

# Annual Report

2015/2016



higher education  
& training

Department:  
Higher Education and Training  
REPUBLIC OF SOUTH AFRICA





**Culture, Arts, Tourism,  
Hospitality and Sport Sector Education and Training Authority  
(CATHSSETA)**

**ANNUAL REPORT**

**2015 / 2016**

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# higher education & training

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Department:  
Higher Education and Training  
**REPUBLIC OF SOUTH AFRICA**

## **Submissions of Annual Report to the Executive Authority**

To the Minister of Higher Education and Training, Dr Bonginkosi “Blade” Nzimande I have the honour of submitting to you in accordance with the Public Finance Management Act, 1999 (Act 1 of 1999), the Annual Report of Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA).

**Pumzile E Kedama**

*The Administrator*

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# **PART A**

## GENERAL INFORMATION



## 1. PUBLIC ENTITY'S GENERAL INFORMATION

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### REGISTERED NAME:

The entity is registered as the Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority, also known as **CATHSSETA**

<b>CATHSSETA REGISTRATION NUMBER</b>	25/CATHSSETA/1/04/11
<b>OFFICE ADDRESS:</b>	01 Newton Avenue Ground Floor Killarney Johannesburg 2193
<b>POSTAL ADDRESS:</b>	P O Box 1329 Rivonia 2128
<b>TELEPHONE NUMBER/S:</b>	+27 11 217 0600
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<b>EMAIL ADDRESS:</b>	info@cathsseta.org.za
<b>WEBSITE ADDRESS:</b>	www.cathsseta.org.za
<b>EXTERNAL AUDITORS:</b>	Auditor-General of South Africa P O Box 446 Pretoria South Africa
<b>BANKERS:</b>	
<b>Nedbank</b>	Upper Ground Floor Block I 135 Rivonia Road Sandown Sandton 2196
<b>Investec</b>	100 Grayston Drive Sandown Sandton 2196
<b>FNB</b>	7 <sup>th</sup> Floor 1 First Place Bank City Cnr Simmonds and Pritchard Streets Johannesburg

## 2. LIST OF ABBREVIATIONS & ACRONYMS

**Below is a list of abbreviations / acronyms for reference when reading through the Annual Report document.**

AA	Accounting Authority
APP	Annual Performance Plan
AGSA	Auditor-General of South Africa
BAC	Bid Adjudication Committee
BBBEE	Broad-Based Black Economic Empowerment
CATHSSETA	Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority
DHET	Department of Higher Education and Training
EA	Executive Authority
HRD	Human Resource Development
MOU	Memorandum of Understanding
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan
NSDS	National Skills Development Strategy
NQF	National Qualifications Framework
NSF	National Skills Fund
OD	Organisational Design
PFMA	Public Finance Management Act
PIVOTAL	Professional, Vocational, Technical and Academic Learning
QCTO	Quality Council for Trades and Occupations
SDL	Skills Development Levy
SETA	Sector Education and Training Authority
SLA	Service Level Agreement
SMME	Small, Medium and Micro-sized Enterprises
SP	Strategic Plan
SSP	Sector Skills Plan
TVET	Technical and Vocational Education and Training



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## 4. FOREWORD BY THE ADMINISTRATOR

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**Pumzile E Kedama**  
*The Administrator*  
**CATHSSETA**

It is my pleasure to present the CATHSSETA Annual Report for the period 2015/2016. The year under review has been an exceptional period for CATHSSETA, which experienced several changes that significantly improved its ability to fulfil its mandate. The Department of Higher Education and Training (DHET) extended the administration period to give me the opportunity to oversee the conclusion of the measures that were put in place to strengthen the financial and operational foundations of the organisation.

During the year under review, our focus was to ensure that we put in place measures to effectively and efficiently deliver on our mandate and enforce compliance with the Public Finance Management Act. Indeed, CATHSSETA has reaped the rewards of these interventions: we are proud to report that for the period 2015/2016, the Authority achieved a clean audit. This achievement is the culmination of all the hard work of our employees.

We are pleased to have been able to respond to the call by our stakeholders to have a national footprint and reach outlying rural areas. Six regional offices were established in six provinces. This will enhance service accessibility and improve stakeholder support and grow the organisation's relationship with them.

CATHSSETA was able to forge ahead with efforts to strengthen management capacity. We concluded all misconduct cases within our control, and only three cases remain with the Commission for Conciliation, Mediation and Arbitration (CCMA). We were able to maintain the momentum that resulted from completing the organisational development processes, and were able to employ suitably qualified personnel to build on our improvements of the previous financial year. The new talent has been instrumental in infusing new skills and better ways of working, thus improving the organisational culture.

In 2015 we appointed interim governance structures to support the organisation during the period in which it was under administration. These structures were critical in providing guidance and expert advice during the organisational development process. I therefore wish to extend my sincerest appreciation to all members of the Audit and Risk Committee, Human Resource and Finance Committee as well as the six Joint Working Committees for the role they played during the year under review.

In this year, we paid out R45 919 000 in mandatory grants and R160 057 000 in discretionary funding. The discretionary grant funding benefited nearly 3 000 learners. The demand for this funding currently exceeds our capacity due to the fact that most of the organisations we support are small businesses that do not necessarily pay the skills levy from which our funding pool is sourced in terms of legislation. Efforts to encourage government departments that operate within our diverse sub-sectors to contribute to this funding pool continue.

The increase in our performance against our annual targets is encouraging. Our year-on-year performance against Annual Performance Plan targets increased from 34% in 2014 to 80% during the financial year under

## FOREWORD BY THE ADMINISTRATOR

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review. This encouraged us to review our delivery model from that of simply making transfers to recipients in tranches, to a performance-based system.

In conclusion, I take this opportunity to acknowledge the unwavering support I have received from the DHET, Parliamentary Committees, other stakeholders as well as providers. The faith they extended to CATHSSETA and myself gave us the resolve to push ahead and ensure that the performance culture of this organisation is transformed. For us to perform at peak level, we had to ensure that the confidence of our staff was restored after being through a period of uncertainty. In this regard, I also thank the CATHSSETA management and staff for affording me the opportunity to implement the necessary changes to the organisation. Even though change is not easy, CATHSSETA management and staff embraced the new changes unreservedly.

I thank the staff, management and all stakeholders and unreservedly extend my gratitude to all.



Pumzile E Kedama  
The Administrator  
CATHSSETA  
31 March 2016

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

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To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the Annual Report is consistent with the Annual Financial Statements and Annual Performance Information audited by the Auditor-General.

The Annual Report is complete, accurate and is free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on the compilation of annual reports issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the SA Standards of the Generally Recognised Accounting Practice (GRAP), applicable to the public entity.

The Annual Performance Information (Part B) has been prepared in accordance with the National Treasury guidelines for performance information.

The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in the financial statements.

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

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2016.

Yours faithfully,



Pumzile E Kedama  
The Administrator  
CATHSSETA  
31 March 2016

## 6. STRATEGIC OVERVIEW

The CATHSSETA strategy for the period under review was concentrated around the defined goals of the National Skills Development Strategy (NSDS) III and the National Development Plan (NDP). In implementing the strategy, the aim has been to propel the organisation towards compliance with good governance practices, improved target performance and optimal functioning.

### 6.1 VISION

A leader in skills development within our diverse sector.

### 6.2 MISSION

To facilitate skills development through strategic partnerships for CATHSSETA to contribute to economic growth.

### 6.3 VALUES

CATHSSETA's institutional values are:

VALUE	Living this value means that CATHSSETA will seek to:
Service Excellence	<ul style="list-style-type: none"> <li>• Understand stakeholder needs, respond timeously, efficiently and effectively to stakeholder queries and requests;</li> <li>• Display an image of professionalism and accountability; and</li> <li>• Drive quality and high performance.</li> </ul>
Fairness and Transparency	<ul style="list-style-type: none"> <li>• Conduct its operational business without fear or favour;</li> <li>• Ensure all providers feel confident that their bids are given adequate consideration and evaluated professionally;</li> <li>• Give effect to stakeholders' belief that nothing is hidden and there are no undeclared meanings and intentions; and</li> <li>• Ensure that everything is in the open for all to see, subject to ethical conduct and legal boundaries.</li> </ul>
Respect	<ul style="list-style-type: none"> <li>• Ensure every stakeholder experiences humane relations from its employees;</li> <li>• Conduct ourselves and act in ways that promote stakeholders' self-worth and which do not erode or negatively impact them; and</li> <li>• Ensure that, in their relations, stakeholders experience humility from CATHSSETA staff.</li> </ul>
Accessibility	<ul style="list-style-type: none"> <li>• Develop and promote skills development programmes to ensure equal access to opportunities by all;</li> <li>• Develop skills development programmes aimed at improving opportunities for people in rural areas; and</li> <li>• Ensure that, upon request, conversations, documentation and publications are translated to prominent languages relevant to a geographical area.</li> </ul>

## STRATEGIC OVERVIEW

VALUE	Living this value means that CATHSSETA will seek to:
Integrity	<ul style="list-style-type: none"> <li>• Value openness, honesty, consistency and fairness;</li> <li>• Act in good faith in all our day to day activities; and</li> <li>• Conduct its operations to fulfil public expectation about what CATHSSETA was established to do and be.</li> </ul>
Stakeholder Orientation	<ul style="list-style-type: none"> <li>• Build partnerships with relevant government departments, public and private training providers and organisations; and</li> <li>• Offer quality education and skills development opportunities and experiences to learners to ensure ultimate employability and reduce inequality in the sector.</li> </ul>

Table 1: CATHSSETA Values



## 7. LEGISLATIVE AND OTHER MANDATES

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CATHSSETA is a Schedule 3 public entity. Both the Constitution of the Republic of South Africa (Constitution) and various other statutes passed by the National Assembly direct CATHSSETA to perform specific public skills development functions and conduct its operations in specific ways. Various other institutions of government have developed policies of direct relevance to – and which impact on – the legislated mandate of the CATHSSETA. Together, they enjoin the organisation to commit resources towards the realisation of such stated government policy imperatives.

### 7.1 Constitutional Mandate

Section 29 of the Constitution provides for all South Africans the basic right to education. It states that everyone has the right:-

- to a basic education, including adult basic education; and
- to further education, which the state, through reasonable measures, must make progressively available and accessible.

Working towards this Constitutional imperative, CATHSSETA is established to research and establish a nationally recognised Sector Skills Plan (SSP) that is supported by skills development programmes serving the interests of the following sub-sectors within our economy and society:

- Arts, Culture and Heritage
- Conservation
- Gaming and Lotteries
- Hospitality
- Sport, Recreation and Fitness
- Tourism and Travel Services

### 7.2 Legislative and Regulatory Mandate

#### 7.2.1 Skills Development Act of 1998 (as amended)

The Act prescribes that CATHSSETA should:

- Develop a SSP within the framework of the NSDS and implement it through: establishing learning programmes; approving workplace skills plans and annual training reports; allocating grants in the prescribed manner to employers, education and skills development providers and workers; and monitoring education and skills development in the sector;
- Promote learning programmes by: identifying workplaces for practical work experience; supporting the development of learning materials; improving the facilitation of learning; and assisting in the development of skills provision agreements for different learning programmes;
- Liaise with the National Skills Authority on: the national skills development policy; the national skills development strategy; and its sector skills plan; and
- Submit to the Director-General: any budgets, reports and financial statements on its income and expenditure that it is required to prepare in terms of the Public Finance Management Act (PFMA); any strategic plans and reports on the implementation of its service level agreements; liaise with the provincial offices and labour centres of the Department of Labour and any education body established under any law regulating education in the Republic to improve information (i) about placement opportunities; and (ii) between education and skills development providers and the labour market.

#### 7.2.2 Skills Development Levies Act (1999 as amended)

The Act makes provision for CATHSSETA to collect levies and distribute them by paying a portion thereof into the account of the National Skills Funds and use the remainder in terms of its provision and provisions of the Skills Development Act.



## **7. LEGISLATIVE AND OTHER MANDATES**

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### **7.2.3 Public Finance Management Act (1999 as amended)**

As a Schedule 3 entity, CATHSSETA is obligated to perform to standards and legislated requirements of the PFMA and other associated legislation such as the Broad-Based Black Economic Empowerment Act of 2003, Act No. 53 of 2003.

### **7.2.4 Broad-Based Black Economic Empowerment Act of 2003 (as amended)**

The amended Code Series 300, Statement 300: The General Principles for Measuring Skills Development prescribes compliance targets and weighting points to be claimed by Measured Entities, subject to verifiable expenditure incurred for training black people on various listed learning interventions. The Code determines that “Workplace Skills Plan, an Annual Training Report and PIVOTAL Report which are SETA-approved” will constitute a criteria for Measured Entities to receive points toward their BEE scorecards.

### **7.2.5 Basic Conditions of Employment Act of 1997, Act No 75 of 1997: Sectoral Determination No 5: Learnerships**

The Act enables sectoral determinations that establish binding conditions of employment and rates of allowances for learners in all sectors where SETAs operate. It therefore enjoins the CATHSSETA to observe compliance with such conditions in all the agreements entered into and providing for work-integrated learning.

### **7.2.6 The SETA Grant Regulations, Notice Number 35940 of 2012**

The Regulations repeal the previous regulations, and set out to govern the use of monies received by the SETA and the processes by which such monies may be disbursed. In disbursing the funds, the SETA must set out the output and outcomes in the Annual Performance Plan (APP), and demonstrate how they achieve the objectives of the SSP and the NSDS.

## **7.3 Policy Mandates**

### **7.3.1 National Development Plan**

The National Development Plan sets out a vision for the country for the next 15 years, and is known as Vision 2030. The NDP establishes skills development and education as critical enablers for economic development. Not only is education and training important for economic growth, but also empower people to define their identity, take control of their lives, raise healthy families and play a meaningful role in the broader societal development.

The Plan accepts that education, training and innovation are not a solution to our common national problems, but that they are critical in building our national capacity to solve problems. So addressing our national training and education requires harnessing the capacity of different provider institutions to be effective in delivering on their respective mandates. The plan proposes actions based on five cross-cutting, inter-dependent and implementable themes;

## 7. LEGISLATIVE AND OTHER MANDATES

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- Lay a solid foundation for a long and healthy life, and higher educational and scientific achievement
- Build a properly qualified, professional, competent and committed teaching, academic, research and public service core;
- Build a strong and coherent set of institutions for delivery of quality education, science and technology, training and skills development;
- Expand the production of highly skilled professionals and enhance the innovative capacity of the nation; and
- Create an education and national science system that serves the needs of the society.

To realise these themes, the plan sets out the role of SETAs to facilitate skills development in the following areas;

- Existing businesses;
- Unemployed people who wish to obtain employment in the sector, with emphasis on internships; and
- Training in different levels of the National Qualifications Framework (NQF) required by the sector.

### 7.3.2 National Skills Development Strategy III

The key driving force of this strategy is improving the effectiveness and efficiency of the skills development systems and effective response to the needs of the labour market and social equity. The strategy seeks to establish and promote closer links between employers and training institutions and between both of them and the SETAs. It represents an explicit commitment to encouraging the link between skills development and career paths, career development, and promotion of sustainable employment and career progression.

### 7.3.3 National Skills Accord

The Skills Accord establishes a partnership between the Department of Higher Education and Training (DHET), communities, organised business and organised labour aimed at promoting common skills development and training needs. The Accord has 8 commitments, and commitments 4, 6 and 7 have specific focus on skills planning and the operations of CATHSSETA.

- Commitment 4 – the partners commit to ensure that part of the Mandatory grant (10%) is used for funding workplace training for University of Technology students as well as Technical and Vocational Education and Training (TVET) College graduates.
- Commitment 6 – the partners commit to improving the seniority of their delegations to the boards of SETAs and that organised labour must approve training plans and reports on the shop floor. Therefore, workplace training committees must ensure that their companies plan properly and address the skills needs of workers. SETAs will not release the Mandatory grants unless the training plan and report is signed off by organised labour in the workplace concerned. Protocols will be developed to ensure this process improves the quality of the skills plans.
- Commitment 7 – the partners commit to ensuring that the funding of training through the Skills Development Levy is directed towards training that meets the skills needs of the economy, including the training of professionals, and training programmes that lead to qualifications.

## 7. LEGISLATIVE AND OTHER MANDATES

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### 7.3.4 National Human Resource Development Strategy of South Africa

The National Human Resource Development (HRD) Strategy of South Africa (2010 to 2030) is a social compact distilling the critical skills challenges for the country's socio-economic growth and development. The document also sets out collective commitments for all sectors of society. CATHSSETA, as a leading authority in the arena of skills development in its sector, subscribes and is committed to realising the following national commitments contained in the National HRD Strategy:

- We will urgently overcome the shortages in the supply of people with the priority skills needed for the successful implementation of current strategies to achieve accelerated economic growth;
- We will increase the number of appropriately skilled people to meet the demands of our current and emerging economic and social development priorities;
- We will urgently implement skills development programmes that are purposefully aimed at equipping recipients/citizens with the requisite skills to overcome the related scourges of poverty and unemployment;
- We will ensure that young people have access to education and training that enhances opportunities and increases their chances of success in further vocational training and sustainable employment; and
- We will improve the technological and innovation capability and outcomes within the public and private sectors to enhance our competitiveness in the global economy and to meet our human development priorities.

### 7.3.5 Medium-Term Strategic Framework

The Medium-Term Strategic Framework (MTSF) outlines government priority spending and delivery areas for the period 2014 – 2019. It reflects the commitments made in the election manifesto of the governing party. It sets out the actions the government will take and the targets to be achieved. The MTSF is structured around 14 priority outcomes which cover the focus areas identified in the NDP and government's electoral mandate. Amongst them are the following priority outcomes with direct relevance for the work of CATHSSETA:

- Quality basic education;
- Decent employment through inclusive growth;
- A skilled and capable workforce to support an inclusive growth path;
- Vibrant, equitable, sustainable rural communities contributing towards food security for all;
- Creating a better South Africa and contributing to a better Africa and better world; and
- A diverse, socially cohesive society with a common national identity.

