Annual Report | 2011/2012

Grow, Develop and Empower

higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

PSETA
Public Service Sector Education & Training Authority

Annual Report | 2011/2012

Vision

Cutting-edge skills for quality public services.

Mission

We aim to develop skilled and competent human capital through effective coordination of skills development interventions based on occupationally directed qualifications, focusing on learning programmes, and promoting learner placement and absorption within the sector.

Values

- Honesty and integrity.
- Accountability.
- Service excellence.
- Fairness and transparency.

Scope

The Skills Development Act, No 97 of 1998, as amended, provides the institutional framework for delivering skills development through the establishment of the Sector Education and Training Authorities (SETAs).

The PSETA's stakeholder scope covers all national government departments, all provincial administrations, Parliament, provincial legislatures, organised labour, participating parastatals and public entities.

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PSETA
Public Service Sector Education & Training Authority

Annual Report of the Public Sector Education & Training Authority (PSETA) 1 April 2011 to 31 March 2012

"I have taken measures to strengthen the governance and management of SETAs to ensure that they become effective. The vast majority of SETAs have publicly supported these transformative measures and we have had a very positive response from most stakeholders. Most SETAs are determined to turn their organisations into effective components of an integrated and successful post-school system. The measures we have taken are a giant step forward in the transformation of the South African Skills development system."

Dr Blade Nzimande, Minister of Higher Education and Training, Budget Vote to Parliament, 26 May 2011

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ABBREVIATIONS

ATR	Annual Training Report
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
DHET	Department of Higher Education and Training
DIRCO	Department of International Relations and Cooperation
DoL	Department of Labour
DPSA	Department of Public Service and Administration
ETQA	Education and Training Quality Assurance
FET	Further Education and Training
GAAP	Generally Accepted Accounting Practices
HEI	Higher Education Institutions
M&E	Monitoring and Evaluation
MoA	Memorandum of Agreement
MoU	Memorandum of Understanding
MIS	Management Information System
NAMB	National Artisan Moderating Body
NSA	National Skills Accord
NSDS	National Skills Development Strategy
NSF	National Skills Fund
NLRD	National Learners' Records Database
NYDA	National Youth Development Agency
PFMA	Public Finance Management Act
PSETA	Public Sector Education and Training Authority
QCTO	Quality Council for Trades and Occupations
QMR	Quarterly Monitoring Report
OFO	Organising Framework for Occupations
PALAMA	Public Administration, Leadership and Management Academy
PIVOTAL	Professional, Vocational, Technical and Academic Learning
RPL	Recognition of Prior Learning
SAQA	South African Qualifications Authority
SCM	Supply Chain Management
SDA	Skills Development Act
SDF	Skills Development Facilitator
SDLA	Skills Development Levies Act
SETA	Sector Education and Training Authority
SSP	Sector Skills Plan
WSP	Workplace Skills Plan

Contents

Presentation of the PSETA 2011/2012

Annual Report to the Minister of Higher Education and Training

"The magnitude of the challenge we face as a country to reduce unemployment to below 15% by 2015 will be overcome only when the Sector Education and Training Authorities (SETAs) are fully capacitated to execute their mandates, accurately and effectively; when a skilled workforce is in place to increase productivity and fast-track the improved service delivery for which society is clamouring; and when the unemployed become gainfully employed to help create a vibrant economy. Only then will South Africa reach its full potential as a winning nation."

Annual Report of the Public Service Sector Education and Training Authority (PSETA) for the period ended 31 March 2012

In terms of Section 65 of the Public Finance Management Act, 1 of 1999, I have the honour to present to the Minister of Higher Education and Training, Dr Blade Nzimande, the Annual Report of the Public Service Sector Education and Training Authority (PSETA) for the period 1 April 2011 to 31 March 2012.

Ms Koko Mashigo

Chairperson

PSETA Board

31 July 2012

PROFILE AND MANDATE OF THE PSETA

The Public Service Sector Education & Training Authority (PSETA) was established on 20 March 2000 to facilitate, coordinate and monitor the implementation of the National Skills Development Strategy (NSDS) in the public service, participating parastatals and public entities.

The PSETA oversees the provision of quality education and training in the public service sector to meet the current and future needs of stakeholders. These include government departments, Parliament, provincial legislatures, organised labour, participating parastatals and public entities.

Operational costs are funded by National Treasury through the Department of Public Service and Administration (DPSA). Different to other SETAs, whose income is derived mainly from skills levy payments by their sector stakeholders, the PSETA's income from levies is limited to payments from a few public entities, as government departments are not mandated to pay skills development levies.

The PSETA's objectives are aligned with the Skills Development Act, 97 of 1998 (as amended), and the performance indicators of the National Skills Development Strategy (NSDS) III. Primarily, it is mandated to identify skills shortages, facilitate education and training and encourage the investment in skills development to increase competence and capacity in the public service sector to improve service delivery.

It is incumbent upon the PSETA, in responding to sector needs, to increase the sector's return on investment in skills development and training through the development of a Sector Skills Plan (SSP), provision of quality-assured training and Learning Programmes, marketable qualifications and the accreditation of training providers such as Public Administration, Leadership and Management Academy (PALAMA).

Priorities include improving employment for the previously disadvantaged, assisting work-seekers and retrenched workers to enter the labour market, supporting employers to find suitably qualified employees and promoting skills development for self-employment.

The PSETA also partners with the Institute for the National Development of Learnerships Employment Skills and Labour Assessments (INDLELA) and other key SETAs to discharge its responsibility for government trades. The focus is on developing and promoting artisans, trades and apprenticeships as directed by the NSDS III.

Organisational challenges over a number of years created a tough business environment within which the PSETA endeavoured to execute its mandate. Limited funding for administration and support functions, due mainly to the PSETA's limited levy income, resulted in operational dependence on the DPSA and limited flexibility to meet sector needs. The PSETA also had to rely on government departments to fund actual training.

The PSETA's relisting as a Schedule 3A Public Entity in May 2006 in terms of the Public Finance Management Act, 1 of 1999, increased its autonomy and gave the PSETA Board more leeway to lead the organisation. All administrative functions, such as corporate services, procurement and the operational budget however, remained under DPSA control.

In September 2010, the PSETA was placed under administration to address serious governance irregularities and financial mismanagement, as well as securing its independence from the DPSA to function as an independent SETA. In November 2010, within the context of the new SETA landscape, the Minister of Higher Education and Training renewed the SETA Certificates of Establishment for a five-year period from 1 April 2011 until 31 March 2016. Unlike the other SETAs, however, the PSETA's Certificate was initially renewed for one year only until 31 March 2012. The intention was to stabilise its governance systems and finalise its funding model.

PROFILE AND MANDATE OF THE PSETA

On 20 March 2012, the Minister of Higher Education and Training extended the PSETA's certificate renewal to 31 March 2016. That vote of confidence in the PSETA's new Constitution, independently-appointed board and full independence from the DPSA, as well as its newly established solid human resource base and sound governance framework, contributed significantly to organisational stability.

The PSETA policies are aligned with South African Qualifications Authority (SAQA), Department of Higher Education and Training (DHET) and Quality Council for Trades and Occupations (QCTO) requirements, to guide, monitor and evaluate the organisation's discharge of its mandate against pre-determined quality standards.

In executing its mandate, the PSETA identifies and documents skills needs and creates partnerships to implement professional, vocational, technical and academic (PIVOTAL) programmes. These programmes provide learners with occupation-specific qualifications, facilitate demand-led skills development, empower marginalised groups as directed by the NSDS III and support Further Education and Training (FET) colleges to increase their contributions to skills development and upgrade the existing skills of employees in the public service sector.

The PSETA's ultimate vision is to develop a skilled and competent workforce in the public service sector that will take pride in delivering service value and promote government as an employer of choice to new market entrants.

HIGHLIGHTS AND ACHIEVEMENTS

We take pleasure in sharing a selection of achievements across all our domains during the 2011/2012 financial year. These activities affirm the relevance of the PSETA's role in education and training across the public service sector nationally – a role that we will pursue with vigour and commitment in the years ahead.

During a year that was challenging and rewarding in almost equal measure in entrenching the PSETA's strengthened governance and independent management framework, business highlights and achievements included:

- securing of National Skills Fund (NSF) funding for core business projects;
- operational independence from the Department of Public Service and Administration (DPSA);
- recertification as a SETA until 2016;
- repositioning a restructured organisation to regain relevance and stakeholder confidence;
- establishing new finance and corporate services divisions and a projects department;
- implementation of a strategic plan aligned with national imperatives (NSDS III, National Skills Accord, IPAP2, Human Resource Development Strategy);
- retention of SAQA accreditation and alignment of PSETA ETQA with the Quality Council for Trades and Occupations (QCTO);
- evidence-based Sector Skills Plan (SSP) and Sector Career Guide (SCG) updated and the latter distributed;
- launch of a Shared Services Mobile Career Guidance Campaign in rural areas;
- capacity building among Skills Development Facilitators and within Training Committees;
- engaging with Further Education and Training (FET) Colleges and Higher Education Institutions (HEIs) and registering two learnerships;
- training 91 mentors in Gauteng, Limpopo, North West, Northern Cape and the Free State;
- establishing an in-house Trades and Artisan Unit staffed by a Trades and Artisan Specialist and partnering with the National Artisan Moderating Body, DPSA, GSETA Forum, Premiers' Offices and other SETAs in joint skills development initiatives; and
- initiating a training provider accreditation and capacity building project as well as research projects on Trades and Artisans and the Recognition of Prior Learning (RPL).

EXECUTIVES AND MANAGERS

Shamira Huluman
Chief Executive Officer

Jabulane Jiyane
Corporate Services Executive

Lindelwa Ximiya
Chief Operations Officer

Thabo Sibaya
Chief Financial Officer

Abbey Sekokope
Skills Planning & Research Manager

Jane Motubatse
Education and Training Quality Assurance Manager

Morongoe Nkabinde
Learning Programmes Manager

Ntombi Taho
Finance Manager

BOARD MEMBERS

Ms K Mashigo
Board Chairperson

Ms T Choshi
Member (Organised Labour)

Ms G Dhlamini
Member (Ministerial Appointee)

Mr M De Clercq
Member (Organised Labour)

Mr M Dladla
Member (Organised Labour)

Ms K Kgang
Member (Employer)

Ms M Kola
Member (Employer)

Mr B Maduna
Member (Employer)

Dr A Mahapa
Member (Employer)

Ms MB Mantashe
Member (Organised Labour)

Mr MB Mantatana
Member (Organised Labour)

Ms P Maseko
Member (Organised Labour)

Mr D Mushwana
Member (Employer)

Mr T Ndove
Member (Employer)

Adv S Nogxina
Member (Ministerial Appointee) - Resigned

Ms Koko Mashigo Board Chairperson

CHAIRPERSON'S REVIEW

The Annual Report and audited Annual Financial Statements of the Public Service Sector Education and Training Authority (PSETA) for the period ended 31 March 2012 are submitted to Parliament in terms of the Skills Development Act (SDA), 37 of 1998 (as amended) and Section 65 of the Public Finance Management Act (PFMA), 1 of 1999.

As the incoming Board Chairperson, I have been privileged to have worked with the PSETA's newly appointed Board over the past year to chart a way forward for a redefined, fully independent and optimally functioning SETA that can, in the year ahead, again aspire to fulfill its vision of providing cutting-edge skills for quality public service.

Dealing with the challenges

The past two years have been characterised by momentous change for the PSETA. Placed under Administration during the second half of the previous financial year, the organisation underwent major restructuring, predominantly to achieve its operational independence as a SETA with its own funding model and income from levy-paying constituents, similar to all other SETAs.

PSETA's image

During the past year, the PSETA's new Board had to deal with a number of challenges. The point of departure has been to meet the challenges head on in a transparent and constructive way to resolve and correct what went wrong previously.

Paramount among these has been to uphold and restore the image of the PSETA, not only among its peers and across the wider national education and training landscape, but importantly also among our employees. In this regard, and to bolster our activities in all that had to be undertaken, it has been imperative for the Board to work together as a unified team and present a united front to stakeholders and staff alike.

I am pleased to report that we succeeded in this objective and thank the individual Board members for their team spirit and commitment to cooperation.

Funding model

A significant challenge has been the lack of funding for operational projects. Some of our operational projects had to be funded through a grant from the National Skills Fund (NSF). The PSETA awaits the finalisation of its funding model as proposed to the Department of Higher Education and Training. The proposal was tabled and will follow due process through Cabinet in the new financial year.

The proposed funding model will generate the required levy income for the PSETA to deliver against its NSDS III performance indicators. In this regard, a directive to the government departments to pay the levy needs to come from Cabinet, in tandem with the amendment of the Skills Development Act, 97 of 1998 (as amended). We look forward to the expeditious approval of the model by September 2012.

Decision-making

The Board's intention to expedite decisions in the interest of good governance, greater productivity and effective delivery against the PSETA's key performance indicators as set by the National Skills Development Strategy (NSDS III), were at times hampered by not attaining quorums at Board meetings. The demanding schedules of some Board members prevented attendance of meetings in a number of instances.

The inability to take decisions due to the lack of quorums at meetings impeded the effective and efficient roll out of projects. This had unintended spillover effects on procurement processes which are meant to prevent the occurrence of financial mismanagement. I am confident that this situation will improve with the full support of all Board members in the forthcoming financial year.

Auditor-General Opinion

Considerable progress has been made to address the Auditor-General's disclaimer in the previous Annual Report regarding a 2005 NSF-funded learnership project. Management successfully obtained supporting documents and reduced the NSF liability from R30.7 million to R6.1 million. The audit opinion for this financial year is a qualification on the remaining balance. The Board noted this improvement and we are positive that the PSETA will work towards achieving an unqualified audit opinion in the forthcoming financial year.

Other irregularities from the period 2005-2010 will be addressed after the conclusion of an investigation by the Special Investigating Unit (SIU), which was initiated by the former Administrator.

A number of achievements

Amidst the challenges of realigning the PSETA along its new trajectory of stability and growth, the Board's constructive approach to resolving pressing issues was rewarded with a number of meaningful achievements.

Certainly a highlight has been the expeditious way in which the Board exercised its oversight role in the implementation of policies and processes to address the PSETA's internal control weaknesses and ensure compliance.

In this regard, staff conduct related to communication, conflict of interest, management structures, delegation of authority and finance, among others, are now guided by Board-approved policies and procedures, while systems are in place to monitor compliance on an ongoing basis.

The Board constituted a number of committees to assist it in performing its functions. These are the Executive Committee, Audit Committee, Core Business and Quality Assurance Committee, Projects and Procurement Committee and Corporate Services, Remuneration and Finance Committee. The committees are tasked to set strategic direction, identify issues and put forward recommendations to the Board in a format that complies with PFMA regulations.

Building blocks

As the Accounting Authority, the Board adopted a Charter and Code of Conduct to operationalise the Constitution and follow correct governance procedures, such as regularly updating a Disclosure of Interests register and adhering to formal meeting procedures. I regard these as the building blocks for sound governance and a springboard from which we can lead the PSETA to execute its mandate.

During its quarterly meetings, the Board monitors the implementation of the PSETA strategic plan and its annual performance report. A performance assessment tool has also been put in place to assess Board's performance. An ETDPSETA peer review and Board performance self-assessment for the 2011/12 financial year was conducted during the first quarter of the new fiscal period. This was followed by a workshop facilitated by the former Administrator to discuss the performance assessment report and recommend development programmes for the Board for the years ahead.

Appreciation

Our sincere appreciation goes to the Minister of Higher Education and Training, Dr Blade Nzimande, for his continued support and encouragement. I would like to thank my fellow Board members for the time and energy spent on deliberating the PSETA's reconfiguration and future trajectory and the Executive and management teams for their unwavering commitment to creating stability and growth for the organisation.

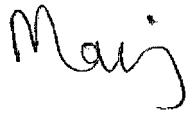
We wish to thank the members of the Audit Committee for their astuteness. Their professionalism, coupled with their competency and skills made the oversight role of the Board very simple. Their support is much appreciated. A special word of appreciation is also due to the former Administrator for putting the building blocks in place that have provided the PSETA with a sound footing from which to proceed along a new growth path towards a promising future.

Finally and importantly, I commend the PSETA staff for embracing the challenges in their work environment and proactively supporting the activities of the Board.

Going forward

The year ahead will have challenges of its own. The pending SIU investigation requires speedy finalisation in order to resolve the maladministration and financial transgressions of the past.

With the building blocks in place, I look forward to a PSETA that takes up its rightful role in the post school landscape to significantly increase its impact on skills development within the public service sector.



Ms Koko Mashigo

Chairperson

PSETA Board

31 July 2012

CORPORATE GOVERNANCE

The governance structure of the Public Service Sector Education and Training Authority (PSETA) guides its strategy, operational effectiveness and performance assessment to ensure that it functions as a responsible and accountable public entity.

Governance framework

The PSETA is a Schedule 3A public entity that reports to the Minister of Higher Education and Training as its Executing Authority. The PSETA Board, as the governing body, is the Accounting Authority as defined in the Public Service Finance Management Act, 1 and 29 of 1999 (as amended).

Due to serious lapses in governance and financial management and the need to address the PSETA's operational independence from the Department of Public Service and Administration (DPSA), the Minister of Higher Education and Training, Dr Blade Nzimande, placed it under administration for a period of seven months from September 2010 to March 2011.

Following the successful conclusion of the administration process at the end of March 2011, the Minister of Higher Education and Training recertified the PSETA for a year until 31 March 2012 to allow its re-positioning as an independent, fully-fledged SETA with a viable funding model developed by an Inter-Ministerial Task Team that consisted of the DHET, DPSA and the National Treasury. The Minister of Higher Education and Training, gazetted the appointment of the Board on 8 April 2011 (Government Notice No 34202).

During the past financial year, the Board directed the re-alignment of the PSETA's operations with corporate governance structures and processes that conform to the Skills Development Act, 97 of 1998 (as amended), as well as the Public Finance Management Act, 1 and 29 of 1999 (as amended) and National Treasury Regulations, 2000 (as amended 2001), all of which guide and support the PSETA's endeavours to achieve its National Skills Development Strategy (NSDS) III imperatives.

The Board also guided the repositioning of the PSETA as an independent statutory body, put in place the required governance and operational structures and established new Board committees, which included the Audit Commitee and the Executive Committee.

Recertification

The Minister of Higher of Education and Training amended Notice R 1057 in the Government Gazette No 33756 of 20 March 2012 to correct the PSETA's recertification timeframe from 1 April 2011 to 31 March 2016 (a period of 60 months) with the mandate and within the framework of the NSDS III.

Board composition

The PSETA Board consists of 15 members nominated as follows:

6 - Organised labour

6 - Employer

3 - Ministerial Appointees (Including the independent Chairperson)

During the period under review, two Board members resigned. The Minister is addressing the appointment of Board members to replace them.

Table 1 Board (Accounting Authority) members

Member	Organisation/ Constituency	Designation	Status	Race	Gender
Ms K Mashigo	Independent	Independent	Chairperson	African	Female
Adv S Nogxina	Department of Mineral and Energy	Advisor to Minister	Member (Ministerial appointee) Resigned effective from 31 August 2011	African	Male
Ms G Dhlamini	Independent	Independent	Member (Ministerial appointee)	African	Female
Ms T Mantashe	NEHAWU	Second Deputy President	Member (Labour)	African	Female
Mr M B Mantantana	NEHAWU	Education Head	Member (Labour)	African	Male
Ms T Choshi	POPCRU	Provincial Deputy Secretary	Member (Labour)	African	Female
Mr M Dladla	POPCRU	NEC Member KZN	Member (Labour)	African	Male
Mr M De Clercq	PSA	Deputy General Manager	Member (Labour) Resigned effective from 31 March 2012	White	Male
Ms P Maseko	PSA	Provincial Manager: Pretoria	Member (Labour)	African	Female
Ms M Kola	GPAA	Chief Operations Officer	Member (Employer)	African	Female
Mr B Maduna	Department of Labour	Chief Financial Officer	Member (Employer)	African	Male
Dr A Mahapa	DPSA	Deputy Director General	Member (Employer)	African	Male
Ms K Kgang	Department of Home Affairs	Director: HRP	Member (Employer)	African	Female
Mr D Mushwana	SITA	Executive: Corporate Services	Member (Employer)	African	Male
Mr T Ndove	Department of Agriculture, Limpopo	General Manager: District Services	Member (Employer)	African	Male

Board functions

The Board is the custodian of corporate governance for the PSETA. It exercises its powers by ensuring:

- compliance with the relevant statutory and legislative requirements contained in the PSETA's constitution;
- an effective and independent Audit Committee is in place;
- adherence to strategic direction and overseeing the development and execution of the PSETA's strategic plan and decisions according to stakeholder expectations;
- governance and control in terms of the SDA, PFMA and related legislation and providing effective leadership and independent decision making;
- management's effective cultivation of a culture of ethical conduct and compliance with the PSETA's Code of Conduct;
- that integrity permeates all aspects of the PSETA vision, mission and objectives;
- that governance and other risks are managed and exercising information and communications technology (ICT) governance;
- liaison with stakeholders and that the PSETA achieves its objectives and performs the functions contained in clauses 4 and 5 of the PSETA Constitution;
- that performance is managed in terms of the PSETA's Service Level Agreement (SLA) with the Department of Higher Education and Training; and
- effective leadership and that the PSETA achieves its NSDS III and SLA goals.

Board Charter

The Board, as Accounting Authority, adopted a Board Charter to operationalise the Constitution and simplify procedures for conducting its business. The Board meets on a quarterly basis to monitor the implementation of the strategic plan and annual performance.

Audit Opinion

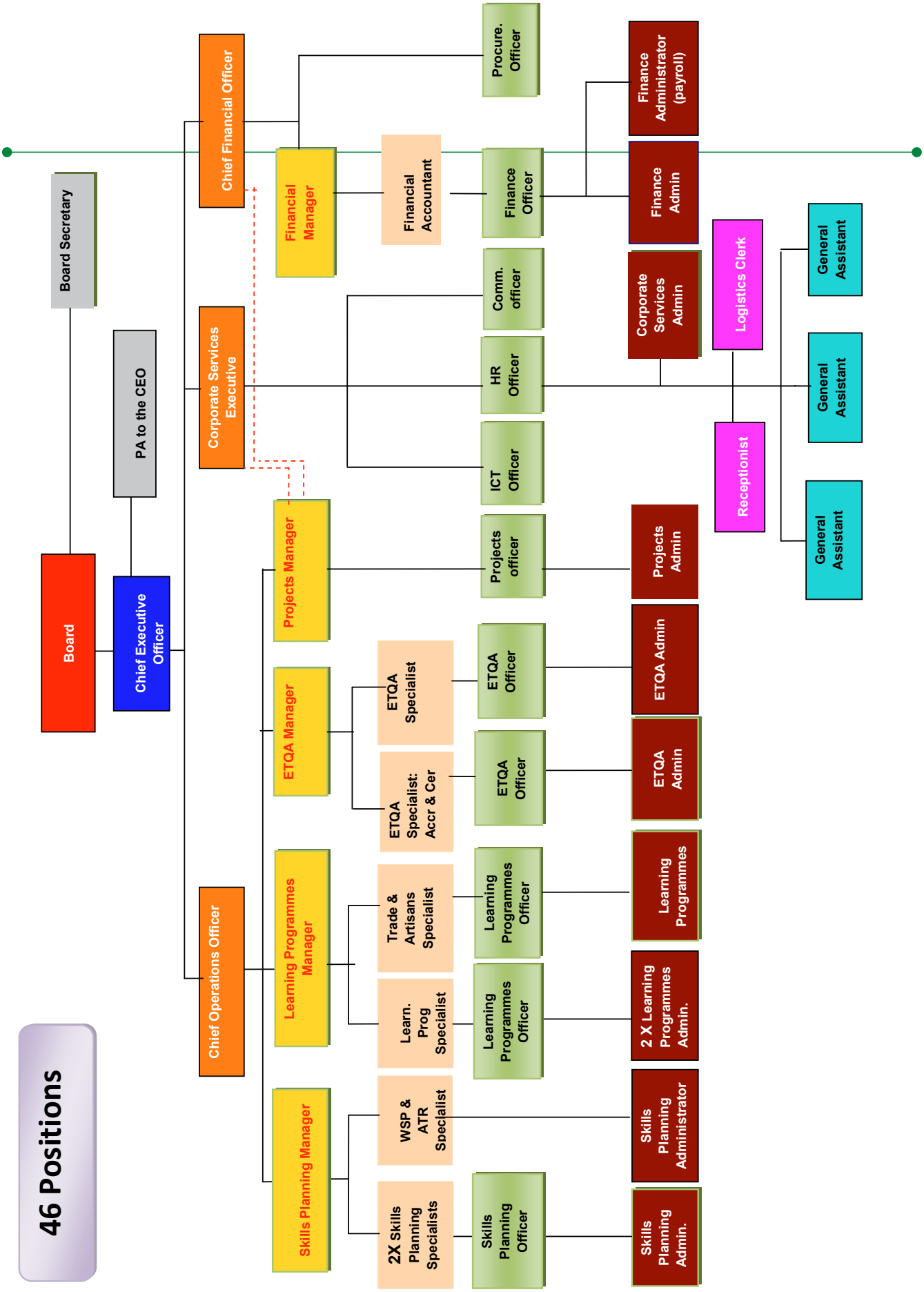
The PSETA faced a serious challenge to address the disclaimer by the Auditor-General in the 2010/11 financial statements. The disclaimer arose from the financial maladministration, corruption, fraud, lack of records and non-compliance with relevant laws and regulations in a 2005 National Skills Fund (NSF) project.

The PSETA made significant strides during the period under review in addressing the disclaimer by obtaining some of the required supporting NSF project documentation. The Board also adopted stringent supply chain management (SCM) policies to ensure full compliance with the PFMA and SCM procedures to prevent potential financial mismanagement or transgressions.

Restructuring and repositioning

The 2011/12 financial year laid the foundation for the PSETA to function independently from the DPSA as a fully-fledged SETA with its own corporate services and finance functions. The organisational structure was completely revised and fully implemented. Figure 1 below reflects the revised functions and reporting lines of the restructured organisation:

Figure 1: The Organogram



The PSETA also fulfilled its statutory functions of developing a Sector Skills Plan (SSP) and maintaining its South African Qualifications Authority (SAQA) accreditation as a quality assurance body.

The Board developed and adopted policies in accordance with relevant statutory requirements governing the PSETA. Procedures, processes, systems and internal controls were put in place to operationalise the PSETA's strategic plan.

The PSETA received NSF funding for specific core projects aligned with the NSDS III and is rolling out strategic projects geared at capacitating the public service sector and targeting unemployed rural youth. The implementation of an Integrated Rural Youth Project – jointly with the DPSA in the Northern Cape, Limpopo and KwaZulu-Natal – provides the PSETA, as a skills development agency, with the opportunity to contribute to job creation, meet its NSDS III targets and enhance the relevance and efficacy of its skills development interventions.

