation for board approval		38,965	38,965
	<b>42,361</b>	<b>37,794</b>	<b>80,155</b>

## Risk Management

### Liquidity risk

	Previously stated balance	Correction of error	Restated balance
Trade payables from exchange transactions	(24,617)	(4,010)	(28,627)
Trade payables from non-exchange transactions (DG)	(65,918)	(25,396)	(91,314)
	<b>(90,535)</b>	<b>(29,406)</b>	<b>(119,941)</b>

Due to invoices received during the 2023 financial year linked to work done prior, reallocation of expenditure to the correct financial period affected the liquidity risk disclosure linked to Trade payables for both exchange and non-exchange transactions.

### Repairs and maintenance note

The invoices for transactions relating to work done prior to March 2022 but received during FY2023 were reallocated to the correct financial period. The movement affected repairs and maintenance expenditure.

	Previous balance	Correction of error	Restated balance
Building maintenance	5,120	103	5,223
Equipment and machinery maintenance	84	-	84
Motor vehicle expenses	910	-	910
	<b>6,114</b>	<b>103</b>	<b>6,217</b>

## 29. Risk management

### Financial risk management

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

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Services SETA treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Figures in Rand thousand

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## 29. Risk management (continued)

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 and credit facilities.

The table below analyses the Services SETA's financial liabilities and net-settled derivative 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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

March 2023	Carrying amount	6 months or less	6 months or more	Over 1 year
Trade payables from exchange transactions	(22,168)	(22,168)	-	-
Trade payables from non-exchange transactions (Discretionary grant)	(57,851)	(44,404)	-	(13,447)
	<b>(80,019)</b>	<b>(66,572)</b>	<b>-</b>	<b>(13,447)</b>

March 2022	Carrying amount	6 months or less	6 months or more
Trade payables from exchange transactions	(28,627)	(28,627)	-
Trade payables from non-exchange transactions (Discretionary grant)	(91,314)	(74,790)	(16,524)
	<b>(119,941)</b>	<b>(103,417)</b>	<b>(16,524)</b>

### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2023	2022
Cash and cash equivalent	2,286,696	1,515,884
Trade receivable from exchange	3,238	3,657
Trade receivable from non-exchange (DG)	46	22

**Market risk****Interest rate risk**

As the SETA has no significant interest-bearing assets, the SETA's income and operating cash flows are substantially independent of changes in market interest rates.

Cash flow interest rate risk

**Financial instrument**

	Current interest rate	Flouting rate amount	Non-interest bearing	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables from exchange transactions	-%		3,238			
Trade and other receivables -non-exchange transactions	-%		46			
Cash in the current banking institutions	6.00 %	2,286,696				
Trade and other payables from exchange transactions	-%		(22,168)			
Trade and other payables from non-exchange transactions (discretionary grant)	-%		(57,851)			

**30. Going concern**

We draw attention to the fact that at March 31, 2023, the Services SETA had a surplus for the year of R757 million and that the Services SETA's current assets exceed total current liabilities by 2,080 billion.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Services SETA to continue as a going concern is dependent on a number of factors. The going concern assessment was based on the below considerations.

Financial, operating and other considerations:

1. The budget to support the APP for the financial year 2023-24 was approved with an overall spend of R1.876 billion. The actual spend will be affected by market fluctuations in the employment of the services sector.
2. The extension of the Services SETA license to 31 March 2030 provides confirmation that there is no indication of withdrawal of financial support by the Executive Authority.
3. The current assets exceed current liabilities by R2.080 billion, or the current ratio is 6.57:1.
4. The Services SETA has a positive balance of R778 million in relation to cash flows from operating activities.
5. The surplus for the year amounted to R757 million.
6. Services SETA does not have any long-term borrowings.

## Figures in Rand thousand

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7. All critical positions were filled as at 31 March 2023.
8. As at 31 March 2023, there were no changes to the Grant Regulation or other legislation that could have a negative effect on the Services SETA.
9. The main uncertainty against the Services SETA is the ongoing engagements between the Executive Authority and Business Unity of South Africa (BUSA) in relation to the court case that sets aside Sec 4(4) of the Grant Regulation.

### 31. Events after the reporting date

The Services SETA is required as per Instruction Note 12 of 2020/21 to submit to National Treasury an application for the rollover of accumulated surpluses by 01 August 2023.

