

ANNUAL REPORT

2019/2020



higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA





higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

SUBMISSION OF THE ANNUAL REPORT TO THE EXECUTIVE AUTHORITY

To the Minister of Higher Education, Science and Technology, 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) for the period of 1 April 2019 to 31 March 2020.

Mr David Themba Ndhlovu
Chairperson of the Board

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PART D: HUMAN RESOURCE MANAGEMENT

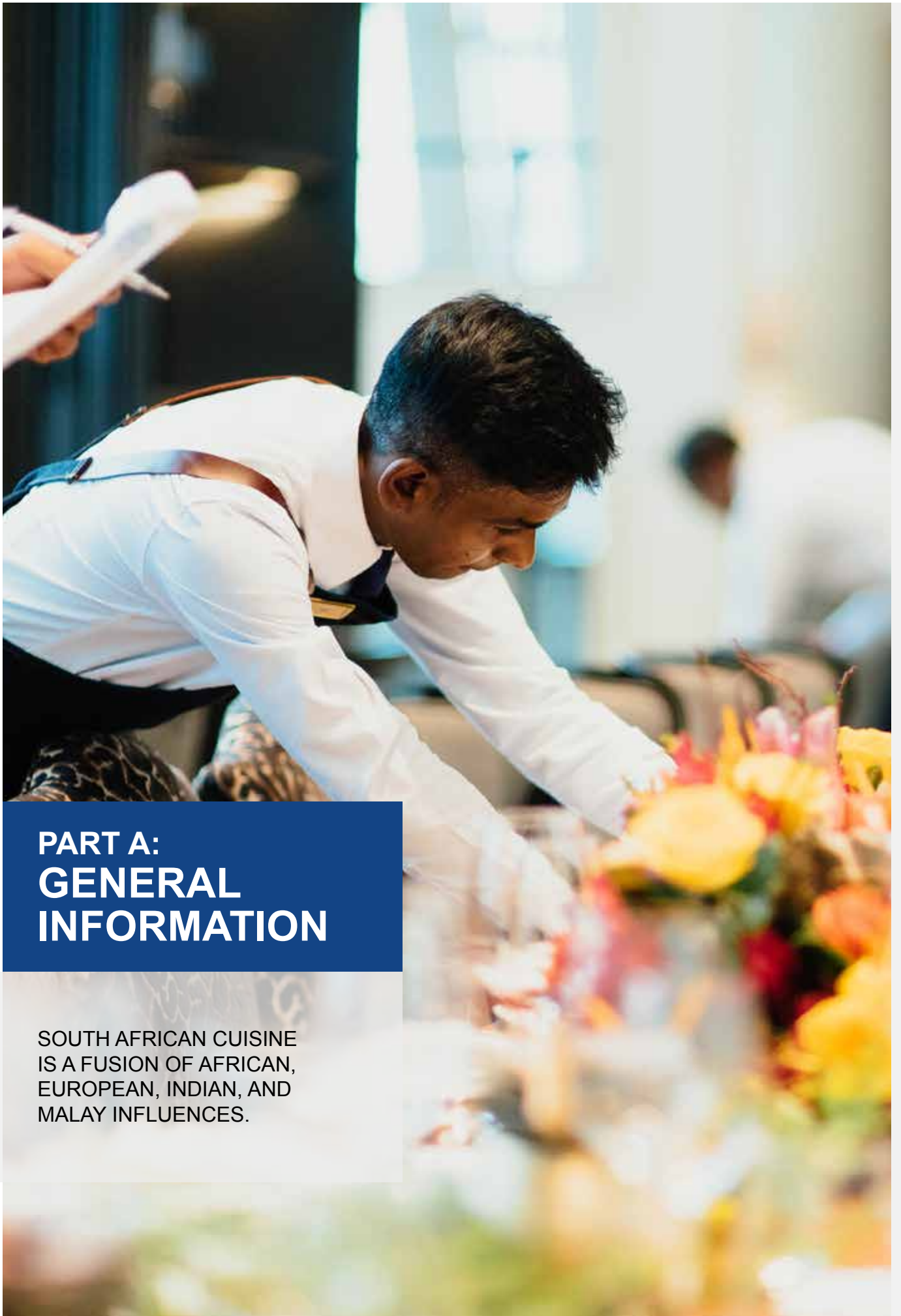
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PART A: GENERAL INFORMATION

SOUTH AFRICAN CUISINE IS A FUSION OF AFRICAN, EUROPEAN, INDIAN, AND MALAY INFLUENCES.








1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:

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

REGISTRATION NUMBER:

25/CATHSSETA/1/04/11

	Physical address:	1 Newton Avenue, Ground Floor, Killarney, Johannesburg, 2193
	Postal address:	PO Box 1329, Rivonia, 2128
	Telephone number:	+27 11 217 0600
	Fax number:	+27 11 783 7745
	Email address:	info@cathsseta.org.za
	Website:	www.cathsseta.org.za
	External auditors:	Auditor-General South Africa, PO Box 446, Pretoria, South Africa

BANKERS:

Nedbank Upper Ground Floor Block I 135 Rivonia Road Sandown Sandton 2196	Investec 100 Grayston Drive Sandown Sandton 2196
Rand Merchant Bank 1 Merchant Place Cnr Fredman and Rivonia Road Sandton 2196 South Africa	FNB 7th 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.

AET	Adult Education and Training
AGSA	Auditor-General South Africa
APP	Annual Performance Plan
BAC	Bid Adjudication Committee
B-BBEE	Broad-Based Black Economic Empowerment
CATHSSETA	Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority
CEO	Chief Executive Officer
DHET	Department of Higher Education and Training
EC	Eastern Cape
EPWP	Expanded Public Works Programme
ETD	Education Training and Development
FoodBev SETA	Food and Beverage SETA
FP & M SETA	Fibre, Processing and Manufacturing SETA
GIBS	Gordon Institute of Business
GRAP	Generally Recognised Accounting Practices
HEI	Higher Education Institution
HR	Human Resource
HRD	Human Resource Development
IT	Information Technology
KPI	Key Performance Indicators
KZN	KwaZulu-Natal
MICT SETA	Media, Information and Communication Technologies SETA
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
NACTU	National Council of Trade Unions
NAMB	National Artisan Moderating Body
NCV	National Certificate (Vocational)
NDP	National Development Plan
NGO	Non-Governmental Organisation
NPO	Non-Profit Organisation

NQF	National Qualifications Framework
NSDS	National Skills Development Strategy
NSDP	National Skills Development Plan
NSF	National Skills Fund
NSFAS	National Student Financial Aid Scheme
OFO	Organising Framework for Occupations
PFMA	Public Finance Management Act
PIVOTAL	Professional, Vocational, Technical and Academic Learning
PMO	Project Management Office
PMS	Performance Management System
QCTO	Quality Council for Trades and Occupations
QMR	Quarterly Monitoring Report
SACCAWU	South African Commercial, Catering and Allied Workers Union
SANBI	South African National Biodiversity Institute
SAQA	South African Qualifications Authority
SARS	South African Revenue Services
SASCOC	South African Sports Confederation and Olympic Committee
SCM	Supply Chain Management
SDL	Skills Development Levy
SETA	Sector Education and Training Authority
SIPs	Strategic Infrastructure Projects
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprises
SOP	Standard Operating Procedures
SP	Strategic Plan
SRSA	Sport and Recreation South Africa
SSP	Sector Skills Plan
TR	Treasury Regulations
TVET	Technical, Vocational, Education and Training
UIF	Unemployment Insurance Fund
WIL	Work Integrated Learning
WSP	Workplace Skills Plan

3. FOREWORD BY THE CHAIRPERSON



MR DAVID THEMBA NDHLOVU
Chairperson of the Board: CATHSSETA

THE COVID-19 CRISIS HAS CAUSED ENORMOUS DISRUPTION TO THE LIVES OF ALL SOUTH AFRICANS, WHICH ALSO AFFECTED THE SKILLS DEVELOPMENT SECTOR.

It is my pleasure to present the 2019/20 Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA) Annual Report. On behalf of the newly appointed CATHSSETA Board, I wish to extend our sincerest gratitude to the Minister of Higher Education, Science and Technology, Dr Bonginkosi Blade Nzimande and the organisations we represent for appointing and entrusting us with the task of providing oversight over the operations of this organisation for a five-year period ending in March 2025.

As the new Accounting Authority, we come at a time where the world is facing an invisible enemy, the Coronavirus (COVID-19). This global pandemic has taken many lives around the world and cases of infections keep rising by the day and as a result our government was forced to take drastic measures in order to lower the infection rates which somehow have had a negative impact on our economy. I commend our government for the steps it took to swiftly respond to the pandemic which resulted in us seeing many lives being saved as compared to what we have seen in other, first-world countries.

The COVID-19 crisis has caused enormous disruption to the lives of all South Africans, which also affected the Skills Development sector. Due to social distancing, we are aware that Skills Development Providers (SDPs) have had to discontinue their training classes and are now on their way to using e-learning as an alternative where applicable. As many of our beneficiaries come from poverty-stricken backgrounds, we acknowledge that the e-learning medium will come with its own challenges. This is the sad reality of our current state as the nation.



The impact of COVID-19 was felt heavily during Quarter 4, as employers and tertiary institutions were not able to report completions due to the national lockdown. This resulted in the decrease in the overall organisational performance from 91% in 2018/19 to 74% in 2019/20 (17% decrease).

However, as we cannot put everything on hold because of the pandemic, I am pleased to announce that we will be finalising the organisation realignment process which was started by our predecessors. The appointment of the CEO and the executive roles will also be started soon so that we can fill all the positions permanently. This has not been an easy assignment but one which had to be done in order to ensure that we work within the prescribed administration budget threshold set by DHET.

Unemployment remains a major challenge for our crippled economy and the skills shortages is one of the contributory factors. As a SETA, we are working hard to make sure that our services reach the previously disadvantaged youth in their remote communities through various programmes outlined in the Annual Performance Plans and Sector Skills Plans.

We will continue to work with the Quality Council for Trades and Occupations (QCTO) and support the Department of Higher Education, Science and Technology (DHET) vision and initiatives to ensure that education and training continues within all applicable lockdown regulations. As SETAs we are mandated to facilitate skills development and training in order to meet our targets. We are exploring options and communicating with industry key leaders about their expertise concerning this matter.

As I conclude, on behalf of the Board I wish to thank the Department of Higher Education and Training (DHET), CATHSSETA governance structures as well as all our stakeholders for their continued support. I also wish to extend my gratitude to the CEO, Management, and staff for their dedication to this organisation. We have had an opportunity to assess the work that was done before our time here at CATHSSETA and I can say that we are confident that we have a capable team that will continue to see this SETA meeting its objectives. Your hard work is indicative of the passion you have in ensuring that we live up to our vision of being a leader in skills development within our diverse sector.

Mr David Themba Ndhlovu

Chairperson of the Board: CATHSSETA

31 March 2020

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW



MS LBOGANG MPYE
Acting CEO: CATHSSETA

IN THE YEAR UNDER REVIEW, CATHSSETA EMBARKED ON AN ORGANISATIONAL REALIGNMENT REVIEW AS A WAY TO CREATE AN ENVIRONMENT AND STRUCTURE THAT WILL BE ABLE TO RESPOND TO THE NATIONAL SKILLS DEVELOPMENT PLAN (NSDP) 2030 AS WELL AS THE NEW SETA LANDSCAPE WHICH WAS USHERED IN ON 1 APRIL 2020.

To the Honourable Minister of Higher Education, Science and Technology, Dr Bonginkosi Blade Nzimande, our Accounting Authority and our valued stakeholders, it is my pleasure to present the CATHSSETA Annual Report for the year ending 31 March 2020.

It is equally my pleasure to welcome on board the new Accounting Authority members led by Mr Themba David Ndhlovu as the CATHSSETA Board Chairperson. Our new Board members took office from 1 April 2020 and will serve a five-year term contract ending in March 2025. The new Board members join us at a time when the organisation was close to concluding an organisational realignment process which was started during the term of the previous Board members whose reign ended on 31 March 2020.

My firm commitment has been to provide effective leadership to the organisation in order to improve our year-on-year performance. It is my utmost pleasure to present and share how our SETA performed in the year under review.

In the year under review, CATHSSETA embarked on an organisational realignment review as a way to create an environment and structure that will be able to respond to the National Skills Development Plan (NSDP) 2030 as well as the new SETA Landscape which was ushered in on 1 April 2020. The organisational realignment review aims to come up with a fit for purpose and efficient organisation which will respond to the new business imperatives as listed under NSDP 2030.

While we made remarkable progress on skills development initiatives, we have unfortunately regressed in terms of our performance targets achievements. In the 2018/19 financial year our organisational performance rate rose up to 91%,



WE REMAIN FULLY COMMITTED TO IMPROVING OUR PERFORMANCE

but in the year under review we saw a decline in our performance leaving us at 74%. The outbreak of Coronavirus leading to a national lockdown in South Africa had a huge impact on our completions. In Quarter 4, employers and tertiary institutions were not able to report completions due to the COVID-19 national lockdown. This resulted in a 17% decrease on our year-on-year performance. We remain fully committed to improving our performance and as such we are approaching relevant stakeholders who will be able to transform our sectors so that we can properly respond to the new way of doing things during and post COVID-19. We need to take aggressive steps to transform our sectors so that learning can continue. During this trying time, I will continue to provide support and guidance to executive management and our staff at large. Our mandate as CATHSSETA is to identify and implement skills development programmes supported by credible research which we do with minimal inconveniences to our stakeholders.

On 18 March 2020 the Minister of Cooperative Governance and Traditional Affairs, Dr Nkosazana Dlamini-Zuma issued Regulations under the Disaster Management Act, 2002, regarding the steps necessary to prevent an escalation of the disaster caused by the global COVID-19 pandemic, to alleviate, contain and minimise the effects of the pandemic. CATHSSETA moved swiftly to put in place a COVID-19 lockdown response plan in line with both the public service regulations and the respective DPSA Circular (07 of 2020). The COVID-19 lockdown response plan was implemented with speed to ensure that business continuity is not compromised. Furthermore, there was regular communication with both internal and external stakeholders on the measures instituted to ensure safety and compliance.

I am pleased to share that we have made a remarkable progress in our strategic partnership projects with the small businesses, trade unions, Non-Governmental Organisations (NGOs), Non-Profit Organisations (NPOs) and, co-ops. While it remains our objective to contribute towards the upliftment of those in previously disadvantaged areas, the demand always exceeds our allocated budget and as such we had been forced to reduce the amount we allocate so that we can cover as many entities as possible.

In the year under review we channelled more of our energy and resources towards the Chinese Culture and International Education Exchange Centre to provide more Technical and Vocational Education and Training (TVET) college students with the opportunity to undertake a one-year internship programme in China. At the outset of this programme in 2017, the focus was on Tourism and Hospitality TVET learners but we have since seen how successful the programme was with the first cohort of learners and as such have extended it to cater for Art and Design learners as well. They too have been fully funded and supported by CATHSSETA and the Chinese Culture and International Education Exchange Centre. We are truly grateful to the TVET college principals, their staff, and the parents for embracing the opportunity and for assisting us in recruiting suitably qualified learners for this programme. When we started the programme, we were not quite sure how it would pan out but through various engagements with the TVET bodies, we were able to help each other navigate this new territory aimed at exposing TVET learners to a work based learning in a country that is well known for innovation.

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW CONTINUED

OUR CONTINUED EFFORTS TO BUILD MORE STRATEGIC PARTNERSHIPS RESULTED IN A COLLABORATION WITH THE DEPARTMENT OF HIGHER EDUCATION AND TRAINING TO HOST AN INAUGURAL HERITAGE CAREERS EXPO.

Our continued efforts to build more strategic partnerships resulted in a collaboration with the Department of Higher Education and Training to host an inaugural Heritage Careers Expo. This expo was a response to the urgent need to expose high school learners to endless opportunities which exist in the Arts, Culture and Heritage sector – a sector that does not get the necessary exposure and as such is not always able to attract the right calibre of students for training opportunities. The first-of-its-kind interactive careers' expo was hosted in partnership with Fibre, Processing and Manufacturing (FP&M) SETA, Food and Beverage (FoodBev) SETA and Media, Information and Communication Technologies (MICT) SETA and saw over 1 500 high school learners from Gauteng and Limpopo getting first-hand experience of how the Arts, Culture and Heritage sector works through master classes and presentations by tertiary students. The Heritage Careers Expo was aimed at showcasing what Technical and Vocational Education and Training (TVET) Colleges, Universities and Universities of Technology have to offer in skilling young people towards careers in the arts, culture, and heritage sector. This colourful expo hosted artists, chefs, dancers, crafters and poets, who engaged with high school learners on the various opportunities that exist in this sector. One of the draw cards for this expo was the Master Class sessions which were championed by the world-renowned Ndebele painter, Dr Esther Mahlangu and Poet and Cultural Activist, Professor Pitika Ntuli for Visual Arts.

Due to the changes to the new SETA landscape, CATHSSETA embarked on an Organisational Realignment project to ensure a fit for purpose organisational structure that will enable it to deliver

on the new strategy and duly aligned to the National Skills Development Plan (NSDP) 2030.