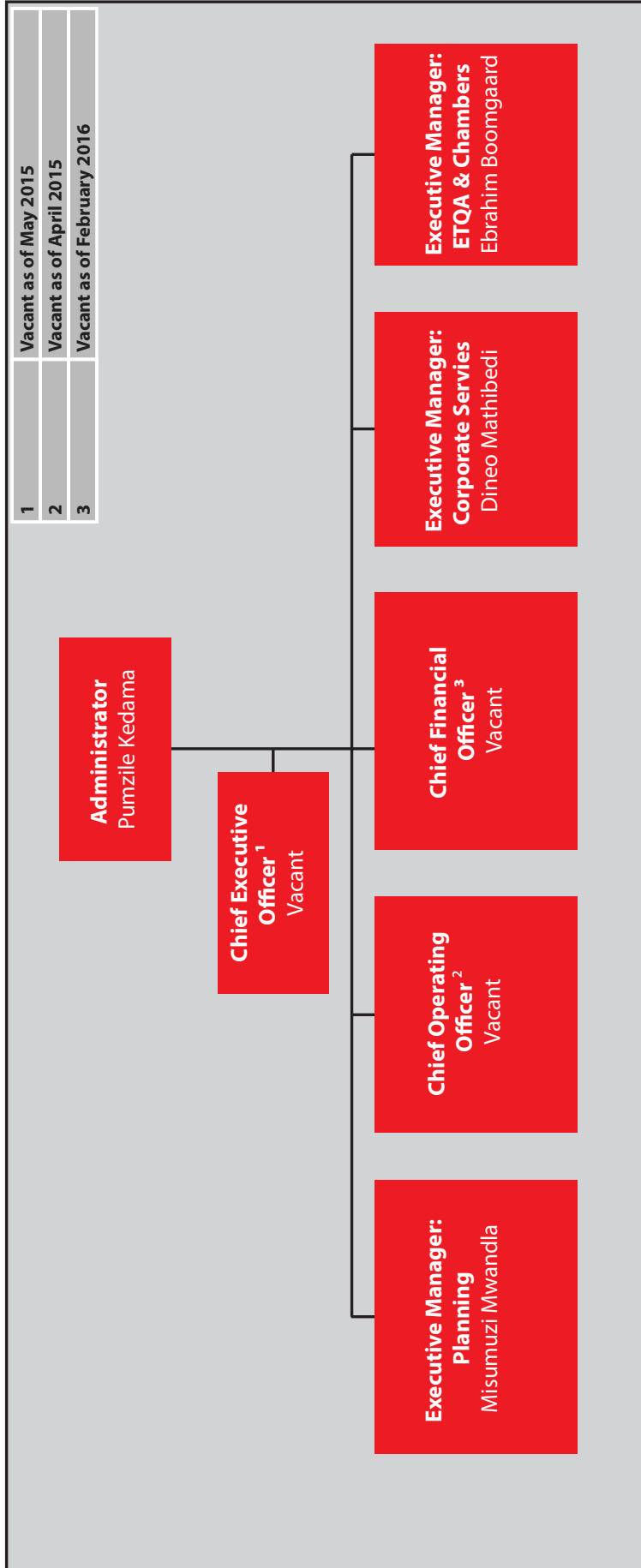
### 7.3.6 White Paper on Post-School Education and Training

The White Paper was developed, amongst other reasons, to ensure a co-ordinated post-school education and training system; expand access; improve quality of provision; and ensure an education and training system that is responsive to citizens and employers as well as broader societal developmental objectives. It seeks to expand the scope of education and training to include even people who could not access formal education.

The White Paper aims to simplify the role of SETAs and build their capacity, in line with their refined roles. In terms of the White Paper, SETAs will continue facilitating development of skills for those in existing enterprises and skills pipelines in workplaces. This means that SETAs will ensure that the skills requirements of their respective industries are understood and catered for by different providers, as contemplated within the policy document. This also means that SETAs will continue collection and supply of credible data from and for employers. In terms of the White Paper, the Mandatory grants will continue being used for data-gathering, while sector training and provider capacity will be catered for through the Discretionary grant system.

## 8. ORGANISATIONAL STRUCTURE

**FIGURE 1: ORGANISATIONAL STRUCTURE**



# PART B

## PERFORMANCE INFORMATION



## 1. SITUATIONAL ANALYSIS

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### 1.1 Service Delivery Environment

CATHSSETA delivers its services to a diverse but very important constituency comprising of the following six (6) sub-sectors: Arts, Culture & Heritage; Conservation; Gaming & Lotteries; Hospitality; Sport, Recreation & Fitness; and Tourism & Travel Services. Each of these sub-sectors is unique and plays a significant role in the economy and in the broader quest for social cohesion and development of a unique South African national identity. The CATHSSETA operating environment is unique in that it is proliferated by small enterprises. This means that many of the employers served by CATHSSETA are invariably exempted from paying the Skills Development Levy (SDL).

The number of small, medium and micro-enterprises (SMMEs) registered and serviced by CATHSSETA has a direct impact on the amount of levies received from the employer organisations for the discretionary grant funding, thus impacting on the capacity of the organisation's financial resources to service the industry's needs. In the 2015/2016 period, of the 26 482 companies registered with CATHSSETA, only 6 297 paid the SDL, amounting to approximately R300 million per annum. The levy-paying organisations ordinarily qualify to claim their levies through the mandatory grant scheme as stipulated in the Skills Development Act. This leaves a significant and increasing gap between skills requirements and the resources available to address such skill shortages from the CATHSSETA budget.

In order to collect accurate, comprehensive and quality information on the true extent of the sector demand for skills development, CATHSSETA has commissioned different research projects in the period under review. These projects will ensure collection of credible and reliable labour market information for skills needs analysis and planning. In addition, an impact assessment study was undertaken into the CATHSSETA learning programmes implemented during the NSDS III period which will provide the SETA with valuable insight on the impact of training on beneficiaries and employers.

Stakeholders and service providers remain critical to the SETAs work and to improve on this relationship in the 2016/2017 financial year, CATHSSETA will extend its physical footprint to establish an operational presence in several TVET colleges in six provinces. This will enhance service accessibility, improve partnerships with TVET colleges, and improve support to work placement opportunities. In this way it will be possible to continue closing the gap between skills development and work experience.

### 1.2 Organisational Environment

In October 2014 the DHET suspended the Accounting Authority (AA) and appointed an Administrator to restore CATHSSETA to a state of normality to deliver on its mandate. The success of this was seen in the achievement of an unqualified audit with matters of emphasis from the Auditor-General for the 2014/2015 financial year. This administration period was extended in October 2015 for a further period of one (1) year.

The responsibility to focus CATHSSETA's strategy towards its policy and legislative mandate commenced immediately after the organisation was put under administration. There was thus a need to align the organisation's structure to its revised strategy. The organisational development processes were undertaken in the course of 2015/2016 to develop an organisational structure to realise the goals and objectives of the CATHSSETA strategy. A further intention of the organisational re-structuring process was to ensure that the organisation was more accessible to critical stakeholders, *i.e.* employers, learners and providers. The implementation of the new structure is set to commence in the 2016/2017 period.

## 1. SITUATIONAL ANALYSIS

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### 1.3 Key policy developments and legislative changes

During the year under review, no significant policy and legislative changes were effected. However, the Minister of Higher Education and Training issued a proclamation in October 2015 extending the National Skills Development Strategy III from 1 April 2016 to 31 March 2018. In parallel with this extension the Minister issued a proclamation, in October 2015, re-establishing the 21 SETAs for a further period of two years.

By proclamation in Government Gazette No. 39288 of October 2015, the Director-General for Higher Education and Training extended the appointment of the Administrator for CATHSSETA for a further period of 12 months.

### 1.4 Strategic Outcome-Oriented Goals

This section outlines progress made towards the achievement of the organisation's strategic outcome-oriented goals for the period under review.

#### **Strategic Goal 1: Improve stakeholder participation in CATHSSETA sector skills development activities**

Stakeholders are an important partner in all skills development activities. The promotion and dissemination of CATHSSETA compliance and implementation information in relation to skills development, as well as support of career and vocational guidance, form a key component of the CATHSSETA Communications Department's function. During the period under review various media and events were utilised to improve stakeholder participation.

#### **Strategic Goal 2: Develop sector capacity to deliver skills development programmes informed by sector research and business intelligence**

Research is a key component in providing evidence to inform decision making, policy review and strategy formulation and to improve upon systems and services within the SETA. Two research projects aligned to the CATHSSETA research agenda were initiated in the period under review. The objectives of these research projects were to (i) assess the impact of CATHSSETA learning programmes in the NSDS III period, and to (ii) determine the various factors influencing the demand and supply of skills in the labour market. A partnership with the national Department of Tourism to conduct a skills audit of the sector is currently underway, the results of which will inform the National Tourism Human Resource Development Strategy. A total of five masters and two PhD students, funded by CATHSSETA bursaries, have successfully contributed to additional research in the sector, with a further 11 post-graduate students expected to complete their studies by the end of 2016. The success of these various research initiatives provides the required sector and business intelligence to inform key strategic interventions to address the skills needs and constraints to effective recruitment, and utilisation and development of skills in the CATHSSETA sector.

#### **Strategic Goal 3: Coordinate delivery of learning interventions**

Through partnerships, mainly with public TVET colleges, CATHSSETA has successfully created delivery platforms for learning programmes such as work-integrated learning and capacity-building interventions. The TVET partnerships have further increased access to rural areas in the provinces. The strategic intent of establishing regional offices within TVET colleges was to enhance and strengthen delivery structures.

# 1. SITUATIONAL ANALYSIS

## Strategic Goal 4: Improve CATHSSETA competence in delivering to the mandate

Functional governance structures continued to ensure the organisation delivered on its mandate effectively. The internal capacity and capability of Information and Communications Technology was enhanced during the reporting period to mitigate the risk of poor business performance and non-achievement of strategic objectives. However, lack of capacity and capability in the knowledge management area led to the non-achievement of strategic objectives. The marketing and communications function successfully increased the use of information-sharing platforms, thus ensuring better engagement and communication with stakeholders. In the new financial year there will be renewed focus on the areas where challenges were experienced, through (i) the appointment of employees with requisite skills and (ii) commissioning of relevant systems.

## 2. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

The structure of reporting of achievements against pre-determined objectives has been reformed for the period under review. Whereas previously achievements were reported to include both SETA- and industry-funded achievements, this report only details SETA-funded achievements, and is reflected linked to the applicable budget. Thus, it should be noted that achievement of certain targets from the previous financial year appears higher when compared to the achievements reported for the 2015/16 period.

### 2.1 Programme 1: Administration

The purpose of this programme is to enable the CATHSSETA to deliver on the mandate by providing leadership, sound financial management, organisational management, and administrative support. This programme is made up of the following sub-programmes: Finance, Human Resources, Marketing and Communications, Knowledge Management and Information Technology.

Table 2: Programme 1: Administration – sub-programmes

Strategic objective 1.1.1	Comply with SCM performance imperatives
Strategic objective 1.1.2	Comply with financial performance imperatives
Strategic objective 1.2.1	Create an environment that enables performance
Strategic objective 1.2.2	Comply with Occupational Health and Safety Act
Strategic objective 1.3.1	Promote CATHSSETA to stakeholders
Strategic objective 1.3.2	Strengthen CATHSSETA Brand
Strategic objective 1.4.1	Ensure system availability



## 2. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

### Strategic objectives, performance indicators, planned targets and actual achievements

Table 3: Sub-programme 1.1: Finance

Strategic Objective	Key Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation From Planned Target to Actual Achievement for 2015/2016	Comment on deviations
Comply with SCM performance imperatives	% of procurement requests finalised within prescribed time	New Target	100%	100%	0	Target achieved, no deviation
	# audit rating of SCM compliance to relevant regulations	New Target	3	3	0	Target achieved, no deviation
Comply with financial performance imperatives	% of reduction in the number of wasteful and fruitless expenditure transactions	New Target	100%	78%	-22%	The target was achieved at 100% in quarter 4. We incurred wasteful and fruitless expenditure in quarter 3 and details are provided in the AFS section
	% of reduction irregular expenditure from past financial year	New Target	100%	100%	0	Details of irregular expenditure are provided in the AFS section
	% of variance of spend to approved operating budget	18%	10%	10%	0	The excess portion from the original was condoned. Reflected in the AFS.
	% of grant funds disbursed within agreed turnaround from approval	New Target	95%	96%	+1%	The percentage of grants disbursed within the agreed turnaround time was met and exceeded, details are provided in the AFS section
	% of payments processed within 30 calendar days	100%	90%	96%	+6%	Payments processed within 30 calendar days improved due to effective financial management controls introduced in 2015/16.
	# audit rating of finance compliance to relevant regulations	New Target	3	3	0	Target achieved, no deviation

## 2. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

### Strategic objectives, performance indicators, planned targets and actual achievements

Table 4: Human Resources

Strategic Objective	Key Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation From Planned Target to Actual Achievement for 2015/2016	Comment on deviations
Create an environment that enables performance	% of employee vacancy rate	New Target	15%	27%	-12%	The vacancy rate was not able to be maintained at 15%. Refer to details provided in Part D of this report.
	% employee turnover	New Target	20%	10%	+10%	The organisation managed to maintain a lower employee turnover rate than planned. Refer to details provided in Part D of this report.
	% of payroll budget spent on training	14.51%	1%	0.3%	-0.7%	Only a limited amount of training took place.
	% of people with disability	0%	1%	0%	-1%	The positions could not be filled and the process is in progress
	% of women in senior management	58%	60%	76%	+16%	The targeted percentage of women in senior management was exceeded. The majority of employees in the talent pipeline are women.

## 2. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

### Strategic objectives, performance indicators, planned targets and actual achievements

Table 5: Sub-programme 1.3: Marketing and Communications

Strategic Objective	Key Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation From Planned Target to Actual Achievement for 2015/2016	Comment on deviations
Promote CATHSSETA to stakeholders	% stakeholder awareness of CATHSSETA	New Target	70%	0%	-70%	Stakeholder awareness survey was not completed by the end of the financial year due to capacity constraints.
Strengthen CATHSSETA brand	% of CATHSSETA campaign milestones achieved	New Target	100%	100%	0	Target achieved, no deviation.
	# brand strength rating index	1	1	0	-1	Brand strength rating could not be conducted before end of the financial year as planned due to unaccomplished state of readiness by the organisation to undergo this exercise.
Improve our information-sharing platforms	% growth in the use of all CATHSSETA information sharing platforms	New Target	20%	315%	+295%	Target over-achieved. For some time there was no activity in this space as a result of not having personnel to maximise the use of platforms. A lot of interest in this area was on mandatory and discretionary grant applications and on our AGM, as most activities took place when we shared information about these topics.
	% bounce-back on e-mail contact	New Target	20%	11%	+9%	Target over-achieved because of the increase in the number of stakeholder engagements using e-mails. Efforts were made to clean the stakeholder data files before communication with stakeholders.
Update the CATHSSETA stakeholder database	% bounce-back on sms contact	New Target	20%	0%	-20%	No bulk SMS communication was sent to stakeholders as there is no platform for this function. The KPI will be reviewed in the next financial year.

## 2. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

### Strategic objectives, performance indicators, planned targets and actual achievements

Table 6: Sub-programme 1.4: Information and Technology

Strategic Objective	Key Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation From Planned Target to Actual Achievement for 2015/2016	Comment on deviations
Ensure system availability	% business disaster recovery plan milestones achieved	New Target	100%	75%	-25%	The target was not met in Q1 due to lack of internal capacity; Q2-Q4 targets were met due to the appointment of an IT Specialist
	% system availability	New Target	99.9%	99.9%	0	Target achieved, no deviation
	% achievement of SLA agreement with outsourced services	New Target	100%	56%	-44%	The target was not met due to lack of internal capacity; the appointment of an IT Specialist has assisted in measurement of performance for Q2-4

Table 7: Sub-programme 1.:5 Knowledge Management ( Records Management)

Strategic Objective	Key Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation From Planned Target to Actual Achievement for 2015/2016	Comment on deviations
Ensure availability Information	% of times records are not found	New Target	0%	0%	0%	Target achieved, no deviation
	% of times records are accessed outside the agreed turnaround times	New Target	5%	4%	+1%	Adequate record-keeping ensured that records were available over and above the agreed turnaround times
	% compliance rating with NASA guidelines	New Target	100%	0%	-100%	NASA assessment was not conducted due to the internal unaccomplished state of readiness.

Programme 1, Administration, had a total of 26 KPIs. A total of 15 KPIs were achieved, indicating 58% achievement.

## 2. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

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The focus of the Human Resources programme at a strategic level was to undertake an organisational development intervention aimed at aligning organisational structure, roles, processes and performance requirements with the legislative mandate of CATHSSETA and stakeholder requirements. As a result this initiative impacted on the achievement of Human Resources performance targets which include, amongst others, the reduction of the vacancy rate, spending on training, and appointment of people with disabilities. These targets are informed by the configuration of the organisational structure and associated roles. The outcome of the organisational development intervention was a new organisational structure with revised business processes. Some positions in the old structure were therefore not filled to allow for the change in operational focus and a shift towards recruitment interventions which are aligned with the new organisational structure.

The internal capacity and capability of ICT was enhanced during the reporting period to mitigate the risk of poor business performance and non-achievement of strategic objectives. This led to the achievement of expected outcomes being accelerated between Q2 and Q4. A lack of capacity and capability in the knowledge management area lead to the non-achievement of strategic objectives. There will however be a renewed focus on this, with the appointment of employees with requisite skills and commissioning of relevant knowledge management systems in the new financial year.

The organisational re-design project has been concluded, and revised business processes, new roles and performance outcomes aligned to the strategy and structure have been defined. This will lead to (i) the recruitment of people with the requisite skills; (ii) renewed and targeted focus on the efficiency and effectiveness of the organisation; and (iii) the achievement of strategic objectives. The enhanced capacity and capability should minimise the risk of targets not being met due to a lack of skills.



## 2. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

### 2.2 Programme 2: Governance

The purpose of this programme is to enable CATHSSETA to deliver on its mandate through the provision of corporate governance support services that ensure accountability. This programme is made up of the Office of the Chief Executive Officer.

