ANNUAL GENERAL MEETING 2026

SERVICES SETA



Annual Report of the Accounting Authority Affairs

Mr Sibusiso Dhladhla
Acting CEO

Reporting period: 1 April 2025 – 31 March 2026

Develop & Grow



PART A

MANDATE AND ADMINISTRATION CONTEXT

SETA Vision and Mandate

Vision

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

Mission

To facilitate skills development for employment and entrepreneurship in the services sector, fostering economic growth

Administration Context

Services SETA was placed under administration on 19 August 2025.

- Administration followed extended governance and operational challenges.
- Uninterrupted 7 years of qualified audit opinion.
- Accumulated commitments in excess of R3.4 billion by 2025.
- Widespread public allegations of alleged maladministration and corruption.

PART B

EXECUTIVE SNAPSHOT: 2025/26 AND FINANCIAL OVERVIEW



Executive Snapshot: 2025/26

72%

Overall performance

R562m

Annual surplus

R4.099bn

Net assets

8.31:1

Current ratio
(Liquidity ratio)

16,968

Learner completions

Up from 5,014

23,263

Learners enrolled

73% of annual target

175

Active strategic partnerships

Financial Overview

R2.533bn

Total revenue

3.7% growth

R1.970bn

Total expenditure

35% of R3.100bn final budget

R562m

Surplus

(22%)

- Financial position remained sound, with net assets of R4.099 billion.
- Underspending reflected both prudent cash management and operational delays.
- Historical Discretionary Grant commitments were reviewed, verified, closed or cancelled where appropriate.
- Management reports that legacy clean-up unlocked resources for potential redirection to high-impact skills programmes.