Before I conclude, please allow me to unreservedly thank all our previous Board members and members of our governance committees whose term ended in March 2020. During your term you made a remarkable mark in the governance of our entity and your invaluable contribution to CATHSSETA is highly appreciated and will never be forgotten. CATHSSETA management and staff wish you the very best in your new endeavours.

Lastly, let me take this opportunity to thank the Department of Higher Education and Training (DHET), our partner departments; Tourism, Sport and Recreation, as well as Arts and Culture – at both national and provincial levels; the Auditor-General South Africa (AGSA), governance structures as well as other stakeholders and service providers who continue to support CATHSSETA and show great confidence in our operations. I also want to acknowledge and appreciate the support we received from our fellow SETAs: FoodBev SETA, FP&M SETA and MICT SETA.

I wish to extend my gratitude and appreciation to CATHSSETA management and staff for their commitment to the efficient running of this organisation.



Ms Lebogang Mpye
ACEO: CATHSSETA

31 March 2020

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

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 Annual Report as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practices (GRAP) standards applicable to the public entity. The annual performance information 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 this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance 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 governance information, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2020.

Yours faithfully



Mr David Themba Ndhlovu

Chairperson of the Board: CATHSSETA

31 March 2020

CATHSSETA ACCOUNTING AUTHORITY

CATHSSETA IS PLEASED TO ANNOUNCE ITS ACCOUNTING AUTHORITY MEMBERS, DULY APPOINTED BY THE MINISTER OF HIGHER EDUCATION, SCIENCE AND TECHNOLOGY, DR BONGINKOSI BLADE NZIMANDE TO SERVE A FIVE-YEAR TERM. THEIR FIVE-YEAR TERM IS EFFECTIVE FROM 1 APRIL 2020 UP TO 31 MARCH 2025.



Mr David Themba Ndhlovu

Chairperson: Board and EXCO

Mr Ndhlovu is an accomplished entrepreneur with an extensive experience in starting, operating and managing business enterprises. His expertise ranges from business administration, marketing recruiting, training and mentoring emerging entrepreneurs. Mr Ndhlovu is a current Board Member/Chairperson of CATHSSETA and Dube Trade Port Corporation.

Executive Committee (EXCO)

Finance Committee (FINCOM)

Audit and Risk Committee (ARC)

Governance and Strategy (G&S)

Remuneration Committee (REMCO)



Mr Thabiso Dube

Chairperson: FINCOM
Member: ARC

Mr Thabiso Dube is a business development practitioner with over 10 years' experience in eco-tourism business development in both the private and public sectors. Mr Dube comes from a finance background and has slowly transformed in a rounded business practitioner with strong governance and entrepreneurial acumen. He represents the organised employer on the CATHSSETA board.



Mr Thulaganyo Gaoshubelwe

Chairperson: G&S

Mr Thulaganyo Gaoshubelwe has served in leadership positions within the Union, Labour and Football sector in South Africa and various African countries. He is currently the President of the South African Football Players Union (SAFPU) where he leads and direct international relations work of the Union.

He represents the organised labour on the CATHSSETA board.



Mr Moses Motha

Member: EXCO and G&S

Mr Moses Motha exudes a lot of passion and energy around issues of knowledge impartation and skills development. As a former teacher, lecturer and Union leader, he has amassed invaluable experience and knowledge in contributing towards achieving CATHSSETA's stated mandate and objectives, particularly in Governance issues. He represents the organised labour on the CATHSSETA board.

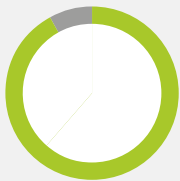


Mr Itumeleng Dichabe

Member: EXCO

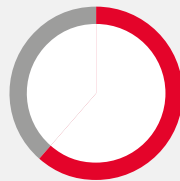
Mr Itumeleng Dichabe is a lawyer by training who drew interest in the banking sector and pursued a Banking career that span 10 years occupying roles in Retail, Business and Public Sector Banking. He is currently the Chief Executive Officer of the Free State Gambling, Liquor and Tourism Authority (FSGLTA). He represents the organised employer on the CATHSSETA board.

Racial diversity



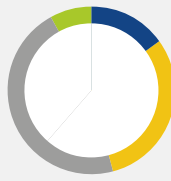
92% BACI
8% White

Gender diversity



61.5% Male
38.5% Female

Director classification



15% Community organisation
31% Organised labour
46% Organised employee
8% Board chairperson



Ms Lesutu Lesiroha

Chairperson: REMCO

Ms Lesiroha Lesutu is a business woman with a successful Consulting hospitality company. She has a successful track record of leadership roles in various companies and institutions. Ms Lesutu was a member of ILembe Board of Directors, who managed and monitored the construction of the King Shaka Airport in Durban. She represents the organised employer on the CATHSSETA board.



Ms Maureen Nzuzi

Member: ARC and REMCO

Ms Maureen Nzuzi is an ambitious person who has developed a mature and responsible approach to any task or any situation presented with. She is a graduate with twenty years of experience in the hospitality industry as a leader. She represents the organised labour on the CATHSSETA board.



Mr Khumbudzo Vincent Maumela

Member: FINCOM and REMCO

Mr Vincent Maumela is a heritage specialist with a career span of more than 22 years of experience in arts culture and heritage management services specialising in conservation and management of immovable cultural heritage resources. Mr Maumela represents the community organisation on the CATHSSETA board.



Mr Solomon Mhlanga

Member: FINCOM and EXCO

Mr Solomon Mhlanga is Diplomatic Skill Development Facilitator, with a proven ability to improve skills in the working environment and a commitment to Stakeholders welfare. He is proficient in Labour Law, Public Management and Governance. He is currently a member of the Institution of Directors of South Africa. He represents the organised labour on the CATHSSETA board.



Ms Edith Tukakgomo

Member: EXCO

Ms Edith Tukakgomo is a seasoned Executive, Community Developer, Strategist and a leader with over 30 years of work experience serving in various institutions within Public and Private Sector. She has also served in several boards either as a board member or strategic partner on an advisory capacity. She represents the organised employer on the CATHSSETA board.



Ms Sumayya Khan

Member: G&S

Ms Sumayya Khan presently serves as the Deputy Director-General: Recreation Development and Sport Promotion at the new Department of Sport, Arts and Culture. She has held leadership positions in various structures dealing with major sporting events such as the Cricket World Cup in 2003, FIFA World Cup in 2010 and she is on the Bid Committee for Durban's Bid for the Commonwealth Games in 2022. She represents the organised employer on the CATHSSETA board.



Ms Karen Ann Borain

Member: G&S

Ms Karen Borain is a Professional Certified Coach (PCC) with years of experience in the Hospitality industry coaching and mentoring locally and internationally. She has been involved in forums that shaped training, development and education within the industry including Umalusi, CATHSSETA, ETDP Seta, HRD Council Task team. She represents the organised employer on the CATHSSETA board.



Mr Ingonyama Diko Madzikane II

Member: G&S

Mr Ingonyama Diko Madzikane II is an accomplished business man who has served in various leadership positions. He is a farmer within the KwaBhaca area focusing on pig farming and sheep.

He has served as a Chief Executive Officer of Alfred Nzo Development Agency (ANDA) for four years. He represents the community organisation on the CATHSSETA board.

6. STRATEGIC OVERVIEW

6.1 VISION







TO BE 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"> Understand stakeholder needs, respond timeously, efficiently, and effectively to stakeholder queries and requests. Display an image of professionalism and accountability. Drive quality and high performance.
Fairness and transparency 	<ul style="list-style-type: none"> Conduct operational business without fear or favour. Ensure all providers feel confident that their bids are given adequate consideration and evaluated professionally. Ensure stakeholders are entitled to believe that nothing is hidden and there are no undeclared meanings and intentions. Ensure everything is in the open for all to see, subject to ethical conduct and legal boundaries.
Respect 	<ul style="list-style-type: none"> Ensure every stakeholder experiences humane relations from the employees. Ensure their self-worth is not eroded or negatively impacted by our conduct or actions. Ensure stakeholders experience humility from CATHSSETA staff in their relations.
Accessibility 	<ul style="list-style-type: none"> Develop and promote skills development programmes to ensure equal access to opportunities by all. Develop skills development programmes aimed at improving opportunities for people in rural areas. Ensure that, upon request, conversations, documentation, and publications are translated to prominent languages relevant to a geographical area.
Integrity 	<ul style="list-style-type: none"> Value openness, honesty, consistency, and fairness. Act in good faith in all our day-to-day activities. Conduct operations to fulfil public expectation about what CATHSSETA was established to do and be.
Stakeholder orientation 	<ul style="list-style-type: none"> Build partnerships with relevant government departments public and private training providers and organisations. Offer quality education and skills development opportunities and experiences to learners to ensure ultimate employability and reduce inequality in the sector.

7. LEGISLATIVE AND OTHER MANDATES

Both the Constitution of the Republic of South Africa and various other statutes passed by the National Assembly direct CATHSSETA to perform skills development functions and conduct its operations in specific ways. Various government departments develop policies with direct relevance and impact on the legislated mandate of the Sector Education and Training Authorities (SETAs) and thus enjoin CATHSSETA to commit resources towards realising such stated imperatives.

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;
- to further education, which the State, through reasonable measures, must progressively make available and accessible.

Working towards this Constitutional imperative, CATHSSETA is established to research and develop a Sector Skills Plan to roll-out skills development programmes to service the interest of the following sectors within our economy and society:

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

LEGISLATIVE MANDATE

Table 1: CATHSSETA establishment legislation

LEGISLATION OR REGULATIONS	PURPOSE
Skills Development Act (Act 97 of 1998, as amended)	• The Act establishes SETAs, defines their mandates and responsibilities. It also sets parameters for the use of the grants and relationship between the DHET and SETAs. It regulates governance framework scope of operation for each SETA.
Skills Development Levies Act (Act 9 of 1999, as amended)	• To impose the payment of skills levies by employer organisations to motivate investment in skills development.
Public Finance Management Act (Act 1 of 1999 as amended)	<ul style="list-style-type: none"> • To regulate financial management in the national government and provincial governments. • To ensure that all revenue, expenditure, assets, and liabilities of those governments are managed efficiently and effectively, to provide for the responsibilities of persons entrusted with financial management in those governments and to provide for matters connected therewith.
Broad-Based Black Economic Empowerment Act of 2003 (B-BBEE Act 53 of 2003, as amended)	• It aims to accelerate the participation of black people in the economy by encouraging change in the following key areas of business: ownership, management and control, employment equity, skills development, preferential procurement, enterprise development and socioeconomic development.
Basic Conditions of Employment Act (Act 75 of 1997: Sectoral Determination No 5: Learnerships)	• The Act makes sectoral determination establishing binding conditions of employment and rates of allowances for learners in all sectors where SETAs operate.
The SETA Grant Regulations, Notice No. 35940 of 2012	• The Grant Regulations regulate the use of monies received by the SETA and processes required for disbursement of such monies.



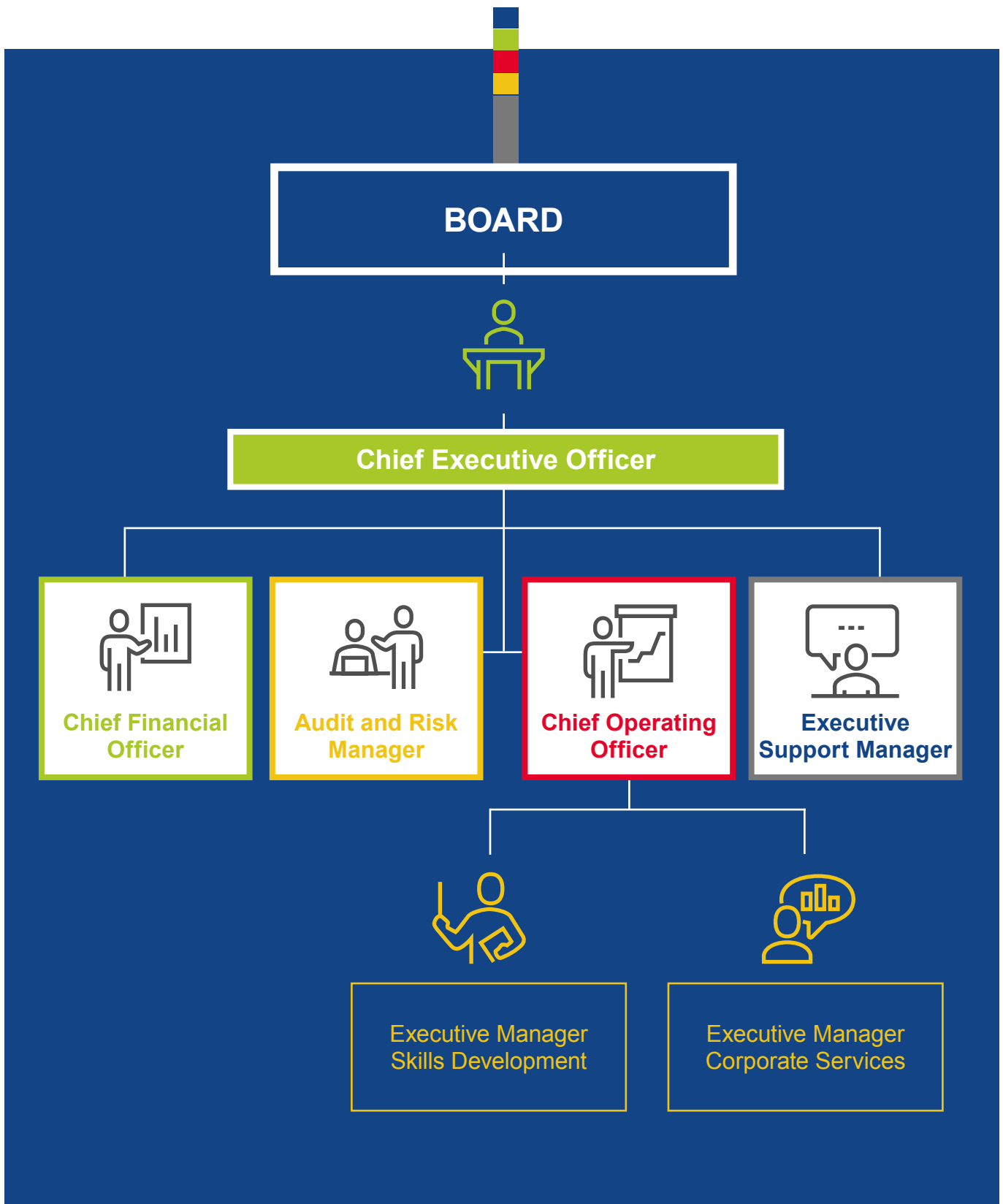
POLICY

The above legislation is supported by the following policy directives:

Table 2: Policy directives

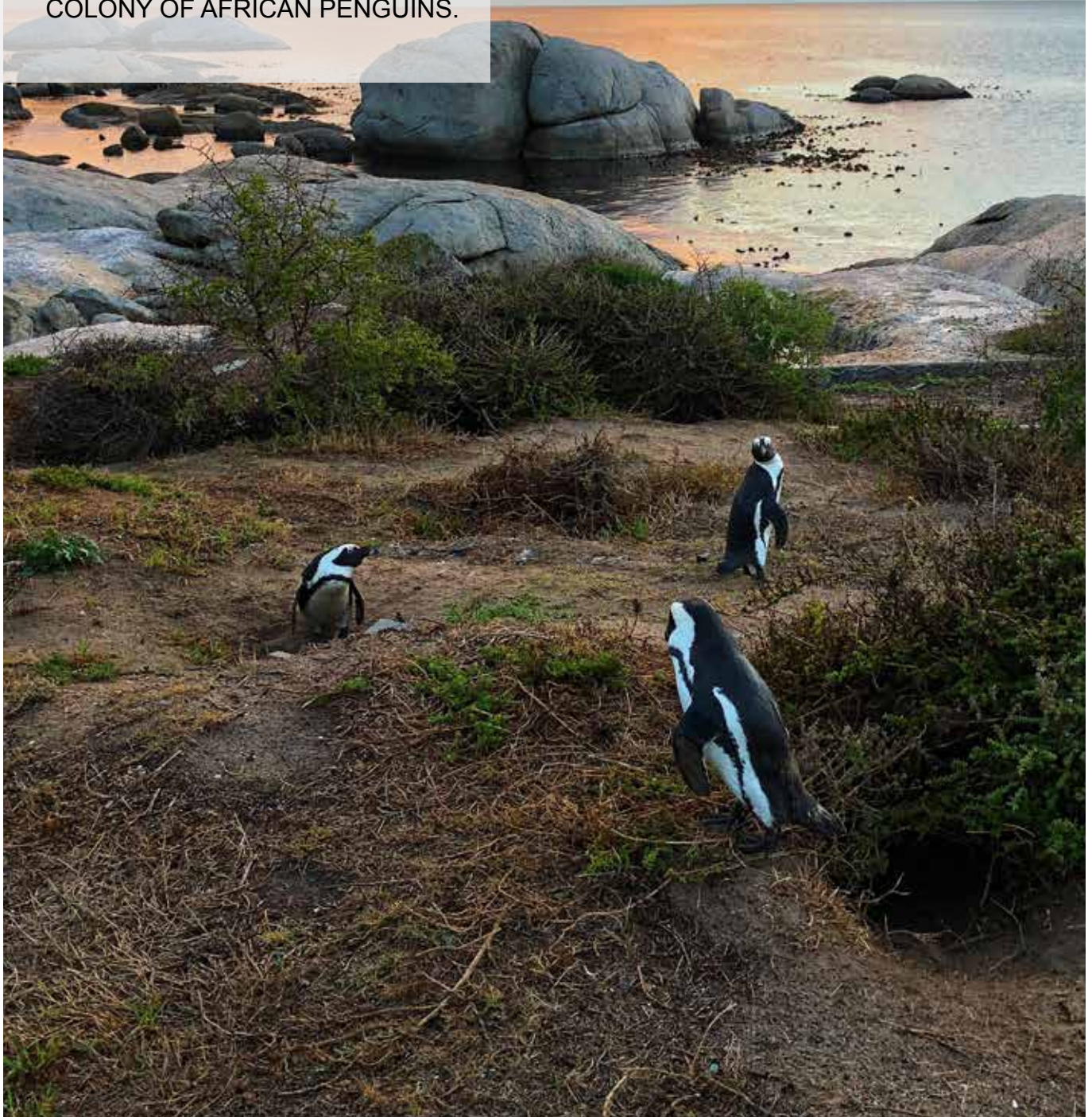
POLICY	PURPOSE
National Development Plan (NDP)	<ul style="list-style-type: none"> The NDP aims to eliminate poverty and reduce inequality by 2030. According to the plan, South Africa can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the State, and promoting leadership and partnerships throughout society.
National Skills Development Strategy (NSDS III)	<ul style="list-style-type: none"> The key driving force of this strategy is improving the effectiveness and efficiency of the skills development systems and effective responses 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.
White Paper on Post-School Education and Training (WPSET)	<ul style="list-style-type: none"> The White Paper provides a vision for a single, coherent, differentiated and highly articulated post-school education and training system; that contributes to the country's fight against structural challenges facing our society by expanding access to education and training opportunities and increasing equity, as well as achieving high levels of excellence and innovation.
National Skills Accord	<ul style="list-style-type: none"> The National Skills Accord establishes a partnership between DHET, communities, organised business and labour aimed at promoting common skills development and training needs. The Accord has eight commitments and commitments four, six and seven have specific focus on skills planning and the operations of CATHSSETA.
National Human Resource Development (HRD) Strategy of South Africa	<ul style="list-style-type: none"> The National HRD Strategy of South Africa (2010 to 2030) is a social compact distilling the critical skill challenges for the socioeconomic growth and development of the country. The document also set out collective commitments for all sectors of the society.
Medium-Term Strategic Framework (MTSF)	<ul style="list-style-type: none"> The MTSF outlines government priority spending and delivery areas for the period 2014–2019 electoral terms. It reflects the commitments made in the election manifesto of the governing party. It sets out the actions the government will take and 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.

8. ORGANISATIONAL STRUCTURE



PART B: PERFORMANCE INFORMATION

SOUTH AFRICA IS HOME TO A DIVERSITY OF ANIMALS, AND PLANT-LIFE AND OFFERS A VARIETY OF EXPERIENCES. BOULDERS PENGUIN COLONY IN SIMONS TOWN IS AN ENDANGERED LAND-BASED COLONY OF AFRICAN PENGUINS.



1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

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

Refer to page 53 of the Report of the Auditors Report, published as Part E: Financial Information.

2. SITUATIONAL ANALYSIS

2.1 SERVICE DELIVERY ENVIRONMENT

The CATHSSETA delivers its services to a diverse, but very important, constituency comprising of the following six sub-sectors: Arts, Culture and Heritage; Conservation; Gaming and Lotteries; Hospitality; Sport, Recreation and Fitness; and Tourism and Travel Services. The sub-sectors served by CATHSSETA are labour intensive and constitute a major source of employment for those at the lower end of the labour market spectrum. Critical in these sub-sectors is the degree to which women, youth and migrant labour gain relatively easy access to employment and entrepreneurship. As a result, these sub-sectors play a significant role in addressing the national unemployment rate.

In the financial year 2019/20, the total number of enterprises registered with CATHSSETA increased from 30 752 in 2018/19 to 39 824, an increase by 30%. Similar to previous years, out of the 39 824 employers, the hospitality sub-sector accounts for the vast majority of employers in the sector, 28 734 (72%), followed by 3 431 employers (9%) in travel and tourism. From the total of 39 824 enterprises registered with the SETA, 37 928 of the enterprises are Small Enterprises (SEs) which is 95% of the registered enterprises. These SEs are predominantly exempt from the payment of the skills development levy (SDL). Taking into account the large size of the overall sector, combined with the fact that SEs make up 95% of it, the allocation of resources becomes a challenging task.

The analysis above indicates that the CATHSSETA is operating in an environment that is proliferated by small enterprises. The implication of this fact is that the annual payroll of many employers served

by CATHSSETA is less than R500 000 and are exempted from paying the skills development levy. This prevailing challenge impacts on the CATHSSETA budget, thus resulting in a gap between the available financial resources and those required to address skills shortages within the sectors.

The extension of CATHSSETA's physical footprint, by establishing regional offices and operational presence in all provinces, has enhanced service accessibility, improved partnerships with TVET colleges as well as support for work placement opportunities, resulting in closing the gap between skills development and work experience. In the financial year under review, CATHSSETA witnessed an increased participation and uptake for our Mandatory Grant funding as a result of the stakeholder roadshows which enabled our stakeholders to participate in CATHSSETA offerings.

Despite the establishment of the regional offices, CATHSSETA still has challenges of shortages of training providers in rural areas as a result CATHSSETA is not able to address some of the occupational shortages. Another challenge is that some employers cancelled the learning programmes implementation plans which resulted in CATHSSETA not being able to achieve some of the annual targets despite the implementation of the Remedial Action Plan to close the gaps.

2.2 ORGANISATIONAL ENVIRONMENT

On 26 March 2019 the then-Minister of Higher Education and Training, Ms Naledi Pandor, appointed an Accounting Authority, comprising members with extensive knowledge and experience in the designated sub-sectors, three members from the previous Board were retained.

CATHSSETA established Board committees to strengthen governance and accountability. The committees include Executive; Finance and Remuneration; Audit and Risk; and Governance and Strategy. These have played an oversight role to ensure the SETA maintains exceptional performance standards. All committees implemented the reviewed and adopted Committee Charters that respectively outlines their functions and responsibilities.



2.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

In the fourth quarter of the 2019/20 financial year, due to the COVID-19 Pandemic Lockdown, the submission date for the quarterly report was extended by one month and this affected the submission dates/schedule for the 2019/20 Annual Report as well as the Financial Statements.

2.4 STRATEGIC OUTCOME ORIENTED GOALS

The development of the CATHSSETA goals and goal statements were guided by the mandate as legislated, policy framework and government priorities. Cognisance was given to the existing challenges faced by CATHSSETA were taken into consideration in the implementation of its programmes during the financial year. Greater focus was placed on improving performance monitoring and evaluation as well as ensuring maximum and institutionalised stakeholder participation in CATHSSETA's programmes.

Strategic goal 1: Improve sector capacity to deliver skills development programmes based on reliable sector research.

In the 2019/20 financial year, CATHSSETA identified top 10 priority Professional, Vocational,

Technical and Academic Learning (PIVOTAL) programmes targeting 848 learners to address the priority occupational shortages and skills gaps in various sub-sectors. A total of 2 382 learners were registered in nine of the top 10 priority PIVOTAL programmes which exceeded the target by 1 534. In addition, CATHSSETA had also identified 32 Occupations in High Demand where there are occupational shortages; targeting to register 2 353 learners in such programmes. A total number of 5 905 learners were registered in 23 (72%) of the Occupations in High Demand which exceeded the annual target by 3 552.

Furthermore, CATHSSETA Exceeded in the review of 19 qualifications and part qualifications in order to not only improve the sector capacity but also to ensure that the qualifications and part-qualifications in which learners are registered/enrolled in are research based.

Strategic goal 2: Increase facilitation and delivery of learning interventions to address skills needs in the sector.

In the financial year 2019/20, CATHSSETA added programmes such as TVET Occupations, Recognition of Prior Learning (RPL) and Accreditation Workshops for training providers in



order to increase access to occupationally directed programmes. In addition, CATHSSETA increased the number of SMMEs supported through workshops for sustainability and effective growth.

During the financial year under review, CATHSSETA experienced challenges in recruiting learners to be enrolled in new programmes as well as in learning programmes such as AET. In addition, during Quarter 4, employers and tertiary institutions were not able to report completions due to the COVID-19 Pandemic Lockdown. This resulted in the decrease in the overall organisational performance from 91% in 2018/19 to 74% in 2019/20 (17% decrease).

Strategic goal 3: Improve sector capacity in delivering training provision.

During the financial year, CATHSSETA conducted accreditation workshops for training providers to ensure increased capacity for training provision. The SETA also hosted the first of its kind interactive expo in partnership with Fibre, Processing and Manufacturing (FP&M) SETA, Food and Beverage (FoodBev) SETA and Media, Information and Communication Technologies (MICT) SETA and saw over 1 500 high school learners from Gauteng and Limpopo getting first-hand experience of how the Arts, Culture and Heritage sector works through

master classes and presentations by tertiary students. The expo hosted artists, chefs, dancers, crafters and poets, who engaged with high school learners on the various opportunities that exist in this sector. Significant to this expo were the Master Classes which were championed by the world-renowned Ndebele painter, Dr Esther Mahlangu and Poet and Cultural Activist, Professor Pitika Ntuli for Visual Arts.

In addition, CATHSSETA signed partnership agreements with 36 stakeholders, namely: eight with TVET colleges, eight with universities, 16 with employers and four with People with Disabilities associations to strengthen stakeholder management and increased delivery of training provision.

As a result, for the past consecutive three years, there has been tremendous overachievement in the TVET WIL learning programmes and there was also an over-achievement in the implementation of Learnerships Programmes for unemployed youth. In addition, CATHSSETA implemented the first QCTO approved Artisan Qualification in which 263 learners are enrolled. Since the Artisan Programme is for three years, CATHSSETA had to review the 2019/20 target for Artisan Completions.



3. PERFORMANCE INFORMATION BY PROGRAMME/ACTIVITY/OBJECTIVE

3.1 PROGRAMME 1: ADMINISTRATION

The purpose of this programme is to enable CATHSSETA to deliver on the mandate by providing strategic management, sound financial and supply chain management capacity, and corporate and administrative support. This programme comprises the following sub-programmes: Corporate Services, Finance, Governance, Human Resources, and Information Technology (IT).

Strategic objectives, performance indicators, planned targets and actual achievements

Table 3: Sub-programme 1.1 Corporate Services

No.	Strategic objective	No.	Performance indicators	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation	Comment on deviation
1.1.1	Establish effective corporate services functions	1.1.1.1	Number of CATHSSETA stakeholder engagements implemented	6	6	6	–	None
		1.1.1.2	Percentage of contracts compliant with legal contractual terms and conditions	100%	100%	100%	–	None

Table 4: Sub-programme: 1.2 Finance

No.	Strategic objective	No.	Performance indicators	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation	Comment on deviation
1.2.1	Ensure adherence to supply chain management processes	1.2.1.1	Percentage of SCM procurement processes in line with PPPFA	100%	100%	100%	–	None



Table 5: Sub-programme: 1.3 Governance

No.	Strategic objective	No.	Performance indicators	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation	Comment on deviation
1.3.1	Promoted good governance at CATHSSETA	1.3.1.1	Percentage of implementation of King IV Governance and Leadership principles	New target	100%	100%	–	None
		1.3.1.2	Number of risk register reviews	4	4	4	–	None
		1.3.1.3	Percentage of reduction of internal control deficiencies reported in previous internal and external audit reports	New target	80%	81%	1%	Target exceeded due to managers addressing most internal controls in Quarter 2.

Table 6: Sub-programme: 1.4 Human Resources

No.	Strategic objective	No.	Performance indicators	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation	Comment on deviation
1.4.1	Ensure effective utilisation of human resources in the organisation by developing and retaining a skilled workforce	1.4.1.1	Percentage of employee vacancy rate	9.39	8%	12.03%	4.03%	Target not reached due to a moratorium placed on vacant posts and the Structure Realignment process.
		1.4.1.2	Percentage of employees that received training as per approved training plan	100%	80%	83%	3%	Target exceeded due to more employees attending training.

Table 7: Sub-programme: 1.5 Information Technology

No.	Strategic objective	No.	Performance indicators	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation	Comment on deviation
1.5.1	Maintain effective and efficient IT systems	1.5.1.1	Percentage of IT system availability	100%	90%	58%	(32%)	Target not met due to unavailability of the ERP System.

Programme 1: Administration has nine Key Performance Indicators (KPIs). A total of seven KPIs were achieved, indicating 78% achievement.

3.2 PROGRAMME 2: SKILLS PLANNING

The purpose of this programme is to provide performance information services that informs management decision-making, leading to the achievement of the CATHSSETA predetermined strategic objectives. This programme comprises the following units i.e. the Research, Strategic and Sector Skills Planning, and Mandatory Grants (WSP/ATR).

Strategic objectives, performance indicators, planned targets and actual achievements

Table 8: Sub-programme 2.1: Research

No.	Strategic objective	No.	Performance indicators	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation	Comment on deviation
2.1.1	Commissioned sector research to support informed decision-making	2.1.1.1	Percentage of research agenda achieved	100%	100%	67%	(33%)	Target not met due to delays in the SCM procurement processes which resulted in two out of six research agenda items not being achieved. The 2020/21 procurement needs were discussed and submitted to SCM in order not to delay processing.

Table 9: Sub-programme 2.2: Sector Skills Plan

No.	Strategic objective	No.	Performance indicators	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation	Comment on deviation
2.2.1	Develop a credible Sector Skills Plan (SSP)	2.2.1.1	Researched SSP approved by the AA	1	1	1	-	None

Table 10: Sub-programme 2.3: Mandatory Grants

No.	Strategic objective	No.	Performance indicators	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation	Comment on deviation
2.3.1	Supported levy-paying employers claiming grants	2.3.1.1	Number of large levy-paying employers submitting Mandatory Grant applications	260	220	270	50	Target exceeded due to increased applications for Mandatory Grants.
		2.3.1.2	Number of medium levy-paying employers submitting Mandatory Grant applications	355	320	345	25	Target exceeded due to increased applications for Mandatory Grants.
		2.3.1.3	Number of small levy-paying employers submitting Mandatory Grant applications	483	480	521	41	Target exceeded due to increased applications for Mandatory Grants.

Programme 2: Planning has a total number of five KPIs. A total of four KPIs were achieved, indicating 80% achievement.

3.3 PROGRAMME 3: LEARNING PROGRAMMES AND PROJECTS

The purpose of this programme is to establish partnerships and facilitate the delivery of skills development and provide support services for the sector. This programme comprises the following sub-programmes; Occupationally Directed Programmes, Special Projects, Monitoring, Evaluation and Reporting, and Career Guidance.

Strategic objectives, performance indicators, planned targets and actual achievements

Table 11: Sub-programme 3.1: Occupationally Directed Programmes

No.	Strategic objective	No.	Performance indicators	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation	Comment on deviation
3.1.1	Increased the number of learners enrolled in PIVOTAL programmes	3.1.1.1	Number of unemployed learners entering Learnership programmes	402	422	559	137	Annual target exceeded due to a DHET's request for the SETA to report Professional Cookery as learnerships instead of artisans as planned.
		3.1.1.2	Number of unemployed learners completing Learnership programmes	212	316	446	130	Annual target exceeded due to completions of learners enrolled in the previous year.
		3.1.1.3	Number of employed learners entering Learnership programmes	302	320	324	4	Annual target exceeded due to employers implementing programmes in line with their annual plans.
3.1.1	Increased the number of learners enrolled in PIVOTAL programmes	3.1.1.4	Number of employed learners completing Learnership programmes	174	240	247	7	Exceeded due to more enrolment during the implementation of the Remedial Plan.
		3.1.1.5	Number of unemployed learners on Bursary programmes	643	787	849	62	Exceeded due to more enrolment due to implementation of the Remedial Plan.
		3.1.1.6	Number of employed learners on Bursary programmes	370	280	274	(6)	Annual targets not achieved due to challenges on the submission of completion confirmations by employers as a result of COVID-19 pandemic lockdown.
		3.1.1.7	Number of unemployed learners entering Skills programme	850	698	680	(18)	Annual targets not achieved due to challenges on receiving required applications for the learning programme.