Table 7: Programme 2: Governance

Strategic objective 2.1.1	Achieve special projects milestones
Strategic objective 2.1.2	Ensure good governance at the CATHSSETA
Strategic objective 2.1.3	Comply with applicable legal imperatives
Strategic objective.2.1.4	Minimise the impact of risk
Strategic objective 2.1.5	Resolve audit findings within agreed times
Strategic objective 2.1.6	Achieve pre-determined strategic objectives
Strategic objective.2.1.7	Comply with corporate governance imperatives
Strategic objective.2.1.8	Achieve customer satisfaction



## 2. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

### Strategic objectives, performance indicators, planned targets and actual achievements

Table 8: Sub-programme 2.1 Chief Executive Officer

Strategic Objective	Key Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation From Planned Target to Actual Achievement for 2015/2016	Comment on deviations
Ensure good governance at the CATHSETA	# of Governance functional structures	New Target	5	5	0	Target achieved, no deviation
Comply with applicable legal imperatives	% of sampled contracts compliant with contractual terms and conditions	New Target	80%	80%	0%	Target achieved, no deviation
	% of compliance with applicable laws and regulations	New Target	100%	100%	0%	Target achieved, no deviation
Minimise the impact of risk	% of mitigation plans implemented	New Target	70%	70%	0%	Target achieved, no deviation
Resolve audit findings within agreed times	% of audit findings resolved within due date	New Target	100%	100%	0%	Target achieved, no deviation
Achieve predetermined strategic objectives	% of achievement of total targets achieved	New Target	100%	60%	-40%	The 60% achievement refers to those KPIs achieved at 100% and over. The majority of the remaining 40% of the targets were achieved between 50 and 99%.
Comply with corporate governance imperatives	# of external audit rating	1	1	1	0	Target achieved, no deviation
Achieve customer satisfaction	# of customer satisfaction index rating	2	2	0	-2	Due to capacity constraints, the survey to assess the customer satisfaction index rating was not conducted.

Programme 2, Governance, had a total of 8 KPIs. A total of 6 KPIs were achieved, indicating a 75% achievement.

## 2. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

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### 2.3 Programme 3: Planning

The purpose of this programme is to provide performance information services that inform management decision-making that lead to the achievement of the CATHSSETA's pre-determined strategic objectives. This programme is made up of the following units: (i) research; (ii) strategy and planning; (iii) monitoring and reporting; and (iv) evaluation.

Table 9: Programme 3: Planning

Strategic objective 3.1.1	Commission CATHSSETA sector research
Strategic objective 3.1.2	Submit AA approved strategy reports to the DHET
Strategic objective 3.1.3	Submit strategy performance reports to DHET
Strategic objective 3.1.4	Improve the impact of strategy planning services within CATHSSETA



## 2. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

### Strategic objectives, performance indicators, planned targets and actual achievements

Table 10: Planning

Strategic Objective	Key Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation From Planned Target to Actual Achievement for 2015/2016	Comment on deviations
Commission CATHSSETA sector research	% of research agenda items achieved	New Target	80%	80%	0	Target achieved, no deviation
	# of research items published on the CATHSSETA research portal	6	6	6	0	Target achieved, no deviation
Submit AA approved strategy reports to the DHET	# of SP submissions submitted	3	3	3	0	Target achieved, no deviation
	# of SSP submissions submitted	3	3	3	0	Target achieved, no deviation
	# of APP submissions submitted	3	3	3	0	Target achieved, no deviation
Submit strategy performance reports to DHET	# of strategy performance reports submitted (Qtr. & APP)	4	5	5	0	Target achieved, no deviation
	% of remedial action plan per quarterly report achieved	New Target	100%	100%	0	Target achieved, no deviation
Improve the impact of strategy planning services within CATHSSETA	# of impact assessment studies conducted	1	1	1	0	Target achieved, no deviation

Programme 3, Planning, had a total of 8 KPIs. A total of 8 KPIs were achieved, indicating 100% achievement.

## 2. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

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### 2.3 Programme 4: Skills Development

The purpose of this programme is facilitate the delivery of the CATHSSETA core mandate of skills development in the CATHSSETA sector. This programme is made up of five sub-programmes: Quality Assurance and Capacity Building, Learning interventions and Grants, Special Projects, Provincial Operations and Chambers.

Table 11: Programme 4: Skills Development

Strategic objective 4.1.1	Build qualifications that are fit for purpose
Strategic objective 4.1.2	Improve training provider compliance with legislated requirements
Strategic objective 4.1.3	Improve the capacity of TVET colleges to deliver skills development interventions
Strategic objective 4.2.1	Increase the number of learners enrolled in PIVOTAL programmes
Strategic objective 4.2.2	Implement sector skills development plans
Strategic objective 4.2.3	Contribute to skills development in the public sector within the CATHSSETA sector
Strategic objective 4.2.4	Improve the payment of Mandatory grants
Strategic objective 4.3.1	Increase support to sectoral small business organisations

## 2. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

### Strategic objectives, performance indicators, planned targets and actual achievements

Table 12: Sub-programme 4.1: Quality Assurance

Strategic Objective	Key Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation From Planned Target To Actual Achievement For 2015/2016	Comment on deviations
Build qualifications that are fit for purpose	# of qualifications applications submitted to QCTO	4	4	2	-2	2 qualifications were submitted during the period under review, and the process for the remaining 2 qualifications was initiated. These will be concluded in the 2016/17 period.
Improve training provider compliance with legislated requirements	# of training providers that are compliant from visits	114	110	110	0	Target achieved, no deviation

## 2. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

Table 13: Sub-programme 4.2: Learning interventions

Strategic Objective	Key Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation From Planned Target to Actual Achievement for 2015/2016	Comment on deviations
Increase the number of learners enrolled in PIVOTAL programmes	# of LEARNERS entering (enrolled) LEARNERSHIP programmes	3783*	600	888	+288	The over-achievement is due to additional strategic projects that the SETA implemented in rural areas.
	# of LEARNERS completing LEARNERSHIP programmes	1136*	300	699	+399	The over-achievement is due to roll over from previous year targets. Projects completed in the 2015/16 fiscal year
	# of LEARNERS entering (enrolled) BURSARY programmes	333	350	498	+148	National priority interventions, resulting in partnerships with NSFAS to provide bursaries to learners.
	# of LEARNERS completing BURSARY programmes	175	175	133	-42	42 Learners, particularly employed learners dropped out of bursary programmes.
	# of LEARNERS entering (enrolled) SKILLS programmes	3804*	500	500	0	Target achieved, no deviation.
	# of LEARNERS completing SKILLS programmes	6592*	250	276	+26	The over-achievement is due to rollover from previous year targets. Projects completed in the 15/16 fiscal year.
	# of LEARNERS entering (enrolled) Work experience and internship programmes	162	320	320	0	Target achieved, no deviation.
	# of LEARNERS completing Work experience and internship programmes	62	260	126	-134	Internship is a 12 month programme. Most learners are in the pipeline and are due to complete in the 2016/17 fiscal year.
	# of ARTISANS entering training programmes	363*	100	100	0	Target achieved, no deviation.
	# of ARTISANS completing training programmes	201*	50	89	+39	The overachievement is due to roll over from previous year targets. Projects completed in the 2015/16 fiscal year.

\* Note: the actual achievement reported for the 2014/15 period includes both SETA- and industry-funded Table 17:

## 2. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

Table 14: Sub-programme 4.3: Special programmes

Strategic Objective	Key Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation From Planned Target to Actual Achievement for 2015/2016	Comment on deviations
To increase support to sectoral small business organisations	# of sectoral small business enterprises directly supported	1478	800	800	0	Target achieved, no deviation.
	# of unemployed youth from rural areas supported	New Target	250	250	0	Target achieved, no deviation.
Improve the capacity of TVET colleges to deliver skills development interventions	# of TVET staff entering training programmes	0	50	50	0	Target achieved, no deviation.
	# of TVET staff completing training programmes	0	50	47	-3	3 Learners dropped out of the training programme.
	# of TVET staff exposed to industry	0	200	150	-50	50 Learners dropped out of the training programme during the course of the programme.
	# of NCV level 4 learners placed in a WIL programme	1082	700	505	-195	Learner throughput from the college was insufficient, thus learners could not be placed in WIL programmes.
	# of N6 learners placed in a WIL programme		500	-299	-191	Learner throughput from the college was insufficient, thus learners could not be placed in WIL programmes.
# of TVET college staff trained on OD-ETDP per college	New Target	100	21	-79	There was low intake on the programme by the TVET Colleges.	
Build qualifications that are fit for purpose	# of CATHSSETA learning programmes licenced to TVET colleges	New Target	5	5	0	Target achieved, no deviation.
	# of TVET programmes submitted for approval	New Target	1	0	-1	The TVET programmes received did not meet the approval criteria.
Implement rural development projects	# of rural development projects	New Target	6	6	0	Target achieved, no deviation.

## 2. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

Table 15: Sub-programme 4.4: Provincial Operations

Strategic Objective	Key Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation From Planned Target to Actual Achievement for 2015/2016	Comment on deviations
Increase CATHSETA stakeholder support	# of provincial offices established	New Target	4	4	0	Target achieved, no deviation
	% achievement of the provincial business plan	New Target	30%	30%	0%	Target achieved, no deviation

## 2. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

Table 16: Sub-Programme 4.5: Chambers

Strategic Objective	Key Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation From Planned Target to Actual Achievement For 2015/2016	Comment on deviations
To implement skills development in the chambers	% achievement of the chamber skills development business plan	New Target	100%	100%	0	Target achieved, no deviation
	# of subsector career guides developed	6	6	6	0	Target achieved, no deviation
	# of sector career guidance events	25	15	15	0	Target achieved, no deviation
	# of skills development forums attended	6	9	9	0	Target achieved, no deviation
Contribute to skills development in the sector	# of MOUs concluded with relevant sector employers	16	8	3	-5	All MoU partnerships were under review in 2015/16 and therefore the process of signing new partnerships slowed down
	% increase of sector-funded learning interventions	New Target	10%	-42%	-52%	CATHSSETA internal capacity to support and monitor sector funded training was inadequate and therefore could not track and report all sector-funded training.
Improve the payment of Mandatory grant	# learners supported through industry-funded interventions	2739	3154	2237	-917	CATHSSETA internal capacity to support and monitor sector funded was inadequate and therefore could not track and report all sector funded training.
	% of Mandatory grant applications evaluated	100%	100%	100%	0	Target achieved, no deviation
	# Levy-paying employers directly supported through Mandatory grants	2739	850	884	+34	Target over-achieved due to new organisations added and claiming Mandatory grants.

**Programme 4, Skills Development, had a total of 34 KPIs. A total of 22 KPIs were achieved, indicating 65% achievement.**

### 3. LINKING PERFORMANCE WITH BUDGETS

Programme/activity/objective	2015/2016			2014/2015		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Programme 1: Administration</b>	<b>39 578</b>	<b>67 778</b>	<b>(28 200)</b>		<b>*New Programme</b>	
Sub-programme 1.1: Finance	17 174	26 499	(9 935)			
Sub-programme 1.2: Human Resources	2 903	3 253	(350)			
Sub-programme 1.3: Marketing and Communications	3 862	4 066	(204)			
Sub-programme 1.4: Information Technology	1 176	3 630	(2 454)			
Sub-programme 1.5: Knowledge Management (Records Management)	1 455	1 508	(53)			
<b>Programme 2: Governance</b>						
Sub-programme 2.1: Chief Executive Officer	13 008	28 822	(15 814)		<b>*New Programme</b>	
<b>Programme 3: Planning</b>	<b>9 977</b>	<b>6 673</b>	<b>3 304</b>		<b>*New Programme</b>	
<b>Programme 4: Skills Development</b>	<b>222 066</b>	<b>181 992</b>	<b>72 966</b>		<b>*New Programme</b>	
Sub-Programme 4.1: Quality Assurance and Capacity Building	5 050	1 078	3 972			
Sub-Programme 4.2: Learning Interventions and Grants	220 550	168 065	52 485			
Sub-Programme 4.3: Special Projects	13 032	9 442	6 560			
Sub-Programme 4.4: Provincial Operations	2 970	2 132	838			
Sub-Programme 4.5: Chambers	10 386	1 275	9 111			

\* Programmes were revised from 17 programmes in 2014/2015 to 4 in 2015/2016



# PART C

## GOVERNANCE



# GOVERNANCE

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## 1. INTRODUCTION

CATHSSETA is a juristic body governed by the CATHSSETA constitution and established in terms of the Skills Development Act 97 of 1998 (the Act). The primary objective of CATHSSETA is to fulfil the requirements of the Skills Development Act and its attendant regulations as well as to strive to achieve, for its specific sector, the goals as set out in the National Skills Development Strategy III.

In reporting on its governance, CATHSSETA aims to provide a fair account of the activities of the governance structures during the administration period in compliance with the National Treasury guidelines.

## 2. PORTFOLIO COMMITTEE

Parliament is the legislative arm of the Republic with two houses, the National Assembly and the National Council of Provinces. The CATHSSETA reports on a periodic basis to the respective committees of the National Assembly on its affairs as per the committee programmes. Parliament exercises its role through evaluating the performance of the CATHSSETA by interrogating its annual financial statements and performance information. In the year under review CATHSSETA met with the Select Portfolio Committee on Arts, Culture and Heritage; and the Select Committee on Education and Recreation. The key issues that were raised by Committees were provincial allocations discrepancies and emphasis on the language policy and communication strategy of CATHSSETA to reach rural provinces. CATHSSETA was further encouraged to get involved in promoting Arts and Culture centres in provinces.

## 3. EXECUTIVE AUTHORITY

CATHSSETA is a schedule 3A Public Entity reporting to the Department of Higher Education and Training. The Minister of Higher Education and Training is the SETA Executive Authority (EA).

During the year under review, the Director-General for Higher Education and Training issued Government Gazette No. 39288 of October 2015 to extend the appointment of an Administrator for CATHSSETA for a further period of 12 months. The main reports submitted to the EA include the Quarterly Monitoring Report, Youth Report, Rural Projects and Strategic Integrated Projects Report. All reports were accepted by the EA without raising any issues.

## 4. ACCOUNTING AUTHORITY

The Accounting Authority is the Administrator. The Administrator, on assumption of duty, took over from the CATHSSETA Board and in terms of the gazette assumed the highest decision-making position in CATHSSETA. This meant that besides the gazetted responsibilities and powers (detailed below), the Administrator is still required to ensure compliance with the Public Finance Management Act, 1999 (Act No 1 of 1999). The PFMA requires that the Board of any public entity should provide the organisation with strategic direction, ensure effective internal controls, proper governance, accountability, compliance with statutory requirements and management of institutional risk. Additionally, the Administrator is required to liaise with stakeholders and establish the prescribed Joint Working Committees.



## GOVERNANCE

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### The role of the Accounting Authority/Administrator

In terms of the aforesaid Government Gazette, the Administrator has the following powers:

- Take over the role of the Accounting Authority of the CATHSSETA as provided for in the Public Finance Management Act, 1999 (Act No 1 of 1999) and the relevant regulations;
- Review the terms and conditions of employment of the Chief Executive Officer, Chief Financial Officer and other employees of the CATHSSETA where necessary;
- Review general governance policies of the CATHSSETA in terms of any applicable law;
- Suspend, institute disciplinary proceedings or replace, where it is necessary, any of the officials of the CATHSSETA for reasons as contemplated in terms of relevant legislation;
- Consult widely with the relevant stakeholders within the sector in order to adopt a standard constitution of the CATHSSETA in terms of section 13 of the Act and other relevant legislation for approval and publication by the Minister of Higher Education and Training;
- Facilitate the appointment of a new CATHSSETA Accounting Authority;
- Ensure proper management of the CATHSSETA funds in liaison with the Department of Higher Education and Training using relevant provisions of the Act and as provided for in the Public Finance Management Act, 1999 and the relevant regulations; and
- Make rules relating to CATHSSETA, financial matters, general procurement and administrative matter which are in accordance with the provision of the Constitution of the Republic of South Africa, the Act or any other applicable law.

### The responsibilities of the Accounting Authority/Administrator

The same Government Gazette makes provision for the following duties for the Administrator:

- The Administrator will work closely with the Chief Executive Officer of the CATHSSETA as well as the affected SETAs to:
- Establish Joint Working Committees comprising of the sector specialist and experts;
- Establish or strengthen joint working committee for the good governance of the CATHSSETA;
- The Administrator will work closely with the Director-General: Higher Education and Training to:
- Perform the functions of the CATHSSETA in terms of the Act, the Public Finance Management Act, 1999 and other relevant legislation;
- Ensure on a monthly basis the submission of progress reports regarding the effective functioning of the CATHSSETA to the Director-General: Higher Education and Training;
- Ensure sufficient funding of all the processes and activities pertaining to the powers and duties as an Administrator from the CATHSSETA budget in terms of the relevant legislative requirements;
- Perform any such other functions as may be delegated or instructed by the Minister or Director-General: Higher Education and Training from time to time;
- Facilitation of overall process and attend to disputes resolution, as well as, the management of legal issues as required, and
- Submit a final close out report at the end of the 12 months period of administration .

## GOVERNANCE

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### Committees

In order to benefit from the wisdom of expert practitioners and improve corporate governance, the Administrator decided to establish critical committees to advise him on governance issues. These committees are: the Audit and Risk Committee, the Human Resource and Finance Committee, and the Joint Working Committees.

#### Audit and Risk Committee

Since the appointment of the Administrator, the roles and responsibilities of the Audit Committee were performed by the Administrator, and this included the review of the internal audit reports and other operational matters.

The Audit and Risk Committee members were appointed in May 2015 and they considered the 2015/16 annual financial statements and the annual report. Additional and further details of this Committee will be attended to under the Audit and Risk Committee report below. In absence of a Board, the Administrator as Accounting Authority approved and subsequently submitted the Annual Report to the Department of Higher Education and Training, National Treasury and the Auditor General within the period prescribed by the PFMA.

