ANNUAL REPORT

2025 | 2026

SERVICES SETA



DIGITAL TRANSFORMATION

Rethinking our whole value chain

higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

SERVICES SECTOR EDUCATION AND TRAINING AUTHORITY

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



Mr Yusuf Cassim
Deputy Minister of Higher Education and Training



Mr Kgwaridi Buti Manamela
Minister of Higher Education and Training



Dr Nomusa Dube-Ncube
Deputy Minister of Higher Education and Training

It is my privilege and honour to present, in terms of Section 65 of the Public Finance Management Act, 1999, the 2025/26 Annual Report of the Services Sector Education and Training Authority (Services SETA) to the Minister of Higher Education and Training, Mr Buti Manamela.

Mr Lehlogonolo Masoga
Services SETA Administrator

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

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ANNUAL REPORT

2025 | 2026

PART A

GENERAL INFORMATION

SERVICES SECTOR EDUCATION AND TRAINING AUTHORITY

1. PUBLIC ENTITY'S GENERAL INFORMATION

PUBLIC ENTITY'S CONTACT DETAILS AUDITORS AND BANKERS

Registered Name
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AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

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Standard Bank

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2193

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ISBN: 978-1-83491-920-1

UCT LAUNCH OF SKINCARE HUB



READ THE ARTICLE

2. LIST OF ABBREVIATIONS / ACRONYMS

LIST OF ABBREVIATIONS/ACRONYMS	
4IR	Fourth Industrial Revolution
AA	Accounting Authority
ABP	Association of B-BBEE Professionals
AC	Audit Committee
AET	Adult Education & Training
AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
AOP	Annual Operational Plan
APP	Annual Performance Plan
APR	Annual Performance Report
APSO	African Professional Staffing Organisation
ARPL	Artisan Recognition of Prior Learning
ATR	Annual Training Report
AQP	Assessment Quality Partner
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
CBO	Community-Based Organisation
CCMA	The Commission for Conciliation, Mediation and Arbitration
CEASA	Construction Engineering Association of South Africa
CEO	Chief Executive Officer
CET	Community Education and Training College
CFO	Chief Financial Officer
CoS	Centres of Specialisation
CPD	Continuing Professional Development
COVID-19	Coronavirus Disease 2019
D365 FnO	Microsoft Dynamics 365 Finance and Operations
DDM	District Development Model
DG	Discretionary Grant
DHET	Department of Higher Education and Training
DoA	Delegation of Authority
DPSA	Disabled People South Africa
DQP	Development Quality Partner
DPWI	Department of Public Works and Infrastructure
EIR	Environmental Impact Report
EAP	Employee Assistance Programme
ECD	Entrepreneurship and Cooperative Development
EISA	External Integrated Summative Assessment
EM	Executive Manager
EMC	External Moderation and Certification
EOHCB	Employers' Organisation for Hairdressing, Cosmetology and Beauty
ERM	Enterprise Risk Management
ERRP	Economic Reconstruction and Recovery Plan
ETDP	Education, Training and Development Programme
ETI	Employment Tax Incentive
EXCO	Executive Committee
FASSET	Finance and Accounting Services Sector Education and Training Authority
FINCOM	Finance Committee
FISA	Final Integrated Summative Assessment
GAAP	Generally Accepted Accounting Principles
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
GRSC	Governance Risk and Strategy Committee
HEI	Higher Education Institutions
HOTELICCA	Hotel, Liquor, Catering, Commercial and Allied Workers Union
HRDS	Human Resource Development Strategy
HR	Human Resources
HR&EMCO	Human Resources and Remuneration Committee
HRM&D	Human Resource Management and Development
HTFV	Hard-To-Fill Vacancies
ICT	Information and Communications Technology
ICTSC	Information and Communications Technology Steering Committee
ISO	International Organisation for Standardisation
IT	Information Technology
IPAP	Industrial Policy Action Plan
L&D	Learning and Development
M&E	Monitoring and Evaluation
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MTDP	Medium-Term Development Plan
MTEF	Medium-Term Expenditure Framework

LIST OF ABBREVIATIONS/ACRONYMS	
MTSF	Medium-Term Strategic Framework
NDA	National Development Agency
NDP	National Development Plan
NGO	Non-Governmental Organisation
NGP	New Growth Path
NLRD	National Learners Record Database
NPO	Non-Profit Organisation
NQF	National Qualifications Framework
NSA	National Skills Authority
NSFAS	National Students' Financial Aid Scheme
NSDP	National Skills Development Plan
NT	National Treasury
OD	Organisational Design
OFO	Organising Framework for Occupations
OCEO	Office of the Chief Executive Officer
OHS	Occupational Health and Safety
PDP	Personal Development Plan
PFMA	Public Finance Management Act
PAIA	Promotion of Access to Information Act
POPIA	Protection of Personal Information Act
PPPFA	Preferential Procurement Policy Framework Act
PPRA	Property Practitioners Regulatory Authority
PRISA	Public Relations Institute of South Africa
PSET	Post-School Education and Training
QDF	Qualification Development Facilitator
QCTO	Quality Council for Trades and Occupations
RPL	Recognition of Prior Learning
SA	South Africa
SAFPA	South African Funeral Practitioner Association
SAPS	South African Police Service
SAQA	South African Qualifications Authority
SATAWU	South African Transport and Allied Workers Union
SARS	South African Revenue Service
SCM	Supply Chain Management
SDA	Skills Development Act
SDF	Skills Development Facilitator
SDL	Skills Development Levy
SDLA	Skills Development Levies Act
SDP	Skills Development Provider
SEDFA	Small Enterprise Development and Finance Agency
SETA	Sector Education and Training Authority
SIC	Standard Industrial Classification
SME	Subject Matter Expert
SMME	Small, Medium, and Micro Enterprise
SOE	State-Owned Enterprise
SOP	Standard Operating Procedure
SOR	Statement of Results
SP	Strategic Plan
SSP	Sector Skills Plan
TET	Transformation Empowerment Targets
TID	Technical Indicator Description
TRANSCOM	Transformation Committee
TVET	Technical and Vocational Education and Training
UASA	United Association of South Africa
USAf	Universities South Africa
WBLPA	Workplace-Based Learning Programme Agreement
WPPSET	White Paper on Post-School Education and Training
WSP	Workplace Skills Plan

3. FOREWORD BY THE ADMINISTRATOR



Mr Lehlogonolo Masoga
Services SETA Administrator

It is my privilege to present the Annual Report of the Services Sector Education and Training Authority (Services SETA) for the financial year ended 31 March 2026, my first full reporting period since assuming the role of Administrator.

I was appointed Administrator with effect from 19 August 2025, following the decision of the Minister of Higher Education and Training, Mr Buti Manamela, to place the Services SETA under formal administration in terms of Section 15(1) of the Skills Development Act, 1998 (Act No. 97 of 1998), as set out in Government Gazette No. 53185 of 19 August 2025 and extended until 19 January 2027, as set out in Government Gazette No. 7837 of 18 August 2026. This intervention followed the end of the previous Accounting Authority's term on 31 March 2025 and was intended to address systemic governance and operational lapses, restore governance, strengthen financial stability and reinforce operational integrity. Since assuming the powers of the Accounting Authority, I have worked closely with the retained Audit and Management of Legacy Discretionary Grant Commitments.

During the financial year, as Administrator, I appointed an accounting firm and a law firm to assist the Services SETA in addressing historical matters relating to the qualified audit finding on Discretionary Grant (DG) commitment balances.

The appointed firms focused on identifying and resolving legacy commitment balances, primarily relating to projects originating from 2022 and prior financial years. As part of the process, projects were categorised into those involving private sector entities and those involving public sector entities.

A strategic decision was taken to manage all public sector projects through direct engagement with the respective institutions to facilitate the verification and resolution of outstanding commitments. Private sector projects that were identified as inactive, non-operational, or closed were referred to the appointed law firm for formal cancellation processes.

The cancellation process included the following actions:

- Issuing termination notices to affected entities via email.
- Appointing Sheriffs of the Court across all provinces to hand-deliver notices where email communications were not acknowledged.
- Publishing notices of project terminations in the Government Gazette on the Services SETA website and in two national newspapers to ensure broad stakeholder awareness and compliance with due process requirements.

These interventions resulted in significant progress in reducing legacy commitment balances and improving the accuracy and reliability of the DG commitments recorded by the Services SETA.

The Audit and Risk Committee, the only Board sub-committee to continue through the transition, was given the task of stabilising the entity while the Department of Higher Education and Training (DHET) considers the reconstitution of a permanent Accounting Authority.

High-Level Overview of the Public Entity's Performance and the Performance of the Public Entity in its Respective Sector

The Services SETA is one of the largest Sector Education and Training Authorities (SETAs) by number of employers within its scope, covering 68 Standard Industrial Classification codes organised into six chambers and 16 sub-sectors, and served approximately 198 418 registered employers during the year, concentrated mainly in Gauteng, KwaZulu-Natal and the Western Cape. Guided by our vision of a flourishing services sector that cultivates inclusive opportunities for all South Africans, and our mission to facilitate skills development for employment and entrepreneurship in the services sector, the organisation continued to deliver against its five-year strategic outcomes despite considerable governance disruption.

Financially, the Services SETA on sound footing: the entity recorded a surplus of R562 million for the current year, closing with net assets of R4.099 billion, a current ratio of 8.31:1, and no long-term borrowings. Total revenue grew 3.7% to R2.533 billion, while total expenditure of R1.970 billion represented only 35% of the R3.100 billion final budget - an underspend that reflects both prudent cash management and the operational delays discussed below.

On service delivery, the organisation achieved an overall institutional programme performance of 72% for the year (Programme 1: Administration 50%; Programme 2: Skills Development and Planning 86%; Programme 3: Learning Programmes 60%; and Programme 4: Quality Assurance 100%). At the same time, 21 of 74 reported performance indicators (28%) were not achieved, concentrated in learner enrolment and completion targets, primarily as a consequence of delays in the DG allocation cycle. During the year, 23 263 learners were enrolled against an annual target of 32 063. Despite these enrolment challenges, the organisation recorded a significant improvement in learner completions, increasing from 5 014 to 16 968 learners, representing a 238% increase. This achievement is aligned with the organisation's strategic objective of improving throughput rates and strengthening the measurable impact of its skills development interventions.

Notwithstanding the overall programme performance achieved, the audit outcome on performance information regressed due to findings relating to the presentation and disclosure of reported performance. Specifically, the reasons provided for variances against nine of the 36 reported performance indicators for Programme 3: Learning Programmes, mostly related to completion indicators that were not adequately supported by reliable and sufficient evidence. This finding underscores the need to strengthen internal performance reporting controls, improve the quality assurance of supporting documentation, and enhance the overall governance of performance information to ensure full compliance with reporting requirements and audit standards.

Notable achievements included the completion of seven research projects and one impact evaluation study informing the Sector Skills Plan; a 31% increase in Workplace Skills Plan and Annual Training Report (WSP/ATR) submissions, against a five-year target of 10%;

the establishment and maintenance of 175 strategic partnerships with employers, public institutions, training providers and community organisations.

Strategic Relationships

Delivering on our mandate depends on the strength of our relationships across the post-school education and training system. During the year, the Services SETA deepened its collaboration with Technical and Vocational Education and Training (TVET) colleges, Community Education and Training (CET) colleges, higher education institutions, employers and organised labour to support the transition to occupational qualifications and worked closely with the Quality Council for Trades and Occupations (QCTO) to expand accreditation capacity for skills development providers, assessment centres and subject matter experts.

Our six chambers continued to anchor stakeholder engagement across the sector, supporting qualification development, lecturer development, employer engagement and workplace-based learning opportunities, and directing attention to sector-specific hard-to-fill vacancies and critical skills needs. I want to acknowledge, in particular, the 175 active strategic partnerships maintained during the year, which extended our reach into communities and workplaces well beyond what the organisation could achieve alone, and our continued engagement with DHET, National Treasury and our sister SETAs as we worked through the year's governance transition.

As Administrator, I also prioritised rebuilding the relationship between management and oversight structures internally. With all Board sub-committees other than the Audit and Risk Committee dissolved on transition to administration, that committee took on a materially expanded oversight role, meeting 14 times during the year to ensure that governance and assurance continued without interruption

Challenges Faced by the Board

Following the end of term of the previous Accounting Authority on 31 March 2025, the Board and all of its sub-committees other than the Audit and Risk Committee were dissolved, leaving the organisation without its full governance structure at the start of the year. Initially the Board and, subsequently, the Administrator inherited an organisation without a permanent Chief Executive Officer (CEO), Chief Financial Officer (CFO) nor Executive Manager: Office of the CEO (OCEO), all three positions remaining vacant and filled in an acting capacity throughout the year under review. This sat alongside a broader organisation-wide staff vacancy rate of 13% (39 posts vacant of 300 approved), concentrated in skilled and unskilled categories, following the departure of eight employees during the year through resignation, dismissal and death.

I also inherited a set of unresolved audit issues, specifically relating the DG commitments and Supply Chain Management (SCM) matters. The Services SETA had received qualified audit opinions in prior years, reflecting weaknesses in governance, financial management and internal controls, and it was these recurring outcomes that ultimately necessitated the entity being placed under administration. As a result, a key priority during the period under review was the resolution of historical DG commitments, which had contributed to audit qualifications and posed a significant challenge to the organisation's financial management processes.

To address this matter, I authorised a structured intervention supported by specialist accounting and legal expertise to verify, assess, and conclude outstanding legacy projects. This process involved extensive engagement with public sector institutions and the implementation of legally compliant closure procedures for inactive, non-operational, and terminated projects in the private sector.

I am pleased to report that these interventions yielded significant results, enabling the Services SETA to unlock resources, reduce legacy DG commitments and redirect funds towards large-scale skills development initiatives. This achievement marks substantial progress in addressing historical findings, strengthening financial oversight, and enhancing the credibility of our financial reporting.

While work continues on the remaining balances, the progress achieved demonstrates our unwavering commitment to sound governance, transparency, and responsible stewardship of public resources. I wish to acknowledge the dedication of the Services SETA team and all stakeholders who contributed to this important initiative, which has positioned the organisation on a firmer foundation for future sustainability and improved audit outcomes.

During the year, irregular expenditure of R37.297 million was confirmed, relating to the continuation of awards originating in prior years where Board approval evidence, the Bid Evaluation Committee composition, bid-closure timing, or the evaluation of unsolicited proposals against the Grant Regulations could not be adequately demonstrated. A possible material irregularity relating to DG projects abandoned prior to completion, first identified in the 2024/25 audit, remains under investigation by an independent law firm, with consequence management against implicated employees ongoing. A separate matter came to light during the year: a remote project-monitoring system commissioned as far back as 2018 was found, on year-end assessment, to have become obsolete without ever having been used, and I have initiated an investigation into the circumstances.

Operationally, delays in the adjudication and awarding of DG applications, compounded in places by technical challenges within the grants management system, contributed materially to the R1.111 billion underspend against the approved budget and to the underachievement of learner enrolment and completion targets across several programmes.

The Strategic Focus Over the Medium to Long Term Period

Stabilising governance is my immediate priority: supporting DHET in the appointment and onboarding of a permanent CEO, CFO and other critical senior positions, and working towards the reconstitution of a full, permanent Accounting Authority and its sub-committees as soon as circumstances allow.

Alongside this, management has established a dedicated Project Management Support Unit to strengthen oversight of DG projects, and is prioritising the modernisation of Information and Communication Technology (ICT) infrastructure to improve grant evaluation and award turnaround times both aimed directly at the delays that affected performance and expenditure this year. We are also implementing a consolidated Audit Action Plan, monitored quarterly by the Audit and Risk Committee and Internal Audit, to resolve both the prior-year and current-year matters raised by the Auditor-General of South Africa (AGSA), with the medium-term goal of restoring the clean audit outcome that remains our five-year target.

On the sector-facing side, the 2026/27 Annual Performance Plan (APP) submitted for approval with an estimated expenditure of R3.6 billion will continue to prioritise the acceleration of occupational qualification implementation, expanded accreditation capacity in partnership with the QCTO, intensified employer engagement to lift Workplace Skills Plan and Annual Training Report participation, and continued investment in digital and future-oriented skills, entrepreneurship and green-economy competencies identified through our Sector Skills Plan. To support this, the Services SETA will be submitting an application to National Treasury for the roll-over of accumulated surpluses, ensuring continuity of funding for approved DG commitments.

A particular medium-term priority is the scaling up of the To the Power of X^2 – National Talent Activation programme planned for implementation in the new financial year and as a result, the performance indicator target for 2026/27 has taken into account this initiative. With more than 55 000 qualified graduates already registered against only 20 000 planned to be funded and absorption partners, whether by co-funding additional interns, fully funding placements under their own model using our verified graduate database, or absorbing graduates directly into employment, I see this initiative, converting national graduate unemployment into structured workplace experience and employment at scale, as one of the most consequential ways the Services SETA can extend its impact over the coming years, and I intend to give it my sustained personal attention as Administrator.

Acknowledgements and Appreciation

I would like to extend my sincere appreciation to the Minister of Higher Education and Training, Mr Buti Manamela, and the Deputy Ministers, for their leadership, guidance and continued support throughout the administration process. I also acknowledge DHET for its constructive engagement and oversight, which have been instrumental in supporting the stabilisation and strengthening of the Services SETA.

My gratitude is extended to the Audit and Risk Committee for its commitment, professionalism and significantly expanded oversight role during the year under review. The committee provided invaluable guidance and independent assurance during a period of organisational transition and played an important role in strengthening governance, accountability and risk management within the organisation.

I also wish to recognise the contribution of the Internal Audit function for its continued independent assurance, advisory support and commitment to strengthening internal controls, governance processes, risk management and compliance. Through its reviews, recommendations and monitoring of corrective actions, Internal Audit played an important role in supporting organisational improvement and enhancing the effectiveness of the Services SETA's system of governance and accountability.

I would further like to acknowledge the Acting CEO, Acting CFO, Executive Management and all employees of the Services SETA for their resilience, dedication and professionalism. Despite significant leadership transitions, labour relations challenges, capacity constraints and the demands associated with the administration process, employees remained committed to maintaining service delivery and advancing the organisation's mandate.

The continued support of our stakeholders remains fundamental to the success of the Services SETA. I therefore wish to express my appreciation to our strategic partners, employers, organised labour, professional bodies, training providers, TVET colleges, CET colleges, higher education institutions, community organisations and industry representatives across the services sector. Their collaboration and commitment continue to strengthen the relevance, reach and impact of skills development interventions throughout the

sector.

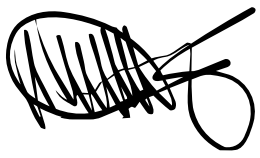
I further acknowledge the AGSA for its continued audit oversight and constructive engagement. The insights and recommendations provided through the audit process contribute significantly to strengthening governance, internal controls, accountability and organisational performance.

Finally, I wish to thank all the beneficiaries, learners, entrepreneurs, cooperatives and communities who continue to place their trust in the Services SETA. Their aspirations and achievements remain at the centre of our efforts and reinforce the importance of our collective commitment to skills development, employment creation and inclusive economic growth.

The progress achieved during the year was made possible through the collective efforts, dedication and partnership of all those who support the work of the Services SETA. For this, I extend my sincere appreciation and gratitude.

Conclusion

The 2025/26 financial year tested the resilience of the Services SETA. The organisation navigated the dissolution of its Accounting Authority, prolonged senior leadership vacancies, unresolved audit and supply chain matters, and a difficult domestic economic environment, while still closing the year in a sound financial position, exceeding several of its five-year partnership and stakeholder-engagement targets, and maintaining uninterrupted service delivery to the sector. My focus for the year ahead is to consolidate this stability: to see permanent leadership appointed, outstanding audit and SCM matters resolved, and the organisation's considerable financial resources translated more fully into learner enrolments, completions and employment outcomes. I am confident that, with the continued support of the department, our Audit and Risk Committee, our staff and our sector partners, the Services SETA is well placed to do so.



Mr Lehlogonolo Masoga

Services SETA Administrator



4. CHIEF EXECUTIVE OFFICER'S OVERVIEW



Mr Sibusiso Dhladhla
Acting Chief Executive Officer

The 2025/26 financial year was one of organisational stabilisation, institutional renewal and continued service delivery while under administration. Despite a challenging operating environment characterised by constrained economic growth, persistently high unemployment, fiscal pressures and rapidly evolving labour market demands, the Services SETA remained committed to delivering on its legislative mandate of developing a skilled, capable and inclusive workforce for the services sector.

Throughout the year, management focused on strengthening governance, improving organisational performance, enhancing financial management and accelerating the implementation of strategic programmes that support employment creation, workplace learning and economic inclusion. While the administration process required significant organisational attention, the Services SETA continued to work collaboratively with employers, organised labour, education and training institutions, government departments and other strategic partners to improve access to quality learning opportunities across the sector.

General Financial Review

The Services SETA remained financially sustainable throughout the reporting period. Total revenue for the year amounted to R2.533 billion, while expenditure totalled R1.970 billion, resulting in a surplus of R562.306 million. The organisation concluded the financial year with net assets of approximately R4.099 billion, reflecting a sound financial position and supporting the preparation of the Annual Financial Statements on the going concern basis.

The surplus recorded during the year was largely attributable to prudent financial management, investment income earned on available cash resources and the timing of programme implementation. While this strengthened the financial position of the organisation, management remains focused on accelerating programme implementation to maximise the developmental impact of available resources and improve service delivery outcomes.

Organisational Performance

The Services SETA achieved an overall organisational performance of 72%, achieving 53 of the 74 annual performance indicators.

Programme performance reflected varying levels of achievement, with Programme 1 achieving 50%; Programme 2, 86%; Programme 3, 60%; and Programme 4, 100%. These results demonstrate organisational resilience during a period of significant transition while highlighting opportunities to strengthen the implementation of the programmes and improve organisational effectiveness.

72%
OVERALL ORGANISATIONAL PERFORMANCE

53 of 74
ANNUAL PERFORMANCE INDICATORS ACHIEVED

Among the key achievements during the year were the expansion of strategic partnerships, improved WSP/ATR submissions, continued implementation of the To the Power of X^2 – National Talent Activation programme, strengthened sector research informing the Sector Skills Plan, expanded support to community organisations and strong performance within the Quality Assurance function. The organisation also exceeded annual targets relating to stakeholder engagement, employer partnerships, career development initiatives and workplace exposure opportunities for TVET lecturers

Management recognises that learner enrolment and completion targets within learning programmes were not fully achieved. This was primarily due to delays in DG implementation arising from the high volume of grant applications received, the timing of expressions of interest adjudication processes and technical challenges affecting grant administration systems. Corrective measures have since been implemented to strengthen project management, improve grant administration processes and enhance ICT-enabled monitoring to support improved programme delivery during the next reporting cycle.

Spending Trends

Expenditure during the year remained focused on supporting mandatory grants, DGs, quality assurance, research, sector planning and institutional support. Although the timing of project implementation influenced expenditure patterns during the reporting period, resources continued to be directed towards strategic initiatives that contribute to skills development and workforce transformation.

Management has strengthened expenditure planning, contract monitoring and project governance to improve implementation efficiency and ensure that approved funding translates into measurable service delivery outcomes.

Capacity Constraints

The organisation continued to experience capacity constraints arising from vacancies in critical positions, organisational restructuring and the operational demands associated with administration. These factors affected implementation capacity within selected business units and contributed to delays in certain programme activities.

To mitigate these challenges, management strengthened acting leadership arrangements, prioritised recruitment for critical positions, established a dedicated Project Management Support Unit and enhanced programme monitoring and oversight mechanisms to improve implementation performance.

Supply Chain Management

SCM remained an important governance priority during the reporting period. Management implemented measures to strengthen procurement planning, contract administration, compliance monitoring and oversight throughout the procurement cycle. These interventions are intended to improve governance, reinforce transparency and ensure value for money in the utilisation of public resources.

Further details relating to supply chain management performance and compliance are presented in the Governance section of this Annual Report.

Audit Outcome and Governance Improvement

The Services SETA received a qualified audit opinion from the AGSA for the year ended 31 March 2026. While the audit confirmed that the Annual Financial Statements fairly present the financial position of the organisation, except for the matters giving rise to the qualification, it identified opportunities to strengthen financial reporting, contract management, internal controls and the reliability of selected performance information. Management has accepted the audit findings and implemented a comprehensive Audit Action Plan. Progress against the plan is monitored through Executive Management, Internal Audit and the Audit and Risk Committee. Priority interventions include strengthening contract and commitment management, improving financial reporting, enhancing quality assurance over performance information, reinforcing evidence management and embedding stronger internal control processes across the organisation. Management also continues to implement corrective measures arising from the material irregularity reported by the AGSA, including strengthening governance over DG administration, supporting recovery processes where appropriate and reinforcing consequence management in accordance with applicable legislative and governance requirements..

Requests for Roll-over

In view of the timing of programme implementation and commitments relating to approved strategic initiatives, the Services SETA intends to submit a request to National Treasury for the roll-over of qualifying unspent funds in accordance with the applicable legislative framework. Approval of the request will support continuity in programme implementation and ensure that committed resources continue to deliver planned skills development outcomes.

Outlook for 2026/27

Looking ahead, the Services SETA will continue implementing its organisational improvement programme with a focus on strengthening governance, improving organisational performance and enhancing service delivery.

Strategic priorities for the 2026/27 financial year include:

- Implementation of the Audit Action Plan;
- Strengthening internal controls and financial management;
- Accelerating DG implementation;
- Improving learner enrolment, completion and workplace placement outcomes;
- Strengthening performance information management and evidence verification;
- Modernising ICT systems supporting grant administration and organisational reporting;
- Expanding employer participation and strategic partnerships;
- Increasing occupational qualification delivery and workplace-based learning opportunities; and
- Supporting entrepreneurship, digital skills and green economy initiatives.

Management remains confident that these interventions will strengthen organisational capability, improve programme implementation and enhance the Services SETA's contribution to South Africa's skills development priorities.

Economic Viability

The Services SETA remains financially viable and is appropriately positioned to continue operating as a going concern. The organisation maintains a strong asset base, healthy liquidity and sustainable skills development levy revenue streams, enabling continued investment in strategic skills development programmes while maintaining prudent financial management and compliance with the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA).

Events After the Reporting Date

Events occurring after the reporting date have been considered and disclosed in the Annual Financial Statements where required. Management continues to monitor developments that may influence organisational performance, financial sustainability or the implementation of strategic priorities.

Appreciation

I extend my sincere appreciation to the Administrator for providing strategic leadership during this important period of organisational transition. I also wish to thank the employees of the Services SETA, members of the Audit and Risk Committee, Internal Audit, organised labour, employers, education and training institutions, strategic partners, government departments and all stakeholders whose commitment, professionalism and collaboration contributed to the achievements realised during the year.

Through our shared commitment to good governance, accountability and continuous improvement, the Services SETA is well positioned to strengthen organisational performance, improve service delivery and contribute meaningfully to South Africa's skills development agenda and inclusive economic growth.

Mr Sibusiso Dhladhla

Acting Chief Executive Officer



5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

- All information and amounts disclosed in the annual report are consistent with the Annual Financial Statements audited by the AGSA.
- 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 Services SETA.
- The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgments made in this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance regarding the integrity and reliability of the performance information, human resources information and Annual Financial Statements.
- The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

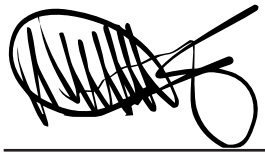
In our opinion, the Annual Report fairly reflects the operations, performance information, human resources information, and financial affairs of the Services SETA for the financial year ended 31 March 2026.

Yours faithfully,



Mr Sibusiso Dhladhla

Acting Chief Executive Officer



Mr Lehlogonolo Masoga

Services SETA Administrator

6. STRATEGIC OVERVIEW

6.1. Vision

A flourishing services sector that cultivates inclusive opportunities for all South Africans.

6.2. Mission

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

6.3. Values

- Accountability
- Innovation
- Integrity
- Professionalism
- Inclusivity

7. LEGISLATIVE AND OTHER MANDATES

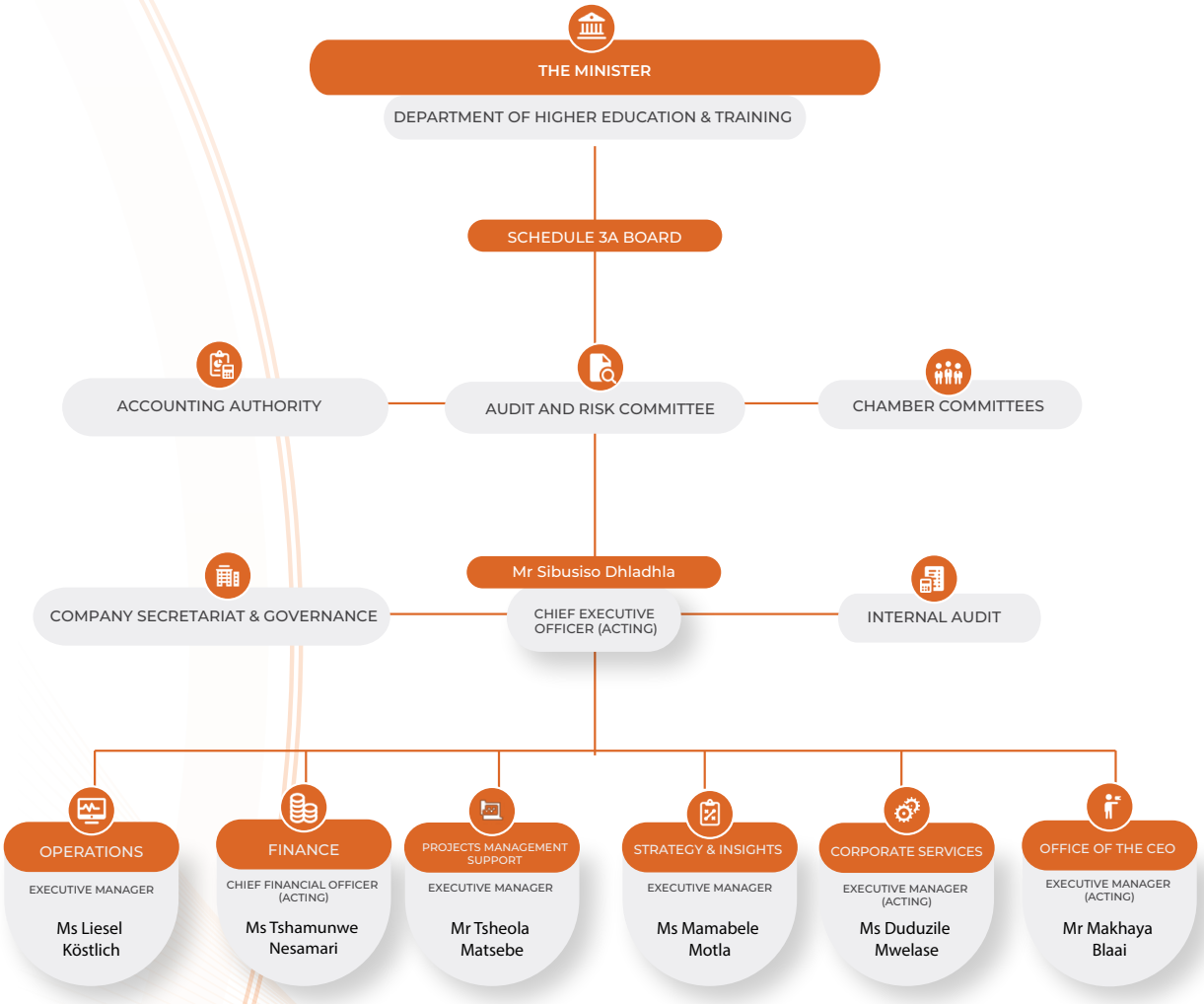
The Services SETA is a public entity established in terms of the Skills Development Act, 1998 (Act No. 97 of 1998). It receives levy income in terms of the Skills Development Levies Act, 1999 (Act No. 9 of 1999). The Services SETA is listed as a national public entity in Schedule 3A to the PFMA, as amended. Accordingly, the Services SETA must conduct its financial affairs in line with the PFMA. The PFMA regulates financial management in the national and provincial spheres of government and in certain public entities to ensure that revenue, expenditure, assets and liabilities are managed efficiently and effectively. It also provides for the responsibilities of persons entrusted with financial management in those institutions.

7.1. LEGISLATIVE MANDATE	7.2. OTHER LEGISLATIVE MANDATE	7.3. POLICY MANDATE
› 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, 1999 (Act No. 1 of 1999), as amended	› 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 Government Gazette No. 35940 of 3 December 2012 regarding monies received by a SETA and related matters	› National Development Plan (NDP) › National Skills Development Plan 2030 (NSDP) › Human Resource Development Strategy › New Growth Path (NGP) › White Paper on Post-School Education and Training (WPPSET) › National Skills Accord › Economic Reconstruction and Recovery Plan (ERRP)

The National Skills Development Plan (NSDP) 2030 provides a framework for the Services SETA to align its work with the National Development Plan (NDP), the New Growth Path (NGP), the National Skills Accord, the Economic Reconstruction and Recovery Plan (ERRP), Broad-based Black Economic Empowerment (B-BBEE), employment equity requirements, and relevant charter processes insofar as they affect the services sector.

8. ORGANISATIONAL STRUCTURE

Figure 1. Macro Organisational Structure



9. ORGANISATIONAL HIGHLIGHTS, CHALLENGES AND MEASURES

Organisational Highlights

The 2025/26 financial year was characterised by continued organisational efforts to strengthen skills development delivery, quality assurance, strategic planning, research and stakeholder engagement across the services sector. Despite a challenging operating environment, the Services SETA maintained its focus on improving operational efficiency, supporting the transition to occupational qualifications, and enhancing organisational performance – closing the year with a surplus of R562.306 million, net assets of R4.099 billion and a current ratio of 8.31:1, providing a sound financial base from which to pursue these priorities.

A significant achievement during the reporting period was the increased implementation of occupational qualifications and workplace-based learning programmes. Progress was made in expanding accreditation capacity through the approval of skills development providers, assessment centres and subject matter experts, strengthening the sector's readiness to implement occupational qualifications and External Integrated Summative Assessments (EISAs). Learner enrolments and completions improved significantly compared to the previous financial year, reflecting enhanced programme monitoring, project management and implementation support, and contributed to an overall institutional programme performance of 72% for the year.

The organisation further strengthened its strategic planning and performance management environment through the implementation of an Annual Operating Plan, regular performance monitoring engagements, and organisation-wide strategy implementation workshops. These initiatives improved organisational alignment, accountability and oversight of strategic and operational performance, and were sustained even as the organisation navigated the transition to administration in August 2025.

Research remained a critical enabler of evidence-based planning and decision-making. During the reporting period, seven research projects and one impact evaluation study were completed, generating insights on learner outcomes, TVET college readiness, occupational qualifications, future skills requirements, emerging enterprises, and monitoring and evaluation systems. The findings informed organisational planning and contributed directly to the development of the Sector Skills Plan.

Knowledge Management continued to support organisational effectiveness through enhanced records management, digitisation of records, implementation of the dataSTOR® electronic records management system, and staff capacitation on records governance, and the Protection of Personal Information Act (POPIA) and Promotion of Access to Information Act (PAIA) compliance requirements.

The Chamber Operations function strengthened stakeholder engagement and partnerships across all six chambers, supporting qualification development, lecturer development initiatives, employer engagement, workplace-based learning opportunities, and interventions aimed at addressing sector-specific hard-to-fill vacancies and critical skills needs. This work underpinned the maintenance of 175 active strategic partnerships during the year – well ahead of the five-year target of 75 – and a 31% increase in WSP/ATR submissions against a five-year target of 10%.

Towards the end of the reporting period, the Services SETA also launched the 'To the Power of X^2 – National Talent Activation', a national graduate internship and absorption initiative. Over 55 000 qualified university and TVET graduates holding NQF Level 4–7 qualifications have registered on the programme's database, with current funding enabling the placement of an initial 20 000 graduates into structured 24-month internships. The initiative represents a significant new highlight for the organisation's efforts to convert graduate unemployment into workplace experience and employment, and its scale-up will depend on employers coming forward as strategic co-funding and absorption partners in 2026/27.

Organisational Challenges

Notwithstanding these achievements, the organisation continued to experience challenges associated with the national transition to occupational qualifications. The limited availability of accredited skills development providers, assessment centres, approved workplaces and assessment resources constrained the pace of implementation and affected learner progression and certification in certain occupational programmes.

Low employer participation in WSP/ATR submissions remained a challenge across several sectors, limiting access to workplace skills intelligence and reducing opportunities for employers to benefit from available grant funding. Delays in the submission of learner documentation, workplace approval requirements

and grant-related compliance documentation also affected operational efficiency and turnaround times, and contributed to the 38% underspend recorded against the R3.100 billion approved budget for the year.

Resource and capacity constraints continued to affect the organisation's ability to fully implement planned initiatives. The organisation carried an overall staff vacancy rate of 13% at year-end (39 vacancies against 300 approved posts), including the critical positions of CEO, CFO and Executive Manager: OCEO, all of which were filled in an acting capacity following the dissolution of the previous Accounting Authority and its sub-committees on 31 March 2025 and the entity's subsequent placement under administration in August 2025.

Delays in the appointment of specialist resources and increasing stakeholder demands placed additional pressure on organisational capacity, while stakeholder participation and responsiveness remained inconsistent in some sectors, affecting qualification development, programme implementation and strategic collaboration initiatives.

Governance and compliance challenges were also evident during the year. Irregular expenditure of R37.297 million was confirmed for 2025/26, relating to the continuation of prior-year awards where Board approval evidence, Bid Evaluation Committee composition, bid-closure timing or the evaluation of unsolicited proposals against the Grant Regulations could not be adequately demonstrated. A possible material irregularity relating to DG projects abandoned prior to completion, first identified in the 2024/25 audit, remained under investigation during the year, and a separate matter came to light concerning a remote project-monitoring system commissioned in 2018 that was found to be obsolete without ever having been used.

Research findings further highlighted broader systemic challenges affecting skills development outcomes, including labour market constraints – reflected in an official unemployment rate of 32.9% and youth unemployment of 46.1% at the start of the reporting period – limited workplace-based learning opportunities, institutional capacity limitations, and the need for stronger collaboration among stakeholders across the post-school education and training system.

Measures Implemented and Future Priorities

To address these challenges and strengthen organisational performance, the Services SETA has implemented a range of improvement measures and strategic interventions.

Priority will be given to accelerating the implementation of occupational qualifications through the expansion of accreditation capacity, strengthening workplace approval processes, increasing assessment capacity, and enhancing collaboration with the QCTO and other strategic partners.

The organisation will continue to strengthen stakeholder engagement through targeted awareness campaigns, employer support initiatives, capacity-building programmes, and enhanced partnerships with industry, professional bodies, TVET colleges, labour organisations and government stakeholders. Specific interventions will focus on improving WPS/ATR submissions and increasing participation in skills development programmes, including expanding employer participation as strategic co-funding and absorption partners under the To the Power of X^2 programme.