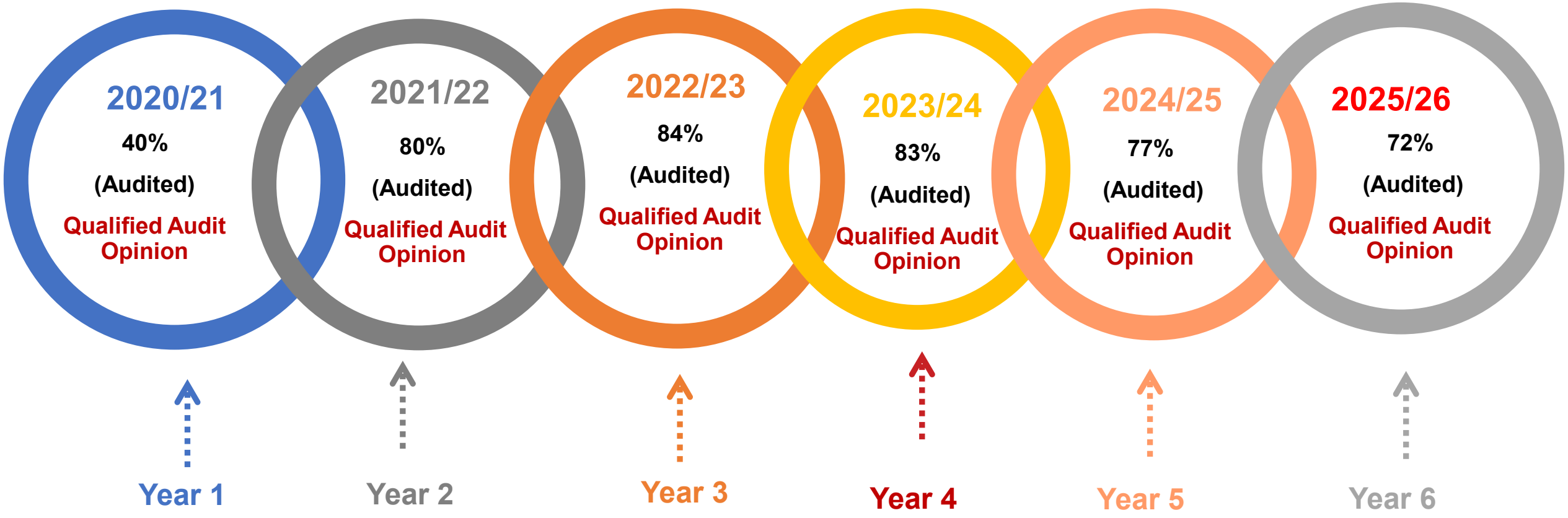
PART C

PERFORMANCE AND SKILLS IMPACT



Services Sector Education and Training Authority

Multi-year Organisational Performance



Organisational Performance by Programme

Programme	Achieved	Not achieved	Total indicators	Achievement
1. Administration	3	3	6	50%
2. Skills Development & Planning	25	4	29	86%
3. Learning Programmes	22	14	36	60%
4. Quality Assurance	3	0	3	100%
TOTAL	**53**	**21**	**74**	**72%**

21 of 74 indicators (28%) were not achieved. Shortfalls were concentrated in learner enrolment and completion.

Learning Outcomes and Sector Reach

238%

Increase in learner completions

PY 5,014 → 16,968

73%

Learner enrolment target achieved

PY: 28 060 -> 23 263

Target 32 063 –> Achieved 23 263

35,000+

Power of X^2 database of unemployed graduates.

175 active strategic partnerships across employers, public institutions, providers and community organisations.

Seven research studies completed, including readiness assessments for four TVET colleges and one impact evaluation.

WSP and ATR submissions increased by 31% against a five-year target of 10%, driven by improved participation from small and medium employers.

Targets not Achieved – Programme 1: Administration (3KPIs)

Audit Outcome
Qualified

Performance Management
80% → 69%
Due to delays in staff contracting and reviews

ICT Projects
80% → 60%

Audit Action plan:

- Primary focus is audit remediation plan and strengthening internal controls

Targets not Achieved – Programme 2: Skills Planning (4KPIs)

Learner Tracer Graduate Absorption
312 / 1,200 (26%)

Traceability of Learners post completion remains a challenge

High-Level Skills
10% / 15%
Elementary-Level Skills
26% / 30%

Demand shifted to intermediate-level skills

WSP/ATR Approvals
369 / 604

Low participation by large employers

Action plan:

- Stronger employer participation and labour market partnerships are required to improve sector outcomes.
- Awareness campaigns for 2026/2027 WSP/ATR Window
- Skills Level demand (SSP) alignment with APP pipeline underway

Targets not Achieved – Programme 3: Learning Programmes (14KPIs)

No.	Enrollment Indicators (7 KPIs)	Target	Actual	Variance
1	Unemployed learners enrolled in Learnership Programmes	10,790	6,352	(4,438)
2	Unemployed learners granted Bursaries (Continuing)	400	36	(364)
3	University Students requiring WIL placed in workplaces	982	616	(366)
4	Unemployed learners enrolled in Skills Programmes	4,298	1,715	(2,583)
5	Learners enrolled in RPL/ARPL	5,000	3,934	(1,066)
6	Workers granted Bursaries (Continuing)	50	13	(37)
7	Workers enrolled in Skills Programmes	2,910	1,227	(1,683)

No	Completion Indicators (7 KPIs)	Target	Actual	Variance
1	Unemployed Learners Completed Learnership Programmes	7,805	7,578	(227)
2	TVET Students Completed Work Integrated Learning (WIL) Placements	1,882	735	(1,147)
3	Artisan Learners Completed	1,000	117	(883)
4	Learners Completed RPL/ARPL	1,630	832	(798)
5	Workers Completed Learnership Programmes	801	591	(210)
6	Workers Granted Bursaries Completed their Studies	132	75	(57)
7	Workers Completed Skills Programmes	2,542	538	(2,004)

Action plan:
Management focus is converting learner pipelines into enrolments, completions, certification and employment outcomes:

- Accelerate DG approvals for enrolment pipeline
- Strengthen employer partnerships
- Intensify project management and monitoring
- Fast-track certification, and issuance of trade test serial numbers and trade testing