The Audit Committee has not recommended any changes to the accounting policies as at 31 March 2016.

#### Audit and Risk Committee: Chaired by Mr Andile Nongogo

CATHSSETA established this committee that has met four times and consisted of the following members.

Table 17: Audit and Risk Committee

Name of Members	Number of Meetings
Mr. Andile Nongogo	4
Ms Nompumelelo Mokou	2
Ms Lesego Mothlamme	3

#### Human Resource and Finance Committee: Chaired by Ms. Ndileka Nobaxa

CATHSSETA established the new Human Resource and Finance Committee that only met once and comprised of the following members.

Table 18: Human Resource and Finance Committee

Name of Members	Number of Meetings
Mr. Thami Xulu	1
Mrs Ntombizodwa Ndhlovu	1
Mr. Gregory Fredericks	1
Ms. Ndileka Nobaxa	1

## GOVERNANCE

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### The role and responsibilities of the Human Resource and Finance Committee included:

- Recommending policies that maintain & sustain the integrity of the organisation as well as its resources (i.e. human and financial resources).
- Reviewing and recommending medium to long-term financial plan for the organisation
- Reviewing and recommending an annual operating budget together with the annual capital expenditures.
- Reviewing and recommending the annual salary increases and/or bonuses (or ex gratia payments) for staff.
- Reviewing and recommending the annual staff performance ratings for the senior personnel within the organisation (including recommending their employment) as well as reviewing recruitment & succession plans.
- Monitoring the financial performance of the organisation against approved budgets.
- Requiring and monitoring corrective actions to bring the organisation into compliance with its budgets and other financial targets.
- Carrying out such other activities within the scope of its primary purpose or as the Accounting Authority may from time to time delegate to it.

### Joint Working Committees

The following joint working committees, comprised of sector experts, were established with the primary function of providing policy advice and support to the Administrator in respect of matters relevant to their respective sub-sectors:

### Sport, Recreation and Fitness Committee: Chaired by Mr Gregory Fredericks

Table 19: Sport, Recreation and Fitness Committee

Name of Members	Number of meetings held
Mr Gregory Fredericks	4
Ms Muditambi Ravele	1
Mr Mlungisi Ncame	2
Ms Ezero Shabangu	1
Mr Xolani Ndlovu	3
Ms Nthabiseng Molongoana	3
Ms Suzanne Ferrera	1

## GOVERNANCE

### Arts, Culture and Heritage Committee: Chaired by Mr Luvuyo Ngubelanga

Table 20: Arts, Culture and Heritage Committee

Name of Members	Number of meetings held
Mr Kevan Jones	3
Ms Bulelwa Bam	2
Mr Kurt Egelhof	3
Mr Sello Maake KaNcube	3
Ms Nomatlou Johanna Mahlangu	4
Mr Luvuyo Ngubelanga	3

### Conservation Committee: Chaired by Mr Sakhiwo Belot

Table 21: Conservation Committee

Name of Members	Number of meetings held
Dr Glenda Raven	3
Mr Adam Pires	3
Mrs Maria O'Connor	2
Dr Sibusiso Manzini	3
Mr Sakhiwo Belot	4

### Gaming and Lotteries Committee: Chaired by Ms Matilda Gasela

Table 22: Gaming and Lotteries Committee

Name of Members	Number of meetings held
Ms Ndileka Nobaxa	3
Mr Luvuyo Tshoko	3
Ms Matilda Gasela	3
Mr Eddie Lalumbe	3
Ms Zukiswa Ntlangula	2

## GOVERNANCE

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### Hospitality Committee: Chaired by Mr Mkululi Pakade

Table 23: Hospitality Committee

Name of Members	Number of meetings held
Ms Tshidi Mkhosana	3
Mr Mkululi Pakade	1
Ms Nompumelelo Mqwebu	3
Ms Doreen Februarie	2

### Tourism and Travel Committee: Chaired by Mr Khayaletu Matiso

Table 24: Tourism and Travel Committee

Name of Members	Number of meetings held
Ms Carol-Anne Cairns	3
Mr Bernard Marobe	3
Ms Lulama Tshabalala	2
Mr Khayaletu Matiso	3
Mr Rich Mkhondo	3

### Remuneration of Committee members

All committees' members' and chairpersons' allowances were paid as reflected in the Annual Financial Statements. Members from government and public entities were not paid a meeting allowance but all members' travel arrangements were covered by CATHSSETA in terms of the circular on remuneration tariffs for office bearers issued by the National Treasury. A detailed account of CATHSSETA committee members is contained in the Finance Section of this report.

## 5. RISK MANAGEMENT

In compliance with the requirements of the PFMA and Treasury Regulations, CATHSSETA has approved a Risk Management Framework, Risk Management Policy and Fraud and Anti-Corruption Policy for the organisation. As part of the requirements of the approved Risk Management Policy, complete risk identification and ranking exercise was conducted. We believe that the risk assessments will be conducted annually to determine and rank the risks facing the organisation. This risk identification is carried out as part of the strategic planning process within the organisation.

The Risk Manager was contracted by CATHSSETA to draft the policies and ensure the governance frameworks are appropriately designed and the platform is established to implement and instil risk management processes within CATHSSETA.

## GOVERNANCE

### 6. INTERNAL CONTROL UNIT

While there is no internal dedicated control unit, control measures are established and exercised by individual manager within their units, with the assistance of the planning and risk management units. Key control measures were performed to ensure sound financial management as well as performance information processes.

### 7. INTERNAL AUDIT AND AUDIT COMMITTEES

According to the PFMA, the Accounting Authority of the CATHSSETA must ensure that the entity has and maintains effective, efficient and transparent systems of financial and risk management and internal controls. Section 27.2.7 of the Treasury Regulations requires that the entity prepare a three-year strategic internal audit plan, based on the assessment of key areas of risk, and having regard to its current operations and those proposed in its strategic plan and its risk management strategy.

In accordance with the definition of internal auditing and the authority to establish and maintain an internal audit function as contained in the PFMA and the Treasury Regulations, CATHSSETA appointed Grant Thornton as an outsourced Internal Auditor resource for the entity.

#### **The objective of the CATHSSETA internal audit function is to:**

- Provide professional, independent and objective assurance and consulting activity designed to add value and improve the operations of CATHSSETA; and
- Assist CATHSSETA to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

#### **The key activities of Internal Audit are to:**

- Ensure value-for-money and value-added recommendations;
- Provide assistance to management to implement and maintain an effective internal control environment;
- Timeously issue reports and regular internal audit follow ups on corrective actions relating to weaknesses identified in previous reviews;
- Perform independent compliance tests/reviews, to ensure controls identified by management have been functioning properly in each division throughout the period under review, and reporting on the results of such reviews;
- Perform efficient and effective audits which are pro-active and promptly reported with the application of suitably-skilled senior staff;
- Ensure adequate visibility of the internal auditors within CATHSSETA;
- Report to the audit committee that there has been compliance with relevant regulations and that controls relating to high-risk areas have been functioning for the period under review;
- Develop and implement a rolling three-year annual audit plan based on CATHSSETA's key areas of risks, including any risks or control concerns identified by management, and submit the plan to the Risk committee for review and approval as well as periodic updates; and
- Consider the scope of work of the external auditors and other assurance providers, as appropriate, for the purpose of providing optimal audit coverage.



## GOVERNANCE

### Audit and Risk Committee: Chaired by Mr Andile Nongogo

Table 25: Audit and Risk Committee

Name of Members	Qualifications	Internal or external	If internal, position at CATHSSETA	Date appointed	Date Resigned	No of Meetings
Mr. A Nongogo	CA (SA)	External	N/A	28 May 2015	N/A	4
Ms N Mokou	CA (SA)	External	N/A	28 May 2015	N/A	2
Ms L Mothlamme	CA (SA)	External	N/A	28 May 2015	N/A	3
Mr P Tsotetsi	CA (SA)	Internal	CFO	01 Oct 2015	01 Feb 2016	1

The three-year internal audit plan was approved by the then audit committee and covered 15 audits as planned for implementation during the year. Management reviewed the risk plan before submission to the audit committee. Six internal audits were performed as per the approved audit plan.

### 8. COMPLIANCE WITH LAWS AND REGULATIONS

In order to ensure compliance with the laws and regulations, CATHSSETA embarked on a process of reviewing all its policies and contracts. A legal firm was appointed to review policies and contracts to ensure full compliance. Where necessary, legal actions were instituted against those who breached the PFMA.

### 9. FRAUD AND CORRUPTION

The CATHSSETA Fraud and Corruption Plan was adopted by the Risk and Audit Committee and approved by the Administrator. A Fraud Hotline, managed by an external service provider, was set up. Reports received are followed up and investigated accordingly.

### 10. MINIMISING CONFLICT OF INTEREST

The CATHSSETA staff signed an annual Declaration of Interest register. The current members of the joint working committee on Human Resources and the Finance committee, also signed the register.

The Bid Adjudication Committee (BAC) has also been duly appointed. All individuals who are involved in the bidding processes (evaluation and adjudication of bids) are required to declare any interest prior to proceeding with the process. Any individual who may be conflicted is excused from the process of either evaluating or adjudicating on the bid. Any individual who participates in the evaluation of a bid is not allowed to adjudicate on the same bid if they happen to be a member of the BAC. External members and service providers are further appointed to be part of the evaluation processes.

## GOVERNANCE

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### 11. CODE OF CONDUCT

The CATHSSETA's code of conduct is contained in the Human Resources policy. The SETA standard constitution further provides for a code of conduct for committee members and executive management outlining corporate governance and the roles of all committees.

### 12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The CATHSSETA cares for its employees and their work environment and seeks to ensure, as far as it is reasonably possible, the health and safety of all employees in the workplace and all other persons conducting business on its premises.

The CATHSSETA is committed to the fulfilment of the requirements stipulated in the Occupational Health and Safety Act 85 of 1993, and to this end a Health and Safety committee was established. It monitors the health and safety of employees and their work environment.

### 13. COMPANY/BOARD SECRETARY

In the year under review, CATHSSETA did not have a company or board secretary.

### 14. SOCIAL RESPONSIBILITY

The following previously-used equipment was donated to Rhodes University: 24 iPads, 16 laptops, 4 desktop computers, 2 servers and 3 printers.



## 15. Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2016.

### Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

### The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity revealed certain weaknesses, which were then raised with the public entity.

The following internal audit work was completed during the year under review:

- Financial and operating control review
- Human Resource and payroll review
- Grants Allocation and Utilisation / Projects & Learnerships
- Audit of Performance Information
- Supply Chain Management review
- Review of the IFS and the AFS
- Quarterly APP compliance audits

### In-Year Management and Monthly/Quarterly Report

The public entity has reported monthly and quarterly to the Treasury as is required by the PFMA.

### Evaluation of Financial Statements

During the year we have performed the following:

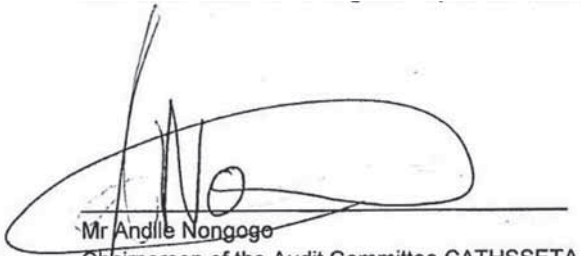
- Review and discussion of the audited / unaudited annual financial statements to be included in the annual report, with the Auditor-General and the Administrator
- Review of the Auditor-General's management report and management's response thereto
- Review of the entity's compliance with legal and regulatory provisions
- Review of the information on predetermined objectives to be included in the annual report
- Review of significant adjustments resulting from the audit
- Review of the quality and timeliness of the financial information availed to the Audit Committee for oversight purposes during the year such as interim financial statements

## Auditor's Report

We have reviewed the entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved.

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

In addition, the committee notes the positive excellent Auditor-General's audit outcome, as it provides a good indication that issues which contributed to CATHSSETA being placed under administration have been significantly dealt with, thus the Committee highlights this improvement.



Mr Andile Nongogo  
Chairperson of the Audit Committee CATHSSETA  
28 July 2016



# PART D

## HUMAN RESOURCES MANAGEMENT



# HUMAN RESOURCES MANAGEMENT

## 1. INTRODUCTION

The purpose of the Human Resources function is to ensure that CATHSSETA has the right talent with the requisite skills to enable CATHSSETA to achieve its mandate. The Human Resources function at a strategic level focused on organisational development (OD) interventions aimed at enhancing the performance of CATHSSETA. The organisational development interventions included business process mapping, organisational redesign, a skills audit, new job descriptions, job evaluations and job grading. The organisational development intervention also resulted in a new organisational structure with decentralised operations. The decentralisation of operations will enhance CATHSSETA's footprint and geographic reach as well as capacity and capability to coordinate the development and implementation of learning programmes throughout South Africa in line with the mandate. Furthermore, this strategic approach will ensure that CATHSSETA becomes accessible and visible in locations wherein beneficiaries and stakeholders are able to access services directly.

The other outcomes of the OD project included; the rearrangement of Corporate Services and Finance departments, introduction of the Office of the COO, introduction of a Senior Management layer to provide for focused functional leadership, as well as the introduction of a Regional Management structure for better core business service delivery and elimination of inefficiencies. The skills audit highlighted skills deficiencies within CATHSSETA, this led to a need to advertise all positions in the new structure to ensure that people appointed into the new roles have the appropriate qualifications and skills that are required to enable improved organisational performance. The recruitment process aligned with the new structure commenced in December 2015. The new positions were advertised in various media platforms to enable the attraction of both internal and external applicants with the view to appoint suitable candidates by 01 April 2016. All employees were given an opportunity to apply for positions. CATHSSETA managed to successfully place all employees who applied for new positions, however some staff members opted to leave at the expiration of their employment contracts.

CATHSSETA also embarked on an organisation wide policy review process. This process is aimed at ensuring that all policies are in line with the strategic goals, legislative requirements and best practice.

As at 31 March 2016, CATHSSETA had a total of 78 employees on a fixed term limited duration contract of employment. A total of 34 terminations were recorded in the year under review. These terminations were primarily due to the fixed term contracts ending automatically at the end of the financial year, resignations and dismissals due to misconduct. A total of 14 new employees were appointed during the period under review. Furthermore, CATHSSETA employed a total of 24 interns on a one year internship programme. The internship programme is aimed at giving unemployed graduates workplace experience.

## HUMAN RESOURCES OVERSIGHT STATISTICS

Programme/activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Programme 1: Administration	67 778	18 286	26.98%	46	397
Programme 2: Corporate Governance	-	-	-	-	-
Programme 3: Planning	6 673	3 702	55.48%	7	528
Programme 4: Skills Development	181 992	18 639	10.24%	43	433

Table 26: Personnel cost by programme/activity/objective

## HUMAN RESOURCES MANAGEMENT

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	3 580	8.85%	3	1 193
Senior Management	5 066	12.53%	6	844
Professional qualified	11 631	28.75%	24	485
Skilled	9 973	24.66%	20	499
Semi-skilled	10 197	25.21%	43	237
Unskilled	-	-	0	-
TOTAL	40 447*	100%	96	421

Table 27: Personnel cost by salary band

\* This figure includes personnel expenditure for interns.

Programme/activity/objective	Performance rewards (R'000)	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	65	3 580	0.16%
Senior Management	223	5 066	0.55%
Professional qualified	548	11 631	1.35%
Skilled	482	9 973	1.19%
Semi-skilled	711	10 197	1.76%
Unskilled	-	-	-
TOTAL	2 031	40 447	5.02%

Table 28: Performance rewards

Performance rewards were awarded to 76 employees who were employed at CATHSSETA at the time. Employees who left CATHSSETA prior to the *ex-gratia* payments or who commenced employment after the payments were made during the period under review would not have been affected.

## HUMAN RESOURCES MANAGEMENT

Programme/activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
Programmes 1 - 4	40 627	142	0.3%	23	

Table 29: Training Costs

Programme/activity/objective	2014/2015 No. of Employees	2015/2016 Approved Posts	2015/2016 No. of Employees	2015/2016 Vacancies	% of vacancies
Programmes 1- 4	80	101	78	23	23%

Table 30: Employment and vacancies

	2014/2015 No. of Employees	2015/2016 Approved Posts	2015/2016 Vacancies	% of vacancies
Top Management	3	3	2	67%
Senior Management	8	6	3	50%
Professional qualified	23	24	5	21%
Skilled	15	24	6	25%
Semi-skilled	31	44	7	16%
Unskilled	-	-	-	-
TOTAL	80	101	23	23%

Table 31: Employment and vacancies per level



## HUMAN RESOURCES MANAGEMENT

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	3	0	2	1
Senior Management	3	3	3	3
Professional qualified	19	5	5	19
Skilled	18	2	7	13
Semi-skilled	37	4	15	26
Unskilled	0	0	0	0
<b>Total</b>	<b>80</b>	<b>14</b>	<b>32</b>	<b>62</b>

Table 32: Employment Changes

Reason	Number	% of total no. of staff leaving
Death	-	-
Resignation	13	31%
Dismissal	7	17%
Retirement	-	-
Expiry of contract	22	52%
<b>Total</b>	<b>42</b>	<b>100%</b>

Table 33: Reasons for staff leaving

During the year under review 13 employees resigned from CATHSSETA, of which five employees signed settlement agreements. Of the 13 resignations, only three positions were considered to be filled urgently and appointments were made accordingly. Due to the OD and restructuring exercise, certain positions were not filled. During the year CATHSSETA instituted disciplinary action against a number of employees by following a disciplinary process in line with CATHSSETA policy and procedure. Following due process in all instances, six employees were dismissed for disciplinary reasons and one was retrenched for operational reasons. Due to the organisational development process 13 employees opted not to apply for any positions and allowed their contracts to come to an end. Nine employees were on short, fixed-term contracts.