A dedicated Project Management Support Unit has been established to strengthen oversight of DG projects, and the modernisation of ICT infrastructure is being prioritised to improve grant evaluation and award turnaround times, directly addressing the delays that affected performance and expenditure this year. A consolidated Audit Action Plan, monitored quarterly by the Audit and Risk Committee and Internal Audit, is being implemented to resolve outstanding prior-year and current-year audit and SCM matters, alongside continued efforts to fill the vacant senior positions on a permanent basis.

To improve organisational effectiveness more broadly, efforts will continue to strengthen performance management, reporting systems, data quality assurance and process automation. The implementation of digital solutions and integrated reporting systems will support improved decision-making, operational efficiency and organisational accountability.

The organisation will also continue investing in research, monitoring and evaluation, and knowledge management systems to strengthen evidence-based planning and ensure that skills development interventions remain responsive to changing sector and labour market needs.

Through these measures, the Services SETA aims to enhance organisational performance, improve service delivery outcomes, strengthen stakeholder confidence, and contribute to the development of a responsive, inclusive and future-focused skills development system

LEVY-PAYING EMPLOYER ENGAGEMENT



READ THE ARTICLE


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PART B

PERFORMANCE INFORMATION

ANNUAL REPORT

2025 | 2026

SERVICES SECTOR EDUCATION AND TRAINING AUTHORITY

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs certain audit procedures on the performance information. The level of assurance provided may be reasonable (an opinion), or limited (a conclusion) or none (findings) as predetermined by the AGSA. Assurance in the form of an audit opinion or conclusion on the usefulness and reliability of the reported performance information is currently included in the management report. Material findings are reported in the auditor's report.

Refer to page 91 of the Report of the Auditors, published as Part F: Financial Information.

2. OVERVIEW OF PERFORMANCE

2.1. Service Delivery Environment

The Services SETA operated within a challenging economic and labour market environment during the 2025/26 financial year. South Africa's economy continued to experience subdued growth, with real gross domestic product increasing by only 0.1% in the first quarter of 2025 before improving to 0.8% in the second quarter. Economic performance therefore remained below the levels required to significantly reduce unemployment, poverty and inequality. Economic growth remained constrained by persistent structural challenges, including infrastructure limitations, rising operational costs and broader global economic uncertainty. These conditions continued to affect business confidence, enterprise sustainability and employment creation across the sectors served by the Services SETA.

The services sector remained a significant contributor to economic activity and employment in South Africa. The sector was made up of 198 418 employers during the period under review and continued to demonstrate growth in the number of registered employers, despite prevailing economic pressures. Employers remained predominantly concentrated in Gauteng, KwaZulu-Natal and the Western Cape, reflecting the economic concentration of the services sector activities within these provinces. In 2025, Gauteng and the Western Cape were among the provinces recording the highest economic growth, while finance, real estate and business services continued to make an important contribution to provincial growth trends.

High unemployment levels continued to pose a significant socio-economic challenge, particularly among young people. According to the Quarterly Labour Force Survey for the first quarter of 2025, the official unemployment rate increased to 32.9%, while the expanded unemployment rate rose to 43.1%. Youth unemployment remained particularly severe, with the unemployment rate for persons aged 15–34 increasing to 46.1% and the number of unemployed youth rising to approximately 4.8 million. The number of youth who were not in employment, education or training (NEET) also remained a concern. Young people between the ages of 15 to 35 total some 20.9 million people, or about 50.2% of the working-age population. The NEET rate for this cohort stood at 45.1% in the first quarter of 2025. These conditions were particularly evident in the continued difficulty experienced by learners in securing sustainable employment and self-employment opportunities following completion of learning interventions. While the Services SETA continued to invest significantly in workplace-based learning programmes, learner absorption remained affected by prevailing labour market conditions.

Rapid technological advancement and digital transformation continued to reshape skills demand across the Services SETA sectors. Increased adoption of digital technologies, artificial intelligence (AI), data analytics and technology-enabled service delivery models created demand for new occupational skills and continuous workforce upskilling. An analysis of the 2025 labour-market indicated that demand for AI skills was rising across education, ICT, financial services and other sectors, reinforcing the need for digital and data-related competencies. Technological developments were particularly evident in sectors such as contact centres, and marketing and business services, where digital platforms and automation increasingly influenced service delivery models. These developments reinforced the importance of digital skills development and occupational qualifications aligned to emerging industry needs. In response, the Services SETA expanded learning opportunities and skills interventions aimed at improving workforce adaptability and supporting occupational mobility. Increased enrolment of employed workers in learning programmes further reflected the need for upskilling and reskilling in response to technological and legislative changes affecting workplaces.

The transition from legacy qualifications to occupational qualifications remained one of the most significant

drivers of change within the skills development landscape. This transition increased the demand for stakeholder engagement, career development services, occupational qualification development, public college support and capacity-building initiatives. During the reporting period, the Services SETA strengthened partnerships with TVET colleges, CET colleges, higher education institutions, employers and organised labour to support the implementation of occupational qualifications and improve alignment between education and labour market needs.

Environmental sustainability and the transition towards greener business practices increasingly influenced skills requirements within several subsectors. Growing awareness of environmental responsibility, evolving consumer expectations and legislative requirements created a demand for new competencies and environmentally sustainable business practices. These developments were particularly relevant within the cleaning, funeral and personal care subsectors and required collaboration with industry stakeholders to identify future skills requirements.

Globalisation continued to shape competitive dynamics within the services sector. The increased integration of markets and evolving international standards created opportunities for growth while simultaneously increasing demand for specialised and globally competitive skills. This was particularly evident in subsectors such as personal care, contact centres and digital marketing and advertising, where employers increasingly required skills aligned with international industry standards.

The policy and regulatory environment also continued to shape organisational priorities and sector interventions. The ongoing implementation of the NSDP 2030, occupational qualification reforms and quality assurance requirements influenced programme planning and delivery. The Services SETA continued to support stakeholders through awareness campaigns, capacity-building initiatives and quality assurance processes to strengthen compliance and improve skills development outcomes.

Collectively, these economic, labour market, technological, environmental and regulatory factors informed the Services SETA's strategic priorities and implementation approach during the reporting period. They influenced resource allocation decisions, stakeholder engagement activities, the delivery of learning programmes, qualification development initiatives and efforts to improve access to skills development opportunities, particularly for unemployed youth, workers, small enterprises and rural communities.

2.1.1. Services Sector Profile

The Services SETA is one of the largest SETAs in terms of the number of employers falling within its scope. The Services SETA scope encompasses 68 Standard Industrial Classification (SIC) codes, which are organised into six chambers and further categorised into 16 sub-sectors.

Services SETA Chambers and Sub-sectors



Cleaning and Hiring Services
- Cleaning
- Hiring
- Domestic
- Household

Personal Care Services
- Haircare
- Beauty
- Funeral
- Fashion

Communications & Marketing Services
- Contact Centre
- Marketing
- Postal

Management and Business Services
- Business
- Project Management

Real Estate and Related Services
- Real Estate

Labour and Collective Services
- Labour Recruitment
- Collective

2.1.2. Sector Skills Plan

The services sector remains cautiously optimistic despite ongoing economic and labour market challenges. The sector is expected to remain a significant contributor to economic activity, employment and enterprise development in South Africa. However, persistent constraints, including slow economic growth, high unemployment, global economic uncertainty and increasing operational costs, are likely to continue influencing business performance and skills demand.

Technological advancement, digitalisation and the adoption of artificial intelligence are expected to accelerate across the sector, driving demand for digital, analytical, data management and technology-enabled service delivery skills.

The transition to occupationally directed qualifications, together with evolving regulatory requirements, will continue to reshape skills development priorities and qualification pathways.

Emerging opportunities are anticipated in entrepreneurship, SMME development, digital services, contact centre operations, business services and occupations linked to sustainability and the green economy. At the same time, employers are expected to require higher levels of adaptability, innovation, problem-solving and digital competence from both current and future employees.

2.1.2.1. Drivers of Skills Demand and Supply

The Services SETA has identified five key drivers shaping skills demand and supply across its six chambers:



Technology and digitisation remain the most significant drivers transforming the services sector. The rapid advancement of digital technologies, automation, AI, data analytics, cloud computing, and other Fourth Industrial Revolution (4IR) innovations continues to reshape the nature of work and the skills required by employers. While these technological developments create opportunities for increased productivity, innovation, and new forms of employment, they also contribute to the displacement of routine and repetitive tasks, requiring workers to continuously adapt and acquire new competencies.

Industries within the Services SETA sector, particularly contact centres, marketing, advertising, business process outsourcing, and related business services, are increasingly adopting automated systems, AI-enabled customer engagement platforms, and digital service delivery models. As organisations embrace these technologies to improve efficiency and competitiveness, the demand for digital, technical, analytical, and problem-solving skills continues to grow. At the same time, certain occupations are being reconfigured, requiring workers to upskill and reskill to remain relevant in a rapidly changing labour market.

In response to these developments, the Services SETA has continued to support the integration of ICT competencies, digital literacy, and future-oriented skills into occupational qualifications and learning programmes. New and realigned occupational qualifications increasingly incorporate digital capabilities to ensure that learners and workers are equipped to participate effectively in a technology-driven economy. This approach supports workforce adaptability, enhances employability, and contributes to building a resilient skills pipeline capable of responding to evolving industry requirements.

The ongoing digital transformation of the services sector underscores the importance of continuous learning, innovation, and investment in skills development to ensure that both employers and employees can successfully navigate the opportunities and challenges associated with technological change.

2.1.2.2. Sector Skills Plan Hard-To-Fill Vacancies Intervention Analysis

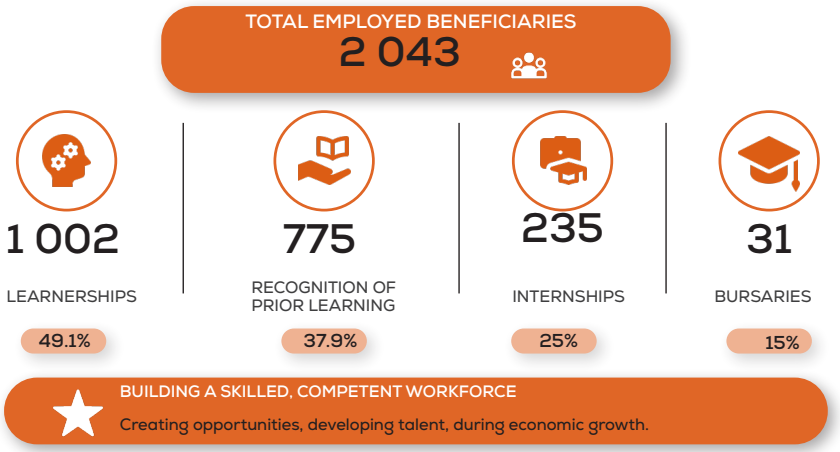
The Sector Skills Plan analysis covers 35 hard-to-fill vacancies (HTFV) occupations across six chambers. In total, 7 274 interventions were recorded: 2 043 for employed beneficiaries and 5 231 for unemployed beneficiaries. Coverage reached 24 occupations (68.6%), leaving 11 with no interventions. Communications and Marketing services and Management and Business services achieved full coverage;

CHAMBER	HTFV OCC.	COVERAGE	COVERAGE %	EMPLOYED INTERV.	UNEMPLOYED INTERV.	TOTAL
Cleaning and Hiring Services	6	5/6	83.3%	527	1 663	**2 190**
Communications and Marketing Services	5	5/5	100%	603	199	**802**
Labour and Collective Services	5	3/5	60%	50	45	**95**
Management and Business Services	6	6/6	100%	455	2 752	**3 207**
Personal Care Services	6	0/6	0%	0	0	**0**
Real Estate and Related Services	7	5/7	71.4%	408	572	**980**

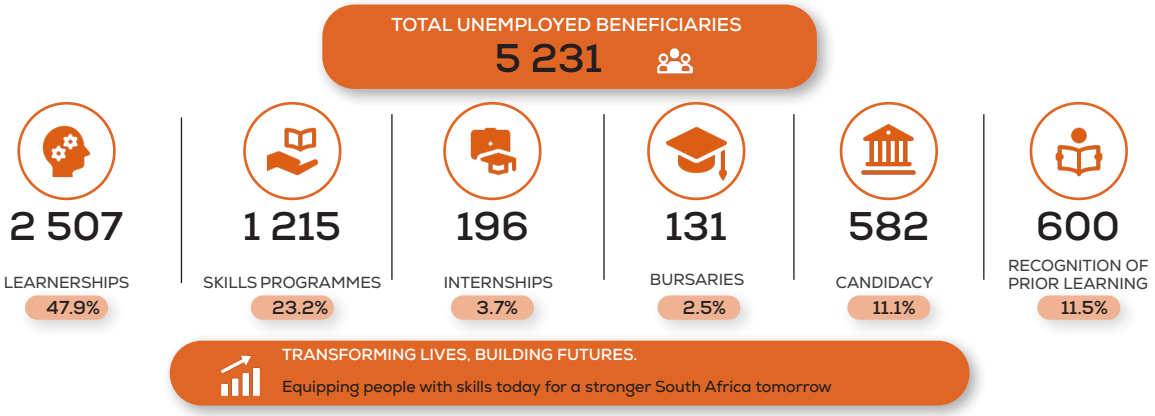
Highlights

- Full coverage: Communications & Marketing; Management & Business Services.
- Largest volume: Management & Business Services, with 3,207 interventions.

Employed Beneficiaries



Unemployed Beneficiaries



Learnerships are the main delivery mechanism for both groups: 49.1% employed and 47.9% unemployed.

Top 10 Priority Hard-to-Fill Occupations

Several Top 10 priority occupations have no recorded interventions:

CHAMBER	OCCUPATION	EMPLOYED INTERVENTIONS	UNEMPLOYED INTERVENTIONS
Cleaning and Hiring Services	Garden Worker	Learnership (192)	Learnership (60)
	Healthcare Cleaner	None	None
Communications and Marketing Services	Call Centre Manager	RPL (500)	Learnership (40); Candidacy (30)
	Multimedia Designer	None	Candidacy (30); Bursary (12)
	Outbound Contact Centre Consultant	RPL (13)	Internship (9)
Labour and Collective Services	Industrial Relations Advisor	None	None
Management and Business Services	Organisation & Methods Analyst / Transformation Manager	RPL (1)	None
Personal Care Services	Skin Care Therapist	None	None
	Stonemason	None	None
Real Estate and Related Services	Real Estate Agent	Learnership (310); Bursary (1)	Candidacy (249); Internship (1)

Key findings and recommendations

- **Close zero-intervention gaps first.** Prioritise the 11 occupations with no recorded interventions, especially all six personal care services occupations, through targeted engagements
- **Investigate chamber-level underperformance.** Personal care services requires urgent review due to 0% coverage, while labour and collective services and real estate and related services should be reviewed to improve partial coverage.
- **Rebalance intervention delivery.** Learnerships remain the main delivery mechanism, but intervention volume is concentrated in a few occupations; expand uptake across underserved HTFV occupations and consider greater use of bursaries, internships, and skills programmes where appropriate.

2.1.2.3. Partnerships Required to Drive Skills Supply

During the 2025/26 financial year, strategic partnerships remained critical to the Services SETA's ability to deliver skills development interventions and respond to labour market needs. Collaboration with TVET colleges, higher education institutions, employers, professional bodies, government departments, and industry stakeholders supported the implementation of learning programmes, workplace-based learning, research activities, and quality assurance processes.

Our partnerships contributed to the achievement of organisational targets through learner placements, accreditation evaluations, external moderation activities, stakeholder engagements, and the completion of research projects that informed skills planning. These collaborations strengthened the alignment between education and training provision and industry skills requirements.

Looking forward, the Services SETA will continue to strengthen partnerships to support occupational qualification implementation, improve learner employability, expand workplace-based learning opportunities, promote entrepreneurship, and address emerging skills needs associated with digital transformation, sustainability, the Just Energy Transition (JET) and changing labour market demands identified in our Sector Skills Plan.

2.1.2.4. Sector Skills Plan Priority Action Plans

During the 2025/26 financial year, the Services SETA implemented its Sector Skills Plan Priority Action Plans to guide skills development interventions across the sector. These actions were informed by labour market intelligence, ongoing stakeholder engagement, and research findings, ensuring the Services SETA's programmes remained responsive to both current and emerging skills needs within the services sector.

Key focus areas during the reporting period included:

- Occupationally-directed programmes: Expansion of learnerships, internships, and skills programmes to address scarce and critical skills, thereby improving employability outcomes for beneficiaries.
- Digital and future-oriented skills: Continued investment in programmes supporting technological advancement and evolving workplace requirements, in line with the changing nature of work.
- Entrepreneurship and enterprise development: Sustained support for entrepreneurship, enterprise development, and cooperatives to stimulate economic participation and contribute to job creation.
- Inclusive skills development: Deliberate efforts to increase access for youth, women, persons with disabilities, and learners from underserved communities, in support of transformation and equitable participation in skills development opportunities.
- Research and labour market intelligence: Continued use of research and labour market intelligence to inform planning, decision-making, and funding allocations.
- Strategic partnerships: Strengthened collaboration with employers, training providers, government institutions, and other stakeholders to enhance the delivery and impact of skills development initiatives.

Collectively, these priority actions contributed to the development of a skilled and adaptable workforce, improved alignment between skills supply and labour market demand, and supported the continued growth and sustainability of the services sector.

2.2. Organisational Environment

The Services SETA operated in a challenging organisational environment during the 2025/26 financial year, characterised by labour relations challenges and significant governance developments that required focused management attention to ensure continuity of operations and service delivery.

A significant development during the year was an employee strike that commenced in August 2025 and included protected picketing activities at the organisation's premises. The industrial action resulted in temporary disruptions to certain operational activities and affected normal business processes. Management engaged extensively with organised labour and employees to facilitate constructive dialogue and address matters raised during the dispute. To minimise the impact on stakeholders and service delivery, contingency measures were implemented, including the prioritisation of critical business functions, alternative work arrangements where feasible, enhanced stakeholder communication and the monitoring of operational risks arising from the industrial action. Following the resolution of the strike, management implemented recovery plans to address operational backlogs and restore normal business operations.

A further significant development was the decision by the Minister of Higher Education and Training to place the Services SETA under administration with effect from 19 August 2025. The administration intervention was implemented in terms of the applicable legislative framework to strengthen governance, oversight and organisational performance. An Administrator was appointed to assume the responsibilities of the Accounting Authority and provide strategic direction aimed at stabilising the organisation and enhancing governance and operational effectiveness.

The administration process introduced several organisational changes, including strengthened oversight mechanisms, the review of governance and operational processes, and the implementation of interventions aimed at improving accountability, compliance and institutional performance. The Administrator worked closely with management and stakeholders to ensure continuity of operations and the effective execution of the organisation's mandate during the transition period.

Despite these challenges and changes, the Services SETA continued to implement initiatives aimed at improving organisational performance, strengthening internal controls and enhancing service delivery. Investments in ICT systems, performance monitoring processes and risk management practices supported organisational resilience and operational continuity throughout the year.

The organisation also experienced capacity constraints in certain business areas due to vacancies and personnel movements. To mitigate these challenges, critical positions were prioritised for recruitment, while acting appointments and the redistribution of responsibilities were utilised to maintain operational continuity and minimise disruptions to service delivery.

No prolonged system failures or significant incidents of fraud and corruption materially affected the organisation's ability to deliver on its mandate during the reporting period. Management and the Administrator continued to monitor organisational performance and risks closely and corrective actions were required to ensure the achievement of strategic and operational objectives.

Overall, the organisation demonstrated resilience in navigating a period of significant organisational change. The interventions implemented through the administration process, together with measures adopted to address the effects of the strike and picketing activities, contributed to maintaining organisational stability and supporting the continued delivery of services to stakeholders.

2.3. Key Policy Development and Legislative Changes

During the 2025/26 financial year, the organisation continued to operate within a dynamic policy and regulatory environment aimed at strengthening skills development, improving economic inclusion, and enhancing the responsiveness of the post-school education and training system. While no major legislative amendments directly altered the entity's mandate, several policy developments influenced its strategic planning, programme implementation and performance reporting.

The implementation of the 2024–2029 Medium-Term Development Plan (MTDP) continued to shape organisational priorities, with increased emphasis on economic growth, job creation, youth employment, entrepreneurship, digital transformation and skills development to support priority sectors of the economy. The organisation aligned its APP and operational activities to these national priorities to ensure continued relevance and impact.

The ongoing implementation of the NSDP 2030 remained a key policy driver. Particular focus was placed on strengthening partnerships with employers, expanding workplace-based learning opportunities, supporting occupationally directed programmes, improving access for vulnerable groups, and enhancing the responsiveness of skills development interventions to labour market needs.

In addition, the continued transition towards occupational qualifications registered on the Occupational Qualifications Sub-Framework (OQSF) influenced the Services SETA's programme planning and implementation. This required ongoing engagement with quality assurance bodies, training providers and employers to support the development, registration and delivery of occupationally aligned learning programmes that respond to current and emerging sector skills needs.

The organisation also continued to implement its programmes in accordance with the requirements of the PFMA, Treasury Regulations, the SDA, the SDLA, and directives issued by DHET. These frameworks continued to guide governance, financial management, performance monitoring, reporting and accountability practices across the organisation.

The entity remained proactive in monitoring emerging policy and regulatory developments to ensure continued compliance and organisational readiness for future reforms within the skills development landscape.

2.4. Progress Towards Achievement of Institutional Impacts and Outcomes

The 2025/26 financial year marked the second year of implementing the Services SETA 2025–2030 Strategic Plan. During the reporting period, Services SETA continued to advance its strategic mandate of facilitating skills development within the services sector and contributing to national development priorities through targeted skills interventions, sector research, stakeholder partnerships and institutional strengthening initiatives.

The organisation remained focused on achieving its long-term impact of a skilled, capable, employable and adaptable workforce that supports inclusive economic growth, productivity and transformation within the services sector. Progress towards this impact was realised through the achievement of strategic outcomes aimed at improving access to quality skills development opportunities, strengthening occupationally directed learning, enhancing sector responsiveness to labour market needs, promoting sustainable employment and entrepreneurship, and improving organisational effectiveness.

During the year, the Services SETA expanded access to learning opportunities across its constituent industries through the implementation of learnerships, skills programmes, internships, bursaries, apprenticeships, candidacy programmes and workplace-based learning initiatives. These interventions contributed to the development of occupational competence, improved employability and increased opportunities for labour market participation, particularly among youth, women, persons with disabilities and learners from rural and township communities.

The organisation strengthened its contribution to evidence-based planning through the completion of sector research studies and labour market analyses that informed strategic decision-making and sector skills

planning. Research undertaken during the reporting period enhanced the Services SETA's understanding of emerging skills requirements associated with digital transformation, sustainability transitions, occupational qualifications implementation, changing workplace demands and future skills needs within the services sector. The findings informed updates to sector priorities and supported the development of responsive skills development interventions.

The Services SETA continued to align its programmes and investments with the priorities of the 2024-2029 Medium-Term Development Plan (MTDP), particularly those aimed at reducing unemployment, improving educational outcomes, building a capable workforce and supporting inclusive economic growth. Through its skills development initiatives, the organisation contributed to strengthening pathways into employment, improving workplace readiness, supporting occupational mobility and facilitating lifelong learning opportunities for workers and unemployed individuals.

The organisation also supported economic inclusion and enterprise development through interventions that promoted entrepreneurship, and cooperatives and small business development. These initiatives sought to strengthen the capacity of emerging enterprises, enhance self-employment opportunities and contribute to local economic development within communities served by the sector.

A key area of progress during the reporting period was the continued transition towards occupational qualifications and the strengthening of quality assurance systems. The Services SETA worked with training providers, employers, quality partners and educational institutions to improve the implementation of occupationally directed programmes and enhance the relevance and quality of learning provision. These efforts support the broader objective of creating a more responsive and integrated post-school education and training system.

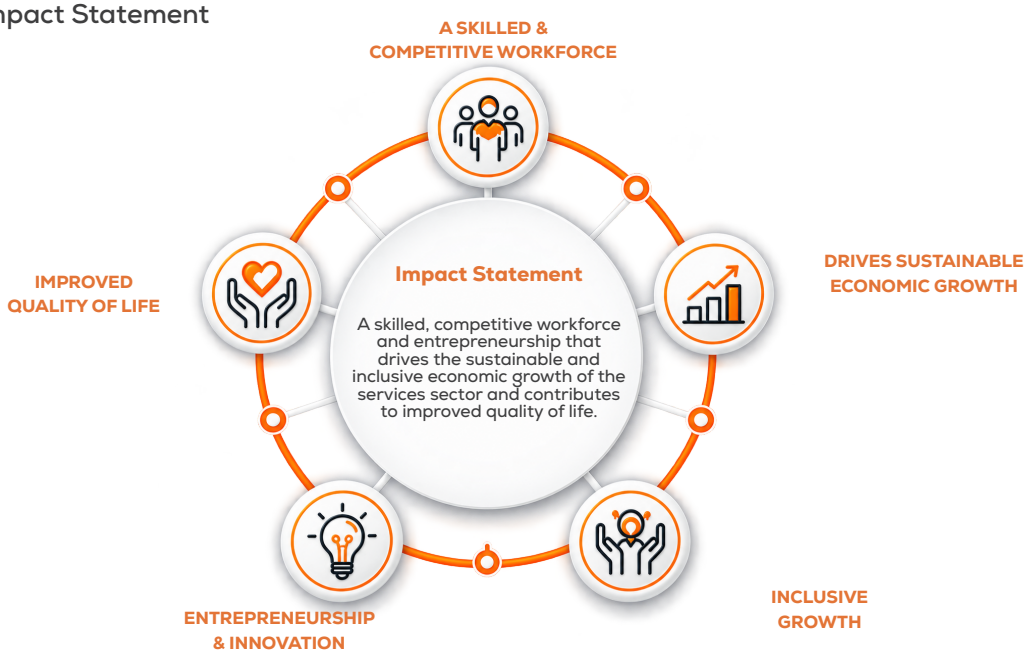
Institutional performance was further strengthened through ongoing improvements in governance, financial management, risk management, monitoring and evaluation, stakeholder management and organisational effectiveness. The organisation maintained sound governance practices and continued to enhance internal systems and processes to support accountability, compliance and service delivery excellence.

The Services SETA's work during the reporting period contributed directly towards the achievement of the NDP 2030 and the objectives of the NSDP 2030 through the promotion of demand-led skills development, improved access to learning opportunities, enhanced workforce capabilities and stronger partnerships across the skills development ecosystem.

No material amendments were made to the approved 2025-2030 Strategic Plan during the reporting period. Strategic implementation remained aligned to the approved impact statement, outcomes, strategic objectives and performance indicators. Any adjustments made during implementation were operational in nature and did not alter the strategic direction of the organisation.

Overall, the Services SETA made satisfactory progress towards the achievement of its five-year strategic outcomes and remains committed to building a future-ready workforce capable of responding to technological change, sustainability transitions, labour market shifts and evolving sector demands. Through continued investment in skills development, research, innovation and partnerships, the organisation is well positioned to contribute meaningfully to inclusive growth, employment creation and the long-term competitiveness of the services sector.

2.4.1. Impact Statement



2.4.2. Strategic outcomes and outcome indicators

Outcome 1: Efficient, Effective and Developmental Organisation with a Capable and Ethical Workforce

OUTCOME INDICATOR	AUDITED ACTUAL PERFORMANCE 2024/25 BASELINE	5-YEAR TARGET (2025-2030)	AUDITED ACTUAL ACHIEVEMENTS AS OF 31 MARCH 2026	VARIANCE	IMPROVEMENTS REQUIRED FOR THE REMAINDER OF THE PLANNING PERIOD
1.1. Clean administration	Qualified Audit	Clean Audit	Qualified Audit	Clean Audit	Continue strengthening internal controls, consequence management, compliance monitoring, financial management practices and the implementation of the Audit Action Plans to achieve and sustain a clean audit outcome.
1.2. Effective performance management	82%	80%	69%	-11%	Strengthen performance planning, monitoring and reporting processes; improve accountability for performance targets; enhance quarterly performance reviews; and implement corrective actions to address underperformance and improve achievement levels.
1.3. Percentage of prioritised ICT projects implemented	80%	90%	60%	-30%	Accelerate implementation of outstanding ICT projects, improve project governance and resource allocation, strengthen project management capacity, and enhance monitoring mechanisms to ensure delivery of digital transformation priorities.
1.4. Stakeholder climate survey	91%	80%	-	-80%	Conduct the stakeholder climate survey as planned, strengthen stakeholder engagement mechanisms, improve responsiveness to stakeholder feedback, and implement action plans arising from survey findings to maintain stakeholder confidence and satisfaction.
1.5. Effective governance and assurance monitoring system	Governance Report	Governance Report	Governance Report	None	Continue strengthening governance oversight, assurance coordination, risk management, compliance monitoring and implementation of governance improvement initiatives to maintain an effective governance environment.

During the 2025/26 financial year, the Services SETA continued to strengthen governance, administration and organisational sustainability systems to support the achievement of its strategic objectives. Governance structures remained functional and provided oversight over organisational performance, risk management, compliance and assurance activities. Governance and assurance reports were produced as planned, demonstrating the continued effectiveness of governance monitoring mechanisms.

Performance management effectiveness declined from the 2024/25 baseline of 82% to 69% against a five-year target of 80%. This variance was primarily attributable to challenges experienced in achieving selected performance targets during the reporting period. Management has implemented enhanced performance monitoring and accountability measures to improve performance achievement levels over the remainder of the strategic planning cycle.

Progress in implementing prioritised ICT projects was below expectations, with an achievement of 60% against the five-year target of 90%. The variance resulted mainly from project implementation delays, resource constraints

and procurement-related challenges. Corrective measures have been initiated to accelerate the delivery of outstanding ICT projects and strengthen digital transformation initiatives.

The stakeholder climate survey was not conducted during the reporting period. The survey will be prioritised in subsequent years to assess stakeholder perceptions, identify improvement opportunities and strengthen stakeholder relationships.

The organisation continued to pursue improvements in internal controls, governance processes, risk management and compliance management to support the achievement of a clean audit outcome and strengthen organisational effectiveness over the remainder of the 2025–2030 planning period.

Outcome 2: A Coherent and Aligned Skills Planning Mechanism with Accurate Forecasting of Sector Demands for Skills and Qualifications that Promotes Evidence-Based Planning

OUTCOME INDICATOR	AUDITED ACTUAL PERFORMANCE 2024/25 BASELINE	5-YEAR TARGET (2025-2030)	AUDITED ACTUAL ACHIEVEMENTS AS OF 31 MARCH 2026	VARIANCE	IMPROVEMENTS REQUIRED FOR THE REMAINDER OF THE PLANNING PERIOD
2.1. Number of industry-focused research studies	-	10	5	-5	Continue implementing the annual research agenda to ensure the completion of additional sector-focused studies, strengthen research partnerships, and enhance the use of labour market intelligence to support evidence-based planning and decision-making.
2.2. Impact evaluation research studies	-	5	1	-4	Prioritise the commissioning and completion of impact evaluation studies to assess the effectiveness, efficiency and sustainability of skills development interventions and strengthen the evidence-base for programme improvement.
2.3. Percentage increase in WSP/ATR submission	-3%	10%	31%	21%	Sustain employer engagement and advocacy initiatives, strengthen stakeholder support mechanisms, improve digital submission processes, and maintain awareness campaigns to ensure continued growth in WSP/ATR submissions and sector participation.
2.4. Number of partnerships to broaden access to skills development opportunities	112	75	175	100	Consolidate and strengthen existing partnerships, improve monitoring of partnership outcomes, and leverage strategic collaborations to expand access to quality learning opportunities, workplace-based learning and employment pathways.

During the 2025/26 financial year, Services SETA continued to strengthen its role as a sector skills intelligence hub by generating research, fostering strategic partnerships and improving stakeholder participation in skills planning processes.

Progress was made in implementing the research agenda, with five industry-focused research studies completed during the reporting period. These studies contributed to a deeper understanding of sector trends, emerging skills needs, occupational demand and workforce development challenges, thereby strengthening evidence-based planning and informing strategic interventions. While progress was satisfactory, additional research studies will be undertaken during the remainder of the planning period to achieve the five-year target.

The organisation also completed one impact evaluation study aimed at assessing the effectiveness and outcomes of funded skills development interventions. Impact evaluations remain an important mechanism for measuring programme relevance, efficiency and long-term impact. Further evaluation studies are

** Note: "–" indicates that the indicator was not included in the previous planning period and is therefore a new indicator for the 2025–2030 planning period. Consequently, no 2024/25 baseline is applicable.*

planned to strengthen organisational learning and improve programme design and implementation.

Employer participation in skills planning increased significantly during the reporting period. WSP/ATR submissions increased by 31%, exceeding the five-year target of 10%. This achievement reflects the success of employer engagement initiatives, stakeholder support programmes and awareness campaigns aimed at improving compliance and participation in sector skills planning processes. Increased submissions have strengthened the quality of sector intelligence and enhanced the organisation's ability to identify workforce development priorities.

Services SETA also exceeded its partnership target through the establishment and maintenance of 175 strategic partnerships, significantly surpassing the five-year target of 75. These partnerships included collaborations with employers, public institutions, training providers, community organisations and other stakeholders. The partnerships contributed to expanding access to learning opportunities, workplace-based learning, occupational qualifications, entrepreneurship support and employment pathways.

Going forward, the organisation will continue to strengthen its research capability, deepen stakeholder collaboration and leverage strategic partnerships to improve sector responsiveness, enhance labour market intelligence and support the achievement of skills development priorities within the services sector.

Outcome 3: Promote Access to Technical, Managerial, and Entrepreneurial Skills Across the Services Sector

OUTCOME INDICATOR	AUDITED ACTUAL PERFORMANCE 2024/25 BASELINE	5-YEAR TARGET (2025-2030)	AUDITED ACTUAL ACHIEVEMENTS AS OF 31 MARCH 2026	VARIANCE	IMPROVEMENTS REQUIRED FOR THE REMAINDER OF THE PLANNING PERIOD
3.1. Number of entrepreneurs and cooperatives supported	4 777	5 000	3 320	-1 680	Expand entrepreneurship and cooperative development programmes, strengthen partnerships with enterprise support agencies, improve access to funding and business development support, and increase outreach initiatives targeting youth, women and township enterprises.
3.2. Number of learner enrolled in priority occupations and skills in demand	78 569	75 000	23 252	-51 748	Accelerate learner recruitment and enrolment processes, strengthen employer commitments for workplace-based learning opportunities, increase DG allocations towards priority occupations, and improve programme implementation and contract management to enhance enrolment numbers.
3.3. Percentage learner throughout rates across learning interventions	1 763	70%	73%	3%	Sustain learner support mechanisms, strengthen monitoring of learner progress, improve workplace mentoring and provider support, and implement interventions to further improve learner completion and certification rates.

During the 2025/26 financial year, Services SETA continued to invest in skills development interventions aimed at increasing access to occupationally-directed learning opportunities, supporting entrepreneurship and improving employability within the services sector. The organisation supported 3 320 entrepreneurs and cooperatives through a range of entrepreneurship development programmes, as well as cooperative support and enterprise development initiatives. These interventions contributed to strengthening

entrepreneurial capabilities, supporting business sustainability and promoting economic participation. Although progress was made, additional efforts will be required during the remainder of the planning period to achieve the five-year target of 5 000 entrepreneurs and cooperatives supported.

A total of 23 252 learners were enrolled in priority occupations and in-demand skills programmes during the reporting period. These enrolments included learnerships, occupational qualifications, internships, bursaries, skills programmes and other workplace-based learning interventions aligned to sector needs. While the organisation continues to support the development of priority skills, enrolment levels were below the cumulative five-year target trajectory. To address this, Services SETA will intensify employer engagement, expand partnerships and strengthen programme implementation to increase learner participation in priority occupational programmes.

The organisation exceeded its learner throughput target, achieving a throughput rate of 73% against a target of 70%. This positive performance reflects improvements in learner support, programme monitoring, stakeholder collaboration and intervention management. Higher throughput rates contribute to improved learner success, increased certification and enhanced prospects for employment and career progression.

Services SETA remains committed to expanding access to quality learning opportunities, improving learner success rates and strengthening pathways into employment, entrepreneurship and further learning. Continued investment in occupationally-directed programmes and in-demand skills will support the development of a capable workforce and contribute to the achievement of national skills development priorities.

Outcome 4: Enhanced Quality Assurance Efficiencies to Execute QCTO Delegated Functions for High Organisational Performance

OUTCOME INDICATOR	AUDITED ACTUAL PERFORMANCE 2024/25 BASELINE	5-YEAR TARGET (2025-2030)	AUDITED ACTUAL ACHIEVEMENTS AS OF 31 MARCH 2026	VARIANCE	IMPROVEMENTS REQUIRED FOR THE REMAINDER OF THE PLANNING PERIOD
4.1. Percentage of external moderation and evaluation conducted within a reporting period	95%	100%	99%	-1%	Strengthen moderation planning and scheduling, enhance coordination with providers and assessors, and implement continuous monitoring mechanisms to achieve full compliance with moderation and evaluation requirements.
4.2. Percentage of accreditation applications evaluated and concluded within 90 working days	-	80% (average)	94%	14%	Maintain efficient accreditation processes, strengthen quality assurance systems, optimise workflow management and continue capacity-building initiatives to sustain and improve turnaround times.
4.3. Percentage of occupational qualifications aligned to priority skills	76%	85%	96%	11%	Continue reviewing and developing occupational qualifications in response to sector needs, emerging occupations and labour market demands, while strengthening collaboration with quality partners and industry stakeholders to ensure ongoing relevance and alignment.

During the 2025/26 financial year, the Services SETA continued to strengthen the quality and responsiveness of skills development provision through effective quality assurance, accreditation and occupational qualification development processes.

The organisation achieved 99% of external moderation and evaluation activities within the reporting period, narrowly missing the target of 100%. This performance demonstrates the effectiveness of quality assurance systems and the organisation's commitment to maintaining the integrity, credibility and quality of learning programmes and assessment processes. Measures have been implemented to address the remaining gaps and ensure full achievement of the target in future reporting periods.

Note: "–" indicates that the indicator was not included in the previous planning period and is therefore a new indicator for the 2025–2030 planning period. Consequently, no 2024/25 baseline is applicable.

Performance relating to the evaluation and conclusion of accreditation applications exceeded expectations, with 94% of applications processed within the prescribed 90 working days against a target of 80%. This achievement reflects improvements in operational efficiency, process management and stakeholder support, contributing to enhanced access to quality-assured training provision across the sector.

The organisation also exceeded its target for aligning occupational qualifications to priority skills, achieving 96% against the five-year target of 85%. This performance demonstrates Services SETA's commitment to ensuring that qualifications remain relevant, responsive and aligned to current and emerging labour market needs. The achievement further supports the broader transition towards occupationally-directed qualifications and strengthens the responsiveness of the post-school education and training system.

Through these achievements, Services SETA has continued to enhance the quality, relevance and credibility of skills development interventions within the services sector. Going forward, the organisation will maintain its focus on quality assurance excellence, responsive qualification development and efficient accreditation processes to support the development of a competent and future-ready workforce.

3. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

The Services SETA achieved an overall performance of 72% during the 2025/26 financial year. The institutional programme performance outlined below provides an illustration of the extent of progress achieved during the reporting period.