Strategic No.	Objective	No.	Performance indicators	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation	Comment on deviation
		3.1.1.8	Number of unemployed Learners completing Skills programmes	625	523	573	50	Annual target exceeded due to learners completing from the previous financial year.
3.1.1	Increased the number of learners enrolled in PIVOTAL programmes	3.1.1.9	Number of employed learners entering skills programmes	311	317	318	1	Annual targets exceeded due to implementation of Remedial Action.
		3.1.1.10	Number of employed learners completing skills programmes	559	238	183	(55)	Annual target not met due to withdrawals to implement the learning programme by some employers.
		3.1.1.11	Number of unemployed Graduates on internship programmes	449	525	499	(26)	Annual target not achieved due to challenges on the submission of completion confirmations by employers as a result of COVID-19 pandemic.
		3.1.1.12	Number of artisans entering training programmes	248	261	263	2	Annual target exceeded due to the implementation of the Remedial Action in Q4.
		3.1.1.13	Number of artisans completing training programmes	221	196	–	(196)	Annual target not met because the duration of the Artisan programme is three years. Since this is the first year, there are no completions.
		3.1.1.14	Number of Learners on a TVET Occupation programme	New target	350	233	(117)	Annual target not met due the late commencement of the programme which affected the completions target.
3.1.1	Increased the number of learners enrolled in PIVOTAL programmes	3.1.1.15	Number of TVET Learners on a WIL programme	1 725	1 720	2 117	397	Annual target exceeded due to increased partnerships with TVET Colleges thereby increasing enrolments.
		3.1.1.16	Number of University Learners on workplace experience	464	399	395	(4)	Annual targets not achieved due to challenges on the submission of completion confirmations by employers as a result of COVID-19 pandemic.
		3.1.1.17	Number of employed Learners on RPL	New target	16	–	(16)	Annual targets not achieved due to challenges on receiving required applications for the learning programme.

No.	Strategic objective	No.	Performance indicators	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation	Comment on deviation
3.1.2	Address entry-level skills of youth and adult education	3.1.2.1	Number of learners accessing and completing AET	100	93	73	(20)	Annual targets not achieved due to challenges on completions as a result of late commencement of training.
3.1.3	Increase support to sector organisations through skills development	3.1.3.1	Number of SEs directly supported	175	185	185	–	None
		3.1.3.2	Number of cooperatives supported	4	4	4	–	None
		3.1.3.3	Number of NGOs/NPOs/CBOs supported	8	8	8	–	None
		3.1.3.4	Number of Labour Unions supported	3	4	4	–	None

Table 12: Sub-programme 3.2: Special Projects

No.	Strategic objective	No.	Performance indicators	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation	Comment on deviation
3.2.1	Implement skills development projects in rural areas and for the youth	3.2.1.1	Number of youth development projects implemented	9	9	10	1	Exceeded due to increased youth development projects implemented.
		3.2.1.2	Number of rural projects implemented in provinces	9	9	9	–	None
3.2.2	Promoting access to the workplace through partnerships with the sector	3.2.2.1	Number of partnership projects implemented with TVET Colleges	8	8	8	–	None
		3.2.2.2	Number of partnership projects implemented with Universities	8	8	8	–	None
		3.2.2.3	Number of partnership projects implemented with sector employers	15	16	16	–	None
		3.2.2.4	Number of partnership projects implemented with People with Disabilities institutions	3	3	4	1	Annual target exceeded due to increased demand for partnerships.

Table 13: Sub-programme 3.3: Monitoring, Evaluation and Reporting

No.	Strategic objective	No.	Performance indicators	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation	Comment on deviation
3.3.1	Managed organisational performance	3.3.1.1	Number of performance information reports produced	5	8	8	–	None
		3.3.1.2	Number of evaluation reports on CATHSSETA regional offices	4	6	6	–	None

Table 14: Sub-programme 3.4: Career Guidance

No.	Strategic objective	No.	Performance indicators	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation	Comment on deviation
3.4.1	Promote CATHSSETA skills development interventions to stakeholders	3.4.1.1	Number of sector career interventions attended	20	20	20	–	None

Programme 3: Learning Programmes and Special Projects have a total number of 31 KPIs. A total of 22 KPIs were achieved, indicating 71% achievement.

3.4 PROGRAMME 4: QUALITY ASSURANCE

The purpose of this programme is to ensure that all quality assurance functions as delegated by the Quality Council of Trades and Occupations (QCTO) are effectively fulfilled in the development of qualifications and the monitoring of learning achievements.

Strategic objectives, performance indicators, planned targets and actual achievements

Table 15: Sub-programme 4.1: Provider Accreditation

No.	Strategic objective	No.	Performance indicators	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation	Comment on deviation
4.1.1	Increase accessibility to accreditation	4.1.1.1	Number of provider accreditation workshops conducted	New target	9	9	–	None
4.1.2	Improved the capacity of TVET colleges to deliver skills development interventions	4.1.2.1	Number of TVET and support staff entering development programmes	–	100	–	(100)	Annual target not achieved because a suitable Training Service Provider could not be appointed through SCM processes.
		4.1.2.2	Number of TVET and support staff completing development programmes	80	90	–	(90)	Annual target not achieved because a suitable Training Service Provider could not be appointed through SCM processes.
		4.1.2.3	Number of Education Training Development (ETD) practitioners trained	37	40	40	–	None

Table 16: Sub-programme 4.2: Certification

No.	Strategic objective	No.	Performance indicators	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation	Comment on deviation
4.2.1	Maintain quality assurance standards	4.2.1.1	Percentage of learner completion achievement reports or certificates issued	100%	100%	100%	–	None
		4.2.1.2	Number of reports on ETD practitioners in registration process	4	4	4	–	None
		4.2.1.3	Number of reports on Learning programme evaluation	96	4	4	–	None

Table 17: Sub-programme 4.3: Qualification Development

No.	Strategic objective	No.	Performance indicators	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation	Comment on deviation
4.3.1	Review qualifications for sector appropriateness	4.3.1.1	Number of occupational part or full qualifications reviewed or developed	–	10	19	9	The industry identified part qualifications that form part of the qualifications hence the over-achievement.
		4.3.1.2	Number of reports on qualification review process	4	4	4	–	None

Programme 4: Quality Assurance has a total number of nine KPIs. A total of seven KPIs were achieved, indicating a 78% achievement.



3.5 QUARTERLY BREAKDOWN FOR COMBINED TARGETS AND ACHIEVEMENTS

No.	Strategic objective	No.	Performance indicators	Reporting period	Target reporting type	Annual target 2019/20	Quarterly targets				Achievement 2019/20
							1st	2nd	3rd	4th	
3.1.1	Increased the number of learners enrolled in PIVOTAL programmes	3.1.1.5	Number of unemployed learners entering bursary programmes	Bi-annually	Cumulative	450	100	–	–	350	470
			Number of unemployed learners completing Bursary programmes	Bi-annually	Cumulative	377	175	–	–	162	379
		3.1.1.6	Number of employed learners entering bursary programmes	Quarterly	Cumulative	160	40	60	–	60	155
			Number of employed learners completing bursary programme	Quarterly	Cumulative	120	–	60	30	30	119
		3.1.1.11	Number of unemployed learners entering internship programmes	Bi-annually	Cumulative	300	100	–	–	200	300
			Number of unemployed learners completing internship programmes	Bi-annually	Cumulative	225	112	–	–	113	199
		3.1.1.14	Number of unemployed learners entering TVET Occupation programmes	Quarterly	Cumulative	200	50	75	75	–	187
			Number of unemployed learners completing TVET Occupation programmes	Quarterly	Cumulative	150	30	60	–	60	46
		3.1.1.15	Number of TVET Learners entering a WIL programmes	Quarterly	Cumulative	983	327	328	–	328	996
			Number of TVET Learners completing WIL programme	Quarterly	Cumulative	737	245	245	–	247	1121
		3.1.1.16	Number of University Learners entering workplace experience	Annually	Cumulative	228	–	–	–	228	228
			Number of University Learners completing workplace experience	Annually	Cumulative	171	171	–	–	–	167
		3.1.1.17	Number of employed Learners entering RPL	Annually	Cumulative	10	10	–	–	–	–
			Number of employed Learners completing RPL	Annually	Cumulative	6	–	–	–	6	–
		3.1.2.1	Number of Learners entering AET	Annually	Cumulative	53	17	18	18	–	53
			Number of Learners completing AET	Annually	Cumulative	40	10	15	15	–	20

3.6 LEARNING PROGRAMMES BENEFICIARIES' FEEDBACK

3.6.1 CATHSSETA Bursary recipient – Keitumetse Molea

Ms Keitumetse Molea is one of the students that CATHSSETA is proud of. She is a recipient of the CATHSSETA bursary that has been a stepping stone towards her career in the arts and entertainment industry. Upon completing her studies, Ms Molea was employed by Disney Theatricals Company as a singer and actress on the famous and loved – The Lion King – in Shanghai, China and London, United Kingdom. Ms Molea remains grateful for the opportunity presented by CATHSSETA. Today she is a great ally of the Arts and a youth motivator.

3.6.2 CATHSSETA Bursary recipient – Mthokozisi Zondo

Mr Mthokozisi Zondo was awarded with a bursary to study Tourism Management which he completed on record time. The bursary was more than just a chance to study but it gave him the opportunity to gain work experience by working at South African Airways where he gained people skills and customer services.

'I would like to thank everyone from the senior management to junior staff that made this possible for me and other students to get qualifications and be able to improve our lives', said Mr Zondo.

3.6.3 CATHSSETA-China WIL programme

Our testimonies for the CATHSSETA-China international Work Integrated Learning (WIL) programme never cease to amaze us. We are proud of our alumni's, Zamabinda Jili, Snenhlanhla Mbatha and Anele Jili who successfully completed their Work Integrated Learning programme in China.

The former Majuba TVET college students gained valuable skills and admirable work ethics that motivated them to open a business called Banzi Catering and Decoration. This is a true South African story that highlights the resilience and the spirit of the youth in our country. Their success story is one to inspire and encourage others to follow in their footsteps.



3.6.4 CATHSSETA apprenticeship – Patience Nyongane

Ms Patience Nyongane is one of the students who could not afford to go to Culinary Schools after finishing her matric but through the CATHSSETA Apprenticeship she was able to receive her qualification in Cheffing. Ms Nyongane didn't just sit with her qualification, she put her knowledge and passion for food to practice by opening her own catering business called Your Favourite Chef. Ms Nyongane has managed to build a name for herself in Kimberley, Northern Cape and has featured on the Food Network's cooking show, Siba's Table.

3.7 STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

In the 2020/21 financial year, CATHSSETA will embark in the following activities to overcome areas of underperformance:

- Develop the E-learning Policy, Standards and Solutions to be used by the sector stakeholders as well as develop qualifications that meet the e-learning standards.
- Enter into a Service Level Agreement (SLA) with the South African College Principal Organisation (SACPO) to ensure the training of TVET lecturers.
- Implement the Skills Forecasting Study that will identify skills needs in the sectors that are aligned to the Fourth Industrial Revolution (4IR).
- Implement the ERP System to ensure effective IT system availability.
- Implement the aligned Organisational structure to fill all vacant positions.

Changes to planned targets

During the financial year under review, there were no changes to planned targets.





4. LINKING PERFORMANCE WITH BUDGET

Table 18: Linking performance with budget

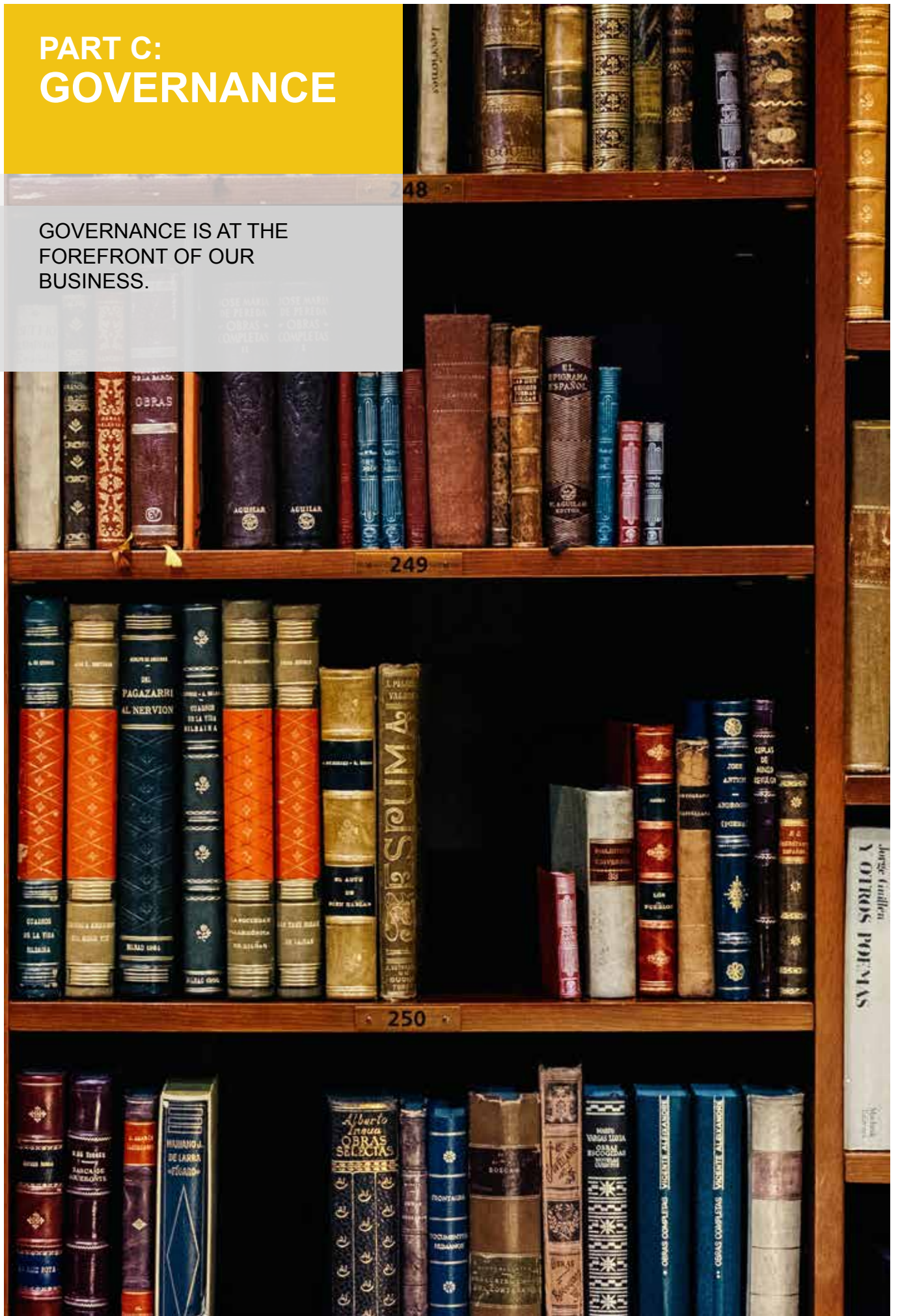
Programme/activity/objective

	2019/20			2018/19		
	Budget R'000	Actual expenditure R'000	(Over)/under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/under expenditure R'000
Programme 1: Administration	69 580	65 976	3 604	51 313	49 879	1 434
Sub-programme 1.1: Finance	21 623	21 009	614	13 731	10 303	3 428
Sub-programme 1.2: Human Resources	15 877	15 669	208	14 460	15 782	(1 322)
Sub-programme 1.3: Communications and Stakeholder Management	3 172	2 718	454	3 359	3 190	169
Sub-programme 1.4: Information Technology	19 228	15 465	3 763	10 208	12 577	(2 369)
Sub-programme 1.5: Knowledge Management (Records Management)	–	–	–	–	–	–
Sub-programmes 1.6 Legal and Labour Services	5 936	5 884	52	3 671	4 005	(334)
Sub-programme 1.7 Corporate Services	3 744	5 230	(1 486)	5 884	4 022	1 862
Programme 2: Governance	11 052	13 527	(2 475)	18 003	14 798	3 205
Sub-programme 2.1: Board Structures (Chief Executive Officer)	11 052	13 527	(2 475)	18 003	14 798	3 205
Programme 3: Planning	9 214	6 335	2 879	12 505	6 982	5 523
Sub-programme 3.1: Research and Sector Skills Plan	7 414	6 335	1 079	10 505	5 739	4 766
Sub-programme 3.2: Organisational Performance Management	1 800	–	1 800	2 000	1 243	755
Programme 4: Skills Development	526 117	281 243	244 874	310 015	322 767	(12 752)
Sub-programme 4.1: Training Provision: Accreditation and Quality Assurance	7 277	5 398	1 879	8 630	7 368	1 262
Sub-programme 4.2: Learning Interventions	446 376	199 071	247 305	207 754	211 351	(3 597)
Sub-programme 4.3 Grant Administration	56 000	56 852	(852)	50 500	53 845	(3 345)
Sub-programme 4.4: Partnership Projects and Regional Operations	16 464	19 922	(3 458)	43 131	30 524	12 607
Grand total	615 963	367 081	248 882	391 836	394 426	(2 590)

PART C: GOVERNANCE

GOVERNANCE IS AT THE
FOREFRONT OF OUR
BUSINESS.

JOSE MARÍA DE PEREDA
+ OBRAS +
COMPLETAS





1. INTRODUCTION

CATHSSETA is established in terms of the Skills Development Act (Act 97 of 1998). 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 NSDS III.