## HUMAN RESOURCES MANAGEMENT

Nature of disciplinary action	Number
Verbal Warning	1
Written Warning	8
Final Written warning	1
Dismissal	6
Suspended	11

Table 34: Labour Relations: Misconduct and disciplinary action

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	3							
Senior Management	2		1					
Professional qualified	4							
Skilled	6				1			
Semi-skilled	4							
Unskilled								
<b>TOTAL</b>	<b>19</b>		<b>1</b>		<b>1</b>			

Table 35: Equity Target and Employment Equity Status

## HUMAN RESOURCES MANAGEMENT

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-							
Senior Management	3							
Professional qualified	15		3		1		1	
Skilled	12						1	
Semi-skilled	36				1			
Unskilled								
<b>TOTAL</b>	<b>66</b>		<b>3</b>		<b>2</b>		<b>2</b>	

Table 36: Equity Target and Employment Equity Status

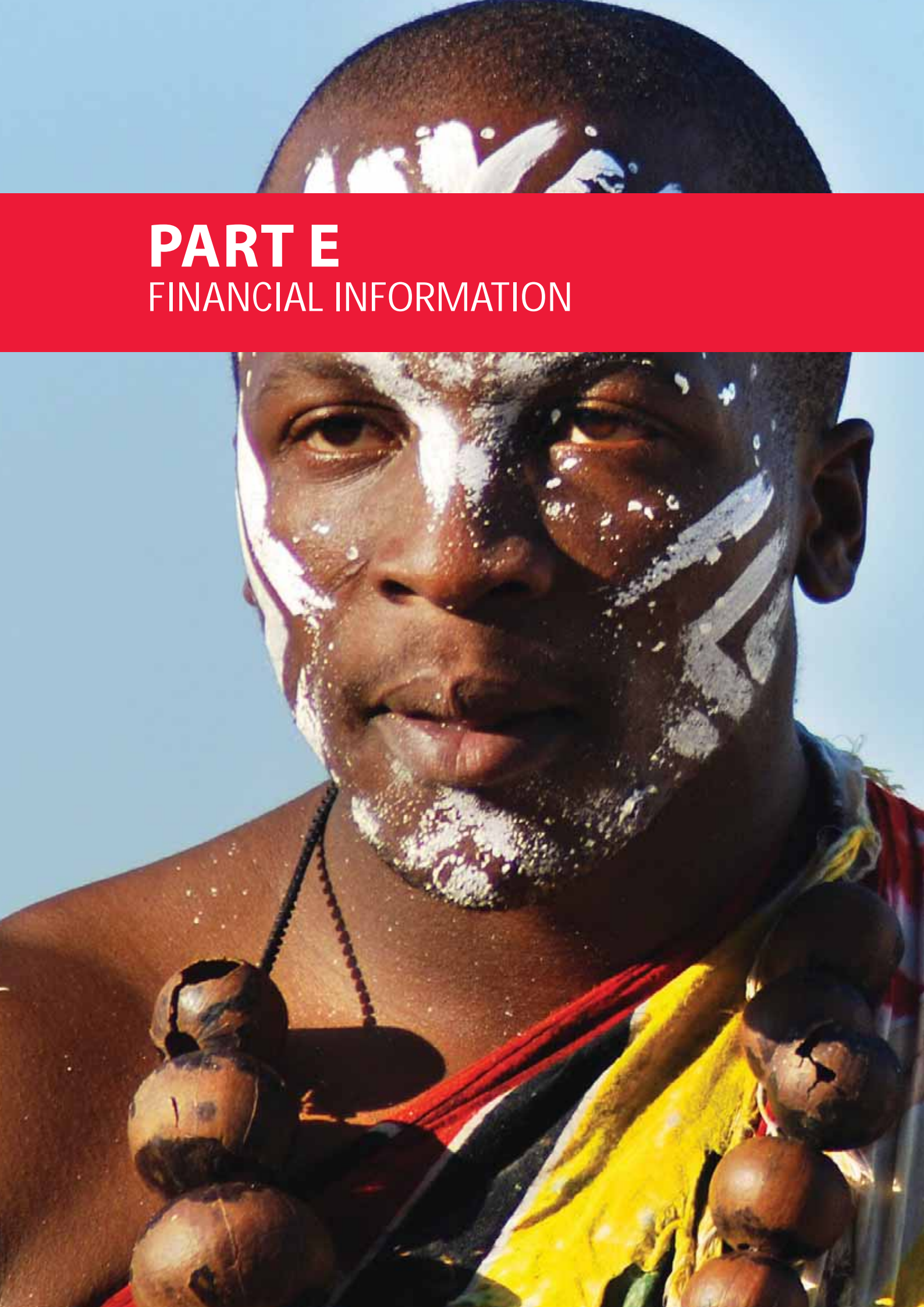
Levels	Disabled Staff							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	-	-	-	-	-	-	-
Senior Management	-	-	-	-	-	-	-	-
Professional qualified	-	-	-	-	-	-	-	-
Skilled	-	-	-	-	-	-	-	-
Semi-skilled	-	-	-	-	-	-	-	-
Unskilled	-	-	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-	-	-

Table 37: Disabled Staff



# PART E

## FINANCIAL INFORMATION





The Annual Financial Statements for the year ended 31 March 2016, set out on pages 67 to 106 have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directions and directives issued by the Accounting Standards Board, and are signed on behalf of CATHSSETA by:

**MW Shezi**  
Chief Financial Officer

**PE Kedama**  
Administrator



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# Report of the Auditor-General to Parliament on the Culture, Arts, Tourism, Hospitality and Sports Sector Education and Training Authority

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the financial statements of the Culture, Arts, Tourism, Hospitality and Sports Sector Education and Training Authority (CATHSSETA) set out on pages 67 to 106, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance and other comprehensive income, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting authority's responsibility on 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 the South African Standards of Generally Recognised Accounting Practices (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA) and the Skills Development Act, 1998 (Act No.97 of 1998) (SDA) 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 the financial statements based on my audit. I conducted my audit in accordance with the 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 audit opinion.

### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the CATHSSETA as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA and SDA.





### Emphasis of matter

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

### Restatement of corresponding figures

8. As disclosed in note 21 of the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of an error discovered during 2016 in the financial statements of the CATHSSETA, at and for the year ended, 31 March 2015.

### Additional matter

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

### SETA administration

10. The director-general of the Department of Higher Education and Training placed the CATHSSETA under administration, thereby suspending all members of the accounting authority and the constitution of the SETA. An administrator was appointed to take over the SETA's administration with effect from 15 October 2014.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programme presented in the annual performance report of the entity for the year ended 31 March 2016:

- Programme 4: Skills development, on pages 33 and 39

13. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

14. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

15. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected programme.

### Additional matter

16. Although I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matter:

### Achievement of planned targets

17. Refer to the annual performance report on pages 23 - 39 for information on the achievement of the planned targets for the year.

### Compliance with legislation

18. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

### 19. Internal control

20. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal controls.

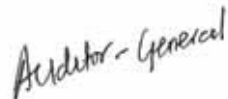
### Other reports

I draw attention to the following engagements that could potentially impact on CATHSSETA's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed:

### Investigations

An investigation was done by an independent consulting firm based on allegations of fraud in the payment of mandatory grants. The forensic investigation results indicated that the former employee misdirected mandatory grant payments for employers into his private bank account between the period 2010 and 2014. Legal action was instituted to recover the R5,3 million from the former employee for the undue benefit. The case has been subsequently transferred to the asset and forfeiture unit within the National Prosecuting Authority, since the amount is over R5 million.

Auditor-General



Pretoria  
31 July 2016.



Auditing to build public confidence

Accounting Authority's responsibilities and approval

The Accounting Authority is charged by the Public Finance Management Act of 1999 (PFMA) with the responsibility to maintain adequate accounting records and is responsible for the content and integrity of annual financial statements and related financial information in this report. It is the Accounting Authority's responsibility to ensure that the annual financial statements fairly represent the state of affairs for the entity as at the end of the financial year and the results of its operations and cash flow for the period then ended, in conformity with South African Standards of Generally Recognised Accounting Practice (Standards of GRAP) including any interpretations of such statement by the Accounting Standards Board. The external auditors are engaged to express an independent opinion on these annual financial statements.

The Accounting Authority is of the opinion, based on the information and explanations given by management; that the system of internal control provided a reasonable assurance that the financial records may be realised on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or losses.

The annual financial statements have been prepared in accordance with Standards of GRAP including any interpretations, guidelines and directives.

The Annual Financial Statements set out on pages 67 to 106 which have been prepared on the basis of accounting policies applicable to a going concern, were approved by the Accounting Authority on 31 July 2016.



**PE Kedama**

**Administrator: CATHSSETA**

Annual Financial Statements

Statement of the Financial Position as at 31 March 2016

	Note(s)	R '000	R '000 Restated
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	30	366	701
Receivables from non-exchange transactions	9.1	2 857	2 630
Receivables from exchange transactions	9.2	1 782	1 224
Cash and cash equivalents	10	254 982	194 077
		<b>259 987</b>	<b>198 632</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	8.1	1 798	2 072
Intangible assets	8.2	-	6
		<b>1 798</b>	<b>2078</b>
<b>Total Assets</b>		<b>261 785</b>	<b>200 710</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transaction	13.1	38 093	21 138
Payables from non-exchange transactions	13.2	20 293	19 390
Donor funding	14	1 062	1 062
Provisions	15.1&15.2	8 462	6 792
		<b>67 910</b>	<b>48 382</b>
<b>Non-current liabilities</b>			
Long term liabilities	12	42	356
<b>Total Liabilities</b>		<b>67 952</b>	<b>48 738</b>
<b>Net Assets</b>		<b>193 833</b>	<b>151 972</b>
<b>Reserves</b>			
Revaluation reserve		531	531
Employer grant reserve		42	42
Administration grant reserve		2 797	2 797
Discretionary grant reserve		190 463	148 603
<b>Total Net Assets</b>		<b>193 833</b>	<b>151 972</b>

	Note(s)	2016 R '000	2015 R '000 Restated
<b>Revenue</b>			
Interest received – investment	4	11 393	8 299
<b>Total revenue from exchange transactions</b>		<b>11 393</b>	<b>8 299</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Skills Development Levy: Income	3.1	296 763	269 929
Skills Development Levy: Interest and Penalties	3.2	8 270	6 246
<b>Total revenue from non-exchange transactions</b>		<b>305 033</b>	<b>276 175</b>
<b>Total revenue</b>		<b>316 426</b>	<b>284 474</b>
<b>Expenditure</b>			
Employer grants and project expenses	6	(205 976)	(179 660)
Administration expenses	7	(68 516)	(66 900)
<b>Total expenditure</b>		<b>(274 492)</b>	<b>(246 560)</b>
Loss on disposal of assets	5.2	(74)	(140)
<b>Net surplus / (deficit) for the year</b>		<b>41 860</b>	<b>37 774</b>

## Annual Financial Statements

## Statement of Changes in Net Assets for the year ended 31 March 2016

	Revaluation reserve R '000	Employer grant reserve R '000	Administration reserve R '000	Discretionary reserve R '000	Total reserves R '000	Unappropriated reserve R '000	Total net assets R '000
<b>Balance at 31 March 2013</b>		<b>1 090</b>	<b>3 028</b>	<b>91 063</b>	<b>95 181</b>		<b>95 181</b>
Prior year error adjustment				433	433		433
Surplus for the year		-				18 053	18 053
Application of unappropriated surplus		32 462	303	(14 713)	18 053	(18 053)	-
Excess reserves transferred to / (from) Discretionary		(33 511)	(535)	34 046	-	-	-
<b>Restated Balance as at 1 April 2014</b>		<b>41</b>	<b>2 797</b>	<b>110 830</b>	<b>113 667</b>		<b>113 667</b>
Surplus for the year		-	-			38 262	38 262
Revaluation	531				531		531
Prior year adjustment			165	(653)	(488)		(488)
Application of unappropriated surplus/(deficit)		9 999	(28 567)	56 829	38 262	(38 262)	
Excess reserves transferred to/(from) discretionary		(9 999)	28 402	(18 403)	-	-	-
<b>Restated Balance at 31 March 2015</b>	<b>531</b>	<b>41</b>	<b>2 797</b>	<b>148 603</b>	<b>151 972</b>		<b>151 972</b>
Surplus for the year		-				41 860	41 860
Application of unappropriated surplus/(deficit)		27 494	(30 203)	44 569	41 860	(41 860)	-
Excess reserves transferred to/(from) discretionary		(27 494)	30 203	(2 709)	-	-	-
<b>Balance at 31 March 2016</b>	<b>531</b>	<b>41</b>	<b>2 797</b>	<b>190 463</b>	<b>193 833</b>		<b>193 833</b>

## Annual Financial Statements

## Cash Flow Statement for the year ended 31 March 2016

		2016	2015
		R'000	Restated R'000
<b>Cash receipts from stakeholders</b>			
Levies, interest and penalties received		304 247	273 869
Interest income	4	11 393	8 299
		<b>315 640</b>	<b>282 168</b>
<b>Cash payments to stakeholders, suppliers and employees</b>			
Employer grants payments		(45 919)	(59 521)
Discretionary grants and projects payments		(160 057)	(122 544)
Payments to suppliers and employees		(47 603)	(64 353)
		<b>(253 579)</b>	<b>(246 418)</b>
<b>Net cash flows from operating activities</b>	16	<b>62 061</b>	<b>35 750</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8.1	(842)	(906)
Disposal of Property, Plant and Equipment		-	1 460
<b>Net cash flows from investing activities</b>		<b>(842)</b>	<b>554</b>
<b>Cash flows from financing activities</b>			
Decrease in long term liabilities		(314)	(1 297)
<b>Net cash inflow from financing activities</b>		<b>(314)</b>	<b>(1 297)</b>
<b>Net increase in cash and cash equivalents</b>		60 905	35 007
Cash and cash equivalents at the beginning of the year		194 077	159 070
<b>Cash and cash equivalents at the end of the year</b>	10	<b>254 982</b>	<b>194 077</b>

## Annual Financial Statements

## Statement of Comparison of Budget and Actual Amounts for the Year Ended 31 March 2016

	Approved Budget	Final Budget	Actual Amounts on Comparable Basis	Difference: Final Budget and Actual
	R'000	R'000	R'000	R'000
<b>REVENUE</b>				
Non-exchange revenue				
Skills Development Levy: Admin	39 578	39 578	38 387	(1 191)
Skills Development Levy: Employer	75 386	75 386	73 413	(1 973)
Skills Development Levy: Discretionary	186 580	186 580	180 232	(6 349)
Skills Development Levy: Penalties and interest	-	-	8 270	8 270
<b>Exchange revenue</b>				
Investment Income	-	-	11 393	11 393
Other Income	-	-	4 731	4 731
<b>Total Revenue (24.1.2)</b>	<b>301 544</b>	<b>301 544</b>	<b>316 426</b>	<b>14 882</b>
<b>EXPENSES</b>				
Employer Grants and Projects expenses	(261 966)	(232 544)	(205 976)	26 568
Administration expenses (24.1.4)	(39 578)	(69 000)	(68 516)	484
<b>Total Expenses</b>	<b>(301 544)</b>	<b>(301 544)</b>	<b>(274 493)</b>	<b>27 052</b>
Loss on disposal of assets	-	-	(74)	(74)
<b>Net Surplus/(deficit)</b>	<b>-</b>	<b>-</b>	<b>41 860</b>	<b>41 860</b>

Refer to Note 24 for explanation of variances.



## 1. Presentation of Financial Statements

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

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rands. Unless otherwise stated all financial figures have been rounded off to the nearest one thousand rand (R'000).

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

### 1.1 Going concern assumption

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

CATHSSETA's licence has been extended by the Minister of Higher Education and Training until 31st March 2018.

#### 1.1.1. Key sources of estimation uncertainty

##### Useful economic lives of property, plant and equipment

Depreciation of plant and other assets is charged so to write down the value of these assets to their residual value over their respective estimated useful life. The Accounting Authority is required to assess useful life and residual values of assets so that the depreciation is charged on a systematic basis to the current carrying amount. It is the policy to write off the assets over their useful life estimated by the organisation. Refer to note 1.2 for further disclosure

##### Fair values of financial instruments

##### Accounts payable and receivables

Cathsseta has presented their financial statements in accordance with the presentation requirements of GRAP 104 (Financial Instruments). In accordance Cathsseta records its financial instruments on its Statement of Financial Position at fair value.

#### 1.1.2. Cash and cash equivalents

Cash and Cash equivalents are stated at cost which approximates fair value. (Refer to note 10 for further disclosures).

## 1.2. Property, plant and equipment

### Initial Measurement

Property, plant and equipment is initially measured at cost.

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

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

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

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

### Subsequent Measurement

Items of property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

### Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. The depreciation of assets commences on the date that the asset is available for use, even if it is not yet in use.

The following rates are used:

- Computer Equipment 2 – 16 years
- Office furniture and equipment 2 - 26 years
- Motor vehicles 5 years

The useful lives of the property, plant and equipment are assessed annually.

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 operating profit.

### Impairment

All items of property, plant and equipment are reviewed for any impairment indicators at each reporting date.

Where the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The recoverable amount is the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognised in the surplus or deficit for the period.

### Residual Values

The assets residual value and useful lives are reviewed annually, and adjusted if appropriate, at each statement of financial position date.

**Derecognition**

The carrying amount of an item of property plant and equipment is derecognised on disposal or when there are no future economic benefits expected from its use or disposal.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of financial performance.

**Repairs and Maintenance**

All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

**1.3. Intangible Assets**

An intangible asset is recognised when it is probable that the expected future economic benefits, service potential that are attributable to the asset will flow to the entity; and the cost or fair value of the asset can be measured reliably.

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

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

**Initial Measurement**

Intangible assets are initially recognised at cost. Where an intangible asset is acquired at no cost or for a nominal cost, the cost is measured at its fair value as at its acquisition date.

Where an intangible asset is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

**Subsequent measurement**

Subsequent to initial recognition, an intangible asset is carried at cost less accumulated amortisation and any accumulated impairment losses.

**Amortisation**

Amortisation is charged so as to write off the cost of intangible assets with finite useful lives over their estimated useful lives using the straight-line method. Amortisation commences when the intangible asset is ready for its intended use.