The APP comprises four programmes:

- Programme 1: Administration, which achieved 50%;
- Programme 2: Skills Development and Planning, which achieved 86%;
- Programme 3: Learning Programmes, which achieved 60%; and
- Programme 4: Quality Assurance, which achieved 100%.

PROGRAMME	ACHIEVED	NOT ACHIEVED	% NOT ACHIEVED	TOTAL	% ACHIEVED
Programme 1: Administration	3	3	50%	6	50%
Programme 2: Skills Development and Planning	25	4	14%	29	86%
Programme 3: Learning Programmes	22	14	40%	36	60%
Programme 4: Quality Assurance	3	0	0%	3	100%
Total	53	21	28%	74	72%

Performance Indicator Rating Scale:

✓	Target achieved or exceeded 100% and above	✗	Target not achieved below 100%

3.1. PROGRAMME 1: ADMINISTRATION

3.1.1. Purpose

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

3.1.2. Description of the Programme

This programme consists of the following sub-programmes:

SUB-PROGRAMME	DESCRIPTIONS
1.1. Finance and Performance Reporting	Ensures that reporting on financial matters is in line with legislative requirements and that the organisation's performance information is achieved as planned, measurable, reliable, and in line with the required frameworks and guidelines.
1.2. Human Resources Management and Development	Facilitates improved organisational performance through people, processes, and systems
1.3. Information and Communication Technology	Provides an integrated, efficient, and innovative ICT service.
1.4. Organisational Stakeholder Management	Expands stakeholder management and promotes Services SETA services.
1.5. Governance	Ensures the Accounting Authority is assured of compliance with statutory and regulatory provisions, and that internal policies and procedures are monitored and strengthened to mitigate risk and improve organisational performance. Also to ensure that governance structures and processes are established, capacitated, and maintained in accordance with the Standard Constitution of SETA Regulations.

3.1.3. Outcomes, Outputs, Performance Indicators, Targets and Actual Achievements

This programme primarily supports Outcome 1: Efficient, effective and developmental organisation with a capable and ethical workforce, but it also supports the implementation of the other three outcomes as a support programme. Outputs and indicators which support the realisation of the outcome are outlined below.



PROGRAMME / SUB-PROGRAMME:									
Outcome	Output	Output Indicator	Audited Actual Performance 2023/2024	Audited Actual Performance 2024/2025	Planned Annual Target 2025/2026	Actual Achievement 2025/2026	Deviation from planned target to Actual	Rating	Reasons for deviations
1. Efficient, effective and developmental organisation with a capable and ethical workforce	Sub-Programme: 1.1. Finance and Performance Reporting								
	1.1. Financial statements and performance report without material errors	1.1.1. No material audit findings on financial statements and performance report	Qualified Audit	Qualified Audit	Unqualified Audit	Qualified Audit	Negative outcome	✗	As stated in the Audit Report issued by the AGSA in July 2026, relating to the financial year 2025/26, the Services SETA received a qualified audit outcome.
	Sub-Programme: 1.2. Human Resources Management and Development								
	1.2. Human resources capacitation	1.2.1. Percentage of effective performance management	-	-	80%	69%	-11%	✗	The staff performance management for the financial year 2025/26 was not achieved due to the delays in completion of staff contracts and reviews
		1.2.2. Percentage of Workplace Skills Plan implemented	83%	78%	80%	84%	4%	✓	The target was over-achieved due to the following variance: - MIE additional attendees joined training. - Change Management - extra webinar conducted due to demand. - Customer Service - extra webinar conducted due to demand.
	Sub-Programme: 1.3. Information and Communication Technology								
	1.3. ICT infrastructure and application systems plans to support Services SETA	1.3.1. Percentage of ICT strategic projects implemented	80%	75%	80%	60%	-20%	✗	The ICT Unit achieved 60% implementation against the approved ICT projects for the financial year, successfully implementing six out of the 10 approved projects. The underachievement was mainly attributed to delays in implementation of planned projects and non-awards for the providers for some projects.
	Sub-Programme: 1.4. Organisational Stakeholder Management								
	1.4. Effective stakeholder management	1.4.1. Number of stakeholder engagements	171	255	60	124	64	✓	The overachievement is due to the extensive engagement programme to mobilise stakeholders' uptake of skills development opportunities available by various portfolios which contributed as below: -Office of the CEO including Board Secretariat: 10 – skills development opportunities. -Strategy and Insights: 47 – industry-focused information sharing sessions with different constituency stakeholders and occupational qualifications transitioning engagements; with high number of extended invitations from the sector. -Operations: 67 –provincial skills engagements/forum, DGs briefing sessions and mandatory grants capacitation workshops.
	Sub-Programme: 1.5. Governance								
	1.5. Effective governance oversight	1.5.1. Quarterly SETA Good Governance Report	4	4	4	4	0	✓	No performance deviation.

3.2. PROGRAMME 2: SKILLS DEVELOPMENT AND PLANNING

3.2.1. Purpose

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.

3.2.2. Description of the Programme

This programme consists of the following sub-programmes:

SUB-PROGRAMME	DESCRIPTIONS
2.1. Organisational Strategy	The services sector needs to be researched, documented, and communicated annually to enable effective planning across all economic sub-sectors and updated annually in compliance with regulatory frameworks.
2.2. Research, monitoring, and Reporting	Evidence-based decision-making is informed by thorough research, with implementation monitored regularly and impact assessed periodically.
2.3. DG Allocation	This sub-programme promotes the allocation of DGs for different skill levels.
2.4. Mandatory Grants	This sub-programme facilitates employers' participation in skills development by submitting WSP/ATRs annually.
2.5. Career Development Support	Expand stakeholder participation, promoting access to services across all sub-sectors and provinces and growing visibility.
2.6. Public College Support	This refers to skills development support given to the TVET and CET colleges.
2.7. Partnerships and Collaborations	This refers to strengthening partnerships and promoting of collaborations.



3.2.3. Outcomes, Outputs, Performance Indicators, Targets and Actual Achievements

This programme contributes to Outcome 2: A coherent and aligned skills planning mechanism with accurate forecasting of sector demands for skills and qualifications that promotes evidence-based planning

PROGRAMME / SUB-PROGRAMME:									
Outcome	Output	Output Indicator	Audited Actual Performance 2023/2024	Audited Actual Performance 2024/2025	Planned Annual Target 2025/2026	Actual Achievement 2025/2026	Deviation from planned target to Actual	Rating	Reasons for deviations
2. Coherent and aligned skills planning mechanism with accurate forecasting of sector demands for skills and qualifications that promotes evidence-based planning	Sub-Programme: 2.1. Organisational Strategy								
	2.1. Approved Organisational Strategic Documents	2.1.1. Credible SSP, SP and APP	Approved SSP, SP and APP	Approved SSP, SP and APP	Approved SSP, SP and APP	Approved SSP, SP and APP	None	✓	No performance deviation
	Sub-Programme: 2.2. Research, monitoring, and reporting								
	2.2. Research, monitoring, and reporting	2.2.1. Number of sector research agreements signed for TVET growth occupationally directed programmes	6	5	3	4	1	✓	The Services SETA EOI process sent to 51 TVET Colleges. 14 colleges responded to the call and a partnership was established to the transitioning into Occupational Programmes. To understand the needs and readiness of the TVETs, in both current and prior year, the SETA selected 4 TVETs to conduct TVET specific research. To selection was informed by the need to cover rural and urban based colleges as well those well and less resourced as an order of prioritisation and consider various services sector industries representative across TVETs.
		2.2.2. Number of learners who completed workplace-based learning programmes absorbed into employment or self-employment	674	1 027	1 200	312	-888	✗	A total of 13,849 learners were traced. 3,461 learners responded to the survey questionnaire. 3,441 were deemed valid for further analysis. About 312 graduates who completed Work-Based Learning (WBL) were absorbed into employment and self-employment, representing 16.2% absorption rate. However, the prevailing high unemployment rate continues to present challenges in securing sustainable absorption opportunities for learners.
	Sub-Programme: 2.3. DGs allocation								
	2.3. Learner enrolment ratios to develop the high, intermediate and elementary skills level.	2.3.1. Percentage of DGs budget allocated at developing high level skills	25%	9%	15%	10%	-5%	✗	There was a high demand of intermediate level skills by employers (NQF: level 4-6) which indicates a significant improvement from elementary/lower and higher-level demand from the sector.
		2.3.2. Percentage of DGs budget allocated at developing intermediate level skills	54%	54%	55%	64%	9%	✓	
		2.3.3. Percentage of DGs budget allocated at developing elementary level skills	21%	37%	30%	26%	-4%	✗	

PROGRAMME / SUB-PROGRAMME:									
Outcome	Output	Output Indicator	Audited Actual Performance 2023/2024	Audited Actual Performance 2024/2025	Planned Annual Target 2025/2026	Actual Achievement 2025/2026	Deviation from planned target to Actual	Rating	Reasons for deviations
2. Coherent and aligned skills planning mechanism with accurate forecasting of sector demands for skills and qualifications that promotes evidence-based planning	Sub-Programme: 2.4. Mandatory Grant								
	2.4. Identification of interventions required to improve skills development in the sector.	2.4.1. Number of WSPs and ATRs approved for small firms	2 696	2 717	2 797	2 805	8	✓	The annual result of 100% (2,805/2,797) was recorded. There is a gradual increase in the submission of WSP and ARTs by small firms due to mobilisation campaigns initiated by the Services SETA.
		2.4.2. Number of WSPs and ATRs approved for medium firms	1 007	820	849	1 036	187	✓	The annual result of 122% (1,036/849) was recorded. There is a gradual increase in the submission of WSP and ARTs by medium firms due to mobilisation campaigns initiated by the Services SETA.
		2.4.3. Number of WSPs and ATRs approved for large firms	393	602	604	369	-235	✗	The annual result of 61% (369/604) was recorded with a shortfall of 235. The under-performance was due to the fact that, generally, participation by large companies has been low over the years. The aggressive campaign embarked upon is yet to bear desired outcomes. The Services SETA will increase focus on these entities going forward

Outcome	Output	Output Indicator	Audited Actual Performance 2023/2024	Audited Actual Performance 2024/2025	Planned Annual Target 2025/2026	Actual Achievement 2025/2026	Deviation from planned target to Actual	Rating	Reasons for deviations
2. Coherent and aligned skills planning mechanism with accurate forecasting of sector demands for skills and qualifications that promotes evidence-based planning	Sub-programme: 2.5. Career Development Support								
	2.5. Promote access to skills development opportunities, including rural areas	2.5.1. Number of career development practitioners trained	44	44	40	60	20	✓	An invitation was opened to eligible Career Development Practitioners through a public invitation process, which generated significant interest and resulted in a much higher uptake than originally anticipated, ultimately leading to the target being over-achieved.
		2.5.2. Number of career development events in urban areas on occupations in high demand	15	13	15	31	16	✓	The overachievement was primarily attributed to the increased number of requests and invitations received from stakeholders and institutions. Furthermore, the organisation supported various initiatives led by DHET, which resulted in the implementation of additional career development events beyond the planned annual target.
		2.5.3. Number of career development events in rural areas on occupations in high demand	15	15	20	20	0	✓	No performance deviation
		2.5.4. Number of capacity-building workshops on career development services initiated	24	22	20	24	4	✓	The transition to occupational qualifications necessitated the expansion of career development services to interested parties to ensure that as many parties are fully informed.
	Sub-Programme: 2.6. Public College Support								
	2.6. Skills Development support to public college system	2.6.1. Number of SETA offices established and maintained in TVET colleges	1	1	1	1	0	✓	No performance deviation
		2.6.2. Number of Centres of Specialisation supported	4	4	4	4	0	✓	No performance deviation
		2.6.3. Number of TVET Lecturers exposed to the industry through Skills Programmes	32	69	50	82	32	✓	The DHETs introduction of occupational qualifications and phasing out of Nated at TVET Colleges has resulted in increased pressures to build capacities of public TVET Colleges, this includes capacitation of lecturers. As a result, the target set was overachieved due to oversubscription by nominated lecturers.
		2.6.4. Number of TVET college Managers receiving training on curriculum-related studies	15	22	10	11	1	✓	Transitioning of public TVET colleges to occupational qualifications necessitates that managers are fully informed of what it entails and are capacitated to development programmes in line with the SAQA's occupational qualifications sub-framework, hence huge interest in this training intervention.

Outcome	Output	Output Indicator	Audited Actual Performance 2023/2024	Audited Actual Performance 2024/2025	Planned Annual Target 2025/2026	Actual Achievement 2025/2026	Deviation from planned target to Actual	Rating	Reasons for deviations
2. Coherent and aligned skills planning mechanism with accurate forecasting of sector demands for skills and qualifications that promotes evidence-based planning	2.5. Promote access to skills development opportunities, including rural areas	2.6.5. Number of TVET colleges Lecturers awarded Bursaries	51	52	50	55	5	✓	As part of building capacities of public TVET colleges, the Services SETA made available funding for TVET lecturers wishing to study further on public TVET colleges-related qualifications. There was a huge interest from lecturers, hence overachievement.
		2.6.6. Number of infrastructure development projects (equipment/workshops) to support TVET colleges	3	2	2	2	0	✓	No performance deviation
		2.6.7. Number of CET college lecturers awarded skills development programmes	42	40	20	24	4	✓	CET colleges play a significant role of upskilling low-skilled young people. The Services SETA has placed high priority in supporting CET colleges to realise this objective through skills development for their lecturers; hence the target was overachieved.
		2.6.8. Number of infrastructure development projects (equipment/ workshops/ Connectivity/ICT) to support CET colleges	1	1	1	1	0	✓	No performance deviation
		2.6.9. Number of CET college managers receiving training on curriculum-related studies	11	12	5	5	0	✓	No performance deviation
		2.6.10. Number of CET learners accessing AET programmes	42	40	20	20	0	✓	No performance deviation

Outcome	Output	Output Indicator	Audited Actual Performance 2023/2024	Audited Actual Performance 2024/2025	Planned Annual Target 2025/2026	Actual Achievement 2025/2026	Deviation from planned target to Actual	Rating	Reasons for deviations
2. Coherent and aligned skills planning mechanism with accurate forecasting of sector demands for skills and qualifications that promotes evidence-based planning	Sub-Programme 2.7: Partnerships and Collaborations								
	2.7. Establishment of partnerships to support skills development	2.7.1. Number of TVET partnerships established	20	7	5	5	0	✓	No performance deviation
		2.7.2. Number of HEI partnerships established	13	11	2	3	1	✓	We initiated partnership with different HEIs which led to us overachieving this target. The HEIs partnerships that were successful were: CUT, DUT & MUT
		2.7.3. Number of CET partnerships established	9	4	2	2	0	✓	No performance deviation
		2.7.4. Number of SETA-Employer partnerships established	464	383	120	165	45	✓	Due to increased mobilisation of stakeholders to participate in Services SETA's skills development opportunities and new DG/EOI awards, there was a noticeable increase in the number of partnerships forged with employers.
		2.7.5. Number of Federations/Trade Unions supported through the relevant skills training interventions	6	6	8	10	2	✓	The Services SETA values worker-initiated training interventions. An aggressive campaign was initiated through the chambers for organised labour to mobilise participation by trade unions and federations, hence overachievement of the target.
		2.7.6. Number of rural development projects initiated	11	11	10	13	3	✓	Expanding access to skills development learning programme opportunities in rural areas is one of the main goals of the Services SETA, hence overachievement of the target.

3.3. PROGRAMME 3: LEARNING PROGRAMMES

3.3.1. Purpose

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

3.3.2. Description of the Programme

This programme consists of the following sub-programmes:

SUB-PROGRAMME	DESCRIPTIONS
3.1. Entrepreneurship and Cooperative Development	This programme promotes the growth and sustainability of SMMEs through targeted interventions.
3.2. Learning Programmes Enrolments	This sub-programme facilitates the uptake of funded and unfunded learning interventions, which should be improved and monitored to take good stock of the pool of labour provided within the sector.
3.3. Learning Programmes Completions	This sub-programme reports on learner throughput to monitor our learner drop-out.

3.3.3. Outcomes, Outputs, Performance Indicators, Targets and Actual Achievements

This programme contributes to Outcomes 3: To promote access to technical, managerial and entrepreneurial skills across the service sector



Outcome	Output	Output Indicator	Audited Actual Performance 2023/2024	Audited Actual Performance 2024/2025	Planned Annual Target 2025/2026	Actual Achievement 2025/2026	Deviation from planned target to Actual	Rating	Reasons for deviations
3. Promote access to technical, managerial and entrepreneurial skills across the services sector	Sub-Programme 3.1: Entrepreneurship and Cooperatives Development								
	3.1. Increased skills development support for entrepreneurs in SETA offerings	3.1.1. Number of cooperatives funded for skills that enhance enterprise growth and development	322	345	300	330	30	✓	The over-achievement was driven by an unexpectedly e-Learning programme high intermediary demand, triggered by the SEDFA window of application. This time-bound incentive led to a sharp rise in uptake, creating a favourable variance against targets.
		3.1.2. Number of small businesses funded for skills that enhance growth and development	397	352	500	592	92	✓	The over-achievement was driven by an unexpectedly e-Learning programme high intermediary demand, triggered by the SEDFA window of application for Cooperatives which resulted in an overflow for Small Business which attended as a result of the public call out for cooperatives.
		3.1.3. Number of established or emergent cooperatives trained on sector and national priority occupations or skills	30	31	50	62	12	✓	The target was over-achieved due to the high number of participants originating from a Beauty funded programme, where learners were required to progress into the second phase of the intervention focused on the entrepreneurial journey. This continuation pathway contributed to increased participation levels and resulted in the target being exceeded.
		3.1.4. Number of small and emerging enterprises trained on sector and national identified priority occupations or skills	30	31	50	66	16	✓	The target was over-achieved due to the high number of participants originating from a Beauty funded programme, where learners were required to progress into the second phase of the intervention focused on the entrepreneurial journey. This continuation pathway contributed to increased participation levels and resulted in the target being exceeded.
		3.1.5. Number of CBOs/ NGOs/NPOs funded for skills that enhance the development and sustainability of their organisation activities	138	247	100	304	204	✓	A key positive achievement was the strong partnership with the National Development Agency, an agency of the Department of Social Development, which contributed to increased participation from NDA-funded NPOs. The high demand and uptake of the training interventions resulted in the annual target being exceeded.
		3.1.6. Number of people trained on entrepreneurship supported to start their business	274	491	200	310	110	✓	A key positive achievement was the over-achievement of the annual target, largely driven by high participant turnout and overflow attendance in certain areas. In addition, the structure of the e-Learning platform, which only permits one participant per entity, contributed to increased participation numbers as organisations were required to register individual representatives separately.

Outcome	Output	Output Indicator	Audited Actual Performance 2023/2024	Audited Actual Performance 2024/2025	Planned Annual Target 2025/2026	Actual Achievement 2025/2026	Deviation from planned target to Actual	Rating	Reasons for deviations
3. Promote access to technical, managerial and entrepreneurial skills across the services sector	Sub-programme: 3.2. Learning Programmes Enrolments								
	3.2. Number of learners enrolled in priority occupations	3.2.1. Number of unemployed learners enrolled in learnerships programmes	3 988	12 040	10 790	6 352	-4 438	✗	There were unforeseen delays in the allocation of DG grant 2025/26 applications due to technical glitches and the volume of applications received. As a result, project implementation started late. There were attempts to remediate this through advertising the EOIs, however this process also was finalised late and could not address the variances.
		3.2.2. Number of unemployed learners granted bursaries (new enrolments)	1 660	846	1 100	1 656	556	✓	The overachievement was attributed to the high demand for bursary funding from unemployed learners across various institutions. In response to the increased demand, additional learners were accommodated within the available 2025/26 financial year budget allocation.
		3.2.3. Number of unemployed learners granted bursaries (continuing)	434	83	400	36	-364	✗	The target was not achieved due to an insufficient pipeline of qualifying learners. This was mainly attributed to some learners not meeting the eligibility criteria for continuing learners, and some learners discontinuing their studies.
		3.2.4. Number of unemployed learners enrolled internships	655	1 007	1 019	1 187	168	✓	The annual result of 116% (1,187/1,019) is recorded. In line with the Presidential Youth Initiative, the Services SETA embarked on an aggressive recruitment campaign of unemployed graduates, resulting in overachievement.
		3.2.5. Number of TVET students requiring Work Integrated Learning placed in workplaces to complete their qualifications	1 953	1 819	1 890	2 051	161	✓	Increased partnership and collaboration between the Services SETA and public TVET colleges has led to increased placement of WIL learners.
		3.2.6. Number of people enrolled in CET Internships	134	164	110	125	15	✓	Increased partnership and collaboration between the Services SETA and public CET colleges have led to increased enrolment of interns at CET colleges, hence the overachievement.

Outcome	Output	Output Indicator	Audited Actual Performance 2023/2024	Audited Actual Performance 2024/2025	Planned Annual Target 2025/2026	Actual Achievement 2025/2026	Deviation from planned target to Actual	Rating	Reasons for deviations
3. Promote access to technical, managerial and entrepreneurial skills across the services sector	3.2. Number of learners enrolled in priority occupations	3.2.7. Number of Universities students requiring work integrated learning placed in workplaces to complete their qualifications	537	514	982	616	-366	✗	The majority of the Services Sector qualifications does not require work integrated learning. As a result, the pool of qualified learners was limited to enable commencement by the Universities of Technology allocated grants. This resulted in underachievement.
		3.2.8. Number of unemployed learners enrolled Skills Programmes	1 500	7 071	4 298	1 715	-2 583	✗	The underperformance was mainly due to insufficient pipeline. Although a pipeline was established in February 2026, the enrolment cycle and approval process was not completed within the required working days, limiting implementation within the reporting period.
		3.2.9. Number of unemployed learners enrolled for Candidacy programmes	246	267	256	521	265	✓	There was a huge interest from industries for candidacy, especially in the real estate industry to ensure compliance with the law and build sufficient capacity and building pipeline of future labour force.
		3.2.10. Number of artisan learners enrolled	1 046	1 085	1 200	1 378	178	✓	The lack of success was due to several operational and systemic challenges. The low and slow uptake of ARPL/RPL interventions to up-skill and professionalise the sector resulted in delayed learner enrolment, limiting the number of learners who could be assessed and completed within the 2025/26 financial year. Although enrolment against Occupational Qualifications exceeded expectations, learner progression and completion rates were constrained by new RPL implementation requirements and the absence of approved EISA assessment tools. Additionally, ARPL candidates who required Trade Testing only were not supported as planned due to capacity constraints, delays in issuing serial numbers, and Trade Test scheduling backlogs. As a result, the number of learners completing the interventions fell below the approved target for the reporting period.
		3.2.11. Number of learners enrolled RPL/ ARPL	456	835	5 000	3 934	-1 066	✗	There were unforeseen delays in the allocation of DG grant 2025/26 applications due to technical glitches and the volume of applications received. As a result, project implementation or commencement started late. There were attempts to remediate this through advertising the EOIs, however this process also started late and could not address the variances.
		3.2.12. Number of workers enrolled learnerships programmes	561	1 065	1 448	1 484	36	✓	The annual result of 102% (1,484/1,448) is recorded. There has been considerable increase in enrolment of workers in programmes due to changes in jobs due to the effect of technological advancements and legislative requirements among other reasons.

Outcome	Output	Output Indicator	Audited Actual Performance 2023/2024	Audited Actual Performance 2024/2025	Planned Annual Target 2025/2026	Actual Achievement 2025/2026	Deviation from planned target to Actual	Rating	Reasons for deviations
3. Promote access to technical, managerial and entrepreneurial skills across the services sector	3.2. Number of learners enrolled in priority occupations	3.2.13. Number of workers granted bursaries (new entries)	429	255	400	526	126	✓	The overachievement was attributed to the high demand for bursary funding from employed learners across various stakeholders to capacitate their workforce. In response to the increased demand, additional learners were accommodated within the available 2025/26 financial year budget allocation. The demand was mostly from institutions both TVET and Universities. Sector employers were struggling citing that the cap amount was not enough or universities and that they would prefer to be funded in private institutions.
		3.2.14. Number of workers granted bursaries (continuing)	-	-	50	13	-37	✗	The target was not achieved due to an insufficient pipeline ready for continuing assessment. Employed learners were enrolled within Q1 and still busy with studies as at year-end. Learners from the prior year pipeline mostly are not meeting the eligibility criteria for continuing learners,
		3.2.15. Number of workers enrolled Skills Programmes	2 892	906	2 910	1 227	-1 683	✗	The underperformance was caused by insufficient pipeline, and delays in enrolment processes. Although a pipeline was established within Q4, the standard enrolment cycle delayed implementation and reduced the likelihood of achieving the planned target within the reporting period.
		3.2.16. Number of workers enrolled AET programmes	400	103	210	431	221	✓	431/210 learners were enrolled resulting in 205% annual achievement. There was a huge uptake by employers to train their workforce on AET, leading to overachievement.
	Sub-programme: 3.3. Learning Programmes Completions								
	3. 3. Percentage of learner throughput rates across learning intervention	3.3.1. Number of unemployed learners completed learnerships programmes	2 515	1 479	7 805	7 578	-227	✗	The underperformance was due to EISA dependency delays and major factor resulting from underperformance related to Lead Employer slow implementation on activating External Moderation and Certification with Services SETA and other SETAs and insufficient coordination to receive these certificates and or Statement of results timely.
		3.3.2. Number of unemployed learners granted bursaries completed their studies	899	356	487	668	181	✓	There was a sufficient pipeline of unemployed learners who completed their qualifications during the 2025 academic year than anticipated noting the previous year performance.

Outcome	Output	Output Indicator	Audited Actual Performance 2023/2024	Audited Actual Performance 2024/2025	Planned Annual Target 2025/2026	Actual Achievement 2025/2026	Deviation from planned target to Actual	Rating	Reasons for deviations
3. Promote access to technical, managerial and entrepreneurial skills across the services sector	3. 3. Percentage of learner throughput rates across learning intervention	3.3.3. Number of unemployed learners completed Internship	296	126	692	710	18	✓	It was forecast that learners would complete in the FY albeit the majority were completing in Mar-26 which confirms the dedicated commitment by graduates to complete the internships programme on time with an excess of 18 Interns from the active pipeline.
		3.3.4. Number of TVET students completed their Work Integrated Learning placements	371	129	1 882	735	-1147	✗	There was a low pipeline of learners due for completion due to (i) low enrolments in prior years and (ii) majority of enrolled TVET WIL interns are still busy with their training due to 18 months duration cycle for Nated.
		3.3.5. Number of people completed CET Internship	364	34	67	157	90	✓	Overachievement is due to strengthened partnership between the Services SETA and the nine CETs where various learning interventions are being implemented with the greatest support being Interns placement and the intern's commitment to complete the programme.
		3.3.6. Number of University students completed their Work Integrated Learning placements	0	10	599	740	141	✓	Overachievement is due to strengthened partnership between the Services SETA and the six UoTs with high enrolment rates in prior years with the and Interns commitments to complete WIL programme and enable graduation/completion of the qualification.
		3.3.7. Number of unemployed learners completed Skills Programmes	1 140	671	2 731	3 615	884	✓	There was a high uptake of skills programmes by unemployed learners which had resulted in high pipeline and with more learners completing the skills programmes within the current financial year.
		3.3.8. Number of unemployed learners completed Candidacy programmes	63	99	168	170	2	✓	The Services SETA is working closely with the real estate sector to promote participation of previously disadvantaged groups in the sector. The high performance in this indicator was largely driven by demand by the industry.
		3.3.9. Number of artisan learners completed	1 179	62	1 000	117	-883	✗	There was a low pipeline of learners due for completion due to (i) low enrolments in prior's years and (ii) the fact that artisan learning interventions are multi-year programmes. Majority of enrolled learners are still busy with their training.

Outcome	Output	Output Indicator	Audited Actual Performance 2023/2024	Audited Actual Performance 2024/2025	Planned Annual Target 2025/2026	Actual Achievement 2025/2026	Deviation from planned target to Actual	Rating	Reasons for deviations
3. Promote access to technical, managerial and entrepreneurial skills across the services sector	3. 3. Percentage of learner throughput rates across learning intervention	3.3.10. Number of learners completed RPL/ ARPL	60	257	1 630	832	-798	✗	The lack of success was due to several operational and systemic challenges. The low and slow uptake of ARPL/RPL interventions to up-skill and professionalise the sector resulted in delayed learner enrolment, limiting the number of learners who could be assessed and completed within the 2025/26 financial year. Although enrolment against Occupational Qualifications exceeded expectations, learner progression and completion rates were constrained by new RPL implementation requirements and the absence of approved EISA assessment tools. Additionally, ARPL candidates who required Trade Testing only were not supported as planned due to capacity constraints, delays in issuing serial numbers, and Trade Test scheduling backlogs. As a result, the number of learners completing the interventions fell below the approved target for the reporting period
		3.3.11. Number of workers completed learnerships programmes	499	144	801	591	-210	✗	There was no sufficient pipeline of enrolled learners in prior years, resulting in underperformance. This situation is expected to improve in the ensuing years.
		3.3.12. Number of workers granted Bursaries completed their studies	366	189	132	75	-57	✗	The pipeline was insufficient to achieve the target of employed students who completed their qualifications as at year-end and those that enrolled within quarter 1, are still busy with their studies.
		3.3.13. Number of workers completed Skills Programmes	2 009	1 458	2 542	538	-2 004	✗	There was insufficient pipeline due to low enrolment rates by employed learners due for completion as at year-end.
		3.3.14. Number of workers completed AET Programmes	294	0	300	437	137	✓	There was a huge uptake by employers to train their workforce on AET, leading to overachievement and a reasonable turnaround time for enrolled learners to complete within the financial year.

3.4. PROGRAMME 4: QUALITY ASSURANCE

3.4.1. Purpose

This programme aims to strengthen the capacity of the training supply and fulfil the QCTO-delegated quality assurance of the learner achievement function.

3.4.2. Description of the Programme

This programme consists of the following sub-programmes:

SUB-PROGRAMME	DESCRIPTIONS
4.1. Quality Assurance	Quality assurance activities that include learner certification and accreditation of skills development providers.
4.2. Qualification Development	Support, facilitate and promote the quality of occupational-based learning, work-integrated learning and professionalisation in the sector.

3.4.3. Outcomes, Outputs, Performance Indicators, Targets and Actual Achievements

This programme contributes to Outcome 4: Enhanced quality assurance efficiencies to execute QCTO-delegated functions for high organisational performance. The outcome has three output indicators. The alignment of outcomes to the outputs is demonstrated below.



Outcome	Output	Output Indicator	Audited Actual Performance 2023/2024	Audited Actual Performance 2024/2025	Planned Annual Target 2025/2026	Actual Achievement 2025/2026	Deviation from planned target to Actual	Rating	Reasons for deviations
4. Enhanced Quality Assurance efficiencies to execute QCTO delegated functions for high organisational performance	Sub-programme: 4.1. Quality Assurance								
	4.1. Improve capacity of skills supply	4.1.1. Percentage of certificates/SOR processed	100%	92%	85%	99%	14%	✓	The Services SETA has improved its turn-around times in printing certificates and Statements of Results due to improved business process and department capacitation with staff/ resource.
		4.1.2. Percentage of accreditation applications evaluated and concluded within 90 working days	-	-	85%	94%	9%	✓	The annual result of 94% recorded due to the improved turn-around times in relation to processing accreditation applications received and allocated SMEs supporting the unit.
	Sub-programme: 4.2. Qualification development								
	4.2. Strengthening the development and alignment of SETA qualifications to occupational qualifications in high demand	4.2.1. Number of occupational qualifications developed	11	16	20	20	0	✓	No performance deviation

3.5. Linking Performance with Budgets

PROGRAMME/ ACTIVITY/ OBJECTIVE	2025/2026			2024/2025		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1	415 824	363 944	51 880	432 102	336 666	95 436
Programme 2	707 142	514 504	192 638	600 783	474 616	126 167
Programme 3	1 952 210	1 078 787	873 423	1 232 479	1 012 692	219 787
Programme 4	24 996	13 002	11 994	21 048	14 505	6 543
Total	3 100 172	1 970 237	1 129 935	2 286 412	1 838 479	447 933

3.6. Strategy to Overcome Areas of Underperformance

During the 2025/26 financial year, the Services SETA did not achieve 21 performance indicators, representing 28% of the total indicators reported on. The causes of underperformance varied across programmes and indicators; however, common trends were identified, particularly in relation to learner enrolment and completion targets.

The underperformance in enrolment-related indicators was largely attributable to delays in the DG allocation process. The timing of the DG funding windows and the timely conclusion of allocation processes are critical to the successful implementation of learning interventions. During the reporting period, unforeseen delays occurred in the adjudication and awarding of DG applications, resulting in the late commencement of several learning programmes. To mitigate this challenge going forward, the Services SETA has prioritised the modernisation of its ICT infrastructure and is implementing measures to improve the DG evaluation processes and award turnaround times.

Underperformance against the completion of set targets was primarily driven by two factors. Firstly, low enrolment levels in previous years resulted in an insufficient pipeline of learners available to complete programmes during the reporting period. Secondly, internal studies identified weaknesses in project management, reflected in low DG expenditure and a reduction in activated projects within the commitment schedule. To address these challenges, the Services SETA has established a dedicated Project Management Support Unit to strengthen oversight and the implementation of learning programmes. Furthermore, interventions aimed at increasing learner enrolments are expected to improve the pipeline of learner completions in future reporting periods

3.6.1. Programme 1: Administration

The target for effective performance management was not achieved, with actual performance reaching 69% against a target of 80%, resulting in an 11% variance. The underperformance was mainly due to delays in the review and signing of employee performance contracts. Although approximately 90% of employees were contracted, not all staff members reviewed and signed their performance agreements within the prescribed timeframes, including the extended deadline of 21 May 2025. Management has committed to strengthening compliance with performance management processes and ensuring that all contracts are reviewed and signed within the required timelines during the 2026/27 financial year.

Similarly, the target relating to the implementation of ICT strategic projects was not achieved, with performance reaching 60% against a target of 80%. Six of the 10 approved projects were successfully implemented. The shortfall was primarily due to procurement-related challenges, including projects that could not be awarded, the withdrawal of an appointed service provider following increases in Original Equipment Manufacturer pricing, and delays in initiating procurement processes for certain projects. Corrective actions and implementation plans have been incorporated into the 2026/27 Annual Operational Plan to improve project delivery.

3.6.2. Programme 2: Skills Development and Planning

The target of 1 200 learners absorbed into employment or self-employment following their completion of workplace-based learning programmes was not achieved, with only 312 learners being absorbed into the workplace. Findings from a learner tracer study indicated that of the 13 849 learners traced and the 3 441 valid responses analysed, only 16.2% secured employment or self-employment opportunities. The prevailing high unemployment rate continues to limit labour market absorption. To improve outcomes, the Services SETA will strengthen support mechanisms aimed at connecting graduates to employment opportunities.

The target for DG funding allocated to high-level skills development was not achieved, with only 10% of the budget allocated against a target of 15%. This outcome reflected significantly higher demand from employers for intermediate-level skills programmes within NQF Levels 4 to 6. Likewise, the target for elementary-level skills development was not achieved, with 26% allocated against a target of 30%. Appropriate corrective measures have been incorporated into the Annual Operational Plan.

The target relating to the approval of Workplace Skills Plans and Annual Training Reports submitted by large firms was also not achieved. A total of 369 submissions were approved against a target of 604. The shortfall was mainly due to historically low participation rates among large employers despite extensive stakeholder engagement initiatives. During 2026/27, the Services SETA will intensify awareness campaigns, stakeholder engagement activities, and targeted interventions through its chambers and provincial offices to improve participation levels.

3.6.3. Programme 3: Learning Programmes

Performance against learner enrolment targets was adversely affected by delays in the DG allocation processes. The target for unemployed learners enrolled in learnership programmes was not achieved, with 6 352 enrolments against a target of 10 790. Technical challenges within the grants management system and the high volume of applications delayed project approvals and implementation. Although expressions of interest were subsequently advertised to mitigate the impact, implementation commenced too late to fully recover the shortfall. The Services SETA anticipates that the current project pipeline and the 2026/27 DG cycle will contribute significantly to improved performance.

The target for unemployed learners receiving continuing bursaries was significantly underachieved, with only 36 bursaries awarded against a target of 400. This was due to an insufficient pipeline of qualifying learners, combined with instances where learners failed to meet eligibility requirements or discontinued their studies.

Performance relating to work integrated learning placements for university students also fell short of target, with 616 placements secured against a target of 982. This was largely because many qualifications within the services sector do not require work integrated learning, resulting in a limited pool of eligible learners. The Services SETA is exploring direct allocations to the universities of technology to strengthen implementation capacity and increase placement opportunities.

The target for unemployed learners enrolled in skills programmes was not achieved, with 1 715 learners enrolled against a target of 4 298. Although a learner pipeline had been established, delays in enrolment and approval processes constrained implementation within the reporting period. Similarly, enrolments in Recognition of Prior Learning (RPL) and Artisan Recognition of Prior Learning (ARPL) programmes reached 3 934 against a target of 5 000, primarily due to delays in DG allocations and project implementation. Additional support through the new DG cycle will be required to improve performance.

Worker-focused enrolment targets were also affected. Only 13 continuing bursaries were awarded against a target of 50, while worker enrolments in skills programmes reached 1 227 against a target of 2 910. In both instances, insufficient learner pipelines and delays in enrolment processes contributed to the underachievement.

Several completion targets were also not achieved. Unemployed learner learnership completions reached 7 578 against a target of 7 805. Delays in EISA, certification processes and external moderation contributed to the variance. Enhanced coordination with employers, skills development providers and assessment centres will be required to improve completion rates.

TVET student work integrated learning completions reached only 735 against a target of 1 882. This was largely due to insufficient enrolments in previous years and the extended duration of NATED programmes. Similarly, artisan learner completions reached 117 against a target of 1 000 due to historically low enrolment levels and

the multi-year nature of artisan development programmes. The Services SETA will focus on accelerating Trade Testing processes and the issuance of serial numbers for Trade Test-ready learners.

Learner completions of RPL and ARPL programmes reached 832 against a target of 1 630. Low employer uptake of RPL opportunities contributed significantly to the shortfall. Future interventions will focus on employer awareness and the promotion of RPL as a skills development pathway.

Worker learnership completions reached 591 against a target of 801, while worker bursary completions reached 75 against a target of 132. In both cases, insufficient enrolments in previous years limited the pool of learners available for completion during the reporting period. Worker skills programme completions reached only 538 against a target of 2 542, primarily due to low enrolment levels in previous years, as well as a limited completion pipeline. Future performance will depend on the successful implementation of the current learner pipeline, strengthened project management, and improved programme delivery.

4. REVENUE COLLECTION

SOURCES OF REVENUE	2025/2026			2024/2025		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Levies Received	2 200 404	2 248 164	(34 474)	2 063 553	2 119 139	(55 586)
Interest Received	286 932	283 361	3 571	223 261	280 656	(57 395)
Other Income	1 216	1 022	(13 090)	0	42,063	(42 063)
Total	2 488 553	2 532 547	(43 993)	2 286 814	2,441 859	(155 045)

5. CAPITAL INVESTMENT

INFRASTRUCTURE PROJECTS	2025/2026			2024/2025		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Skills Development Centres	44 000	14 226	29 774	75 000	29 941	45 059
Total	44 000	14 226	29 774	75 000	29 941	45 059

KZN REAL ESTATE GRADUATION



READ

THE ARTICLE





PART C
GOVERNANCE

ANNUAL REPORT
2025 | 2026

SERVICES SECTOR EDUCATION AND TRAINING AUTHORITY

1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act 2008 (Act No. 71 of 2008), corporate governance with regard to public entities is applied through the precepts of the PFMA and run in tandem with the principles contained in the King's Report on Corporate Governance. Parliament, the Executive Authority and the Accounting Authority of the public entity are responsible for corporate governance.