In addition to this, Regulation 30 of the National Treasury Regulations prescribes that an SLA must be concluded between the Executive Authority, namely the DHET and CATHSSETA. This SLA contains strategic objectives that must be achieved and reported on quarterly.

The CATHSSETA Constitution, the Code of Conduct and its legislated and standing committees are aligned to the principles incorporated in the Code of Corporate Practices and Conduct in the King Report.

2. PORTFOLIO COMMITTEES (if applicable)

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 CATHSSETA by interrogating its Annual Financial Statements and performance information.

3. EXECUTIVE AUTHORITY

CATHSSETA is a schedule 3A Public Entity reporting to the DHET. The Minister of Higher Education, Science and Technology is the SETA Executive Authority.

During the year under review, the Minister of Higher Education, Science and Technology, Dr Bonginkosi Blade Nzimande, appointed the new Accounting Authority of CATHSSETA.

The following quarterly reports have been submitted for the financial year:

- Quarterly Monitoring Report

- Governance Charter
- Governance Review for Risk and Audit
- Governance Review for Accounting.

4. THE ACCOUNTING AUTHORITY/BOARD

The Minister appointed the new Board on 26 March 2019, and three members from the previous Board were retained. The new Board commenced with their duties in the 2019/20 financial year.

THE ROLE OF THE ACCOUNTING AUTHORITY

In terms of the approved CATHSSETA Constitution, the Accounting Authority has the following duties to perform:

- Govern and manage CATHSSETA in accordance with the PFMA (1999) and any other applicable legislation.
- Ensure that CATHSSETA achieves the objectives contemplated in item 4 and performs the function contemplated in item 5 of the Constitution.
- Provide effective leadership to executive management and ensure that CATHSSETA implements the goals of the NSDS and the Performance Agreement with the Minister.
- Provide strategic direction for CATHSSETA.
- Liaise with stakeholders.
- Ensure that CATHSSETA complies with the relevant statutory requirements of this Constitution.
- Exercise the duty of utmost care to ensure reasonable protection of the assets and records of CATHSSETA.
- Act with fidelity, honesty, integrity and in the best interests of CATHSSETA in managing the financial affairs of CATHSSETA.
- On request, disclose to the Minister all material facts, including those reasonably discoverable, which in any way may influence the decisions or actions of the Minister.
- Manage institutional risk.
- Monitor the performance of CATHSSETA.
- Ensure that its members and the members of the committees established by it, comply with the Code of Conduct set out in Annexure 2 of the CATHSSETA Constitution.

Table 19: CATHSSETA Board

The Minister appointed the FY2019/20 Board on 26 March 2018 and three members from the previous Board were reappointed. The new Board commenced with their duties on 1 April 2020.

Name of member	Date appointed	Date resigned	Qualification	Area of expertise	Board Directorships (List the entities)	Other Committees (e.g.: Audit committee/ Ministerial task team)	Number of meetings held	Number of meetings attended
Dr Victor Ramathesele	31 March 2017	N/A	MB Ch.B	Medical	Sondela Academy	Board and Exco	8	8
Mr Michael Sikani	31 March 2017	N/A	BA Honours	Labour	SACCAWU	Board, Exco and Remco	8	8
Mr Xolisa Mpeqeka	26 March 2018	N/A	Not listed only a Grade 12 certificate attached with the nomination	Teacher and an Opera Singer	Provincial Government Department	Board and G&S	8	3
Ms Vivian Malema	26 March 2018	N/A	Master of Education M.Ed. (EE)	Conservation and Education, Training, Skills, Skills and Human Resources Development	South African National Biodiversity Institute	Board and G&S	8	5
Advocate Nhlanhla Sibisi	26 March 2018	N/A	MA Media & Entertainment, LLB, BA Law	Corp governance, Legal	RISA	Board and Exco	8	7
Ms Thandiwe Msibi	26 March 2018	N/A	BA Industrial Psychology, Post Grad Diploma Management	Human Resources Dev and Training Skills Dev, PFMA and Regulations	Vuyani Dance Theatre	Board and Remco	8	8
Ms Sumayya Khan	26 March 2018	N/A	Diploma Ed, Exec Dev Programme	Governance strategy, Financial Management, PFMA	DSAC	Board and G&S	8	2
Ms Tshidi Mkhosana	26 March 2018	N/A	B.Com Financial Management Degree	Finance, marketing, strategy development, training, and quality management	FEDHASA	Board, Exco and Finance	8	8
Mr Kgatle Lebogo	26 March 2018	N/A	Diploma in mine Ventilation Engineering	Music	Musician Association South Africa (MASA)	Board and Exco	8	7
Mr Thabiso Dube	26 March 2019	N/A	M.Phil Dev Finance, B Tech Management, GIBS Global Executive Programme	Governance strategy, Financial Management, PFMA	eThekwini Waste Material Recovery Industry Development Cluster	Board, Finance and ARC	8	6
Mr Moses Motha	26 March 2019	N/A	M.Lit in Linguistics, B.Ed, BA Education	Human Resources Dev., Education and Training Skills Development	National Tertiary Education Union	Board and G&S	8	6
Mr Wiseman Dinwa	26 March 2019	N/A	Bachelor of Commerce Honours in Human Resource Management	Labour	Hotelicca	Board, Finance and ARC	8	7

Committees

Board members were appointed to various Board Committees. The following committees have been established by the Board:

4.1 THE EXECUTIVE COMMITTEE

The Executive Committee has been established to supervise the proper management of all financial matters and oversee the overall management of CATHSSETA.

Table 20: The Executive Committee

Name of member	Date appointed	Date resigned	Number of meetings held	Number of meetings attended
Dr Victor Ramathesele	31 March 2017	N/A	15	15
Adv Nhlanhla Sibisi	26 March 2018	N/A	15	11
Mr Michael Sikani	31 March 2017	N/A	15	14
Ms Tshidi Mkhosana	26 March 2018	N/A	15	12
Mr Kgatle Lebogo	26 March 2018	N/A	15	14

4.2 THE GOVERNANCE AND STRATEGY COMMITTEE

The Governance and Strategy Committee has been established to promote good governance.

Table 21: The Governance and Strategy Committee

Name of member	Date appointed	Date resigned	Number of meetings held	Number of meetings attended
Ms Sumayya Khan	26 March 2018	N/A	6	3
Ms Vivian Malema	26 March 2018	N/A	6	6
Mr Xolisa Mpeqeka	26 March 2018	N/A	6	4
Mr Moses Motha	27 March 2019	N/A	6	5

4.3 THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee has been established to promote effectiveness of risk management, control and governance processes within the organisation.

Table 22: Audit and Risk Committee Members: Chaired by Ms Nompumelelo Mokou up to November 2019 a new chairperson was elected Ms Noziphiwo Lubanga.

Name of member	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	Number of meetings held	Number of meetings attended
Ms Nompumelelo Mokou – CA(SA) MBA	External	N/A	30 June 2017	N/A	5	5
Mr Jack Shilubane – BSc	External	N/A	30 June 2017	N/A	5	5
Ms Noziphiwo Lubanga – PIA (SA)	External	N/A	30 October 2018	N/A	5	4
Dr Antoinette Ngwenya – D (Phil) Business Admin	External	N/A	30 October 2018	N/A	5	5
Mr Thabiso Dube – M Phil Dev Finance, B Tech Management, GIBS Global Executive Programme	Board Member	Board Member	27 March 2020	N/A	5	4
Mr Wiseman Dinwa – Bachelor of Commerce, Honours in Human Resource Management	Board Member	Board Member	27 March 2020	N/A	5	4

The Audit and Risk Committee performs its functions in accordance with PFMA as well as guidelines stipulated in King IV.

The Committee reviews and makes recommendations on:

- the overall efficiency and effectiveness of the internal control environment through combined assurance provided by management, internal audit as well as external audit;
- ongoing monitoring of the SETA's risk areas as well as identified mitigating controls covered in the scope of both internal and external audit;
- the adequacy, reliability and accuracy of financial information provided to the Accounting Authority;

- the accounting and audit concerns/ results identified by internal and external audit;
- the cooperation and coordination between internal and external audit functions and management of CATHSSETA;
- the SETA's compliance and legal regulatory provisions;
- the activities of internal audit, its annual plan as well as three-year rolling plan, correlation with external audit, reports of significant investigations and management's response to provided recommendations; and
- where relevant, the independence and objectivity of the external auditors.

4.4 THE REMUNERATION COMMITTEE

The Remuneration Committee has been established as an advisory body which reports to the Accounting Authority.

Table 23: REMCO Committee Members: Chaired by Ms Thandiwe Msibi

Name of member	Date appointed	Date resigned	Number of meetings held	Number of meetings attended
Ms Bulelwa Seti	31 March 2017	4 March 2019	2	–
Mr Michael Sikani	31 March 2017	N/A	2	2
Ms Thandiwe Msibi	26 March 2018	N/A	2	1
Ms Tshidi Mkhosana	26 March 2018	N/A	2	2
Mr Charles Mohalaba	28 June 2018	8 August 2019	2	2
Ms Juliana Makapan	28 June 2018	N/A	2	2
Ms Yvonne Mbane	28 June 2018	N/A	2	2

4.5 REMUNERATION OF COMMITTEE MEMBERS

All Committee members were paid a meeting allowance and the Chairperson's allowance as reflected in the Annual Financial Statements. Members from government and public entities were not paid meeting allowances but all members' travel

arrangements were covered by CATHSSETA in terms of the circular issued by the National Treasury on remuneration tariffs for office bearers.

4.6 THE FINANCE COMMITTEE

The Finance Committee has been established as an advisory body which reports to the Accounting Authority.

Table 24 Finance Committee Members: Chaired by Mr Thabiso Dube

Name of member	Date appointed	Date resigned	Number of meetings held	Number of meetings attended
Mr Thabiso Dube	26 March 2019	N/A	4	4
Mr Wiseman Dinwa	27 March 2019	N/A	4	3
Ms Tshidi Mkhosana	27 March 2019	N/A	4	4

5. RISK MANAGEMENT

CATHSSETA is committed to good corporate governance. A robust risk management process that is embedded in the organisation is a core element of corporate governance. In line with our Risk Framework and Risk Policy, we are required to conduct risk assessments in order to identify new and emerging risks.

Risk assessments were conducted quarterly which enabled us to identify risks and formulate effective controls to mitigate the risks to an acceptable level. Each risk was ranked as high, medium, or low, thus enabling us to commit more resources and efforts on high risks that threaten the organisation's achievement of its strategic objectives.

Risk registers are compiled from the risk assessment which outlines the risks, the controls put in place to reduce the risks and risk owners are assigned to ensure each division is responsible for managing risks within their respective division, thus embracing the culture of risk management throughout the entire organisation.

Timelines are outlined in the risk registers to ensure effective risk management. The Risk Manager is responsible for ensuring that risk owners implement the controls agreed upon within the timelines that were initially set. The Audit and Risk Committee monitors the effectiveness of the risk management function through risk reports that are presented on a quarterly basis.

6. INTERNAL CONTROL UNIT

CATHSSETA has established an Internal Audit and Risk Management division. The division's key functions are the following:

- Assisting in accomplishing our objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation.
- Implementing and maintaining an effective internal control environment.
- Keeping abreast of new developments affecting CATHSSETA's activities and matters affecting internal audit work.
- Identifying, assessing and managing key operational, financial and compliance risks of the organisation.

7. INTERNAL AUDIT

CATHSSETA appointed an external service provider as an outsourced Internal Audit Function for the entity.

In line with the PFMA, the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and King IV Report on Corporate Governance, Internal Auditors are required to provide the Audit and Risk Committee and Management with quarterly internal audit reports in terms of its approved annual and three-year rolling Internal Audit Plan.

The objective of 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.

The key activities of Internal Audit are to:

- 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 Audit and Risk Committee for review and approval as well as periodic updates;
- consider the scope of work of the external auditors and other assurance providers, as appropriate, for providing optimal audit coverage;
- to perform efficient and effective audits which are proactive and promptly reported with the application of suitably skilled senior staff;
- the performance of 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;
- timely issuing of reports and regular internal audit follow ups on corrective actions relating to weaknesses identified in previous reviews.

The three-year Internal Audit Plan was approved by the Audit and Risk Committee and the following audits were undertaken in the financial year:

- Review of Performance Information (Q1, Q2, and Q3)
- Supply Chain and Contract Management Review
- Finance Operating Control Review
- Discretionary Grants Data Analytics Review
- Governance Review (review of charters)
- Human Resource and Payroll Management Reviews
- Review of tenders – Pre-adjudication reviews

8. COMPLIANCE WITH LAWS AND REGULATIONS

CATHSSETA had all its policies reviewed in the year under review. They were tabled at all the relevant committees and the Board. This exercise was done to ensure that all policies are aligned with all relevant laws and regulations that are applicable to the SETA.

9. FRAUD AND CORRUPTION

Our approved Fraud and Anti-Corruption Policy incorporates the whistle-blowing protection clause which encourages officials to make confidential disclosures about suspected fraud and corruption within the organisation.

The Policy also outlines the process that should be followed in terms of reporting fraud and corruption cases. In addition to our policy, CATHSSETA has a Fraud Hotline, which is managed by an external service provider. 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 Board Committees and the CATHSSETA Board also signed the Register.

The Bid Adjudication Committee (BAC) was duly appointed. All individuals who are involved in bidding processes (evaluation and adjudication of bids) are required to declare any interest prior to proceeding with the process. Any individual who might 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.

11. CODE OF CONDUCT

The CATHSSETA has an approved Code of Conduct Policy. The SETA's 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 is committed to the fulfilment of the requirements stipulated in the Occupational Health and Safety Act, 1993 (Act 85 of 1993) and to this end, a Health and Safety Committee was

established and it monitors the health and safety of employees and their work environment. The Health and Safety Policy that was approved by the Board and a workshop on the policy was presented to CATHSSETA personnel.

13. COMPANY/BOARD SECRETARY

In the year under review, CATHSSETA appointed Imbokodvo Bethany Governance & Statutory Compliance Pty Ltd as our Company/Board Secretariat.

14. SOCIAL RESPONSIBILITY

CATHSSETA did not conduct any social responsibility initiative in the financial year 2019/20.

15. AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2020.

Audit and Risk Committee Responsibility

The Audit and Risk 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 3.1.13. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk 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

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA, Internal Audit provides the Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of Internal Audit, the Auditor-General's Report on the Annual Financial Statements and management's report of the Auditor-General; it was noted that there were instances of weaknesses in controls. However, the Audit and Risk Committee is pleased to report that there was significant improvement in the general controls and management put mechanisms and action plans in place to deal with identified

weaknesses. Management further undertook to report to the Audit Committee on a regular basis on progress made in this regard.

The Committee received good support from the Internal Audit function and as a part of its mandate, reported to the Board regularly. The Committee also held meetings separately with Internal Audit and the AGSA to establish if there were matters of concern that could not be discussed in an open session with management.

The reports received from other areas covered as per the approved Strategic and Operational Internal Audit Plan show areas of improvement whilst also showing shortcomings that were brought to the attention of the Audit and Risk Committee by the Internal Auditors.

We also received feedback regarding the follow-up audit conducted in terms of the areas that were highlighted by the AGSA in prior year audit.

Major progress has been made in addressing previous audit findings and matters contained in the Management letter. There were some outstanding remedial actions that could only be assessed by AGSA during the current year audit.

The effectiveness of the internal control environment was assessed in relation to the results and conclusions made by Internal Audit.

Table 25: The effectiveness of internal control

Period: 1 April 2019 to 31 March 2020

Dates	Audits performed	Overall assessment/conclusion
April 2019	Audit of Performance Information Q4 (2018/19)	General controls are in place but the adequacy and effectiveness of certain key controls needs improvement. Corrective actions should be implemented as soon as possible.
May 2019	Review of Annual Performance Report 2018/19	General controls are in place but the adequacy and effectiveness of certain key controls needs improvement. Corrective actions should be implemented as soon as possible.
May 2019	Review of Commitments	General controls in place are inadequate and ineffective and they need to be strengthened and improved.
December 2019	Review of Interim Financial Statements	General controls are in place but the adequacy and effectiveness of certain key controls needs improvement. Corrective actions should be implemented as soon as possible.
July 2019	Audit of Performance Information Q1	General controls are in place but the adequacy and effectiveness of certain key controls needs improvement. Corrective actions should be implemented as soon as possible.
August 2019	Finance Operating Control Review	Overall a satisfactory control environment. Some improvements have been identified, although immediate corrective action might not be required.
September 2019	Operational Review Monitoring and Evaluation of Learnership Programme Implementation	General controls are in place but the adequacy and effectiveness of certain key controls needs improvement. Corrective actions should be implemented as soon as possible.
September 2019	Review of tenders – Pre-Adjudication reviews	System of internal controls designed to ensure compliance with the SCM legislative and regulatory requirements required improvement. We reviewed tender number CATHS/IWRP/020/2018 at a legislative.
October 2019	Audit of Performance Information Q2	General controls are in place but the adequacy and effectiveness of certain key controls needs improvement. Corrective actions should be implemented as soon as possible.
January 2020	Audit of Performance Information Q3	General controls are in place but the adequacy and effectiveness of certain key controls needs improvement. Corrective actions should be implemented as soon as possible.