Attendance at Board meetings

Table 2 Attendance by Board members of Board meetings for the 2011/12 financial year

PSETA BOARD MEETINGS ATTENDANCE REGISTER APRIL 2011 – MARCH 2012												
Board member	Scheduled meetings				Reconvened meetings			Special meetings				Total number of meetings attended
	2011			'12	'11	2012		2011		2012		
	5/5	31/8	17/11	23/ 2	30/11	26/2	5/ 3	30/5	28/7	12/2	30/3	
Ministerial Appointees												
Ms K Mashigo	P	P	Meeting adjourned	Meeting adjourned	P	Meeting adjourned	P	P	P	P	P	8
Ms G Dhlamini [substituted: Ms S Ndlovu]	NYA	P			P		A	NYA	NYA	P	P	4
Adv S Nogxina [substituted: Mr S Mali]	NYA	A			R		R	NYA	P	R	R	1
Organised labour												
Ms T Mantashe	P	P	Meeting adjourned	Meeting adjourned	A	Meeting adjourned	P	P	A	P	P	6
Mr M B Mantantana	P	P			P		P	A	A	A	A	4
Mr M J Dladla	P	A			P		P	P	P	A	P	6
Ms T W Choshi	P	P			P		P	P	A	P	P	7
Mr H N de Clercq	P	P			A		A	P	P	P	A	5
Miss P Maseko	P	P			P		A	P	A	A	P	5
Organised employer												
Ms M Kola	P	P	Meeting adjourned	Meeting adjourned	A	Meeting adjourned	A	A	A	P	P	4
Ms K Kgang	A	P			P		P	P	A	A	A	4
Mr D Mushwana	P	A			A		P	P	A	A	A	3
Dr A Mahapa	P	A			A		P	A	A	A	P	3
Mr T Ndove	P	A			A		P	P	A	A	P	4
Mr B Maduna	P	P			P		A	A	P	P	A	5

Key: A = Absent; P = Present; NYA = Not yet appointed; R = Resigned

The following meetings were adjourned as a result of attendees not forming quorums:

17 November 2011,

23 February 2012 and

26 February 2012.

Induction and development of governance structures

The Administrator appointed during the previous financial year conducted the Board's induction programme at its inaugural meeting on 5 May 2011, while the Board and management instituted an orientation process for existing and new board appointees with a focus on good corporate governance, the PFMA, SCM processes, risk management and understanding the SETA landscape in line with the NSDS III.

The Board underwent a number of empowerment sessions during engagements with the strategic planning facilitator, DHET and SIU representatives and was exposed to governance, risk and compliance management and performance assessment briefings with an external consultant. Funding constraints prevented the Board from undergoing structured formal training and development programmes on an ongoing basis.

All Board members and employee governance representatives were updated on the DHET legislatives amendments and requirements, as well as PSETA policy revisions, activities and programmes.

Ethics and integrity

The Board, as the PSETA's Accounting Authority, is confident that individual members have conducted the PSETA's business and their fiduciary duties by complying with the legislation that regulates the PSETA's activities. The Board has performed its functions fairly, honestly and in good faith by giving full effect to the obligations of the SDA and the PSETA Constitution, promoting the PSETA's reputation and goodwill and performing their duties conscientiously and in the best interest of the PSETA.

Board members have conducted themselves ethically and in accordance with the principles of good governance underpinned by the personal and professional characteristics outlined in the Constitution. Board membership requires strict adherence to the Code of Conduct and that members complete the Declaration of Interest Register at every meeting.

Board Committees

The Board established the following Committees to assist it in performing its functions according to Schedule 5 of the Constitution: Executive Committee, Audit Committee, Core Business and Quality Assurance Committee, Projects and Procurement Committee and Corporate Services, Remuneration & Finance Committee.

The Executive Committee (ExCo)

The Board Executive Committee is composed of eight Board members, the Board Chairperson, who also serves as ExCo Chairperson, one Ministerial appointee, three Employer Labour representatives each, and the CEO as an *ex-officio* member.

The ExCo monitors the day-to-day management and administration of the PSETA, national policy issues and development and the PSETA's relations and with the NSA and other SETAs; oversees the development and implementation of policies; and performs other functions or duties delegated to it by the Board or conferred in the PSETA constitution.

Audit Committee

The Audit Committee is constituted in terms of Section 77 of the PFMA, read with Chapter 9 of the Treasury Regulations in terms of the PFMA. The Audit Committee consists of four members, two external experts with the requisite financial and business competency and experience, two Board representatives with finance and business experience and the CEO and CFO as *ex-officio* members.

The Committee has a Charter that outlines its terms of reference and the Chairperson is one of the independent experts. The Committee has satisfied itself of the expertise, resources and experience of the PSETA finance function.

The Committee's functions, as contemplated in the PFMA, entails oversight of the PSETA's integrated reporting that includes financial reporting, internal controls, internal and external audit processes, the risk management process, sustainability issues and the IT governance process. The Audit Committee Chairperson reports to the Board on a quarterly basis or as and when required.

During the year under review, the Audit Committee considered and monitored matters that pertained to its Charter, internal audit reports, the external audit plan and fees, as well as the PSETA's Strategic Plan and Annual Performance Plan and used the Strategic Support Plan to track the implementation of recommendations by the Auditor-General.

In addition to the above, the Committee considered the PSETA's materiality and significance framework, condonations, budget and monthly financial reports and monitored risk management and the Risk Register. Committee members reviewed relevant policies, legal matters and the Annual Performance Report, as well as the SIU report on the preliminary investigation into the disclaimer and the planning to resolve the matter. The Audit Committee was also responsible for the Annual Financial Statements of the entity.

Core Business and Quality Assurance Committee

The Core Business and Quality Assurance Committee consists of four Board members, two each from organised labour and employer, one independent specialist and one each executive management and management representatives as *ex-officio* members.

The Committee performs all its Board-referred or delegated functions to ensure that the PSETA meets the requirements of the SDA, SDLA, PFMA and National Treasury Regulations that relate to skills planning, Learning Programmes and quality assurance.

The Committee also evaluates and recommends issues for Board attention that relate to the development and implementation of core business policies, principles criteria and guidelines, execution of the quality assurance function, development and implementation of the Sector Skills Plan and collection and disbursement of skills development levies in liaison with the National Skills Authority (NSA).

Corporate Services, Finance and Remuneration Committee

The Corporate Services, Finance and Remuneration Committee consists of four Board members, two each from organised labour and employer, one independent corporate services specialist and one executive management representative as an *ex-officio* member.

The Committee performs all its Board-referred or delegated functions to ensure that the PSETA meets the requirements of the SDA, SDLA, PFMA and Treasury Regulations in relation to corporate services broadly, but more specifically human resources, administration, communication, finance and the remuneration of the Board, Committee members, the Chief Executive Officer and other staff.

The Committee also evaluates strategic business issues and recommends actions to the Board. This relates to strategic planning, organisational development and structure, human resource recruitment and development, corporate reporting, management response to internal and external audit reports, finances of the PSETA's business, marketing and communication, stakeholder management and staff performance against organisational goals and targets.

Procurement and Projects Committee

The Procurement and Projects Committee consists of four Board members, two each from organised labour and employer, two independent procurement and project management specialists and one each executive management, management and internal specialist representatives as *ex-officio* members.

Subject to delegated tasks from the Board, the Committee monitors and oversees the planning and delivery of the PSETA's supply chain management processes, as well as projects aligned with the PSETA's Strategic Plan, SLA and other planning documents. The Committee also advises the Board about procurement and project management.

The Committee considers, evaluates and makes recommendations actions to the Board about the application for project funding, NSF-funded projects, special projects, project partnerships and the implementation, monitoring and evaluation of projects. The Committee monitors compliance with the procurement policy, procedures and practices, as well as the establishment, composition, functioning and accountability of Bid Committees.

Remuneration of Board and Committee members

The PSETA Board initially approved the payment of meeting fees to the Independent Chairperson and one Ministerial appointee in terms of Category E2 of the Treasury Guidelines on Board Remuneration (Chairperson R1 143 per day; member R918 per day).

Subsequent to a directive from the Minister of Higher Education and Training, the Board increased the meeting fees to those of the new sub-category S, adopting an hourly rate paid to the Independent Chairperson (R492 per hour) and Ministerial appointee (R382 per hour).

Employer and labour representatives are not paid to attend meetings. They claim subsistence and travel (S&T) costs in line with SARS rates (R3.05 per km).

These decisions were informed by the current financial constraints of the PSETA.

Table 3 Disclosure of remuneration to Board and Audit Committee members

NAME	POSITION	TOTAL PAID
Ms K Mashigo	Board Chairperson	R30 711.00
Ms G Dhlamini	Ministerial appointee	R9 024.00
Mr S Wasa	Audit Committee Chairperson	R90 455.00
Mr J Maboa	Audit Committee member	R31 200.00

Disciplinary matters

During the period under review the PSETA has not been engaged in any disciplinary matters.

Litigation

The Public Sector Education and Training Authority (PSETA) faces a number of litigation matters with respect to non-payment to service providers. The litigation matters mentioned below arose given PSETA's current view that its former Acting CEOs may not have followed the Department of Public Service and Administration's (DPSA) Supply Chain Management (SCM) processes to procure goods and services during previous financial years. The PSETA had, relied on DPSA to procure goods and services on its behalf and the policies of the DPSA were applicable to the PSETA. It must be emphasised that, despite the PSETA's current view, no wrongdoing has been established against the former Acting CEOs and they are to be regarded as innocent of any wrongdoing unless proved otherwise.

Boss Office Projects cc

Boss Office Projects cc is an entity which specialises, among others, in logistics and office removals; they were enlisted by a former Acting CEO to move office furniture when the PSETA relocated from Centurion to Hatfield in 2010. According to records they were paid an amount of R106,000 (one hundred and six thousand rands) for service rendered. The dispute arose from an unauthorised claim of R43,000 (forty three thousand rands) for additional services, namely the labeling of computer equipment and working overtime.

The PSETA was served with and responded to a letter of demand. Boss Office Projects cc subsequently had summons served on the PSETA on 25 November 2011. The Court issued an order for the PSETA to pay the outstanding amount to Boss Projects cc. The PSETA is appealing the judgement due to the lack of documentary authorisation for the additional services allegedly provided to the PSETA by Boss Projects cc. The matter was referred to the legal department at the DPSA and from there to the Office of the State Attorney.

The State Attorney confirmed the PSETA's appeal with Boss Projects cc and advised the company not to proceed with the taxation of their bill. The State Attorney appeared before the Taxation Master to oppose the taxation on 25 April 2012. The latter ruled that Boss Projects cc could proceed with the taxation of their bill, but not execute the attachment of PSETA assets.

Imibono Survey IQ (Pty) Ltd

During or about 2009 Imibono Survey IQ (Pty) Ltd claims it provided the PSETA with certain services. PSETA's view is that even if they were indeed provided, such services were unauthorised. This view is based on the argument that if they were provided, the services were verbally requested by a former Acting CEO without following SCM processes or issuing an order. All attempts to obtain proof of services having been rendered and/or the purchasing order to that effect were unsuccessful.

The provider served the PSETA with a letter of demand and subsequent to that, summons were served on the PSETA in 2011. The provider had expressed an intention to withdraw the matter however reinstated the case and the service provider obtained default judgement against PSETA.

The Office of the State Attorney is handling the matter as the case is against the Minister of Public Service and Administration. Counsel has been appointed to act on behalf of the PSETA and the Board awaits the outcome of the matter.

Policies

On 1 April 2011, a set of Board-approved Human Resource and Administration policies came into effect. Administration and corporate governance policies were also drafted and approved during the latter half of the year under review.

Table 4 Corporate governance and related frameworks drafted and approved during the 2011/12 financial year

No	Functional Area	Title	DATE OF APPROVAL
1	Administration	Records Management Policy	30 Nov 11
2	Administration	Subsistence and Travel Policy	1 Sep 11
3	Administration	Mobile Phone and 3G Card Policy	1 Sep 11
4	Corporate Governance	Management Reporting Structure	25 Mar 11
5	Corporate Governance	Delegation of Authority and Approvals	31 Mar 11
6	Corporate Governance	Organogram	25 Mar 11
7	Communication	Communication Policy	1 Sep 11
8	Communication	Stakeholder Engagement Model	1 Sep 11
9	Communication	Crisis Communication Management Guide	1 Sep 11
10	Communication	Communication and Decision Making Protocol	30 Nov 11
11	ICT	ICT Acceptable Asset Usage Policy	28 Jul 11
12	ICT	Usage of ICT Equipment Policy	28 Jul 11
13	ICT	Disaster Recovery Plan	30 Nov 11
14	ICT	Back-up of the Systems Policy	30 Nov 11
15	Human Resources	Recruitment and Acting Policy and Procedures	27 Mar 11
16	Human Resources	Personnel Records-keeping Policy	27 Mar 11
17	Human Resources	Working Environment Regulations	27 Mar 11
18	Human Resources	Probation, Promotion and termination of Service Policy and Procedures	27 Mar 11
19	Human Resources	Employee Relocation Policy and Procedures	27 Mar 11
20	Human Resources	Employment Equity and Affirmative Action Policy	27 Mar 11
21	Human Resources	Job Evaluation Policy and Procedures	27 Mar 11
22	Human Resources	Remuneration and Compensation Policy and Procedures	27 Mar 11
23	Human Resources	Service Benefits and Allowances Policy and Procedures	27 Mar 11
24	Human Resources	Sexual Harassment Policy and Procedures	27 Mar 11
25	Human Resources	Occupational Health and Safety Policy and Procedures	27 Mar 11
26	Human Resources	HIV and Aids Policy	27 Mar 11
27	Human Resources	Smoking Policy	27 Mar 11
28	Human Resources	Disciplinary Procedures	27 Mar 11
29	Human Resources	Grievances Policy and Procedures	27 Mar 11
30	Human Resources	Code of Conduct and Ethics and *Batho Pele* Principles	27 Mar 11
31	Human Resources	Performance Management and Development Policy	28 Jul 11

Ms Shamira Huluman PSETA CEO

CEO's REPORT

REPORT BY THE CHIEF EXECUTIVE OFFICER

"Through the Skills Development Levy, thousands of learners have been funded and gone through various forms of training but most of this training does not lead to a qualification, nor does it enhance employability or self sustaining economic activity. As part of addressing the above and other challenges we, as government, have recently signed a Skills Accord together with labour, business and community constituencies at NEDLAC … to turn every workplace into a training space!"

Dr Blade Nzimande, Minister of Higher Education and Training in his address to the KwaZulu-Natal Intercluster Forum, 3 August 2011

There is no doubt that South Africa's Sector Education and Training Authorities (SETAs) are, and increasingly should be, integral to addressing the persistent skills shortages and levels of unemployment in the country. As the main custodians of the National Skills Development Strategy (NSDS), SETAs exist to facilitate, coordinate and monitor the development of an economically active and skilled workforce and support the structural capacity of the economy to create decent, sustainable jobs.

An independent SETA

A significant milestone at the start of the past financial year, therefore, was the finalisation of the PSETA's independence from the Department of Public Service and Administration (DPSA) on 31 March 2011 to function as a fully-fledged SETA, similar to all other SETAs, from 1 April 2011.

We again pay homage to the PSETA's former Administrator, Mr Themba Mhambi and his team, for their contribution in this regard and for placing the organisation on a firm management and governance foothold from which to complete its restructuring and move forward.

A new slate

Practically, this has meant that we established divisions for Finance and Corporate Services (which include the Information and Communications Technology (ICT), Human Resource and Marketing and Communication functions) with the required financial, human resource and ICT systems and procedures in place to manage and monitor all compliance issues. As a result, we can now independently administer and manage salaries, procurement, recruitment and staff performance, among others, and provide our Learning Programmes, Skills Planning and ETQA business units with corporate support services, all of which were previously performed by the DPSA.

We also set up a new Strategic Projects unit to implement core business projects, three of which were funded by the National Skills Fund (NSF) during the reporting period.

Increased capacity

Given the PSETA's history of governance transgressions and financial mismanagement over a number of years, our recruitment drive to capacitate the re-established and new divisions, as well as the existing business units, focused on appointing qualified people with the right skills and work ethic. As a result, the PSETA's staff complement increased from 22 to 46 within 12 months, which more than doubled the organisation's human resource capacity.

The term of secondment of DPSA staff to the PSETA ended on 31 March 2012. Those involved had a choice between remaining with the PSETA or returning to the DPSA. Four of the six staff members selected to return to the DPSA, while two remained and are now exclusively employees of the PSETA.

Operations review

Due to the lack of funding, the PSETA remained handicapped to fully execute its mandate, and seriously impacted on its achievement of pre-determined objectives. This situation will be resolved once the proposed funding model has been approved by Cabinet. In the interim, the PSETA has relied on its stakeholders, namely government departments, to implement and fund skills programmes for the public service sector.

During the review period, the PSETA applied to the NSF for a discretionary grant to implement the core business projects discussed below to implement its strategic objectives and targets set in its strategic plan, as aligned with the NSDS III.

Flagship projects

During the reporting period, the PSETA participated in three strategic projects aimed at capacitating the public service sector by targeting unemployed rural youth.

The ***Integrated Rural Youth Project*** is being implemented jointly with the DPSA in the Northern Cape, Limpopo and KwaZulu-Natal. This joint initiative is an ideal opportunity for the PSETA to make a meaningful contribution to job creation as a skills development agency, whilst meeting its NSDS III targets and enhancing the relevance and efficacy of its skills development interventions.

The objective of the ***North West youth empowerment project*** is to assist unemployed youth in the province to access public service training. The PSETA's participation in this project supports the NSDS III youth skills development priority and consists of providing learnerships in four identified regions in the province.

The purpose of the ***Co-operatives project*** is to increase the PSETA's capacity to partner with the public service sector in creating a skills base to improve service delivery. The PSETA is ideally positioned to provide the sector with the relevant qualifications, accredited training providers and registered ETD practitioners.

Performance against pre-determined objectives

The PSETA's 2011/12 Annual Performance Report in this document profiles our performance against predetermined objectives during the reporting period. In auditing the pre-determined objectives, the Auditor-General has reported that the PSETA did not achieve 64% of the total planned targets. This can be attributed to the fact that the PSETA relied on the application to NSF to fund planned performance. Objectives were set based on the projected funding of R52 million of which NSF granted the PSETA R35.8 million.

The NSF funding was only approved in August 2011 and transferred into PSETA's bank account in October 2011. The unintended consequence was a delay in the implementation of planned projects which directly impacted on the performance against pre-determined objectives.

Cross-cutting highlights and achievements

The preparation, updating and distribution of a Sector Skills Plan (SSP) are part of the core mandate for all SETAs. The PSETA has over a number of years been using its Administration Budget to fund the development of the SSP and the Sector Career Guide (SCG).

Compared to other sectors, the rate of submissions in the public service sector is generally high – the PSETA received signed-off Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs) from 107 out of 155 departments, which represented a 69% (2011: 89%) submission rate. The decline in submission rate was due to the change in submission criteria from accepting all submissions to accepting only those authorised by the Heads of Department in the public service sector.

The PSETA's SSP is based on extensive research by an economist who used a labour market forecasting model for skills planning. During the year under review PSETA utilised the DPSA's HR Connect database to access skills information for artisans in the public service. In the forthcoming financial year, data from HR Connect, PERSAL and the WSPs/ATRs will support the credibility of the SSP as truly reflective of the supply and demand for skills in the public service sector.

A significant achievement has been the publication of a comprehensive Public Service Sector Career Guide that outlines job opportunities and career paths within the public service and positions government as an employer of choice. The PSETA also achieved its career guidance target by attending 13 career exhibitions, mostly in rural areas.

Through its participation in the GSETA Forum, the PSETA presented a concept paper on rolling out mobile career guidance centres by taking buses to rural areas. The proposal received overwhelming support at the forum. DPSA funded this shared services pilot project, which was launched in collaboration with the Department of Labour, ETDP SETA, HWSETA and SASSETA, and were highly successful. The intention is to replicate these projects throughout the country to support the NSDS III objective of providing the unemployed rural youth with career guidance.

The PSETA's participation in the GSETA Forum also facilitated strategic partnerships with SAQA, the National Youth Development Agency (NYDA), DPSA, Department of Labour and other government entities to join the mobile career guidance campaign in rural areas. In line with NSDS III, we initiated strategic partnerships with Further Education and Training (FET) colleges and have signed a Memorandum of Agreement (MoA) with Umfolozi College in KwaZulu-Natal for the implementation of learnerships, funded through the NSF Grant.

In the year ahead, we will finalise M0As with FET colleges in the Northern Cape, Limpopo and Gauteng, as well as Higher Education Institutions (HEIs) in the Free State. The MoA with the Central University of Technology will see 26 learners participate in experiential training as part of their work integrated learning initiatives.

Attention to critical issues

Aligned with the slogan from the Minister of Higher Education and Training – *every workplace a training space* – the PSETA initiated a concept paper for workplace integrated learning that focuses on learner placements and absorption within government workplaces. Consultation with the DPSA and DHET to finalise the paper will be concluded in the year ahead. This will place the public service at the centre stage of reducing the number of youth not in employment, in education or in training.

As an Education and Training Authority, the PSETA registers qualifications and endeavours to capacitate public providers such as PALAMA and provincial training academies to deliver against those qualifications. Through its NSF funding, the PSETA appointed a service provider to develop a qualifications and standards matrix for the public service sector in line with the Quality Council for Trades and Occupations (QCTO). The intention is to identify occupational qualifications and career paths for public servants. We are excited about the finalisation of this initiative in the forthcoming financial year.

REPORT BY THE CHIEF EXECUTIVE OFFICER

The PSETA is responsible for government trades and has a critical role to play in the development of artisans and the promotion of apprenticeships as required by the NSDS III. The PSETA therefore established a Trades and Artisan Unit and appointed a Trades and Artisan Specialist to give effect to the activities of the unit.

The unit is creating capacity within the PSETA to develop policies and procedures for artisan training and building relationships with entities such as the National Artisan Moderating Body (NAMB), DPSA, GSETA Forum and Premiers' Offices in the provinces. The PSETA has also partnered with INDLELA in Olifantsfontein and other key SETAs as a quality assurance partner to develop trades and artisans.

Twenty-seven learners entered apprenticeships during the reporting period, while the PSETA supported three FET colleges to become accredited in national trades and allow 75 additional learners to apprentice in the year ahead.

The PSETA also capacitated 250 SDFs to strengthen skills planning in the public service sector. In the year ahead, the PSETA will train more SDFs and Training Committee members (one of which must be a union representative) in labour market analysis. The impact of this project is to improve the quality of skills planning and that ETD practitioners have the requisite skills to analyse data to prepare a credible WSP for their respective departments.

The past year saw the PSETA launch research projects to source information about trades and artisans in the public service sector, Recognition of Prior Learning (RPL) in the sector and information to the SSP update in the year ahead. The PSETA plans to create internal research capacity to further improve the quality of its SSP once the funding model has been finalised.

Way forward

Now that the PSETA has been restructured, we need to increase our communication and marketing initiatives by implementing our marketing and communication strategy and making ourselves accessible to all clients and stakeholders.

Going forward, we want to focus on public entities that fall within our scope, the legislatures and Parliament who are key stakeholders. We will establish chambers for these sub-sectors to obtain and encourage their participation in the PSETA.

As a fully-functioning, independent SETA, we remain committed to executing our mandate as a quality assurer and skills development facilitator and look forward to the finalisation of our proposed funding model to further improve our service delivery to the benefit of all South Africans.

I take this opportunity to thank our Chairperson and Board members for their collective wisdom and strategic guidance, as well as the diligence and valuable insights of the members of the Audit Committee. Most importantly, I thank the PSETA staff who displayed loyalty and unwavering commitment during a challenging but rewarding year of renewal and repositioning.

Ms Shamira Huluman

Chief Executive Officer

31 July 2012

Mr Thabo Sibaya Chief Financial Officer

CFO's REPORT

REPORT BY THE CHIEF FINANCIAL OFFICER

The Skills Development Levies Act, 9 of 1999, applies to all SETAs and requires sector employers to pay a 1% skills levy to the South African Revenue Services (SARS) for distribution as income to the SETAs to implement their skills development mandate. In the case of the PSETA, however, government departments are not obliged to pay this levy. That leaves the PSETA without income from the majority of its stakeholders, namely the government departments, Parliament and legislatures.

As a result, the PSETA is financially not self-sustainable and receives funding from the National Treasury via the DPSA for its operations. During the reporting period, the PSETA could not meet all its administrative obligations with the allocated amount of R21.1 million and had to request an additional R2.6 million from National Treasury.

This amount was approved but received only on 9 March 2012, three weeks before financial year-end. As such, only R1.34 million could be uitilised and we have applied to roll-over the remaining R1.26 million to the forthcoming financial year.

The PSETA's baseline budget allocation covers only operational costs, which entails remuneration, rental and travel expenses as the main cost drivers. The SETA's core business projects were resourced with the R35.8 million funding received from the NSF.

Income received

- The levy income for the 2011/12 financial year was R1.367 million (2010: R2.136 million). The 36% decrease, compared to the previous year, appears to be due to a smaller contribution from one of the levy paying employers.
- Other income of R196 000 consisted of R9 000 interest received from administration and levies accounts; R9 000 insurance recovery for the loss of a laptop; R128 000 payment in line with secondment arrangement from Construction SETA of the PSETA CFO and R50 000 refund from SAQA.

Expenditure

Expenditures per category (administration 10%, mandatory 50% and discretionary 20%) did not exceed the thresholds of the Skills Development Regulations.

- Employer grants and special projects disbursed was R427 000, a decrease of 53% compared to the previous year, due to the decrease in levy income and mandatory grant claims.
- Employee costs increased by 100% for the 2011/12 financial year, compared to the previous year, due to the PSETA becoming operationally independent. Previously, funding from the DPSA was ring-fenced to fund the entity's operations.

Reserves

Administration reserves

In the previous years, the PSETA used R5.229 million of NSF funds for operations. During the 2009/10 financial year, the PSETA management increased the debt owed by the DPSA in the hope of reclaiming the money from the DPSA to refund the NSF.

In the 2010/11 financial year, a decision was taken to reverse the DPSA debt. The amount was expensed as an administration expense, which resulted in a negative administration reserve at the end of that year, while the liability is accounted for in the NSF deferred income liability. In an attempt to match expenditure against the deferred income liability, the expense from the administration reserve was reversed to the deferred income liability account.

The PSETA requested the NSF to condone the use of those funds for its operations and are awaiting a response. The R5.229 million will therefore remain a liability until condoned or repaid to the NSF.

Discretionary reserves

During the previous financial year, the NSF claimed a R30 million liability from two unsigned 2005/06 NSF project reports for which the NSF had not verified expenditure. Source documentation to support the expenditure has been obtained and the reserves and deferred income liability adjusted. The adjustment to the reserves was motivated by the fact that the disclaimed amount directly affected the discretionary reserves account.

Cash and Bank

The PSETA's cash position at the end of the 2011/12 financial year was R14.473 million (2010: R12.248 million), an increase of 18% compared to the previous year. The increase can be attributed to R4 million (first tranche payments) received from the NSF to fund the PSETA's core business projects.

Irregular expenditure and deviations

The financial statements reflect irregular expenditure in note 19 due to supply chain processes that contravened the National Treasury's Practice Notes. The PSETA has identified the root causes for these occurrences and is in the process of rectifying the contraventions.