2. PORTFOLIO COMMITTEE

The Portfolio Committee meeting was not held during the period under review.

3. EXECUTIVE AUTHORITY

As part of his responsibilities, the Administrator developed a comprehensive diagnostic report on the state of affairs at the Services SETA, which was submitted to the Executive Authority in November 2025. The report provided an assessment of the organisational, governance, financial and operational environment of the SETA and informed the administration process.

In addition, the Administrator submitted monthly progress reports to the Executive Authority throughout the reporting period, covering progress made in implementing the administration mandate, governance interventions, operational performance, financial management, risk management and stakeholder engagement. These reports were submitted on a monthly basis from August 2025 to March 2026.

The Executive Authority reviewed the reports submitted and did not raise any material concerns or adverse findings requiring corrective action during the reporting period. The Administrator continued to engage with the Executive Authority and provided updates on key developments as required. A final close-out report on the administration process will be submitted to the Executive Authority upon completion of the 12-month administration period.

4. THE ACCOUNTING AUTHORITY/BOARD

Introduction

The Accounting Authority is the highest governance structure of the Services SETA and is responsible for providing strategic direction, ensuring effective governance, overseeing organisational performance, and safeguarding the achievement of the organisation's mandate. The Accounting Authority is accountable for the efficient, effective and transparent use of public resources and for ensuring compliance with applicable legislation and governance frameworks.

The Services SETA was placed under administration with effect from 19 August 2025 in terms of Government Gazette No. 53185, Notice No. 6520 of 19 August 2025. Consequently, Mr Lehlogonolo Masoga was appointed as Administrator and assumed all powers, functions and responsibilities of the Accounting Authority for the duration of the administration period.

As Accounting Authority, the Administrator was responsible for providing strategic leadership and oversight to the organisation, ensuring sound governance, monitoring organisational performance against approved plans and targets, and maintaining accountability to the Executive Authority and other stakeholders.

The Role of the Administrator is as follows:

The powers and duties of the Services SETA Administrator are stipulated in the Government Gazette. As the appointed Accounting Authority, the Administrator's principal role entails:

- the governance and management of the SETA in accordance with the Services SETA Constitution, the Skills Development Act, the Skills Development Levies Act, the PFMA and Treasury Regulations;
- ensuring proper governance by focusing on compliance with statutory requirements, the management of institutional risks, and ensuring effective internal controls;
- monitoring Services SETA's performance to ensure that the targets set out in the APP and the Service Level Agreement (SLA) with DHET are achieved; and

› ensuring that Services SETA submits Quarterly Monitoring Reports (QMR) and Annual Performance Reports (APR) to DHET, outlining in detail the status of each target in relation to performance.

Board Charter

The Services SETA Board charter serves as the governance framework that defines the strategic mandate, authority, responsibilities and fiduciary duties of the Accounting Authority. The charter outlines the governance principles, ethical standards, roles and responsibilities, meeting procedures, delegation of authority, risk management requirements and oversight responsibilities necessary to ensure the effective governance and management of the organisation. It also specifies the knowledge, skills and experience required to enable the Accounting Authority to fulfil its responsibilities and support the achievement of the NSDP, the Services SETA Strategic Plan and the APP.

As the Accounting Authority, the Administrator performs all fiduciary duties in accordance with the provisions of the Board charter, the Services SETA Constitution, the PFMA, the Skills Development Act and other applicable legislative and regulatory requirements. Since the commencement of administration on 19 August 2025, the Administrator has exercised the powers and functions of the Accounting Authority in line with the principles and requirements of the charter.

During the reporting period, compliance with the Board charter was promoted through ongoing oversight of the organisational performance, risk management, internal controls, financial management and statutory reporting obligations. The Administrator was supported by the Audit and Risk Committee and the chamber committees, which provided independent advice and oversight on governance, risk, compliance and sector-related matters. Regular monitoring of organisational performance against approved plans and targets, together with adherence to legislative and governance requirements, contributed to the effective implementation of the charter.

No material instances of non-compliance with the Board charter were identified during the reporting period.

Composition of the Board

Following the appointment of the Administrator on 19 August 2025, all powers and functions of the Accounting Authority vested in the Administrator as per the Government Gazette. The composition of the Accounting Authority during the reporting period was as follows:



NAME	DESIGNATION (IN TERMS OF THE PUBLIC ENTITY BOARD STRUCTURE)	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS (LIST THE ENTITIES)	OTHER COMMITTEES OR TASK TEAMS (E.G.: AUDIT COMMITTEE / MINISTERIAL TASK TEAM)	NO. OF MEETINGS ATTENDED
Mr Lehlogonolo Masoga	Administrator	19 August 2025	N/A	› Master of Management: Governance and Public Leadership › Master of Development Studies › Master of Science (MSc): Leadership and Change	› Corporate governance › Project management Communication › Public Administration › Stakeholders' relations communication › Advocacy Investment promotion and economic diplomacy	› RTM › The Public Office Bearers Pension Fund › The Parliament Medical Aid Scheme (PARMED): - Musina Makhado Special Economic Zone SOC › Limpopo Premier Economic Growth › Tubatse Hoi Mor Chrome Pty Ltd	N/A	14

Alternate Members

Not applicable. In terms of the administration arrangement, all powers and functions of the Accounting Authority were vested in the Administrator, and no alternate members were appointed during the reporting period.

Outgoing Board members and their designation

The term of office of the outgoing Board members ended on 31 March 2025. There were no changes to the composition and details of the outgoing Board members from those previously reported. Accordingly, reference should be made to the 2024/25 Annual Report for the profiles and details of the outgoing Board members.

Committees Supporting the Accounting Authority

During the administration period, the Administrator was supported by established governance structures that provided oversight and advisory support on governance, risk management and sector matters.

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAME OF MEMBERS
Audit and Risk Committee	14	6	1. Mr Kgotlo Rabothata - (Chairperson) 2. Mr Madumetja Kekana 3. Ms Juliana Makapan 4. Dr Oupa Galane 5. Ms Nadira Singh 6. Ms Thandazile Mkhize
Chamber Committees	18	53	**Cleaning and Hiring Services** 1. Ms Mmabatho Skosana - (Chairperson) 2. Ms Phomelelo Mogadime 3. Ms Mampho Mofokeng 4. Mr Solly Makhubele 5. Ms Lindiwe Shibambo 6. Mr Amon Mohamme 7. Ms Alti Kriel **Communications and Marketing Services** 1. Mr Sipho Owen Ndhlovu - (Chairperson) 2. Mr Steve Bird 3. Mr Gerhard Ueckerman 4. Mr Lionel Brown 5. Mr Sipho Levy Zwane 6. Ms Sesethu Mnyanda 7. Mr Victor Sibeko 8. Ms Riana van Coller 9. Ms Jacolize Poalsis **Labour and Collective Services** 1. Mr Roye Els - (Chairperson) 2. Mr TJ van der Merwe 3. Mr Kodisang Bokaba 4. Ms Erna Coetzee 5. Ms Viwe James 6. Ms Ntombi Lekopotsa 7. Mr Anton Blaauw 8. Ms Sharleen Oodit 9. Mr Msuthu Matshani 10. Ms Lizahni Wolff **Management and Business Services** 1. Mr Xolani Mphahlwa - (Chairperson) 2. Mr Solomon Moripe 3. Mr Solly Mhlanga 4. Mr Shane Basson 5. Ms Jessica Tshayela 6. Mr Nico Botha 7. Mr Derrick Hlungwane Ndzavhi 8. Ms Bongi Msibi

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAME OF MEMBERS
Chamber Committees	18	53	**Personal Care Services** 1. Ms Marilyn Morris - (Chairperson) 2. Ms Feroza Fakir 3. Ms Zanele Ngwenya 4. Mr Victor Mlambo 5. Ms Juanita Malima 6. Mr Robert Seroka 7. Mr Lawrence Konyana 8. Mr Mathews Ramaisa 9. Ms Welma Nape Masenamela 10. Mr Dane Frost 11. Ms Feroza Lawrence 12. Ms Sinah Mosehla **Real Estate and Related Services** 1. Ms Portia Moroesi Tau-Sekati - (Chairperson) 2. Mr Dumisani Malinga 3. Ms Fundi Mazibuko 4. Ms Pam Snyman 5. Mr Bryan Chaplog 6. Mr David Gauta Mogomane 7. Ms Ronel Bornman

Note: The remuneration of the Administrator for the 2025/26 financial year is disclosed in the Annual Financial Statements.

5. RISK MANAGEMENT

Risk Management Culture and Capacity

During the 2025/26 financial year, Services SETA continued to strengthen its risk management culture by embedding risk management principles within strategic planning, operational planning, performance management, and decision-making processes. Risk ownership is assigned to senior management and business unit managers, who are responsible for implementing and monitoring mitigation actions within their areas of responsibility. While appropriate governance arrangements and risk management structures are in place, the materialisation of certain strategic risks during the reporting period highlighted the need for enhanced accountability, improved monitoring of corrective actions, and stronger control implementation. To address these challenges, the organisation has planned risk and compliance management training for management to further strengthen risk awareness and accountability.

The organisation has established sufficient governance and risk management structures to support effective risk management. Employees and management are assigned defined responsibilities through approved policies, procedures, and governance frameworks. Internal Audit provides independent assurance on the effectiveness of the risk management processes and internal controls, while management continuously monitors and reports on identified risks through established governance structures.

Risk Management Framework and Governance

Services SETA maintains an approved Enterprise Risk Management Framework aligned to PFMA, the National Treasury Public Sector Risk Management Framework, and recognised risk management practices. During the reporting period, the organisation reviewed and updated its risk management and compliance governance documents to ensure continued relevance and alignment with legislative requirements. These documents, including the Risk Management Policy, the Risk Appetite and Tolerance Statement, and related implementation frameworks, were approved by the Administrator and communicated to management for implementation.

As the organisation remained under administration during the reporting period, risk management oversight was exercised through the Administrator, supported by the Audit and Risk Committee, the Management Committee, the Combined Assurance Forum, and Internal Audit. The Audit and Risk Committee provided independent oversight and advice on governance, risk management, compliance, and internal controls. The committee reviewed quarterly strategic risk reports, monitored management's implementation of mitigation plans, and considered internal and external audit findings relating to significant organisational risks.

Risk Assessment and Monitoring

Services SETA conducts annual strategic and operational risk assessments supported by monthly and quarterly risk reviews. Risks are identified through strategic planning processes, operational reviews, audit findings, stakeholder engagements, environmental scanning, legislative changes, and continuous monitoring of the operating environment. Identified risks are assessed using an approved likelihood and impact methodology and are assigned to accountable risk owners.

Risks exceeding approved risk appetite and tolerance levels are escalated through governance structures for management intervention and oversight. Compliance assessments are also conducted annually against prioritised legislative requirements to identify areas of potential non-compliance and implement corrective actions. Emerging risks are monitored continuously and incorporated into the organisation's risk profile where necessary.

Risk Appetite and Tolerance

Services SETA has adopted a Risk Appetite and Tolerance Statement that guides decision-making and risk management activities. The statement defines the level of risk that the organisation is willing to accept in pursuit of its strategic objectives. Strategic and operational risks are monitored against approved tolerance thresholds, and risks exceeding these thresholds are escalated to management and governance structures for intervention. The organisation continues to apply and monitor adherence to its risk appetite framework through quarterly risk reporting and governance oversight processes.

Progress in Risk Management

During the reporting period, the organisation continued to strengthen governance and risk management processes through the review of governance documentation, regular risk assessments, quarterly risk reporting, compliance monitoring, and independent assurance activities. However, the materialisation of risks relating to financial statement misstatements and strategic and fiduciary oversight weaknesses demonstrated that additional improvements are required to strengthen governance, financial management, and accountability. Corrective action plans have been implemented to address identified weaknesses, improve governance reporting, strengthen financial controls, and enhance monitoring of mitigation measures. These interventions are expected to contribute to improved organisational performance and governance outcomes in future reporting periods.

High-Level Strategic Risks

STRATEGIC RISK	RISK STATUS
Misstatement of financial statements leading to an unfavourable audit outcome	Materialised
Strategic and fiduciary oversight weaknesses arising from delays in governance reporting and implementation of governance resolutions	Materialised
Fraud, collusion with service providers, and unethical conduct resulting in financial losses and reputational damage	High
Stakeholder dissatisfaction resulting from non-delivery of value and service expectations	High
Delays in the development and implementation of occupational qualifications affecting sector skills development objectives	High
Inaccurate learner and performance information resulting in reporting and data quality challenges	High
Cybersecurity and data privacy threats affecting information assets and business operations	Medium
Non-compliance with legislative and regulatory requirements leading to financial and reputational consequences	Medium

Overall, Services SETA has maintained the core elements of an effective Enterprise Risk Management system through approved governance frameworks, regular risk assessments, defined risk appetite thresholds, independent assurance activities, and

governance oversight. The organisation remains committed to strengthening governance, accountability, compliance, and organisational resilience to support the achievement of its strategic objectives and improve service delivery outcomes.

6. INTERNAL CONTROL UNIT

The Services SETA does not have a dedicated Internal Control Unit. Responsibility for maintaining an effective internal control environment rests with management, supported by the organisation's governance, risk management and assurance structures. The outsourced Internal Audit function provides independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes.

During the 2025/26 financial year, management continued to strengthen the internal control environment through the implementation of corrective action plans arising from internal and external assurance reviews. Particular attention was given to financial management and reporting, supply chain management, DG controls, performance information, information technology controls and compliance monitoring.

Control weaknesses identified during the year, including weaknesses that contributed to misstatements in the financial statements, were reported through the established governance structures. Management implemented corrective measures aimed at improving financial governance, strengthening the quality and reliability of financial reporting, enhancing review and monitoring processes, and improving accountability for the implementation of corrective actions.

Progress in addressing identified control weaknesses was monitored through management reporting, Internal Audit follow-up reviews and oversight by the Audit and Risk Committee. The organisation remains focused on strengthening preventative and detective controls and improving the overall control environment to support enhanced governance, accountability and audit outcomes.

7. INTERNAL AUDIT AND AUDIT RISK COMMITTEE

7.1 Internal Audit

Purpose and Mandate

The purpose of Internal Audit is to provide independent and objective assurance and advisory services designed to add value and improve Services SETA's operations. Internal Audit supports the Accounting Authority and management in achieving organisational objectives by providing risk-based assurance, advice and insight on governance, risk management and internal control processes.

The internal audit function is fully outsourced to Lunika Inc. and operates in terms of Section 51(1)(a)(ii) of the PFMA, under the oversight of the Audit and Risk Committee, in accordance with the Global Internal Audit Standards and an approved Internal Audit charter. The Internal Audit charter defines the purpose, authority and responsibility of the internal audit function and is reviewed periodically to ensure continued alignment with legislative requirements, governance best practices and organisational priorities.

Internal Audit Strategy, Methodology and Annual Plan

The Internal Audit strategy is risk-based and aligned to the Services SETA Strategic Plan (2025-2030), the APP, organisational objectives and the strategic risk register. Internal Audit applies a systematic and disciplined methodology in evaluating and improving the effectiveness of governance, risk management and internal control processes. The annual internal audit plan is developed using a risk-based approach and approved by the Audit and Risk Committee.

Independence and Objectivity

Internal Audit is functionally independent of the activities it reviews and reports directly to the Audit and Risk Committee on matters relating to governance, risk management and internal controls. This independence enables Internal Audit to provide objective assurance and advisory services without undue influence from management.

Internal Audit Modality and Staffing

Lunika Inc. provides a multidisciplinary team with expertise in governance, risk management, internal controls, information technology auditing, performance auditing and forensic auditing. The outsourced model enables the Services SETA to access specialised skills and resources required to effectively execute the approved internal audit plan.

Quality Assurance and Improvement Programme

Internal Audit maintains a quality assurance and improvement programme to ensure compliance with

the Global Internal Audit Standards and to support continuous improvement of audit processes and service delivery. During the reporting period, the Audit and Risk Committee assessed the performance of the internal audit function and concluded that it was operating effectively and satisfactorily.

Stakeholder Relationships and Combined Assurance

Internal Audit maintained effective working relationships with the Administrator, management, the Audit and Risk Committee, the AGSA, and risk management and compliance functions to support sound governance and assurance processes.

As part of the Services SETA's combined assurance framework, Internal Audit coordinates assurance activities with management, risk management, compliance functions, external auditors and other assurance providers. This approach assists in minimising duplication of assurance efforts and enhances oversight of governance, risk management and internal controls.

Value Add of Internal Audit

Internal Audit assists the Accounting Authority and management in achieving organisational objectives by evaluating governance, risk management and control processes and recommending improvements where necessary. Through independent assurance and advisory services, Internal Audit contributes to improved accountability, operational efficiency, regulatory compliance and organisational performance.

Internal Audit assists the Accounting Authority in achieving the objectives of the institution by evaluating and developing recommendations for the enhancement of processes through which objectives and values are established and communicated, performance is monitored, accountability is maintained and organisational values are preserved.

Scope of Internal Audit Activities

In carrying out its audits, Internal Audit determines whether the Services SETA's network of risk management, control systems and governance processes, as designed and represented by management, is adequate and functioning effectively to provide reasonable assurance that:

- Significant risks to the achievement of Service SETA's strategic objectives are appropriately identified and managed.
- Financial, operational, managerial, performance and information technology information is accurate, reliable and timely.
- Employees comply with applicable policies, procedures, laws, regulations and governance standards.
- Resources and assets are acquired and disposed of economically, utilised efficiently and adequately safeguarded against fraud, corruption, loss and wastage.
- The Services SETA Fraud Prevention Plan is implemented and operating effectively.

Summary of the Audit Work Performed

Internal Audit undertook the following audits during the 2025/26 financial year:

- Financial control review.
- Financial statements reviews (Q1 to Q3) and an Annual Financial Statements review.
- DG commitments register reviews (Opening Balance, Q2 and Q3).
- Irregular, fruitless and wasteful expenditure assessment and determination.
- Audit of performance information (QPR 1 to QPR 4).
- Annual performance review.
- Review of strategic planning documents (2026/27 APP and Strategic Plan).
- Probity reviews – SCM and the DG window.
- SCM review.
- ICT general controls and benefit realisation review.
- ICT contract value-for-money review.
- Cyber security review.
- Bursaries review.
- Learning programmes review.
- Performance management review.
- Enterprise risk management review.
- Review of management reports submitted to the Audit and Risk Committee.
- Quarterly follow-up reviews (Q1 to Q4) of Internal Audit and AGSA findings.

All reviews contained in the approved 2025/26 Internal Audit Plan were completed and presented to the Audit and Risk Committee. No audits were rolled over to the subsequent financial year.

Ad Hoc Reviews

In addition to the approved audit plan, Internal Audit performed the following ad hoc assignments during the reporting period:

- Risk assessment of selected tenders.
- Probity review of the DG process.
- Learner identity verification using computer-assisted audit techniques.

Status of Audit Findings

Based on the work performed during the year, the overall control environment was assessed **"Requires Improvement"**. Quarterly follow-up reviews were conducted on both AGSA and Internal Audit findings to monitor the implementation of agreed management actions.

A number of findings reported during the year were recurring in nature rather than newly-identified issues. The most significant recurring AGSA findings related to the DG commitments register, which has remained a qualification area over several financial years, as well as compliance findings relating to delayed payments and prior-year provision adjustments. Recurring Internal Audit findings were primarily associated with performance information, DGs, ICT general controls, performance management and procurement processes.

Management developed and implemented corrective action plans to address these matters, and progress was monitored through quarterly follow-up reviews and oversight by the Audit and Risk Committee.

FINDINGS	TOTAL FINDINGS	TOTAL ADDRESSED	NOT YET DUE	TOTAL NOT ADDRESSED	RECURRING FINDINGS
Internal Audit Findings 2025/26	87	30	15	42	14
Internal Audit Findings 2024/25	26	19	3	4	1
Internal Audit Findings 2023/24	54	47	0	7	4
AGSA Findings 2025/26	64	7	0	57	17
AGSA Findings 2024/25	46	35	0	11	11
AGSA Findings 2023/24	26	20	0	6	4

Limitations

Internal Audit did not experience any material limitations in scope, access to records, information, personnel or physical properties during the reporting period. Management provided the necessary cooperation and support to enable Internal Audit to execute its approved audit plan and fulfil its mandate effectively.

7.2 Audit and Risk Committee

Purpose and Mandate

The Audit and Risk Committee is an independent statutory committee established in terms of Section 51(1)(a)(ii) of the PFMA and Treasury Regulation 3.1. The committee performs the functions of an audit committee and provides independent oversight and advice to the Accounting Authority on matters relating to governance, risk management, internal control, financial management, performance information, compliance, internal audit and external audit.

The committee operates in accordance with its approved terms of reference and discharges its responsibilities in support of the Services SETA's commitment to sound governance, accountability and effective stewardship of public resources.

Independence and Objectivity

The Audit and Risk Committee comprises independent external members with the requisite skills, knowledge and experience to discharge their responsibilities effectively. The committee is satisfied that all members remained independent throughout the reporting period and that no conflicts of interest existed that could impair their objectivity or ability to perform their duties.

All members declared their private and business interests at each meeting during the reporting period. The committee is further satisfied that members' additional professional and governance responsibilities did not impair their ability to serve effectively as members of the Audit and Risk Committee.

Key Activities and Performance Against Statutory Duties

In fulfilling its statutory responsibilities during the reporting period, the Audit and Risk Committee:

- Reviewed the adequacy and effectiveness of internal controls, governance processes and risk management practices.
- Reviewed quarterly and annual financial reports and considered the Annual Financial Statements before submission to the AGSA.
- Monitored the implementation of management action plans arising from Internal Audit and AGSA findings.

- Reviewed the effectiveness of the internal audit function and approved the Internal Audit charter and annual risk-based Internal Audit Plan.
- Considered reports on compliance with applicable legislation, regulations, policies and governance requirements.
- Monitored the effectiveness of fraud prevention and anti-corruption measures.
- Reviewed the adequacy, reliability and accuracy of financial and performance information reported by management.
- Assessed the effectiveness of risk management processes and monitored strategic and operational risks.

The committee is satisfied that it fulfilled its statutory responsibilities during the reporting period in accordance with the PFMA, Treasury Regulations and its approved terms of reference.

Protecting the independence of Internal Audit

The committee maintained oversight of the Internal Audit function and safeguarded its independence by ensuring that Internal Audit had unrestricted access to information, personnel and records necessary to perform its duties. The committee reviewed and approved the Internal Audit charter and annual audit plan and monitored the performance of the outsourced Internal Audit service provider.

Combined assurance

The Audit and Risk Committee supports and oversees the implementation of the Services SETA's combined assurance approach. The committee receives assurance from management, Internal Audit, risk management, compliance and the AGSA, enabling it to obtain a comprehensive view of the effectiveness of governance, risk management and internal control processes.

This coordinated approach assists in reducing duplication of assurance activities and ensures that significant organisational risks receive appropriate assurance coverage.

Stakeholder relationships

The committee maintained effective working relationships with the Administrator, management, Internal Audit, the AGSA, DHET, National Treasury and other assurance providers. These relationships contributed to effective governance oversight and the timely resolution of matters identified through assurance activities.

Reports to the Accounting Authority and Executive Authority

The committee submitted regular reports and recommendations to the Administrator, in his capacity as the Accounting Authority, on matters relating to governance, risk management, internal controls, audit outcomes, financial reporting and compliance. Where appropriate, matters requiring the attention of the Executive Authority were communicated through the established governance and reporting structures.

Concerns Raised and Resolution of Recommendations

During the reporting period, the committee closely monitored recurring findings relating to DG commitments, performance information, compliance matters and information technology controls. Recommendations arising from committee deliberations, Internal Audit reviews and AGSA findings were communicated to management for implementation.

Management developed corrective action plans to address identified weaknesses, and progress against these plans was monitored through quarterly reports and follow-up reviews. No material matters requiring escalation to the Executive Authority, National Treasury or the AGSA were identified during the reporting period.

Audit and Risk Committee Performance Evaluation

The effectiveness of the Audit and Risk Committee was assessed during the reporting period against its approved terms of reference and statutory responsibilities. Based on the assessment performed, the committee is satisfied that it operated effectively and fulfilled its oversight responsibilities during the year.

Composition of the Audit and Risk Committee and meeting attendance

The table below discloses information relating to the members of the Audit and Risk Committee during the reporting period.

NAME (FULL NAME AND SURNAME, INCLUDING PROFESSIONAL TITLES)	QUALIFICATIONS	PROFESSIONAL AFFILIATION (E.G. SAICA, IIA, IOD(SA))	APPOINTMENT: TERM OF OFFICE		NO. OF MEETINGS ATTENDED 2025/26		HAS THE ARC MEMBER DECLARED PRIVATE AND BUSINESS INTERESTS IN EVERY MEETING? (YES/NO)	IS THE ARC MEMBER AN EMPLOYEE OF AN ORGAN OF STATE? (YES / NO)	NO. OF OTHER ARCS THAT THE MEMBER SERVED ON DURING THE REPORTING PERIOD (WHETHER IN THE PUBLIC SECTOR OR NOT)	NO. OF OTHER GOVERNANCE STRUCTURES THE MEMBER SERVED ON DURING THE REPORTING PERIOD, E.G. BOARDS, RISK COMMITTEE, IT COMMITTEE, ETC, WHETHER IN THIS OR ANY OTHER INSTITUTION(S)
			START DATE	END DATE	ORDINARY MEETINGS	SPECIAL MEETINGS				
1. Mr Kgotlo Rabothata	B Compt Honours in Accounting and CA (SA)	SAICA	4 September 2025	18 August 2026	4	10	Yes	No	2	2
2. Mr Madumetja Kekana	B Compt Honours in Accounting and CA (SA)	SAICA	14 November 2025	18 August 2026	1	6	Yes	No	2	2
3. Ms Juliana Makapan	Master of Business Administration (MBA)	N/A	14 November 2025	18 August 2026	1	6	Yes	No	1	-
4. Dr Oupa Galane	PhD: Accounting Sciences	SAIPA	4 September 2025	18 August 2026	4	10	Yes	No	3	4
5. Ms Nadira Singh	MPhil : Accounting Sciences and CA (SA)	SAICA, IRBA, IIA	4 September 2025	18 August 2026	4	10	Yes	No	2	-
6. Ms Thandazile Mkhize	B Compt Honours in Accounting and CA (SA)	SAICA	4 September 2025	18 August 2026	4	9	Yes	No	3	1

Remuneration of Audit and Risk Committee Members

Detailed information relating to the remuneration of Audit and Risk Committee members, including the applicable remuneration rates and expenditure incurred during the reporting period, is disclosed in the Annual Financial Statements.

8. COMPLIANCE WITH LAWS AND REGULATIONS

Services SETA is committed to maintaining compliance with all applicable legislation, regulations, directives, and governance prescripts governing public entities. Compliance management forms an integral part of the organisation's governance framework and supports the achievement of strategic objectives through the promotion of accountability, transparency, and sound corporate governance.

During the 2025/26 financial year, compliance assessments were conducted against key legislative and regulatory requirements, including the PFMA, Treasury Regulations, Skills Development Act, Skills Development Levies Act, the Labour Relations Act, 1995, (Act No. 66 of 1995), POPIA, and other applicable legislation. The outcomes of these assessments were reported to management and relevant governance structures, and corrective actions were implemented where compliance gaps were identified.

The organisation continued to review and update policies, procedures, and governance frameworks to ensure alignment with legislative requirements and good governance practices. Compliance risks were incorporated into the Enterprise Risk Management process and monitored through established governance structures, including the Management Committee, the Audit and Risk Committee, and the Administrator.

To strengthen compliance management, awareness and advisory support were provided to business units on legislative and regulatory requirements. Compliance monitoring activities were conducted throughout the reporting period to assess adherence to applicable laws, regulations, policies, and procedures. Areas of non-compliance identified through internal reviews, audits, or compliance assessments were subjected to corrective action plans, and progress in implementing remedial actions was monitored and reported to the relevant oversight structures. Services SETA will continue to strengthen its compliance management processes through ongoing monitoring, policy reviews, awareness initiatives, and the implementation of corrective actions aimed at improving regulatory compliance and supporting effective governance.

9. FRAUD AND CORRUPTION

Services SETA is committed to maintaining the highest standards of ethics, integrity, accountability, and good governance. The organisation implements a Fraud Prevention Policy and a Fraud Prevention Plan aimed at preventing, detecting, investigating, and responding to incidents of fraud, corruption, maladministration, and other unethical conduct.

During the 2025/26 financial year, the organisation continued to implement its Fraud Prevention Plan through the monitoring of fraud risks, the strengthening of internal controls, the promotion of ethical conduct, and the implementation of governance and compliance initiatives. Fraud and corruption risks were monitored as part of the organisation's Enterprise Risk Management processes and were reported through established governance structures.

The organisation has established mechanisms to enable employees, stakeholders, service providers, and members of the public to report suspected fraud, corruption, unethical conduct, or irregular activities. These mechanisms include a confidential whistleblowing facility, reporting through management structures, Internal Audit, Risk and Compliance Management, and the Audit and Risk Committee. The whistleblowing process provides an avenue for individuals to disclose information relating to suspected wrongdoing confidentially and, where requested, anonymously, in accordance with applicable legislative requirements.

All allegations received are assessed and, where necessary, subjected to investigation in accordance with approved policies and procedures. Depending on the nature of the allegation, investigations may be conducted internally or by independent external service providers. Matters found to be substantiated are addressed through appropriate corrective actions, which may include disciplinary processes, recovery of losses, referral to law enforcement agencies, the strengthening of internal controls, and the implementation of recommendations arising from investigations.

Management monitors the implementation of corrective actions and reports progress through the relevant governance structures, including the Audit and Risk Committee and the Administrator. These oversight mechanisms assist in ensuring accountability, strengthening the control environment, and promoting a culture of ethical conduct throughout the organisation.

Services SETA continues to strengthen fraud prevention and anti-corruption measures through ongoing awareness initiatives, monitoring activities, and the enhancement of governance and control processes to support organisational integrity and public confidence.

10. MINIMISING CONFLICT OF INTEREST

Services SETA is committed to promoting ethical conduct, transparency, fairness, and accountability in all procurement and SCM activities. To minimise the risk of conflicts of interest, the organisation has implemented policies, procedures, and controls aligned with the PFMA, Treasury Regulations, SCM prescripts, and applicable governance requirements.

During the 2025/26 financial year, officials involved in SCM processes were required to declare any actual, perceived, or potential conflicts of interest before participating in procurement-related activities. Members of the bid specification, bid evaluation, and bid adjudication committees completed declarations of interest and confidentiality forms prior to undertaking their responsibilities. These declarations were reviewed and retained for record-keeping and governance purposes.

The organisation also conducted due diligence processes, including the verification of supplier information and compliance checks where applicable, to identify potential conflicts of interest and ensure adherence to procurement requirements. SCM processes were subject to management oversight, compliance monitoring, and independent review by Internal Audit and other assurance providers.

Where an actual, perceived, or potential conflict of interest was identified, the affected official is required to declare the conflict immediately and recuse themselves from the relevant procurement process or decision-making activity. The matter will be recorded and managed in accordance with approved policies and procedures to ensure that procurement decisions remain fair, transparent, and free from undue influence. Where necessary, further investigation will be undertaken, and appropriate corrective or disciplinary action will be implemented in instances where non-disclosure or non-compliance with conflict-of-interest requirements is identified.

Management continues to monitor compliance with conflict-of-interest requirements through established governance structures and internal control processes. These measures support the integrity of the SCM processes and contribute to strengthening public confidence in the organisation's procurement practices.

11. CODE OF CONDUCT

The Services SETA code of conduct sets the ethical and professional standards expected of all employees. It is introduced during employee induction and applies to everyone working for the organisation. Its purpose is to promote integrity, professionalism, accountability, and public confidence in the Services SETA.

The Services SETA code of conduct requires employees to:

- Act with honesty and integrity at all times.
- Be professional, respectful, and responsible in their work.
- Be accountable for their actions and follow all policies and laws.
- Avoid conflicts of interest and disclose any personal interests.
- Keep confidential information private.
- Treat everyone fairly and without discrimination.
- Prevent and report fraud, corruption, and unethical behaviour.
- Protect the reputation and values of the Services SETA.

The Services SETA also has disciplinary procedures for employees who breach the code of conduct. Serious misconduct may result in disciplinary action, including dismissal, depending on the nature of the offence.

Employees and members shall always act in the best interests of the Services SETA and the public, and shall avoid any conduct that may bring the organisation into disrepute.

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

Services SETA is committed to providing a safe, healthy, and environmentally responsible working environment for employees, stakeholders, and visitors. Occupational health, safety and environmental (OHSE) management is an important component of the organisation's governance and operational framework, supporting employee wellbeing, business continuity, and compliance with applicable legislation.

During the 2025/26 financial year, Occupational Health and Safety (OHS) Committee meetings were held on a quarterly basis to monitor and address workplace health and safety matters. The committee considered a range of issues, including hazard identification, incident reporting, workplace inspections, maintenance and housekeeping matters, employee health and safety concerns, compliance with applicable OHS legislation, emergency preparedness, and the implementation of corrective and preventative actions.

To promote emergency preparedness and business continuity, an emergency evacuation drill was conducted during the reporting period. The exercise assessed the organisation's readiness to respond to emergency situations and recorded a total evacuation time of 10 minutes and 35 seconds. Floor marshals played a critical role in coordinating and assisting employees during the evacuation process.

OHS inspections were conducted across all 10 Services SETA offices, including the Head Office. These inspections identified potential health and safety risks, and recommendations to address identified deficiencies and strengthen workplace safety controls.

To ensure compliance with OHS requirements, occupational hygiene surveys were undertaken by an approved inspection authority. The surveys assessed illumination levels and indoor air quality across all offices. In addition, ergonomics risk assessments were conducted to evaluate workplace conditions and identify opportunities to improve employee wellbeing and reduce ergonomic-related risks. Recommendations arising from these assessments are being progressively implemented.

The organisation also invested in building internal OHS capacity through training and development initiatives. Training was provided to safety, health and environment (SHE) representatives, first aiders, fire fighters, and floor marshals to equip them with the knowledge and skills needed to fulfil their OHS and emergency response duties effectively.

Through these initiatives, Services SETA continued to strengthen its health, safety and environmental management practices during the reporting period, contributing to a safer working environment, improved employee wellbeing, regulatory compliance, and organisational resilience.

13. BOARD SECRETARY

During the 2025/26 financial year, Services SETA remained under administration, with the Administrator performing the functions of the Accounting Authority in terms of the applicable legislative and regulatory framework. The Board Secretary continued to provide governance and secretariat support to the Administrator, the Audit and Risk Committee, and management governance structures to ensure the effective functioning of governance processes and compliance with statutory requirements.

The Board Secretary was responsible for coordinating governance meetings, preparing and distributing meeting documentation, maintaining accurate records of proceedings and decisions, and monitoring the implementation of resolutions and action items arising from governance structures. The function also provided governance advice and support to ensure adherence to applicable legislation, regulations, governance frameworks, and organisational policies.

In support of effective governance and accountability, the Board Secretary facilitated the preparation and submission of governance reports, statutory returns, and other submissions required by oversight bodies and relevant authorities. Processes were implemented to ensure that information contained in reports and submissions was reviewed for completeness, accuracy, and compliance prior to submission.

The Board Secretary further supported governance effectiveness through the maintenance of governance records, monitoring compliance with governance requirements, coordinating governance calendars, and facilitating communication between the Administrator, governance structures, and management. These activities contributed to strengthening accountability, transparency, and sound governance practices throughout the organisation.

The support of the Board Secretary ensured that the appropriate governance processes were in place during the reporting period and that governance reports and returns required by applicable legislation and oversight requirements were submitted within the prescribed timeframes and were materially complete and accurate.

14. SOCIAL RESPONSIBILITY

The Services SETA recognises its responsibility to contribute to socio-economic development and community upliftment in support of its skills development mandate. During the 2025/26 financial year, the organisation supported initiatives focused on education, skills development, youth empowerment, industry development and community development through donations, sponsorships and partnerships.

Support was provided to educational institutions, industry bodies, student and youth initiatives, and community-focused organisations, contributing to increased access to educational and skills development opportunities and strengthened stakeholder engagement. Details of the donations and sponsorships are disclosed in the Annual Financial Statements.

The Transformation Office, under the leadership of the Specialist: Compliance and Transformation, coordinated the donations and sponsorships in accordance with approved policies and governance processes, ensuring that support was appropriately administered and aligned with organisational priorities.

Through these initiatives, Services SETA continued to advance its contribution to inclusive socio-economic development and responsible corporate citizenship.

15. AUDIT AND RISK COMMITTEE REPORT

We are pleased to present the report for the financial year ended 31 March 2026.

Audit and Risk Committee members and attendance

The Audit and Risk Committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year official number of Audit and Risk Committee meetings that were held is 9. Additional special meetings held are 5. The total number of meeting held is 14.

NAME OF MEMBER	NUMBER OF MEETINGS ATTENDED
Mr Rabothata, K CA (SA) - (Chairperson)	14
Dr Galane, O (PhD: Accounting Sciences)	14
Ms Mkhize, T CA (SA)	14
Ms Singh, N CA (SA)	14
Mr Kekana, M CA(SA)(- Appointed 14 November 2025)	7
Ms Makapan, J CA(SA) (- Appointed 14 November 2025)	7

Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 55(1)(a) of the PFMA and Treasury Regulation 27.1.

The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Governance Arrangements for the year under review

The previous Accounting Authority and its committees were retired on the 31 March 2025. The Acting CEO Mr S Dhladhla was acting Acting Authority for the period 1 April 2025 to 19 August 2025 before the Department appointed the Administrator.

The Services SETA was placed under administration in terms of Government Gazette No. 53185.

Date of Ministerial Announcement: 19 August 2025. Minister Manamela announced the dissolution of the Accounting Authority and placed Services SETA under formal administration.

Date of Government Gazette Publication: 26 August 2025. The formal legal intervention notice was published to legally transfer all administrative and accounting powers to the newly-appointed Administrator. Mr Matjie Lehlogonolo Alfred Masoga as the Administrator. He assumed all the powers of the

Accounting Authority to restore governance, financial stability, and operational integrity to the organisation.

Statutory Framework: The intervention was executed under Section 15(1) of the Skills Development Act, 1998 (Act No. 97 of 1998), allowing the department to address systemic governance and operational lapses. of Government Gazette Publication: 26 August 2025. The formal legal intervention notice was published to legally transfer all administrative and accounting powers to the newly appointed Administrator.

The following Audit and Risk Committee members were appointed by the Acting CEO and acting Accounting Authority AA for April 2025 – July 2025 and these appointments were extended by the Administrator when he assumed office in 19 August 2025.