The annual amortisation charges are based on the following estimated average asset lives:

- Software 3 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

**Impairment**

At each year end, the entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered impairment. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment losses are recognised as an expense immediately. Management is of the opinion that there were no indication of impairment of assets for the year under review.

**Derecognition**

An intangible asset is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

**1.4. Inventory and Consumables**

Inventory consists of stationery, promotional materials and other consumables to be consumed in the rendering of services.

Inventory is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the entity and they can be measured reliably.

**Initial Measurement**

Inventory, which comprises of consumables and stationery on hand, is initially measured at cost. Inventory acquired through a non-exchange transactions is stated at fair value at the date of acquisition. The cost of inventories is assigned using the first-in, first-out (FIFO) formula.

All items are kept in inventory and disclosed as an expense in the period of actual usage. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and costs necessary to make the sale.

**Subsequent Measurement**

When inventories are exchanged or distributed, the carrying amount of those inventories are recognised as an expense when the goods are distributed, or related service is rendered.

**1.5. Leases**

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

**1.5.1. Finance Leases**

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a long term obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are charged to the statement of financial performance.

**1.5.2. Operating leases**

Operating leases are charged against income in equal instalments over the period of the lease period.

**1.6. Retirement benefit costs**

The entity contributes to retirement benefits on a defined contribution plans whose assets are held in separate trustee-administered funds that is subject to the Pension Funds Act, 1956 as amended. Contributions are at a rate of 7% of pensionable emoluments by CATHSSETA and which members (employees) contribute 6%.

The entity's contributions to the defined contribution plans are charged to the Statement of Financial Performance in the year to which they relate and no further liability is provided for. The contributions expense is disclosed under a separate heading as part of employee costs in the Statement of Financial Performance.

**1.7. Provisions**

Provisions are recognised when the SETA 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.

**1.7.1. Provision for employee entitlements**

The cost of other employee benefits (not recognised as retirement benefits - see note 1.8 above) is recognised during the period in which the employee renders the related services. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the Statement of Financial Position date. Provisions included in the Statement of Financial Position are provisions for bonuses and termination benefits. Leave (based on the current salary rates) are accrued at year end.

Termination benefits are recognised and expensed only when payment is made.

**1.7.2. Provision for grants****Mandatory Grant payments**

A provision is recognised for grant payments once the specific criteria set out in the regulations to the Skills Development Act, 97 of 1998 has been complied with by member companies and it is probable that the SETA will approve the payment.

**Projects**

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.

**1.8. Contingent Liabilities / Discretionary Grant Commitments**

The entity discloses contingent liabilities when:

- Possible obligation arising due to past event whose existence will only be confirmed by occurrence or non-occurrence of uncertain future events not wholly within control of entity; or
- Present obligation arising due to past event not recognised because uncertainty of timing or amount or probable outflow.

**1.9. PREPAID EXPENSES**

A prepaid expense is a payment, other than for inventory or capital assets, before the criteria for expense recognition have been met (i.e. before receipt of goods or services). The payment is expected to yield economic benefits over one or more future periods. This is recognised in the period it is expended.

**1.10. Taxation**

No provision has been made for taxation, as the SETA is exempt from income tax in terms of Section 10 of the Income Tax Act, 1962 (Act 58 of 1962).

**1.11. Value Added Taxation (VAT)**

The Revenue Laws Amendment Act, 2003 (Act No.45 of 2003) commenced on 22 December 2003. Previously, the definition of enterprise placed CATHSSETA as listed in Schedule 3A within the scope of VAT. The Amendment Act, however, has amended this definition of enterprise and effectively places the public entity outside the scope of VAT. The amended definition of enterprise came into operation with effect 01 April 2005.

**1.12. Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the SETA, and these benefits can be measured reliably. Revenue is categorised as either exchange revenue and non-exchange revenue.

Revenue is measured at the fair value of the consideration received or receivable and is based on the information provided by the Department of Higher Education and Training.

**1.12.1. Non-exchange revenue**

Revenue from non-exchange transactions refers to transactions where the entity receives revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no obligation to repay the amount.

**1.12.1.1. Levy income transfer**

Skills Development Levy (SDL) transfers are recognised when it is probable that future economic benefit will flow to the SETA, and these benefits can be measured reliably. This occurs when the Department of Higher Education (DHET) makes an allocation or payment to the SETA, as required by Section 8 of the Skills development Levies Act, 1999, Act 9 of 2001 (as amended).

In terms of section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No. 9 of 1999), registered member companies of the SETA with an annual payroll of more than R 500 000 pay a skills development levy of 1% of the total payroll cost to the South African Revenue Services (SARS).

The SETA refunds amounts to employers in the form of grants, based on information from SARS. Where SARS retrospectively amends the information on levies collected, it may result in grants that have been paid to some employers that are in excess of the amount the SETA is permitted to have refunded the particular employer. A receivable relating to the overpayment to an employer in earlier periods is raised at the amount of such grant over payment, net of bad debts and provision for irrecoverable amounts.

From 1 August 2005 employers with a wage/salary bill of less than R500 000 per annum were exempted from the payment of the 1% skills levy. Some employers continued contributing the levy payments, as the Skills Levy Act makes provision for the repayment of levies not due, the entity provides for these levies received as a creditor. This estimate is calculated using a yearly average to ascertain employers who should be exempted from paying levies. As of 2014 all outstanding amounts for longer than five years are transferred to the Discretionary Reserve.

Revenue is adjusted for Inter-SETA transfers 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 standard operating procedure issued by the DHET.

Voluntary contributions received from public service employers in the national and provincial spheres of government may be used to fund the SETA administration costs and Discretionary grants. These contributions are recognised as revenue when received.

When a new employer is transferred to the SETA, the levies transferred by the former SETA are recognised as

#### 1.12.1.2. Interest and penalties

Interest and penalties on the skills development levy are recognised on the same bases as levy income, on receipt thereof in the SETA's bank account or receipt of allocation information from DHET.

#### 1.12.1.3. Funds allocated by the National Skills Funds for special projects

When Grants are received from NSF that have conditions attached to it, a liability will be recognised to the extent that the conditions have not been met, and will be reduced as the conditions are satisfied with a corresponding increase in revenue.

Property, plant and equipment acquired for NSF Special Projects are capitalised in the financial statements of the SETA, as the SETA controls such assets for the duration of the project. Such assets can however be disposed of only by agreement and specific written instructions from the NSF.

Receivables are recognised when a binding transfer agreement is in place but the cash or other assets have not been received.

#### 1.12.1.4. Government grants and other donor income

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Grants received that are subject to restrictions are separately disclosed with details of the restrictions attached to the asset.

#### 1.12.2. Exchange revenue

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

##### 1.12.2.1. 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.

##### 1.12.2.2. Other Income

Other income is the revenue derived from sale of assets, and is recognised when it is probable that economic benefits or service potential associated with the transaction will flow to the entity; and the revenue can be measured reliably, significant risk and rewards of ownership of the goods / services have been transferred to the purchaser and the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods / services sold.

#### 1.13. Grants and project expenditure

##### 1.13.1. Mandatory grants

The grant payable and the related expenditure are recognised when the employer has submitted an application for a grant in the prescribed form, within the agreed upon cut-off period, and the application has been approved as the payment then becomes probable. The grant is equivalent to 20% of the total levies paid by the employer during the corresponding financial period.

**1.13.2. Discretionary grants**

A SETA may out of any surplus monies determine and allocate discretionary grants to employers, education and training providers and workers of the employers who have submitted an application for a discretionary grant, in the prescribed form, within the agreed upon cut-off period. The grant payable and the related expenditure are recognised when the conditions are complied with.

**1.13.3. Discretionary grant project expenditure**

Project expenditure comprises of;

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the project;
- general administration costs for the use of facilities and other services rendered to or on behalf of SETA
- Such other costs as are specifically chargeable to the SETA under the terms of the contract;
- Salary costs related to projects.

Such costs are allocated using methods that are systematic and rational and are applied consistently to all costs having similar characteristics. Project costs are recognised as expenses in the period in which they are incurred.

**1.14. 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, 1999 (as amended);
- The Skills Development Act, 1998 (as amended);
- The Skills Development Levies Act, 1999 (as amended).

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

Irregular expenditure incurred and identified during the financial year is recorded in the irregular expenditure register. The irregular expenditure register is updated with expenditure duly condoned and / or transferred into accounts receivable where a person liable in law is identified and it is recoverable. Where recovery is not possible, the accounting authority may write-off the amount as debt impairment.

Fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year in which the expenditure was incurred. When the fruitless and wasteful expenditure is recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.15. Financial instruments****Recognition and de-recognition**

A financial asset or liability is recognised when, and only when, CATHSSETA becomes a party to the contractual provisions of the financial instrument.

CATHSSETA derecognises a financial asset when:

- The contractual rights to the cash flows arising from the financial assets have expired or been forfeited by CATHSSETA; or
- It transfers the financial asset including substantially all the risks and rewards of ownership of the asset; or
- It transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.
- A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired.
- The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to another party and consideration received, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement.



Financial instruments recognised in the CATHSSETA balance sheet include cash and cash equivalents, trade and other receivables, trade and other payables.

The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and investments in money market instruments with an original maturity of less than three months.

The carrying amount of cash and cash equivalents is stated at cost, which approximates their fair value.

#### **Trade and other 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 amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate.

#### **Impairment of financial assets**

At each balance sheet date an assessment is made of whether there is any objective evidence of impairment of financial assets. For certain categories of financial asset, such as trade receivables, are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include CATHSSETA's past experience of collecting payments an increase in the number of delayed payments past the average period of 30 days as well as observable changes in national or local economic conditions that correlate with default on receivables.

#### **Financial Liabilities: Trade and Other Payables**

Trade and other payables are initially measured at fair value net of transaction costs. Subsequently they are measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost and of allocating interest expense over the relevant period. The effective interest rate that discounts estimated future cash payments through the expected life of the financial liability or where appropriate, a shorter period. The average credit period is 30 days from date of invoice. CATHSSETA has financial risk management policies in place to ensure that all payables are paid within the credit time frame and in compliance with the Public Finance Management Act, Act 1 of 1999, as amended.

A financial asset or a portion thereof is derecognised when the SETA realises the contractual rights to the benefits specified in the contract, the rights expire, and the SETA surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On de-recognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in equity is included in net surplus or deficit for the period.

A financial liability or a part thereof is derecognised when the obligation specified in the contract is discharged, cancelled, or expires. On de-recognition, the difference between the carrying amount of the financial liability, including related unamortized costs, and the amount paid for it is included in surplus or deficit for the period.

#### **Fair Value Considerations**

The fair values at which financial instruments are carried at the Statement of Financial Position date have been determined using available market values.

Where market values are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values have been estimated using available market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the SETA could realise in the normal course of business.

**1.16. Reserves**

Reserves are sub-classified in the statement of financial position as following reserves:

**Administration reserve:** The balance of this reserve is based on the net value of Property, plant and equipment and Intangible assets. All net income is transferred to the Discretionary Reserve, net deficit is transferred from the Discretionary Reserve. These transfers are done in compliance with the Skills Development Act and Regulations.

**Employer grant reserve:** This reserve is for the payment of newly registered levy payers whose registration date still allows the completion of a WSP. Submission of the WSP will result in Grant payments. All reserves of levy payers who did not complete and submit WSP's are transferred to the Discretionary Reserve.

**Discretionary reserve:** This reserve is for the purpose of Discretionary Grants and Projects in compliance with the Skills Development Act and Regulations.

This sub-classification is made based on the restrictions placed on the distribution of monies received in accordance with the Regulations issued in terms of the Skills Development Act, 1998 (Act No. 97 of 1998).

Member employer company levy payments are set aside in terms of the Skills Development Act and the regulations issued in terms of the Act; for the purpose of the following:

- Administration costs of the SETA,
- Mandatory Workplace Skills Planning / Implementation Grant, and
- Discretionary grants and projects.

In addition, 10% of contributions received from public service employers in the national or provincial spheres of government may be used to pay for its administration costs.

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 for discretionary grants.

The net surplus/deficit is allocated to the administration reserve and the discretionary fund reserve in terms of the Grant Regulations based on the above. The administration reserve comprises of the future depreciation of all administration property, plant and equipment plus the 5% of uncommitted discretionary grant funds at the end of the year.

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

Surplus funds are moved to the discretionary fund reserve from the mandatory grant reserve of grant levies that has not been utilised by submission of a Workplace Skills Plan and Annual Training Report by the deadline set in accordance with the Regulations issued in terms of the Skills Development Act, 1998 (Act No. 97 of 1998) as amended and the excess after the provision for mandatory grants for the current year has been made.

**1.17 Related Party Transactions**

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national/ sphere of government are considered to be related parties.

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.18 Subsequent Events

Subsequent events are all events that occur between the reporting date (31 March) and the date on which the financial statements are authorised for issue by the Executive Authority for tabling in Parliament.

Adjusting events are all the events that confirm the financial performance and the financial position of the entity at year-end. If the impact of the subsequent event is; the financial statements are adjusted accordingly.

Non-adjusting events which take place after the reporting date are not recognised; only a disclosure is made on the financial statements.

### 1.19 Budget Information

Budgets are prepared on an annual basis and compared with actual results on a month to month basis. CATHSSETA presents in the annual financial statements the comparison, the explanations and relevant reconciliation in terms of GRAP 24- Presentation of Budget.

## 2. ALLOCATION OF NET SURPLUS FOR THE YEAR TO RESERVES

	Total Statement of Financial Performance R'000	Administrati on Reserve R'000	Employer Grant Reserves R'000	Discretionary Grants Reserves R'000	Other R'000
<b>2016</b>					
<b>Total revenue</b>	<b>316 426</b>	<b>39 964</b>	<b>73 413</b>	<b>183 386</b>	<b>19 663</b>
Skills development levy: income					
Administration levy income (10%)	39 964	39 964	-	-	-
Mandatory grant levy income (20%)	73 413	-	73 413	-	-
Discretionary grant levy income (50%)	183 386	-	-	183 386	-
SDL: Penalties and interest	8 270	-	-	-	8 270
Investment income	11 393	-	-	-	11 393
<b>Total expenses</b>	<b>(274 567)</b>	<b>(68 516)</b>	<b>(45 919)</b>	<b>(160 057)</b>	<b>(74)</b>
Administration expenses	(68 516)	(68 516)	-	-	-
Other expenses	(74)	-	-	-	(74)
Employer grants	(45 919)	-	(45 919)	-	-
Discretionary grants	(160 057)	-	-	(160 057)	-
<b>Net surplus for the year</b>	<b>41 860)</b>	<b>(28 552)</b>	<b>27 494</b>	<b>23 329</b>	<b>19 589)</b>
<b>2015</b>					
<b>Restated</b>					
<b>Total revenue</b>	<b>284 474</b>	<b>38 640</b>	<b>66 462</b>	<b>164 827</b>	<b>14 545</b>
Skills development levy: income					
Admin levy income 10%)	38 640	38 640	-	-	-
Mandatory grant levy income 20%)	66 462	-	66 462	-	-
Discretionary grant levy income 50%)	164 827	-	-	164 827	-
SDL: Penalties and interest	6 246	-	-	-	6 246
Investment income	8 299	-	-	-	8 299
<b>Total expenses</b>	<b>(246 701)</b>	<b>(66 901)</b>	<b>(56 839)</b>	<b>(122 821)</b>	<b>(140)</b>
Administration expenses	(67 066)	(67 066)	-	-	-
Project expenses	(122 168)	-	-	(122 168)	-
Employer grants	(56 839)	-	(56 839)	-	-
Prior year adjustment	(488)	165	-	(653)	-
Other expenses	(140)	-	-	-	(140)
<b>Net surplus for the year</b>	<b>37 774</b>	<b>(28 261)</b>	<b>9 623</b>	<b>42 006</b>	<b>14 405</b>

**3. LEVY INCOME**

**3.1. Skills development levy**

**2016**

Levy income received from DHET – current period	38 305	73 436	180 186	291 927
Levy income received from DHET – prior period	-	-	-	-
Government levies received	1 577	-	3 154	4 731
Levy provision/(reversal)	57	(71)	(77)	(91)
Inter-SETA transfers in	25	48	122	196
Inter-SETA transfers out	-	-	-	-
<b>Total levy income</b>	<b>39 964</b>	<b>73 413</b>	<b>183 386</b>	<b>296 763</b>

	Administration R'000	Employer Grants R'000	Discretionary Grants R'000	Total R'000
Levy income received from DHET – current period	38 305	73 436	180 186	291 927
Levy income received from DHET – prior period	-	-	-	-
Government levies received	1 577	-	3 154	4 731
Levy provision/(reversal)	57	(71)	(77)	(91)
Inter-SETA transfers in	25	48	122	196
Inter-SETA transfers out	-	-	-	-
<b>Total levy income</b>	<b>39 964</b>	<b>73 413</b>	<b>183 386</b>	<b>296 763</b>

**2015**

Levy income received from DHET – current period	29 758	56 681	140 290	226 391
Levy income received from DHET – prior period	5 379	10 023	25 539	40 914
Government levies received	3 877	-	-	3 877
Levy provision/(reversal)	(338)	(178)	(837)	(1 353)
Inter-SETA transfers in	14	32	50	95
Inter-SETA transfers out	(50)	(96)	(214)	(360)
<b>Total levy income</b>	<b>38 640</b>	<b>66 462</b>	<b>164 827</b>	<b>269 929</b>

Levy income received from DHET – current period	29 758	56 681	140 290	226 391
Levy income received from DHET – prior period	5 379	10 023	25 539	40 914
Government levies received	3 877	-	-	3 877
Levy provision/(reversal)	(338)	(178)	(837)	(1 353)
Inter-SETA transfers in	14	32	50	95
Inter-SETA transfers out	(50)	(96)	(214)	(360)
<b>Total levy income</b>	<b>38 640</b>	<b>66 462</b>	<b>164 827</b>	<b>269 929</b>

**3.2. Penalties and interest**

Penalties received	4 617	3 467
Interest received	3 653	2 778
	<b>8 270</b>	<b>6 245</b>