In 2010, the previous PSETA Board entered into an annual R4.953 million building lease agreement (TR 16A.6.4 contravention) without following SCM processes. The DPSA recorded the amount as irregular expenditure during the 2010/11 financial year. The matter has been referred to the SIU for further investigation. The PSETA Administrator initiated amendments to the lease agreement and negotiations with the Lessor in this regard are still underway. The Accounting Authority has condoned this irregular expenditure, and awaits the outcome of the SIU investigation.

The PSETA Board also condoned the expenditure of R126 000 to reprint the career guide and obtain a Z-cable for the server room (contravention of TR 16A.6.4) on 1 September 2011.

During the year under review, the Inter-Ministerial Task Team explored various funding model options for the PSETA to function as an independent entity to make a recommendation to the Executive Authority. The lack of a decision in this regard during the past financial year impacted on the PSETA's ability to fulfill its mandate. The PSETA is hopeful that this process will be constructively concluded before the end of the 2012/13 financial year.

ANNUAL PERFORMANCE REPORT 2011/12

The PSETA Pledge

Our pledge to stakeholders is one of first-rate customer service, timeous consultation and information about salient matters, ethical and professional conduct in all business relationships and work and service delivery excellence.

As the SETA responsible for facilitating skills development within the public service sector, participating parastatals and public entities, the PSETA is mandated to facilitate, coordinate and monitor the effective development of educated, skilled and knowledgeable public service workers who take responsibility for and pride in service excellence in the sector they serve.

Performance against pre-determined objectives for the 2011/2012 financial year

The continued lack of levy income during the past financial year and the PSETA's resultant reliance on constituent government departments to implement and fund skills programmes for the public service sector again impeded the PSETA's ability to fully execute its mandate.

Despite these and other challenges, the PSETA managed worthy achievements. Table 5 reflects some of the major highlights and challenges that the Board and Exco dealt with during the year under review.

Table 5 Major highlights and challenges for the PSETA during the 2011/2012 financial year

HIGHLIGHTS	CHALLENGES
1. Securing R35.8 million NSF funding for core business projects to partially fulfill its mandate, similar to other SETAs	a. Lack of a funding model to implement strategic objectives
2. Operational independence from DPSA	b. Insufficient human resource capacity to deliver the PSETA's mandate
3. Setting up Corporate Services, Projects and Finance divisions and developing processes and procedures for core business to function	c. Addressing the PSETA's disclaimer and accounting to SCOPA
4. Repositioning the PSETA to ensure relevance and stakeholder confidence and recertification until 2016	d. Reliance on government departments for reporting on skills programmes due to current funding arrangements
5. Implementing strategic planning in line with national imperatives (including NSDS III, National Skills Accord, IPAP II)	e. Delivering NSF projects on time while the PSETA is in a developmental stage, which included systems development

The PSETA's performance is measured against the key success indicators of the NSDS III, which translated into the PSETA's 2011/2012 financial year sector targets as reflected in Table 6. The activities of its Skills Planning and Research, Learning Programmes and ETQA units are directed at meeting these targets.

In the year ahead, priority will be given to addressing the areas of under-performance, specifically in assisting designated groups with grants for work-integrated learning and work-based programmes, as well as significantly improving skills development in the public service sector.

Table 6 Performance against PSETA targets for the 2011/2012 financial year

Strategic objective	PERFORMANCE			Variance explanation
	Key indicator	Target	Actual Results status at 31 March 2012	
Ensure that the public service sector skills needs are well-documented	Research report outlining the business of government and specific occupations	Conduct three research studies SSP update	Achieved	No variance. Update done and submitted to the Executive Authority for approval
		RPL research	Not Achieved	Delay in securing funding. PSETA secured NSF funding in August 2011(1st tranche payment received in October 2011) PSETA to start RPL research in the next financial year.
		Trades research	Not Achieved	Delay in finalising MoU with Wits • Project underway with field work. • Research report due in the new financial year, it is being conducted by WITS University
	Evidence-based annual SSP updates	Research report (SSP update)	Achieved	No variance.
		Record, analyse and provide feedback on all received WSPs/ ATRs against a target of 50%	Achieved	No variance.
		Review MIS and WSP/ATR tools and templates	Achieved	No variance.
	Update 2011/ 2012 Public Service Career Guide	Career Guide update	Achieved	No variance.

Strategic objective	PERFORMANCE			Variance explanation
	Key indicator	Target	Actual Results status at 31 March 2012	
	The public service sector stakeholders and public are fully informed about skills needs in the updated SSP	Communication Strategy development	Not Achieved	Communication and stakeholder liaison strategy will be adopted by the Accounting Authority in the next financial year.
	Communication Strategy and effective tools – combining traditional and technological tools, including social media that relate to skills needs		Not Achieved	The Communication and stakeholder liaison strategy exist in draft form pending the approval by board. PSETA has ensured the following is in place; • email system • A newsletter published • Revamped website • Stakeholder database updated regularly HIV/AIDS awareness and Green Economy sensitisation is captured in the SETA SSP Update A database of stakeholders has been developed. It is updated regularly.
		Development of Career Guidance and Information Dissemination strategy	Achieved	No variance.
		15 000 flyers and pamphlets disseminated	Not Achieved	Variance of 3 000 copies. Only 12 000 were disseminated due to financial constraints.
		Attend at least five career exhibitions nationally	Achieved	Target exceeded by an additional eight exhibitions.
		Develop 350 SDF guides and 400 Training Committee guides	Not Achieved	Delay in securing funding. PSETA secured NSF funding in August 2011(1st tranche payment received in October 2011) Project will be implemented in the next financial year.

Strategic objective	PERFORMANCE			Variance explanation
	Key indicator	Target	Actual Results status at 31 March 2012	
	Sign MoAs with institutions whose mandate includes career guidance and secure at least one partner per province	MoAs signed with nine partners across all provinces	Not Achieved	Engagements have begun, MoA's not yet signed. PSETA will achieve this through its participation in the GSETA Forum that consists of institutions with a national and provincial presence, namely SETAs, NYDA, SAQA, DHET, DPSA and DoL. A joint shared mobile career guidance campaign with DPSA/ DoL and other SETAs has been conducted in rural areas.
Facilitate the implementation of PIVOTAL programmes in the public service sector in partnership with FETs and HEIs	Priority Plan (18.1 and 18.2) for PIVOTAL programmes	Develop a clear priority plan for implementing PIVOTAL programmes	Achieved Priority plan developed.	No variance.
	MoUs with FETs, HEIs and other SETAs • Nine FET Colleges • Nine HEIs • Four public service sector-related SETAs	Signed MoUs with nine FETs colleges, nine HEIs and four public service sector-related SETA ETQAs	Not Achieved. Not achieved (Other FETs and HEIs)	One MoU was signed with Umfolozi FET College. Lack of funding prevented PSETA from: • committing to other institutions as it will be funding the experiential training at the FETs and HEIs • approaching HEIs outside Pretoria for collaboration.
			Achieved (MoU with SETA ETQAs)	SETAs: Current MoUs with SETA ETQAs still relevant until start of QCTO delegating process

Strategic objective	PERFORMANCE			Variance explanation
	Key indicator	Target	Actual Results status at 31 March 2012	
	Cabinet- and DPSA-approved framework for learner placements and absorption	Learner placement and absorption framework	Not achieved	Developed draft concept paper and consulting with relevant stakeholders. Dependent on engagements with DPSA, DHET and partners at GSETA Forum
	Qualifications and Standards Matrix	Approved Qualifications and Standards Matrix	Not achieved	Delay in securing funding. PSETA secured funding from NSF in August 2011 (1st tranche payment received in October 2011). QCTO policy guidelines approved later than anticipated and service provider sourced later than planned.
	Database of Qualification Development Facilitators	Updated database of qualification development facilitators.	Not achieved	Database will be finalised in next financial year. Secured funding from NSF in August 2011(1st tranche payment received in October 2011) QCTO policy guidelines were approved later than anticipated. Consequently the service provider was sourced later than planned.

Strategic objective	PERFORMANCE			Variance explanation
	Key indicator	Target	Actual Results status at 31 March 2012	
	Learnerships aligned with Qualifications and Standards Matrix	Approve Qualifications and Standards Matrix	Not achieved	Delay in securing funding. PSETA secured funding from NSF in August 2011 (1st tranche payment received in October 2011). QCTO policy guidelines approved and service provider sourced later than planned. Learnerships aligned with current qualifications. PSETA's learnerships database current, accurate and available.
	Qualification Development Guide	Develop Qualification Development Guide	Not achieved	Delay in securing funding. PSETA secured funding from NSF in August 2011 (1st tranche payment received in October 2011). QCTO policy guidelines approved and service provider sourced later than planned.

Strategic objective	PERFORMANCE			Variance explanation
	Key indicator	Target	Actual Results status at 31 March 2012	
	2 5 000 learners trained under PIVOTAL programmes over a 5 year period (2011-2012 period) Addressing scarce and critical skills	1 000 in trained in PIVOTAL Programmes Quarterly Monthly Reports (QMR) for Q1, 2, 3 and 4 (2011/2012) to capture 1 000 learners	Achieved	Target exceeded by 193
	Section 18.1 of SDA Employed Learners Learnerships: 250 Skills Programmes: 250 Bursaries: 250		**Achieved (Employed learners** entered Learnerships: 355)	Target exceeded by 105 **18.1 (Employed): Entered on Learnerships** * Planned: 250 Submitted: 355 Overachieved: by 105.
	Section 18.2 of SDA Unemployed Learners Internships – 250 Learnership – 250 Skills Programme - 250		Not achieved (Skills Programmes: 162)	**Skills Programmes** * Planned: 250 Submitted: 162 Underachieved: by 88.
			Not achieved (Bursaries: 191)	**Bursaries** * Planned: 250 Submitted: 191 Underachieved: by 59.
			Achieved (18.2 (Unemployed) Internships Entered: 568)	**18.2 (Unemployed) Entered on Internships** * Planned: 250 Submitted: 568 Overachieved: by 318.
			Not achieved (Learnerships Entered: 81)	**Learnerships** * Planned: 250 Submitted: 81 Underachieved: by 169.
			Not achieved (Skills Programmes: 0)	**Skills Programmes** * Planned: 250 Submitted: 0 Underachieved: by 250.

* PSETA depends on government departments to implement.

Strategic objective	PERFORMANCE			Variance explanation
	Key indicator	Target	Actual Results status at 31 March 2012	
	Address supply issues identified in SSP; capacitate delivery partners such as 18 Public FETs, 11 private providers across the 9 provinces, upskill 203 unemployed learners in learnerships and 85 internships to fill in critical skills in 4 provinces.	Capacitate 18 FET colleges	Not achieved	12 FET Colleges were capacitated. 07 FET Colleges withdrew from the programme due to work commitments.
		11 private providers across the 9 provinces	Achieved	Target exceeded. PSETA received 33 more private providers to the targeted number, due to current improved visibility and promotional drive of quality delivery.
		Upskill 203 unemployed learners in learnerships and 85 internships to fill in critical skills in 4 provinces. This target is explained further under Strategic Goal 3 Contribute to the alleviation of poverty and the reduction of unemployment.	Not Achieved	Secured funding from NSF in August 2011 (1st tranche payment received in October 2011).

Strategic objective	PERFORMANCE			Variance explanation
	Key indicator	Target	Actual Results status at 31 March 2012	
Facilitate the development and provision of demand-led skills programmes and upgrading of existing skills for sector employees for improved delivery of the business of government	Priority Plan for skills programmes for employees and the unemployed (18.1 and 18.2)	Approved Priority Plan	Achieved	No variance
	List of registered skills programmes	2 Learnerships and register 20 Skills Programmes	Achieved	Overachieved by 1 as 3 learnerships are registered
		Ensure current learnerships and skills programmes registered are linked to current qualifications.	Achieved	No variance.
		Register of skills programmes		
	Skills Programmes aligned to Qualifications and Standards Matrix	Approved qualifications and standards matrix	Not achieved	Secured funding from NSF in August 2011(1st tranche payment received in October 2011) Service provider was sourced later than anticipated due to QCTO policy guidelines being approved later than planned.
Raising the bar for the under-qualified	Baseline study on NQF Level 1 employees in the public service	Report on Skills needs of NQF level 1 in the public service	Not achieved	Not achieved due to funding constraints.
	Empowerment Strategy for the under-qualified; inclusive of RPL	Approved RPL Empowerment Strategy	Achieved	No variance
	RPL Policy for the Public Service	Provide input to Public service / DPSA RPL policy development process Finalise RPL guidelines for public service in collaboration with DPSA	Achieved	No variance

Strategic objective	PERFORMANCE			Variance explanation
	Key indicator	Target	Actual Results status at 31 March 2012	
	5 000 unemployed learners, over a 5-year period, trained on artisanship and trades – including Sec 13 and Sec 28 of MTA (100 artisans in 2011-2012) 100 learners entered artisanship	100 artisans in 2011-2012 100 learners entered artisanship	Not achieved	Previously the core function of artisan development undertaken by PSETA was to assist to quality assure Services SETA trades (MoU signed in 2009) In order to prepare for implementation of this project in this financial year, PSETA partnered with the National Artisan Moderating Body (NAMB) for it to provide artisan experts, capacitate trades providers before the SETA registers learners in PSETA trades. In this process, PSETA assisted NAMB to develop QCTO aligned criteria and guidelines. In the last quarter, 27 learners indentured/ registered in Gauteng. PSETA in process of supporting 3 FET colleges to acquire national accreditation and ensure 75 more learners enter artisanship. The 75 artisan learners outstanding will enter artisan training in 2012/2013.
Ensure continuous monitoring and evaluation towards improved service delivery	M&E tool for evaluation of all current accredited providers (ETQA) and their programmes	Develop M& E tool for evaluation of all current accredited providers	Achieved	No variance

Strategic objective	PERFORMANCE			Variance explanation
	Key indicator	Target	Actual Results status at 31 March 2012	
	Impact assessment of skills development initiatives in relation to improved service delivery	Conduct impact assessment on PSETA Learning Programmes	Not achieved	Impact assessments of PSETA initiative will be prioritised to be included in the 2013/2014 budget. This will be an appropriate time to do so because all current projects will be completed.
	Internal M&E and Impact Assessment Tools	Develop M&E and Impact Assessment Tools	Achieved	No variance
	MIS is able to track learners	MIS configured to track all learners	Achieved	No variance
Ensure quality of learning	Revised quality assurance processes and procedures implemented and communicated to training providers	Revise quality assurance processes and procedures, and communicate them to training providers	Achieved	No variance
	Plan for alignment to QCTO	Ensure ETQA processes are aligned to QCTO processes	Achieved	No variance
	MoU with QCTO	Sign MoU with QCTO	Achieved	No variance
	Accredited QMS	QMS in place	Not achieved	PSETA is awaiting consolidation and alignment of policies and procedures by the QMS service provider.

Strategic objective	PERFORMANCE			Variance explanation
	Key indicator	Target	Actual Results status at 31 March 2012	
	Database of accredited providers	Increase accredited training provider base against qualifications and standards that address priority skills – at least 5 more per province	Not achieved	PSETA has approved 4 providers for full qualifications against unit standards. Service providers to capacitate potential PSETA training providers have been identified. Secured funding from NSF in August 2011(1st tranche payment received in October 2011) PSETA efforts to attract more accredited providers will be embarked upon during 2012/2013 When the accreditation capacity building project is implemented and finalised.
	NLRD compliant Learner Database	NLRD compliant Learner Database Ensure PSETA receives green status	Achieved	No variance.

Strategic objective	PERFORMANCE			Variance explanation
	Key indicator	Target	Actual Results status at 31 March 2012	
Ensure the public service sector capacity for service delivery is improved	Conduct quarterly monthly reports (QMR) support provincial workshops to Departments (9 provincial workshops in 2011-2012)	Nine provincial workshops conducted in 2011-2012	Achieved (13 QMR workshops were conducted).	Over achieved by 4.
	Analyse training expenditure reports of 1% and provide feedback to Departments (2011- 2012 all Departments are informed of their training expenditure)	Support workplaces Train 230 mentors to support learners	Not achieved	91 Mentors trained in Gauteng, Limpopo, Northern Cape and Free State. Balance of 143 will be trained in 2012/13 Secured funding from NSF in August 2011(1st tranche payment received in October 2011)
		All Departments are informed of their training expenditure and PSETA provides feedback on the analysis of training expenditure reports to Departments during the capacity building workshops. PSETA records, analyse and provide feedback on all received expenditure reports.	Achieved.	No variance.
		Capacitate 250 public service sector SDFs to strengthen skills planning in the sector.	Achieved	No variance. Target exceeded by 145. Two rounds of workshops conducted for all provinces.
		Capacitate 200 Training Committee members	Achieved	Target exceeded by 92.
	Research is conducted to assess impact of training.	Conduct impact assessment on PSETA Learning Programmes	Not achieved	Impact assessments of PSETA initiative will be prioritised to be included in the 2013/2014 budget, due to lack of funds. This will be an appropriate time to do so because all current projects will have been completed.

Strategic objective	PERFORMANCE			Variance explanation
	Key indicator	Target	Actual Results status at 31 March 2012	
Empowerment of economically marginalised groups: youth, women, the disabled in rural and peri-urban communities – against the 7 key devel-opmental and transformation-al imperatives in NSDS III	45 Co-operatives established over five years (new ventures)	Train and register 24 Co-operatives with PSETA as training providers	Not Achieved	Secured funding from NSF in August 2011 (1st tranche payment received in October 2011) The project will be implemented in 2012/2013 financial year
	300 learners trained over five years through Skills Programmes and Learnerships	PSETA increased targets based on NSF additional funds	Not Achieved	Secured funding from NSF in August 2011(1st tranche payment received in October 2011)
	150 learnerships over 5 years 4. Community-training initiatives *100% Youth* *At least 50% Women* *At least 4 % Disabled* *At least 1 Co-operative focusing on HIV/AIDS*	Absorb123 Rural youth in learnership programmes and 50 in internship programmes in North West	Not Achieved	Training service providers were not secured due to poor response of proposals received. The sector does not have sufficient accredited training providers.

Strategic objective	PERFORMANCE			Variance explanation
	Key indicator	Target	Actual Results status at 31 March 2012	
		Absorb 80 Rural youth in learnership programmes in KZN and Limpopo and absorb 30 in internship programmes in KZN, Northern Cape (NC) and Limpopo respectively by 31 March 2012	Not Achieved	Secured funding from NSF in August 2011(1st tranche payment received in October 2011) Discussions with the NC and Limpopo Premier's Offices and participating Provincial Departments have been concluded on internships. MoA will be signed and internships will commence during the 2012/13 financial year. In KZN and Limpopo for the remaining 40 learners on learnerships, training service providers were not secured, due to poor response of proposals received. The sector does not have sufficient accredited training providers.

Strategic objective	PERFORMANCE			Variance explanation
	Key indicator	Target	Actual Results status at 31 March 2012	
To equip and empower public FET colleges for greater contribution to skills development in the country	18 public FET colleges equipped and empowered	Empower 18 public FET colleges.	Not achieved	Secured funding from NSF in August 2011 (1st tranche payment received in October 2011) 12 FET Colleges were capacitated. 07 FET Colleges withdrew from the programme due to work commitments.
	1 000 learners absorbed into public service sector workplaces (refer to framework in strategic objective 2.1 output 3)	Learner absorption framework	Not achieved	The project is to be initiated by DHET, however PSETA developed draft concept paper developed for consultation with all stakeholders.
	180 public FET college lecturers empowered	Empower 180 public FET college lectures	Not achieved	Secured funding from NSF in August 2011 (1st tranche payment received in October 2011) 106 FET College lecturers from 12 FET Colleges will benefit from the ETQA accreditation capacity building project. 7 FET Colleges withdrew due to work commitments.

Strategic objective	PERFORMANCE			Variance explanation
	Key indicator	Target	Actual Results status at 31 March 2012	
Partner with knowledge generation entities for credible data and information to enhance planning, decision-making and service delivery	MoAs and MoUs with relevant institutions	Sign 3 MoUs with credible Institutions	Not achieved	Secured funding from NSF in August 2011 (1st tranche payment received in October 2011) Two other research institutions identified and already engaged, they include University of Pretoria (UP) and UNISA. In principle agreement to work together, awaiting the signing of an MoU Wits research on trades project underway. MoUs still being negotiated to ensure all parties are in agreement on areas of collaboration.
	Research reports Knowledge Base system			
Development, review and implementation of appropriate policies, processes and procedures	Approved governance and corporate policies	Approved governance and corporate policies.	Achieved	No Variance
	Governance and Corporate structures and systems approved	Governance and Corporate structures and systems approved	Not Achieved	All but two funded and vacant positions were filled. There were four positions that due to budgetary constraints were frozen.
	Staff complement as per organogram	Staff complement as per organogram	Achieved	No Variance
	Corporate services Departments in place as per approved structure	Corporate services Departments in place as per approved structure	Achieved	No Variance
	Staff trained on corporate policies, procedures and systems	Staff trained on corporate policies, procedures and systems	Achieved	No Variance

Strategic objective	PERFORMANCE			Variance explanation
	Key indicator	Target	Actual Results status at 31 March 2012	
Effective communication and marketing of PSETA business	Marketing and Communication Strategy in place	Marketing and Communication Strategy in place	Not Achieved	Communication and stakeholder liaison strategy will be adopted by the Accounting Authority in the next financial year.
	Stakeholder Relationship Management Strategy in place	Stakeholder Relationship Management Strategy in place	Not Achieved	The Communication and stakeholder liaison strategy exist in draft form pending the approval by board.
	Marketing and communication tools – traditional and technological, including social media - in place	Marketing and communication tools – traditional and technological, including social media - in place	Not Achieved	PSETA has ensured the following is in place; • email system • A newsletter published • Revamped website • Stakeholder database updated regularly HIV/AIDS awareness and Green Economy sensitisation is captured in the SETA SSP Update A database of stakeholders has been developed. It is updated regularly.
	Database of stakeholders	Database of stakeholders	Achieved	No Variance
Ensure that PSETA has a sustainable funding model	Approved Funding model	Approved Funding model	Not Achieved	Proposals submitted to IMTT. Awaiting EA to finalise the process.
	NSF funding applications for core business projects	NSF funding applications for core business projects	Achieved	No Variance
	Standard Operating Procedures in place	Standard Operating Procedures in place	Achieved	No Variance
	All staff trained on PFMA and SCM procedures	All staff trained on PFMA and SCM procedures	Achieved	No Variance
	Unqualified audit reports	Unqualified audit reports	Not Achieved	
	Full Staffed Projects Office in place	Full Staffed Projects Office in place	Achieved	No Variance

Ms Lindelwa Ximiya Chief Operations Officer

OPERATIONS OVERVIEW

OPERATIONS OVERVIEW

Public service employees are responsible for the successful delivery of services in the public service sector. It is a responsibility that should be seen as an act of enlightened self-interest – the more employees subscribe to service excellence, the greater the value and impact of their role will be on the well-being of society.

PSETA is inspired by a vision of empowering employees in the public service sector with the education, skills and knowledge they need to develop a work ethic that fosters pride in service excellence and in taking responsibility for providing all South Africans with uncompromised service delivery.

The PSETA's activities address all transverse skills across the public service sector, which is defined as 'business of government' and includes senior management training. These include learnerships, internships, work integrated learning, sector skills planning through workplace skills plans, monitoring the provision of education and training, and ensuring quality assessment and training, as well as the development of qualifications and Learning Programmes.

The PSETA is also responsible for government trades and plays a critical role in the development of artisans and promotion of apprenticeships as required by the NSDS III, and as per the commitments of the National Skills Accord. During the year under review, the PSETA held discussions with the National Artisan Moderating Body (NAMB) and initiated partnerships with Indlela as a quality assurance partner and other key SETAs, among others, in the development of trades and artisans.

Unlike other SETAs who receive an income from stakeholder levy payments, the PSETA does not have the financial means to execute or support a range of projects. With the available NSF-funding, a number of strategic projects were selected to build capacity among public service sector employees and unemployed learners to increase the skills pool for the sector.

Strategic partnerships

During the reporting period, the PSETA forged strategic alliances with various partners to give effect to its strategic objectives and to maximise the impact, through these joint efforts, of cost-effectively reaching as many beneficiaries as possible. The partnerships included:

DPSA and Offices of Premier

The PSETA's partnership with the Department of Public Service and Administration (DPSA) and the Offices of Premiers in three provinces (KwaZulu-Natal, Limpopo and Northern Cape) are assisting with the implementation of a pilot skills development project in rural areas in the provinces as its contribution to the deployment of the integrated rural youth development strategy. The project provides 135 learners with learnerships and 30 with experiential work training. The Offices of the Premiers are strategically placed to assist the PSETA with stakeholder coordination and learner recruitment in the rural areas.

NEHAWU and North West Province

Unemployed young people in the North West province are set to benefit from a skills development project in which the PSETA is collaborating with NEHAWU and provincial representatives to provide 173 learners with learnerships and internships.

GSETA Forum

During the year under review, the PSETA was instrumental in the formation of the GSETA Forum, a DPSA-coordinated initiative for SETAs with line function government departments. The forum provides a platform for members to cooperate cost-effectively in common projects and approach stakeholders jointly to maximise interaction and strategically coordinate skills development initiatives across the public service sector.

Gauteng Department of Education

The PSETA is engaging with the Gauteng Department of Education (GDE) for both organisations to complement each other in achieving strategic objectives through collaborating in a number of projects. These include:

- marketing public service careers and government as an employer of choice;
- providing trade test opportunities for trades learners;
- providing workplace experiential training for Technical Vocational Education and Training (TVET) learners; and
- collaborating in Recognition of Priory Learning (RPL) opportunities for semi-skilled youth from the Gauteng City Region Agency's (GCRA) unemployment database.

NAMB partnership

The NAMB partnership is assisting the PSETA to implement trades and meet its artisan development targets. The mutually beneficial partnership enables the SETA to access artisan experts to audit PSETA trade centres through which NAMB can pilot its Quality Council Trades and Occupations (QCTO) trades provider and trade centre accreditation guidelines.

Other SETAs

The PSETA and FASSET are forging relations to assist the National Treasury in offering an accounting-related learnership for its employees and unemployed youth. The PSETA is also in discussion with CHIETA to collaborate in developing trades initiatives.

Rural growth focus

During the past year, PSETA projects focused on offering learnerships and internships to assist unemployed young people in rural area to gain workplace skills.

Building the supply side

The PSETA initiated an accreditation training provider capacity building project during the past year due to a lack of sector-accredited training providers. The project focused on collaborating with FET colleges, private providers and provincial academies to build capacity among staff and strengthen their administrative proficiency.

The positive response from private providers has been tempered with a less positive response from FET colleges and some provincial academies. This is a concern and will receive priority attention going forward, including a series of meetings with college principals and senior government officials.

The PSETA looks forward to formalising its interaction with these entities through Memoranda of Understanding to structure the collaboration in building the supply side of sector education and training.

Focusing on the future

During the past year, within the context of a new SETA landscape, the PSETA attended to setting up the processes to develop a sector occupation matrix for new qualifications identified by stakeholders and producing the related training material. We also initiated trades research to guide the sector in trades priorities.

Going forward, PSETA will intensify efforts to inform the labour market and public about opportunities in the public service sector through the implementation of a PSETA Careers and Information Dissemination Strategy.

A strategic focus area for the next financial year will be the development of a comprehensive plan to make the Public Service a training space for work-integrated learning and for the placement and absorption of our youth.