Mr Rabothata, K CA (SA),

Dr Galane, O (PhD: Accounting Sciences),

Ms Mkhize, T CA (SA), and

Ms Singh, N CA (SA).

The following members were appointed in November 2025:

Mr Madumetja Kekana CA (SA),and

Ms Juliana Makapan, MBA ,MAP.

The dissolution of the Accounting Authority also resulted in the dissolution of the various other Board sub committees except the Audit and Risk Committee which was then the only oversight committee to the Administrator. This culminated in additional responsibilities and necessitated additional special meetings to discharge these responsibilities.

The system of internal control was not entirely effective for the year under review. During the year under review, several deficiencies in the system of internal control and/or deviations from there from were reported by the Auditor-General South Africa. In certain instances, the matters reported previously have not been fully and satisfactorily addressed.

The quality of in year management and monthly/ quarterly reports submitted in terms of the PFMA

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Authority of the entity during the year under review. It was however noted that material findings were raised by AGSA during final audit in relation to the non-compliance with GRAP for disclosure notes to the financial statements, disagreement on process to clear previous qualification on commitment balances and bursary provision, non-compliance with legislation and material errors on the annual performance report as a result of internal control deficiency.

Effectiveness of internal control

The system of internal control was not entirely effective for the year under review. During the year under review, several deficiencies in the system of internal control and/or deviations from there from were reported by the Auditor-General of South Africa. In certain instances, the matters reported previously have not been fully and satisfactorily addressed.

The quality of in year management and monthly/ quarterly reports submitted in terms of the PFMA

Audit outcome

The Audit and Risk Commitment is the oversight committee of the Accounting Authority governance structure and provided oversight of the legacy DG Commitment balances clean-up project, which was commissioned by the Administrator upon assuming office. As part of its oversight responsibilities, the Audit and Risk Committee received quarterly progress reports from the appointed accounting firm and legal firm on the status of the project. It was anticipated that Services SETA would submit the adjustments made to the legacy DG commitment balance for an interim audit review by the Auditor-General of South Africa (AGSA). However, this did not materialise as the project remained in progress during the interim audit period. The final audit outcome for the year was not favourable, as the audit qualification relating to inter alia the DG commitment balance remained unresolved. A review of the audit findings identified that the primary factors contributing to the qualification were delays in the submission of documentation to substantiate all amendments made to the commitment balance. These findings highlighted capacity constraints within the Finance Department and emphasised the need to strengthen financial management capabilities, record management practices, and the timely provision of audit evidence to support financial reporting and audit processes. The Audit and Risk Committee will continue to monitor management's efforts to address these challenges and to implement sustainable corrective measures aimed at improving future audit outcomes.

Evaluation of Annual Financial Statement

The Audit and Risk Committee oversees the annual reporting process, and, in particular, must:

- Review management reporting and cashflows;
- Have regard to all factors and risks that may impact on the integrity of the annual report, including factors that may predispose management to

present a misleading picture, significant judgments and reporting decisions made, monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward-looking statements or information, reviewed the Auditor-General of South Africa's management report and management's response there to;

- not review the annual financial statements before submission to the Auditor-General, viewed changes in accounting policies and practices (delete if not applicable);
- not review significant or unusual transactions and accounting estimates in the annual financial statements
- Obtain adequate explanations from management for all significant variances in the financial budget or plan;
- Comment in the annual report on the accounting practices and the effectiveness of the internal financial controls and the Committee's evaluation of the annual financial statements;
- Satisfy itself that the annual financial statements give a true and fair view of the financial activities and financial position of the Services SETA;
- Ensure that the Services SETA complies with the legal and regulatory provisions such as the PFMA;
- Review and recommend to the Accounting Authority for approval the report of the Chairperson of the Audit and Risk Committee's which is included in the Annual Report;
- Recommend the annual report for approval by the Accounting Authority; and
- Review the Services SETA's performance against predetermined objectives on a quarterly basis.

Risk Management

Risk Management is achieved through the process of identification of corrective actions, and suggested enhancements to the controls and processes.

The Audit and Risk Committee:

- Considers the risk management policy and plan;
- Takes cognisance of the limits for risk appetite and tolerance set by the Accounting Authority; and
- Ensures that there are processes in place to enable complete, timely, relevant, accurate and accessible risk disclosure.

The committee is an integral component of the risk management process, and specifically the committee must assess:

- The effectiveness of the documented processes and outcomes surrounding key risks at least annually;
- Compliance with legislation pertaining to risk and risk management;
- Risk areas of the institution's operations as covered in the scope of internal and external audits.
- Financial reporting risks;
- Internal financial controls;
- Fraud risk as it relates to financial reporting;
- ICT risk as it relates to financial reporting; and
- The design, implementation and monitoring of the risk management process (both strategic and operational).

Compliance

The Audit and Risk Committee ensures that the management of Services SETA has established the necessary checks and balances to ensure that there is compliance with pertinent laws and regulations, that its affairs conducted ethically, and that effective controls against conflicts of interest and fraud are maintained.

The specific steps involved in carrying out this responsibility include:

- Assessing policy documents, which should incorporate compliance with laws, regulations, ethics, policies and rules regarding conflicts of interest.
- Assessing compliance with the above laws and regulations;
- Taking note of significant cases of employee and Accounting Authority conflicts of interest, misconduct, fraud and the resolution of these cases:
- Assessing the Internal Auditor's written reports regarding the scope of reviews of compliance, any significant findings, and the resolution and follow-up on findings and recommendations;
- Assessing developments and changes in the law relating to the responsibilities and liabilities of management and to assess and review the extent to which the management is meeting its obligations; and
- Assessing developments and changes in the various rules, regulations and laws which relate generally to the Services SETA's operations and assessing and reviewing the extent to which the Services SETA is complying with such laws.

Combined Assurance

The committee ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular, the committee:

- Ensures that the combined assurance received is appropriate to address all the significant risks facing the Services SETA;
- Ensures that the assurance efforts of the internal auditors and the AGSA are sufficiently coordinated to avoid duplication of efforts and to ensure that the combined assurance is maximised; and
- Monitors the relationship between the external assurance providers and the Services SETA.

Internal Audit

The Audit and Risk 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.

The Audit and Risk Committee assessed and made recommendations in respect of:

- The functioning and overall efficiency and effectiveness of the internal control system;
- The functioning of the Internal Audit Department;
- The identification of risk areas of the Services SETA's operations, which are to be covered by the scope of internal audits.
- The adequacy, reliability and accuracy of the financial information provided to the Accounting Authority.
- The cooperation and coordination between internal and external audit functions, and their cooperation and coordination pertaining to the management of the Services SETA;
- Any accounting and auditing concerns identified through internal audits.
- The Audit and Risk Committee must review and confirm the Internal Audit's Terms of Reference and the Internal Audit Plan and must review and confirm the resources required to implement such plans;
- The Audit and Risk Committee must draw up a recommendation for the Accounting Authority regarding the appointing and removing the internal auditors.

Conclusion

The Audit and Risk Committee has reviewed the final management report and audit report from the Auditor-General of South Africa and has taken note of the recommendations provided. The recommendations made by the Auditor- General of South Africa and Internal Audit must be implemented timeously by the Services SETA management. The Audit & Risk Committee provided additional governance support to the Administrator to enhance oversight in the absence of traditional governance structures.



Mr Kgotlo Rabothata - CA (SA)

Chairperson of the Audit and Risk Committee

As 31 July 2026

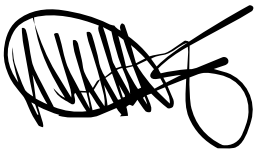


16. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the B-BBEE requirements of the Broad-Based Black Economic Empowerment Amendment Act (B-BBEE Act), 2013 (Act No. 46 of 2013) and as determined by the Department of Trade, Industry and Competition.

HAS THE DEPARTMENT / PUBLIC ENTITY APPLIED ANY RELEVANT CODE OF GOOD PRACTICE (B-BBEE CERTIFICATE LEVELS 1 – 8) WITH REGARDS TO THE FOLLOWING:		
CRITERIA	**RESPONSE** **YES / NO**	**DISCUSSION** **(INCLUDE A DISCUSSION ON YOUR RESPONSE AND INDICATE WHAT MEASURES HAVE BEEN TAKEN TO COMPLY)**
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. Furthermore, the Implementation Guide: Preferential Procurement Regulations 2022, which introduced the application of specific goals, is in use and aligned with the goods and services to be procured.
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	DG Policy is in place and covers the transformation imperatives the organisation aims to address, as well as the empowerment targets. Furthermore, organisations that promote transformation in their operations are given preference.

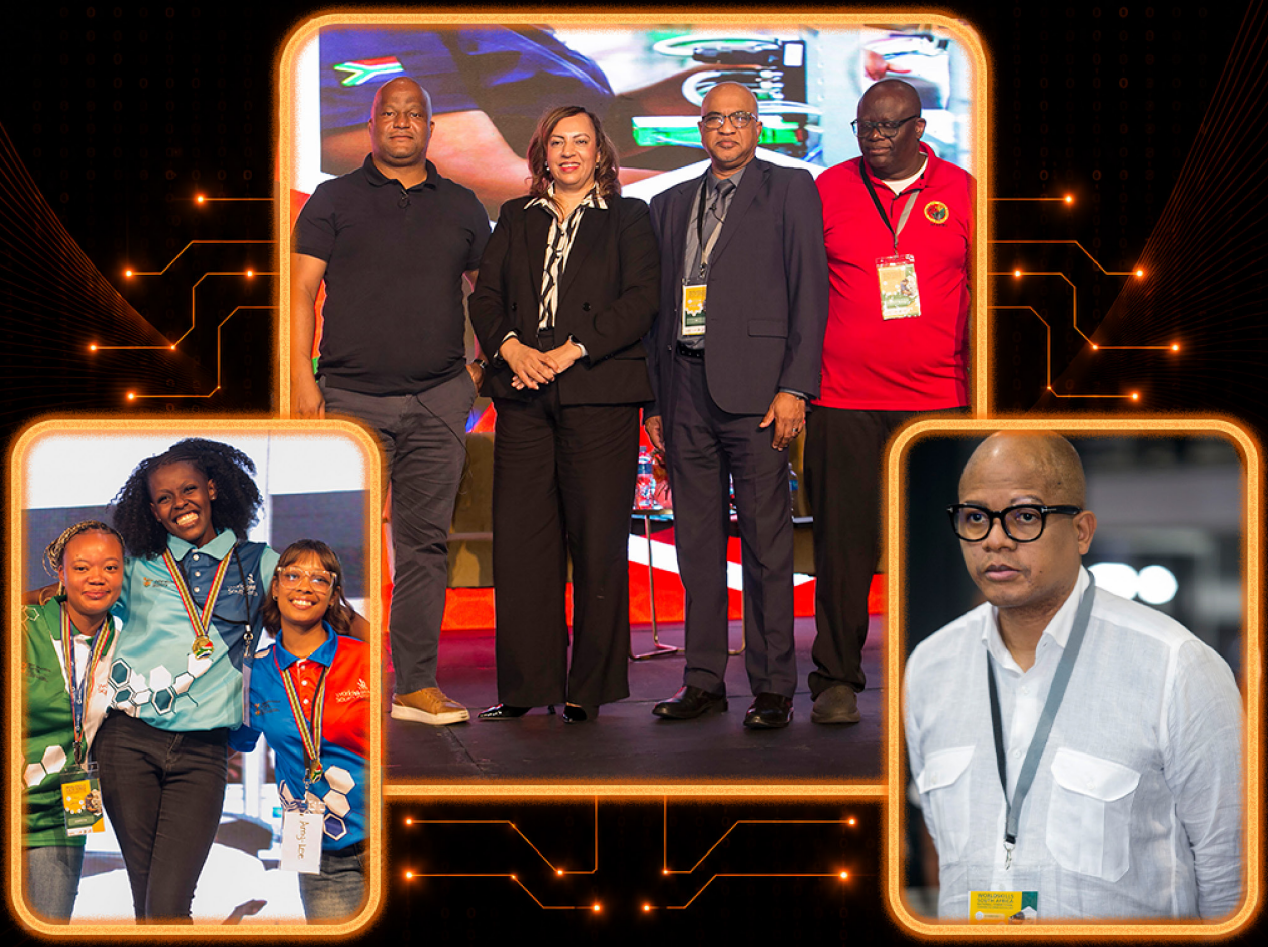
APPROVED BY:



Mr Lehlogonolo Masoga

Services SETA Administrator

SA WORLD SKILLS COMPETITION KZN



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ANNUAL REPORT

2025 | 2026

PART D

HUMAN CAPITAL MANAGEMENT



SERVICES SECTOR EDUCATION AND TRAINING AUTHORITY

1. INTRODUCTION

The Human Capital Management function continued to play a critical role in supporting the achievement of the organisation's strategic objectives through effective workforce planning, employee development, employee health and wellness and the promotion of sound labour relations practices.

Employee health, safety, and wellness remained a key focus area in the organisation. The organisation implemented wellness initiatives and maintained occupational health and safety measures to support employee wellbeing and create a safe working environment.

The Human Capital Management function also continued to strengthen governance, compliance, and risk management practices by reviewing policies, monitoring adherence to legislative requirements, and supporting internal and external audit processes. The organisation remained committed to building a capable, ethical, and high-performing workforce that supports the achievement of its strategic objectives and the delivery of quality services to stakeholders.

HR PRIORITIES FOR THE YEAR UNDER REVIEW	IMPACT OF THE PRIORITY
Recruitment: Filling of critical vacant positions	Filled critical vacancies within target timelines, reducing operational disruptions and improving workforce capacity.
Performance Management	Strengthened performance planning and appraisal processes, resulting in clearer goals, improved accountability, and higher performance levels.
Employee engagement	Conducted engagement initiatives, communication activities and wellness programmes that increased morale and collaboration.
Inclusivity	Promoted equitable recruitment, development, and workplace practices, contributing to a more inclusive organisational culture.
Succession planning and promotions	Identified and developed high-potential employees, strengthening leadership continuity and reducing business risk.
Employee wellness programme	Expanded wellness and mental health initiatives, leading to improved employee wellbeing, reduced absenteeism, and improved performance.
Learning and development	Delivered training and development programmes that enhanced employee skills, productivity, and career growth.
Compliance and risk management	Ensured compliance with labour laws and organisational policies, minimising legal and operational risks.

WORKFORCE PLANNING FRAMEWORK AND KEY STRATEGIES TO ATTRACT AND RECRUIT A SKILLED AND CAPABLE WORKFORCE

1. **Strategic Recruitment**

› Develop an annual recruitment plan aligned with organisational needs.
› Prioritise recruitment for critical vacant positions.

2. **Employer Branding**

› Promote the Services SETA as an employer of choice.
› Highlight career development opportunities, organisational values, and employee benefits that the organisation is offering.

3. **Competency-Based Recruitment**

› Use structured interviews and competency-based assessments for selection of best candidates.
› Select candidates based on qualifications, experience, technical skills, and behavioural competencies.

4. **Graduate and Internship Programmes**

› Recruit graduate interns to develop future talent.

PARTNER WITH EDUCATIONAL INSTITUTIONS TO ATTRACT EMERGING PROFESSIONALS

5. Employee Value Proposition

› Offer competitive remuneration and benefits.
› Provide career progression opportunities, flexible work arrangements where feasible, recognition for the programmes, and a supportive work environment.

6. Diversity and Inclusion

› Promote equal employment opportunities.
› Recruit from diverse talent pools to build an inclusive workforce.

7. Effective Onboarding

› Implement structured onboarding programmes to help new employees integrate quickly, improve engagement, and enhance retention.

EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

An Employee Performance Management Framework provides a structured approach to planning, monitoring, evaluating, and improving employee performance while aligning individual objectives with organisational goals. The existing Performance Management Policy is currently used as a guide.

The guiding principles are as follows:

› To align individual performance with organisational strategic objectives.
› Use objective, measurable, and transparent performance criteria.
› Provide continuous feedback and coaching rather than relying solely on annual reviews.
› Promote fairness, consistency, and accountability throughout the performance management process.
› Encourage employee development and continuous learning.
› Recognise and reward high performance while addressing underperformance promptly and constructively.

EMPLOYEE WELLNESS PROGRAMMES

The employee wellness programme was designed to support employees' physical, mental, emotional, social, and financial wellbeing, creating a healthy, productive, and engaged workforce.

The objectives of the programme are to:

› Promote employee health and wellbeing to improve mental health and increase resilience in the workforce.
› Offer stress management workshops, mental health awareness campaigns, financial wellness programmes and access to counselling services.
› Referral of employees in distress to the appointed wellness provider for psychological counselling and wellness.
› Improve employee engagement and morale.
› Enhance productivity and job satisfaction.
› Foster a safe, healthy, and supportive work environment.
› Support employee retention and organisational performance.

POLICY DEVELOPMENT

Policy development is the structured process of creating, implementing, and reviewing policies that guide internal processes and decisions, ensure consistency, and support an organisation's objectives while complying with relevant legislation and regulations.

During the year under review, the human resources (HR) policies were not reviewed, as they had already been approved by the Board in November 2024. Fifteen policies were approved, while the Performance Management Policy was not approved. The Board requested further benchmarking be undertaken on the proposed reward system included in the revised policy before it could be considered for approval.

The Performance Management Policy has been reviewed together with other policies pending approval.

KEY ACHIEVEMENTS

› With regards to the department-facilitated employee learning and development initiatives to enhance staff competencies and support organisational objectives, the organisation achieved the APP target with 84% of the training plan implementation.
› Provided ongoing employee relations support by managing disciplinary, grievance, and other workplace matters in accordance with established procedures.
› Administered employee benefits, leave, and payroll-related HR functions efficiently to ensure timely and accurate service delivery.
› The organisation appointed 45 interns into an internship

programme for the 2025/2026 financial year.

- The organisation successfully submitted the employment equity (EE) report to the Department of Employment and Labour on time.
- The WSP/ATR was successfully submitted to the Education, Training and Development Practices SETA (ETDP SETA) before the due date. The organisation received an extra budget of R495 000 discretional funding from the ETDP SETA to implement skills development programmes for employees.

Employee Wellness Programme Highlights

The organisation successfully hosted two employee wellness days during the 2025/2026 financial year, reaffirming its commitment to promoting employee health, wellbeing, and work-life balance.

- In September 2025, a Women's Wellness Day was held, focusing on issues affecting women's health and wellbeing. Topics included female health, work-life balance, perimenopause, and menopause. The session provided employees with valuable information, encouraged open dialogue, and promoted awareness of health matters that can affect women in the workplace.
- In November 2025, the organisation hosted a Movember Wellness Day dedicated to men's health and wellbeing. The programme encouraged meaningful discussions on topics such as finding purpose and fulfilment as a man, the importance of the "Bro Code" and supporting one another, setting healthy personal and professional boundaries, and raising awareness of suicide prevention and mental health. The initiative fostered a supportive environment that encouraged employees to prioritise their wellbeing and seek support when needed.

These wellness initiatives contributed to creating a healthier, more inclusive workplace by promoting awareness, encouraging open conversations about physical and mental health, and supporting the overall wellbeing of employees.

CHALLENGES FACED BY THE ORGANISATION

During the 2025/2026 financial year, the organisation experienced several challenges that affected its operations, governance, and overall organisational performance.

Leadership and Governance

The absence of a duly constituted Board presented a significant governance challenge. As a result, the organisation was unable to appoint a CEO and fill other critical senior management positions, affecting strategic leadership, decision-making, and organisational stability.

The organisation was placed under administration in August 2025 to restore and strengthen the organisation to normal governance.

Employee Engagement and Communication

The organisation experienced low levels of employee engagement and ineffective internal communication. These challenges impacted staff morale, collaboration, and the timely dissemination of information, ultimately affecting organisational effectiveness.

Performance Management Compliance

Non-compliance with the Performance Management Policy remained a significant challenge. The organisation did not adhere consistently to the prescribed timelines for completing the performance management processes. This was largely due to competing organisational priorities, resulting in delays in performance planning, reviews, and assessments.

Employee Health and Wellness

Employee health and wellbeing continued to be an area of concern. A growing number of employees experienced physical and mental health challenges, contributing to increased absenteeism, reduced productivity, impaired communication, difficulties in maintaining positive workplace relationships, and lower levels of employee engagement.

Audit Outcomes and Administration

The organisation continued to receive qualified audit opinions, reflecting weaknesses in governance, financial management, and internal controls. These recurring audit outcomes ultimately resulted in the organisation being placed under administration, presenting additional operational and governance challenges while efforts were undertaken to strengthen institutional performance and accountability.

FUTURE HR PLANS AND GOALS

The Human Capital Management function will continue to support the organisation's strategic objectives by strengthening governance, enhancing employee wellbeing, and building organisational capability. The key priorities for the next financial year include:

- Finalise the benchmarking exercise and facilitate Board approval of the revised Performance Management Policy.
- Strengthen the implementation and monitoring of

the performance management system to ensure compliance with policy requirements and adherence to prescribed timelines.
- Support the appointment and onboarding of the CEO and other critical senior management positions once governance structures are in place.
- Improve employee engagement through enhanced internal communication, regular staff engagement sessions, and initiatives that promote a positive organisational culture.
- Expand employee wellness programmes with a greater focus on mental health, stress management, resilience, and work-life balance.
- Develop and implement targeted learning and development initiatives to strengthen employee skills, leadership capability, and organisational performance.
- Review and update HR policies as required to ensure continued alignment with legislative changes, organisational needs, and best practice.
- Strengthen succession planning and talent management to ensure business continuity and organisational sustainability.
- Enhance workforce planning to ensure the organisation has the appropriate skills and capacity to deliver on its mandate.
- Promote ethical leadership, accountability, and compliance with labour legislation, governance frameworks, and organisational policies.
- Continue supporting initiatives aimed at improving governance, internal controls, and organisational performance to contribute to improved audit outcomes.

Through these priorities, the Human Capital Management function will continue to foster a high-performing, engaged, and resilient workforce capable of supporting the organisation in achieving its strategic objectives and delivering on its public mandate.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

2.1. Personnel-related Expenditure

Personnel cost by programme/ activity/ objective

PROGRAMME/ACTIVITY/ OBJECTIVE	TOTAL EXPENDITURE FOR THE ENTITY (R'000)	PERSONNEL EXPENDITURE (R'000)	PERSONNEL EXP. AS A % OF TOTAL EXP.	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Programme 1	363 944	136 563	7%	110	1 241
Programme 2	514 504	19 784	1%	15	1 319
Programme 3	1 078 787	87 929	5%	133	661
Programme 4	13 002	2 198	0.1%	3	733
TOTAL	1 970 237	246 474	13%	261	944

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)
Top Management (Acting)	4 821	2%	2	2 410
Senior Management	35 821	15%	16	2 239
Professional qualified	58 472	24%	42	1 392
Skilled	134 242	54%	168	799
Semi-skilled	8 044	3%	18	447
Unskilled	5 074	2%	15	338
TOTAL	246 474	100%	261	944

Performance Rewards

PROGRAMME//ACTIVITY/OBJECTIVE	PERFORMANCE REWARDS (R'000)	PERSONNEL EXPENDITURE (R'000)	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST
Top Management (Acting)	155	4 821	0.1%
Senior Management	1 340	35 821	0.5%
Professional qualified	1 995	58 472	0,8%
Skilled	6 080	134 242	2,5%
Semi-skilled	312	8 044	0,1%
Unskilled	187	5 074	0,1%
TOTAL	10 070	246 474	4,1%

Training Costs

PROGRAMME//ACTIVITY/OBJECTIVE	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST.	NO. OF EMPLOYEES TRAINED	AVG TRAINING COST PER EMPLOYEE (R'000)
Skills programme - cleaners conference	246 474 (Total as training was for different employment categories	160	7,64%	14	1 145
Performance reviews and contracts		0	0%	175	0
Disciplinary management - managers		0	0%	51	0
Change management workshops		0	0%	113	0
SAGE people training		61	4,5%	3	2 042
MIE training		4	0,28%	4	0 96
Disciplinary management non-management		0	0	158	0
Advanced minute taking		0	0	0	0
CCTV operations		21	3,78%	1	2 147
Monitoring and evaluation		39	1,71%	3	1 310
Advanced project management		7	1,19%	1	738
Problem solving and analytical skills		0	0	0	0
Corporate governance		32	3,14%	2	1 310
Occupational qualifications information sessions		0	0	110	0
MS Excel training		53	1,98%	19	278

PROGRAMME//ACTIVITY/OBJECTIVE	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST.	NO. OF EMPLOYEES TRAINED	AVG TRAINING COST PER EMPLOYEE (R'000)
Data analysis	246 474 (Total as training was for different employment categories	17	1,56%	1	1 660
Assessor/Marking		0	0	0	0
Moderator		0	0	0	0
SDF		0	0	0	0
Customer service and conflict resolution		57	0,08%	134	42
Employment equity training on new amendments		59	0,82%	8	744
Professional report writing skills		0	0	0	0
Financial management		0	0	134	0
First aid		30	0,34%	12	251
Fire fighters		25	0,57%	10	248
Bid committee training		377	0,98%	45	837
Strategic management		17	1,13%	1	1 660

Employment and Vacancies

PROGRAMME//ACTIVITY/ OBJECTIVE	2024/2025 NO. OF EMPLOYEES	2025/2026 APPROVED POSTS	2025/2026 NO. OF EMPLOYEES	2025/2026 VACANCIES	% OF VACANCIES
Top Management	2	2	2	0	0%
Senior Management	17	20	16	4	20%
Professional qualified	42	46	42	4	8,7%
Skilled	157	188	168	20	10,6%
Semi-skilled	12	20	18	2	10%
Unskilled	16	24	15	9	37,5%
TOTAL	246	300	261	39	13%

The organisation currently has four senior-level vacancies. To ensure operational continuity, suitably qualified internal employees have been identified and appointed in acting capacities.

The CEO and CFO are jointly appointed by the Accounting Authority and the Minister of Higher Education and Training. The Executive Manager in the Office of the CEO and the Senior Manager SCM positions are appointed by the Accounting Authority in consultation with the CEO.

The CEO position has been vacant for the past three years. Owing to the limited remaining term the previous Board, the position was advertised as an acting appointment rather than a permanent five-year appointment. Interviews were conducted, during which the candidates' leadership competencies, as well as their alignment with the organisation's culture and values, were assessed. Although a preferred candidate was identified, the Minister did not approve the appointment, as the candidate was not considered to be an appropriate fit for the organisation.

The Executive Manager position has been vacant for the past two years. The recruitment process will commence following the appointment of a recruitment service provider by the Administrator. In the interim, the organisation has suitably qualified and experienced internal employees who are serving in acting capacities to ensure continuity and the effective execution of key leadership responsibilities until permanent appointments are finalised.

Employment Changes

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD 1 APRIL 2025	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT THE END OF THE PERIOD 31 MARCH 2026
Top Management	2	0	0	2
Senior Management	17	0	1	16
Professional qualified	42	1	1	42
Skilled	153	20	5	168
Semi-skilled	13	5	0	18
Unskilled	15	0	0	15
TOTAL	242	26	7	261

There were internal movements in the organisation which were not terminations or new appointments, this was due to organisational structural changes.

Reasons for Staff Leaving

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	1	12.5%
Resignation	5	75%
Dismissal	1	12.5%
Retirement	0	0
Ill health	0	0
Expiry of contract	0	0
Other	0	0
Total	7	100%

During the reporting period, the organisation experienced a turnover of seven staff members due to a combination of factors, including resignations, dismissal, and death and staff movements. These departures resulted in vacancies across both operational and critical positions, which had an impact on service delivery continuity and institutional capacity.

Where immediate recruitment was not possible, interim arrangements were put in place to maintain operational continuity, including the redistribution of duties among existing staff and the use of acting appointments in key roles. The organisation continues to strengthen its recruitment processes to reduce vacancy turnaround times and ensure that critical skills are retained and effectively replenished.

These efforts are aimed at stabilising the workforce, improving service delivery capacity, and ensuring that the organisation is adequately resourced to fulfil its mandate.

Labour Relations: Misconduct and Disciplinary Action

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal warning	0
Written warning	2
Final written warning	0
Dismissal	1
Suspension	1

Equity Target and Employment Equity Status

During the 2025/2026 financial year, the organisation experienced variances between planned targets and actual performance in several areas.

A significant variance was recorded in relation to the non-appointment of the CEO and other senior management positions. This was primarily due to the absence of a duly constituted Board to facilitate recruitment and approval processes. To address this, the organisation operated under administration arrangements while efforts were made to strengthen governance structures and enable the commencement of appointment processes once authority was restored.

LEVELS	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	1	0	0	0	0	0	0	0
Senior Management	10	0	0	0	0	0	0	0
Professional qualified	12	0	0	0	0	2	3	0
Skilled	40	6	5	2	3	2	0	0
Semi-skilled	8	0	1	0	0	1	0	0
Unskilled	2	0	0	0	0	0	0	0
TOTAL	73	6	6	2	3	5	3	0

LEVEL	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	1	1	0	0	0	0	0	0
Senior Management	5	1	0	0	0	1	1	0
Professional qualified	19	0	3	0	2	0	3	0
Skilled	102	0	11	0	2	0	4	0
Semi-skilled	7	0	2	0	0	0	0	0
Unskilled	13	0	1	0	0	0	0	0
TOTAL	146	2	17	0	4	1	8	0

LEVEL	STAFF LIVING WITH DISABILITIES			
	MALE		FEMALE	
	CURRENT	TARGET	CURRENT	TARGET
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	2	0	0	0
Skilled	2	0	1	0
Semi-skilled	0	0	4	0
Unskilled	0	0	0	0
TOTAL	4	0	5	0

It should be noted that from 2025 onwards, the employment equity targets for the sector were determined by the Department of Employment and Labour. Consequently, the sector's planning, implementation, and performance reporting were aligned with the department's prescribed targets, priorities, and reporting requirements.

Despite the variances identified, the organisation implemented a range of corrective measures aimed at stabilising operations, improving compliance, and strengthening governance systems. These interventions are expected to support improved performance and greater alignment between planned targets and actual outcomes in subsequent reporting periods.

Under the leadership of the Administrator, the organisation is actively progressing the filling of senior management and other critical positions. Employment equity targets, as prescribed by the Department of Employment and Labour, are being considered to ensure compliance and to promote equitable and representative staffing across all levels of the organisation.




85%
RETURN ON INVESTMENT
ERFORMANCE
92%
78%
65%
85%
70%





PART E

PFMA COMPLIANCE REPORT

ANNUAL REPORT

2025 | 2026

SERVICES SECTOR EDUCATION AND TRAINING AUTHORITY

1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1.1. Irregular expenditure

a. Reconciliation of irregular expenditure

Reconciliation of irregular expenditure

Description	2025/2026 R'000	2024/2025 R'000
Opening balance	588 325	1 284 093
Adjustment to the opening balance	125 763	21
Opening balance as restated	**714 088**	**1 284 114**
Add: Irregular expenditure confirmed	37 297	227 850
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	(320 924)	(797 876)
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recoverable and written off	-	-
Closing balance	**430 461**	**714 088**

Irregular expenditure incurred in the current year relates to the following matters:

1. *Commitments – Projects initiated without adequate evidence for Board approval (Continuation of active awards from prior years)*
2. *SCM infrastructure panel not evaluated per SCM prescripts (Continuation of active awards from prior years)*
3. *Commitments – Allocations made for unsolicited proposals that cannot demonstrate openness and fairness principles of the Grant Regulation on the process followed (Continuation of active awards from prior years)*
4. *SCM awards - Panel award that was evaluated by officials not formally appointed as part of the Bid Evaluation Committee (Continuation of active awards from prior years)*
5. *SCM awards –Bid documents submission register shows times after closure of bid (Continuation of active awards from prior years)*
6. *SCM – RFQ approved by official without appropriate delegation (Matter under investigation)*

Reconciling notes

Description	2025/2026 R'000	2024/2025 R'000
Irregular expenditure that was under assessment	643	-
Irregular expenditure that relates to the prior year and is identified in the current year	-	125,763
Irregular expenditure for the current year	36,654	102,108
Total	**37 297**	**227 871**

b. Details of irregular expenditure (under assessment, determination, and investigation)

Description	2025/2026 R'000	2024/2025 R'000
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	-	-

Irregular expenditure under investigation	643	85 896
Total	**643**	**85 896**

As of 31 March, 2026 the only matter still under investigation was in relation to the SCM RFQ award that was identified during the audit. The Grant Regulation 7.5% limit excess was still under investigation at the end of March 2025

c. **Details of irregular expenditure condoned**

No irregular expenditure was condoned by the National Treasury or the Accounting Authority.

Details of irregular expenditure removed (not condoned)

Description	2025/2026 R'000	2024/2025 R'000
Irregular expenditure NOT condoned and removed	320 924	797,876
Total	**320 924**	**797,876**

In the current year the Accounting Authority removed from the irregular expenditure schedule all items that were due to internal control deficiencies of the Services SETA and where appropriate steps had been taken

1. *Commitments – Projects initiated without adequate evidence for Board approval*
2. *SCM – Award completed after 120 working days had lapsed*
3. *SCM awards - Panel award that was evaluated by officials not formally appointed as part of Bid Evaluation Committee*
4. *SCM awards –Bid documents submission register shows times after closure of bid*
5. *Commitment –Payments made on expired contracts or above offer*
6. *Previous executives termination payout – not approved by council/Board.*

d. **Details of irregular expenditure recoverable**

No irregular expenditure incurred was identified as recoverable from any official.

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

No irregular expenditure incurred was written off in the current financial year.

f. **Details of disciplinary or criminal steps taken because of irregular expenditure**

Disciplinary steps taken
As the majority of the irregular incurred related to historical multi-year contracts, consequence management was implemented in previous years. The SCM RFQ award was still under investigation at the end of March 2026.

1.2. Fruitless and wasteful expenditure

a. **Reconciliation of fruitless and wasteful expenditure**

Description	2025/2026 R'000	2024/2025 R'000
Opening balance	-	4 481
Adjustment to opening balance	-	-
Opening balance as restated	0	4 481
Add: Fruitless and wasteful expenditure confirmed	-	92 432

Less: Fruitless and wasteful expenditure recoverable	-	-
Less: Fruitless and wasteful expenditure not recoverable and written off	-	(4 481)
Closing balance	**0**	**92 432**

In the current financial year, the entity disclosed fruitless expenditure that related to DG projects that were abandoned before completion due to issues such as poor performance by the implementing partner. As of 31 March 2026, 44 projects had been investigated with the steps for recovery and consequence management still in progress. The projects cancelled prior to completion were still under determination by the Loss Control function.

Reconciling notes

Description	2025/2026 R'000	2024/2025 R'000
Fruitless and wasteful expenditure that was under assessment	-	-
Fruitless and wasteful expenditure that relates to the prior year and is identified in the current year	92 432	-
Fruitless and wasteful expenditure for the current year	-	-
Total	**92 432**	**0**

b. Details of fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description	2025/2026 R'000	2024/2025 R'000
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation	69 544	-
Total	**69 544**	**0**

Certain projects were cancelled/terminated prior to completion, for various reasons, and are still being investigated by the Loss Control function

c. Details of fruitless and wasteful expenditure recoverable

Description	2025/2026 R'000	2024/2025 R'000
Fruitless and wasteful expenditure recoverable	-	-
Total	**0**	**0**

No fruitless or wasteful expenditure was incurred in the current year.

d. Details of fruitless and wasteful expenditure not recoverable and written off

Description	2025/2026 R'000	2024/2025 R'000
Fruitless and wasteful expenditure written off	-	4,481
Total	**0**	**4,481**

No fruitless or wasteful expenditure was incurred in the current year.

e. Details of disciplinary or criminal steps taken because of fruitless and wasteful expenditure

Disciplinary steps taken
The outcome from the investigation of abandoned projects was still in progress as of 31 March 2026

1.3. Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) &(iii)

a. Details of other material losses

Nature of other material losses	2025/2026 R'000	2024/2025 R'000
Losses incurred from termination of incomplete DG projects	-	92 432
Losses incurred from obsolete system that was never used	-	16 698
Total		**109 130**

1. *Termination of incomplete DG projects – Investigations were conducted on projects that were abandoned prior to completion, with several deficiencies identified on the project management. At year-end, Services SETA was in the process of recovering the costs incurred on the projects as well as consequence management for employees identified as involved in the projects in some way. All expenditure incurred related to previous years.*
2. *Impairment of system under development – In 2018 the Services SETA had commissioned the development of a system that would assist the entity with the remote monitoring of project implementation. Through the year-end assessment for impairment of assets, it was identified that the system, which was never commissioned, had become obsolete. The Accounting Authority has commissioned an investigation into the project and why the system was never used.*

2. LATE AND/OR NON-PAYMENT OF SUPPLIERS

Description	Number of invoices	Consolidated Value R'000
Valid invoices received	4 219	2 934 180
Invoices paid within 30 days or the agreed period	4 151	2 889 436
Invoices paid after 30 days or the agreed period	64	36 714
Invoices older than 30 days or the agreed period (unpaid and without dispute)	1	86
Invoices older than 30 days or the agreed period (unpaid and in dispute)	3	279

Reasons for late payment of invoices are:

1. *Outstanding supporting documents*
2. *Changes to banking details*
3. *Delays in approvals*

3. SUPPLY CHAIN MANAGEMENT

3.1. Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Appointment of a service provider to perform services, maintenance, and repairs to the X-ray system	Khomanani (Pty) Ltd	Sole provider	PA-000000188	1 000
Appointment of a service provider to provide legal services	Phungo Incorporated	Impracticality	PO-00000993	934
Appointment of a service provider plumbing repairs to reduce water wastage expenditure	Zithaco (Pty) Ltd	Emergency	PO-00001219	57
Appointment of a service provider for plumbing services at the Eastern Cape regional office	Nizole Ikhaya (Pty) Ltd	Emergency	PO-00001399	16
Total				2,007

3.2. 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 (if applicable)	Value of current contract expansion or variation
				R'000	R'000	R'000
Appointment of a service provider to review the accounting policies and align financial statements and its notes.	Altimax (Pty) Ltd	Variation	PO-059553	112	-	17
Appointment of a service provider of the Podcast production team for a period of 6 months	Divatainment (Pty) Ltd	Variation	PO-00001044-1	943	-	136
The Provision of a national wide software defined wide area network(SDWAN) for transmission of voice, video and data and hosting of ICT unified telecommunications and related integrated services	Brilliantel (Pty) Ltd	Variation	Proc T613	7 452	-	691
Procurement of Firewall (Outright Purchase)	Vodacom (Pty) Ltd	Variation	PO-00001351	997	-	145
Appointment of a physical security service	Kega Security (Pty) Ltd	Variation	PO-058573	955	-	80
Appointment of truck drivers	Fempower Personnel (Pty) Ltd	Variation	PO-00002329-1	1 000	-	150
Total				11 459	0	1 219







PART F

FINANCIAL INFORMATION

ANNUAL REPORT

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REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON 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 104 to 173, which comprise the statement of financial position as at 31 March 2026, statement of financial performance, statement of changes in net assets and the cash flow statement and statement of comparison of budget and actual amounts 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 and possible effects of the matters described in the basis for qualified opinion section of this auditor's 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 2026, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) as issued by the Accounting Standards Board of South Africa 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

Commitments

3. I was unable to obtain sufficient appropriate audit evidence for DG commitments, as the public entity did not maintain accurate and complete records of contractual information relating to the amendments and the restatement of the opening balance. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the commitments stated at R3 293 118 000 (2025: R3 074 406 000) in the financial statements.
4. Furthermore, in the prior year the public entity did not account for all DG's expenditure in the commitment balance, as required by GRAP 1, *Presentation of financial statements*. Adequate internal controls were not properly implemented to ensure expenditure is accounted for in the commitment schedule. Consequently, the comparative figure for DGs commitment is understated by R31 613 000 in note 33 to the financial statements. My opinion on the current year financial statements is modified because of the effect of this matter on the comparability of commitments for the current year.