2019/20 Management and Monthly/Quarterly Reports

The public entity has submitted monthly and quarterly reports to the Executive Authority.

The following reports have been submitted on a quarterly basis:

- Rural Projects
- Quarterly Management Reports
- Governance Charter
- Finance Reports
- Progress on the Procurement Plan
- Strategic Risk Register

Performance Management

Quarterly reports on the Performance Information were submitted to the Committee both in respect management and Internal Audit's assessment of the reported achievement of set objectives and the adequacy of the portfolio of evidence to support the reported results. Although certain areas for improvement remained, an overall improvement in the controls in comparison to previous periods was noted.

Risk Management

The Audit and Risk Committee was also satisfied with the risk management processes within the SETA.

CATHSSETA has a Risk Management Strategy and Framework in place that was approved and adopted by the Audit and Risk committee as well as the Board. The strategic risk assessment was conducted and monitored on a quarterly basis.

A quality review exercise was conducted on the Internal Audit function during the financial year under review and the overall outcome was one of compliance with the Standards of the Professional Practice of Internal Audit (IIA). This further gave the Audit and Risk Committee comfort about the quality of work of the Internal Audit.

Evaluation of financial statements

The Committee has engaged with management on the 2019/20 Annual Financial Statements on 25 September 2020 and also took note of the high-level review report submitted by the Internal Auditors. The Committee further engaged with the Auditor-General to receive and deliberate on the audit report of 2019/20 on Annual Financial Statements.

Auditor's Report

We have reviewed the public entity's implementation plan for audit issues raised in the prior periods and we are satisfied that the matters have been adequately resolved, except for the following:

- Records management
- Data migration due to new IT system.
- Non-compliance with SCM
- Non-compliance with leave management

The Committee welcomed the audit opinion of the Auditor-General expressed on the 2019/20 Annual Financial Statements of CATHSSETA. The Audit and Risk Committee concurs with the conclusions of the external auditor on the audited Annual Financial Statements. These statements should be read in conjunction with the Auditors' Report.

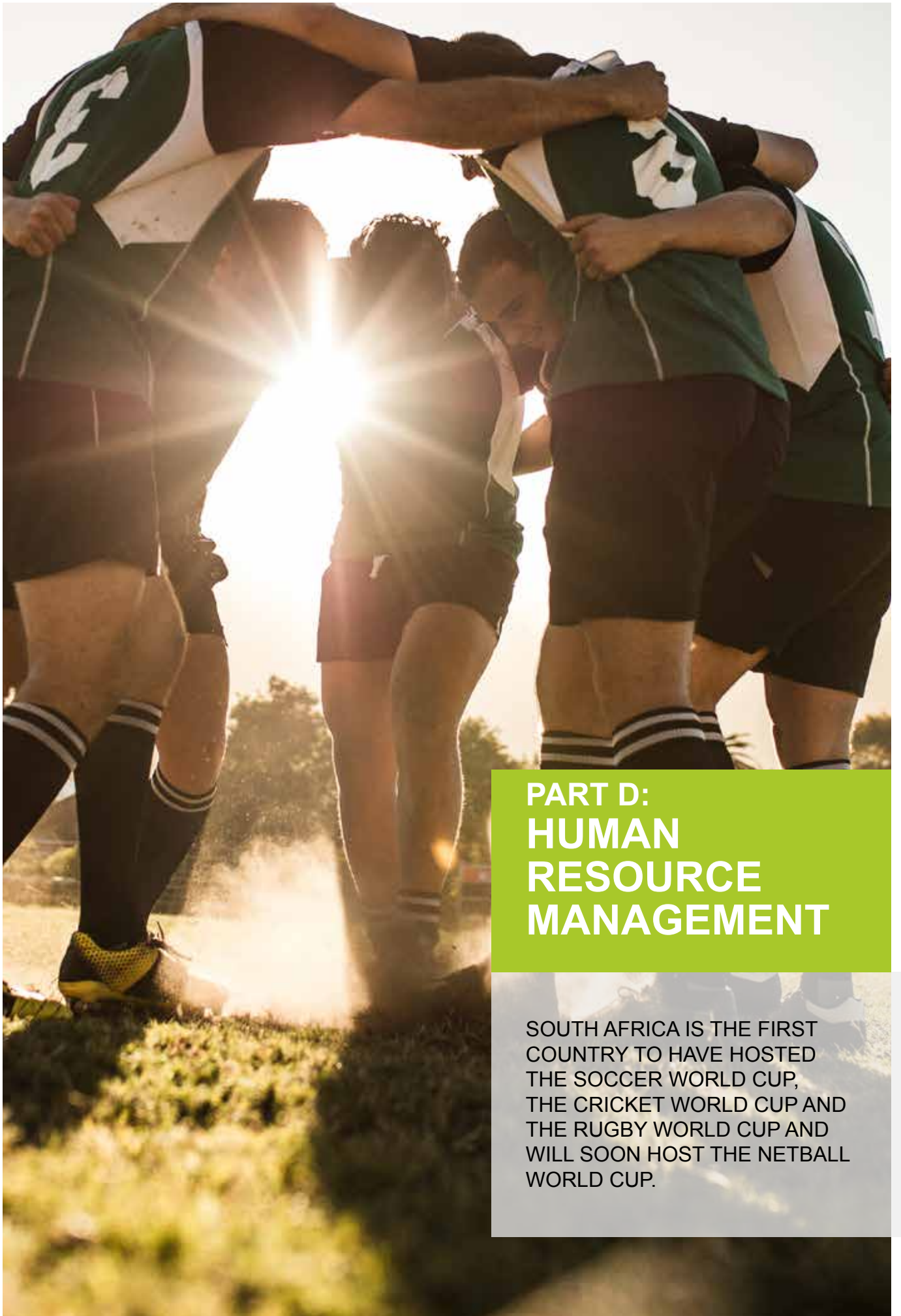


Ms Noziphiwo Lubanga

Chairperson of the Audit and Risk Committee

CATHSSETA





PART D: HUMAN RESOURCE MANAGEMENT

SOUTH AFRICA IS THE FIRST COUNTRY TO HAVE HOSTED THE SOCCER WORLD CUP, THE CRICKET WORLD CUP AND THE RUGBY WORLD CUP AND WILL SOON HOST THE NETBALL WORLD CUP.

1. INTRODUCTION

IN THE REPORTING PERIOD UNDER REVIEW, CATHSSETA EMBARKED ON AN ORGANISATIONAL RE-ALIGNMENT REVIEW (OD) IN LINE WITH THE NATIONAL SKILLS DEVELOPMENT PLAN (NSDP) 2030 AND THE NEW SETA LANDSCAPE THAT WILL BE USHERED IN ON 1 APRIL 2020.

The objective of the Human Resources (HR) Department is to assist CATHSSETA in achieving its strategic goals, while ensuring that employees are engaged and motivated to enable the CATHSSETA to succeed by fostering a positive and engaging work environment while identifying and responding to the changing needs of our diverse organisation.

In line with the Human Resources (HR) Strategy, the Human Resources team undertook several organisational projects aimed at enhancing individual, group, organisational effectiveness, and performance. The activities included the finalisation of the performance appraisals for the Financial Year (FY) 2018/19; training and development of employees; finalisation of the Employee Value Proposition (EVP) and the implementation human resources ERP system. The HR team also planned the employee wellness day for all CATHSSETA staff and the Intern's graduation. This report will cover the areas mentioned above as well as the organisational re-alignment, staff establishment, terminations, remuneration, employee relations, and employee wellness.

1.1 ORGANISATIONAL RE-ALIGNMENT

In the reporting period under review, CATHSSETA embarked on an Organisational Re-alignment review (OD) in line with the National Skills Development Plan (NSDP) 2030 and the new SETA Landscape that will be ushered in on 1 April 2020. These new dispensations will bring about changes with regards to the leadership and governance in Skills Development. It is against this background that the management of CATHSSETA embarked on a process to ensure that the organisation would be able to deliver on the new Mandate and Strategy.

The review was also to ensure that the CATHSSETA's operational environment was aligned to the Strategy. It is anticipated that once the project is

complete, CATHSSETA will become an agile and efficient organisation which is characterised by the following:

- Increased efficiency and clarity of roles and responsibilities
- Engaged employees
- Credible leadership team

The main aim of the project was to come up with a fit for purpose and efficient Organisation through the following:

- Assessment and realignment of the organisation to the strategy.
- Operational alignment of the different business units and their respective functions.
- Alignment of the current jobs to the new business units' imperatives.
- Review and alignment of the policies and procedures.

1.2 PERFORMANCE MANAGEMENT

One of the key priorities for the year under review was performance management. CATHSSETA recognises that performance management is the foundation for organisational success and is committed to an effective performance management system and to providing a conducive working environment and resources for all employees to perform to their full potential to enable a high-performance culture. Performance management is a continuous process, performed throughout the year and involving bi-annual reviews to ensure that the organisation's objectives and organisational performance against these are aligned and on target. The HRD improved on the performance management system by providing workshops for all employees. The employees embraced this intervention; there was meaningful participation and commitment towards the success of the process.



1.3 LEARNING AND DEVELOPMENT

As a leader in skills development, it is CATHSSETA's mission to facilitate skills development through strategic partnerships that will contribute to the economic growth of the country. Education, training and development are key to improving effectiveness and productivity of CATHSSETA employees and will assist the organisation in achieving their goals, objectives and strategies. The Education, Training and Development policy of the CATHSSETA seeks to ensure that employees have an equal opportunity and access to training and development programmes.

The training plan in the year under review was developed in line with the skills development needs of the organisation. The consolidation of training interventions for the financial year were derived from inputs received at departmental level which are linked to employee development requirements as established during the performance contracting process.

The HR Department achieved 83% of its planned training, at all levels of employees in the organisation, with a wide range of training opportunities throughout the year in order to build on employee's professional competencies, increasing their knowledge, and improving their skill set so as to contribute to CATHSSETA's mission and enhance their individual opportunities for future growth. The total investment in training in the period under review was R573 000.00 which is 0,9% of the total personnel expenditure costs.

1.4 EMPLOYEE HEALTH AND WELLNESS

CATHSSETA Employee Wellness Programme (EWP) strives to promote the psychosocial wellbeing of all our staff. The EWP, which is managed by an outsourced service provider, supports CATHSSETA staff members and their immediate family members living with the employee. The EWP is aimed at

assisting and empowering employees to make healthy lifestyle choices which in turn enhance psychological, emotional, physical and social wellness. To this end, the programme provides a 24-hour care centre, seven days a week, with access to psychosocial counselling and financial, legal, and health and wellbeing advice. Wellness education is designed to equip employees with the skills they need to effect meaningful change in their lives.

The Human Resources Department hosted an annual wellness day, where employees had an opportunity to undertake health screening such as cholesterol, sugar, blood pressure and voluntary testing and counselling for HIV and AIDS. As part of wellbeing, employees were invited to participate in diet and lifestyle and health and nutritional talks, Woman's Health and Optometric screening. Staff also had fun with the Photo Booth, laughter therapy and a rock-climbing wall and fun boxing.

1.5 INTERNSHIP PROGRAMME

The HR oversees the internal Internship programme. Internships are work-based training programmes for unemployed graduates. This programme gives graduates workplace experience to develop skills and acquire work experience as well as on-the-job training to build a broader and more flexible talent pool for the future. Each intern is matched to a department within CATHSSETA in an area relevant to the graduate's area of study. This design provides interns with a broad view and aids them in realistically assessing their future career decisions. Management and staff involved in the programme strive to ensure that all interns have an engaging and rewarding experience. As a result, the internship improves career opportunities and overall ability to retain some interns at the end of the internship with the requisite skills and investment in this area will continue.

On 1 July 2018, CATHSSETA embarked on an Internship Programme that entailed the recruitment and placement of twenty-four (24) Interns within the various departments and regional offices for a period of twelve (12) months. A total number of fifteen (15) Interns completed the programme at the end of October 2019, with nine (9) having dropped out during the course of the programme, some found permanent employment and others opted to continue with their studies. A graduation ceremony was held to mark the completion of the Internship on 29 October 2019. The Interns received Certificates of Completion and service certificates.

1.6 EMPLOYEE VALUE PROPOSITION

The Human Resources developed and implemented the Employee Value Proposition (EVP). The EVP is based on the outcomes of CATHSSETA's Organisational Climate Survey conducted in the previous financial year. The purpose of the survey was to provide valuable insights into the employee's attitudes and concerns and perceptions regarding the organisational environment that would assist CATHSSETA in creating positive change. Methods of analysis used included: analysis of the Organisational Climate Survey Report, horizontal and vertical analysis as well as ratios such as demographic distribution, occupational category levels and organisational structural segmentation. Results of the data analysed showed that there were generally positive perceptions among employees and of the employees towards the organisational environment. There was also a special emphasis on the aspects of rewards, performance appraisal, salary scales, treatment by management and certain areas with poor communication.

1.7 UNION

On 10 May 2018, the National Education Health and Allied Workers Union (NEHAWU) approached CATHSSETA Management to assert their collective bargaining rights as a representative trade union in terms of Chapter 3 of the Labour Relations Act. CATHSSETA Management had various meetings with the NEHAWU Representatives and finally concluded a recognition agreement in April 2019.

The parties resolved, in the recognition agreement, among others, that CATHSSETA Management would not form part of the bargaining unit, the number of shop stewards and benefits that accrue to such nomination, conditions of union meetings, collective bargaining and negotiation, forum to consult and negotiate salaries, fringe benefits and all conditions of service, a policy forum to be established on HR Policies, and representation of union members by the union at disciplinary hearings and attendance in interviews below management level.

1.8 ENTERPRISE RESOURCE PLANNING (ERP)

In the period under review the HR unit implemented a new HR System. The system consists of payroll, HR and leave management. The SAGE 300 People is an integrated Payroll, HR and Leave Management System that is more detailed with complex functionalities and custom-built applications. It is an agile and innovative solution to HR processes with world-class capabilities and user interface. The following is an overview of the feature of the system. The migrating of the payroll to the new system was successful; however, the migration to the employee leave system experienced many challenges. Below are the features that will be benefited from the system once it is fully operational.



Table 26: ERP system features

No	Function	Features
1.	Job management	<ul style="list-style-type: none"> To automate job profiles. To generate the company's organogram with the help of Visio Assist with recruitment.
2.	Employee management	<ul style="list-style-type: none"> To record fixed and transactional information. To upload employee photos. To move towards a paperless environment - upload documentation. To set reminders to assist with monthly processing.
3.	Performance management	<ul style="list-style-type: none"> To automate Performance Reviews. To track performance and identify development areas. Performance Contracting with workflow. Employees and Managers can edit KPA, KPI, and Competencies. Web Self Service based – Manager/employee driven. History reports and trends.
4.	Employment equity management	<ul style="list-style-type: none"> To generate the annual Equity Reports to be submitted to the Department of Labour. To assist with Workforce Profile Management.
5.	Skills development management	<ul style="list-style-type: none"> To generate the Annual Training Report for the last 12 months as required by ETDP Seta. To generate the Workplace Skills Plan Report for the next 12 months as required by ETDP Seta. To manage training cost. To manage bursaries.
6.	Time-flow	<ul style="list-style-type: none"> Allows HR to create custom process flows on a timeline to manage business processes. This is especially suited for on-boarding and off-boarding processes. It allows you to automatically spawn off workflows, notifications, checklists, etc. to manage a business process visually.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

The public entity must provide the following key information on human resources. All the financial amounts must agree to the amounts disclosed in the Annual Financial Statements (where considered appropriate provide reasons for variances).