CORE BUSINESS PROJECTS

CORE BUSINESS PROJECTS

The PSETA Projects Department is responsible for the strategic direction, management, implementation and monitoring of business projects that will enable the PSETA to meet its Sector Skills Plan and NSDS III targets. The Department also sources donor funding to support the implementation of these projects.

One of its targets is to train beneficiaries in a number of programmes in the public service sector in collaboration with key strategic partners, including the Offices of the Premier, Municipalities, Unions, FET Colleges, accredited training providers and other key stakeholders.

These projects will provide unemployed, marginalised and disabled youth, as well as undergraduate learners in the rural, peri-urban and urban communities with skills development opportunities. As such, their successful implementation will support national priorities and supplement the scarce and critical skills pools in the public service sector and the broader labour market.

In embarking on these projects, the PSETA is also responding to the Integrated Approach to Youth, Skills and Rural Development Initiative contained in the country's Comprehensive Rural Development Strategy.

During the reporting period and in partnership with the National Skills Fund as its strategic funding partner, the PSETA rolled out a Rural Youth Skills Development Project in partnership with the DPSA in Limpopo, KwaZulu-Natal and Northern Cape, as well as a North West Youth Empowerment Project and Training Co-operatives Project.

Rural Youth Skills Development Project

The aim of this project is to provide young people in rural communities with the requisite skills to secure formal workplace employment and create a livelihood for themselves. Unemployed youth, graduates and learners in rural communities will be given access to skills development opportunities and thereby enable the PSETA to contribute towards the achievement of the Integrated Youth, Skills and Rural Development Initiative.

This initiative will benefit young and unemployed youth in rural areas of Nkandla and Msinga in KwaZulu-Natal, Muyexe and Sanari in Limpopo and Riemvasmak in the Northern Cape

The interns in KwaZulu-Natal started their programme at the Msinga and Nkandla District Municipalities during the past financial year, while discussions about internships were concluded with representatives in the Offices of the Premier of the Northern Cape, KZN and Limpopo and at participating provincial departments. Memoranda of Agreement will be signed and internships will commence during the 2012/13 financial year.

North-West Youth Empowerment Project

The PSETA initiated a process to secure internships in the North West province for its Youth Empowerment Project, which aims to empower economically marginalised groups as directed by the seven key development and transformational imperatives of the NSDS III. Targeted groups include young people, women and the disabled in rural and peri-urban communities. Discussions were held with the Office of the North West Premier to place 123 candidates in learnerships and 50 in internships across all the provincial government departments. Arrangements will be finalised in the forthcoming financial year.

Training Co-operatives Project

This project aims to increase PSETA partnerships with the public service sector to create a skills base essential for improved service delivery. The implementation of this project will see the PSETA establishing Co-operatives as training providers for qualifications that fall within its ambit to promote job creation and reduce unemployment.

In addition, the project will provide governance skills training within secondary Co-operatives that will contribute to ensuring that the training Co-operatives remain sustainable.

The Offices of the Premier have been instrumental in coordinating the PSETA's extensive engagements with key provincial stakeholders during the past year. These interactions will continue throughout the implementation of the project, while post-project interaction will serve to assess the impact.

The PSETA has contracted a service provider to roll out the project at the beginning of 2012/2013 financial year.

Worthy of note here is that the PSETA's procurement processes during the reporting period have been somewhat protracted due to the introduction of and adherence to strict SCM processes and currently a limited number of accredited providers in its supplier database.

KEY INITIATIVES

KEY INITIATIVE: SKILLS PLANNING AND RESEARCH

The Skills Planning and Research Department is responsible for skills planning for all entities within the public service sector that fall within the ambit of the PSETA.

The Department is mandated to develop a five-year Sector Skills Plan (SSP) based on research-identified skills gaps in the sector. Guided by the SSP, the Department's activities are aligned with the current cycle of the NSDS III and other national imperatives, which reflect the training and educational needs of the sector.

The SSP is updated annually to reflect the structural, economic and social changes in the public service sector. The PSETA's research covers all employment levels within the sector to identify scarce and critical skills shortages and ensure that the SETA prepares a comprehensive plan that effectively meets the skills development needs of the entire sector.

The Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs) compiled annually by public entities and government departments contribute to the compilation of the SSP, which is developed in collaboration with representatives from the sub-sectors.

The WSPs and ATRs also enable public entities and government departments to identify skills needs and plan interventions to fulfill those needs. The PSETA regularly consults with sector employers to ensure that the SSP remains relevant to their needs for the duration of the five-year plan. Scarce or critical skills, especially, are identified and addressed through the SSP.

The Skills Planning and Research Department is mandated, in terms of the Skills Development Act, 97 of 1998 (as amended) and the PSETA Constitution, to:

- conduct research with credible partners
- develop and update the Sector Skills Plan (SSP)
- support the public service sector with skills planning
- produce and distribute a Sector Career Guide (SCG) based on labour market and trends analyses and scarce and critical skills needs
- provide stakeholders with information about scarce and critical skills
- build capacity among SDFs and within Training Committees to plan and develop workplace skills for the sector
- facilitate the payment of a mandatory grant to levy paying stakeholders
- monitor and report on the 1% human resource budget investment by government departments in training and skills development, and
- benchmark and determine the impact of skills development activities.

Business goals for the 2011/2012 financial year were to:

- complete the annual updates to the SSP and Sector Career Guide;
- review and update the MIS system for the online development and submission of WSPs and ATRs;
- support sector SDFs and Training Committees to plan and implement workplace skills development effectively through, among others, capacity building workshops, road shows and MIS training;
- develop tools and guideline documents to assist SDFs;
- develop and implement a sector Career Guidance and Information Dissemination Strategy;
- monitor and report on the 1% investment of human resources budgets by government departments in training and skills development; and
- develop promotional material for the PSETA's participation in at least five career exhibitions nationally (2011: 13), specifically in rural communities.

Some highlights

Amidst many challenges, the PSETA's skills planning and research team achieved a number of highlights during the reporting period. These included the team's pivotal role in repositioning the SETA through the presentation of capacity building workshops and participation in forums, meetings and career exhibitions in seven provinces –events which all served to increase the PSETA's visibility throughout the country. Forum attendance included the Government SETA (GSETA) forum, provincial inter-SETA cluster meetings, Public Service Network (PSN) forums and provincial skills development forums.

The updated SSP was improved and submitted to the DHET on time on 13 January 2012. SSP recipients have commented favourably on the improvements in the document.

Performance against objectives

Sector Skills Plan (SSP) and Sector Career Guide (SCG) updates for the 2011/2012 financial year

The SSP identifies the skills needed in each economic sector, as well as the constraints to developing and utilising such skills effectively and in line with the objectives of the NSDS III, National Human Resource Development Strategy, National Skills Accord, Green Paper on Post-schooling and other relevant sector strategies. During the five-year period, the SSP is updated annually to incorporate changes that occur in the sector.

The national imperatives and current skills development trajectory in the country informed a comprehensive SSP research process, which involved information gathering as well as analyses and interpretations of the findings from different data sources.

The latter included PERSAL, HR Connect and WPS/ATR data. The comprehensive research resulted in a significantly improved SSP compared to those updated previously.

Similar to the SSP, the SCG is developed to comply with the requirements of NSDS III. The career guide was updated at the same time as the SSP and data on scarce and critical skills sourced from the SSP process were used to profile sector-specific scarce and critical skills needs in the SCG and detail career paths and opportunities available in the sector.

The SCG largely targets the unemployed youth and graduates, school learners and career guidance educators and counsellors. Promotional material in the form of flyers and pamphlets were developed from the information contained in the career guide for distribution at career exhibitions in the Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Mpumalanga, North West and Northern Cape provinces.

The SSP and SCG are available on the PSETA website.

Reviewing the MIS

The Skills Planning and Research module of the PSETA's Management Information System (MIS) is used to help SDFs develop and submit WSPs/ATRs online. The system is reviewed and enhanced annually to ensure that it is efficient, effective, user-friendly and also aligned with other national frameworks and systems such as the Organising Framework for Occupations (OFO).

The MIS is updated in consultation with users and SDFs, who are given an opportunity to provide input and identify challenges encountered with the system. Their feedback is consolidated before the system is updated. Following the enhancements, a workshop is presented to SDFs on the changes. All the necessary enhancements were successfully implemented for the 2012/13 submissions cycle.

The updated MIS functionality facilitated the submission of 107 (2011: 138) WSPs/ATRs from all constituent government departments, legislatures and parastatals during the 2011-2012 submission cycles. The decline in the submission was due to a new requirement that the submission of WSPs/ATRs must be authorised by the relevant Head of Department. Therefore, during the period under review, only signed WSPs/ATRs were accepted.

Capacity building

The PSETA conducted workshops for the SDFs and Training Committees in the sector to strengthen stakeholder capacity for workplace skills planning and ensure the quality development and implementation of WSPs/ATRs in the sector.

Capacity among SDFs

In the first of two rounds of workshops conducted for SDFs, 197 were trained and feedback provided about the submitted WSPs/ATRs during the 2011/2012 financial year (the final submission date was 30 June 2011). Feedback also related to the 2011/2012 SSP update, particularly the new Scarce and Critical Skills List; MIS challenges encountered during the development and submission of WSPs/ATRs; best practices in WSP/QMR development; Career Guide update and related promotional materials; and the challenges related to the 1 % personnel training expenditure reports.

In the second round, 198 SDFs were trained and similar feedback provided as to the first round SDFs workshop, including the re-orientation/retraining of SDFs in the use of the MIS to prepare for the 2012 WSP/ATR submission cycle. Current issues in the skills development environment, such as the Green Paper for Post-School Education and Training and the New Grant Regulations and their implications for skills planning were also discussed. In all 395 (2011: 393) SDFs were capacitatedin the period under review.

Capacity within Training Committees

As part of the Skills Planning and Research mandate, 292 (2011: 270) training committee members in a number of provinces and national government departments were trained to enhance their understanding of skills development in the public service sector and to orientate them about their specific roles in the overall process. The training covered areas such as the legislative imperatives in skills development in South Africa; the roles of Training Committees and SDFs; reporting requirements; and the purpose and processes for compiling the WSP.

Training Expenditure Reports

The PSETA – unlike other SETAs – does not receive levy contributions from its constituent employers, apart from the levies paid by a few parastatals. Despite this reality, the SETA is mandated by the Skills Development Act, 97 of 1998 (as amended) to monitor government's expenditure on training and skills development. In effect, the PSETA has to monitor compliance by employers in the public service sector to ensure the improved investment in and quality delivery of skills development in the sector.

This remains a challenging area of the PSETA's work, since delivery depends on the submission of report by departments, every quarter as required. In the year under review, only 67 (2011: 112) departments submitted their reports.

Support to government departments

In addition to the scheduled capacity building workshops, the Skills Planning and Research team provided ongoing support to a number of national government departments, the Eastern Cape and some departments in the Western Cape Province. This ranged from providing the departments, at their request and on a one-on-one basis with, among others, training on WSP/ATR development processes, OFO and the analysis of training needs.

The decline in submission rates of the WSPs/ATRs and Training Expenditure Reports was due to the change in submission criteria from accepting all submissions to accepting only those authorised by the Heads of Department in the public service sector.

Challenges

Key challenges during the year under review included serious capacity constraints, which precluded the department from adequately servicing all constituent stakeholders.

Non-compliance by stakeholders to submit their 1% quarterly expenditure reports, as depicted in Figure 2 below, continued despite repeated reminders via circulars and emails from the PSETA. This is an area where the PSETA has no control as it is dependent on departments adhering to submission requirements.

The decrease in the attendance of workshops by SDFs and non-alignment of the Organising Framework for Occupations(OFO) with public service sector job titles remained challenging, the latter compromising the quality and accurate reflection of sector skills needs.

The information in the Tables and Figures below give an indication of the trends in the submission of WSPs/ATRs and 1% investment reports and reflects the attendance of SDFs at training workshops and feedback sessions, as well as the number of learners with whom the PSETA interacted during participation in provincial career exhibitions.

Table 7 WSPs/ATRs received for the year ending 31 March 2012

National and Provincial Departments	WSPs/ATRs expected	WSPs/ATRs submitted (authorised only)
National	43	28
Eastern Cape	13	6
Free State	12	8
Gauteng	12	9
KwaZulu-Natal	14	10
Limpopo	12	10
Mpumalanga	12	10
North West	12	10
Northern Cape	12	6
Western Cape	13	10
Total received	155	107

Table 8 Summary of consolidated 1% expenditure reports received from government departments

Province	Reports expected	Reports received
National	43	26
Eastern Cape	13	6
Free State	12	4
Gauteng	12	1
KwaZulu-Natal	14	4
Limpopo	12	8
Mpumalanga	12	2
North West	12	8
Northern Cape	12	3
Western Cape	13	2
Total	155	67

Table 9 Summary of SDF attendance at planning and career guide workshops

Province	Attendees	Workshop dates
Eastern Cape	19	29/03/2012
Free State	13	02/03/2012
Legislatures	9	27/03/2012
Mpumalanga	15	26/03/2012
KwaZulu-Natal	26	15/03/2012
Northern Cape	12	23/03/2012
National Group 1	21	23/02/2012
National Group 2	24	24/02/2012
Gauteng	17	27/02/2012
North West	20	29/02/2012
Western Cape	22	13/03/2012
Total attendees	198	

Table 10 Summary of SDF attendance at feedback workshops

Province	Attendees	Workshop dates
Eastern Cape	17	8/11/2011
Free State	13	10/11/2011
Legislatures	6	29/11/2011
Mpumalanga	11	29/11/2011
KwaZulu-Natal	20	16/11/2011
Northern Cape	17	17/10/2011
National Group 1	26	05/10/2011
National Group 2	21	06/10/2011
Gauteng	14	04/10/2011
North West	18	13/09/2011
Limpopo	17	01/11/2011
Western Cape	17	10/11/2011
Total attendees	197	

Table 11 Total number of learners per province at PSETA stands during career exhibitions

Province	No of Learners	Urban	Rural	Audience targeted
Gauteng	988	Urban	-	Unemployed youth, learners and unemployed graduates
KwaZulu-Natal	205	-	Rural	Unemployed youth
North West	302	-	Rural	Unemployed youth, learners and unemployed graduates
Western Cape	0	Urban	-	Employees in the public service sector
Free-State	112	-	Rural	Unemployed youth
Mpumalanga	131	-	Rural	Unemployed youth
Eastern Cape	108	-	Rural	Unemployed youth and learners
TOTAL	1 846	2	5	

WSP/ATR SUBMISSION RATE

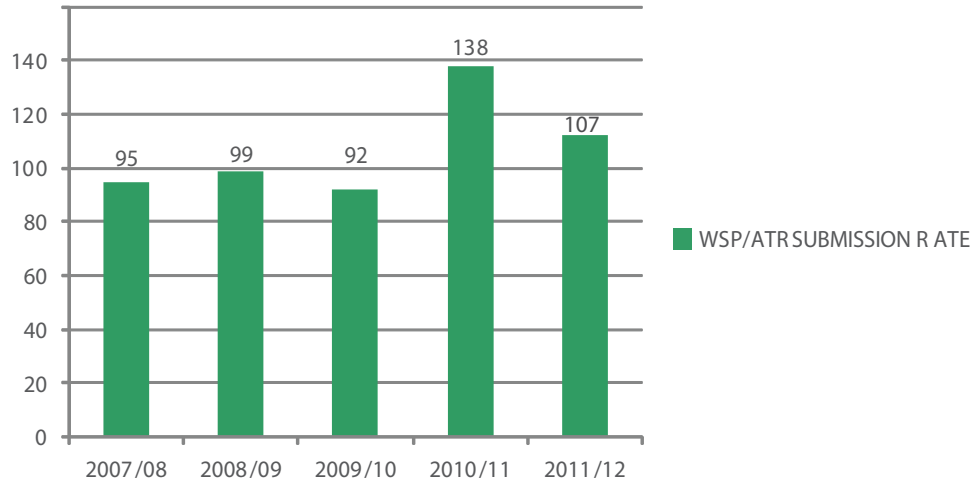


Figure 2 Trends in WSP/ATR submissions.

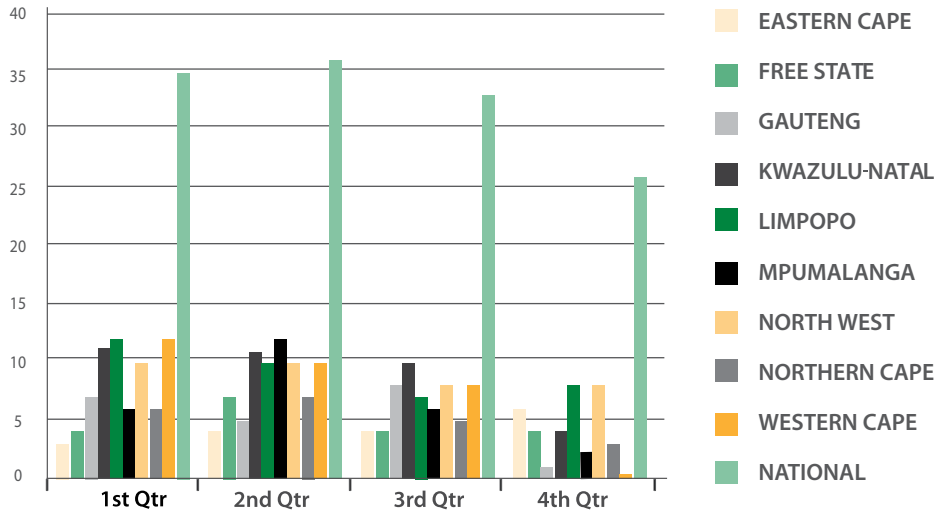


Figure 3 Submission rate by government departments of the 1% expenditure reports.

The PSETA ETQA is responsible for monitoring and auditing achievements in terms of national standards or qualifications.

Accredited by the South African Qualifications Authority (SAQA) in terms of Section 5 (1) (a) (8) of the SAQA act, the ETQA Department undertakes the overall quality assurance of training delivery of national standards or qualifications in the public service sector.

As assigned in terms of Section 5 (1) (b) (i) of the SAQA Act, these include the registration of assessors/ moderators, accreditation of training providers and certification of those accredited, monitoring of training delivery, verification of assessments to certify learner achievements and the maintenance of a learner database.

ETQA business goals during the reporting period were to:

- Facilitate workplace-based skills development for the public service sector by ensuring increased access to quality Learning Programmes and improve access to experiential opportunities for new labour market entrants by
    - developing a Qualifications and Standards Matrix;
    - facilitating and promoting the development of qualifications;
    - raising the bar for the employed and unemployed under-qualified by aligning ETQA policies and procedures with SAQA, DHET and QCTO regulations;
    - contributed towards finalising the recognition of prior learning (RPL) policy for the public service sector in collaboration with the DPSA;
    - accrediting/approving providers and centers;
    - ensuring continuous monitoring and evaluation towards improved service delivery, and
    - ensuring the quality of learning.
- Develop and implement wide-ranging MoUs with public FET colleges by
    - equipping and empowering these colleges to increase their contributions to skills development in the country.

In terms of the Skills Development Act, 97 of 1998 (as amended), SETAs act as ETQAs education and training quality assurers within their sectors.

Quality assurance is a process of accrediting training providers, registering assessors and moderators, auditing the quality of learning provision and assessment and certificating learners.

It is incumbent upon ETQAs to maintain systems that uphold the quality of registered unit standards, qualifications and learning provision, which include learnerships.

Some highlights

The Department is addressing the challenge of the small number of accredited providers of PSETA qualifications by implementing an accreditation capacity building project. Lecturers from FET colleges and private providers identified for the project have confirmed their participation and will be capacitated according to NSDS III requirements.

Other highlights for the ETQA team included achieving its targets as set out in the PSETA strategy, successfully supporting and monitoring the quality of stakeholder training delivery, facilitating a significant improvement in the PSETA's National Learners' Records Database reporting and effectively created more ETQA visibility and support.

Table 12 Lecturers from FET Colleges and private providers identified during the 2011/12 financial year for capacitation support

Capacity building			
Province	Public FET College	Private providers	Total
Free State	30	8	38
KwaZulu-Natal	26	3	29
Limpopo	24	14	38
Northern Cape	0	10	10
North West	26	10	36

Performance against objectives

Accreditation of providers

The SSP highlighted the need for learnership interventions, among others, to address the scarce and critical skills gaps within the public service sector. Responding to this need requires PSETA-accredited training providers who offer quality training of the intended programmes.

During the review period, the Department accredited four new training providers against five unit standards and two qualifications. Given the small number in relation to the skills gap in the public service sector, the Department initiated an accreditation capacity building project to increase the number of PSETA accredited providers, mainly against PSETA registered qualifications.

Existing accredited training providers extended their scope of service provision against registered unit standards and qualifications. The Department also received 11 applications for programme approvals (MoU), all of which were approved.

Concerted efforts are made to encourage PALAMA and sector and provincial academies in the public service sector to deliver training against registered unit standards and qualifications.

Assessment facilitation and certification of constituent learners

An ETQA Specialist with extensive experience in the verification of assessments was appointed and verified eight training provider assessments, which resulted in the issuing of 148 learner certificates. External verification contractors will be appointed to perform this function in the forthcoming financial year due to the increasing number of applications received during the reporting period.

Table 13 Learner certificates issued during the 2011/12 financial year

Learner certificates issued		
Department	Qualification ID	Certificates issued
DIRCO	64329	21
DIRCO	48761	17
DIRCO	64330	19
DIRCO	64329	14
DIRCO	57804	10
Human Settlements	50060	7
Roads and Transport	57824	19
SAPS	50060	2
SAPS	57804	20
Statistics SA	65649	19
Total certificates issued		148

Key DIRCO – Department of International Relations and Cooperation

SAPS – South African Police Services

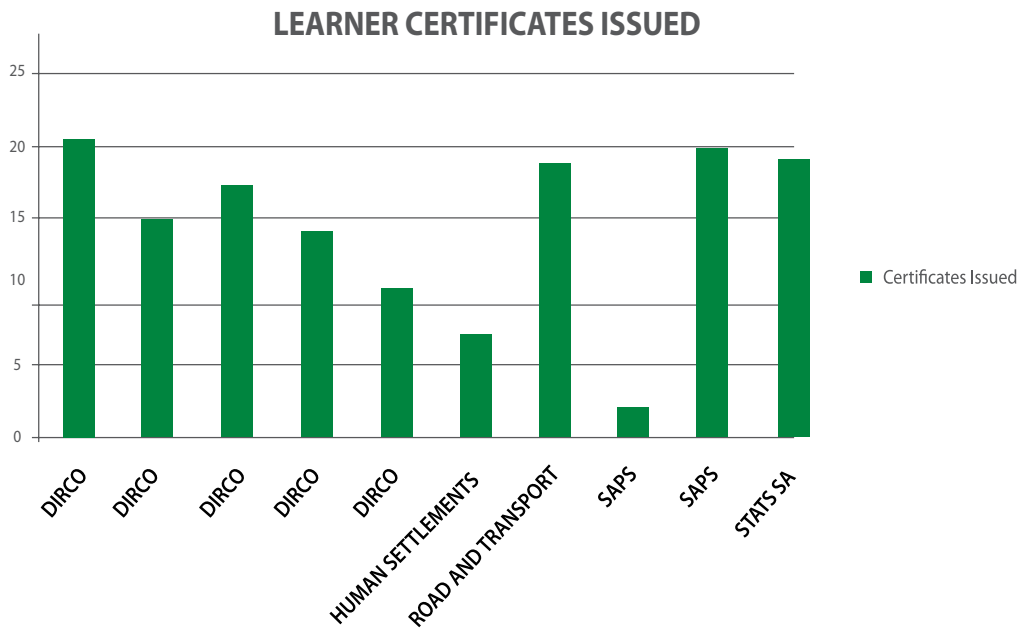


Figure 4 Breakdown by institution of learner certificates issued during the 2011/12 reporting period.

Certification and monitoring of training providers

Four accredited training provider certificates were issued and providers at 22 training provider sites monitored. Plans to further develop these services have been discussed to ensure ongoing improvement.

Framework for partnership with QCTO

The Department developed a strategy document that outlines the PSETA's roles and partnerships with the Quality Council for Trades and Occupations (QCTO) and other quality partners. The strategy now serves as the basis for the PSETA's alignment with QCTO requirements.

Strategic projects

- Accreditation capacity building project in KwaZulu-Natal, the Northern Cape, Free State, Limpopo and North West provinces

Beneficiaries: FET Colleges, provincial academies and private providers

- QCTO qualifications development and alignment project

Beneficiaries: PALAMA, the DTI, DIRCO and Legislatures

During the year under review, the PSETA CEO signed a MoU with the QCTO to cooperate and share resources. A facilitator was appointed to ensure alignment of the public service sector standards and qualifications with QCTO requirements and the registration of six national occupational qualifications through the QCTO.

The beneficiaries of this initiative volunteered involvement in the process and signed endorsement letters for the PSETA to become a development quality partner in six qualifications identified by the four participating departments.

Quality Management System (QMS)

All PSETA Departments reviewed and revised their policies. The ETQA Department will appoint a service provider in the year ahead to consolidate and link all PSETA policies to obtain ISO certification and registration.

Memoranda of Understanding (MoUs)

MoUs were signed with most SETA ETQAs to among others cooperate and exchange of information. Due to the expiry of SETA ETQA accreditation at the end of September 2012, an addendum was drafted for signature with other SETA ETQAs in the year ahead.

Quality promotion

The Department developed policies and procedure documents to guide training providers in promoting quality when delivering training. These policies ensure consistency in the monitoring and development of quality training among all PSETA accredited providers.

Provincial workshops were conducted to discuss the policies and obtain input and suggestions for ongoing improvement. The inputs received will be considered during policy review sessions planned for the 2012/2013 financial year.

KEY INITIATIVE: ETQA

Unit standard and qualification design

While the PSETA QCTO alignment process will result in the development of six occupational qualifications, other stakeholders will be accommodated in the process after the pilot project is completed. With the extension of existing qualifications for another five years, the PSETA will support stakeholders in converting these qualifications into curricula qualifications according to the QCTO requirements.

Recognition of Prior Learning (RPL)

A process was initiated to appoint a service provider to conduct RPL research in the public service sector and will be finalised early in the forthcoming fiscal period. The findings from this research will enable the PSETA to address challenges experienced in the implementation of RPL and create interest in learners to use it as a form of assessment to acquire qualifications.

Registration of assessors and moderators

During the year under review, the PSETA ETQA issued 180 assessor and 98 moderator registration letters.