### 32. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Services SETA's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an annual basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and residual value of property, plant and equipment and intangible assets

The Services SETA has reassessed the useful lives of property, plant and equipment for purposes of depreciation calculations in light of assets with an R1 carrying amount.

Refer to notes 3 and 4 for the respective carrying values.

#### Bursary provision

The Services SETA has based its calculation of the bursary provision on information applicable for the specific financial year.

### 33. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Irregular expenditure	178,052	174,954
Fruitless and wasteful expenditure	4,281	1,495
<b>Total</b>	<b>182,333</b>	<b>176,449</b>

\*Refer to reconciling notes in the annual report

**33. Unauthorised, Irregular and Fruitless and Wasteful Expenditure (continued)****Criminal or disciplinary steps taken as a result of losses, irregular and fruitless and wasteful expenditure****DG Projects - expenditure above offer [2022]**

The Loss Control Function reports on DG project expenditure incurred on expired contracts or above offer identified a lack of proper internal controls relating to contracting, commencing, monitoring, extensions and closure of projects in prior years. All officials within the value chain of the project management were issued with written warnings.

**DG admin - expenditure in excess of 7.5% limit (2022)**

The Loss Control Function report on DG support expenditure in excess of the 7.5% limit recommended for the DG policy to be amended to align with the requirements of the Grant Regulations. Disciplinary actions were issued to officials regarded to be responsible for policy determination and implementation.

**Additional Narratives****Restatement of opening balances - Irregular expenditure**

During the review of the DG commitment schedule, line items were identified to have been expensed without appropriate and adequate documentation to support the commitment balance and transactions.

**Irregular expenditure under assessment and requiring clarification**

1. During the FY2021/22 audit, a finding was raised in relation to the SCM processes relating to one tender. The Services SETA submitted a consultation query to National Treasury for guidance on the internal control deficiencies and recommendations raised by the Auditor General. A firm was procured to determine the most appropriate manner to address the matter. As at 31 March 2023, the consultations and actions linked to the tender had not been concluded. Any irregular expenditure linked to the contract will be disclosed in the FY2023/24 financial statements.

**Fruitless expenditure FY2023**

The fruitless expenditure incurred in the current financial year relates to the costs incurred to settle two litigation matters linked to projects and also payment of legal fees by Services SETA in relation to access to information requests.

**Irregular expenditure FY2023**

The irregular expenditure incurred in the current financial year relates to (1) Payments on projects made on inadequate documentation for contracts, (2) Projects initiated without adequate evidence for Board approval, (3) DG support expenditure in excess of 7.5% limit and (4) Allocations made for unsolicited proposals that cannot demonstrate openness and fairness principles of the Grant Regulation on the process followed. Clarification on the interpretation of the 7.5% limit and 10.5% limits is being sought with the Department. The allocation process for unsolicited proposals will be evaluated by Internal Audit for openness and fairness.

**34. Budget differences****34.1 Material balances between budget and actual amounts**

The final budget column in the Statement of Comparison of Budget and Actual Amounts represents the approved budget by the Accounting Authority as approved by the Minister with the APP for FY2022/23.

### 34. Budget differences (continued)

#### 34.2 Total Income

The total income for the year amounted to R1,958 billion compared to the budget of R1,545 billion for the year, resulting in a favourable variance of R413 million. Total Income comprises of levies and investment income. Levy income amounted to R1,853 billion compared to the budget of R1,525 billion for the year resulting in a favourable variance of R328 million, mainly due to actual received levies being higher than projected revenue.

Another component of Total Income is other income which amounted to R105 million as compared to the budget of R19 million for the year. The favourable variance was due to available cash in the bank due to funds accumulated from the prior year.

#### 34.3 Employer grants and project expenses

Project grants and mandatory grants disbursements for the period amounted to R885 million as compared to the budget of R1,215 billion for the year. The favourable variance was due to slow movements in claims for 2022 commencement and new commencement for 2023.

#### 34.4 Administration costs

The administration expenditure for the period amounted to R125 million as compared to the budget of R125 million for the year.

#### 34.5 Payroll expenditure

The total payroll expenditure (admin and DG support) for the period amounted to R191 million as compared to the budget of R205 million. The favourable variance is driven by terminations.

### 35. B-BBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

Services Sector Education and Training Authority

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