Provisions

5. The public entity did not fully account for the provision relating to DG expenditure, as required by GRAP 19, *Provisions, contingent liabilities and contingent assets*. Adequate internal controls were not in place to maintain records of the provision relating to DG expenditure. I was unable to obtain sufficient appropriate audit evidence to substantiate the provision disclosed in note 14 to the financial statements. Consequently, I was unable to determine whether any adjustments were necessary to the provision on DG expenditure stated at R7 005 000 (2025: R63 334 000).

Prior year adjustments

6. The prior year adjustments relating to provision were not correctly accounted for in the financial statements, as required by GRAP 3, *Accounting policies, estimates and errors*. The amount of the correction for the provision materially differed to the underlying supporting evidence due to the inadequate controls to accrue for the bursary related amounts in the public entity records. Consequently, prior year adjustment is understated by R20 728 000 in note 37 to the financial statements.

Irregular Expenditure

7. Not all irregular expenditure was included in note 41 to the financial statement, as required by section 55(2)(b)(i) of the PFMA. The process for awarding of DGs was not adhered to by the public entity as it contravened the SETA grant requirements, resulting in irregular expenditure of R429 702 500 (2025: R 578 941 000). In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the evaluation of DG allocation. I was unable to determine the full extent of the irregular expenditure that occurred during the financial year as it was impracticable to do so.

Context for opinion

8. 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.
9. 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.
10. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Responsibilities of the Accounting Authority for the financial statements

11. 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.
12. 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

13. 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.
14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 98 forms part of my auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

15. 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 the selected programmes presented in the annual performance report. The Accounting Authority is responsible for the preparation of the annual performance report.
16. I selected the following programmes presented in the annual performance report for the year ended 31 March 2026 for auditing. I selected programmes that measures 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 Development and planning	26-31	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 evaluation to strengthen programme improvement in executing its mandate.
Programme 3: Learning programmes	32-38	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 DGs through special and regular projects for infrastructure development, to expand access to skills development in rural and underserviced areas, and pivotal learning interventions.

17. 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 useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

18. 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.

› all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included.

› the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so 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 those 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 and is comparable and understandable.

› there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

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

20. The material findings on the reported performance information for the selected programme are as follows:

Programme 3: Learning programmes

Various indicators

21. The reason provided for the underachievement and overachievement against planned targets did not agree to the audit evidence. Consequently, the reasons reported are not useful for informed decision-making.

Indicator description	Planned target	Reported achievement
Indicator 3.2.4: Number of unemployed learners enrolled internships	1 019	1 187
Indicator 3.2.12: Number of workers enrolled in learnership programmes	1 448	1 484
Indicator 3.3.3: Number of unemployed learners completed internship	692	710
Indicator 3.3.4: Number of TVET students completed their work integrated learning placements	1 882	735
Indicator 3.3.5: Number of people completed CET internship	67	157
Indicator 3.3.6: Number of University students completed work integrated learning placements	599	740
Indicator 3.3.7: Number of unemployed learners completed skills programmes	2 731	3 615
Indicator 3.3.9: Number of artisan learners completed (adjusted)	1 000	117
Indicator 3.3.13: Number of workers completed skills programmes	2 542	538

Other matters

20. I draw attention to the matter below.

Achievement of Planned Targets

21. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements. This information should be considered in the context of the material findings on the reported performance information.

22. The table that follows provides information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 41-43.

Programme 2: Skills planning

Targets achieved: 86%
Budget spent: 39%

Key [service delivery] indicator not achieved	Planned target	Reported achievement
Indicator 2.2.2: Number of learners who completed workplace-based learning programmes absorbed into employment or self- employment.	1 200	312

Indicator 2.3.1: Percentage of DGs budget allocated to developing high level skills	15%	10%
Indicator 2.3.3: Percentage of DGs budget allocated to developing elementary level skills	30%	26%
Indicator 2.4.3: Number of WSPs and ATRs approved for large firms	604	369

Programme 3: Learning programmes

Targets achieved: 60%
Budget spent: 70%

Key [service delivery] indicator not achieved	Planned target	Reported achievement
Indicator 3.2.1: Number of unemployed learners enrolled in learnerships programmes	10 790	6 352
Indicator 3.2.3: Number of unemployed learners granted bursaries (Continuing)	400	36
Indicator 3.2.7: Number of universities students requiring work integrated learning placed in workplaces to complete their qualifications	982	616
Indicator 3.2.8: Number of unemployed learners enrolled skills programmes	4 298	1 715
Indicator 3.2.11: Number of learners enrolled RPL/ARPL	5 000	3 934
Indicator 3.2.14: Number of workers granted bursaries (Continuing)	50	13
Indicator 3.2.15: Number of workers enrolled skills programmes	2 910	1 227
Indicator 3.3.1: Number of unemployed learners completed learnerships programme	7 805	7 578
Indicator 3.3.4 Number of TVET students completed their Work Integrated Learning placements	1 882	735
Indicator 3.3.9: Number of artisan learners completed	1 000	117
Indicator 3.3.10: Number of learners completed RPL/ARPL	1 630	832
Indicator 3.3.11: Number of workers completed learnerships programmes	801	591
Indicator 3.3.12: Number of workers granted bursaries completed their studies	132	75
Indicator 3.3.13: Number of workers completed skills programmes	2 542	538

Material misstatements

23. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information Programme 3: Learning programmes. Management did not correct all of the misstatements, and I reported material findings in this report.

REPORT ON COMPLIANCE WITH LEGISLATION

24. In accordance with the PAA 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.

25. 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.

26. 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.

27. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements and annual report

28. 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.

29. Material misstatements of related parties, financial instrument, contingencies, prior period adjustment, Irregular expenditure, fruitless and wasteful expenditure, intangible assets and DG expenditure identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statement receiving a qualified opinion.

OTHER INFORMATION IN THE ANNUAL REPORT

30. The Accounting Authority is responsible for the other information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.

31. My opinion on the financial statements and my reports on the audit of the annual performance report and 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.

32. 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.

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

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

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

36. 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 various financial statement line items.

37. Oversight of responsibility regarding 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.
38. The public entity did not review and monitor compliance with applicable laws and regulations.
39. Management did not implement adequate reviews to ensure that the reported achievements are valid and accurate and the reason for over or under achievement are supported by the relevant supporting evidence.

MATERIAL IRREGULARITIES

40. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Material irregularities identified during the audit

Payment towards training interventions where contract lapsed/cancelled and no value was received.

41. The Service SETA entered into various sector education and training authority (SETA) funding agreements with various service providers, where the agreement stipulated training interventions as deliverables, meant for learners. As part of these agreements, the service provider was obligated to provide training initiatives, however it was observed through inspection of deliverables submitted to the SETA, that none of the learners were trained or had received certification of the training as those contracts were cancelled after initial tranche payment(s) having been made.
42. This was due to the training intervention not being duly rolled out or implemented by the service providers for the learners to attend. The Service SETA had made payments towards the service providers as per the contractual agreement, but the ultimate deliverable and objective of the interventions (proof of educational advancement) were not delivered to intended learners.
43. There was therefore non-compliance with section 57(b) of the PFMA, which is likely to result in a material financial loss. The full extent of the likely financial loss could not be determined, and the amounts may still be recovered from the responsible parties.
44. The Accounting Authority was notified of the material irregularity on 12 September 2025. The following actions have been taken to resolve the material irregularity:

› An investigation into the material irregularity by the consultant was completed on April 2026 into the commitment schedule.
› Fruitless and wasteful expenditure was identified relating to the investigation performed and the public entity disclosed the amount in the annual financial statements.

45. The Accounting Authority developed plans and implemented actions to resolve the material irregularity. This included discussions plans to assessments of the different actions that can be taken on the building to prevent future losses.
46. I will follow-up on the implementation of the planned actions of consequence management and recovery of financial losses during my next audit.

Material irregularities in progress

47. The material irregularities identified are as follows:
48. I identified material irregularities during the audit and notified the Accounting Authority of this, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the Accounting Authority was not yet due. This material irregularity will be included in next year's auditor's report.

Auditor General

Pretoria

31 July 2026

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The Auditor-General's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-General's responsibility for the audit

Professional judgment and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgment 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 the 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.
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. I am responsible for the direction, supervision and review of audit work performed for purposes of the group audit. I remain solely responsible for my audit opinion.

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.

From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore key

audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

Compliance with legislation - selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 51(1){b}{i); 51(1){b}{ii); 51(1)(e)(iii); 53(4); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56(1); 57(b); 66(3)(c)
Treasury Regulations, 2005	Regulation 8.2.1; 8.2.2; 16A3.2; 16A3.2(a); Regulation 16A6.1; 16A6.2(a); 16A6.2(b); Regulation 16A6.3(a); 16A6.3(a); 16A6.3{b); Regulation 16A6.3(c); 16A6.3{e); 16A6.4; 16A6.5; Regulation 16A6.6; 16A.7.1; 16A.7.3; 16A.7.6; Regulation 16A.7.7; 16A8.3; 16A8.4; 16A9.1{b)(ii); Regulation 16A 9.1{d); 16A9.1(e); 16A9.1{f); Regulation 16A9.2; 16A9.2{a)(ii); 30.1.1; 30.1.3(a); Regulation 30.1.3(b); 30.1.3(d); 30.2.1; 31.2.1; Regulation 31.2.5; 31.2.7{a); 32.1.1(a); 32.1.1(b); Regulation 32.1.1(c); 33.1.1; 33.1.3
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7 A)
Second amendment National Treasury Instruction No. 5 of 2020/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 2020/21	Paragraph 2
National Treasury Instruction No 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Instruction No. 1 of 2021/22	Paragraph 4.1
National Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.1; 4.2(b); 4.3; 4.4; 4.4(a); 4.17; 7.2; Paragraph 7.6
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.4(a); 3.4(b); 3.9
National Treasury SCM Instruction No. 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
Practice Note 11 of 2008/9	Paragraph 2.1; 3.1 (b)
Practice Note 5 of 2009/10	Paragraph 3.3
Practice Note 7 of 2009/10	Paragraph 4.1 .2
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5. 7; 6.1; 6.2; 6.3; Regulation 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; Regulation 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)



Accounting Authority's Responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the 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 were engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data. Services SETA was incorporated on 1 March 2000 and obtained its certificate to commence business on the same day. The Services SETA was established in terms of Section 9(1) of the Skills Development Act, 1998 (Act No. 97 of 1998) as amended. The current licence period ends on 31 March 2030, as per the Government Gazette No. 42589 issued on 22 July 2020.

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

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

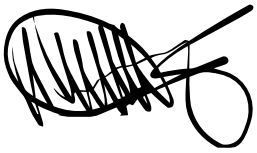
The Accounting Authority acknowledges that it is ultimately responsible for the system of internal financial control established by the Services SETA and places considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the Accounting Authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Services SETA and all employees are required to maintain the highest ethical standards in ensuring the Services SETA's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Services SETA is on identifying, assessing, managing and monitoring all known forms of risk across the Services SETA. While operating risk cannot be fully eliminated, the Services SETA endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The 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 31 March 2027 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.

Although the Accounting Authority is primarily responsible for the financial affairs of the Services SETA, they are supported by the Services SETA's external auditors.

The annual financial statements set out from page 104, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2026 and were signed on its behalf by:



Mr Lehlogonolo Masoga

Administrator/Accounting Authority

31 July 2026

Accounting Authority's Report

The Administrator submits this report for the year ended 31 March 2026.

1. Incorporation

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

2. Review of activities

Main business and operations

The Services SETA is engaged in education and training for the services sector and operates principally in South Africa. 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 31 March 2026, the Services SETA had a surplus of R562 million and that the total assets exceeded total liabilities by R4.099 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 most significant of these are disclosed in note 39 of these financial statements.

4. Subsequent events

The period of administration that was ending 19 August 2026 was extended by the Minister by an additional 5 months.

5. Member's interest in contracts

The Accounting Authority complies with the Services SETA declaration of interest policy annually and during each meeting held.

6. Accounting policies

The annual financial statements in accordance with the prescribed Standards of Generally Recognised

Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

7. Accounting Authority

The Services SETA has been under administration since August 2025. The Administrator has been working solely with the Audit and Risk Committee. The details of the Administrator are as follows:

Name	Nationality	Changes
Mr Lehlogonolo Masoga	South African	Appointed Tuesday, 19 August 2025

8. Corporate governance

General

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

The Services SETA confirms and acknowledges its responsibility to 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 Administrator discusses the responsibilities of management in this respect, at Board meetings and gr. monitors the Services SETA's compliance with the code on a three-monthly basis.

Accounting Authority

The Administrator:

- retains full control over the Services SETA, its plans and strategy;
- acknowledges his responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the Services SETA.

Chairperson and chief executive

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Internal audit

The Services SETA has outsourced its internal audit function to Lunika Inc who have been retained through the procurement process. This is in compliance with the Public Finance Management Act, 1999.

9. Bankers

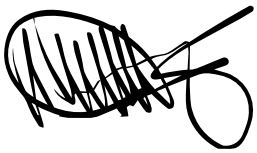
- Standard Bank of South Africa (operational requirements)
- South African Reserve Bank (investment of surplus funds)

10. Auditors

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

11. Approval

The annual financial statements set out on page 104, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2026 and were signed on its behalf by:



Mr Lehlogonolo Masoga

Administrator/Accounting Authority

ANNUAL FINANCIAL STATEMENTS

Statement of Financial Position

Figures in Rand thousand	Note(s)	2026	2025 Restated*
ASSETS			
Current Assets			
Inventories	4	224	121
Receivables from exchange transactions	5	3 379	2 475
Receivables from non-exchange transactions	6	3 505	3 681
Prepayments	7	955 495	8 961
Cash and cash equivalents	8	3 457 410	4 099 062
		4 420 013	**4 114 300**
Non-Current Assets			
Property, plant and equipment	9	185 934	181 953
Intangible assets	10	25 683	25 846
		211 617	**207 799**
Non-Current Assets		211 617	207 799
Current Assets		4 420 013	4 114 300
Total Assets		**4 631 630**	**4 322 099**
LIABILITIES			
Current Liabilities			
Payables from exchange transactions	11	45 094	51 134
Payables from non-exchange transactions	12	391 539	589 251
Donor funding unspent liability	13	16 085	19 368
Provisions	14	64 677	119 579
Obligation	15	1 533	3 066
		518 928	**782 398**
Non-Current Liabilities			
Employee benefit cost	15	13 609	11 442
Non-Current Liabilities		13 609	11 442
Current Liabilities		518 928	782 398
Total Liabilities		**532 537**	**793 840**
Assets		4 631 630	4 322 099
Liabilities		(532 537)	(793 840)
Net Assets		**4 099 093**	**3 528 259**
Reserves			
Revaluation reserve	16	17 727	7 257
Employer Grant Reserve	17	2 331	1 474
Administration reserve	17	82 525	81 659
DG reserve	17	3 996 508	3 437 870
Total Net Assets		**4 099 091**	**3 528 260**

(Registration number SETA 21) Trading as Services SETA
Annual Financial Statements for the year ended March 31, 2026

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2026	2025 Restated*
REVENUE			
Revenue from exchange transactions			
Other income	18	1 022	7 264
Interest received - investment	20	283 361	280 656
Total revenue from exchange transactions		**284 383**	**287 920**
Revenue from non-exchange transactions			
Transfer revenue			
Skills Development levy income	21	2 207 361	2 087 577
Skills Development levy: Penalties and interest	22	27 516	31 562
Other income: Non-exhange	24	13 284	34 799
Total revenue from non-exchange transactions		**2 248 161**	**2 153 938**
		284 383	287 920
		2 248 161	2 153 938
Total revenue	25	**2 532 544**	**2 441 858**
EXPENDITURE			
Debt Impairment - other		(130)	-
Employer grants and project expenditure	31	(1 606 293)	(1 501 813)
Loss on sale of assets	23	(63)	(394)
Administration Expenses	26	(363 752)	(336 272)
Total Expenditure		**(1 970 238)**	**(1 838 479)**
Surplus before taxation		562 306	603 379
Taxation		-	-
Surplus for the year		**562 306**	**603 379**

Statement of Changes in Net Assets

Figures in Rand thousand	Revaluation reserve	Employer Grant reserve	Administration Grant reserve	Discretionary Grant reserve	Total reserves	Accumulated surplus/ deficit	Total net assets
Opening balance as previously reported adjustments	4 954	1 482	66 054	2 790 896	2 863 386	-	2 863 386
Prior year adjustments 37	-	-	-	59 189	59 189	-	59 189
Balance at 1 April 2024 as restated*	**4 954**	**1 482**	**66 054**	**2 850 085**	**2 922 575**	**-**	**2 922 575**
Changes in net assets							
Surplus for the year	-	-	-	-	-	603 379	603 379
Application of unappropriated surplus/(deficit)	-	259 709	(55 410)	399 083	603 382	(603 382)	-
Reallocation of unappropriated surplus/(deficit)	-	(259 717)	71 015	188 702	-	-	-
Fair value adjustment	2 303	-	-	-	2 303	-	2 303
Total changes	2 303	(8)	15 605	587 785	605 685	(3)	605 682
Restated* Balance at 1 April 2025 as restated*	**7 257**	**1 474**	**81 659**	**3 437 870**	**3 528 260**	**-**	**3 528 260**
Changes in net assets							
Surplus for the year	-	-	-	-	-	562 306	562 306
Application of unappropriated surplus/(deficit)	-	273 408	(73 209)	362 110	562 309	(562 309)	-
Reallocation of unappropriated surplus/(deficit)	-	(272 551)	74 075	198 476	-	-	-
Fair value adjustment	10 470	-	-	-	10 470	-	10 470
Opening balance movement on ECL	-	-	-	(1 948)	(1 948)	-	(1 948)
Total changes	10 470	857	866	558 638	570 831	(3)	570 828
Balance at 31 March 2026	**17 727**	**2 331**	**82 525**	**3 996 508**	**4 099 091**	**(3)**	**4 099 088**
Note(s)	16	17	17	17			

(Registration number SETA 21) Trading as Services SETA
Annual Financial Statements for the year ended March 31, 2026

Cash Flow Statement

Figures in Rand thousand	Note(s)	2026	2025 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants		2 236 284	2 125 901
Interest Income		283 388	281 597
Other receipts		1 321	1 005
		2 520 993	**2 408 503**
Payments			
Employee costs		(246 124)	(224 803)
Administration expenses		(217 746)	(198 342)
Employer grant and project expenditure		(2 679 724)	(1 050 450)
		(3 143 594)	(1 473 595)
Total receipts		2 520 993	2 408 503
Total payments		(3 143 594)	(1 473 595)
Net cash flows from operating activities	32	**(622 601)**	**934 908**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(14 007)	(28 684)
Purchase of other intangible assets	10	(5 044)	(17 992)
Net cash flows from investing activities		**(19 051)**	**(46 676)**
Net increase/(decrease) in cash and cash equivalents		**(641 652)**	**888 232**
Cash and cash equivalents at the beginning of the year		4 099 062	3 210 830
Cash and cash equivalents at the end of the year	8	**3 457 410**	**4 099 062**

The accounting policies on pages 109-126 and the notes on pages 127-173 form an integral part of the annual financial statements.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand thousand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	-	1 216	**1 216**	1 022	**(194)**	19 &42
Interest received - investment	250 000	36 932	**286 932**	283 361	**(3 571)**	20 &42
Total revenue from exchange transactions	**250 000**	**38 148**	**288 148**	**284 383**	**(3 765)**	
Revenue from non- exchange transactions						
Transfer revenue						
Skills development levy -income	2 138 338	62 066	**2 200 404**	2 207 361	**6 957**	21 &42
Skills development levy -Interest & Penalties	-	-	-	27 519	**27 519**	22 &42
Other income - non exchange	-	-	-	13 284	**13 284**	24 &42
Total revenue from non- exchange transactions	**2 138 338**	**62 066**	**2 200 404**	**2 248 164**	**47 760**	
Total revenue from exchange transactions	250 000	38 148	**288 148**	284 383	**(3 765)**	
Total revenue from non-exchange transactions	2 138 338	62 066	**2 200 404**	2 248 164	**47 760**	
Total revenue	**2 388 338**	**100 214**	**2 488 552**	**2 532 547**	**43 995**	
Expenditure						
Debt Impairment - Other	-	-	-	(130)	**(130)**	
Employer grants and project expenditure	(2 630 414)	(53 937)	**(2 684 351)**	(1 606 293)	**1 078 058**	31 &42
Administration expenses	(469 761)	53 937	**(415 824)**	(363 751)	**52 073**	26 &42
Total expenditure	**(3 100 175)**	**-**	**(3 100 175)**	**(1 970 174)**	**1 130 001**	
	2 388 338	100 214	**2 488 552**	2 532 547	**43 995**	
	(3 100 175)	-	**(3 100 175)**	(1 970 174)	**1 130 001**	
Operating surplus	**(711 837)**	**100 214**	**(611 623)**	**562 373**	**1 173 996**	
Loss on disposal of assets	-	-	-	(63)	**(63)**	
	(711 837)	100 214	**(611 623)**	562 373	**1 173 996**	17 &42
	-	-	-	(63)	**(63)**	
Surplus before taxation	**(711 837)**	**100 214**	**(611 623)**	**562 310**	**1 173 933**	
Deficit before taxation	(711 837)	100 214	**(611 623)**	562 373	**1 173 996**	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(711 837)**	**100 214**	**(611 623)**	**562 373**	**1 173 996**	

The Services SETA got an approval to retain the surplus accumulated from 2023/24 financial year for R2.7 billion.

The amount will be used over the MTEF period through approval of the budget. For the budget approved for 2025/26 financial year, the Services SETA budgeted for a deficit of R769 million which was covered through the utilisation of surplus approved for the budget of 2025/26 financial year.

Significant Accounting Policies

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

1.1. Basis of preparation

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.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These annual financial statements are presented in 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.

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.

Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and building which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land and Buildings are revalued every three years, with the residual value assessed on an annual basis in order to identify any significant changes to the properties

Revaluations

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

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 surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Significant Accounting Policies

Depreciation

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

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.

Infrastructure work-in-progress (WIP)

Infrastructure work-in-progress represents the cost of assets under construction or development.

Costs that are directly attributable to the construction of infrastructure projects and other assets are capitalised as part of work-in-progress. These costs include:

» Direct materials and labour;

» Professional fees; and

» Other costs directly attributable to bringing the asset to the location and condition necessary for it to operate as intended by management.

Work-in-progress is not depreciated as it is not yet available for use.

Work-in-progress is transferred to the appropriate beneficiary when the asset is completed and ready for its intended use.

Where construction of a project is interrupted or abandoned, the related costs are reviewed for impairment in accordance with the entity's policy on impairment of non-cash-generating assets. Any impairment loss is recognised immediately in surplus or deficit.

The Services SETA separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 26).

1.6 Intangible assets

An asset is identifiable if it either:

» is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or

» arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the 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.

Significant Accounting Policies

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.

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

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.
- the expenditure attributable to the asset during its development can be measured reliably.

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

Amortisation

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

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.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values.

The Services SETA discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

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 Impairment of Non-Cash-Generating Assets

The Services SETA assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If such an indication exists, the entity estimates the recoverable service amount of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Indications of impairment may include, but are not limited to:

- Significant decline in the asset's service potential;
- Evidence of physical damage or obsolescence;
- Significant changes in the technological, legal or social environment;
- A decision to halt the construction of the asset; or
- Evidence that the asset's service performance is or will be worse than expected.

Recoverable service amount is the higher of:

- Fair value less costs to sell;
- Value in use ;
- Value in use for non-cash-generating assets is determined using one of the following approaches ;
- Depreciated replacement cost approach;
- Restoration cost approach; or
- Service units approach.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable service amount. The reduction is recognised as an impairment loss in surplus or deficit. Depreciation or amortisation charge is adjusted to allocate the asset's revised carrying amount over its remaining useful life.

Reversal of impairment losses

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

If such indication exists, the entity estimates the recoverable service amount. An impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

Significant Accounting Policies

1. 8 Receivables

Receivables is money owed to the Services SETA, recorded as an asset. This reflects the rights of Services SETA to collect payments in the future from third parties.

The Services SETA is not in the business of providing goods or services on credit that would result in a debtors book.

Below is the nature of activities that results in Services SETA having to raise receivables:

Receivables from exchange

Staff receivables - per the Services SETA bursary staff members are obligated to serve the organisation for a specified period in line with the bursary awarded.

Should the staff fail to remain in the employment of the Services SETA for a specified period, the cost paid on behalf of the staff member becomes due and payable.

Accrued income - this is interest earned on the bank balances that is actually received at the beginning of the following month.

Staff cash advance - this is funds given to staff members for incurring costs while travelling on official business. This linked to the Travel and Accommodation Policy that states that a staff member has 60 days to submit claims to show how funds were used before they are recovered from staff members' salaries.

Advances - this is petty cash issued to units within the organisation for use for expenditure below the SCM threshold of R2000. If at month end/year-end funds requested have not been expensed, a receivable is raised.

MG refund receivables - Services SETA submits its annual WSP/ATR linked to the levies it contributes. The ETDP SETA provides schedules at the end of the financial year for all funds still due to the organisations but not yet paid.

Deposits - Services SETA owns properties in seven locations across the country, for use of municipal services deposits are made. The expectation is for the funds to be returned to the SETA should the properties be disposed of or be used to clear final account with the municipality.

Other receivables - Transactions with service providers that may result in overpayment or payments without adequate supporting documents are raised as receivables. The receivable that is then recovered from engagements with the provider or from new invoices. Any debt with no prospect of recovery are then handed over to legal for formal recovery proceedings to occur

Receivables from non-exchange

MG receivables - Per the Grant regulation, SETAs are required to refund employers that pay levies 20% based on approved ATR/WSP submissions. Monthly the employer balances are assessed for any SARS reversals, any account with a debit balance is reallocated from the payable into a receivable account

Inter-SETA receivables (MG) - When new employers start contributing levies their allocation to sectors may be unknown or the employer may change the sector that they operates in. When the sector is known, all SETAs are required to transfer the levies received for that employer to the relevant SETA the employer belongs to.

DG receivables - This relates to payments made to DG implementing providers wherein it may have resulted in an overpayment or payment done without supporting documents. The Services SETA will raise a receivable that is then recovered from the next claim by the implementing partner. Any debt with no prospect of recovery is then handed over to legal for formal recovery proceedings to occur.

DG bursary receivables - Bursary funding for students is made directly to institutions or through intermediaries. Once payments are made updated fee statements from institutions are requested to confirm allocation of funding.

Engagements are held with institutions for agreement on how the credit balances can be cleared, preferably through allocation to other students with debts.

1.9 Financial instruments

Services SETA recognises a financial asset or financial liability when, and only when, it becomes a party to the contractual or statutory provisions of the instrument.

Recognition

The entity recognises a financial asset or financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Classification

On initial recognition, the entity classifies financial assets as subsequently measured at amortised cost or at fair value through surplus or deficit on the basis of both:

» the entity's management model for managing the financial assets; and
» the contractual cash flow characteristics of the financial asset.

Significant Accounting Policies

A financial asset is measured at amortised cost if both of the following conditions are met:

(a) the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are subsequently measured at amortised cost, except where designated at fair value through surplus or deficit on initial recognition.

Initial measurement

Financial assets and financial liabilities are measured at initial recognition at fair value plus, in the case of an instrument not measured at fair value through surplus or deficit, transaction costs directly attributable to the acquisition or issue of the instrument.

Receivables and payables that do not contain a material financing transaction are measured at the transaction price on initial recognition.

Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest method. Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of the financial asset, except for credit-impaired financial assets, where the effective interest rate is applied to the amortised cost.

For short-term receivables and on-demand cash balances, face value is taken as a reasonable approximation of amortised cost because the effect of the time value of money is immaterial.

Impairment - expected credit losses

The entity recognises a loss allowance for expected credit losses on financial assets measured at amortised cost.

Cash and cash equivalents: The entity has assessed credit risk on cash and cash equivalents as remote. Counterparties are major South African banks rated investment grade and supervised by the South African Reserve Bank under the Banks Act, 1990. The deposit insurance protection administered by the Corporation for Deposit Insurance further mitigates loss given default. No ECL allowance is recognised, and this position is reviewed annually.

Receivables under the simplified approach: The entity always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and other receivables arising from exchange transactions and non exchange transactions (staff receivables, advances, other receivables, DG bursary receivables and DG projects receivables). A provision matrix is used, segmented by ageing band.

Receivables under the general approach: For deposits (refundable) the entity recognises a 12-month expected credit loss where credit risk has not increased significantly since initial recognition, and a lifetime expected credit loss where credit risk has increased significantly or the asset is credit-impaired.

Significant Accounting Policies

1.9 Financial instruments (continued)

Low credit risk simplification: The entity assumes that credit risk on a financial asset has not increased significantly since initial recognition if the asset is determined to have low credit risk at the reporting date. This simplification is applied to refundable deposits held with municipal and reputable lessor counterparties.

Forward-looking information: In measuring expected credit losses, the entity incorporates reasonable and supportable forward-looking information through a five-factor weighted probability of default overlay covering:

- gross domestic product growth;
- interest rates;
- inflation;
- public- entity payment levels; and
- internal credit-control changes.

The resulting weighted Stage 1 probability of default is applied as an uplift to base ageing-bucket probabilities of default in the provision matrix.

Significant increase in credit risk: There is a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. The entity also assesses qualitative information including counterparty engagement status, disputes, and handover to legal.

Write-off: Gross carrying amounts are written off directly when the entity has no reasonable expectation of recovering the financial asset. A write-off is treated as a derecognition event.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, are settled or waived, or when the entity transfers substantially all the risks and rewards of ownership of the asset.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires. An exchange of debt instruments with substantially different terms is accounted for as an extinguishment of the original liability and the recognition of a new liability.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when the entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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 (excluding prepayment)	Financial asset measured at amortised cost
Receivable from non-exchange (DG)	Financial asset measured at amortised cost

Significant Accounting Policies

1.9 Financial instruments (continued)

Cash and cash equivalent	Financial asset which comprises 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 measured at amortised cost

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

Class	Category
Payables from exchange (excluding employee related costs)	Financial liability measured at amortised cost
Payable from non-exchange (DG)	Financial liability measured at amortised cost

1.10 Inventories

Inventories, comprising of stationery are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories, comprising of stationery are measured at the lower of cost and current replacement cost as 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.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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.

When inventories are issued, the costs of those inventories are recognised as an expense (utilised) in the period in which the consumption occurs.

1.11 Cash and cash equivalents

Cash comprises cash on hand and current account balances.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks which are available on demand.

Significant Accounting Policies

1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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 (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgments made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

- Cash-generating assets are assets held and used with the objective of generating a commercial return, where the cash inflows from their continuing use are expected to be largely independent of the cash inflows from other assets.
- Non-cash-generating assets are assets held primarily for service delivery rather than to generate a commercial return. Their use is intended to provide goods or services to beneficiaries or the public, rather than generate positive cash inflows.

1.13 Reserves

Reserves are sub-classified in the financial position between the following funds:

- Administration reserve
- Employer grant reserve
- Discretionary reserve
- Revaluation reserve

This sub-classification is 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 levies are set aside in terms of the Skills Development Act and the regulations issued in terms of the Act. Interest and penalties received from SARS and interest received on investments are utilised for DGs and projects. Other income received are utilised in accordance with the original source of the income.

Significant Accounting Policies

1.13 Reserves (continued)

The net surplus/deficit is allocated to the discretionary fund reserve in terms of the Grant Regulations. The administration reserve comprises 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 them.

1.14 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.

In terms of the SETA Grant Regulation, mandatory grant payables are allocations made to employers that have submitted an application for a Workplace Skills Planning and Annual Training Report grant in accordance with the requirements of the regulation and prescribed format. The grant must be claimed be the employer within the regulation prescribed period, the Services SETA then transfers unclaimed grant funds to the DG reserve.

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.

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

1.15 Donor funding liability

Revenue received from conditional grants are recognised as revenue to the extent that the Services SETA has complied with the conditions embodied in the agreement. To the extent that the conditions have not been met, a liability is recognised.

1.16 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.

Significant Accounting Policies

1.16 Provisions and contingencies (continued)

Provisions - 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. The provision remains in the accounting records of Services SETA for a period of five years and thereafter is written off as per the requirements of the Tax Administration Act

Provision - DG expenditure

At each financial year-end, the Services SETA evaluates the uncertainty of timing and amount of expenditure transactions to determine correct classification. The analysis is on tranches with milestones that are partially achieved at the end of the financial year. The partial achievement would create an obligation for Services SETA to settle. Using the tranche model for milestones the Services SETA makes the best estimations of the probable outflow of economic benefits.

Contingencies - litigations

The Services SETA discloses litigation matters that are open at the end of each financial year. The estimates are based on information from law firms and the Services SETA legal representative.

Contingencies - retention of surplus funds

The SETA Grant Regulation defines a surplus as a favourable residual balance in the statement of financial performance for the financial year ending on 31 March less current liabilities and commitments to training of learners in programmes funded from discretionary funds. The accumulated surpluses not used in a specific financial year are swept into the DG reserve for future project implementation.

1.17 Commitments

Commitments are unrecognised contractual obligations arising from binding agreements that will result in a future outflow of resources embodying economic benefits or service potential, where the related goods or services have not yet been received and a liability does not yet meet the recognition criteria in the applicable Standards of GRAP. Commitments are disclosed in the notes to the financial statements and are not recognised in the statement of financial position.

The Services SETA has operational and DG projects commitments that are regarded to meet the definition of a commitment and are further described below.

DG Project - Commitment

DG project commitments arise from written contractual agreements entered into between the Services SETA and a third party for the implementation of DG projects, in accordance with the SETA Grant Regulations promulgated under the Skills Development Act.

At each reporting date, the contractual obligation in respect of each agreement is assessed as follows:

(a) where the third party has fully performed the contracted milestone, the amount due is recognised as a payable from non-exchange transactions (note 10) or as an accrual, in line with policy 1.15;

(b) where the third party has partially performed a milestone at the reporting date, a provision is recognised in line with policy 1.18, using the tranche/milestone model to estimate the probable outflow; and

Significant Accounting Policies

1.17 Commitments (continued)

(c) the remaining portion of the contract value - relating to milestones that have not been delivered and are not yet due at the reporting date - does not meet the recognition criteria of a liability or a provision and is therefore disclosed as a commitment in the notes to the financial statements.

Contracts that have expired at the reporting date, or that have been cancelled in writing in terms of the Grant Regulations, are removed from the commitment schedule. The disclosure reflects undiscounted contractual amounts,

Operational Commitment

Operational and capital commitments comprise non-cancellable contracts entered into for goods and services (operational) or for the acquisition of property, plant and equipment or intangible assets (capital) that are for use by the Services SETA in the ordinary course of operations. They include:

(a) fixed-amount contracts that extend beyond the current reporting period;

(b) the fixed-amount element of contracts with both a fixed and rate-based portion, where the rate-based portion is measurable

(c) approved requests for quotation (RFQ) and purchase orders that remain open at the reporting date.

1.18 Revenue from exchange transactions

The type of revenue from exchange that the Services SETA currently receives is investment income, mandatory grant refund and insurance recoveries.

Measurement

All revenue is measured at the fair value of the consideration received or receivable.

Interest income

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or nonexchange transactions is classified based on the nature of the underlying transaction.

1.19 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity 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 is calculated according to the most recent Standard Operating Procedure as issued by the DHET.

Skills Development Levy

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

Significant Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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 SDL income is measured at the actual consideration received or receivable.

Levies - interest and penalties

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

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.21 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 complied 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.

DG and project expenditure

The funding for DGs and project stems from the 49.5% of the total levies paid by employers, mandatory grant that employers do not claim, the surplus of administration levies not utilised, investment income and other income generated by Services SETA not utilised at year-end.

The Services SETA allocates DG to employers, education and training providers who have submitted an application for DG in the prescribed form within the agreed-upon cut-off period.

The grant allocation consist of costs related 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.

A maximum of 7.5% of the DG funding shall be allocated to support the implementation of DG projects. The support costs shall be in line with the administration costs as defined by the Grant Regulations.

Administrative expenditure

The funding for administrative expenditure is derived from 10.5% of the total levies paid by the employers and investment income earned during each financial year. Administration expenses consist of the operational expenditure incurred by the Services SETA. Operational expenditure includes employee costs for non-project implementation units, consulting costs, operational travel and capital expenditure, amongst others.

Significant Accounting Policies

1.22 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling legislation, regulations, frameworks, circulars, instruction notes, practice notes, guidelines, etc. (as applicable).

The Services SETA discloses fruitless expenditure as and when transactions that meet the definition are identified. The expenditure is tracked on a fruitless and wasteful expenditure schedule. The process for determination, assessment, recommendation, recovery and removal is detailed in the Loss Control Function policy and standard operating procedure.

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 when recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

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

(a) PFMA

(b) Treasury Regulation

(c) Grant Regulation, or

(d) Any other relevant legislative prescripts

Per the Services SETA Loss Control Policy and Procedure, the entity must institute an investigation into the occurrence of the irregular expenditure within 30 days from being identified and report the outcome of the investigation to the governance structures within 3 months.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury, or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must, thereafter, be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or Accounting Authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.24 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 2025/04/01 to 2026/03/31.

Significant Accounting Policies

1.24 Budget information (continued)

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

1.25 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 Authority, 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.

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.

1.26 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.

1.27 Significant judgments and sources of estimation uncertainty

In preparing the annual financial statements, management is required to apply judgment and make estimates and assumptions that affect the amounts recognised in the annual financial statements and related disclosures. These judgments, estimates and assumptions are based on historical experience, current information available and other factors considered relevant under the circumstances. Actual results may differ from these estimates and such differences may be material to the annual financial statements

Significant judgment is applied in assessing the appropriate accounting treatment of transactions and balances where the requirements of the Standards of GRAP require management to evaluate the substance of the underlying facts and circumstances. Significant judgment applied by management includes, among others:

» the assessment of whether DG-related obligations at reporting date should be recognised as accruals/payables, provisions or disclosed as commitments, based on contractual terms, tranche milestones, performance to date and evidence of delivery at reporting date;

» the assessment of whether conditional funding received has met the recognition criteria for revenue or should remain recognised as a donor funding liability;

Significant Accounting Policies

1.27 Significant judgments and sources of estimation uncertainty (continued)

- the assessment of whether litigation and other claims should be recognised as provisions or disclosed as contingent liabilities, based on legal advice and the probability of an outflow of economic benefits; and
- the assessment of the recoverability of receivables arising from non-exchange transactions, including bursary-related receivables and mandatory grant-related receivables.