Table 14 Number of assessors and moderators registered in the 2011/12 financial year

Assessors and moderators		
Gender	Assessors	Moderators
Male	110	55
Female	70	43
Total	180	98

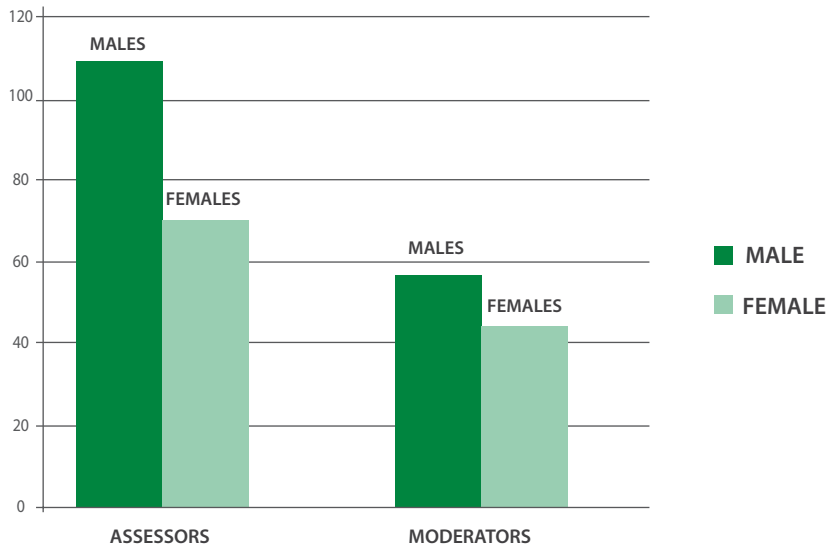


Figure 5 Gender profile of assessors and moderators registered during the 2011/12 financial year.

KEY INITIATIVE: LEARNING PROGRAMMES

The PSETA Learning Programmes Department facilitates and manages the development of Learning Programmes that address specific sectoral needs in the public service sector as identified in the Sector Skills Plan.

This is achieved through partnerships with stakeholders in the implementation, monitoring and evaluation of formal Learning Programmes. The Department also advises government departments on the implementation of the indicated Learning Programmes

The key role of the Learning Programmes Department, therefore, is to ensure that learners gain access to relevant workplace opportunities to enter into and complete Learning Programmes for which agreements are signed and registered within the PSETA scope of accredited skills training programmes. The Department also ensures that the programmes are available for implementation by stakeholders and that those stakeholders are supported as required by the relevant legislation.

A Learning Programme is any prescribed programme with a structured work experience component, which includes a learnership, apprenticeship, skills programme, internship and any other prescribed set of learning offerings.

Learning Programmes provide participants with theory as well practical skills in the workplace and leads to a qualification registered on the NQF.

Business goals

The business goals for the Learning Programmes Department support the PSETA's strategic objectives, namely to:

- facilitate the implementation of public service sector PIVOTAL programmes in partnership with FETs and HEIs;
- facilitate the development and provision of demand-led skills programmes and upgrading of existing skills among sector employees to improve the delivery of the business of government;
- assist under-qualified employees to improve their qualifications by complementing the sectoral or national programmes that require a minimum NQF Level 4 for entry with either ABET or Foundational Learning Programmes; and
- improve the capacity for service delivery in the public service sector.

Some highlights

While the Department experienced some challenges in delivering its mandate, the Learning Programmes team achieved a number of critical milestones. Chief among these was the establishment of a Trades and Artisan section.

Memoranda of Agreement (MoAs) were signed with the University of the Witwatersrand and Umfolozi FET College for research on government trades and indentured 25 learners in support of the national Integrated Rural Youth Skills Development Strategy. A total of 27 learners were also indentured in trades-related Learning Programmes.

The Department trained 91 workplace mentors in Gauteng, Limpopo, North West, Northern Cape and the Free State provinces and updated the Learning Programmes brochure for distribution at among others, the 13 Induction sessions held to support stakeholders. Four government departments were supported by monitoring their learnerships.

Performance against objectives

The Department's performance against the PSETA's NSDS III success indicators entailed:

Facilitating the implementation of PIVOTAL programmes in the public service sector in partnership with FETs and HEIs

- developed a priority plan to implement PIVOTAL programmes (NSDS III outcome 4.2);
- signed an MoA with the Umfolozi College in KwaZulu-Natal to support the Integrated Rural Youth Skills Development Strategy and implement Outcome 1 of the National Skills Accord (NSA);
- learnerships linked to post-registration date qualifications were deregistered with the DHET;
- registered 24 skills programmes and captured the information on the MIS;
- updated the Learning Programmes brochure with the list of registered learnerships and skills programmes (Table 16); and
- achieved the PIVOTAL target of 1 000 and received evidence of 1 311 learners in the sector.

Facilitating the development and provision of demand-led skills programmes and upgrading existing skills among sector employees to improve government's service delivery

- registered the Certificate for Immigration Services (Level 5) and Refugee Services (Level 5) learnerships, which were developed in the previous financial year but required final stakeholder consultation with the Executive Authority; and
- reviewed and registered the Inspection and Enforcement Services (Level 5) learnership against a re-registered qualification with the Executive Authority.

Raising the qualifications bar for under-qualified unemployed learners and public service sector employees

- Against a target of 100 for the year under review and within the context of the PSETAs five-year strategic plan to train 5 000 unemployed learners as artisans, the Department indentured 27 learners in trades-related skills programmes in Gauteng, while 708 employees entered full qualification linked programmes.

Ensuring that the public service sector's capacity for service delivery is improved

- Presented 13 Quarterly Monitoring Report (QMR) workshops to support the stakeholder reporting process, which consisted of nine provincial workshops, two for national departments and state owned entities, one for Legislatures, one at the request of a provincial department and one at the request of a national department.
- Trained 91 workplace mentors in Gauteng, Limpopo, North West, Northern Cape and the Free State provinces.
- Supported four government departments by monitoring and evaluating the implementation of their learnerships.

KEY INITIATIVE: LEARNING PROGRAMMES

The Table below reflects the implementation of the mentor training programme.

Table 15 Implementation of workplace mentor training programme

Stakeholder	Target	Actual
Gauteng	20	20
Northern Cape	25	17
Free State	20	17
Limpopo	20	20
North West	20	17
Eastern Cape	20	2012/2013
KwaZulu-Natal	25	2012/2013
Western Cape	20	2012/2013
Mpumalanga	20	2012/2013
National	20	2012/2013
Legislatures	10	2012/2013
State-owned entities	10	2012/2013
Total	230	91

Mentorship programmes will be implemented in these provinces in the 2012/13 financial year

Table 16 Learnerships registered with the PSETA

Qualification title	Qualification identify	Learnership title	OFO code	DHET number
1 National Certificate: Business Administration	23833	Office Administration Assistant Level 02	334 102 Office Administrator	21Q210006371302
2 Certificate: Purchasing and Stores Management	24340	Provisioning Administration Level 05	332302 Purchasing Officer	21Q210011001205
3 FET Certificate: Human Resources Management and Practices Support	49691	Human Resources Management and Support Level 04	441601 Human Resources Clerk	21Q210014331404
4 FET Certificate: Public Administration	57824	Public Administration Supply Chain Management Level 04	333905 Supply Chain Practitioner	21Q210016261794
5 FET Certificate: Public Administration	57824	Public Administration Supervisor Level 04	334101 Office Supervisor	21Q210017271774
6 National Certificate: Public Administration	50060	National Certificate in Public Administration Level 05	334102 Office Administrator	21Q21Q018371415

	Qualification title	Qualification identify	Learnership title	OFO code	DHET number
7	National Diploma: Public Finance Management and Administration	49554	Public Finance Management Administration (National and Provincial Spheres) Level 05	431101 Accounts Clerk	21Q 210019232825
8	National Certificate: Public Administration	50060	Public Administration: Leadership Level 05	334102 Office Administrator	21Q210020271875
9	National Certificate: Public Administration	50060	Public Administration: Procurement Level 05	334102 Office Administrator	21Q210021291875
10	National Certificate: Public Administration	57804	Public Administration Level 03	334102 Office Administrator	21Q210025361573
11	National Diploma: Public Finance Management and Administration	49554	Public Finance Management and Administration Level 05	431101 Accounts Clerk	21Q210026222675
12	National Certificate: Inspection and Enforcement	49107	Inspection and Enforcement Level 05	335901 Labour Inspector	21Q210032251625
13	National Certificate: Home Affairs	66869	Immigration Services Level 05	335102 Immigration Officer	21Q210030241205
14	National Certificate: Home Affairs	66869	Refugee Services Level 05	335903 Refugee Status Determination Officer	21Q210031241205
15	National Certificate: Public Financial Oversight and Accountability	64670	Public Financial Oversight and Accountability Level 04	132201 Finance Manager	21Q210029111204

While the Department met and exceeded some of its NSDS III targets, performance against others did not meet expectations. This was due mainly to challenges in the availability of a clear reporting mechanism for stakeholders.

Priority will be given in the year ahead to improving performance against these targets by supporting government departments with implementing NSDS III outcomes.

Quarterly Monitoring Report

A core focus of the Department is to ensure that the PSETA's reporting meets the standard prescribed by the Executive Authority. Accurate and reliable information is collected from stakeholders (government departments) on a quarterly basis for the PSETA to report on the implementation of their skills development programmes. However, not all the information in the reports could be validated, while some did not have the required verifiable documentation. Those reports could not be accepted and were not included in the PSETA's Quarterly Monitoring Reports (QMRs).

KEY INITIATIVE: LEARNING PROGRAMMES

Tables 17 and 18 reflect the QMR submission rates per province for the 2011/12 and 2010/11 financial years to also present a comparison between the two years.

Table 17 Submission rate of Quarterly Monitoring Reports for the 2011/2012 financial year

PROVINCE	NO OF DEPARTMENTS	NO SUBMITTED QMRs	RATE %
National	43	18	42
Eastern Cape	13	0	0
Free State	12	4	33
Gauteng	12	11	92
KwaZulu-Natal	14	9	64
Limpopo	12	2	17
Mpumalanga	12	10	83
North West	12	12	100
Northern Cape	12	5	42
Western Cape	13	10	77

Table 18 Submission rate of Quarterly Monitoring Reports for the 2010/2011 financial year

PROVINCE	NO OF DEPARTMENTS	NO SUBMITTED QMRs	RATE %
National	43	19	45
Eastern Cape	13	0	0
Free State	12	4	36
Gauteng	12	10	83
KwaZulu-Natal	14	3	21
Limpopo	12	10	91
Mpumalanga	12	9	75
North West	12	11	92
Northern Cape	12	9	36
Western Cape	13	4	82

Figures 6 and 7 below reflect the submission rates of the QMRs from the national and provincial departments for the 2011/12 and 2010/11 financial years.

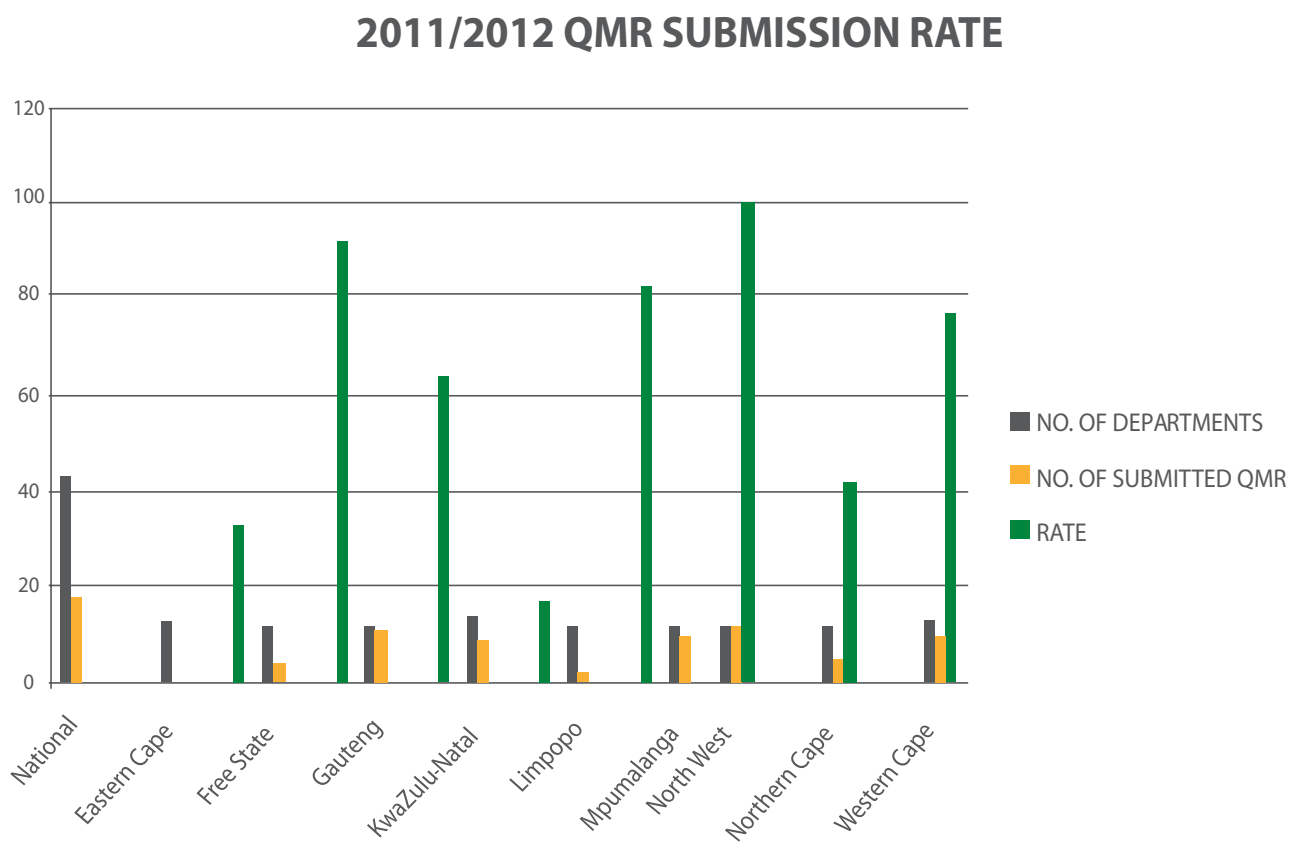


Figure 6 Submission rate for the 2011/12 Quality Monitoring Reports per province.

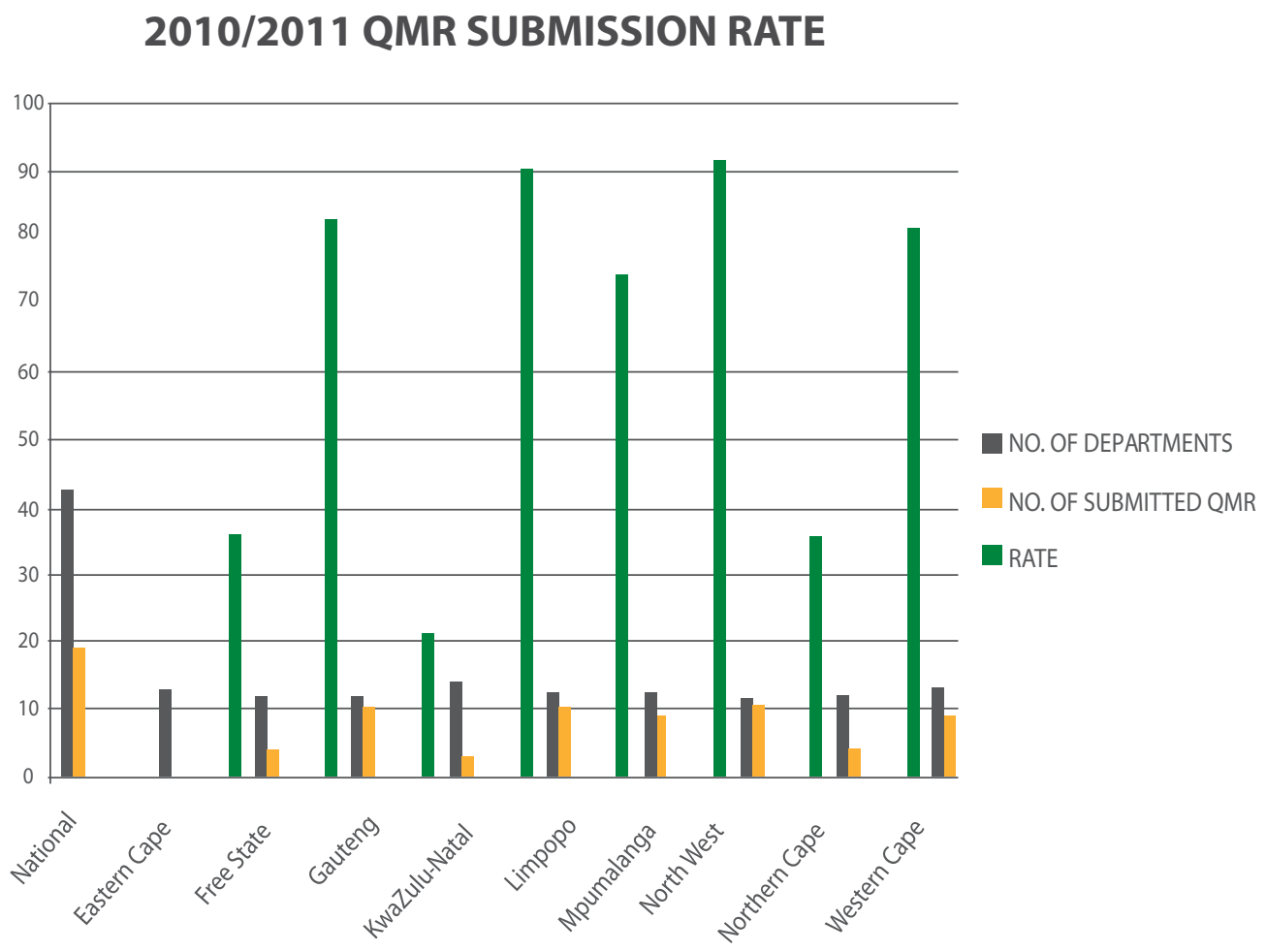


Figure 7 Submission rate for the 2010/11 Quality Monitoring Reports per province.

CORPORATE SERVICES

The PSETA's newly created Corporate Services Division consists of the Human Resources, Information and Communications Technology, Communication and Marketing and Auxiliary Services Departments.

Previously managed by the Department of Public Service and Administration (DPSA), the PSETA took over the Corporate Services function on 1 April 2011 along with all the staff members accommodated in the PSETA's new organogram.

Information and Communications Technology (ICT)

A well-structured Information Communications Technology (ICT) system is integral to an organisation's ability to function optimally and deliver services effectively and efficiently. ICT is also a critical component in promoting economic growth, job creation, social development and global competitiveness.

During the reporting period, the PSETA's newly established ICT Department completed a number of critical tasks to support the entity in fulfilling its functions. These included migrating servers successfully between the DPSA and PSETA buildings (Pretoria city centre and Hatfield) to assume full responsibility of the ICT network. A Local Area Network (LAN) with the latest back-up system was set up in the building and the Telkom PRI line transferred from an inappropriate location in the building to the server room.

New servers, which run on the latest technology platforms, were procured and an online back-up system was setup for the financial server. New employees received Notebooks and telephones and additional handsets were procured, while the website was redesigned to create user-friendly functionality and align it with PSETA branding.

The Department also developed ICT service standards to increase effective and efficient service delivery to clients. The Department's serious capacity constraints of one ICT Officer will be addressed early in the new financial year.

Communication and Marketing

The PSETA's newly established Communication and Marketing Department is tasked to convey a unified image of the PSETA and create confidence in its brand, as well as the PSETA Board, management and employees. The Department supports the entity by helping to ensure its compliance with legislation, regulations and standards that relate to its business conduct.

The role of the Communication and Marketing Department is to promote the products and services offered by the PSETA, using various corporate communication channels to reach all stakeholders and the general public. During the year under review the focus was on relationship building and corporate publicity to reposition the PSETA. A communication policy and communication protocol were developed and implemented.

It is further incumbent upon the Department to ensure that all the PSETA's communication and promotional material accurately reflects its progress and achievements and that the entity's external communication processes and media liaison fully support the PSETA's business objectives.

Stakeholder engagement

The Stakeholder Engagement Model to guide the process of communication with stakeholders was developed and await approval by the accounting authority. As part of repositioning the organisation, a series of stakeholder engagement activities were held, in the form of workshops, meetings and a summit.

The PSETA successfully held its Annual General Meeting in November 2011. The entity's visibility increased exponentially and the SETA became a permanent feature in the SETA landscape.

Corporate publicity

An interactive website was developed to simplify access to information by stakeholders. The communication function was responsible for updating and posting information on the website.

The information leaflets and booklets were developed and distributed to re-launch the SETA. These were distributed at conferences, summits and exhibitions.

Exhibitions

Due to financial constraints the PSETA has not been able to host its own exhibitions but supported other stakeholder initiated events. Through these exhibitions the PSETA was able to reach nine (9) provinces promoting careers in the public service sector and offering career counseling to learners and the unemployed youth.

Social investment

The PSETA adopted Bona Lesedi Secondary School in the township of Mamelodi, to give support in terms of career choices on the part of learners. A Mini career expo was held at the school to provide learners and people from surrounding areas with information about the careers and learning opportunities available in the public service sector.

Two learners from the school also participated in the PSETA's Take A Girl Child to Work project and shadowed the Chairperson and CEO during their visit to Parliament in May 2011.

Human Resource Management

During the reporting period, the PSETA filled most of the 46 vacancies in its organisational structure. Six of the positions were filled by seconded staff from the DPSA, according to a Memorandum of Understanding with the Department, while four positions were frozen due to budgetary constraints.

Recruitment

Two vacancies remained at the end of the past financial year: the Projects Manager vacancy, which arose after the incumbent resigned towards the end of the financial year and the Skills Planning Administrator position, which became vacant when the incumbent was promoted as a Skills Planning Officer in August 2011. The two positions will be filled in the forthcoming financial year.

Three temporary employees were contracted to assist the Learning Programmes Department to acquire supporting evidence for the Quarterly Monitoring Reports (QMRs) from government Departments. Their contracts expired on 31 March 2012.

Table 19 PSETA staff complement as at 31 March 2012

PSETA staff	34	
DPSA- seconded staff	6	
Frozen positions	4	ETQA Administrator, ETQA Officer, Learning Programmes Officer and Skills Planning Specialist
Vacant positions (at year-end)	2	Project Manager and Skills Planning Administrator
Total establishment	46	
Temporary staff (additional to post establishment)	3	Evidence collectors (additional to post establishment)
NSF-funded positions (additional to post establishment)	5	SCM Specialist, Projects Specialist, ETQA Specialist, ETQA Officer and Projects Administrator
TOTAL	54	

Table 19 indicates the total number of vacancies filled between April 2011 and March 2012 for the established posts at the PSETA, including the NSF-funded and temporary positions.

Table 20 Vacancies filled between April 2011 and March 2012

Post level	Total number of positions filled	Africans		Coloureds		Whites		Indians	
		F	M	F	M	F	M	F	M
Executives	4	1	2					1	
Managers	5	4	1						
Specialists	14	6	4	1			2		
Officers	10	4	6						
Administrators	11	9	2						
Clerks/Receptionist	2	1	1						
General workers	3	2	1						
Other	3	1	2						
TOTAL	52	27	19	1			2	1	

Table 21 Disabled employees during the 2011/12 financial year in vacancies filled

Executives	1	African female	
Specialists	1	African female	
TOTAL	2	Included in the total number of vacancies filled	

Staff turnover

During the past financial year, 11 employees left the services of the PSETA, four of whom resigned, the period of secondment of four ended while the employment contracts of the remainder came to an end and were not renewed.

Performance management

Subsequent to the approval of the Performance Management and Development Policy and System in July 2011, the PSETA implemented the contracting phase, as the first in a three-phase process. All employees signed Performance Agreements with the PSETA upon appointment, facilitated by the Manager to whom they reported. In September 2011, which marked the middle of the 2011/2012 financial, the 2nd phase Mid-Term Performance Review was undertaken successfully. The third and final phase was due for implementation at the beginning of the 2012/2013 financial year.

Grievances and disciplinary action

The Human Resource Department dealt with and successfully resolved two staff grievances through the immediate implementation of the PSETA Grievance Procedure and Code upon receipt of the grievances. Disciplinary action was instituted against one employee, who received a final written warning due to serious misconduct. This was a once-off warning, which warranted a final written warning due to the nature of the misconduct but did not need to be escalated to the Board.

Training and development

The PSETA consolidated Personal Development Plans (PDPs) for all staff to capture all training and development needs, although budgetary constraints during the past year prevented the PSETA from responding to many of the needs. Attention will be given to addressing these needs in the forthcoming fiscal period.

Collaboration between the Human Resources and Core Business Departments resulted in development programmes made available to internal staff, such as mentoring, SDF training and monitoring and evaluation training. A significant number of targeted staff, including 10 who participated in SDF training, successfully completed the programmes.

The HR Department also coordinated and facilitated several internal capacity development workshops in the effective use of, among others, the PSETA's performance management system and processes and its grievance and disciplinary procedures and codes. A workshop series on the PFMA and supply chain management processes within a public entity environment was presented in partnership with the SCM Unit.

Employee remuneration

The Corporate Services Finance and Remuneration Committee oversees all remuneration and related matters, while the Board remains the main decision making body in this regard. At the beginning of the 2011/2012 financial year, the PSETA adopted a salary structure based on a total cost to company package system that guides employee remuneration at the different functional levels. The system allows employees to structure their salaries according to personal circumstances and choice. The PSETA does not offer macro benefits such as pension, medical aid or housing allowances.

Table 22 Remuneration of Management

Designation	Total Cost to Company 2011/12	Performance Bonus 2011/12	Total 2011/12
Chief Executive Officer	1 007 864.55	0.00	1 007 864.55
Chief Operations Officer	780 228.00	0.00	780 228.00
Chief Financial Officer	819 239.40	0.00	819 239.40
Corporate Services Executive	780 228.00	0.00	780 228.00
Manager: Finance	600 000.00	0.00	600 000.00
Manager: Projects	600 000.00	0.00	600 000.00
Manager: ETQA	600 000.00	0.00	600 000.00
Manager: Skills Planning and Research	600 000.00	0.00	600 000.00
Manager: Learning Programmes	600 000.00	0.00	600 000.00

Mr Sabelo Wasa Chairperson of Audit Committee

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT
for the financial year ended 31 March 2012

The Report by the PSETA's Audit Committee is submitted as required by National Treasury Regulations 27.1.7 and 27.1.10 (b) and (c), issued in terms of Sections 51(1)(a)(ii) and 76(4)(d) of the Public Finance Management Act (PFMA) , 1 of 1999, as amended by Act 29 of 1999.

We are pleased to present our report for the financial year ended 31 March 2012.

1. Audit Committee members and meeting attendance

The members of the Audit Committee are listed in Table 19. During the financial year under review the Committee met six times and provided the relevant Accounting Authority with appropriate feedback on matters within its mandate. The Audit Committee Chairperson had been invited to attend all Board meetings after the Audit Committee meetings for the reporting period.

Table 19 Audit Committee members and meeting attendance

Committee member	Membership	Meetings attended
Sabelo Wasa (Chairperson)	Independent member	6 out of 6
James Maboa	Independent member	6 out of 6
Mantiti Kola**	Board representative	3 out of 6
Bheki Maduna*	Board representative	3 out of 6

*Mr Bheki Maduna was appointed on 5 May 2011

**Ms Mantiti Kola was appointed on 31 August 2011

No closed sessions were held with the Auditor-General, Head of Internal Audit (outsourced) or any other stakeholder during the year under review. Invitations were extended from time to time, but stakeholders indicated that there was no need for such closed sessions.

2. Audit Committee responsibility

The PSETA's Audit Committee has complied with its responsibilities according to National Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) issued in terms of Sections 51(1)(a)(ii) and 76(4)(d) the Public Finance Management Act, 1 of 1999, as amended by Act 29 of 1999. The Committee also adopted formal, Board-approved terms of reference to regulate its work.