PART D

DELIVERY STRENGTHS

Quality Assurance and Institutional Support

Programme 4: Quality Assurance performance

100%

- Improved **accreditation turnaround times, qualification development and external moderation.**
- Continued **support to TVET and CET colleges**, lecturers, managers and industry stakeholders.
- **Sector-wide study/audit concluded on TVET colleges** state of readiness to transition into occupational qualifications.
- Support focused on **readiness for occupational qualification implementation and workplace-based learning.**



PART E

RISKS AND RESPONSE AND PERFORMANCE GAPS

Key Challenges / Risks Requiring Sustained Attention

Challenge / Risk	Reported impact / response
Audit opinion & weak controls	Reputational risk; strengthen audit action plans, assurance reviews and consequence management.
DG allocation and legacy commitments	Delayed enrolments and potential audit findings; review policy, portal/system and project governance.
Learning programme underperformance	Programme 3 achieved 60%; accelerate recruitment, project activation and monitoring.
Budget underspending	Delayed service delivery; improve planning, timely allocations and project execution from Q1.
SCM compliance risks	Financial and reputational exposure; strengthen probity, compliance monitoring and accountability.
Leadership capacity & ICT delays	Vacancies and only 60% of ICT strategic projects implemented; prioritize appointments and modernization.

PART F

EXPENDITURE, COMPLIANCE AND ACCOUNTABILITY



Irregular Expenditure: Reported Position

R393.16m

Opening-balance cases

R37.30m

Current-year cases

R430.46m

Total irregular expenditure

- Irregular Expenditure reduced to
- Cases include special-project allocations, ICT contract variation, DG support above the 7.5% limit, and SCM panel awards.
- Several cases are submitted or being resubmitted to National Treasury for condonation.
- Reported explanations state that goods or services were rendered and that no financial loss was suffered in several cases; statuses differ by case.
- Current-year matters include an RFQ approved without appropriate delegated authority and SCM panel compliance issues.
- R 37,30m – constituted by long recurring cases related to non-compliance
    - - reduced irregular expenditure in the 2025/26 by 86%
      - only R 643 000 was incurred in the current year
      - SCM panels conclude in 2026/27
      - an investigation is under way for the new irregular

Fruitless and Wasteful Expenditure & Material Loss

Total R92.43m

Fruitless & wasteful expenditure

R22.89m

- **DG projects terminated after start**
- **Recovery process underway**

R69.54m

- **Legacy DG projects cancelled**
- **Currently under loss control function review**

- **Prior Year Balance: R0**

Corrective measures

- Recovery letters to providers and consequence management for responsible officials.
- Review of DG policy and standard operating procedures.
- Project-management masterclasses delivered to staff;
- Contract management processes reviewed
- Tranche model reviewed within the DG policy

Material loss

- **R16.70m** impairment of a remote monitoring system that was developed in 2018 but never used. Investigation into its development and non-use remains ongoing.



PART G

AUDIT, CORRECTIVE ACTION AND GOVERNANCE

Audit Outcome and Performance Reporting

QUALIFIED AUDIT OPINION

Year ended 31 March 2026

- **Annual Financial Statements**
- **Performance Information**
- **Compliance**

- AFS qualification areas included findings on DG commitments opening balances, provisions and bursary accruals.
- Material Misstatements in the AFS as a result of discrepancies on audit commitments opening balance resulted in disagreements on the opening balance.
- Audit trail and reconciliation weaknesses included missing or late supporting documents and differences between commitment schedules and the General Ledger.
- Performance Information audit outcome regressed: reasons for variances on 9/36 indicators of Programme 3, were not adequately supported by reliable and sufficient evidence.
- Management has consolidated corrective actions with defined owners, timeframes and Internal Audit / AGSA review points, in the Audit Improvement Plan

Audit Action Plan: Priorities and Deadlines

Priority	Key corrective action	Target / milestone
DG Commitments Special Audit	Package project files; reconcile commitment schedule to GL; audit opening balances.	Nov–Dec 2026
DG provisions & bursary balances	Align monitoring reports and provisions; reconcile commitments and payments since 2020.	Nov–March 2027
AFS readiness	Weekly year-end preparation plan, complete audit files and avoid late journals.	final AFS by 30 Apr 2027
Irregular Expenditure / SCM	Link allocations to approved DG policy; conduct probity reviews; enforce delegated authority.	31 March 2027
Performance Reporting	Evidence-backed variance matrix, declaration templates and formal review/sign-off.	Nov–March 2027