Table 27: Personnel cost by programme/activity/objective

Programme/activity/objective	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a % of total exp. (%)	Number of employees	Average personnel cost per employee
Administration	77 028	26 349	60	47	653
Discretionary	233 605	23 503	13	48	645
Total	310 028	49 852	73	95	680

Table 28: Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel expenditure to total personnel cost (%)	Number of employees	Average personnel cost per employee (R'000)
Top management	2 278	5	1	2 278
Senior management	7 500	15	5	1 500
Professional qualified	15 450	31	20	772
Skilled	10 622	21	43	247
Semi-skilled	13 519	27	25	541
Unskilled	483	1	2	241
Total	49 852	100	95	525

Table 29: Performance rewards

Programme/activity/objective	Performance rewards (R'000)	Personnel expenditure (R'000)	% of performance rewards to total personnel cost (%)
Top management	158	2 278	6,94
Senior management	292	7 500	3,89
Professional qualified	1 984	15 450	12,84
Skilled	1 482	10 622	13,95
Semi-skilled	1 644	13 519	12,16
Unskilled	52	483	10,71
Total	5 612	49 852	11,26



Table 30: Training costs

Programme/activity/objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost (%)	Number of employees trained	Average training cost per employee
King IV Corporate Governance and Board Effectiveness	49 852	125	0,25	6	20 833
Contract Management	49 852	155	0,31	33	4 697
Risk Management	49 852	22	0,04	2	11 000
Business Writing	49 852	5	0,01	1	5 000
Monitoring and Evaluation	49 852	12	0,02	1	12 000
Business and System Analysis	49 852	20	0,04	1	20 000
Enterprise Content Management Masters	49 852	14	0,03	1	14 000
Assets Management (Adv)	49 852	12	0,02	2	6 000
SharePoint Level 1 & 2	49 852	15	0,03	1	15 000
Corporate Governance	49 852	6	0,01	1	6 000
Minute Taking	49 852	5	0,01	2	2 500
Report Writing	49 852	59	0,12	5	11 800
Assessor	49 852	15	0,03	2	7 500
TQM	49 852	30	0,06	1	30 000
Management for New Managers	49 852	13	0,03	2	6 500
Event Management	49 852	13	0,03	2	6 500
Finance Modelling in Ms Excel	49 852	52	0,10	4	13 000
Average training cost per employee	49 852	573	1,15	67	8 552

Table 31: Employment and vacancies

Programme/activity/objective	2018/19 number of employees	2019/20 approved posts	2019/20 number of employees	2019/20 vacancies	% of vacancies
Ensure effective human resources management within the organisation	95	108	95	13	12,03

Table 32: Employment and vacancies per categories

Programme/activity/objective	2018/19 number of employees	2019/20 approved posts	2019/20 number of employees	2019/20 vacancies	% of vacancies
Top management	3	1	1	–	–
Senior management	–	5	5	–	–
Professional qualified	19	20	18	2	10
Skilled	23	29	24	4	20
Semi-skilled	48	51	45	7	14
Unskilled	2	2	2	–	–
Total	95	108	95	13	12,03

EMPLOYMENT CHANGES

The organisation was functioning at 87,97% capacity at year-end, with a total headcount of 95 employees on a full-time fixed term contract. The establishment was reduced from 115 to 110 in the new financial year 2019/2020 with two positions been frozen reducing the establishment to 108 positions.

Table 33: Employment changes

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	1	–	–	1
Senior management*	2	3	–	5
Professional qualified*	19	2	1	20
Skilled	23	1	2	22
Semi-skilled	48	–	3	45
Unskilled	2	–	–	2
Total	95	6	6	95

* Note: 1 Senior Manager and 1 Professional Qualified were internal appointments hence the totals are 5 and 18 respectively.

Table 34: Reasons for staff leaving

Reason	Number	% of total number of staff leaving
Death	–	–
Resignation	6	5,56
Dismissal	–	–
Retirement	–	–
Ill health	–	–
Expiry of contract	–	–
Other	–	–
Total	6	5,56

Table 35: Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	–
Written warning	–
Final written warning	–
Dismissal	–
Suspension	1
Total	1



Table 36: Employment target and employment equity (Male)

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	–	–	–	–	–	–	–	–
Senior management	2	2	–	–	–	1	–	–
Professional qualified	5	5	–	–	–	–	–	–
Skilled	5	8	–	1	–	1	–	–
Semi-skilled	12	11	–	1	1	2	–	–
Unskilled	1	1	–	–	–	–	–	–
Total	25	27	–	2	1	3	–	–

Table 37: Employment target and employment equity (Female)

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	–	–	–	–	–	–
Senior management	3	3	–	1	–	–	–	–
Professional qualified	12	12	2	2	–	1	–	1
Skilled	15	15	2	2	–	1	–	–
Semi-skilled	28	29	–	3	2	3	–	–
Unskilled	2	2	–	–	0	1	–	–
Total	61	62	4	7	2	7	–	1

Table 38: Employment target and employment equity (Persons with disability)

Levels	Staff with disabilities			
	Male		Female	
	Current	Target	Current	Target
Top management	–	–	–	–
Senior management	–	–	–	–
Professional qualified	–	–	–	1
Skilled	–	–	–	–
Semi-skilled	–	–	–	–
Unskilled	–	–	–	–
Total	–	–	–	1





PART E: FINANCIAL INFORMATION

SOUTH AFRICA HAS BEEN FAMOUSLY REFERRED TO AS THE RAINBOW NATION BECAUSE IT IS MADE UP OF SO MANY DIVERSE CULTURES AND RELIGIONS. THERE ARE ELEVEN OFFICIAL LANGUAGES IN SOUTH AFRICA.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON CULTURE, ARTS, TOURISM, HOSPITALITY AND SPORT SECTOR EDUCATION AND TRAINING AUTHORITY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA) set out on pages 62 to 120, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the CATHSSETA as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (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 of South Africa, 1998 (Act No. 97 of 1998) (SDA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the Code of Ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

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

Restatement of the corresponding figures

7. As disclosed in note 29 to the financial statements, the corresponding figures for 31 March 2019 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2020.

Events after reporting period

8. I draw attention to note 32 to the financial statements, which deals with subsequent events and, specifically, the possible effects of the future implications of Covid-19 on the public entity's future prospects, performance and cash flows. Management have also described how they plan to deal with these events and circumstances.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON CULTURE, ARTS, TOURISM, HOSPITALITY AND SPORT SECTOR EDUCATION AND TRAINING AUTHORITY CONTINUED

Responsibilities of accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the PFMA and SDA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

11. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

13. 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 on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
14. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2020:

Programme	Pages in the annual performance report
Programme 3 – learning programmes and projects	25 – 28

16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. I did not raise any material findings on the usefulness and reliability of the reported performance information for this programme:
- Programme 3 – learning programmes and projects

Other matter

18. I draw attention to the matter below.

Achievement of planned targets

19. Refer to the annual performance report on pages 22 to 30 for information on the achievement of planned targets for the year and explanations provided for the under-/overachievement of a number of targets.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
21. The material findings on compliance with specific matters in key legislation are as follows:

ANNUAL FINANCIAL STATEMENTS

22. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA.
23. Material misstatements of employee cost, discretionary grant expenses, the prior period error note and the statement of changes in net assets identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

EXPENDITURE MANAGEMENT

24. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R48 878 000 as disclosed in note 25 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.
25. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R5 983 000, as disclosed in note 26 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

PROCUREMENT AND CONTRACT MANAGEMENT

26. Some of the contracts were awarded to suppliers whose tax matters had not been declared by the South African Revenue Service to be in order as required by treasury regulation 16A9.1(d).

OTHER INFORMATION

27. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that has been specifically reported in this auditor's report.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON CULTURE, ARTS, TOURISM, HOSPITALITY AND SPORT SECTOR EDUCATION AND TRAINING AUTHORITY CONTINUED

28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
29. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
30. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

31. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
32. There was no adequate oversight to ensure that effective preventative and detective controls are in place to enable reliable reporting as well as compliance with legislation.
33. Management did not ensure that financial statements are accurate, complete and supported by reliable evidence. This resulted in misstatements in the annual financial statements which were not prevented.

Auditor - General

Pretoria

16 October 2020



ANNEXURE – AUDITOR-GENERAL’S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programme and on the public entity’s compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
 - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the CATHSSETA to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause the public entity to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

AUDITED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2020

The audited annual financial statements for the year ended 31 March 2020, set out on pages 62 to 120 have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board, and are signed on their behalf by:






Ms Lebogang Mpye
Acting Chief Executive Officer



Mr David Themba Ndhlovu
Chairperson of the Board

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Legal form of entity	CATHSSETA
Nature of business and principal activities	<p>To facilitate skills development within our sub-sectors through the disbursement of grants for learning programmes and monitoring of education and training as outlined in the National Skills Development Strategy (NSDS). We operate in the following sub-sectors:</p> <ul style="list-style-type: none">• Arts, Culture and Heritage• Conservation• Gaming and Lotteries• Hospitality• Sport, Recreation and Fitness• Travel and Tourism
Registration number	25/CATHSSETA/1/04/11
 Registered office	1 Newton Avenue, Ground Floor, Killarney, Johannesburg, 2193
 Postal address	PO Box 1329, Rivonia, 2128
 Auditor	Auditor-General of South Africa
Secretary	Imbokodvo Bethany Governance and Statutory Compliance (Pty) Ltd

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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 audited annual financial statements and related financial information in this report. It is the Accounting Authority's responsibility to ensure that the audited 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 audited 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 audited annual financial statements have been prepared in accordance with Standards of GRAP including any interpretations, guidelines and directives.

The audited annual financial statements set out on pages 62 to 120, which have been prepared on the basis of accounting policies applicable to a going concern, were approved by the Accounting Authority on the 31 March 2020.



Mr David Themba Ndhlovu

Chairperson of the Board: CATHSSETA

STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

	Note(s)	2020 R'000	Restated* 2019 R'000
Assets			
Current assets			
Inventory	3	330	675
Receivables from exchange transactions	4	2 924	2 508
Cash and cash equivalents	5	425 606	374 105
		428 860	377 288
Non-current assets			
Property, plant and equipment	6	6 694	7 457
Intangible assets	7	9 288	3 128
		15 982	10 585
Total assets		444 842	387 873
Liabilities			
Current liabilities			
Payables from exchange transactions	8	6 426	6 547
Payables from non-exchange transactions	9	10 764	26 457
Provisions	10	14 607	13 799
Operating lease		1 311	2 095
		33 108	48 898
Total liabilities		33 108	48 898
Net assets		411 734	338 975
Reserves			
Administration reserve		8 041	10 585
Discretionary reserve		403 693	328 390
Total net assets		411 734	338 975

* See note 29.

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended at 31 March 2020

	Note(s)	2020 R'000	Restated* 2019 R'000
Revenue			
Revenue from exchange transactions			
Interest received	11	24 405	22 475
Other income	12	3 424	227
Total revenue from exchange transactions		27 829	22 702
Revenue from non-exchange transactions			
Transfer revenue			
SDL – Income	13	405 580	363 052
SDL – Interest and penalties	13	8 776	7 159
Total revenue from non-exchange transactions		414 356	370 211
Total revenue		442 185	392 913
Expenditure			
Employee related costs	14	(26 348)	(24 329)
Depreciation and amortisation	6	(2 217)	(1 862)
Impairment		(1 280)	–
Finance costs		(321)	–
Operating lease	16	(6 415)	(5 886)
Employer and DG grant expenses	17	(290 354)	(315 396)
Profit/(loss) on sale of assets	21	(43)	17
General expenses	18	(40 853)	(34 343)
Total expenditure		(367 831)	(381 799)
Surplus for the year		74 353	11 131

* See note 29.

STATEMENT OF CHANGES IN NET ASSETS

for the year ended at 31 March 2020

	Administration reserve R'000	Employer grant R'000	Discretionary grant reserve R'000	Total reserves R'000	Total net assets R'000
Opening balance at 1 April 2018	7 622	42	318 090	325 754	325 754
Prior period error (29.1)	1 982	–	–	1 982	1 982
Opening balance at 1 April 2018 – restated**	9 604	42	318 090	327 736	327 736
Net income (losses) recognised directly in net assets	–	–	–	–	–
Total recognised income and expenses for the year	–	–	–	–	–
Surplus/deficit for the year	(18 252)	35 540	(6 719)	10 569	10 569
Appropriation of reserve funds	18 362	(35 582)	17 220	–	–
Prior year error – PPE (29.1)	551	–	–	551	551
Prior year error – Intangible assets (29.2)	11	–	–	11	11
	672	(42)	10 501	11 131	11 131
Balance as at 1 April 2019	10 276	–	328 591	338 867	338 867
Surplus/deficit for the year	(23 195)	43 629	53 920	74 354	74 354
Appropriation of reserves	23 195	(43 629)	18 947	(1 487)	(1 487)
Balance at 31 March 2020	10 276	–	401 458	411 734	411 734

* See note 29.

CASH FLOW STATEMENT

for the year ended at 31 March 2020

	Note(s)	2020 R'000	Restated* 2019 R'000
Cash flows from operating activities			
Cash receipts from stakeholders			
Other income	12	3 424	214
Levies, interest and penalties received		414 010	371 553
Interest income	11	23 094	22 405
		440 528	394 172
Cash payments to stakeholders, suppliers and employees			
Employer grants payments		(56 852)	(53 845)
Discretionary grants and project payments		(249 195)	(255 373)
Finance costs		(321)	–
Payments to suppliers and employees		(67 317)	(64 560)
Repayment of operating leases		(6 415)	–
		(380 100)	(373 778)
Net cash flows from operating activities	22	60 428	20 394
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(658)	(763)
Proceeds from sale of property, plant and equipment	6	112	–
Purchase of intangible assets	7	(8 381)	(1 209)
Net cash flows from investing activities		(8 927)	(1 972)
Net increase in cash and cash equivalents		51 501	18 422
Cash and cash equivalents at the beginning of the year		374 105	355 683
Cash and cash equivalents at the end of the year	5	425 606	374 105

* See note 29.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended at 31 March 2020

	Approved budget R'000	Adjustments R'000	Final budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000	Reference
Statement of financial performance						
Revenue						
Revenue from exchange transactions						
Interest received (trading)	–	23 000	23 000	24 405	1 405	
Other income	–	–	–	3 424	3 424	1
Retention of surplus from previous FY	–	202 800	202 800	–	(202 800)	2
Total revenue from exchange transactions	–	225 800	225 800	27 829	(197 971)	
Revenue from non-exchange transactions						
Transfers received from DHET and other departments						
Mandatory grants	92 357	1 050	93 407	100 481	7 074	
Discretionary grants	228 584	4 267	232 851	247 314	14 463	
Administration	48 488	2 417	50 905	52 531	1 626	
Voluntary levy income	–	5 000	5 000	5 254	254	
SDL penalty and interest	–	8 000	8 000	8 776	776	
Total revenue from non-exchange transactions	369 429	20 734	390 163	414 356	24 193	
Expenditure						
Employee related costs	(26 223)	(2 783)	(29 006)	(26 348)	2 658	
Depreciation and amortisation	(2 112)	(5 113)	(7 225)	(2 215)	5 010	3
Impairment loss	–	–	–	(1 280)	(1 280)	4
Finance costs	–	–	–	(321)	(321)	5
Lease rentals on operating lease	(5 486)	(514)	(6 000)	(6 415)	(415)	
Employer grants and project expenses	(320 941)	(214 390)	(535 331)	(290 354)	244 977	6
General expenses	(14 667)	(23 734)	(38 401)	(40 853)	(2 452)	7
Total expenditure	(369 429)	(246 534)	(615 963)	(367 786)	248 177	
Operating surplus/(deficit)	–	–	–	74 399	74 399	
Profit/(loss) on sale of assets	–	–	–	(43)	(43)	
Surplus/(deficit) for the period	–	–	–	74 356	74 356	

Variance explanations:

- 1 These are proceeds from sale of assets, additional income received from ETDP SETA for training
- 2 Due to the approved retention of surplus by National Treasury from the previous financial year
- 3 Due to Tipp Focus system write off and assets under construction
- 4 We identified and recognised an impairment loss on one of the intangible assets that were under development in the prior period
- 5 Penalties and interest caused by SARS due to late payment, this is still under investigation with legal department
- 6 The underspending in DG is due to National strikes that affected the regional offices and slow movement of DG payments
- 7 The over expenditure is due to organisational realignment and investment in ICT infrastructure

ACCOUNTING POLICIES

for the year ended at 31 March 2020

1. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENT

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

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

They are presented in South African Rand.

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

1.1 Going concern assumption

A detailed analysis of whether the organisation will be able to operate as a going concern was conducted. This is in light of the fact that the Minister gave employers a payment holiday for the quarter 4. This was in response to providing relief to entities following the COVID-19 pandemic.

The outcome of the analysis depicts that the entity will incur a loss of about R36 million. However, notwithstanding the expected losses, the entity still remains solvent and liquid to be able to continue operations within the foreseeable 12 months. Thus, these annual financial statements have been prepared based on the expectation that the economic entity will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

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

Trade receivables/Held to maturity investments and/or loans and receivables

The economic entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance has been made for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the notes to the financial statements per inventory note 10.

1. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENT continued

1.2 Significant judgements and sources of estimation uncertainty continued

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the economic entity is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the economic entity for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including i.e. production estimates, supply demand, together with economic factors such as exchange rates, inflation and interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 – Provisions.

Useful lives of assets

The entity's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The economic entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the economic entity considers the interest rates of high-quality corporate bonds

that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Effective interest rate

The economic entity used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Inventories

CATHSSETA's Inventories constitutes of consumable goods held for distribution in day-to-day operation.

Initial measurement

Inventories are initially measured at cost, except where inventories are acquired through a non-exchange transaction, then their cost are the fair value as at the date of acquisition. Costs of inventories include all costs incurred in getting inventory into place of use as intended by management.

Subsequent measurement

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

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

The costs of inventories are assigned using the first-in, first-out formula. The same cost formula is used for all CATHSSETA inventories having similar nature and use.

Weighted Average Cost Method was used to determine the cost of inventory held as at year end 31 March 2020.

Write-downs

The amount of any write downs of inventories are recognised as an expense in the period the write down occurs. The amount of any reversal of write downs of inventory, arising from an increase in net realisable value or current replacement cost, are recognised as an income in the period in which the reversal occurs.