The Committee confirms that both internal audit (outsourced) and external audit (performed by the Auditor-General) are independent of the PSETA.

The Audit Committee has discharged all its responsibilities contained in the Audit Committee Charter.

3. Effectiveness of internal control

The PFMA 38(1)(a)(i) and 51(1)(a)(i) state that the Accounting Authority must ensure that the entity has maintained an effective, efficient and transparent system of financial and risk management and internal control.

During the reporting period, the PSETA's system of internal control and concomitant control environment improved, as attested to in the report by the Auditor-General and internal audit report.

The Audit Committee is compelled to report that non-compliance with legal and regulatory provisions occurred during the financial year under review. The Committee regularly impressed upon management the need to attend to such non-compliance, which was reported to the Board when detected.

The Audit Committee also needs to advise that the PSETA enlisted the services of the Special Investigation Unit (SIU) to conduct a forensic investigation following the recommendations of the PWC report. The Committee monitored the matter closely and invited directed feedback from the SIU. The Committee regrets to note, however, that the matter did not progress as expected and is currently with the Department of Justice and Constitutional Affairs for a Presidential proclamation.

4. Governance of risk

The PFMA 38(1)(a)(i) and 51(1)(a)(i) states that the Accounting Authority must ensure that the entity has maintained an effective, efficient and transparent system of financial and risk management and internal control.

The Audit Committee had to ensure that a risk management process is in place at the PSETA. The Committee received feedback during its meetings that risks were being managed and that in addition to the strategic risk assessment carried out early in the financial year and updated in February 2012, operational risks were managed continually.

In this regard, however, the Committee is compelled to report that during the current review period, the PSETA had no fraud prevention plan. The PSETA management has indicated that the plan would be finalised early in the new financial year and other risk management policies updated as well. The Committee has tasked the internal auditors to report on this matter at the Committee meeting in August 2012.

It should also be noted that the Board provided oversight of the risks relating to the PSETA. Additional information regarding the risk events and their effect on this annual report are detailed elsewhere in the annual report.

5. Internal audit

The Audit Committee is responsible for ensuring that the PSETA's outsourced internal audit function is independent and has the necessary resources, standing and authority within the PSETA to properly discharge its duties. The Committee also oversees cooperation between the internal and external auditors and serves as a link between the Accounting Authority and these functions.

During the year under review, the Committee reviewed the Internal Audit Charter and recommended it for approval to the Accounting Authority.

6. Whistle blowing

The Audit Committee confirms that for the financial year under review, it had not received any internal or external concerns or complaints about the PSETA's accounting and internal audit practices, contents or auditing of its financial statements, internal financial controls or related matters. Consequently, it had not dealt with any such concerns or complaints.

The Committee noted that a whistle blowing policy will be implemented during the financial year ending 31 March 2013.

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

The management reports received during the reporting period enabled the Audit Committee to:

i. Monitor the integrity, accuracy and reliability of the financial position of the PSETA,

ii. Review the management accounts of the PSETA to provide the Accounting Authority with an authoritative and credible view of the financial position of the PSETA.

iii. Review the disclosure in the financial reports of the PSETA and the context in which statements on the financial health of the PSETA are made.

iv. Review all material information presented with the management accounts.

The Committee reported its conclusions on the above to the PSETA management and the Accounting Authority.

8. The quality of budgets submitted in terms of the PFMA

The Audit Committee received the PSETA budget for the year under review only after it was submitted for approval to the Executive Authority and after the Committee raised the issue with management. The budget then enabled the Committee to:

i. Review and ensure that the PSETA's annual budgets were balanced, credible and realistic against the approved business plans.

ii. Monitor and periodically review the implementation of the Board-approved PSETA budget.

Due to the timing of the submission, the above could not be done as clinically as the Audit Committee would have wanted.

9. Evaluation of financial statements

At its meeting on 24 May 2012, the Audit Committee resolved to recommend the approval of the annual financial statements to the Accounting Authority with recommended corrections. The Committee has noted with regret that not all the recommended corrections were effected before the annual financial statements were submitted to the Auditor-General.

The Committee's review of the annual financial statements focused on:

i. Significant financial reporting judgements and estimates.

ii. Clarity and completeness of disclosure and a proper context given to the disclosures.

iii. Quality and acceptability of, and any changes in, accounting policies and practices.

iv. Compliance with accounting standards and legal requirements.

v. Significant adjustments and/or unadjusted differences resulting from the audit.

vi. Reflection of unusual circumstances or events and management's explanation of the accounting treatment adopted.

vii. Reasons for major year-on-year fluctuations.

viii. Asset valuations and revaluations.

ix. Calculation and levels of general and specific provisions.

x. Write-offs and reserve transfers.

xi. The basis for the going concern assumption.

10. Conclusion

The audit committee concurs with and accepts the conclusions and the qualified audit opinion of the Auditor-General on the annual financial statements and is of the view that the audited financial statements be accepted and read together with the report of the Auditor-General.

Mr Sabelo Wasa

Chairperson

PSETA Audit Committee

31 July 2012

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Public Service Sector Education and Training Authority (PSETA) set out on pages 96 to 135, which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, the notes, comprising a summary of significant accounting policies and other explanatory information.

The Accounting Authority's responsibility for the financial statements

2. The Board of Directors which constitutes the accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) financial reporting framework and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No 1 of 1999) (PFMA), 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.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

6. During 2011 I was unable to obtain sufficient appropriate audit evidence about conditional grant expenditure and the related deferred income liability reflected as R30.7 million. I was unable to confirm the occurrence and accuracy of the expenditure and valuation and existence of deferred income by alternative means. Subsequently the adjustments amounting to R22.094 million which reduced the opening balance to R8.6 million were made. During the current year R2.4 million was returned back to NSF and thus the closing balance is reflected as R6.1 million. My audit opinion on the financial statements for the period ended 31 March 2011 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Qualified opinion

7. In my opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the PSETA as at 31 March 2012 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP financial reporting framework and the requirements of the PFMA.

Emphasis of matters

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

Significant uncertainties

9. With reference to note 17 to the Financial Statements, PSETA is a defendant in a couple of cases relating to services allegedly provided to PSETA in the prior years. The SETA is opposing the claims as it believes that the SETA did not obtain any benefits. The ultimate outcome of the matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Restatement to the financial statements

10. As disclosed in note 22 to the financial statements, the corresponding figures for 31 March 2011 have been restated as a result of an error discovered during the 31 March 2012 financial year in the financial statements of the PSETA for the year ended 31 March 2012.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 35 to 52 of the annual report.

13. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

    The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

14. The material findings are as follows:

Usefulness of information

Consistency

15. Treasury Regulation 30.1.1 requires that the strategic plan must be approved by the executive authority. Therefore, if the strategic plan is changed in-year due to significant policy or mandate changes, the updated plan has to be approved by the executive authority. A total of 27% of objectives and 50% of targets reported in the annual performance report were inconsistent with the targets as per the approved strategic plan. This was due to management not properly planning the targets and indicators to address the SETA objectives.

Additional matter

16. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit finding reported above.

Achievement of planned targets

17. Of the total number of planned targets, only 5 were achieved during the year under review. This represents 64% of total planned targets that were not achieved during the year under review. This was as a result of the institution not considering funding requirements to support implementation of the planned performance.

Compliance with laws and regulations

18. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

Annual financial statements, performance and annual report

19. The financial statements submitted for auditing were not prepared in all material respects in accordance with generally recognised accounting practice as required by Section 51(1)(a)(b) of the PFMA. Material misstatements identified by the auditors were not adequately corrected, which resulted in the financial statements receiving a qualified opinion.

Expenditure management

20. The accounting authority did not take reasonable steps to prevent irregular expenditure and fruitless and wasteful expenditure, as required by Section 51(1)(b)(ii) of the Public Finance Management Act.

Internal control

21. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

22. The accounting authority did not adequately guide, direct and review the development and performance of the system of internal control and compliance with laws and regulations relating to procurement and expenditure management, risk management, IT governance and reporting on predetermined objectives.

Financial and performance management

23. Management did not implement proper review functions to ensure that financial statements are prepared in accordance with the applicable financial reporting framework and that sufficient and reliable information is available to support financial statements.

Governance

24. The governance structures of the entity did not prioritise identification and response of fraud and IT risks and ensure that these are appropriately addressed.

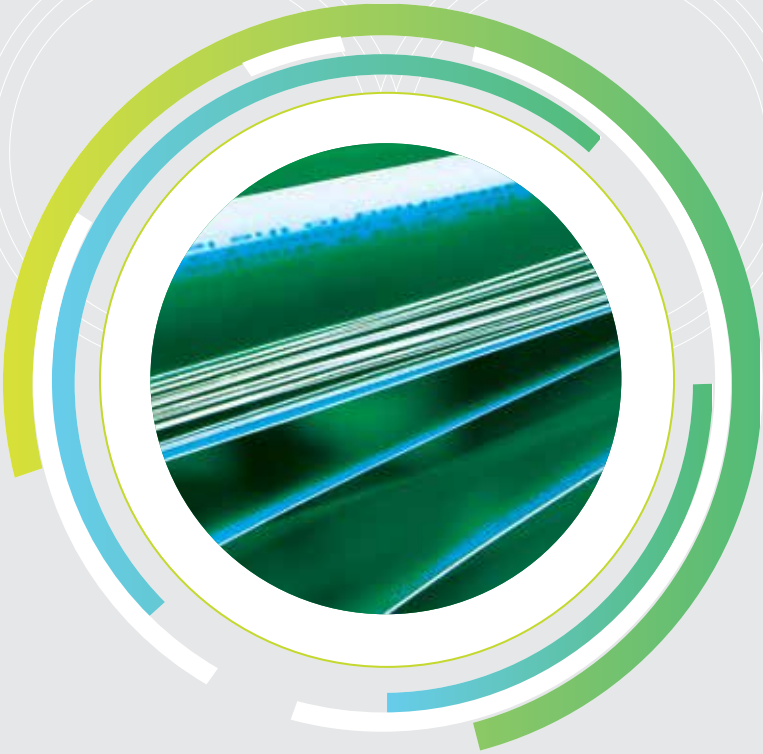
Investigations

25. The Special Investigations Unit has been tasked by PSETA to investigate matters relating to the 2005/06 financial years fraudulent activities that occurred as a result of the misappropriation of funds that were granted to PSETA by NSF for projects related expenses. To date the investigation has not been finalised.

Auditor General

Pretoria

31 July 2012



ANNUAL FINANCIAL STATEMENTS

Public Service SETA

The Annual Financial Statements for the year ended 31 MARCH 2012, set out on pages 98 to 134, have been approved by the Accounting Authority in terms of Section 51(1) (f) of the Public Finance Management Act (PFMA), No 1 of 1999 (as amended) on 27 May 2012, and are signed on their behalf by:

Ms Shamira Huluman
Chief Executive
Officer

Ms Koko Mashigo
Chairperson
Pseta Board

Contents

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2011/12 R'000	RESTATED 2010/11 R'000
REVENUE			
Revenue from non-exchange transactions		**26,413**	2,141
Skills Development Levy: income	3.1	**1,355**	2,129
Skills Development Levy: penalties and interest	3.2	**12**	8
Transfers from other government entities	3.3	**23,708**	-
NSF Projects realised income	15.1	**1,338**	4
Revenue from exchange transactions		**187**	4
Investment income	4.1	**9**	4
Other income	4.2	**178**	-
Total revenue		**26,600**	2,145
EXPENSES			
Employer grants and project expenses	5	**(427)**	(907)
Administration expenses	6	**(23,661)**	(157)
NSF Projects expenses	15.1	**(1,338)**	(4)
Total expenses		**(25,426)**	(1,068)
NET SURPLUS FOR THE YEAR	2	**1,174**	1,077

STATEMENT OF FINANCIAL POSITION

	Note	2011/12 R'000	RESTATED 2010/11 R'000
ASSETS			
Non-current assets		**153**	-
Property, plant and equipment	8	153	-
Current assets		**15,088**	12,249
Trade and other receivables from exchange transactions	9	514	1
Trade and other receivables from non-exchange transactions	10	101	-
Cash and cash equivalents	11	14,473	12,248
TOTAL ASSETS		**15,241**	12,249
LIABILITIES			
Current liabilities		**11,871**	**10,053**
Exchange transactions		**597**	**17**
Trade and other payables from exchange transactions	14	112	17
Operating Leases (Smoothing account)	14	485	-
Non-exchange transactions		**10,843**	**9,983**
Trade and other payables from non-exchange transactions	12	-	384
Grants and transfers payable	12	307	981
Deferred income liability	15.1	10,536	8,618
Provisions from non-exchange transactions		**68**	**53**
SARS provision	13.1	68	**53**
Provisions from exchange transactions		**363**	-
Leave pay provision	13.2	363	-
TOTAL LIABILITIES		**11,871**	**10,053**
NET ASSETS		**3,370**	2,196
Funds and reserves			
Administration reserve		153	(2,219)
Employer grant reserve		-	-
Discretionary reserve		3,217	4,414
TOTAL NET ASSETS		**3,370**	2,196

STATEMENT OF CHANGES IN NET ASSETS

	Notes	Administration reserve R'000	Employer grant reserve R'000	Discretionary reserve R'000	Accumulated surplus R'000	Total R'000
Balance at 1 April 2010 as previously stated		**(7,232)**	-	**(13,744)**	-	**(20,976)**
Effect of prior period error				-	-	-
Balance at 1 April 2010 restated		**(7,232)**	**-**	**(13,744)**	**-**	**(20,976)**
Surplus for the year	2	108	424	545	1,077	1,077
As previously stated					(1,077)	
Effect of correction of prior period error	22 & 15.2	4,905		17,189	-	22,095
Administration and employer grant reserves transferred to discretionary reserves		-	(424)	424	-	-
Balance at 31 March 2011		**(2,219)**	-	**4,414**	-	**2,196**
Surplus for the year					1,174	1,174
Allocation of unappropriated surplus for the year 2		408	715	51	(1,174)	-
Administration and employer grant reserves transferred to discretionary reserves		-	(715)	715		-
Equalising administration reserves to assets		1,964		(1,964)		-
Balance at 31 March 2012		**153**	**-**	**3,217**	**-**	**3,370**

CASH FLOW STATEMENT

	Note	2011/12 R'000	2010/11 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating activities			
Cash receipts from stakeholders		**27,139**	2,267
Levies, interest and penalties received		1,266	2,139
Other cash receipts from stakeholders		25,873	128
Cash paid to stakeholders, suppliers and employees		**(24,702)**	(144)
Grants and project payments		(1, 470)	(6)
Special projects		-	(7)
Compensation of employees		(13,631)	-
Payments to suppliers and other		(9,601)	(131)
Cash generated/(utilised) in operations	16	**2,437**	2,123
Interest received	4.1	**9**	4
Net cash inflow from operating activities		**2,446**	2,127
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8.1	**(220)**	-
Net cash outflow from investing activities		**(220)**	-
CASH FLOW FROM FINANCING ACTIVITIES			
Government grants and donor funding		-	-
Net cash inflow from financing activities		-	-
Net increase in cash and cash equivalents		2,225	2,127
Cash and cash equivalents at beginning of year	11	12,248	10,121
Cash and cash equivalents at end of year	11	**14,473**	**12,248**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The Annual Financial Statements have been prepared on the historical cost basis, except where adjusted for present/ fair values as required by the respective accounting standards.

The financial statements have been prepared in accordance with the effective Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives of such Statements issued by the Accounting Practices Board as follows:

Standard of GRAP	Replaced Statement of GAAP
GRAP 1 : Presentation of financial statements	AC 101 : Presentation of financial statements
GRAP 2 : Cash flow statements	AC 118 : Cash flow statements
GRAP 3 : Accounting policies, changes in accounting estimates	AC 103 : Accounting policies, changes in accounting estimates and errors and errors
GRAP 4 : The effects of changes in foreign exchange rates	AC 112 : The effects of changes in foreign exchange rates
GRAP 5 : Borrowing costs	AC 114 : Borrowing costs
GRAP 6 : Consolidated and separate financial statements	AC 132 : Consolidated and separate financial statements
GRAP 7 : Investments in associates	AC 110 : Investments in associates
GRAP 8 : Interests in joint ventures	AC 119 : Joint ventures
GRAP 9 : Revenue from exchange transactions	AC 111 : Revenue
GRAP 10 : Financial reporting in hyperinflationary economies	AC 124 : Hyperinflationary economies
GRAP 11 : Construction contracts	AC 109 : Construction contracts
GRAP 12 : Inventories	AC 108 : Inventories
GRAP 13 : Leases	AC 105 : Leases
GRAP 14 : Events after reporting date	AC 107 : Events after the reporting period
GRAP 16 : Investment property	AC 135 : Investment property
GRAP 17 : Property plant and equipment	AC 123 : Property, plant and equipment
GRAP 19 : Provisions, contingent liabilities and contingent assets	AC 130 : Provisions and contingencies
GRAP 101 : Agriculture	AC 137 : Agriculture
GRAP 102 : Intangible assets	AC 129 : Agriculture

Currently, the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP has resulted in the following changes in the presentation of financial statements.

1.1.1 Terminology differences

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus / deficit	Profit / loss
Accumulated surplus / deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends

1.1.2 The cash flow statement can only be prepared in accordance with the direct method.

1.1.3 Specific information has been presented separately on the statement of financial position such as

(a) receivables from non exchange transactions, including taxes and transfers
(b) taxes and transfers payable
(c) trade and other payables from non exchange transactions.

1.1.4 Amount and nature of any restrictions on cash balances is required.

1.1.5 A reconciliation between the statement of financial performance and the budget is disclosed in the notes to the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below and are, in all material respects, consistent with those of the previous year, except as otherwise indicated.

1.2 Currency

These financial statements are presented in South African Rands since that is the currency in which the majority of the entity transactions are denominated.

1.3 Revenue

1.3.1 Skills Development Levy (SDL) income

In terms of Section 3(1) and 3(4) of the Skills Development Levies Act (the Levies Act), 1999 (Act No. 9 of 1999), registered member companies of the PSETA pay a skills development levy of 1% of the total payroll cost to the South African Revenue Services (SARS), who collects the levies on behalf of the Department of Labour (with effect from 1 November 2009, the Department of Higher Education and Training). The SETA was not in a position to verify that SARS has collected all potential SDL income.

Companies with an annual payroll cost less than R500 000 are exempted in accordance with Section 4(b) of the Levies Act, as amended, with effect from 01 August 2005.

80% of skills development levy contribution is transferred to the PSETA and 20% to the National Skills Fund (NSF) by the Department of Labour (with effect from 01 November 2009, the Department of Higher Education and Training).

SDL income is set aside in terms of the Skills Development Act of 1998 (Act No. 97 of 1998) as amended and the Skills Development Levy Grant Regulations (Grant Regulations), issued in terms of this act, for the purposes of:

	2011/12	2010/11
Administration costs of the PSETA	**10%**	10%
Mandatory grants	**50%**	50%
Discretionary grants and projects	**20%**	20%
	80%	80%

In addition to these amounts employers that fail to file their returns and pay skills development levies within the prescribed time limits as set by SARS are charged interest and penalties at rates prescribed by SARS from time to time. The interest and penalties charged are remitted to the Department of Labour (with effect from 01 November 2009, Department of Higher Education and Training), who in turn transfers them to the PSETA. The interest and penalties are disclosed separately as Skills Development Levy penalties and interest.

1.3.1.1 Recognition

Non exchange revenue transactions result in resources being received by PSETA, usually in accordance with a binding arrangement. When PSETA receives resources as a result of a non-exchange transaction, it recognises an asset and revenue in the period that the arrangement becomes binding and when it is probable that PSETA will receive economic benefits or service potential and it can make a reliable measure of the resources transferred.

Where the resources transferred to PSETA are subject to the fulfillment of specific conditions, it recognises an asset and a corresponding liability. As and when the conditions are fulfilled, the liability is reduced and revenue is recognised. The asset and the corresponding revenue are measured on the basis of fair value of the asset on initial recognition. Non exchange revenue transactions include the receipt of levy income from DHET, income from NSF and grants from the national government.

The accounting policy for the recognition and measurement of skill development levy income is based on the Skills Development Act (SDA), Act 97 of 1998, as amended, and the Skills Development levies Act (SDLA), Act 9 0f 1999, as amended. In terms of Section 3 (1) and 3 (4) of the SDLA (1999) as amended, registered member companies of the SETA pay a Skills Development Levy of 1% of the total payroll cost to the South African Revenue Services (SARS), who collect levies on behalf of DHET. Companies with an annual payroll cost less than R 500 000 are exempted in accordance with Section 4 (b) of the SDLA (1999) as amended, effective 1 August 2005. 80% of Skills Development levies are paid over to the SETA (net of the 20% contribution to the NSF).

The SETA was not in a position to verify that SARS has collected all potential SDL income. Revenue is adjusted for transfers between the SETAs due to employers changing SETAs. Such adjustments are separately disclosed as inter-seta transfers. The amount of the inter-seta adjustment is calculated according to the most recent standard operating procedure issued by DHET. SDL transfers are recognised on an accrual basis when it is probable that future economic benefits or service potential will flow to the SETA and these benefits can be measured reliably. This occurs when the DHET makes an allocation to the PSETA as required by Section 8 of the SDLA (1999) as amended.

Interest and Penalties

Interest and penalties received on the SDL are recognised on the accrual basis.

1.3.1.2 Funds allocated by the NSF for special projects

Funds transferred by the NSF are accounted for in the Financial Statements of the SETA as a liability until the related conditions are met. The liability is reduced by any project expenditure incurred and recognised as revenue. Property, plant and equipment acquired for NSF special projects are expensed in the financial statements of the SETA, as the SETA does not control such asset. Such assets will be disposed of in terms of agreement and specific written instruction by the NSF.

1.3.1.3 Revenue from exchange transactions

Revenue from exchange transactions is recognised when it is probable that future economic benefits or service potential will flow to the SETA and these benefits can be measured reliably. Revenue is measured at the fair value of the considerations received or receivable. The only exchange revenue received by PSETA is the interest earned on the investment. Unconditional grants received are recognised when the amount have been received.

1.3 Investment income

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

1.4 Grants and project expenditure

In terms of the Grant Regulations, registered employers may recover 50% of levy payments (excluding interest and penalties) in the form of mandatory grants provided they timeously submit the documents prescribed in terms of grants regulation specified in the section dealing with monies received and related matters.

In addition registered employers that participate in training initiatives prescribed in the National Skills Development Strategy (2005-2010), as extended by the Department of Higher Education and Training can apply for and be granted discretionary grants to supplement their training costs.

1.4.1 Mandatory grants

Mandatory grant payable and the related expenditure are recognised when the employer has submitted an application for a grant in the prescribed format within the legislated cut-off period and the application has been approved as the payment then becomes probable. The grant is equivalent to 50% of the total levies paid by the employer during the corresponding financial period for the skills planning and annual training report grants. (2008/09: 50%).

The liability is measured at the net present value of the expected future cash outflow as determined in accordance with the Act and the grant regulations and is based on the amount of levies received.

1.4.1.1 Retrospective amendments by SARS

The PSETA calculates and pays mandatory grants to employers based on the information from the Department of Labour (with effect from 01 November 2009, the Department of Higher Education and Training) as obtained from SARS. Where SARS retrospectively amends the information on levies collected, it may result in grants that have been paid to certain employers that are in excess of the amount the PSETA is permitted to have granted to employers. A receivable relating to the overpayment to the employer in earlier periods is raised at the amount of such grant overpayments, net of bad debts and provisions for irrecoverable amounts.

The receivable is measured at the net present value of the expected future cash inflow as determined in accordance with the PSETA policy on debtors' management and is based on the actual overpayments.

1.4.2 Discretionary grants and project expenditure

The PSETA may in terms of the Grant Regulations, out of funds set aside for discretionary and projects, investment income and any surplus monies from administration allocation and unclaimed mandatory grants, determine and allocate discretionary grants to employers, education and training providers and workers of the employers. The allocations of discretionary grants and projects are dependent on employers submitting the prescribed application, in the prescribed format and within the prescribed cut-off period. The discretionary grant and project expenditure payable and the related expenditure are recognised when the application has been approved and the conditions for grant payment, as set out in the PSETA grants policy have been met

The liability is measured at the net present value of the expected future cash outflow as determined in accordance with the Act and the grant regulations and is based on the amount of levies received, investment income and surplus monies from administration allocations and unclaimed mandatory grants.

Project expenditure comprises:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the project; and
- such other costs as are specifically chargeable to the PSETA under the terms of the contract.

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

No provision is made for projects approved at year-end, unless the service in terms of the contract has been delivered or the contract is of an onerous nature. Where a project has been approved, but has not been accrued for or provided for, it is disclosed as commitments in the notes to the financial statements.

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

1.5 Prepayments

The PSETA may, in certain instances in contracting with SMMEs and when required by the terms of the contract of a services provider, make advance payments.

1.6 Irregular, fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

- The PFMA,
- The Skills Development Act,
- The Skills Development Levies Act.

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

All irregular, fruitless and wasteful expenditure is charged against the respective expenditure class in the reporting period in which it is incurred and disclosed in the notes to the financial statements of the reporting period that it has been identified.

1.7 Property, plant and equipment

Property, plant and equipment (owned and leased in terms of finance leases) are stated at cost less any subsequent accumulated depreciation and adjusted for any impairments. Depreciation is charged so as to write-off the cost of assets over their estimated useful lives, using the straight line method.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognised).

The gain or loss on disposal of property, plant and equipment is determined as the difference between the sale proceeds and carrying amount and are taken into account in determining the surplus or deficit.

1.7.1 Key accounting judgements

In the application of the PSETA's accounting policies management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The financial effects of the reviews to accounting estimates are recognised in the period in which the estimates are reviewed if the revision affects only that period or in the period of the review and future periods if the review affects both current and future periods.

1.7.1.2 Key sources of estimation uncertainty

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

The PSETA reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period, refer to note 8 for carrying amounts of property, plant and equipment. The PSETA is currently established as a SETA until 31 March 2012 (2009/10: 31 March 2010), and in terms of the Act, read together with Government notice No. R1082 of 7 September 1999, the PSETA is required to apply to the Minister for a renewal of its certificate of establishment by 1 April 2009 and duly complied. Subsequent to the application SETAs were moved from there as organs of the Department of Labour to the Department of Higher Education and Training. In terms of Gazette no. 32916 of February 2010, the Minister of Higher Education and Training extended the establishment of the PSETA to 31 March 2011.

In the light of the extension of PSETA's establishment until 31 March 2011, management was required to consider how it impacts the period over which assets are expected to be available for use by the PSETA. As a result of the fact that the PSETA was originally established in terms of the Mine Health and Safety Act, Act no 29 of 1996 (as amended) and was later incorporated into the SETAs, management determined, consistently with prior years, that the useful lives of assets should not be limited by the PSETA's establishment as a SETA. Management's determination of useful lives also impacts the determination of residual values of assets.

The PSETA has reviewed the residual values of property, plant and equipment used for the purpose of depreciation calculations in light of the amended definition of residual value. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior periods. Residual values will continue to be reviewed annually in future.

1.8 Leasing

1.8.1 Operating leases

Operating leases are leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset, title may not eventually be transferred.