Other significant judgments, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Key sources of estimation uncertainty - The principal assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in subsequent reporting periods, include the following:

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

Management reassesses useful lives, residual values and amortisation/depreciation periods at each reporting date. This includes consideration of assets that remain in use although their carrying amounts are low or fully depreciated/amortised. Changes in these estimates are accounted for prospectively as changes in accounting estimates.

DG expenditure provisions

The provision for DG expenditure is estimated based on contractual obligations, progress against milestones, partial fulfilment of project deliverables and the best estimate of expenditure incurred but not yet invoiced or processed at reporting date. Additional details regarding the estimates are included in note 14 -Provisions.

Impairment of receivables

- Management assesses whether objective evidence of impairment exists for receivables and estimates expected recoverable amounts with reference to available supporting information, debtor status and recovery history.

Litigation and claims

Estimates relating to litigation matters are based on the latest available information, including written confirmations from legal representatives, and involve judgment regarding the probability, timing and amount of potential outflows.

Service awards benefit provision

The service awards benefit obligation is measured in accordance with GRAP 25 using valuation techniques and assumptions determined with the assistance of experts. The valuation is sensitive to assumptions such as discount rates, employee turnover, future salary or benefit trends where applicable, retirement age, and expected qualifying service periods. Changes in these assumptions may materially affect the amount of the provision recognised.

Impairment - expected credit losses (ECL)

- The Services SETA measures expected credit losses (ECL) on financial assets measured at amortised cost using the requirements in GRAP 104.5.17-5.35. Financial assets measured at cost (i.e. investments in residual interests where fair value cannot be measured reliably). ECL measurement involves significant judgment, including in:

Significant Accounting Policies

- defining "default" and segmenting exposures into appropriate groups;
- estimating probabilities of default, loss given default and exposures at default;
- assessing the impact of collateral and other credit enhancements; and
- incorporating forward-looking information and any post-model adjustments where model outputs do not fully capture emerging risks.

1.28 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.29 Prepayments - Bursaries

Recognition

Bursary payments made in advance to educational institutions or beneficiaries for future academic periods are recognised as prepayments (current assets) where:

- Payment is made before the reporting date;
- Payment for services made in advance of Services SETA obtaining a right to access those services;
- And the related educational services or obligations will be fulfilled in a future reporting period.
- The prepayment is recognised only when the entity has a contractual or enforceable right to receive the future economic benefit or service potential associated with the bursary funding arrangement.

Measurement

Prepayments for bursaries are initially measured at cost, being the amount paid to the institution or beneficiary.

Subsequent to initial recognition, the prepayment is carried at cost less any impairment losses where recovery of the amount is doubtful.

Expense Recognition

Bursary expenditure is recognised in surplus or deficit when:

- The student registers or attends during the academic period for which the bursary relates;
- The institution renders the educational services; or
- The conditions attached to the bursary funding have been substantially fulfilled.

Significant Accounting Policies

1.29 Prepayments - Bursaries (continued)

» Amounts relating to future academic periods remain recognised as prepayments until the related services are received or conditions are met.

Impairment and Recoverability

At each reporting date, management assesses whether there is objective evidence that a bursary prepayment may not be recoverable, including:

» Student deregistration or non-attendance;

» Cancellation of studies ,breach of bursary agreement conditions; or

» Disputes with educational institutions.

Where recovery is no longer probable, the unrecoverable amount is recognised as an impairment loss or bursary expenditure in surplus or deficit.

Derecognition

Prepayments are derecognised when:

» The related bursary expense is recognised;

» The right to future service potential expires; or

» The amount is refunded or written off.

1.30 Employee benefits

Identification

Employee benefits

The Services SETA provides service awards to qualifying employees based on completed years of service. Service awards are classified as other long-term employee benefits in accordance with GRAP 25 where they are not expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service.

The obligation for service awards is recognised as employees render services that increase their entitlement to the benefit. The obligation is measured at the present value of the expected future payments in respect of services rendered by employees up to the reporting date.

The service awards obligation is determined using actuarial or other appropriate valuation techniques, with the assistance of experts where necessary. The valuation takes into account assumptions such as discount rates, future salary increases where applicable, employee turnover, retirement age, mortality and the probability of employees meeting the vesting conditions attached to the awards.

Actuarial gains and losses and changes arising from experience adjustments or changes in actuarial assumptions are recognised in surplus or deficit in the period in which they arise. The current portion of the service awards obligation expected to be settled within twelve months after the reporting date is recognised as a current liability. The balance is recognised as a non-current liability.

Management remains responsible for the appropriateness of the assumptions, methodology and employee data used in the valuation of the service awards obligation.

Significant Accounting Policies

1.30 Employee benefits (continued)

- Short-term employee benefits
- Recognition and measurement
- All short-term employee benefits

When an employee has rendered service to the Services SETA during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) As a liability (accrued expense), after deducting any amount already paid. Any Amount due for the service awards in the next 12 months will be recognised as liability at the end of the reporting period.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Other long-term employee benefits

Recognition and measurement

Service awards are classified as other long-term employee benefits where they are not expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service. The obligation in respect of service awards is recognised as employees render services that increase their entitlement to the award. The obligation is measured at the present value of the expected future payments in respect of services rendered by employees up to the reporting date.

1.31 Leases

The Services SETA leases office space, equipment and other assets under operating lease arrangements. These leases do not transfer substantially all the risks and rewards incidental to ownership and are classified as operating leases. The majority of leases are short-term or cancellable. There are no contingent rents or subleases separately.

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.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 104 (as revised)	Effective date: Years beginning on or after	Expected impact:
GRAP 104 (as revised): Financial Instruments	1 April 2025	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements

2.2 Standards and interpretations issued, but not yet effective

The Services SETA has not applied the following standards and interpretations, which have been published and are mandatory for the Services SETA's accounting periods beginning on or after 1 April 2026 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 2023 Improvements to the Standards of GRAP 2023	2027/04/01	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	2027/04/01	Unlikely there will be a material impact

Notes to the Annual Financial Statements

3. Transition disclosure - Change in accounting policy

Adoption of revised GRAP 104

The Standard of GRAP on Financial Instruments (GRAP 104), as revised and issued by the Accounting Standards Board in April 2019, has been adopted by the entity in the current reporting period in terms of the effective date prescribed in paragraph 9.2 of the Standard. The Standard is effective for annual reporting periods commencing on or after 1 April 2025.

The revised GRAP 104 supersedes the previous Standard of GRAP on Financial Instruments issued in October 2009.

Transition method elected

A revised Standard retrospectively in accordance with GRAP 3 'Accounting Policies, Changes in Accounting Estimates and Errors', subject to the practical expedients and exemptions prescribed in Directive 4 of the Accounting Standards Board, paragraphs .118 to .126M.

Comparative figures for the period ended 31 March 2025 have not been restated. The cumulative effect of initial application is recognised as an adjustment to the opening balance of accumulated surplus at 1 April 2025.

Practical expedients applied (Directive 4)

Paragraph .118 - The Standard has been applied to financial assets and financial liabilities that were not derecognised at the date of initial application.

Paragraph .121 - The classification of financial assets at amortised cost has been determined on the basis of the facts and circumstances that existed at the date of initial adoption.

Paragraph .122 - The entity has confirmed that no financial assets meet the definition of 'held for trading' at the date of initial adoption.

Paragraphs .123 - .124 - Impracticability exemptions were not invoked.

Paragraphs .126A - .126C - No new designations or revocations at fair value through surplus or deficit were made at the date of initial adoption.

Effect of adoption on opening accumulated surplus at 1 April 2025

The following adjustments were recognised against opening accumulated surplus on 1 April 2025:

Description	Carrying amount under previous GRAP 104(increase/ (decrease) incurred loss model) 31 March 2025	Effect on the transition to ECL model (increase / decreased)	Carrying amount GRAP 104 (Revised 2019)
Cash and cash equivalents	4 099 062	-	4 099 062
Deposits (refundable)	189	(2)	187
Other receivables	427	(2)	425
Staff receivables	193	(30)	163
DG bursary receivable	2 894	(1 914)	980
Net adjustment to opening accumulated surplus	**4 102 765**	**(1 948)**	**4 097 923**

The transition adjustments do not affect the classification of financial liabilities, which continue to be measured at amortised cost.

No transition adjustment was recognised in respect of cash and cash equivalents. The Services SETA has assessed credit risk on this class as remote (see note 8 cash and cash equivalents). The previous carrying amount accordingly continues unchanged under the revised Standard.

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025
4. Inventories		
Stationery	224	121
4.1 Inventory reconciliation		
Opening balance	121	237
Acquisition during the year	264	183
Consumption during the year	(161)	(299)
	224	**121**
5. Receivables from exchange transactions		
Staff Receivables	192	160
Deposits	247	189
Accrued Investment Income	1 801	1 827
Other receivables	968	-
MG Refund Receivables	171	299
	3 379	**2 475**
Receivables from exchange transactions	**3 379**	**2 475**
Total Receivables from exchange transactions	**3 379**	**2 475**
Split between non-current and current portions		
Split between financial instruments and non-financial instruments		
Other non-financial instruments related	363	459
Carrying amount of non-financial instruments	363	459
Carrying amount of financial instruments	3 016	2 016
Total split between financial instruments and non-financial instruments	**3 379**	**2 475**
Split of carrying amount of financial instruments into categories		
Financial assets measured at amortised cost	3 016	2 016

Staff bursary debt arises where staff awarded a bursary under the Services SETA's bursary policy do not serve the required period of employment. The cost paid by the entity on behalf of the staff member becomes due and payable. Recovery is pursued through payroll deduction for current employees and through legal proceedings for former employees.

Other receivables arise from transactions with service providers that result in overpayments or payments without adequate supporting documents. These are recovered through engagement with the service provider, offset against future invoices, or escalation to legal recovery.

Receivables from exchange transactions are classified at amortised cost. Lifetime expected credit losses are recognised in terms of the simplified approach. The loss allowance is calculated using a provision matrix segmented by ageing band, with bucket-specific probabilities of default adjusted for forward-looking information as described in note 38.

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025
5. Receivables from exchange transactions (continued)		

Financial instrument disclosure

Additional information on the financial instrument components of this note, as required by GRAP 104, is provided in note 38 Financial Instruments - Risk Management and Other Disclosures.

Receivables from exchange transactions comprise:

Class		
Deposits	249	189
Other receivables - external	1 045	-
Accrued Investment Income	1 801	1 827
Allowance for ECL - Other receivable	(78)	-
Allowance for expected credit loss - Deposit	(2)	-
	3 015	**2 016**

6. Receivables from non-exchange transactions

DG bursary receivable	982	2 894
Inter-SETA transfer receivable	455	466
Mandatory grants receivable - SARS adjustment	111	321
DG projects receivable	1 957	-
Total Receivables from non-exchange transactions	**3 505**	**3 681**

Split between current and non-current portions

The previously stated figure for receivables from non-exchange in FY2024-25 was R17 000. Refer to note 37 for details.

DG bursary receivable - there was assessment of statements of bursars who were previously funded to establish allocation of payments to the bursars. Historically, there were delays in verification of documents to support payments which resulted in bursars finding alternative funding avenues. This resulted in Services SETA payments being partially utilised and a portion being refundable to Services SETA. Refer to note 38 on the assessment of risk of recovery.

Mandatory grant receivable reconciliation - Mandatory grants receivable arise 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 Service SETA to the employer concerned. Provision for bad debt is raised for entities that have become dormant or indicated to be undergoing liquidation proceedings.

Split between financial instruments and non-financial instruments

Other non-financial instruments related	566	787
Carrying amount of non-financial instruments	566	787
Carrying amount of financial instruments	2 939	2 894
Total split between financial instruments and non-financial instruments	**3 505**	**3 681**
Split of carrying amount of financial instruments into categories		
Financial assets measured at amortised cost	2 939	2 894

Receivables from non-exchange transactions comprise amounts arising from the SDL framework and DG funding arrangements.

The financial-instrument component of these receivables (i.e. the contractual right to receive cash or services from the counterparty institution).

The DG bursary receivable represents credit balances with higher education institution and with bursary intermediaries arising from over-disbursement of bursary funding allocated to learners who did not complete or required less funding than originally disbursed. Recovery is being pursued through reallocation to other learners with debts at the same institutions.

The DG project receivable, recognised in the current year, represents Tranche 1 overpayments to seven implementing providers under contracted DG projects. Recovery is being pursued through offset against future tranche claims. No write-offs have been processed in the current period.

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025

6. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions are classified at amortised cost. An expected credit loss is recognised in accordance with the general approach under. A 12-month expected credit loss is recognised for balances where credit risk has not increased significantly since initial recognition, and a lifetime expected credit loss is recognised where there has been a significant increase in credit risk or the asset is credit-impaired.

Statutory receivables general information

Financial instrument disclosure

Additional information on the financial instrument components of this note, as required by GRAP 104, is provided in note 37 Financial Instruments – Risk Management and Other Disclosures.

Receivables from non-exchange transactions comprise:

Class		
DG bursary receivable	2 894	2 894
Allowance for expected credit losses - Bursary	(1 912)	-
DG receivable	2 594	-
Allowance for expected credit losses - DG	(638)	-
	2 938	**2 894**

7. Prepayments

In the current year, the Services SETA reviewed its bursary disbursement module and identified that the reimbursive method encountered delays which had direct impact for students. A new disbursement module was developed and implemented wherein funding to all institutions (TVETs and universities) is allocated upfront, facilitated by third parties, with regular monitoring processes in place to ensure funds are allocated to students in need in a timely manner.

For the 2026 academic year, TVETs were allocated funding for 10 000 learners at a rate of R80 000 while universities were allocated 5 800 learners at a rate of R100 000 per learner, which covered tuition, accommodation and a laptop for all institutions.

The project prepayment balance related to DG projects that received the first tranche without all required documents in FY2024-25, portion was resolved while balance was transferred to DG receivable disclosure and recovery processes have commenced.

Prepayment admin relates mainly to licences that the Services SETA procures for use in its systems for periods longer than three months.

Prepayments		
DG Bursary Prepayment - Unemployed	950 480	-
DG Projects Prepayment	-	2 594
Prepayments	5 015	6 367
Closing balance	**955 495**	**8 961**

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	24	10
Bank balances	143 931	178 123
Short-term deposits	3 313 455	3 920 929
	3 457 410	**4 099 062**
Split between financial instruments and non-financial instruments		
Carrying amount of financial instruments	3 457 410	4 099 062
Split of carrying amount of financial instruments into categories		
Financial assets measured at amortised cost	3 457 410	4 099 062

Cash on hand constitutes petty cash that is spread across 10 provincial offices, including Head Office.

Short-term deposit refers to the funds held mainly in the Reserve Bank (CPD account), which is a call account and does not require notice periods. Call account is within Standard Bank used for day-to-day cashflow management.

As required in terms of Treasury Regulation 31.2, the Services SETA holds bank accounts with financial institutions approved by the National Treasury. The Skills Development Act Regulations state that the Services SETA may, if not otherwise specified in the PFMA, invest the money in accordance with the Investment Policy approved by the Accounting Authority. Short-term deposits are invested in line with the Investment Policy.

Services SETA does not have any overdraft balances. No cash and cash equivalent were pledged as collateral in the current or prior years.

Except for petty cash, all cash balances that remain unused at end of the financial year are included in the DG reserves calculation. These funds are specifically reserved for DG projects.

Cash and cash equivalents comprise cash on hand, balances with banks, call deposits and money-market investments with original maturities of three months or less.

The entity does not recognise an expected credit loss allowance on cash and cash equivalents. Counterparties are major South African banks holding investment-grade national-scale credit ratings, supervised by the South African Reserve Bank under the Banks Act, 1990 (Act No. 94 of 1990). Deposit insurance under the Corporation for Deposit Insurance further mitigates loss given default. Credit risk is accordingly assessed as remote, supported by zero historical losses on this class. The position is reviewed annually.

Accrued investment income of R1 801 (2025: R 1 827) is recoverable from the same banking counterparties and is included within the cash and cash equivalents class for credit risk disclosure purposes.

Financial instrument disclosure

Additional information on the financial instrument components of this note, as required by GRAP 104, is provided in note 38 - Financial Instruments - Risk Management and Other Disclosures.

Cash and Cash equivalents comprises of:

Category		
Cash on hand	24	10
Administration Bank A/C	60 883	95 026
Standard Bank Investment -Call	-	151 056
Employer Grants Bank A/C	13 086	13 288

Notes to the Annual Financial Statements

Financial instrument disclosure (continued)

Figures in Rand thousand	2026	2025
Payroll Bank Account	9 875	7 978
Discretionary Grants A/C	60 087	61 831
Std Bank Investment -Call	672 216	841 229
SARB Investment	2 641 239	2 928 644
	3 457 410	**4 099 062**

9. Property, plant and equipment

Description	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying Value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Land	45 090	-	45 090	40 475	-	40 475
Buildings	70 974	(27 099)	43 875	65 119	(21 623)	43 496
Building machinery	2 767	(2 445)	322	2 767	(2 317)	450
Furniture and fixtures	19 439	(17 319)	2120	19 216	(17 317)	1 899
Motor vehicles	16 218	(14 210)	2 008	16 218	(12 739)	3 479
Office equipment	9 566	(7 808)	1 758	9 175	(7 118)	2 057
Computer equipment	21 161	(15 996)	5165	21 250	(13 974)	7 276
Infrastructure WIP (DG)	81 986	-	81 986	81 479	-	81 479
Computer networks	11 403	(7 793)	3 610	8 520	(7 178)	1 342
Total	**278 604**	**(92 670)**	**185 934**	**264 219**	**(82 266)**	**181 953**

Notes to the Annual Financial Statements

Reconciliation of property, plant and equipment - 2026

Description	Opening balance	Additions	Disposals	Revaluations	Depreciation	Impairment loss	Total
Land	40 475	-	-	4 615	-	-	45 090
Buildings	43 496	-	-	5 855	(5 476)	-	43 875
Building machinery	450	-	-	-	(128)	-	322
Furniture and fixtures	1 899	850	(29)	-	(600)	-	2 120
Motor vehicles	3 479	-	-	-	(1 471)	-	2 008
Office equipment	2 057	452	-	-	(751)	-	1 758
Computer equipment	7 276	1 071	(33)	-	(3 149)	-	5 165
Infrastructure WIP (DG)	81 479	8 676	-	-	-	(8 169)	81 986
Computer networks	1 342	2 958	(1)	-	(689)	-	3 610
Total	**181 953**	**14 007**	**(63)**	**10 470**	**(12 264)**	**(8 169)**	**185 934**

Notes to the Annual Financial Statements

Reconciliation of property, plant and equipment - 2025

Description	Opening balance	Additions	Disposals	Transfers	Revaluations	Reassessment of useful lives	Depreciation	Total
Land	36 890	-	-	-	3 585	-	-	40 475
Buildings	49 586	-	-	-	(1 282)	-	(4 808)	43 496
Building machinery	228	-	-	-	-	349	(127)	450
Furniture and fixtures	1 376	298	(4)	-	-	1 065	(836)	1 899
Motor vehicles	3 296	-	(16)	-	-	1 671	(1 472)	3 479
Office equipment	2 016	241	-	-	-	601	(801)	2 057
Computer equipment	3 029	6 041	(374)	-	-	1 347	(2 767)	7 276
Infrastructure WIP (DG)	71 146	22 104	-	(11 771)	-	-	-	81 479
Computer networks	842	-	-	-	-	1 062	(562)	1 342
	168 409	**28 684**	**(394)**	**(11 771)**	**2 303**	**6 095**	**(11 373)**	**181 953**

Notes to the Annual Financial Statements

9. Property, plant and equipment (continued)

Pledged as security

Carrying value of assets pledged as security:

Depreciation rates	Depreciation method	Average useful life	
Land	Straight-line	Not depreciated	
Buildings	Straight-line	20- 30	
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 networks	Straight-line	3-25	

Revaluations

The effective date of the revaluations was 31 March 2026. The properties have been assessed for market and residual values. The market value assessment was conducted for properties (Durban and Head Office) while all other properties had their residual value assessed.

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

Revaluations were performed by independent valuers, from the firm DDP Property Valuation. The experts that conducted the valuation are as follows:

Mari Botha - SACPVP No. 8248

Beukes Kuit - SACPVP No. 733

Malcom Gardiner - SACPVP No. 4330

Andrew Taylor - SACPVP No. 4967

Hence Pieters - SACPVP No. 8489

Andries Fick - SACPVP No. 617

Antonie Oosthuizen - SACPVP No. 7821

Nicholas Peel - SACPVP No. 8066

Arno Terblanche - SACPVP No. 8303

Method of valuation

The net normalised income of the property is determined based on the assumption that the property is fully let at open market rentals, market escalation applies and incurs market related operating costs. The net normalised income is then capitalised into perpetuity using a market-related capitalisation rate to reflect the open market value.

Change in Accounting estimate

Property, plant and equipment that was fully depreciated and reassessed (Historical and New NCA)

Building Machinery	-	331
Computer equipment (300)	195	956
Computer networks (7)	5	891
Furniture & fittings (1 199)	150	1 024
Computer Software (36)	415	1 992
Motor vehicle	-	1 635
Office equipment (194)	30	948
	795	**7 777**

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025
9. Property, plant and equipment (continued)		
Depreciation reassessment - current year and future years		
Computer Equipment (300 items)	195	74
Computer Network (7 items)	5	2
Computer Software (36 items)	415	145
Furniture (1 199 items)	150	57
Office Equipment (194 items)	30	11
	795	**289**

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Infrastructure	**81 986**	**81 479**

One of the major targets for Services SETA is to assist communities in need of skills development through the construction of skills development centres. Historically the support was through a grant allocation to the institutions that will operate the skills centre, however lessons learnt for the safeguarding of the investment made by Services SETA required the organisation to manage these projects directly. The Services SETA did not capitalise the costs of construction of these skills centres due to the incorrect interpretation of the GRAP requirements vs DG grant model. The adjustments are to account for all skills centres under construction and not yet handed over by the reporting date.

Reconciliation of Work-in-Progress 2026

	Included within infrastructure	Total
Opening balance	81 479	81 479
Additions/capital expenditure	8 676	8 676
Impairment loss	(8 169)	(8 169)
	81 986	**81 986**

Reconciliation of Work-in-Progress 2025

Opening balance	71 146	71 146
Additions/capital expenditure	22 104	22 104
Transferred out	(11 771)	(11 771)
	81 479	**81 479**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Building maintenance	4 812	6 122
Motor vehicle	2 402	1 945
Cleaning of properties	2 914	2 891
	10 128	**10 958**

The previously stated amount for Repairs and Maintenance for FY2024-25 was R10 million. Refer to note 37 for details.

Notes to the Annual Financial Statements

10. Intangible assets

	2026			2025		
Description	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying Value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying Value
Computer software	91 276	(76 252)	15 024	90 213	(71 045)	19 168
Computer software under development	10 659	-	10 659	6 678	-	6 678
Total	**101 935**	**(76 252)**	**25 683**	**96 891**	**(71 045)**	**25 846**

Reconciliation of intangible assets - 2026

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	19 168	-	1 063	(5 207)	15 024
Computer software under development	6 678	5 044	(1 063)	-	10 659
	25 846	**5 044**	**-**	**(5 207)**	**25 683**

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Transfers	Amortisation	Impairment loss	Total
Computer software	6 581	-	16 240	(3 653)	-	19 168
Computer software under development	21 624	17 992	(16 240)	-	(16 698)	6 678
	28 205	**17 992**	**_**	**(3 653)**	**(16 698)**	**25 846**

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025
10. Intangible assets (continued)		
Intangible assets in the process of being developed		
Cumulative expenditure recognised in the carrying value of Intangible assets		
Customer Experience system (D365) Go live - Jun-26	9 696	4 844
Corporate Identity and Brand Protection system	-	631
Tender Management Module (D365)	-	240
Memo Automation system Go live- Sep-26	964	964
	10 660	**6 679**
Carrying value of Intangible assets that is taking a significantly longer period of time to complete than expected		
Memo Automation system Go live- Sep-26	964	964
Changes within the organisation affected the production process		
	964	**964**

An asset under development that had a contract which commenced 1 October 2017 and ran till July 2020, with total costs of the development costs incurred amounting to R16 698 350.65. The system was still not available for use at 31 March 2026 as aspects of the system still needed to be completed by the time the project period had lapsed. The asset was then impaired as at 31 March 2025 but matter was only brought to the governance structures in March 2026 for project to be investigated.

The Corporate Identity and Brand Protection system and Tender Management Module (D365) have been capitalised in the 2025/26 financial year.

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025
10. Intangible assets (continued)		
Other information		
Fully amortised intangible assets still in use	415	1 992
36 items were identified as still in use and were reassessed for their useful life.		
Amortisation assessment - current year and future years	415	145
36 items were full amortised and reassessed in the current year.		
11. Payables from exchange transactions		
Trade payables	12 335	7 522
Accrued employee costs	6 125	6 777
Other payables	1 295	1 918
Accrued leave pay	9 848	9 480
Accrued expense - admin expenses	15 491	25 437
	45 094	**51 134**
Split between financial instruments and non-financial instruments		
Other non-financial instruments related	15 973	16 257
Carrying amount of non-financial instruments	15 973	16 257
Carrying amount of financial instruments	29 121	34 877
Total split between financial instruments and non-financial instruments	**45 094**	**51 134**
Split of carrying amount of financial instruments into categories		
Financial liabilities measured at amortised cost	29 121	34 877
12. Payables from non-exchange transactions		
Accrued expenses - DG	238 717	429 220
Trade payables - DG	37 605	33 226
Mandatory grant payable	115 217	125 230
Inter-SETA payable	-	1 575
	391 539	**589 251**

The previously stated figure for accrued expenses (DG) in FY2024-25 was R130 million. Refer to note 37 for details.

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025
12. Payables from non-exchange transactions (continued)		
Split between financial instruments and non-financial instruments		
Other non-financial instruments related	115 217	126 805
Carrying amount of non-financial instruments	115 217	126 805
Carrying amount of financial instruments	276 322	462 446
Total split between financial instruments and non-financial instruments	**391 539**	**589 251**
Split of carrying amount of financial instruments into categories		
Financial liabilities measured at amortised cost	276 322	462 446

Financial instrument disclosure

Additional information on the financial instrument components of this note, as required by GRAP 104, is provided in note 38 - Financial Instruments - Risk Management and Other Disclosures.

13. Donor funding unspent liability

The donor funding relates partnerships between Services SETA and (i) the North West Department of Economic Development, Environment, Conservation and Tourism (DEDECT) and (ii) the KwaZulu-Natal National Department of Economic Development, Tourism and Environmental Affairs (KZN EDTA).

Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Unspent donor fund	**16 085**	**19 368**
Movement during the year		
Balance at the beginning of the year	19 368	14 079
Additions during the year	-	14 629
Income recognition during the year	(3 283)	(9 340)
	16 085	**19 368**
Split between financial instruments and financial instruments		
Carrying amount of financial instruments	16 085	19 368
Split of carrying amount of financial instruments into categories		
Financial, liabilities measured at amortised cost	16 085	19 368

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025

14. Provisions

Reconciliation of provisions - 2026

Description	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
DG expenditure	63 334	3 591	(59 920)	-	7 005
Exempt employers	56 245	9 836	(5 014)	(3 395)	57 672
	119 579	**13 427**	**(64 934)**	**(3 395)**	**64 677**

Reconciliation of provisions - 2025

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
DG expenditure	45 941	60 146	(42 740)	(13)	63 334
Exempt employers	50 601	14 647	(11 326)	2 323	56 245
	96 542	**74 793**	**(54 066)**	**2 310**	**119 579**

The previously stated figure for Provisions in FY2024-25 was R155 million. Refer to note 37 for more details.

Provision for exempt levy employers

This provision is for employers who, even though they are not obliged to pay the skills development levy (SDL) because their payroll is less than R500 000, amongst others, still contribute towards the SDL. The provision covers contributions made over a period of five years. The amounts contributed can be measured reliably, however, what is uncertain is the timing. This is due to the process that requires the employers to engage directly with SARS. Any exempt contributions older than five years and not claimed are swept to discretionary reserves.

The balance of exempt employers is made up of the five scheme years

2025	9 835	-
2024	12 379	14 647
2023	12 022	12 341
2022	11 731	12 130
2021	11 705	12 115
2020	-	5 014
	57 672	56 247

Provision - DG expenditure

In the current financial year, the Services SETA entered into multiple contractual obligations with employers and training providers for the implementation of its learning interventions. The learning interventions range from a week's training to three years training duration. At year-end, there were employers and training providers who had partially fulfilled their contractual obligation of the learning interventions. The partial fulfilment demonstrated, sufficient evidence existed, that they would satisfy their contractual obligation in full when it becomes due. The provision estimate amount is measured based on activities proportionality covered between the last claim and the end of the reporting period.

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025

14. Provisions (continued)

Financial liability included in Provisions

The provision for exempt employers is excluded from financial liability disclosure as the provision is based on Grant Regulation requirements and there is no contractual agreements with the employers, thus not meeting the definition of a financial instrument.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

The DG Expenditure Provision is expenditure incurred for projects through contractual obligations with training providers, partial fulfilment of training by providers at end of the financial year resulted in the provision.

15. Employee benefit cost

Employee benefit cost 2026

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Service awards- Current	3 066	1 533	(3 066)	-	1 533
Service awards- Non-Current	11 443	-	-	2 167	13 610
	14 509	1 533	(3 066)	2 167	15 143

Employee benefit cost 2025

Service awards- Current	2 789	3 066	(2 789)	-	3 066
Service awards- Non-Current	10 102	-	-	1 341	11 443
	12 891	3 066	(2 789)	1 341	14 509

The Services SETA remuneration states that long service is awarded to employees who have completed relevant employment periods of unbroken service. The award is payable in the anniversary month in which the period of service is completed and is subjected to the standard tax rates.

In the current year Services SETA contracted the services of 3ONE consulting actuaries to provide an actuarial valuation liability for the Services SETA.

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025

16. Revaluation reserve

The reserve on revaluation of property owned by Services SETA is disclosed as below:

Opening balance	7 257	4 954
Change during the year	10 470	2 303
	17 727	7 257

Revaluation surplus relating to property, plant and equipment

Revaluation surplus beginning of period	7 257	4 954
Movements in the reserve for the year	10 470	2 303
	17 727	7 257

17. Accumulated surplus

Allocation of the surplus/(deficit) for the year to reserves - 2026

	Administration reserve	Employer Grant reserve	Discretionary Grant reserve	Total
Skills development levy income	-	-	-	-
» Administration levy income	289 713	-	-	289 713
» Grant levy income	-	552 083	-	552 083
» DG levy	-	-	1 365 565	1 365 565
Penalties and interest	-	-	27 518	27 518
Investment income	-	-	283 361	283 361
Other income	1 022	9 941	3 343	14 306
Total income	290 735	562 024	1 679 787	2 532 546
Administration expenses	(363 881)	-	-	(363 881)
Employer grants expenses	-	(288 616)	-	(288 616)
Project expenses	-	-	(1 317 676)	(1 317 676)
Loss on disposal of assets	(63)	-	-	(63)
	(73 209)	**273 408**	**362 111**	**562 310**

	Administration reserve	Employer Grant reserve	Discretionary Grant reserve	Revaluation Reserve	Total
Opening balance	81 659	1 474	3 437 870	7 257	3 528 260
Surplus/(deficit) for the year	(73 209)	273 408	362 111	-	562 310
Opening balance- Movement on ECL	-	-	(1 948)	-	(1 948)
Revaluation surplus on property	-	-	-	10 470	10 470
Reallocation of funds to reserve	74 075	(272 551)	198 476	-	-
	82 525	**2 331**	**3 996 509**	**17 727**	**4 099 092**

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025

17. Accumulated surplus (continued)

Allocation of the surplus/(deficit) for the year to reserves - 2025

Description	Administration reserve	Employer Grant reserve	Discretionary Grant reserve	Revaluation Reserve	Total
Skills development levy income	-	-	-	-	-
» Administration levy income	273 992	-	-	-	273 992
» Grant levy income	-	522 038	-	-	522 038
» DG levy	-	-	1 291 547	-	1 291 547
Penalties and interest	-	-	31 562	-	31 562
Investment income	-	-	280 656	-	280 656
Other income	7 264	15 779	15 759	-	38 802
Prior period - note 36	-	-	3 262	-	3 262
Total income	281 256	537 817	1 622 786	-	2 441 859
Administration expenses	(409 015)	-	-	-	(409 015)
Employer grants expenses	-	(278 108)	-	-	(278 108)
Project expenses	-	-	(865 039)	-	(865 039)
Loss on disposal of assets	(394)	-	-	-	(394)
Prior period error - note 36	72 743	-	(358 666)	-	(285 923)
Net surplus/(deficit) allocated	**(55 410)**	**259 709**	**399 081**	**-**	**603 380**

	Administration reserve	Employer Grant reserve	Discretionary Grant reserve	Revaluation Reserve	Total
Opening balance	66 054	1 483	2 790 896	4 954	2 863 387
Prior period error - note 36	-	-	59 189	-	59 189
Surplus/(deficit) for the year	(55 410)	259 710	399 081	-	603 381
Revaluation surplus on property	-	-	-	2 303	2 303
Reallocation of funds to reserve	71 015	(259 719)	188 704	-	-
	81 659	**1 474**	**3 437 870**	**7 257**	**3 528 260**

18. Other revenue - exchange

	2026	2025
Other income - exchange	1 022	7 264

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

MG - Refund	309	539
Recoveries	713	629
Movement in assets	-	6 096
	1 022	**7 264**

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025
19. Investment revenue		
Interest revenue		
Bank	283 361	280 656
Total interest revenue included above, calculated using the effective interest method for financial assets that are measured at amortised cost, amounted to R 283 million (2025: R 281 million).		
20. Revenue: Levy income		
Admin Levies - Current	289 897	274 880
Admin - Inter-SETA Transfer In	3	57
Admin - Inter-SETA Transfer Out	-	(204)
Admin - Exempt Employers	(187)	(741)
	289 713	273 992
Mandatory Grants Levies - Current	552 440	523 728
MG - Inter-SETA Transfer In	-	108
MG - Inter-SETA Transfer Out	-	(388)
MG - Exempt Employers	(357)	(1 411)
	552 083	522 038
DG Levies - Current	1 366 432	1 295 730
DG - Inter-SETA Transfer In	16	268
DG - Inter-SETA Transfer Out	-	(959)
DG - Exempt Employers	(883)	(3 492)
	1 365 565	1 291 547
	2 207 361	2 087 577
21. Fines, Penalties and Forfeits		
Penalties	13 286	15 103
Interest	14 229	16 459
Penalties - Inter-SETA Transfer In	1	-
	27 516	**31 562**
22. Gain or loss on disposal of assets and liabilities		
Property, plant and equipment	(63)	(394)
23. Other income from non-exchange transactions		
DG Project Income	3 283	9 054
Mandatory grants write-off	9 941	15 779
DG Recoveries	-	15
DG write-off	60	9 952
	13 284	**34 800**

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025

24. Other income from non-exchange transactions (continued)

Mandatory grant write off - the Mandatory Grant Payable is carried for 5 years, should employers not submit compliant Work Training Plans or Annual Training Reports as per the required timelines, then the balance of year six is written off. The Income Tax administration Act, sec 190 is applied by the Services SETA. The years written off for FY2025 was 2019 and for FY2026 was 2020.

DG project income - The Services SETA has conditional grant agreements with (i) North West Department of Economic Development, Environment, Conservation and Tourism (DEDECT) and (ii) KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs (KZN EDTEA). The income disclosed is equivalent to the expenditure incurred in the financial year.

DG write off - The balance is normally for any payables that have prescribed and are approved for write off. In the current financial year, the stipend payable linked to historical balances for learner's stipend was written off. The Services SETA had engaged a third party with capabilities to trace individuals, with no success, resulting in the decision to write off the payable.

25. Total Revenue

Other income - exchange	1 022	7 264
Interest received - investment	283 361	280 656
Skills Development Levy - Income	2 207 361	2 087 577
Skills Development Levy - Penalties & Interest	27 516	31 562
Other income: non-exchange	13 284	34 799
	2 532 544	**2 441 858**

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

Other income - exchange	1 022	7 264
Interest received - investment	283 361	280 656
	284 383	**287 920**

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

Taxation revenue

Transfer revenue

Skills Development Levy - Income	2 207 361	2 087 577
Skills Development Levy - Penalties & Interest	27 516	31 562
Other income: non-exchange	13 284	34 799
	2 248 161	**2 153 938**

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025
26. Administration expenses		
Advertising and promotional material	36 147	33 505
Auditors remuneration (Refer to note 26)	11 929	10 936
Bank charges	293	264
Consulting and professional fees	37 160	37 261
Rentals (Refer to note 24)	1 135	614
Insurance	1 158	1 069
Venue hire, catering and refreshments	3 019	2 315
IT expenses	32 796	25 310
Donations	6 158	3 859
Printing and stationery	658	816
Security	15 144	14 993
Staff welfare	676	482
Subscriptions and membership fees	128	125
Communication expenses	12 714	13 944
Training & development	6 741	5 281
Travel and accommodation	6 357	8 106
Office tools	143	692
Electricity, rates & taxes	8 640	6 477
Admin write off	-	10
Repairs & maintenance (Refer to note 23)	10 128	10 959
Employee costs (Refer to note 25)	136 564	120 350
Quality Council for Trades and Occupations fee 0.5%	15 530	13 719
Governance fees	5 232	12 785
Depreciation, amortisation and impairment - admin related assets	15 302	12 400
	363 752	**336 272**

The previously stated amount for Admin expenses for FY2024-25 was R409 million. Refer to note 37 for details.

27. Repairs and maintenance

Cleaning of properties	2 914	2 891
Motor vehicle expenses - repairs, petrol & licences	2 402	1 945
Repairs of properties & refuelling the generator	4 812	6 122
	10 128	**10 958**

The previously stated amount for Repairs and Maintenance for FY2024-25 was R10 million. Refer to note 37 for details.

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025

28. Operating lease

The Services SETA leases property and equipment under operating lease arrangements. In the current financial year the Services SETA, entered into an operating lease agreement for the accommodation of the Administrator starting in September 2025 to July 2026. These leases do not transfer substantially all the risks and rewards incidental to ownership and are classified as operating leases. Lease payments are recognised on a straight-line basis over the lease term. The majority of leases are cancellable. There are no contingent rents or subleases.

Lease expense recognised

Operating lease rentals expensed	1 135	614

Minimum lease payments due

Within one year	1 066	930
Second to fifth year inclusive	698	1 628
	1 764	**2 558**

Lease expense breakdown

Equipment leases	907	614
Accommodation	228	-
	1 135	**614**

During the current financial year, Services SETA has separately disclosed operating lease commitments. In prior years these amounts were only included in the administration costs note and admin commitments. Accordingly comparative information has been disclosed with no effect on reported surplus in the prior year. Refer to note 37 for details.