<b>2016</b>	<b>2015</b>
<b>R'000</b>	<b>R'000</b>

**4. INVESTMENT INCOME**

Interest received

11 393	8 299
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**5. OTHER EXPENSE**

5.1. Loss on disposal of property, plant and equipment

(74)	(140)
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**6. EMPLOYER GRANT AND PROJECT EXPENSES**

	2016	2015
	R'000	R'000
		Restated
Employer grant	45 919	56 463
Discretionary grants	160 057	122 821
Project expenditure	-	376
	<b>205 976</b>	<b>179 660</b>

**7. ADMINISTRATION EXPENSES**

<b>Depreciation and amortization</b>	<b>(1 048)</b>	<b>(2 311)</b>
Depreciation for the year	(1 045)	(1 438)
Amortization for the year	(3)	(14)
Prior period adjustment	-	(859)
<b>Operating lease rentals (minimum lease payments)</b>	<b>(4 334)</b>	<b>(4 697)</b>
Operating lease payments: buildings	(3 514)	(4 045)
Prior period adjustment	-	497
Change in straight line recalculation	(820)	(1 149)
QCTO Contribution	(1 040)	(693)
<b>Maintenance, repairs and running costs</b>	<b>(976)</b>	<b>(697)</b>
Buildings and equipment	(957)	(682)
Fuel and oil motor vehicles	(19)	(15)
Advertising, marketing, promotions & communication	(1 278)	(1 992)
Entertainment expenses	(273)	(853)
<b>Consultancy and service provider fees</b>	<b>(15 525)</b>	<b>(4 846)</b>
Internal audit fees	(2 983)	(959)
Other	(12 543)	(3 877)
External auditor's remuneration	(3 759)	(2 355)
Legal fees	(13 002)	(13 174)
Interest paid	(18)	(87)
Cost of employment	(19 872)	(24 000)
Travel and subsistence	(541)	(1 244)
Staff wellness, training and development	(228)	(354)
<b>Remuneration to members of the accounting authority</b>	<b>(583)</b>	<b>(2 260)</b>
Remuneration as member of the Board and Committees	163	(2 000)
Travel expenses, accommodation and refreshments	41	(196)
Administration expenses	379	(64)

	2016 R'000	2015 Restated R'000
<b>7. ADMINISTRATION EXPENSES continues</b>		
Remuneration to members of the audit committee	(12)	(108)
Other administration expenses	(6 422)	(7 229)
System costs	(1 428)	(1 063)
Printing, stationery and postage	(741)	(1 427)
Telephones	(715)	(589)
Skills development levies	(148)	(249)
Water and lights	<b>(1 281)</b>	<b>(1 066)</b>
Previously reported	(1 281)	(569)
Prior year adjustment	-	(497)
Recruitment costs	(217)	(557)
Security expenses	(848)	(442)
Insurance	(225)	(189)
Rental of motor vehicle	(460)	(1380)
Bank charges	(62)	(69)
Cleaning	(282)	(171)
Subscriptions	(14)	(28)
<b>Total Administration expenses</b>	<b>(68 516)</b>	<b>(66 900)</b>
<b>7.1 Cost of employment</b>	<b>19 017</b>	<b>22 581</b>
Basic salaries	(16 482)	(22 472)
Performance awards *	(1 615)	521
Temporary staff	(42)	(180)
Leave pay	(878)	(450)
<b>Social contributions</b>	<b>(855)</b>	<b>(1 419)</b>
Medical aid	(180)	(325)
Pension fund	(621)	(1 003)
Unemployment Insurance Fund and Worksmen Compensation	(53)	(151)
<b>Total cost of employment</b>	<b>(19 872)</b>	<b>(24 000)</b>
Average number of employees	72	85

**8. NON CURRENT ASSETS**
**8.1. Property, plant and equipment**

	Cost R'000	Accumulated Depreciation R'000	Carrying amount at end of year R'000
<b>2016</b>			
Computer equipment	3 832	(2 977)	855
Office furniture and fittings	2 157	(1 290)	867
Motor vehicles	168	(92)	76
<b>Balance at end of period</b>	<b>6 157</b>	<b>(4 359)</b>	<b>1 798</b>
Leased assets	320	(293)	27
Owned assets	5 837	(4066)	1 771

**2015**
**Restated**

Computer equipment	4 027	(2 784)	1 243
Office furniture and fittings	1 790	(1 069)	721
Motor vehicles	168	(54)	114
<b>Balance at end of period</b>	<b>5 985</b>	<b>(3 907)</b>	<b>2 078</b>
Leased assets	581	(406)	174
Owned assets	5 405	(3 501)	1 904

	Carrying amount at beginning of year* R'000	Revaluation R'000	Additions R'000	Disposals R'000	Depreciation R'000	Carrying amount at end of year R'000
<b>Movement summary 2016</b>						
Computer equipment	1 237	-	331	(48)	(668)	855
Office furniture and fittings	721	-	510	(26)	(339)	867
Motor vehicles	114	-	-	-	(38)	76
<b>Balance at end of period</b>	<b>2 072</b>	<b>-</b>	<b>842</b>	<b>(74)</b>	<b>(1 045)</b>	<b>1 798</b>

\* Restated – refer note 20

**Movement summary 2015**

Computer equipment	1 382	106	879	(115)	(1 016)	1 237
Office furniture and fittings	682	425	27	(18)	(395)	721
Motor vehicles	141	-	-	-	(27)	114
<b>Balance at end of period</b>	<b>2 205</b>	<b>531</b>	<b>906</b>	<b>(132)</b>	<b>(1 438)</b>	<b>2 072</b>

The useful lives and residual values were reviewed at year-end and no change was necessary.

The assets above approximate their fair values and are not encumbered as security for any debt.



**8.2. Intangible assets**
**2016**
**Computer software**

Owned assets

Leased assets

	Cost R'000	Accumulated Depreciation R'000	Carrying amount at end of year R'000
Owned assets	43	(43)	-
Leased assets	-	-	-
	<b>43</b>	<b>(43)</b>	<b>-</b>

**2015**
**Computer software**

Owned assets

Leased assets

Owned assets	43	(37)	6
Leased assets	-	-	-
	<b>43</b>	<b>(37)</b>	<b>6</b>

Carrying amount at beginning of year R'000	Adjustments on carrying amount at beginning of year R'000	Additions R'000	Disposals R'000	Amortisation R'000	Carrying amount at end of year R'000
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**Movement summary 2016**

Computer software	6	-	(3)	(3)	-
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**Movement summary 2015**

Computer software	20	-	-	(14)	6
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The useful lives and residual values of intangibles assets were reviewed at reporting date and no change in their estimates was necessary.

The intangible assets above are not encumbered.

The economic useful life of intangible assets are:

Asset category	Useful life
Software	3 years

<b>2016</b>	<b>2015</b>
<b>R'000</b>	<b>R'000</b>

**9. TRADE AND TRADE RECEIVABLES**
**9.1. Non-exchange transactions**

Employer receivables

Interseta receivable

2 647      2 630

210      -

**2 857      2 630**
**9.2. Exchange transactions**

Sundry debtors

Office rental deposit

1 082      524

700      700

**1 782      1 224**

	2016	2015
	R'000	R'000
<b>10. CASH AND CASH EQUIVALENTS</b>		
Cash at hand and on hand	9 101	25 318
Cash at bank	9 101	25 317
Cash on hand	-	2
Short term investment/instruments	245 882	168 759
<b>Cash and cash equivalents at end of year</b>	<b>254 982</b>	<b>194 077</b>

As required in Treasury Regulation 31.2, National Treasury approved the banks where the bank accounts are held.

Treasury Regulation 31.3 requires that, unless exempted by the National Treasury, the Seta as a public entity that is listed in Schedule 3A of the Act must invest surplus funds with the Corporation for Public Deposits. As the Seta was exempted by the National Treasury from the requirements of Treasury Regulation 31.3 to invest surplus funds with the Corporation for Public Deposits, surplus funds were invested in line with the investment policy as required by Treasury Regulation 31.3.5.

The entity closed three current bank accounts and four call accounts during the year. The decision to close these accounts was taken in order to maximise return on funds invested whilst reducing banking costs.

#### 11. OPERATING LEASES

	2016	Restated 2015
	R'000	R'000
<b>Total of future minimum lease payments under non-cancellable leases</b>		
Not later than a year	4 182	3 837
Later than one year and no later than five years	21 343	25 029
Later than five years	-	495
	<b>25 525</b>	<b>29 362</b>

#### 12. LONG TERM LIABILITIES

##### 12.1. Finance lease relating to printers

Future minimum Lease payments	-	157
No later than one year	-	145
Later than one year less than 5 years	-	12
Future finance charges	-	(8)
<b>Present value of finance liabilities</b>	<b>-</b>	<b>149</b>

**12.1 Finance lease relating to printers** Continued

**Analysed for financial reporting purposes**

Non-Current finance lease liability	-	12
Current finance lease liability	-	137
<b>Finance lease liability</b>	<b>-</b>	<b>149</b>

<b>2016</b>	<b>2015</b>
<b>R'000</b>	<b>R'000</b>

**12.2. Finance lease**
**Future minimum lease payments**

No later than one year	42	191
Later than one year less than 5 years	42	161
Future finance charges	-	30
<b>Present value of finance liabilities</b>	<b>42</b>	<b>181</b>

**Analysed for financial reporting purposes**

Non-current finance lease liability	-	30
Current finance lease liability	42	151
<b>Finance lease liability</b>	<b>42</b>	<b>181</b>

**13. TRADE AND OTHER PAYABLES**
**13.1. Trade and other payables from exchange transaction**

Service provider fees outstanding	14 115	6 523
Administration expense accrual	3 833	2 067
Project expense accrual	16 807	9 935
Operating lease accrual	1 970	1 150
Accrual for leave payments	1 368	1 464
	<b>38 093</b>	<b>21 138</b>

**13.2. Grants and transfers payables from non-exchange transactions**

Skills development grants payable	13.2.1	716	131
SARS reversal grant payable provision	13.2.2	19 577	18 838
Inter-SETA payable		-	421
		<b>20 293</b>	<b>19 389</b>

**13.2.1. Skills development grants payable (Mandatory grants)**

Opening carrying amount	131	3 058
Amount utilised	(131)	(3 058)
Change in estimate	716	131
<b>Closing carrying amount</b>	<b>716</b>	<b>131</b>

**13.2.2 Grant provision**

	2016 R'000	2015 R'000
Opening balance	18 838	1 687
Current year provision	739	17 151
<b>Grants payable</b>	<b>19 577</b>	<b>18 838</b>

The payable was raised for potential claims that were not yet fully assessed in the past. The challenges, pre the administration process, that have now been largely addressed have resulted in the net R17 million on payables being carried over, to cater for subsequent claims that have been received up to now which date back to prior periods, to be paid from this amount for the duration of the prescription period of 3 years, which expires in the 2016/17 financial period.

**14. DONOR FUNDING RECEIVED IN ADVANCE**

Opening balance	1 062	1 062
Closing balance	<b>1 062</b>	<b>1 062</b>

There were no donor funds received during the year since training is yet to be scheduled for funds received in prior periods.

**14.1. Donor funds received in advance per project**

	DEAT R'000	SA Host R'000	Total R'000
<b>Balance at 31 March 2016</b>	<b>440</b>	<b>621</b>	<b>1 062</b>

**15. PROVISION**
**15.1. Employee bonus provision**

	2016 R'000	2015 R'000
Opening carrying amount	2 541	3 082
Amounts utilised	(2 541)	(3 082)
Change in estimate	2 822	2 541
Closing carrying amount	<b>2 822</b>	<b>2 541</b>

	2016 R'000	2015 R'000 Restated
<b>15.2. Provision from non-exchange transactions</b>		
Carrying amount	4 251	2 898
Amount utilised	(2 087)	-
Change in estimate	3 476	1 353
<b>Closing carrying amount</b>	<b>5 640</b>	<b>4 251</b>

**16. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES**

<b>Net income as per statement of financial performance</b>	<b>41 860</b>	<b>37 774</b>
<b>Adjusted for non-cash items:</b>	<b>13 058</b>	<b>(763)</b>
Depreciation	1 048	3 678
Adjustments on property, plant and equipment	74	(199)
Surplus/deficit on disposal of property, plant and equipment	-	140
Prior year error -2014	-	433
Changes in provisions	11 936	(3 488)
<b>Adjustment for working capital</b>	<b>7 143</b>	<b>(1 262)</b>
(Increase) decrease in inventory	336	(345)
Decrease (Increase) in receivables	(785)	(2 305)
Increase (decrease) in payables	7 592	1 388
<b>Cash generated by operations</b>	<b>62 061</b>	<b>35 750</b>

**17. COMMITMENT FUNDS  
2016**

Program me No.	Description	Contingent Commitment (contractual) 1/4/2015 R'000	Additions R'000	Actual Contractual Expenditure / Payments / Write back R'000	Contingent Commitment (contractual) 31/03/2016 R'000
4	Apprenticeship	4 852	5 070	(3 672)	6 250
4	Bursaries	37 449	26 573	(41 368)	22 654
4	Quality assurance	1 481	241	(722)	1 000
4	Events	5 043	1 730	(6 773)	-
4	Infrastructure	100 000	-	(100 000)	-
4	Internship	4 914	14 322	(14 019)	5 217
4	Learnership	53 234	41 829	(38 315)	56 748
4	Project Management	-	8 290	(6 632)	1 658
3	Research	-	4 645	-	4 645
4	Skills programme	32 390	14 886	(12 792)	34 484
4	WIL	12 679	23 374	(22 968)	13 085
	<b>Total</b>	<b>162 342</b>	<b>111 716</b>	<b>(157 272)</b>	<b>145 741</b>

## 17. COMMITMENT FUNDS continues

2015

Program me No.	Description	Contingent Commitment (contractual) 1/4/2015 R'000	Charges/ Additions R'000	Actual Contractual Expenditure R'000	Contingent Commitment (contractual) 31/03/2014 R'000
1	Research and skills planning	9 702	367	(2 520)	7 549
2	Sector middle level skills	86 251	109 344	(69 066)	126 529
3	Artisan development	744	-	(744)	-
5	High level scarce skills	4 905	-	(3 710)	1 195
6	Research for innovation	4 238	400	(3 980)	658
8	Quality Assurance	378	1 190	(87)	1 481
9	FET capacity building	966	10 000	(150)	10 816
10	Low level unemployed skills support	3 767	1 617	(4 204)	1 180
12	Support for COOPS	800	-	(800)	-
13	Support for SMME's	19 494	-	(11 631)	7 863
14	Support for trade unions, NBO' and CBO's	2 195	-	(600)	1 595
16	Career Guidance	11 865	-	(8 389)	3 476
	<b>Total</b>	<b>145 306</b>	<b>122 918</b>	<b>(105 885)</b>	<b>162 342</b>

## Discretionary reserves

2016

The projects are funded from the discretionary reserves. The discretionary reserves disclosed in the Statement of Financial Position as at 31 March 2016 amounts to R190.4 million, which funds the commitments of R145.7 million.

It should be noted that the number of programmes were reduced from 17 to 4 in order to streamline the operations and ensure better delivery of services by the SETA.

**18. RELATED PARTY TRANSACTIONS**

**18.1. Transactions with other SETAs**

All SETAs are under the common control of the Department of Higher Education and all transactions between the SETAs are disclosed, separately, below.

Interest transactions and balances arise due to the movement of employers from one SETA to another. The necessary notifications between the transacting SETAs have therefore been exchanged and where applicable, the necessary payments have been made. No other transactions occurred during the year with other SETAs.