Lease payments under operating lease are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the PSETA's benefit.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.9 Provisions

Provisions are recognised when the PSETA has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably and there is uncertainty regarding the amount or timing of the outflow of economic benefits. Long-term provisions are discounted to net present value.

1.9.1 Provision for employee entitlements

The cost of other employee benefits (not recognised as retirement benefits) is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. An accrual is raised for the estimated liability as a result of services rendered by employees up to the reporting date.

1.9.2 Other provisions

Provisions included in the Statement of Financial Position are provisions for leave and performance awards. Provisions for leave are based on current salary rates and leave days due at the reporting period. Provisions for performance awards are based on estimated performance levels and salary rates prevalent at the reporting date.

Termination benefits are recognised only when the payment is made. No provision has been made for retirement benefits as the PSETA does not provide for retirement benefits for its employees.

1.10 Contingent Liabilities

Contingent Liabilities are disclosed as commitments when the PSETA has a possible obligation that will probably result in an outflow of economic benefits depending on occurrence or non-occurrence of a future event.

Disclosed amounts in respect of contingent liabilities are measured on the basis of the best estimate, using experience of similar transactions or reports from independent experts.

Financial instruments

Recognition

Financial assets and financial liabilities are recognised on the SETA's Statement of Financial Position when the SETA becomes a party to the contractual provisions of the instrument.

1.10.1 Financial assets
1.10.1.1 Investments and loans

The following categories of investments are measured at subsequent reporting dates at amortised cost by using the effective interest rate method if they have a fixed maturity, or at cost if there is no fixed maturity:
–Loans and receivables
– Held-to-maturity investments;
– An investment that does not have a quoted market price in an active market and whose fair value cannot be measured reliably.

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as a fair value through profit or loss, which are initially measured at fair value.

Investments other than those listed above are classified as available-for-sale investments or investments held-for-trading and are measured at subsequent reporting dates at fair value, without any deduction for transaction costs that may be incurred on sale or other disposal.

Financial assets can be classified into the following specified categories: financial assets as 'at fair value through profit or loss" (FVTPL), "held to maturity investments", "available for sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

All financial assets of the PSETA are categorised as loans and receivables.

1.10.1.2 Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

1.10.1.3 Effective interest rate method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

1.10.1.4 Impairment of financial assets

Financial assets are assessed for indicators of impairment at each year-end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit.

Cash and cash equivalents are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

1.10.2 Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

1.10.2.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or is designated at FVTPL.

1.10.2.2 Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments, other than available-for-sale financial assets, are included in net profit or loss in the period in which it arises. Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognised in equity, until the investment is disposed of or is determined to be impaired, at which time the net profit or loss is included in the net profit or loss for the period.

All financial liabilities of the PSETA were classified as other financial liabilities.

1.10.2.3 Other financial liabilities

Other financial liabilities are initially measured at fair value net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

1.11 Reserves

Reserves are sub-classified in the statement of changes in net assets between the following:

- Administration reserve
- Employer grant reserve
- Discretionary reserve
- Accumulated surplus/deficit

This sub-classification is made based on the restrictions placed on the distribution of monies received in accordance with the Grant Regulations (note 1.3.1) issued from time to time by the Department of Labour in terms of the Skills Development Act, Act No. 97 of 1998 as amended.

Interest and penalties received from SARS as well as interest received on investments are utilised for discretionary grants and projects. Other income received are utilised in accordance with the original source in terms of the above classifications, that is where income is associated with administration activities it is utilised for administration purposes, whereas where it is associated with project activities it is utilised for discretionary grants and projects purposes.

The items of revenue and expenditure are recognised on the accrual basis of accounting in the annual financial statements. Consequently, the reserves disclosed in the Statement of Changes in Net Assets and movements disclosed in note 2 do not represent cash reserves or fund monies as implied in Grants Regulations issued by the Department of Labour (with effect from 1 November 2009, the Department of Higher Education and Training) in terms of the Skills Development Act, Act No. 97 of 1998 as amended.

- Administration reserve represents the net book value of property, plant and equipment and other commitments of an administration nature arising from signed contracts or as specifically approved by the PSETA board from time to time.

In the previous year, R5.229 million of NSF funds were used by the PSETA for operational purposes. In 2009/2010 financial years, DPSA debt was raised by previous management hoping that they would reclaim the money from DPSA to refund NSF and the DPSA refused refund the PSETA. In the 2010 financial year, a decision was taken to reverse the DPSA debt and the amount was expensed as the administration expense hence there is a negative administration reserve at the end of the previous financial year, but the liability is accounted for in the NSF deferred income liability. In an attempt to match expenditure against the liability raised in the deferred income liability, we reversed the expense from the administration reserve to deferred income liability.

- Employer grant reserve represents possible mandatory grants claims from newly registered employers that are eligible to submit their mandatory grants claims at year end in terms of the grants regulations.

- Discretionary reserve represents the excess of discretionary grants revenue over discretionary and projects expenditure and includes transfers from administration and mandatory grant reserve where appropriate.

1.12 Related party transactions

Transactions are disclosed as other related party transactions where the SETA has in the normal course of its operations, entered into certain transactions with entities either related to the Department of Labour (with effect from 01 November 2009, the Department of Higher Education and Training) or which had a nominated representative serving on the SETA accounting authority.

Transactions are disclosed as other related party transactions where Interseta transactions arise due to the movement of employers from one SETA to another.

1.13 Comparatives

Where necessary, comparative figures have been restated, adjusted or reclassified to achieve fair presentation and to conform to changes in presentation that arise due to changes in accounting policies, errors, reporting standards and legislation.

2. ALLOCATION OF NET SURPLUS FOR THE YEAR TO RESERVES

		2011/12			
	Total per Statement of financial performance R'000	Administration R'000	Mandatory grant R'000	Discretionary grants R'000	Special projects R'000
Total revenue	**26,600**	24,069	847	346	1,338
Skills development levy: income	**1,367**	174	847	346	-
Admin levy income (10%)	**174**	174			-
Grant levy income (50%)	**847**		847		-
Grant levy income (20%)	**334**			334	-
Skills Development Levy: penalties and interest	**12**	-	-	12	-
Transfers from other government entities	**23,708**	23,708	-	-	-
NSF Projects realised income	**1,338**	-	-	-	1,338
Investment income	**9**	9	-	-	-
Other income	**178**	178	-	-	-
Total expenses	**(25,426)**	(23,661)	(132)	(295)	(1,338)
Administration expenses	**(23,661)**	(23,661)	-	-	-
NSF Projects expenses	**(1,338)**	-	-	-	(1,338)
Employer grants and project expenses	**(427)**	-	(132)	(295)	-
Net surplus per Statement of financial performance allocated	**1,174**	408	715	51	-

	2010/11				
	Total per Statement of financial performance	Administration	Mandatory grants	Discretionary grants	Special projects
	R'000	R'000	R'000	R'000	R'000
Total revenue	2,146	266	1,331	545	4
Skills development levy: income	2,138	266	1,331	541	-
Admin levy income (10%)	266	266	-	-	-
Grant levy income (50%)	1,331		1,331		-
Grant levy income (20%)	533			533	
Skills development levy: penalties and interest	8	-	-	8	-
NSF Realised Income	4	-	-	-	4
Investment income	4	-	-	4	-
Total expenses	1,068	157	907	-	(4)
Administration expenses	157	157	-	-	-
NSF Projects expenses	4	-	-	-	(4)
Employer grants and project expenses	907	-	907	-	-
Net surplus per Statement of financial performance allocated	1,078	109	424	545	-

3. REVENUE FROM NON EXCHANGE TRANSACTIONS

3.1 Skills development levy income

	Note	2011/12 R'000	2010/11 R'000
Levy income: Administration		**174**	266
Levies received from SARS		**174**	266
Levy income: Employer Grants		**847**	1,331
Levies received from SARS		**848**	1,329
Interseta transfers out		**(1)**	2
Levy income: Discretionary Grants		**334**	533
Levies received from SARS		**335**	532
Interseta transfers out		**(1)**	1
		1,355	2,130

3.2 Interest and penalties : skills development levy income

Skills Development Levy: penalties	**5**	7
Skills Development Levy: interest	**7**	2
	12	9

3.3 Transfers from government department – DPSA

Total Quarterly Transfers:	**21,044**	-
Operational grant – qrt 1	3,268	-
Operational grant – qrt 1	1,700	-
Operational grant – qrt 2	5,555	-
Operational grant – qrt 3	5,127	-
Operational grant – qrt 4	5,394	-
Additional request	2,664	-
Total government grant received	**23,708**	-

The PSETA does not receive levy payments from the constituent departments; getting, instead, an operational allocation, via DPSA, from National Treasury for operational purposes for the MTEF period. Since inception until 31 March 2011, the PSETA operational funds had been ring-fenced at the DPSA since the DPSA had been performing corporate service functions on behalf of the PSETA.

3.3 Transfers from government department – DPSA (continued)

Until 31 March 2011, the PSETA's Treasury allocation had been ring-fenced at DPSA. The 2010/11 allocation of R21 million was spent within the processes of the DPSA as follows:

Compensation to Employees	6,838
Goods and Services	14,098
Machinery and Equipment	13
Software and Intangible Assets	44
Total Expenditure	20,993
Commitments	-
Total Expenditure and Commitments for the year	20,993
Budget Allocated and beginning of the year	20,993
Amount not used at year end	-0
Balance Retained by DPSA	0
Balance Retained by PSETA	-

As from 1 April 2011, the PSETA took operational independence from the DPSA hence the quarterly transfers directly into PSETA. These unconditional grants are used for operational purposes. During the year under review, the PSETA was in a financial deficit and requested additional R2.6 million from the National Treasury via the DPSA which was granted.

4. REVENUE FROM EXCHANGE TRANSACTIONS

4.1 Investment income	**9**	4
Interest received	9	3
Movement in interest accrued	-	1
4.2 Other income	**187**	-
Insurance recoveries	**9**	-
Other recoveries	**178**	-

5. EMPLOYER GRANT AND PROJECT EXPENSES

Mandatory grants	**132**	907
Discretionary grants	**295**	-
	427	907

6. ADMINISTRATION EXPENSES

		2011/12 R'000	2010/11 R'000
Depreciation		57	-
Gain/ (loss) on disposal of property, plant and equipment		10	-
Operating lease rentals		5,028	-
Buildings		5,028	-
Maintenance, repairs and running costs		72	-
Property and buildings		36	-
Machinery and equipment		36	-
Advertising, marketing and promotions, communication		669	-
Remuneration to members of the audit committee		122	16
Bank charges		17	13
Consultancy and service provider fees		572	-
Legal fees		422	-
Cost of employment	6.1	13,994	-
Travel and subsistence		406	-
Staff training and development		8	-
Remuneration to members of the board		82	-
Internal auditor's remuneration		246	-
Bad debts		-	128
External auditor's remuneration		999	-
Other		957	-
Printing and Stationery		122	
Conference costs		68	
Insurance		43	-
Rates & taxes, water & lights & security		554	-
Sundry items		170	-
		23,661	157

6.1. Cost of employment

Salaries and wages		**13,894**	-
Basic salaries		10,818	-
Other non-pensionable allowance		5	-
PAYE		2,707	-
Temporary staff		1	-
Leave payments		363	-
Social contributions		**100**	-
UIF		100	-
	6	**13,994**	-
Average number of employees		**40**	None

In the prior years until 1 April 2011 – when the PSETA took operational independence from the DPSA – it did not have its own staff compliment but made use of DPSA employees who were on seconded to the PSETA. However, during August 2010, PSETA board appointed substantive CEO and CFO through the DPSA on the agreement that the DPSA is only providing corporate services on behalf of PSETA. The CEO and CFO were also paid through DPSA Persal system by DPSA.

Refer to the report by the Accounting Authority for disclosure concerning the emoluments of members of the Accounting Authority and note number 21 for the executive management of the PSETA.

7. RECONCILIATION BETWEEN THE STATEMENT OF FINANCIAL PERFORMANCE AND BUDGET

	Amount as per the approve budget	Amount as per Statement of Financial performance	Difference between actual and budget	% variance	Impact	Legend
Revenue from non exchange transactions	33,614	26,413	(7,201)			
Skills Development Levy: income, interest & penalties	1,712	1,367	(345)	(20.2)	Shortfall	a
Transfers from other government entities	20,997	23,708	2,711	12.9	Excess	b
NSF Projects realised income	-	1,338	1,338	100.0	Excess	c
Discretionary grants projects	8,821	-	(8,821)	(100.0)	Shortfall	d
Lease income	2,085	-	(2,085)	(100.0)	Shortfall	e
Revenue from exchange transactions	-	187	(187)			
Investment income	-	9	(9)	100.0	Excess	f
Other income	-	178	(178)	100.0	Excess	g
			-			
Total revenue	33,614	26,600	(7,005)			
EXPENSES						
Employer grants and project expenses	12,831	427	(12,404)	(96.7)	Excess	h
Administration expenses	18,526	23,661	5,135	28	Shortfall	i
NSF Projects expenses	1,070	1,338	268	25	Shortfall	c
Total expenses	32,427	25,426	(7,001)			
			-			
NET SURPLUS FOR THE YEAR	1,187	1,174	(13)		Shortfall	

Legend

a The variance is as result of decrease in contribution by levy paying public entities.

b The PSETA allocation is pre-determined over the MTEF period. As at 31 December 2011, the quarterly financial reports reflected a deficit hence requested additional funds for operational purposes.

c This line item should be read in line with related NSF Project expenses. The variance could be attributable to contract staffs members which were employed specifically assist in rolling out the NSF Funded Projects.

d The PSETA had budgeted R8.8 million from its reserves to roll out discretionary related projects during the year under review. Due to operational processes, the PSETA could not implement these projects during 2011/12 hence this remains as excess as at 31 March 2012. These discretionary related projects commenced after the financial year ended.

e Due limitations on the funding of the PSETA, we had anticipated to lease out the ground floor to generate income to fund operational purposes. This could not materialise hence the shortfall.

f During financial planning, we did not anticipate to receive interest in the bank accounts of PSETA, because we were anticipation to all the monies in these accounts on discretionary related project as per ***legend d*** above hence the variance.

g The received refund from SAQA as a result of Joint Integrated Project which PSETA was a party to in the prior years. The PSETA also received re-imbursement from CETA in respect of secondment arrangement in relation to the CFO of PSETA seconded to the CETA as an acting CEO.

h This line item should read in line with legend d above. We had anticipated incurring this expenditure amount in rolling-out discretionary grants related projects. These projects only commenced after year end hence excess in projects expenditure.

i As a new SETA, we did not anticipate growth we have achieved to date over 1 year hence the administration budget expenditure is less than actual administration expenditure.

8. NON CURRENT ASSETS

8.1 Property, plant & equipment

Owned assets Year ended 31 March 2012	Cost R'000	Accumulated depreciation/ impairment R'000	Closing carrying amount 2011/12 R'000
Computer equipment	200	(56)	144
Office furniture and fittings	10	(1)	9
Office equipment	-	-	-
Balance at end of the year	210	(57)	153

Movement summary 2012						
Computer equipment	-	210	-10	-56	-	144
Office furniture and fittings	-	10	-	-1	-	9
Balance at end of the year	-	220	- 10	-57	-	153

8.2 Property, plant & equipment -2010/11

During 2010/11 financial year, the PSETA did not own any assets; all the assets used by the SETA in its operation were owned by the DPSA. All the rights and obligations of ownership were retained by the DPSA. The assets are used for no consideration and the costs associated with the use of the assets are accounted for by the DPSA. The assistance is given on condition that the assets are used exclusively for PSETA operations.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining net deficit for the period.

The impairment of all classes of property, plant & equipment was considered at year end and no impairment adjustments have been taken into account.

There are no restrictions on title of property, plant and equipment and no items have been pledged as security for liabilities except for items classified as finance leases and assets held on behalf of the NSF.

There are no commitments for the acquisition of property, plant and equipment.

Depreciation is calculated on the straight line method to write-off the cost of each asset to estimated residual value over its estimated useful life over the following periods:

- Computer equipment	3 years
- Fixtures and fittings	10 years
- Furniture and equipment	6 years

9. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Note	2011/12 R'000	2010/11 R'000
Current			
Other receivables		128	-
Prepaid expense (Operating lease Rental)		385	
Interest receivable -PSETA		1	1
Closing balance		514	1

10. TRADE AND OTHER RECEIVABLES FROM NON - EXCHANGE TRANSACTIONS

Levies receivables	12.1	101	-
Discretionary receivables		-	-
		101	-

10.1. Levies receivables

Administration	13	-
Employer grants	63	-
Discretionary grants	25	-
	101	-

In line with its accounting policy, the PSETA recognises levies received when the Department of Higher Education and Training (DHET) either makes an allocation or payment to the PSETA, whichever occurs first, as required SDA.

The PSETA received levy allocation - in the form of levy downloads - in March 2012 but the actual monies was received in April 2012 hence the PSETA raised a receivable.

11. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	**14,473**	12,248
Cash at bank	**14,473**	12,248
Cash on hand	**-**	-
Short term investments/instruments	**-**	-
Cash and cash equivalents at end of year	**14,473**	12,248

Included in cash at bank is a current account with a balance of R568 000 (2010/11: R 2.495 million) and a balance of R4.498 million (2010/11: RNIL) in the call account in respect of NSF funds received in advance. The funds were received from the National Skills Fund for the purposes of discretionary related projects. The funds may not be used for any purposes except for this programme.

The Skills Development Act Regulations states that the PSETA may, if not otherwise specified by the Public Finance Management Act, invest the moneys in accordance with the investment policy approved by the PSETA Accounting Authority

Treasury Regulation 31.3 requires that, unless exempted by the National Treasury, the PSETA as a public entity that is listed in Schedule 3A of the Act must invest surplus funds with the Corporation for Public Deposits.

12. Non-exchange transactions (trade and other payables)

12.1 Grants and transfers payable

	Note	2011/12 R'000	2010/11 R'000
Grants payable			
Skills development grants payable - mandatory		28	962
Skills development grants payable - discretionary		6	6
NSF creditors		273	10
Interseta payables	21	1	3
Administration-		0	0
Mandatory-		1	2
Discretionary-		0	1
		308	**981**
			-

12.2 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS

DPSA	-	384
	-	384

13. Provisions

13.1 SARS provision

	Administration provision	Mandatory grants provision	Discretionary grants provision	**Total 2011/12 R'000**	Total 2010/11 R'000
Open carrying amount		52		**52**	50
Change in estimate	9	(10)	17	**16**	2
Closing carrying amount	9	42	17	**68**	52

13.2 Leave pay provisions

	Leave pay provision	**Total 2011/12 R'000**	Total 2010/110 R'000
Open carrying amount	-	-	-
Amounts utilised	-	-	-
Change in estimate	**363**	**363**	-
Closing carrying amount	**363**	**363**	-

14. Trade and other payables from exchange transactions

	2011/12 R'000	2010/11 R'000
Trade creditors	**112**	17
Operating lease (Smoothing)	**485**	-
	597	17

15. Deferred income liability

In August 2011, the PSETA - after application - received an approval from NSF of R35.8 million to implement discretionary related projects. This amount is including R3.8 million for project management. Drawdown of R5.637 million (2010/11: RNIL) was received from the National Skills Fund during the year under review. At year end, R4.412 million (2010/11: RNIL) million) continues to be accounted for as a liability until conditions for recognition as revenue have been met.

Funds not used were invested in a 3 month call account and interest earned as reflected above was capitalised.

15.1 National Skills Fund - Special Projects

Opening balance	**8,618**	30,716
Draw downs and interest received	**5,749**	**1**
NSF funding received	**5,636**	-
Interest received	**113**	**1**
Utilised and recognised as revenue-conditions met	**(1,338)**	(23,201)
Learnerships Stipends		(8,418)
Salaries	(384)	(1,128)
Training costs		(8,359)
Used for operational purposes		(5,229)
Administration costs	(955)	(67)
Unused funds paid back	(2,494)	-
Prior period error	-	1,102
Closing balance	**10,535**	8,618

The above liability relates to funds due to the National Skills Fund (NSF) in relation to an initial grant received from them in 2004/5 worth R97 million, which PSETA was meant to spend on learnership related activities in line with agreed upon activities in the contract. The opening liability mentioned above was confirmed with the NSF at end of 2010/11 financial year. The due amount was determined by the NSF as the actual funds transferred to PSETA (R97, 2 million) less the amount of expenditure (R66 million) certified by NSF as being spent in terms of the funding agreement.

Included in the closing balance of R30.713 million was R2.47 million which was remaining in bank account and R5.229 million used by the previous PSETA management for operational purposes without the consent of the NSF. The remaining R22.989 million is a liability as result of previous PSETA management not supplying relevant supporting documentation for verification by NSF and/or Auditor-General. The current PSETA management developed a plan to address this matter. This plan included searching for the relevant supporting documentation from 5 provincial departments where this project was implemented.

16. Reconciliation of net cash flow from operating activities to net (deficit)/ surplus

	Note	2011/12 R'000	2010/11 R'000
Net surplus as per statement of financial performance		**1,174**	1,076
Adjusted for non-cash items:			
Depreciation		**57**	-
(Gain)/loss on disposal of property, plant and equipment		**10**	-
Bad debts written off		**-**	127
Allowance for doubtful debts		**-**	-
Increase in provisions		**377**	2
Adjusted for items separately disclosed			
Investment income	4.1	**(9)**	(4)
Movement in special project funding		**2,405**	(3)
Adjusted for working capital changes:			
Decrease/(increase) in receivables	9 & 10	**(614)**	-
Increase/(decrease) in payables	12 & 14	**(963)**	925
Cash generated (utilised) in operations		**2,437**	2,123

17. Contingent liabilities

17.1 Imibono Survey

This was a long standing matter between the PSETA and Imibono Survey IQ (Pty) Ltd. The service provider, Imibono Survey, claim to have been verbally engaged in April 2010 by the former PSETA Acting Chief Executive Officer to conduct organisational capacity assessment, and later to develop an operational budget without following DPSA procurement processes. Hence the service provider was not issued with an order number by the DPSA. The service provider has since produced and presented an Operational Plan and Assessment report to the current PSETA management. The PSETA management has since referred the matter to the legal advisor who advised the management to engage with the service provider to reach amicable solution. The service provider is claiming **R100,000.** The provider then served PSETA with a letter of demand and threatened to take PSETA to court. Summonses were issued to PSETA in 2011. The company expressed the intention to withdraw the matter, but has since reinstated the matter. Counsel was appointed to act on behalf of PSETA.

17.2 Boss Office Projects cc

Boss Office Projects cc. is a company specializing in amongst other things logistics and office removals. They were enlisted by the former acting CEO to assist in the movement of office furniture when PSETA relocated from Centurion in 2010. According to records they were paid for service rendered. The dispute arose from a claim for additional service they rendered without authorization by PSETA. We were served with a letter of demand and responded to the letter. They subsequently approached court for relief. Summons were served and delivered to our offices on the 25th November 2011 to inform PSETA that in the event that we dispute the said claim and wish to defend the action we must file a notice of our intention to defend. The PSETA plans to defend the claim in question as there is no documentary proof of authorization for additional service that was allegedly provided to PSETA by Boss Projects. The matter was referred to DPSA legal Department who subsequently referred the matter to the State Attorneys.

The state Attorneys informed the Clerk of the Court of our intention to defend against the claim. In its sitting the court gave a summary judgement against the PSETA despite the fact that the company could not produce the necessary documents. PSETA is appealing the decision by the court on the basis that there is no documentary proof to confirm: - (1) Authorisation to render services to the PSETA and (2) that the services were indeed rendered. The amount of the claim is R43 000.

17.3 Molapo Accredited Labour Law experts cc

The company was allegedly requested to forward a quotation by PSETA on the 28 May 2009, to do a presentation on Corporate Governance to board members at the time. The quote was allegedly accepted by PSETA and authorization was given to the company to do the presentation on the 3rd June 2009. The company is demanding a payment of R75 000.00. We have asked the company to provide documentary proof of the services rendered and proof of authorization to conduct the said training. Pending the submission of the requested documentation, PSETA may be required to pay the requested amount by the service provider.

18. Commitments

18.1 Discretionary Projects

During 2011/12 financial year the PSETA applied for funding from the NSF to implement discretionary related projects. An amount of **R35.8 million** (including project management costs) was approved and allocated to the PSETA. The Accounting Authority also approved discretionary projects to an amount of **R6.3 million** funded from discretionary levies (reserves) which has been accumulating into PSETA bank account since inception. It was agreed that the approved projects of R6 million from discretionary levies will form part of NSF/PSETA project. At the moment, there were 11 contracts that were signed to qualify as commitments.

Projects	Opening balance 2010/11	Reallocations approved by Accounting Authority	Approved by Accounting Authority	Utilised / Adjustments	Approved by Accounting Authority	Utilised / Adjustments	TOTAL
	R'	R'	R'	R'	R'	R'	R'
NSF funded	-		-	-	**4,005,437**	-	**4,005,437**
Rural Youth Government Learnership	-		-	-	336,000	-	336,000
Assessor and moderator	-		-	-	2,560,587	-	2,560,587
Mentoring	-		-	-	1,108,850	-	1,108,850

18.2 Operating Leases

	R'000	R'000
Total of future minimum lease payments under non-cancellable leases:		
Not later than one year	**4,905**	-
Later than one year and not later than five years	12,477	-
	17,382	-

The operating lease relates to the building premises known as Office Block, 420 Festival Street, Hatfield, Pretoria used for office accommodation. The lease agreement entered into effective 1 July 2010 for a period of five years, expiring on 30 June 2015. No provision was made for an option to renew the lease on expiry. The rental payments escalate annually on 1 July by 8%.

19 Material losses through criminal conduct, irregular, fruitless and wasteful expenditure

19.1 Material losses through criminal conduct:

To the best of our knowledge, no material losses through criminal conduct, or irregular, fruitless and wasteful expenditure were incurred during the year ended 31 MARCH 2012 except as indicated under the relevant heading below.

19.2 Irregular Expenditure

	2011/12	2010/11
Opening balance	**6,160**	2,353
Irregular Expenditure - Current year	**5,079**	3,595
- Lease building (Contravention of TR16A.6.4)	4,953	
- Procurement (Contravention of TR16A.6.4)	126	
Less: Amount condoned	(5,079)	(718)
Adjustment to the opening balance	-	930
Irregular Expenditure awaiting condonance	**6,160**	**6,160**
Analysis of expenditure awaiting condonance per age classification		
Current year	-	-
Prior years	6,160	6,160
	6,160	**6,160**

Irregular expenditure relating to current year

Lease Building

In April 2010 the PSETA entered into a five year lease agreement with City Property. When the new CEO assumed office in 2010 she questioned the validity of the agreement as it does not have among other things an escape clause. In trying to get a deeper understanding of the contract she then approach City Property through the then Administrator's legal advisor. The advisor then prepared an addendum to address some of the anomalies in the agreement for City Property to consider. To this day City Property has never responded to the request. A number of meetings were held in an attempt to resolve the challenges but without results. PSETA then approached the DPSA for legal opinion. As a standard procedure the Office of the State Attorney was roped in for an opinion in 2011. The State Attorneys provided their opinion in November 2011. The opinion suggested that after their careful consideration of available records, PSETA must honor the agreement. The matter has been escalated with the seniors in the Office of the State Attorneys as in our view there are grounds for invalidation of the agreement. It must be noted that due to budgetary constraints the PSETA does not afford the monthly leasing fees of R420 000.00 per month which currently take up 23% of our budget. In December PSETA paid half the fee which is what it can currently afford. City Property is now threatening legal action and at this stage is not willing to have meetings with PSETA. They have however requested the PSETA financial statements and proposals.