Financial Stability and Legacy Commitments

R3.4bn

Commitments at 31 Mar 2025

R3.3bn

Commitments by Mar 2026

1,434

Transactions identified and classified

- Legal and accounting specialists were engaged to assess historical commitments and advise the Accounting Authority.
- A nationwide notice process covering approximately R2.3 billion was initiated; affected parties were invited to make representations by 28 February 2026. After the deadline a number of contracts we cancelled and work is underway to quantify the total amount through the special audit.
- The cancelled contracts were not supported for audit purposes, and subsequently did not yield a positive result for the audit outcome.
- Monthly AA oversight covers budget expenditure, irregular and wasteful expenditure, risk, SCM and the commitments register.
- Processes were introduced to redeploy unspent funds toward High Impact Catalytic projects, including bursaries and internships.

PART H

GOVERNANCE OPERATING MODEL AND MILESTONES



Institutional Management and Control Improvements

40+

Policies reviewed and approved

Sep 2025

Delegation of Authority revised

SCM probity institutionalised

Introduced for tender reviews

- New Performance Management and Lifestyle Audit policies were developed and approved;
- HR policies undergoing legal vetting.
- SCM probity testing through External Internal Auditors is being institutionalised.
- Project Management Support capacity is being established to standardise project methods, strengthen monitoring and evaluation, improve provider performance management and digitize project processes.
- Customer Care Management System and a single reliable source of project and learner data are included in the planned PM-S focus.
- Bursary allocation model and policy reviewed for high impact

Catalytic Projects Highlights

- UCT ARISE Project
- Tech-prenership Partnership with Wits
- R1.3 billion bursary scheme
- Takealot Partnership
- CET Support Programme
- 20 000 Internship Power of X^2 programme
- Partnership with the Property Practitioners Regulatory Agency
- Ocean Economy Project in partnership with Buffalo City TVET College
- TVET State of Readiness Audit with TVET Colleges Governors Council

Governance Improvements During Administration

- Diagnostic Assessment Report and Turnaround Work Plan developed and submitted to DHET with implementation accounted through monthly progress reports.
- Audit and Risk Committee term extended for administration period, two additional members with ICT and HR expertise appointed.
- New internal control measures introduced to stabilise organisational and financial management capabilities.
- Appointment process for a new Audit and Risk Committee concluded in October 2026.
- Chamber Committees were extended to maintain industry consultation; appointment of new members advertised in September 2026.
- 25 Years Impact Study and Services Sector Profile research projects commissioned.
- Legal review is addressing the lack of action on earlier investigation reports and consequence-management processes.
- Elimination of historical commitments in progress.
- A comprehensive OD study (business process mapping, new organogram, job evaluation and grading, culture change etc.) underway
- Skills Audit ongoing.
- Comprehensive Assessment on the IT capabilities completed in July 2026. In-sourcing underway to build internal capacity.
- Development of the Project Management capabilities introduced with organisation-wide Master-Class training completed for 93% staff
- Forward Planning on the execution of Discretionary Grants introduced.
- Labour relations stabilised.
- Completion and Operationalisation of Skills Development Centers underway.

Leadership Appointments and Delivery Capacity

- Accounting Authority nomination process was advertised in **May 2026 and process underway to appoint**
- New Audit and Risk Committee appointed in **October 2026.**
- Recruitment for new Chamber committees is on advert.
- CEO recruitment is underway and to be concluded by **November 2026**
- CFO appointment was finalized effective **September 2026.**
- Appointment od the Executive: Operations to be completed by end **October 2026.**
- Appointments for Senior Manager: SCM, Manager: Communication, Manager: ICT Service Delivery and Manager: Applications & Business Intelligence were finalized, with new incumbents expected to start in **November 2026.**
- Project Management Support Unit establishment led by an Executive.

Thank you



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