29. Employee related costs

Salaries and wages	173 212	163 694
Medical aid - Contributions	32 279	28 369
Compensation for occupational injuries and diseases	(224)	431
Leave pay provision charge	1 546	3 236
Pension contributions - Defined contribution plans	19 234	16 619
Long-service awards - Annual service costs	857	1 617
Housing benefits and allowances	11 193	10 479
Basic education	3 791	3482
Other fringe benefits	4 586	4 330
Less: Employee costs re-allocated to DG	(109 911)	(111 905)
	136 563	**120 352**

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025

29. Employee related costs (continued)

The long service awards was not recognised before FY2026. Per GRAP 3, the obligation at 1 April 2024 (R12 million) was recognised by restating opening accumulated surplus; FY2025 comparative restated to include the long service awards charge.

Employee costs were previously stated as R192 million in 2024/25.

Refer to Note 37 for details.

The splitting of payroll costs between 10.5% and 7.5% considers the function of employees. Executives and Senior Managers are regarded as having strategic functions and thus their full payroll costs form part of 10.5%. Employees at manager and below levels are assessed based on position, with all staff with direct impact to project implementation having their costs forming part of the 7.5% payroll costs. A percentage allocation on total costs for managers and below is used.

30. Auditors' remuneration

Internal audit fees	5 518	3 462
External audit fees	6 411	7 474
	11 929	**10 936**

31. Employer grants and project expenses

Overall expenditure

Mandatory grant expenses	288 616	278 108
DG direct expenses	1 179 815	1 059 530
DG support expenses	137 862	164 175
	1 606 293	**1 501 813**

The previously stated amount for DG direct expenses in FY2024-25 was R795 million. Refer to 37 for details.

The DG support costs expenditure consist of the following elements:

DG support expenditure

Professional fees & consultancy - indirect	13 565	-
Legal fees	2 319	26 189
DG - Employee costs	109 911	111 905
DG - Stationery & consumables (inc. certificates)	156	220
DG - Travel and accommodation	7 919	5 692
DG - Transportation costs	1 182	846
Depreciation and amortisation (DG-related assets)	2 174	19 323
DG expenditure ECL	636	-
	137 862	**164 175**

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025
31. Employer grants and project expenses (Continued)		
The DG direct expenditure consists of below elements:		
Learnerships - Unemployed PA	377 551	514 182
Learnerships - Employed PA	22 252	16 405
Apprenticeship and trade test PA	204 415	134 272
Bursaries - Unemployed PA	111 116	40 178
Bursary - Employed - PA	23 900	1 711
Internships - Unemployed entering internships - PA	40 505	25 865
Internships - SETA own	3 426	3 085
Internships - FET college interns - PA	142 242	83 716
Internships - FET Graduate Placement (NCV) - PA	52 101	13 379
Internships - Work Integrated Learning (Universities)	15 963	15 059
Adult Education and Training - PA	4 168	180
Recognition of Prior Learning - PA	23 466	4 319
Skills programmes - Employed PA	9 898	12 895
Non-credit bearing projects	26 107	12 572
Skills programmes - Unemployed PA	22 756	120 342
Candidacy programme - PA	22 429	10 245
SME - Implementation	666	-
Co-ops Support	1 089	1 625
Infrastructure Development - Direct	13 720	19 115
Infrastructure Development - Indirect	-	493
Qualification Development - Direct	10 645	12 154
Sponsorships - Direct	-	2 182
Capacitation for Skills Programmes	16 689	-
Research studies	14 830	6 502
Donor Fund expenditure	3 283	9 054
Entrepreneurship & Cooperative Development	16 598	-
	1 179 815	**1 059 530**
32. Cash (used in) generated from operations		
Surplus	562 306	603 379
Adjustments for:		
Depreciation and amortisation	17 475	15 029
Gain on sale of assets and liabilities	63	394
Debt impairment - Other	130	-
Movements in provisions	(54 902)	23 037
Other Non-cash movements - asset reassessment	-	(6 097)

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025
32. Cash (used in) generated from operations (Continued)		
DG - Asset impairment	-	16 698
Transfer out of infrastructure assets	-	11 771
Movement in ECL	(2 076)	-
Other non-cash items- Impairment of Infrastructure costs	8 169	-
Changes in working capital:		
Inventories	(103)	117
Receivables from exchange transactions	(904)	647
Receivables from non-exchange transactions	176	1 770
Prepayments	(946 534)	(6 358)
Payables from exchange transactions	(6 040)	14 791
Payables from non-exchange	(197 712)	252 537
Donor funding unspent liability	(3 283)	5 576
Employee benefit cost- Current	(1 533)	278
Employee benefit cost- Non-current	2 167	1 339
	(622 601)	**934 908**

33. Commitments

The Services SETA commitments consist of operating & capital commitments and DG commitment.

Already contracted for but not provided for:

Admin commitments		
Operational commitment	69 189	108 028
Assets	2 154	3 585
	71 343	**111 613**
Discretionary Grants		
Closing balance	3 293 118	3 074 406

Notes to the Annual Financial Statements

33. Commitments (continued)

2026

R'000

Description	Audited 24/25 closing balance	Adjustment of opening balance 25/26	Adjusted opening balance	New approvals	Amendments	Expenditure	Total commitments
Unemployed learnership	1 041 598	(130 436)	911 162	526 955	(57 096)	(378 256)	1 002 765
Employed Learnership	78 657	(2 507)	76 150	26 938	(10 697)	(21 862)	70 529
Artisan Apprenticeship	781 221	(53 644)	727 577	30 944	(112 896)	(127 802)	517 823
Trade test	111 069	10 466	121 535	17 136	(4 573)	(76 618)	57 480
Internship - HET	94 823	(13 298)	81 525	9 840	(6 288)	(39 426)	45 651
Internship - Nated	317 244	(35 691)	281 553	261 250	(6 240)	(141 484)	395 079
Internship - TVET / Workplace	95 352	(5 157)	90 195	-	(6 906)	(51 750)	31 539
Bursaries: Employed	34 528	(9 559)	24 969	2 250	(10 525)	222	16 916
Bursaries: Unemployed - Honours	24 328	7 935	32 263	675	(10 212)	(13 964)	8 762
Adult Education and Training	9 689	(250)	9439	4 000	(4 126)	(4 168)	5 145
Recognition of Prior Learning	53 350	(739)	52 611	9 887	(7 298)	(23 466)	31 734
Skills programmes: Employed	78 083	(1 617)	76 466	24 060	(38 067)	(8 885)	53 574
Skills programmes: Unemployed	114 787	(23 283)	91 504	81 490	(7 956)	(21 940)	143 098
Candidacy	60 333	1 743	62 076	9 090	(5 099)	(23 011)	43 056
Other Financial Services Regulatory Board Exam	175	-	175	-	(175)	-	-
Special Projects	252 792	(44 890)	207 902	-	(30 607)	(21 918)	155 377
Qualification development	4 157	(1 495)	2 662	9 660	210	(65 75)	5 957
Research	8 622	(879)	7 743	-	677	(5 831)	2 589
Non-Credit bearing	36 896	(9 579)	27 317	52 036	(3 414)	(50 396)	25 543
Internship - University WIL	47 777	(7 771)	40 006	47 540	(3 145)	(18 247)	66 154
Infrastructure WIP	125 752	(40 656)	85 096	710	(7 376)	(3 886)	74 544
Bursaries - Mixed employment status	52 185	11 080	63 265	1 586 277	(964 773)	(146 181)	538 588
Business Advisory Services	1 215	-	1 215	-	-	-	1 215
	3 424 633	**(350 3227)**	**3 074 406**	**2 700 738**	**(1 296 582)**	**(1 185 444)**	**3 293 118**

Due to the repetitive audit qualifications linked to commitment balances the organisation had been receiving, the Services SETA was placed under administration. Upon the arrival of the Administrator, one of the major task for the Services SETA was to ensure adequate steps are taken to properly close all legacy projects, whether through cancellations or project closure activities. A law firm and accounting firm were appointed to assist the Services SETA with this task. The main activities of the firms were to review all data and documents of the Services SETA that support the commitment balance and identify those that would be cancelled and those that needed to be closed.

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025

33. Commitments (continued)

Notices were published in the newspapers and Services SETA website was done in order to notify all stakeholders of all the projects that were being cancelled. Formal cancellation letters were sent to affected stakeholders and also the services of the sheriff were used to deliver cancellation letters that were not acknowledged via the email notification. Only contracts that are non-cancellable or cancellable only at significant cost are disclosed as commitments, and the cleanup project tested each contract against this criterion before removal from the schedule. Refer to note for 37 details on adjusted balances.

Expenditure difference between note 31 and 33.

Expenditure on the commitment note is different to the DG direct expenditure disclosed on note 31 by R5 million, this is due to payments made for DGs that do not give rise to a commitment, comprising mainly of short skills programmes, bursaries and legacy projects that are no longer on the commitment schedule.

Operational and CAPEX commitment	71 343	111 613
DG commitment	3 293 118	3 074 406
	3 364 461	**3 186 019**

Total commitments

Total operational, capital and DG contracts	3 364 461	3 186 019

This committed expenditure relates to operational, CAPEX and DG contracts and will be financed by retained surpluses, existing cash resources, funds internally generated.

The implementation of these commitments will be phased in, based on the APP targets for a financial year. 80% of DG funding has to be allocated to PIVOTAL programmes, in line with the Grant Regulation No. 35940, sub regulation 6(12).

34. Contingencies

The Services SETA discloses the below contingent liabilities:

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. 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 decided on the mandatory grant percentage. DHET continues to show the mandatory levies portion as 20% in the 2025/26 financial year in the levy download information. The Services SETA continued to pay and accrue mandatory grants at 20% in the 2025/26 financial year in the absence of a revised percentage, which is aligned with the approved annual performance plant.

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025

34. Contingencies (continued)

The mandatory grant expenditure in note 31, and the mandatory grant liability in note 12 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.

Failure by the entity to submit a surplus retention request to the relevant Treasury by 30 September each year will result in the entity having to surrender the surplus to the relevant Revenue Fund by 30 November, unless there has been a delay in the finalisation of the audit.

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 R2.3 million (2024/25: R1,5 million) will be payable, should the employers submit compliant reports. The amount is reliant on the number of submissions received and approved.

Litigations

Claims by various service providers against the Service SETA with a total exposure amounting to R30 million (2024/25: R49 million). The timing and possibility of reimbursement is unknown as it is dependent on the courts/arbitration process.

Cost payable due to alleged damages - matter closed	-	17 181
Claim in relation to an award for training of learners- No movement	3 000	3 000
Action for damages in the High Court - alleged breach of contract by Services SETA	3 475	2 307
Interdict issued to stop construction of chicken-run farm on community land	-	2 833
Labour court matter - unfair dismissal	-	2 500
Historical claim on contract - 2012 (matter renewed in 2024 - 25)	23 294	21 589
	29 769	**49 410**

Former dismissed employee liability

Upon the Services SETA being placed under administration., Three former employees petitioned the Administrator to reconsider their dismissal. After an investigation led by a legal firm, it was concluded that the employees were unfairly dismissed in terms of the Protected Disclosure Act. The offers to settle were then granted in March 2026 amounting to R5.9 million. Subsequent to year-end, one former employee accepted the offer while others are still engaged in legal consultations.

35. Retention of surplus funds 31 March 2026

In terms of the Public Finance Management Act (1 of 1999), as amended, all accumulated surplus funds as at year-end must be forfeited to the 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 2026 to the National Treasury. The National Treasury issued Instruction Note No.03 of 2025/26 that required the below consideration for retention of surpluses:

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025
35. Retention of surplus funds 31 March 2026 (continued)		
Cash and cash equivalents	3 457 410	4 099 062
Receivables from exchange transactions	3 379	2 475
Receivables from non-exchange transactions	3 505	3 681
Prepayments (if material)	-	8 961
Payables from exchange transactions (Currently sitting as positive)	(45 094)	(51 134)
Payable from non-exchange transactions	(391 539)	(589 251)
Donor Funds Received in Advance	(16 085)	(19 368)
Provisions	-	(119 579)
Employee benefit costs (amount adjusted to include short-term portion)	(15 142)	(14 508
Contractual obligations	(3 364 461)	-
	(368 027)	**3 320 339**

In 2025 the calculation for retention of surpluses was based on the National Treasury Instruction note no. 12 of 2020/21.

36. Related parties

Relationships

Accounting Authority	
Ultimate controlling entity	Refer to members' report note 7
	Department of Higher Education and Training Authority
Key stakeholders	Other 20 SETAs, QCTO
Significant affiliates	All Public Higher Education and Training Institutions (HET)
Members of key management	Dhladhla S - Acting Chief Executive Officer
	Matsebe T - Executive Manager Projects management support
	Kostlich L - Executive Manager Operations
	Motla M - Executive Manager Strategy and Insights
	Mwelase D - Acting Executive Manager Corporate Services
	Blaai M - Acting Executive Manager OCEO
	Nesamari T - Acting Chief Financial Officer

In February 2026 Miss T Nesamari was appointed as Acting Chief Financial Officer and Mr T Matsebe was appointed as Executive Manager Project Management Support.

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025
36. Related parties (continued)		
Inter-SETA payables		
FASSET	-	(501)
MICT SETA	-	(1 050)
LGSETA	-	(23)

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, CET and Universities payables		
North West University	(98)	-
West Coast TVET College	-	(258)
University of Johannesburg	(91)	(450)
University of South Africa	(43)	-
Nelson Mandela University	(50)	-
University of Free State	(24)	-
Cape Peninsula University	-	(552)
Durban University of Technology	-	(144)
Mpumalanga Community Education and Training (CET) College	-	(220)
Sefako Makgatho Health Sciences University	(984)	-
Eastern Cape Community Education and Training (CET) College	(845)	
Elangeni TVET College	(86)	
University Of Pretoria	(340)	-
Tshwane University of Technology	(2 289)	-
Vaal University of Technology	(536)	-
Northern Technical College	(657)	-
University of KwaZulu-Natal	(143)	-
Mangosuthu University of Technology	(23)	-
Commitments with related parties		
TVETs	456 222	239 565
Universities	329 396	242 629
CETs	24 402	28 569

The above balances relate to the DGs awarded to the providers. Refer to note 33 and 37 for more details on DG commitments.

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025
36. Related parties (continued)		
Inter-SETA receivable		
MQA	-	33
CETA	169	169
CATHSSETA	265	265
ETDP	171	229
FPMSETA	21	-

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

The ETDP SETA receivable specifically relates to the MG refund due to Services SETA for its own levy contributions and submission of WSP/ATR.

Purchases from related parties

TVETs - linked to commitment	(67 904)	(43 221)
Universities - linked to commitment	(128 074)	(46 594)
CET's - linked to commitment	(11 850)	(4 785)

Remuneration of management Accounting Authority 2026

	Ministerial stakeholder & management engagements	Total
Name		
Lehlogonolo Masoga (Administrator) *1	1 809	1 809

*1 - Services SETA was placed under administration in August 2025 and Mr Masoga was appointed as the Administrator for Services SETA

Notes to the Annual Financial Statements

36. Related parties (continued)

Committees 2025

Name	Board & EXCO	HR & REMCO	Finance Committee	Transformation Committee	Governance Risk & Strategy Committee	Other engagements	Total
De Vries, S (Chairperson)	453	-	-	-	-	883	1 336
Madella, A	343	72	-	32	-	64	511
Karanja, A	343	72	-	-	64	232	711
Dinwa, W	338	-	72	-	48	328	786
Sithole, P	150	-	65	-	64	243	522
Dlamini, R	150	72	-	32	-	252	506
Mtsweni, T	254	97	-	-	-	113	464
Motloung, S	150	-	-	32	59	324	565
Jhatham, A	205	56	102	-	-	137	500
Ford, J	298	56	-	-	-	139	493
Nzimande	150	-	80	32	-	284	546
Cowley, K	150	64	-	-	64	131	409
Gogo, N	262	-	-	43	64	200	569
Zondo, N	197	-	56	-	78	136	467
Govender, K	150	-	80	32	-	251	513
	3 593	**489**	**455**	**203**	**441**	**3 717**	**8 898**

Audit and Risk Committee 2026

Name	Audit Committee fees	Other engagements	Travel claims	Total
Rabothata, KA CA (SA) -(Chairperson)	97	97	42	236
Madumetja Kekana CA (SA)	48	7	3	58
Mkhize, T CA (SA)	90	21	5	116
Galane, O PhD: Accounting Sciences	97	42	-	139
Juliana Makapan	48	-	-	48
Singh, N CA (SA)	97	35	-	132
	477	**202**	**50**	**729**

Notes to the Annual Financial Statements

36. Related parties (continued)

2025

Name	Audit Committee fees	Other engagements	Travel claims	Total
Rabothata, KA CA (SA) -(Chairperson)	83	304	38	425
Cowley, K (AA member)	69	21	-	90
Mkhize, T CA (SA)	62	83	-	145
Galane, O PhD: Accounting Sciences	83	181	-	264
Mtshweni, T (AA member)	69	21	-	90
Singh, N CA (SA)	83	181	-	264
	449	**791**	**38**	**1 278**

Management class: Executive management 2026

Name	Emoluments	Pension Medical aid &UIF	13th Cheque	Total
Dhladhla S (Acting CEO)	2 648	328	94	3 070
Motla M (Executive - Strategy & Insight)	2 163	335	94	2 592
Matsebe T (Executive- Projects Management Support) *6	2 261	237	94	2 592
Mwelase D (Acting Executive - Corporate Services) *4	1 751	168	61	1 980
Kostlich L (Executive - Operations)	2 463	256	103	2 822
Blaai M (Acting Executive - OCEO)	1 862	181	67	2 110
Nesamari T(Acting CFO)*5	1 420	267	61	1 748
	14 568	**1 772**	**574**	**16 914**

2025

Name	Emoluments	Pension Medical aid &UIF	13th Cheque	Total
Sipengane A (Acting CEO) *1	1 979	333	51	2 363
Matsebe T (Chief Financial Officer)	2 330	230	56	2 616
Motla ML (Executive - Strategy & Insights)	2 070	317	62	2449
Dhladhla S (Acting CEO) *3	2 143	290	58	2 491
Kostlich L (Executive - Operations)	2 353	247	69	2 669
Blaai M (Acting Executive - OCEO) *2	1 884	176	45	2105
	12 759	**1593**	**341**	**14 693**

Notes to the Annual Financial Statements

36. Related parties (continued)

- 1 - Resigned from Services SETA 31 January 2025
- 2 - Currently serving as Acting Executive Manager OCEO from 1 November 2023
- 3 - Currently serving as Acting CEO since 1 February 2025
- 4 - Appointed as Acting Executive - Corporate Services since April 2025
- 5 - Appointed as Acting CFO since February 2026
- 6 - Appointed as Executive Manager - Projects Management Support since February 2026

37. Prior-year adjustments

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:

(i) DG bursary - through review of all documents received relating to bursary debts for learners, it was identified all expenditure for prior years should have been disclosed as an accrual and not a provision. The correction results in reallocation of balances from DG bursary to DG accruals.

(ii) DG accruals and expenditure - Employers and training providers delay submission of invoices and supporting documents related to project implementation. This then resulted in invoices being received in the current year but relate to prior years, confirmed through inspection of all supporting documents.

(iii) Admin and DG support payroll expenditure - the method of allocation of payroll costs affected the prior year which resulted in the movement of expenditure from admin (10.5%) to DG support (7.5%).

(iv) Admin provision and payroll costs - in the current year, internal audit identified that the long service award policy of the organisation resulted in a provision requiring actuarial valuation. A company was sourced to provide valuations for financial years 2024, 2025 and 2026.

(v) Admin expenditure and accruals - Providers that do not provide a fixed monthly service have been identified to delay submission of invoices and supporting documents, even with annual communication that is published on the Services SETA website for timely submission of invoices.

(vi) One of the major targets for Services SETA is to assist communities in need of skills development through construction of skills development centres. Historically the support was through a grant allocation to the institutions that will operate the skills centre, however lessons learnt for the safeguarding of the investment made by Services SETA required the organisation to manage these projects directly. The Services SETA did not capitalise the costs of construction of these skills centres due to incorrect interpretation of the GRAP requirements vs DG grant model. The adjustment is to account for all skills centres under construction and not yet handed over at reporting date.

(vii) Impaired remote monitoring system - As part of the year-end process for assets verification and valuation, a system under development was identified to be obsolete prior to usage. The Accounting Authority has initiated an investigation into the project to determine the circumstances that led to the asset not to be used. All of the above changes have an effect on the reserves, cash generated from operations note, commitment opening balances, risk management note and irregular expenditure note.

Notes to the Annual Financial Statements

Statement of financial position

37. Prior-year adjustments (continued)

2024

Description	Note	As previously reported	Correction of error	Restated
Property, plant and equipment		97 263	71 146	168 409
Intangible assets		28 205	-	28 205
Payables from exchange transactions		(36 342)	-	(36 342)
Cash and cash equivalents		3 210 830	-	3 210 830
Payables from non-exchange transactions		(243 467)	(93 249)	(336 716)
Provisions		(194 605)	100 313	(94 292)
Unspent donor funding liability		(14 079)	287	(13 792)
Inventory		237	-	237
Receivable from exchange transactions		5 727	-	5 727
Receivable from non-exchange transactions		9 617	(4 165)	5 452
Employee benefit cost			(15 142)	(15 142)
Reserves		(2 863 386)	(59 190)	(2 922 576)
		-	-	-

2025

Inventories		121	-	121
Receivable from exchange transactions		2 475	-	2 475
Receivable from non-exchange transactions		9 548	(5 867)	3 681
Cash and cash equivalents		4 099 062	-	4 099 062
Prepayment		10 365	(1 404)	8 961
Property, plant & equipment		100 474	81 479	181 953
Intangible assets		42 367	(16 520)	25 847
Payables from exchange transactions		(44 467)	(6 667)	(51 134)
Payables from non-exchange transactions		(290 299)	(298 952)	(589 251)
Donor funding unspent balance		(22 917)	3 549	(19 368)
Provisions		(154 999)	35 420	(119 579)
Employee benefit costs		-	(14 509)	(14 509)
Reserves		(3 751 730)	223 471	(3 528 259)
		-	-	-

Notes to the Annual Financial Statements

Statement of financial performance (continued)

37. Prior-year adjustments (continued)

2025

Description	Note	As previously reported	Correction of error	Restated
Revenue from exchange transactions		287 920	-	287 920
Skills Development - Levy, penalties & interest		2 119 139	-	2 119 139
Other income - non exchange		31 538	3 261	34 799
Employer grants & project expenditure		(1 143 146)	(358 666)	(1 501 812)
Administrative expenses		(409 015)	72 743	(336 272)
Loss on disposal of assets		(394)	-	(394)
Surplus for the year		**886 042**	**(282 662)**	**603 380**

Statement of changes in net assets

2024

Reserves

Administrative grant reserves	66 054	-	66 054
Employer grant reserves	1 482	-	1 482
DG reserves	2 790 896	59 189	2 850 085
Revaluation reserve	4 954	-	4 954
	2 863 386	**59 189**	**2 922 575**

2025

Reserves

Administrative grant reserves	81 481	178	81 659
Employer grant reserves	1 474	-	1 474
DG reserves	3 661 517	(223 647)	3 437 870
Revaluation reserve	7 257	-	7 257
	3 751 729	**(223 469)**	**3 528 260**

Cash flow from operating activities note

The following prior period errors adjustments occurred:			
Surplus for the year	886 042	(282 663)	603 379
Depreciation and amortisation	15 016	13	15 029
Loss on disposal of assets	394	-	394
Movements in provisions	(39 606)	62 643	23 037
Non cash movements - assets reassessment	(6 097)	-	(6 097)
Non cash movements - DG asset impairment	-	16 698	16 698
Non cash movements - Transfer out of infrastructure	-	11 771	11 771
Changes in Employee benefit cost	-	1 617	1 617

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Description	Note	As previously reported	Correction of error	Restated
Changes in WC - Inventory		116	-	116
Changes in WC - Receivables for exchange transactions		448	199	647
Changed in WC - Receivables from non-exchange transactions		(7 492)	9 262	1 770
Change in WC- Prepayment		-	(6 357)	(6 357)
Changes in WC - Payables from exchange transactions		8 126	6 665	14 791
Changes in WC - Payables from non-exchange transactions		46 832	205 705	252 537
Changes in WC- Donor funding unspent balance		8 838	(3 262)	5 576
		912 617	**22 291**	**934 908**

Related party note

Due to the adjustments relating to DG expenditure for invoices received in the current year financial year for work done in prior years, adjustment to expenditure was done. These changes resulted in the adjustment of the balances disclosed in the related party note.

Commitment balance - TVET	260 540	(20 975)	239 565
Commitment balance - Universities	243 450	(821)	242 629
Commitment balance - CETs	30 078	(1 509)	28 569
Commitment expenditure - TVET	25 752	17 469	43 221
Commitment expenditure - Universities	32 860	13 734	46 594
Commitment expenditure - CETs	3 276	1 509	4 785
	595 956	**9 407**	**605 363**

Risk Management

The invoices received in the current financial year relation to work done in prior years, the reallocation of expenditure to the relevant financial periods affected the liquidity risk disclosure linked to liabilities.

Liquidity risk

Payables from exchange transactions	(44 467)	9 590	(34 877)
Payables from non-exchange transactions (DG)	(290 299)	(172 147)	(462 446)
Donor Funding liability	(22 917)	3 549	(19 368)
Provisions	(154 999)	91 665	(63 334)
	(512 682)	**(67 343)**	**(580 025)**

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Description	As previously reported	Correction of error	Restated
Commitment			
The adjustment is partly due to services rendered in previous periods with invoices only being submitted in the current financial year. Also, a full commitment confirmation project was undertaken to ensure accuracy and completeness of all balances that should be disclosed by Services SETA. These changes resulted in the adjustment of the commitment balance.			
Refer to note 33 for a breakdown of the changes to the commitment balance.			
Below is the overall net effect of the adjustments.			
Balance per commitment note (DG)	3 424 632	(350 229)	3 074 403
Irregular expenditure			
2024			
Balance per note	1 284 094	20	1 284 114
2025			
Balance per note	588 325	125 763	714 088

The changes to the opening balances of irregular expenditure is attributable to: (i) Accruals raised in the prior year relating to invoices received in the current year for DG projects and admin expenses and (ii) The reallocation of payroll costs for FY2024/25 from the 10.5% (admin) to the 7.5% (DG support).

38. Financial Instruments - Risk Management and Other Disclosures

Significance of financial instruments for financial position and financial performance

Statement of financial position

Categories of financial assets and financial liabilities

Carrying amounts of financial assets

Class of financial instrument 2026

	Note(s)	At amortised cost	Total
Cash and cash equivalents		3 457 410	3 457 410
Receivables from exchange transactions		3 016	3 016
Receivables from non-exchange transactions		2 939	2 939
Total carrying amounts		**3 463 365**	**3 463 365**

Notes to the Annual Financial Statements

38. Financial Instruments - Risk Management and Other Disclosures (continued)

Class of financial instrument 2025

Description	Note(s)	At amortised cost	Total
Cash and cash equivalents		4 099 062	4 099 062
Receivables from exchange transactions		2 016	2 016
Receivables from non-exchange transactions		2 894	2 894
Total carrying amounts		**4 103 972**	**4 103 972**

Carrying amounts of financial liabilities

Class of financial instrument 2026

Payables from exchange transactions	11	(29 121)	(29 121)
Payables from non-exchange transactions	12	(276 322)	(276 322)
Donor Funding unspent liability	13	(16 085)	(16 085)
Provisions	14	(7 005)	(7 005)
Total carrying amounts		**(328 533)**	**(328 533)**

Class of financial instrument 2025

Payables from exchange transactions	11	(34 877)	(34 877)
Payables from non-exchange transactions	12	(462 446)	(462 446)
Donor Funding unspent liability	13	(19 368)	(19 368)
Provisions	14	(63 334)	(63 334)
Total carrying amounts		**(580 025)**	**(580 025)**

Statement of financial performance

Notes to the financial statements

Nature and extent of risks arising from financial instruments

Qualitative and Quantitative disclosures

Overview

The Services SETA is exposed to the following risks from its use of annual financial statements:

» Credit risk; and

» Market risk (currency risk, interest rate risk and price risk).

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025

38. Financial Instruments - Risk Management and Other Disclosures (continued)

The Services SETA Accounting Authority has overall responsibility for the establishment and oversight of the Services SETA's risk management framework. The legal and compliance unit has delegation to manage the Services SETA's risks and reports to the Accounting Authority on a quarterly basis .

The Services SETA Audit Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Services SETA. The Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

The Services SETA has identified and have been monitoring the Busa case as one of the liquidity risks exposure during the financial period. No final decision has been communicated on the matter at reporting date.

Credit risk

The credit risk management practice

Cash and cash equivalents are placed only with major South African banks holding an investment-grade national-scale credit rating. Counterparty limits are reviewed by the Treasury function on a quarterly basis.

Refundable deposits are held with municipalities supervised under the Municipal Finance Management Act and with a reputable commercial property lessor. Counterparty credit quality is monitored through the AGSA audit outcomes for the relevant municipalities.

Receivables from exchange transactions are managed through monthly ageing analyses, with balances in arrears escalated to the Credit Committee and, where appropriate, the Legal function.

Receivables from non-exchange transactions are managed through periodic reconciliation with implementing providers and higher education institutions, with overpayments recovered through offset against subsequent claims or, where necessary, formal legal recover

The following financial instruments are considered to have low credit risk

Only the instruments listed in the table are treated as low credit risk. All others follow the normal SICR assessment.

Financial instrument	Class
Cash and Cash equivalents	Financial assets at amortised cost

Services SETA considers financial instrument to have low credit risk when they funds are kept in an account that is available on demand and not on notice period.

Credit risk exposure

Credit risk is the risk of financial loss to the entity if a counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets recognised in the Statement of Financial Position represents the maximum credit exposure.

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025

38. Financial Instruments - Risk Management and Other Disclosures (continued)

Description	Cost	Total
Class of financial asset	3 457 410	4 099 062
Cash and cash equivalents	3 016	2 016
Receivables from exchange transactions	2 939	2 894
Receivables from non-exchange transactions	**3 463 365**	**4 103 972**

The entity does not hold collateral or other credit enhancements over any of its financial assets, other than personal guarantees in respect of a small population of staff bursary debt receivables.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and 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 investments.

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 against available reserves. There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

Cash flow forecasts and management accounts are prepared in order to ensure there is adequate cash available for day-to-day transactions and budget management is aligned to the approved Annual Performance Plan.

Liquidity risk is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities. The entity's exposure to liquidity risk arises principally from trade and other payables and from DG commitments.

The entity manages liquidity risk through a 12-month rolling cash flow forecast that is prepared monthly by the Chief Financial Officer and reviewed by the Accounting Authority. All cash and cash equivalents are held on demand or in short-dated investments with maturities of three months or less, ensuring availability to meet operating commitments and DG disbursements as they fall due.

Notes to the Annual Financial Statements

38. Financial Instruments - Risk Management and Other Disclosures (continued)

March 2026

Description	Carrying amount	6 months or less	6 months or more	Over 1 year
Payables from exchange transactions	(29 121)	(29 121)	-	-
Payables from non-exchange transactions (DG)	(276 322)	(276 322)	-	-
Provisions	(7 005)	(7 005)	-	-
Donor funding liability	(16 085)	(16 085)	-	-
March 2025				
Payables from exchange transactions	(34 877)	(34 877)	-	-
Payables from non-exchange transactions (DG)	(462 446)	(482 446)	-	-
Provisions	(63 334)	(63 334)	-	-
Donor funding liability	(19 368)	(19 368)	-	-

Market risk

Sensitivity analysis

Scope and objectives

The entity is exposed to cash flow interest rate risk on its floating-rate call account and money-market deposits. The entity does not have variable-rate debt obligations.

Services SETA holds no foreign-currency, equity-price or commodity-price exposure. The only market-risk exposure is to South African short-term interest rates on Standard Bank / SARB deposits. A 100 bps parallel shift in the repo rate would change annual interest revenue by approximately R4 million.

Interest rate risk

As the Services SETA has significant interest-bearing assets, being cash and cash deposits, the Services SETA's income and operating cash flows are substantially affected by changes in market interest rates as the deposits are held at variable interest rates. The monthly cashflow projections and management accounts assist the Services SETA to monitor how to spend its funds while earning interest from banks. Fluctuations in market interest rates impact future cash flow.

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

Variable rate instruments: Assets

Description	Average effective		Carrying amount	
	2026	2025	2026	2025
Cash and cash equivalents	7%	7%	3 313 455	3 920 929

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025	2026	2025

38. Financial Instruments - Risk Management and Other Disclosures (continued)

Interest rate sensitivity analysis

Interest rate risk arises from investments. A 1% fluctuation would impact interest income. No significant foreign currency exposure exists.

Tabular sensitivity analysis

	2026 Increase	2025 Decrease	2026 Increase	2025 Decrease
Increase or decrease in rate:				
Impact on surplus or deficit:				
Change in interest rate	4 047	(4 047)	4 009	(4 009)

	Change in repo rate	Impact on annual interest revenue- 2026	Impact on annual interest revenue- 2025	Notes
+200 bps	2%	80931,71	80187,43	Stress upside - repo 9.50% from 7.50%
+100 bps	1%	40465,86	40093,71	Standard upside
-100 bps	-1%	-40465,86	-40093,71	Standard downside
-200 bps	-2%	-80931,71	-80187,43	Stress downside

Inputs, assumptions and techniques used to measure ECL

The entity applies a provision matrix for trade receivables and a general approach for non-exchange receivables. Probabilities of default for each ageing bucket are derived from internal historical loss experience, supplemented where necessary by observable external proxies including counterparty ratings, sector default statistics and the Auditor-General audit outcomes. Loss given default is estimated by reference to historical recovery rates and the structural recovery mechanisms available to the entity (payroll deduction, claim offset, deposit insurance, legal recovery).

Forward-looking information is incorporated through a five-factor weighted probability of default overlay covering:

- gross domestic product growth (35% weight);
- interest rates (20% weight);
- inflation (30% weight);
- public-entity payment levels (10% weight); and
- internal credit-control changes (5%weight).

The resulting Stage 1 weighted probability of default at the reporting date is 11.75% (2025: 11.82%).

No expected credit loss allowance is recognised on cash and cash equivalents on the basis that credit risk is remote. See cash and cash equivalents note 8 for additional information.

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025

39. Going concern

We draw attention to the fact that at 31 March 2026, the Services SETA had an surplus of R562 million and that the Services SETA's total assets exceed its liabilities by R4.099 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 stated below:

- The budget to support the APP for the financial year 2026-27 was submitted for approval by the Executive Authority. The overall expenditure required for the next 12 months is estimated at R3.6 billion, which will be funded from estimates levies to be received throughout the financial year and the accumulated surpluses.
- The current licence period ending 31 March 2030 provides confirmation that there is no indication of withdrawal of financial support by the Executive Authority.
- The current ratio is 8.31:1 and current assets exceed current liabilities by R3 890 billion.
- The Services SETA does not have any long-term borrowings.
- The Services SETA has been placed updated administration since August 2025, with the function of the Accounting Authority being overseen by the appointed Administrator.
- As at 31 March 2026, there were no changes to the Grant Regulation or other legislation that could have a negative effect on the Services SETA.

40. Subsequent events

As at 31 March 2026, the only known non-adjusting events after reporting date are as below. The requirement for Services SETA to submit an application to National Treasury an application for the rollover of accumulated surpluses by 30 September 2026.

Any new non-adjusting events known during the preparation of financial statements will be disclosed as part of the AFS of March 2027.

41. Unauthorised, irregular and fruitless and wasteful expenditure

Irregular expenditure	37 297	227 850
Fruitless and wasteful expenditure		92 432
Material losses - Remote monitoring system	-	16 698
Closing balance	37 297	336 980

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025

41. Unauthorised, irregular and fruitless and wasteful expenditure (continued)

Additional Narratives

Restatement of opening balances

The adjustments to the opening balance is due to (i) invoices received in the current year relating to prior year for projects and admin expenses and (ii) the reallocation of payroll costs from 10.5% to 7.5% thus increasing the expenditure incurred above the 7.5% limit.

Impaired remote monitoring system

As part of the year-end process for assets verification and valuation, a system under development was identified to be obsolete prior to usage. The Accounting Authority has initiated an investigation into the project to determine the circumstances that led to the asset not to be used.

Fruitless expenditure-Projects

Abandoned projects during the FY2024/25 audit, the Auditor-General raised a finding of possible material irregularity linked to projects that were abandoned prior to completion. The Services SETA appointed an independent law firm to investigate the projects. The report from the investigations identified several deficiencies on project management, the process for recovery and consequence management is still underway. Expenditure incurred relates to prior periods. Additional active projects were cancelled as at 31 March 2026 and are still under determination on the cause of non-completion.

Irregular expenditure FY2026

The irregular expenditure disclosed for FY2025-26 is linked to (1) Commitment - Projects initiated without adequate evidence for Board approval (continuation of all awards), (2) SCM - Infrastructure panel not evaluated per SCM prescripts, (3) Commitment - Allocations made for unsolicited proposals that cannot demonstrate openness and fairness principles of the Grant Regulation on the process followed (continuation of all awards), (4) SCM awards - The inclusion in the awarded panel bidders that submitted late documents (continuation of all awards), (5) SCM awards - Panel award that was evaluated by officials not formally appointed as part of the Bid Evaluation Committee, (6) SCM - RFQ approved by official without appropriate delegation.

42. Budget differences

Material differences between budget and actual amounts

The final budget in the Statement of Comparison of Budget and Actual Amounts represents the amount presented to the Accounting Authority and approved by the Minister of DHET to address the FY2025-26 APP.

Below variances are for the year under review.

Total Levies

Actual revenue for the year amounts to R2.532 billion as compared to the budgeted amount of R2.488 billion. The favourable variance was due to levies actually received being higher than the budget.

Total expenditure

Actual expenditure for year-to-date amounts to R2 billion compared with the budget amount of R3.1 billion. The variance of 36.5% is driven by the below:

Employer grant and project expenses

Project grant and mandatory grant disbursements year to date amounts to R1.6 billion as compared to the budget amounting to R2.6 billion resulting in a favourable variance of R1 billion. The main reason for variance is the DG direct expenditure due to low claims for active projects and new projects only being implemented at the end of the financial year.

Administrative expenditure

The actual expenditure year to date amounts to R364 million versus the budget amounting to R415 million with a variance of favourable variance of R51 million. This due to the employee costs reallocation from the 10.5% admin to the 7.5%.

43. 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.

Notes to the Annual Financial Statements

Figures in Rand thousand	2026	2025
44. Material losses		
Opening balance as previously reported	109 130	-
Opening balance as restated	109 130	
Add: Losses identified - Impaired remote monitoring system	-	16 698
Add: Losses identified - Abandoned projects	-	92 432
Closing balance	**109 130**	**109 130**

Abandoned projects during the FY2024/25 audit
The Auditor-General raised a finding of possible material irregularity linked to projects that were abandoned prior to completion. The Services SETA appointed an independent law firm to investigate the projects. The report from the investigations identified several deficiencies on project management, the process for recovery and consequence management is still underway. Expenditure incurred rates to prior periods and additional active projects were cancelled as at 31 March 2026 and are still under determination on the cause of non-completion.

Impaired remote monitoring system
As part of the year-end process for assets verification and valuation, a system under development was identified to be obsolete prior to usage. The Accounting Authority has initiated an investigation into the project to determine the circumstances that led to the asset not to be used.

Notes



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RP141/2026

ISBN: 978-1-83491-920-1