Irregular expenditure relating to prior year - opening balance

The procurement of services outside the DPSA Supply Chain Management policies and procedures were necessitated by the untenable operational relationship between the PSETA and DPSA which was causing the DPSA to delay processing of key and essential services that were deemed necessary for the operational efficiency of the SETA. In addition, the use of the NSF funds to pay providers was based on the premise that the funds will be reimbursed by the DPSA when relations had normalized. The procurement outside the DPSA SCM policies and subsequent use of the NSF funds was approved by the PSETA Board. Moreover, the matter was handed over to the Special Investigation Unit for further investigation and the Acting CEO and Procurement Manager have since been dismissed in this regard by the Administrator.

As a result of the above, in 2009/10 the DPSA was raised with a premise that DPSA will refund the NSF from the PSETA operational funds ring-fenced at the DPSA during the period. In 2010/11 a decision was taken that this debt be written off since the DPSA indicated that they will not refund the NSF monies used by the PSETA. Hence, the prior period error adjustment of R6.1 million was raised in the prior year. This prior period error adjustment resulted in increased administration expenditure beyond the 12.5% threshold in terms of the Skills Development Act and Grants Regulations. Therefore, the irregular expenditure in this regard amounted to R6, 120 million (2009/10 R3, 498 million and 2008/09: R2, 662 million). The PSETA did not literally overspend beyond the threshold, but this is a result of the prior period error adjustment made.

Procurement of Career Guide Reprints

Deviation from normal procurement processes was approved by the Board on 1st September 2011. During the year 2010/11 PSETA through the DPSA awarded a contract to G Lab to develop a Sector Skills Plan (SSP). The service provider of which they used was cheaper and efficient and the PSETA was in urgent need to print additional career guides in preparation for DHET Lusikisiki Career Expo. **An amount of R 117,635.70 was spent and condoned as irregular expenditure.**

There was also a deviation from Supply Chain Management processes by extending the Z-screen cable from the ground floor to the server room on the 1st floor. An amount of **R8, 630.66** was spent and condoned as irregular expenditure.

Included in the **R 6, 160 million** disclosed above, is an amount of **R 5, 229 million** irregular expenditure as a result of PSETA using NSF monies for operational purposes without approval of NSF.

19.3 Fruitless and wasteful expenditure

Type of Transaction	Amount	Refunded/ Recovered	Fruitless expenditure	Condoned Y/N
Travel and Accommodation	3,417.93	1,515.00	1,902.93	Y
Refreshments & Catering	457.00	-	457.00	Y
Refreshments & Catering	200.00	-	200.00	Y
Travel and Accommodation	640.00	-	640.00	Y
Travel and Accommodation	120.00	-	120.00	Y
Travel and Accommodation	1,289.96	-	1289.96	Y
Sub-Total	**6,124.89**	**1,515.00**	**4,609.89**	

The condonation was on the basis of the fact that these fruitless and wasteful expenditures occurred in the course of operational activities of the PSETA and were justified to the satisfaction of the Board of the PSETA. Hence no disciplinary actions were taken against relevant personnel.

20 Financial Instruments

In the course of its operations, the PSETA is exposed to interest rate, credit, liquidity and business risk. The PSETA has developed a comprehensive risk strategy in order to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

The PSETA's exposure to cash flow interest rate risk and the effective interest rates on the financial instruments at reporting date are as follows:

Floating rate		Fixed Rate			Non-interest bearing		TOTAL R'000
Amount R'000	Effective interest rate	Amount R'000	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in years	Amount R'000	Weighted average period until maturity in years	
Year ended 31 March 2012							
Assets							
Cash	14,473	11%			-	-	-
Accounts receivable	-	-	-	-	138	1 year	138
Total financial assets	14,473	11%	-	-	138		-
Liabilities							
Borrowings	-						-
Liabilities							
Accounts payable	-				(112)	0,8 years	(112)
Bank overdraft	-						-
Total financial liabilities	-	-	-	-	(112)		(112)
	14,473				26		(112)
Year ended 31 March 2011							
Assets							-
Cash	12,248	10%			-		-
Accounts receivable	-	-	-	-	1		1
Total financial assets	12,248	0	-	-	1		1
Liabilities							
Accounts payable	-				(26)	0,8 years	(26)
Bank overdraft							
Total financial liabilities	-	-	-	-	(26)	-	(26)
	12,248		-		(25)		(25)

Credit risk

Financial assets, which potentially subject the SETA to the risk of non performance by counter parties and thereby subject to credit concentrations of credit risk, consist mainly of cash and cash equivalents, investments and accounts receivable.

The PSETA limits its counter-party exposure by only dealing with well established financial institution approved by the National Treasury. The PSETA's exposure is continuously monitored by the Accounting Authority.

Credit risk with respect to levy paying employers is limited due to the nature of the income received. The PSETA's concentration of credit risk is limited to the industry (mining industry) in which it operates. No events occurred in the mining industry that may have an impact on the accounts receivable that has not been adequately provided for.

Ageing of trade and other receivables from non exchange transactions

	2011/12		2010/11	
	Gross	**Impairment**	Gross	Impairment
Not past due	-	-	-	-
Past due 0 - 30 days	-	-	-	-
Past due 31 - 120 days	101	-	-	-
Past due 1 year	-	-	-	-

Cash & cash equivalents

	2011/12		2010/11	
	Gross	**Impairment**	Gross	Impairment
Not past due	14,473	-	-	-
Past due 0 - 30 days	-	-	-	-
Past due 31 - 120 days	-	-	-	-
Past due 1 year	-	-	-	-

Liquidity risk

The PSETA manages liquidity risk through proper management of working capital, capital expenditure, long term cash projections and monitoring of actual vs. forecasted cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

	2011/12					
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
Trade and other payables from exchange transactions	(112)	(112)	(112)	-	-	-

	2010/11					
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
Trade and other payables from exchange transactions	(16,651)	(16,651)	920,990	-	54,172	-

Market risk

The PSETA is exposed to fluctuations in the employment market for example sudden increases in unemployment and changes in the wage rates. No significant events occurred during the year that the PSETA are aware of except for the impact of the country's electricity crisis that may result in the shrinking of employment and a reduction is skills development levy income in the future.

Fair values

The PSETA's financial instruments consist mainly of cash and cash equivalents, trade and other receivables, and accounts and other payables. No financial instruments were carried at an amount in excess of its fair value and fair values could be reliably measured for all financial instruments.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the PSETA and short term bank deposits with an original maturity of less than 1 month. The carrying amount of these assets approximates their fair value.

Accounts receivable

The carrying amount of accounts receivable, net of allowance for bad debt, approximates fair value due to the relatively short-term maturity of these financial assets.

Investments

The fair value of debt securities is determined using the discounted cash flow method (where applicable). The fair value of publicly traded investments is based on quoted market prices for those investments

Borrowings

The fair value of interest-bearing borrowings is based on either :

- the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile and effective interest rate with similar cash flows (where applicable). The fair value of interest-bearing borrowings with variable interest rates approximates their carrying amounts.

- the current rates available for debt with the same maturity profile and effective interest rate with similar cash flows (where applicable).
The fair value of interest-bearing borrowings with variable interest rates approximates their carrying amounts.

Accounts payable

The carrying amount of accounts payable approximates fair value due to the relatively short-term maturity of these financial liabilities

21. Related party transactions

21.1 Transactions with other SETAs

Interseta transactions and balances arise due to the movement of employers from one SETA to another and mandatory grants due from the SETA to which the PSETA contributes its levies and submits its WSP & ATR. No other transactions occurred during the year with other SETAs.

The balances at year-end included in receivables and payables are:

	Amount receivable/ (payable) 2011/12 R	Transfers in/(out) during the year 2011/12 R	Amount receivable/ (payable) 2010/11 R	Transfers in/ (out)during the year2010/11 R
Payables	**(884)**	**-**	(3,436)	-
FASSET - report to same Executive Authority	-	-	(2,552)	-
W&RSETA - reporting to same Executive Authority	(884)	-	(884)	-
Total	**(884)**	-	**(3,436)**	-

Transactions with employer companies represented at the PSETA Board

Board members of the PSETA do not receive allowances for attending Board Meetings except for Ministerial appointees who receive board attendance fees as determined by the Minister of Department of Higher Education and Training. Members may claim travel expenses incurred as a result of attendance of PSETA meetings.

The PSETA does not receive levies from its constituent government department hence no grants transactions between the government departments and the PSETA. Therefore, no related party transaction that with that constituent government department represented in the Board.

21.2 Transactions with other national public entities

2011 / 12

	Amount Received 2011/12 R'000	Amount Paid 2011/12 R'000	Amount Payable 2011/12 R'000	Amount Receivable 2011/12 R'000
National Skills Fund	5,749	(1,338)	4,411	-
SITA	-	(1,207)	-	
Total	**5,749**	**(2,545)**	**4,411**	**-**

2010 / 11

	Amount Received 2011/12 R'000	Amount Paid 2011/12 R'000	Amount Payable 2011/12 R'000	Amount Receivable 2011/12 R'000
				-
National Skills Fund	-	-	-	-
SITA	-	-	-	-
Total	-	-	**-**	-

21.3 Key Management Personnel

The PSETA did not have its own staff compliment in the prior year, during the current year the PSETA became independent of DPSA. The key management personnel were paid as follows

Name	Position	Started	Salary	Other Allowances	Total
Mrs. S. Huluman	CEO	11-Aug-10	1,007,865	15,052	1,022,916
Mr. T. Sibaya	CFO	1-Aug-10	819,239	3,427	822,666
Ms. L. Ximiya	COO	1-Apr-11	780,228	5,239	785,467
Mr. J. Jiyane	CSE	1-Apr-11	780,228	1,070	781,298
Total			**3,387,560**	**24,788**	**3,412,348**

22 Correction of prior period error

Prior period errors arising from a failure to use (misuse of) reliable information are corrected, where applicable, in line with the PSETA accounting policy.

22.1 NSF: Deferred Income Liability

This liability relates to funds due to the National Skills Fund (NSF) in relation to an initial grant received from them in 2004/5 worth R97 million, which PSETA was meant to spend on Learnerships Grants. In the previous year an amount of R7, 7 million was raised as payable to the NSF. It has since come to the PSETA's attention that the total liability to the NSF was incorrectly recorded and that it amounts to 2010/11: R30,713,370 (2009/10: R30,716,292). This liability mentioned was determined through confirmation received from the creditor, National Skills Fund (NSF). The due amount was determined by the NSF as the actual funds transferred to PSETA (R97.2 million) less the amount of expenditure (R66 million) certified by NSF as being spent in terms of the funding memorandum. NSF certified PSETA's submission of expenditure on the program in 2005/6, by verifying and inspecting supporting documentation such as service provider invoices and learner records. However, an expenditure amounting to R22,941,667 could not be verified by the NSF as a result of reports submitted and signed off by DPSA, hence the prior period error adjustment of R22,941,667 to the amount owed by the PSETA to the NSF in the prior year.

The remaining R22.9 million - opening balance from prior year - is a liability as result of previous PSETA management not supplying relevant supporting documentation for verification by NSF and/or Auditor-General. The current PSETA management developed a plan to address this matter. This plan included searching for the relevant supporting documentation from 5 provincial departments where this project was implemented. The PSETA management has since found some supporting documentation to support the expenditure to an amount of R17.969 million hence the prior period adjustment to the discretionary reserves.

The following journal entry was passed:

	Debit	Credit
Deferred income liability	22,094	4,905
Administration reserves		17,189
Discretionary reserves		

Statement of Financial Position	**2011/12**	**2010/11**
Deferred income liability		
Opening balance	-	30,716
Draw downs and interest received		1
Total adjustment made	-	-22,100
Audit adjustment		1,102
Utilised and recognised as revenue-conditions met		-23,202
Restated balance of Deferred income liability	**-**	**8,617**

In the previous year's R5.229 million of NSF funds were used by the PSETA for operational purposes. In 2009/2010 financial year, DPSA debt was raised by the previous management hoping that they would reclaim the money from DPSA to refund NSF (the DPSA refused to refund the PSETA). In the 2010 financial year, a decision was taken to reverse the DPSA debt and the amount was expensed as the administration expense which led to the negative administration reserve at the end of the previous financial year, but the liability is accounted for in the deferred income liability.

The PSETA made a request to DHET: NSF to condone the use of these funds for operational purposes - to date, we are awaiting a response. This R5,229,000 will remain a liability until condonation is granted or repayment is made to NSF. During the current year, there was an amount of R323,820.40 which could also not be supported by any documentation and this amount was reduced on the R5,229,000 which was used for administration, hence only R4,905,000 was reduced from the administration reserves.

In the previous financial year the PSETA obtained a disclaimer of opinion due to unavailability of supporting documentation relating to NSF funds. The balance of the deferred income liability that was disclaimed amounted to R30,713,370. During the current financial year management initiated a process to recover the supporting documentation and subsequently the balance was reduced to R5,021,000. An additional amount of R1,102,443 could not be verified in the current year increasing the unsupported amount to R6,123,443.

23 Events after reporting date

There are no events after the statement of financial position date that came to the attention of the management.

24 New accounting pronouncements

At the date of authorisation of these financial statements, there are Standards and Interpretations in issue but not yet effective. These include the following Standards and Interpretations that are applicable to the SETA and may have an impact on future financial statements.

		Effective date, commencing on or after:
GRAP 21	Impairment of Non-cash-generating Assets	1-April-12
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)	1-April-12
GRAP 24	Presentation of Budget Information in Financial Statements	1-April-12
GRAP 26	Impairment of Cash-generating Assets	1-April-12
GRAP 18	Segment Reporting	Not yet Effective
GRAP 25	Employee Benefits	Not yet Effective
GRAP 104	Financial Instruments	Not yet Effective
GRAP 105	Transfer of Function between Entities Under Common Control	Not yet Effective
GRAP 106	Transfer of Function between Entities Not Under Common Control	Not yet Effective
GRAP 107	Mergers	Not yet Effective

An entity shall apply Standards of GRAP for Annual Financial Statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with Section 91(1)(b) of the PFMA

GRAP 23 It has been used to formulate our accounting policy.

GRAP 24 The principles outlined in GRAP 24 have been used to inform compliance with the requirements of GRAP 1.

GRAP 21 Impairment of Non-cash Generating Assets. This standard prescribes the accounting treatment for the Impairment of non-cash generating assets and does not significantly differ from IAS 36 except for some terminology differences. It is not expected that this standard will significantly impact future disclosures.

GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers). The standard prescribes requirements for the financial reporting of revenue arising from non-exchange transactions. Accounting policies have been amended to clearly distinguish between exchange and non exchange transactions. It is not expected that the initial application will significantly impact the SETA's financial statementsReport on the financial statements

1 Introduction

The Materiality and Significance Framework Policy is intended to determine material and significant events that warrant disclosure by the Accounting Authority to the Executive Authority, National Treasury and Office of the Auditor-General.

These events are similar in nature to material and significant events, but do not fully constitute material and significant events. The events will be managed "in-house" by the Accounting Authority through formal enquiries and disciplinary processes according to the PSETA's Human Resources Policy and procedures.

2 Framework background

2.1 This document was developed to give effect to the Treasury Regulations of the PFMA that stipulated the following new requirement for public entities:

"For purposes of material [Section 55(2)] and significant [Section 54(2) of the Public Finance Management Act (PFMA)], the Accounting Authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant Executive Authority."

2.2 Public entities are required to include the Materiality and Significance Framework information in their strategic plan submitted to the Executive Authority, namely the Department of Higher Education and Training.

2.3 No definitions for the concepts "material" and "significant" are included in the PFMA or Treasury Regulations. Accordingly, to compile this framework the PSETA sought guidance from, *inter alia,* ISA 320.2 (published by the South African Institute of Chartered Accountants), which defines materiality as follows:

"… misstatements, including omissions, are considered material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgements about materiality are made in light of surrounding circumstances and affected by the size and nature of a misstatement, or a combination of both; and judgements about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group."

2.4 Further guidance was drawn from ISA 320.A2 for a public sector perspective: the following SAAS guidance is pertinent to the PSETA:

"The determination of materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances and disclosures) in an audit of financial statements of a public sector entity is therefore influenced by the law, regulation or other authority, and by the financial information needs of legislators and the public sector programmes.

The reference to "economic" decisions (ISA 320.2 above) is therefore assessed as not being conclusive or wholly appropriate to a public entity such as the PSETA.

2.5 The practice note of applications under Section 54 of the PFMA, 1 of 1999 (as amended) by public entities, provides the guiding principles of determining a materiality and significance framework document.

Paragraph 3.7 of the same practice note provides guidance in setting parameters for the Rand value determination of materiality and significance based on certain elements of the audited annual financial statements of public entities. The PSETA adopted and applies the principles set out in this practice note as follows:

Element	Acceptable percentage range	PSETA applicability	Materiality @ 0.5%
Total assets	1% - 2%	NIL	NIL
Total revenue	0.5% - 1%	R23,263,189	**R116,315**
Profit after tax	NIL	NIL	NIL

3 Factors considered in developing the framework

3.1 PSETA history

Since inception in 2000 until 2006, PSETA was as a Chief Directorate within the Department of Public Service and Administration. In 2006 the PSETA was re-listed as a Schedule 3A public entity. According to the Auditor-General's reports, the PSETA has always been characterised by a lack of accountability and proper records, as well as fraudulent activities until it was put under administration by the Executive Authority in September 2010.

Since the successful conclusion of the administration process, the PSETA has started to operate as mandated by the Skills Development Act and relevant regulations.

PSETA receives its funding allocation funds from National Treasury via Department of Public Service Administration (DPSA) for operational activities and is not funded like all other SETAs.

3.2 Nature of business

The PSETA is mandated by the Skills Development Act to facilitate skills development in the volatile public service sector. Skills development activities focus on:

- creating and registering national standards and qualifications in the public service sector and sub-sectors
- curriculating, assessing, certifying and managing performance to create targeted and generic service skills
- providing quality learning throughout the sector
- creating and maintaining a database to target generic and specific skills development
- engaging in learnerships and skills programme activities, and
- implementing the sector skills plan.

3.3 Statutory requirements

As a Schedule 3A public entity, the PSETA is governed by legislation applicable to government entities. Legislation includes the PFMA, Skills Development Act, Skills Development Levies Act, SAQA Act and other relevant legislation and government priorities.

3.4 Governance

The Accounting Authority is represented by its stakeholders comprising of organized employer and organized labour from the public service sector. The Accounting Authority is accountable to the Executive Authority (Minister of Higher Education and Training) with regard to performance and governance of the PSETA.

3.5 Statutory requirements applicable to the PSETA

- Listed as a PFMA Schedule 3A public entity, the PSETA has to submit certain mandatory reports to the Executive Authority, regardless of the value involved.
- The PSETA's Accounting Authority has to execute its mandate in terms of the Skills Development Act.

3.6 Risk assessment

The PSETA is in a developmental stage. The Accounting Authority approved a risk assessment policy and strategy, which involved a process to identify key business risks and develop strategies to eliminate or mitigate significant risks. Regular risk assessment workshops were conducted and this will continue in the year ahead.

The PSETA's internal audit plan is based on mitigating the identified significant risks through the creation and maintenance of a sound control environment. Attention was given, amongst others, to:

- establishing proper and appropriate governance structures that include an Accounting Authority, CEO, CFO and the position of an Accounting Authority Secretariat
- close monitoring of the PSETA's financial performance by the Audit and Finance Committees
- outsourcing the internal audit function to professional, qualified internal auditors
- maintaining a risk register that will be reviewed and updated annually with action plans to mitigate and manage identified risks
- monitoring of risks and action plans by the Risk Committee appointed by the Accounting Authority, and
- preparing a three-year Internal Audit Coverage Plan based on an annual risk assessment and review, which are approved by the Audit Committee.

3.7 Qualitative and quantitative factors

This framework deals with both quantitative and qualitative aspects. Materiality is not confined to the size of the entity or the elements of its financial statements. The PSETA recognises that misstatements may affect a "reasonable" stakeholder's judgement and be material on qualitative grounds.

The qualitative grounds, among others, include:

- unusual, non-repetitive transactions that are disclosed due to their nature and knowledge as it affects the decision-making ability of users of the financial statements
- transactions entered into that could result in reputational risk to the Public Service SETA
- any fraudulent or dishonest behaviour of any officer or member of staff of the PSETA
- procedures/processes required by legislation or regulation (such as the PFMA and Treasury Regulations)
- unauthorised, irregular or fruitless and wasteful expenditure, and
- items of a non-financial nature, which would impact on the continued operation and deliverables of the PSETA.

The PSETA further expands on these aspects under Annexure A, an attachment to this document.

After taking into account the above factors, a conservative level of materiality is considered appropriate.

4. Broad framework for the PSETA

4.1 Materiality level

Section 55(2) of the PFMA stipulates that:
"the annual report and financial statements of the public entity must:

(a) fairly present the state of affairs of the public entity, its business, financial results, performance against predetermined objectives and financial position as at the end of the financial year concerned;

(b) include particulars of:
  (ii) any material losses through criminal conduct and any irregular, fruitless and/or wasteful expenditure that occurred during the financial year;
  (iii) any criminal or disciplinary steps taken as a consequence of such losses or irregular, fruitless and/or wasteful expenditure;
  (iv) any losses recovered or written off;
  (v) any financial assistance received from the state and commitments made by the state on its behalf; and

(c) include the financial statements of any subsidiary."

The following factors may affect the materiality figure above:

- Operational independence from 1 April 2011
- Fraud that took place in 2005
- Process of implementing effective control systems
- Appointment of COO and Corporate Services Executive in April 2011
- Creation of Core Business and Corporate Services Divisions
- Suspicion of fraud and corruption within the entity
- Newly appointed Accounting Authority.

Materiality level

The material loss level is assessed at 0.5% of total budgeted revenue since the PSETA's total assets cannot indicate performance as it is not an asset-intensive entity. The revenue component is selected as a basis for the materiality calculation as the level of activity (grant and discretionary disbursements) depends on total revenue. Based on this calculation, the PSETA Accounting Authority decided to assess the material loss level as R116,315 for the financial year that ended on 31 March 2012.

4.2 Significance level

Section 54(2) of the PFMA stipulates that:

"before a public entity concludes any of the following transactions, the Accounting Authority must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its Executive Authority for approval of the transaction."

The transactions include:

(a) establishing or participating in the establishment of a company

(b) participating in a significant partnership, trust, unincorporated joint venture or similar arrangement

(c) acquiring or disposing of a significant shareholding in a company

(d) acquiring or disposing of a significant asset

(e) commencing or ceasing a significant business activity, and

(f) changing the nature or extent of its interest significantly in a significant partnership, trust, unincorporated joint venture or similar arrangement.

The PSETA's Accounting Authority assessed the level of significance at R500 000 and above based on the delegation of authority for the Accounting Authority in respect of the financial year that ended on 31 March 2012.

5. Reporting of the framework

The materiality and significance framework must be updated yearly, preferably before the financial year commences, to identify material and significant transactions. The framework will be developed further in consultation with the external auditors. Disclosure of the framework is outlined in Annexure A (attached).

Annexure A

For the purposes of materiality in terms of Sections 50(1), 55(2) and 66(1) of the PFMA and significance in terms of Section 54(2) of PFMA, the PSETA has developed and agreed upon a framework of acceptable levels of materiality and significance with the relevant Executive Authority in consultation with the external auditors.

Section 50(1) of the PFMA

Fiduciary duties of Accounting Authorities	Quantitative materiality (amount)	Qualitative materiality (nature)
1 The Accounting Authority of a public entity must on request -		
(c)disclose to the Executive Authority responsible for the public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way may influence the decisions or actions of the Executive Authority or that legislature.	Any fact discovered of which the amount exceeds the deter-mined materiality figure after consultation with the Audit Committee for the year under review.	Any item or event that requires disclosure by legislation/law, the King Report III or GAAP. Any fact discovered that, if omitted or misstated could in the opinion of the Accounting Authority, influence the decisions or actions of the Executive Authority or legislature.

Section 54 of the PFMA

Information to be submitted by the Accounting Authority	Quantitative materiality	Qualitative materiality
2 Before a public entity concludes any of the following transactions, the Accounting Authority for the public entity must promptly and in writing inform the relevant Treasury of the transaction and submit relevant particulars of the transaction to its Executive Authority for approval of the transaction:		
(b) participation in a significant partnership, trust, unincorporated joint venture or similar arrangement	Not applicable	• Any participation outside the approved strategy and budget.
(c) acquisition or disposal of a significant share-holding in a company	Not applicable	• Any acquisition or disposal outside the approved strategy plan and budget.
(d) acquisition or disposal of a significant asset	Acquisition: >R500 k	• Disposal of the major parts of the assets of the Accounting Authority.
(e) commencement or cessation of a significant business activity	Not applicable	

Section 55 of the PFMA

Annual report and financial statements	Quantitative materiality	Qualitative materiality
The annual report and financial statements referred to in Subsection (1) (d) must:		
(a) fairly present the state of affairs of the public entity, its business, financial results, performance against predetermined objectives and financial position as at the end of financial year concerned	Losses through criminal conduct - any loss identified irrespective of amount involved	Any identified loss through criminal, reckless or negligent conduct.
(b) include particulars of:		
• any material losses through criminal conduct and any irregular expenditure or fruitless and wasteful expenditure that occurred during the financial year	Losses through any expenditure - if the combined total exceeds the planning materiality figure used by the external auditors after consultation with the Audit Committee for the year under review.	Section 55, as identified, will evaluate each loss due to criminal conduct, in the context of the expense category to which it relates to determine whether it qualifies for disclosure in the annual report as required.
• any criminal or disciplinary steps taken consequences of such losses or irregular expenditure or fruitless and wasteful expenditure	Any irregular, fruitless and wasteful expenditure as defined by the PFMA will be reported irrespective of the amount.	
• any losses recovered or written off • any financial assistance received from the state and commitments made by the state on its behalf • any other matters that may be prescribed.	In line with good business practice and the require-ments of the Act, the PSETA is committed to the prevention, detection and taking appropriate action against all irregular, fruitless and wasteful expendi-ture, loss from criminal conduct and expenditure that does not comply with the operational policies of the PSETA.	Currently, PSETA is designing systems and processes to ensure the prevention and detection of all such expenditure, irrespective of size.

Section 66(1) of the PFMA

Restrictions on borrowing, guarantees and other commitments	Quantitative materiality	Qualitative materiality
An institution to which this act applies may not borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that institution or the Revenue fund to any future financial commitment, unless such borrowing, guarantee, indemnity, security or other transaction:		
(a) is authorised by this Act	R0.00 NIL	This public entity may not borrow money, nor issue a guarantee, indemnity or security, nor enter into any other transaction that binds or may bind the institution to any future financial commitment unless acting through the relevant Executive Authority. (PFMA Section 66(3)(c)).
(b) in the case of public entity, is also authorised by other legislation not in conflict with this Act	R0.00 NIL	

Notes

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