	2015/16 R'000	2014/15 R'000	2015/16 R'000	2014/15 R'000
	Transfers in/(out) during the year	Transfers in/(out) during the year	Receivables / (Payables)	Receivables / (Payables)
NSF	-			
INSETA	-			
SERVICES SETA	156	174	183	174
FASSET		1	1	1
LG SETA	-	86	-	86
MICT SETA	-		-	
W&R SETA	5		26	
	<b>161</b>	<b>261</b>	<b>210</b>	<b>261</b>

**18.2. Remuneration of Key Management  
2016**

Key Personnel	Title	Salary R'000	Bonuses & other perf. based pays R'000	Allowances R'000	Contributions to PF R'000	Contributions to other schemes R'000	Other benefits R'000	Total (R'000)
P Kedama	Administrator	1 610	-	13	-	3	-	1 626
L Mti		1 120	66	1	-	-	-	1 187
P Tsotetsi	CEO	448	-	-	31	4	-	483
Members of Senior Management								0
M Mwandla	SM: Skills Development	888	87	132	62	14	422	1 605
E Boomgaard		827	73	17	58	14	473	1 462
N Nobaxa		637	-	13		1	4	655
K Pebane		669	64	103	51	2	-	889
<b>TOTAL</b>		<b>6 199</b>	<b>290</b>	<b>279</b>	<b>202</b>	<b>38</b>	<b>899</b>	<b>7 907</b>

18.2 Remuneration of Key Management

2015

Key Personnel	Salary R'000	Bonuses & other perf. based pays R'000	Allowances R'000	Contributions to PF R'000	Contributions to other schemes R'000	Other benefits R'000	Total (R'000)
P Kedama (Administrator)	727				1	-	728
L Mti	771				744	-	1 515
M Tsotetsi (Chief Executive Officer)	1 260		120		12	-	1 392
B Keet	1 364	165	195		2	-	1 726
S Simelane-Quntana	803		124	22	7	-	956
<b>Members of Senior Management</b>						-	-
N Ndlovu	480	-	39	-	1	-	520
M Mwandla	896	-	123	52	14	-	1 085
E Boomgaard	777	-	38	53	14	-	882
L Nkabinde	113	-	50	72	0	-	235
<b>TOTAL</b>	<b>7 191</b>	<b>165</b>	<b>689</b>	<b>199</b>	<b>795</b>	<b>-</b>	<b>9 039</b>

18.3. Remuneration of Audit, HR and Finance Committees

2016

Name of Member	Audit & Risk Committee R'000	HR &FinCom R'000	Allowances R'000	Other benefits R'000	Total R'000
L Motlhamme	4		3	-	7
N Mokou	4		0	-	4
N Nobaxa		18	1	-	19
N Ndhlovu		4	0	-	4
S Ferreira		2	1	-	3
<b>TOTAL</b>	<b>8</b>	<b>24</b>	<b>5</b>	<b>-</b>	<b>37</b>



18.4. Remuneration of Working Committee Members

2016

Name of Member	JWC- Arts & Culture R'000	JWC- Conservation R'000	JWC- Tourism R'000	JWC- Hospitality R'000	JWC- Gaming R'000	JWC- Sports R'000	Allowances R'000	Total (R'000)
A Pires		7					1	8
B Marobe			4				4	8
B Bam	-						-	-
C Cairns			7				1	8
D February				9			3	12
K Jones	9						1	10
K Matiso			1				-	1
K Egelhof	11						1	12
L Tshabalala			2				3	5
L Tshoko					-		0	0
L Ngubelanga	-						4	4
M O'Connor		-					1	1
M Gasela					-		7	7
M Pakade				14			-	14
M Ncame						2		2
M Ravele						4	1	5
N Nobaxa					9		2	11
N Mahlangu	13						4	17
N Mqwebu				7			1	8
N Mologona						7	1	8
R Mkondru			11				1	12
S Belot		7					0	7
S Maake	4						0	5
S Manzini		7					0	7
T Mkhosana				7			0	7
X Ndlovu						4	-	4
Z Ntlangula					4		0	4
<b>TOTAL</b>	<b>37</b>	<b>20</b>	<b>25</b>	<b>36</b>	<b>13</b>	<b>17</b>	<b>36</b>	<b>187</b>

## 18.5 Remuneration of Working Committee (Governance)

2015

Member	BOARD			EXCO		OTHER COMMITTEES		Total (R'000)
	Amount R'000	Attendance R'000	Travel R'000	Amount R'000	Travel R'000	Amount R'000	Travel R'000	
Advocate B Madumisa	61	81	1	13	0	24	1	181
B Magqaza	59	66	3	-	-	76	5	209
C Rakgotsoga	44	59	-	-	-	38	-	141
F Nkomo	30	51	2	7	-	27	1	118
KH Makgae	40	46	19	-	-	21	8	134
J Davis (Audit Committee Chair)	17	68	-	-	-	42	-	127
J Maqhekeni	57	64	10	-	-	53	10	194
J Malqueeny	18	6	-	-	-	10	-	34
JS Sekhitla	52	69	4	10	-	38	4	177
M Wilson	50	63	3	-	-	49	3	168
T Mahlangu	58	67	4	10	1	98	5	243
<b>TOTAL</b>	<b>486</b>	<b>640</b>	<b>46</b>	<b>40</b>	<b>1</b>	<b>476</b>	<b>37</b>	<b>1 721</b>

	2016	2015
	R'000	R'000
<b>19. Irregular, Fruitless and Wasteful Expenditure</b>		
<b>19.1. Irregular Expenditure</b>		
Opening balance	79 301	54 324
<u>Current Period:-</u>		
Payments for bursaries exceeding the contract value	-	67
Projects not approved by the Accounting Authority	-	301
Non-compliance to supply chain management practices	1 321	2 832
Contracts extensions by Accounting Officer with no Accounting Authority approval	1 391	-
Non-compliance to the legislation, i.e. deviation	4 468	14 813
Over expenditure on administration expenses	27 965	28 567
Unreported or previously unidentified	-	23 038
	114 446	123 942
<u>Condonations:-</u>		
Relating to prior periods – no submission made for prior period expenditure	(79 301)	-
Condoned – non-compliance to supply chain management practices	(1 321)	(1 261)
Condoned – current period irregular expenditure on deviation to regulations	(4 468)	(14 813)
Condoned – excess administration costs in the current period	(27 965)	(28 567)
	1 391	79 301
<b>Closing balance</b>	<b>1 391</b>	<b>79 301</b>

#### Incidents

The irregular expenditure was incurred as a result of deviations from the SCM Policies and legislation where sourcing of goods and services were made without three quotes being obtained and certain grant payments on expired contracts.

The measures were put in place to strengthen the SCM unit and the processes put in place to ensure no recurrence in the future; as shown below:

- Capacity building within the unit resulting in appointment of experienced supply chain personnel.
- Action taken to address deficiencies in the controls and systems, which resulted in the suspension and resignation of relevant personnel who were responsible for the transgressions.
- Various legal avenues were pursued to deal with transgressions at different levels (including at CCMA and Labour Court).

	R'000	R'000 Restated
<b>19.2. Fruitless and wasteful expenditure</b>		
Board and committee fees paid in meetings where no quorum was present	-	39
Cost for tender of services cancelled due to changes in terms of reference	-	380
Travel arrangements made with flight tickets not utilised	89	-
	<b>89</b>	<b>419</b>

Fruitless expenditure was incurred on flight tickets on scheduled training not attended by TVET staff. Letters of reprimand were written to the TVETs in this regard and in the future a firm commitment to attend will include clause that costs incurred on non-attendance will be recovered from non-attendees.

## 20. Financial Instruments

In the course of the SETA operations it is exposed to interest rate, credit, liquidity and market risk. The SETA has developed a comprehensive risk strategy in terms of TR 28.1 in order to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

### 20.1. Capital risk management

CATHSSETA manages its capital to ensure that the projects of the organisation will be able to continue as a going concern while maximising the return on investments of surplus funds and ensuring continuous benefits for all stake holders. CATHSSETA overall strategy remains unchanged from the previous financial year.

### 20.2. Categories of Financial Instruments

The SETA's exposure to interest rate risk and the effective interest rates on financial instruments at Statement of Financial Position date are as follows:

	2016			2015
	Interest Bearing	Non-interest Bearing	Total	
	R'000	R'000	R'000	R'000
<b>Assets</b>				
Cash (interest @ 6%)	245 882	9 100	254 982	194 077
Accounts receivable	-	4 639	4 639	1 224
<b>Total financial assets</b>	<b>245 882</b>	<b>13 739</b>	<b>259 621</b>	<b>195 302</b>
<b>Liabilities</b>				
Accounts payable		67 910	67 910	48 382
Finance lease obligations (Interest rate 9%) (2016 9%)	42	-	42	356
<b>Total financial liabilities</b>	<b>42</b>	<b>67 910</b>	<b>67 952</b>	<b>48 738</b>

### 20.3. Financial risk management

CATHSSETA management monitors and manages the financial risk relating to operations of the organisation through internal risk reports which analyse exposure of risks. These risks include market risks including currency risk, fair value rate risk and price risk. Credit risk, liquidity risk and cash flow interest rate risk.

**20.3.1. Foreign currency risk**

CATHSSETA has no exposure to foreign currency.

**20.3.2. Interest rate risk management**

CATHSSETA is exposed to interest rate risk as all surplus funds are invested in short term cash investments. Although changes in the current interest rate affect the income from these investments all income received from these investments is deemed to be income to the Discretionary Reserve and would not affect the productivity or existence of CATHSSETA directly. Further the bulk of the surplus funds are invested in fixed term fixed rate investments and are therefore not sensitive to interest changes.

**20.3.3. Price risk**

As CATHSSETA has no investments in any form of equity there is no exposure to price risk.

**20.4. 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.

	2016		2015	
	Gross R'000	Impairment R'000	Gross R'000	Impairment R'000
Accounts receivable	1 782	-	1 224	-
Cash and cash equivalents				
Current	9 100	-	25 318	-
30 days	245 882	-	168 759	-
	<b>254 982</b>	<b>-</b>	<b>194 077</b>	<b>-</b>

**20.4.1. Quality of credit**

All accounts receivable is with organisations well known to CATHSSETA and in the same industry as CATHSSETA. The Accounting authority has full trust in the quality of these accounts and did not deem it necessary to apply any further evaluation of credit quality.

**20.4.2. Fair value of accounts receivable**

The fair value of accounts receivables approximates the carrying amount due to the relative short term maturity of these assets. The effect of discounting was considered and found to be immaterial.

**20.4.3. Accounts receivable, defaults, security and pledges**

- No accounts receivable has defaulted during the year and no alternative arrangements has been made with any accounts receivable during the year.
- No security is held for any receivables.
- No portion of the accounts receivable was pledged as security for any financial liabilities.

**20.4.4. Maximum exposure**

The amount disclosed for accounts receivable represents the maximum exposure that credit risk pose to the entity.



#### 20.4.5. Cash and cash equivalents

- The SETA management limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of their investment policy in terms of Treasury Regulation. The CATHSSETA's exposure is continuously monitored by the Accounting Authority. Further the organisation has adopted a policy of only dealing with creditworthy counterparts. CATHSSETA only transact with Banks that are part of the "big five" registered banks in South Africa and which are approved by National Treasury as per the PFMA, the credit and investment ratings of the mentioned banks are monitored on a continuous basis with international credit rating agencies to ensure the mitigation of any risks involved. CATHSSETA's has developed a comprehensive Investment Policy in compliance with the PFMA which ensures that all the surplus fund investments are invested between at least three registered banks and that at each bank no more than 50% is invested in up to maximum three month fixed deposit with balance in money market or call accounts.
- An interest change sensitivity analysis resulted in immaterial effect on the Cash and Cash equivalents of the entity.
- The amount disclosed for cash and cash equivalents represents the maximum exposure that credit risk pose to the entity.

#### 20.5. Liquidity

Ultimate responsibility for the liquidity risk management rest with the Administrator of CATHSSETA, who has built an appropriate liquidity risk management framework for the management of CATHSSETA's short, medium and long term funding and liquidity management requirements. CATHSSETA manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows.

#### 20.6. Default

The entity has never defaulted on any of the accounts payable nor were any of the terms attached to the accounts payable ever re-negotiated.

#### 20.7. Fair value

- **Recognised Financial Instruments**

Financial instruments recognised in the CATHSSETA Statement of Financial Position includes cash and cash equivalents, trade and other receivables, trade and other payables. The particular recognition methods adopted are disclosed in Note 1 to these annual financial statements.

**21. Errors and reclassifications**

The errors and reclassification relates to the overstatement of Property, Plant and Equipment in the prior years identified during the year. The prior year financial results have been restated accordingly. The impact thereof to the statement of financial performance, statement of financial position, cash flow statement and respective notes is disclosed herein below.

Balance previously stated R'000	Adjustment R'000	Restated opening balance R'000
---------------------------------	------------------	--------------------------------

Surplus as a result of prior year adjustment before 31 March 2014	433	433
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**STATEMENT OF FINANCIAL PERFORMANCE**

Depreciation	3 678	(1 367)	2 312
Interest paid	265	(178)	87
Operating lease – Bus rental	-	1 380	1 380
Discretionary grants	122 168	653	122 821
Operating lease rental	5 197	(497)	4 697
Water and lights	569	497	1 066

**STATEMENT OF FINANCIAL POSITION**

Property, Plant and Equipment	10 769	(4 782)	5 987
Accumulated depreciation	(7 321)	3 413	(3 908)

**CASH FLOW STATEMENT**
**Cash paid to stakeholders, suppliers and employees**

Cash paid to suppliers and employees	(64 353)	(4 783)	(69 136)
Cash from investing activities			
Property, plant and equipment	-	4 783	4 783

**Notes to cash flow statement (Note 16.2.2)**

Net income as per financial performance -2014	18 053	433	18 486
Net income as per financial performance -2015	38 282	(488)	37 794
Property, plant and equipment adjustment	-	(4 782)	(4 782)

**Restatement of previous years Financial Statements**

During the preparation of the Annual Financial Statements for the financial year ending 31 March 2016, management found that errors were made in the calculation of the Commitments referred to Note 17, which were corrected and the amounts restated in this financial year.

**Restatement of previous years Financial Statements (continued)**

Similarly, prior period transactions that led to the audit qualification have been adjusted accordingly (Including property, plant & equipment and irregular expenditures).

Furthermore, the prior period over expenditure not shown under administration costs but reflected in project costs have been disclosed accordingly in this financial year, as irregular expenditure, which will also address the prior period audit qualification indicated.

**22. Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty:-

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

- Useful lives of property, plant and equipment and intangible assets.

**23. Statement of Comparison of Budget and Actual Amounts**

Note: The budget and accounting basis adopted by CATHSSETA are the same. The statement of Comparison of the Budget and Actual Amounts is shown in the annual financial statements. Below are the detailed explanations for the differences:

- 23.1 The budget is approved on an accrual basis by functional classification. The approved budget covered the fiscal period from 1 April 2015 to 31 March 2016.
- 23.2 There is variance of 9.0% or R9.5 million under recovery on levy income however the total income is more than the budget. This is due to income received from government departments, Penalties and interest and Interest income from investment.
- 23.3 There was an overall under-spending on mandatory and discretionary and project expenses. The under expenditure is due to some projects where expenditure is not yet incurred but committed on. Some projects were committed closer to financial year end, therefore expenditure thereof would be incurred in the new financial year.
- 23.4 There was an over-spending on Administrative expenses compared to the original approved budget. This was mainly due to consulting, legal and restructuring fees to turn around the organisation's performance during the period of administration. This expending exceeding the initially approved budget was authorised and approved by the Minister of Higher Education during the year.



## 24. Contingencies

### 24.1. Legal Cases

The following claims have been made against CATHSSETA and were pending finalisation at reporting date:

- Claim by employers and training provider for the amount of R2 million, with regards to outstanding payments.
- Former employees have instituted legal cases against the entity, resulting in contingent liabilities of R1, 1 million.

### 24.2 First Time Employer Registrations

The Skills Development Act, 1998 allows for an employer, registering for the first time, 6 months to submit an application for mandatory grants. At the date of reporting there will be amounts payable but contingent on certain conditions being fulfilled.

### 24.3. National Skills Fund (NSF) Liability

In terms of the Grant Regulations of 2012, a SETA is required to have committed or paid 95% of discretionary funds available, if not, the uncommitted funds would be forfeited to the NSF.

## 25. Contingent Asset

The forensic investigation instituted by management against ex-finance employee was completed in August 2016. The forensic investigation results of the investigation indicated that the former employee misdirected funds to private bank accounts between the 2010 and 2014 period. The legal action was instituted to recover R5, 3 million from a former employee for undue benefit. The case has been transferred to the Asset and Forfeiture Unit within the National Prosecuting Authority, since the amount was just over R5 million.

Due to the uncertainty of the recoverability of this amount, it is not possible to raise recognise it as an account receivable at the year end and is consequently considered a contingent asset until the legal proceedings outcome is known and the case is concluded.

## 26. Forensic Investigations

There were no forensic investigations ongoing or pending at reporting date. The forensic investigation instituted during the year has been completed and the results thereof as per details disclosed in the preceding Note 25.

## 27. Subsequent events

An application for the rollover of accumulated reserves has been submitted to the Minister of Higher Education and Training and the Minister of Finance. CATHSSETA's request to retain surplus funds was subsequently conditionally approved by National Treasury on the 4<sup>th</sup> July 2016.

CATHSSETA is not aware of any further subsequent events other than one in the preceding paragraph.

The Labour Court recently ruled that the SETAs, effective 01 April 2016, are liable to pay 50% of claims relating to mandatory grants instead of the 20% which was the case in the past. However, the matter is being engaged and addressed by the Department of Higher Education; which is the Executive Authority for the SETAs.

## 28. New Accounting Pronouncements

The following Standards of GRAP became effective during the current reporting period. The nature of these Standards did not impact on the operations of the CATHSSETA and consequently have no impact on the financial statements of the SETA.

GRAP No.	GRAP Name	Effective Date	Impact
GRAP 18	Segment reporting	1-Apr-15	The Standard provides guidance on accounting for determination of reportable segments and require additional disclosures. The nature of CATHSSETA operations currently do not meet the definition of a segment; hence it was not impacted by this Standard. Therefore, there were no additional accounting and disclosure implications for the SETA in this current year.
GRAP 105	Transfers of functions between entities under common control	1-Apr-15	The Standard establishes accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.
GRAP 106	Transfers of functions between entities not under common control	1-Apr-15	The Standard establishes accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.
GRAP 107	Mergers	1-Apr-15	The objective of this Standard is to provide accounting principles guidance for the merged entities. It has no impact on the SETA.

### New Accounting Pronouncements (continued)

#### Approved Standards but Not Yet Effective

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

These are the Standards of GRAP approved but not yet effective:

GRAP No.	GRAP Name	Future Effective Date	Impact
GRAP 20	Related party disclosures	Not yet determined	The standard provides guidance on accounting for related party relationships and related transactions. An entity's financial statements contain the disclosure necessary to draw attention to the possibility that its financial position and surplus or deficit may have been impacted by the existence of connected parties and by transactions and outstanding balances with such parties. The principles of this Standard are already adopted in the related party disclosures; as are also prescribed by the PFMA and Treasury Regulations.
GRAP 32	Service concession arrangement: Grantor	Not yet determined	The purpose is to prescribe the accounting for service concession arrangements by the Grantor. The Standard currently has no impact on CATHSSETA.
GRAP 108	Statutory receivables	Not yet determined	The objective is to establish accounting principles for the reporting entities on disclosure of statutory receivables. This Standard may have an impact on CATHSSETA financial reporting in the future.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

	2016 R'000	2015 R'000
<b>29. Inventory and consumables</b>		
Opening balance	701	357
Movement for the year	(335)	344
Closing balance	<u>366</u>	<u>701</u>

The carrying value of the inventory approximates its fair value. This inventory is not pledged for security against any debt.

**30. Additional Notes**

Section 53(3) of the Public Finance Management Act No. 1 of 1999, as amended, requires that a public entity may not budget for a deficit and may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained. The SETA has submitted a request to National Treasury, for condonation to rollover the surplus and the final unaudited figure is R41, 9 million for the 2015/16 financial year.

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

	2016	2015
Administration costs	10.50%	10.50%
Mandatory grants	20.00%	20.00%
Discretionary grants	49.50%	49.50%
Received by SETA	80.00%	80.00%
Contribution by National Skills Fund	20.00%	20.00%
	100.00%	100.00%





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