Derecognition

When inventories are distributed, the carrying amounts of those inventories are recognised as an expense in the period in which the inventory is used.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. The CATHSSETA has the following categories of financial assets and financial liabilities;

1. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENT continued

1.4 Financial instruments continued

Financial assets

Note 4: Receivables from Non-exchange Transactions

Note 5: Receivables from Exchange Transactions

Note 6: Cash and Cash Equivalents

Financial liabilities

Note 9: Payables from Exchange Transactions

Note 10: Payables from Non-exchange Transactions

A financial asset is:

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position and in note 5 and 6:

Class category

Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position and in note 9 and 10:

Class category

Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

1. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENT continued

1.4 Financial instruments continued

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

The CATHSSETA derecognises financial assets using trade data accounting. The CATHSSETA derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- It transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The SETA, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the SETA;
 - Derecognises the asset; and
 - Recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

The CATHSSETA removes a financial liability (or part of a financial liability) from its statement of financial position when it is extinguished – i.e when the obligation specified in the contract is discharged, cancelled, expires or is waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction, are accounted for in accordance with the Standard of GRAP on revenue from non-exchange transactions.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for de-recognition, the entity does not offset the transferred asset and the associated liability.

1. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENT continued

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period

Initial recognition

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

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

Inventories are initially measured at cost, except where inventories are acquired through a non-exchange transaction, then their cost are the fair value as at the date of acquisition. Costs of inventories include all costs incurred in getting inventory into place of use as intended by management

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 was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows: Item

Item	Depreciation method	Average useful life
Leasehold property	Straight line	5 years
Furniture and fittings	Straight line	15 years
Motor vehicles	Straight line	8 years
Office equipment	Straight line	8 years
IT equipment	Straight line	8 years

The entity acquires and maintains assets to provide social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined for all CATHSSETA assets.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Derecognition

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

1. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENT continued

1.5 Property, plant and equipment continued

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised and will be classified as revenue. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the entity.

1.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identified as an intangible asset when it:

- is capable of being separated or divided from a entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability, or;
- arises from contractual rights or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. 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 SETA; and
- the cost or fair value of the asset can be measured reliably. Intangible assets are initially recognised at cost.

When an intangible asset is acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

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

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

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

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other intangible assets	3 years

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

Intangible assets are derecognised:

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

1.7 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

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

Depreciation and/or amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

1. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENT continued

1.7 Impairment of non-cash-generating assets continued

Useful life is either:

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

At each reporting date a review is carried out to determine whether there are any indications that any assets and non-cash generating units may be impaired. If such indications exist, the recoverable amounts of the affected assets are determined.

Where the recoverable amount of an asset or non-cash-generating unit is lower than its carrying amount, an impairment loss is recognised in surplus or deficit in respect of assets at historic cost, and recognised in the revaluation reserve in respect of assets at revalued amounts.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the economic entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The economic entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the economic entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

1. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENT continued

1.8 Provisions and contingencies

Provisions are recognised when:

- the economic entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.
- the amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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

The discount rate reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Provisions are not recognised for future operating deficits.

If a entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when a municipality:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned; – the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated; the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

1.9 Commitments

Items are classified as commitments when the entity has committed itself to future transactions that will normally result in the outflow of cash. A commitment is disclosed to the extent that it has not already been recognised elsewhere in the financial statements.

At the end of each financial period the entity determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed as a note in the annual financial statements differentiating between community, infrastructure and other capital expenditure commitments. (Refer to note 23).

1.10 Leases

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

Finance Lease refers to a contract that transfers all the risks, rewards, rights and obligations incidental to ownership and is recorded as a purchase of equipment by means of long-term borrowings. All other leases are classified as operating leases.

Finance lease – Lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are proportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the term so as to produce a constant periodic rate on the remaining balance of the liability.

A finance lease gives rise to a depreciable asset as well as finance expense for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with that for the depreciable assets that are owned, and the depreciation recognised shall be calculated in accordance with the Standard of GRAP on property, plant and equipment.

Operating leases – Lessee

Assets acquired under leases where all risks and benefits of ownership are effectively retained by the lessor are classified as operating leases.

1. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENT continued

1.10 Leases continued

Operating lease payments are recognised as an expense, on a straight-line basis over the lease term or another basis if more representative of the time pattern of user's benefit. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Measurement

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably. Interest is recognised, in surplus or deficit, using the effective interest rate method.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

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

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

1. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENT continued

1.12 Revenue from non-exchange transactions continued

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue.

When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue. The CATHSSETA has the following types of revenue from non-exchange transaction;

SDL income

On a monthly basis, employers operating in the culture, arts, tourism, hospitality and sports sector collect 1% SDL levy from all their employees, to fund skills development interventions. The total value of each employer's contribution is dependent on the number of employees employed by that particular SDL Contributor.

The SDL Income then represents a portion of these receipts. The SETA receives 80% of SDL levies contributions by employers registered with culture, arts, tourism, hospitality and sports sector. The amount is receivable from the Department of Higher Education ("DHET").

SDL interest and penalties

This revenue relates to inflows emanating from interest and penalties charged for incorrect and/or late payments by SDL contributors.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid. Termination benefits are employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

1. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENT continued

1.13 Employee benefits continued

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability, the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability, the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

1. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENT continued

1.13 Employee benefits continued

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a

separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 Mandatory grants and projects expenditure

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.

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. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENT continued

1.14 Mandatory grants and projects expenditure continued

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.

1.15 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred.

The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Irregular expenditure

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

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

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end is recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements is updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority is recorded appropriately in the irregular expenditure register.

If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly.

If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.17 Change in accounting policies, estimates and errors

Change in estimate

A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of a period consumption of an asset, the results from the assessment of the present status of, and expected future benefits and obligations associated with assets and liabilities.

Change in accounting estimate result from new information and new developments and are not correction of errors. The effect of a change in accounting estimate shall be recognised prospectively by including it in surplus or deficit in:

- The period of the change, if the change affects that period only; or
- The period of the change and future periods, if the change affects both.

To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of net assets, it shall be recognised by adjusting the carrying amount of the related asset, liability or item of net assets in the period of the change.

Prior period errors

Prior period errors are omissions from, and misstatements in, the Entity's financial statements for one or more prior periods arising from a failure to use or misuse of, reliable information that:

- Was available when the annual financial statements for those period was authorised for issue; and
- Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

A prior period error shall be corrected by retrospective restatement in the first set of financial statements authorised for issue after their discovery by:

- Restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

1. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENT continued

1.17 Change in accounting policies, estimates and errors continued

A prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

When it is impracticable to determine the period-specific effects of the error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of the assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable (which may be the current period).

When it is impracticable to determine the cumulative effect, at the beginning of the current period, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.

Changes in Accounting Policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. An entity shall change an accounting policy only if the change:

- Is required by a standard of GRAP; or
- Results in the annual financial statements providing reliable and more relevant information about the effects of the transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

A change in accounting policy shall be applied retrospectively, except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

When it is impracticable to determine the period-specific effects of changing an accounting policy on comparative information of one or more prior periods presented, the entity shall apply the new accounting policy to the carrying amounts of the assets and liabilities as at the beginning of the earliest period of which retrospective application is practicable, which may be the current period, and shall make a corresponding adjustment to the opening balance of each affected component of net assets for that period.

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods, the Entity shall adjust the comparative information to apply the new accounting policy prospectively from the earliest date practicable.

1.18 Reserves

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

Administration reserve: The balance of this reserve is equal to/or less than net carrying 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 property, plant and equipment plus the 5% of uncommitted discretionary grant funds at the end of the year

	2020 %	2019 %
Administration	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

1.19 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

1. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENT continued

1.19 Related parties continued

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

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its audited annual financial statements.

1.20 Use of estimates

The preparation of audited annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the audited annual financial statements are disclosed in the relevant sections of the audited annual financial statements.

Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.21 Off-setting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.22 Budget information

Economic entity is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by economic entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 1 April 2019 to 31 March 2020.

The budget for the economic entity includes all the entities approved budgets under its control.

Budget comparative information is not required.

Differences between budget and actual amounts are regarded as material differences when a 10% difference exists. All material differences are explained in the Statement of Comparison of Budget and Actual Amounts to the annual financial statements.

1.23 Events after reporting date

Subsequent events are all events that occur between the reporting date, 31 March of each year, and the date on which the financial statements are authorised for issue by CATHSSETA Board 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 material, 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.

1.24 New standard and interpretations

Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2020 or later periods:

Standard/Interpretation	Effective date
Years beginning on or after	
GRAP 104 (amended): Financial Instruments	1 April 2020
GRAP 1 (amended): Presentation of Financial Statements	1 April 2020
GRAP 34: Separate Financial Statements	1 April 2020
GRAP 35: Consolidated Financial Statements	1 April 2020
GRAP 36: Investments in Associates and Joint Ventures	1 April 2020
GRAP 37: Joint Arrangements	1 April 2020
GRAP 38: Disclosure of Interests in Other Entities	1 April 2020
GRAP 110 (as amended 2016): Living and Non-living Resources	1 April 2020

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

for the year ended at 31 March 2020

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

March 2020	Total statement of financial performance	Administration reserve	Employer grant reserves	Discretionary grants reserves
Administration levy income (10,5%)	52 531	52 531	–	–
Mandatory grant levy income (20%)	100 481	–	100 481	–
Discretionary grant levy income (49,5%)	247 314	–	–	247 314
SDL: Penalties and interest	8 776	–	–	8 776
Interest income	24 405	–	–	24 405
Other income	3 424	–	–	3 424
Government levies	5 254	1 751	–	3 503
Total revenue	442 185	54 282	100 481	287 422
Administration expenses	(77 477)	(77 477)	–	–
Employer grants	(56 852)	–	(56 852)	–
Discretionary grants	(233 502)	–	–	(233 502)
	74 354	(23 195)	43 629	53 920
March 2019	Total statement of financial performance	Administration reserve	Employer grant reserves	Discretionary grants reserves
Administration levy income (10,5%)	46 959	46 959	–	–
Mandatory grant levy income (20%)	89 385	–	89 385	–
Discretionary grant levy income (49,5%)	226 708	1 754	–	224 954
SDL: Penalties and interest	7 159	–	–	7 159
Interest income	22 475	–	–	22 475
Other income	244	–	–	244
Total revenue	392 930	48 713	89 385	254 832
Administration expenses	(66 403)	(66 403)	–	–
Employer grants	(53 845)	–	(53 845)	–
Discretionary grants (including employee costs)	(261 551)	–	–	(261 551)
	11 131	(17 690)	35 540	(6 719)

3. INVENTORY

	2020 R'000	2019 R'000
Inventories	330	675

Communication/Publication materials were reclassified to General Expenses “printing and stationery” and no longer included as Inventory.

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2020 R'000	2019 R'000
Sundry receivables	1 318	1 248
Prepayments	605	560
Office rental deposit	700	700
Sundry debtors	301	–
	2 924	2 508

The costs of receivables approximate their fair values. No receivables were considered to be impaired at year end.

5. CASH AND CASH EQUIVALENTS

	2020 R'000	2019 R'000
Cash and cash equivalents consist of:		
Cash on hand	9	5
Bank balances	13 577	9 040
Short-term deposits	412 020	365 060
	425 606	374 105
Bank balances		
First National Bank: Current	7 457	6 551
First National Bank: Salary	6 027	909
Nedbank: Current	92	1 580
	13 576	9 040
Short-term investments		
Notice account: Investec	185 969	174 543
Notice account: Nedbank	226 051	190 517
	412 020	365 060

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended at 31 March 2020

6. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Leasehold property	700	(496)	204	700	(356)	344
Furniture and fixtures	3 754	(971)	2 783	3 638	(724)	2 914
Motor vehicles	2 418	(893)	1 525	2 418	(590)	1 828
Office equipment	153	(74)	79	153	(55)	98
IT equipment	4 252	(2 149)	2 103	3 710	(1 437)	2 273
Total	11 277	(4 583)	6 694	10 619	(3 162)	7 457

Reconciliation of property, plant and equipment – 2020

	Opening balance	Additions	Other movement	Disposals	Disposal Acc Dep	Depreciation	Total
Leasehold property	344	–	–	–	–	(140)	204
Furniture and fittings	2 914	116	–	–	–	(247)	2 783
Motor vehicles	1 827	–	–	–	–	(302)	1 525
Office equipment	98	–	–	–	–	(19)	79
IT equipment	2 273	542	(63)	(300)	216	(565)	2 103
	7 456	658	(63)	(300)	216	(1 273)	6 694

Reconciliation of property, plant and equipment – 2019

	Opening balance	Additions	Depreciation	Total
Leasehold property	484	–	(140)	344
Furniture and fixtures	3 033	120	(239)	2 914
Motor vehicles	2 129	–	(302)	1 827
Office equipment	63	53	(17)	99
IT equipment	2 178	624	(529)	2 273
	7 887	797	(1 227)	7 457

7. INTANGIBLE ASSETS

	2020			2019		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets under development	8 092	–	8 092	3 128	–	3 128
Computer software and other intangible assets	3 418	(2 222)	1 196	–	–	–
Total	11 510	(2 222)	9 288	3 128	–	3 128

Reconciliation of intangible assets – 2020

	Opening balance	Additions	Transfers	Amortisation	Impairment loss	Total
Intangible assets under development	3 128	8 381	(3 418)	–	–	8 091
Computer software and other intangible assets	–	–	3 418	(943)	(1 279)	1 196
	3 128	8 381	–	(943)	(1 279)	9 287

Reconciliation of intangible assets – 31 March 2019

	Opening balance	Additions	Total
Intangible assets under development	1 919	1 209	3 128

At the end of the financial year we conducted an assessment on the estimated useful lives of the recorded intangible assets. During the assessment, we identified impairment indicators, as we were informed by the IT department that the PPO system will not be utilised by the organisation as the project management unit, for which this system was procured for, was disbanded. Therefore, the carrying value of the system as at 31 March 2020 was fully impaired.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended at 31 March 2020

8. PAYABLES FROM EXCHANGE TRANSACTIONS

	2020 R'000	2019 R'000
Trade creditors	519	2 033
Leave accrual	2 309	1 751
Admin accruals	3 598	2 763
	6 426	6 547

9. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	2020 R'000	2019 R'000
Project accrual	9 903	21 085
Project expenses	565	–
Levy creditors	296	5 372
	10 764	26 457

The carrying amount of payables approximate their fair value.

10. PROVISIONS

	Opening balance	Additions	Utilised during the year	Reversed/ write off during the year	Total
Project provision	–	687	–	–	687
SMME provision – below R500K	7 893	2 971	–	(2 046)	8 818
Bonus provision	5 906	5 101	(5 612)	(294)	5 101
	13 799	8 759	(5 612)	(2 340)	14 606

Reconciliation of provisions – 2019

	Opening balance	Additions	Utilised during the year	Reversed/ write off during the year	Total
SMME provision – below 500K	6 763	1 130	–	–	7 893
Employee bonus provision	5 942	5 906	(2 323)	(3 619)	5 906
	12 705	7 036	(2 323)	(3 619)	13 799

10. PROVISIONS continued

SMME provision

Employers whose payroll bill is below R500 000 are not liable to pay for Skills Development Levy. However, it so happens that sometimes, such employers do make contributions. Contributions made by such employers are refundable if employers claim such within five years. This provision represent contributions made by such employers, for the period not exceeding five years.

Project provisions

As per the standard CATHSSETA Skills Development service level agreement with employers, funds payable to employers are subject to submission of certain compliance documents. Notwithstanding the initial contract value, the CATHSSETA reserves the right to withhold funds for claims not adequately supported. This provision relates to suppliers whose funds have not been advanced to them owing to outstanding documentation. CATHSSETA provide only after the lapse of the financial year funds were budgeted for.

Bonus provision

The CATHSSETAs performance bonuses are contingent on employee performance. Employees sign performance agreements at the beginning of each financial year. Performance appraisals are conducted twice per year, in October and April. Based on the outcome of the second appraisal, the organisation then makes a best estimate of what the organisation is liable to pay to employees. Actual bonus amount paid is dependent on availability of the budget.

	2020 R'000	2019 R'000
11. INTEREST INCOME		
Interest received	24 405	22 475
12. OTHER REVENUE		
Other income	3 424	227

13. LEVY INCOME

Skills development levy

	Administration	Employer grants	Discretionary grants	Total
2020				
Administration	52 531	100 481	247 314	400 326
Government levies received	1 751	–	3 503	5 254
	54 282	100 481	250 817	405 580
2019				
Administration	46 959	89 385	221 446	357 790
Government levies received	1 754	–	3 509	5 263
	48 713	89 385	224 955	363 053

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended at 31 March 2020

13. LEVY INCOME continued

	2020 R'000	2019 R'000
Penalties and interest		
Penalties received	5 095	3 864
Interest received	3 681	3 295
	8 776	7 159

14. EMPLOYEE RELATED COSTS

Basic salary	21 219	19 757
Bonus	1 817	1 865
Medical aid – company contributions	627	606
UIF	154	151
SDL	460	195
Leave pay provision charge	573	34
Union fees	6	20
Long-term benefits – Pension, disability and funeral	1 493	1 704
	26 349	24 332

15. DEPRECIATION AND AMORTISATION

Property, plant and equipment	1 272	1 721
Amortisation	943	141
Impairment	1 280	–
	3 495	1 862

16. OPERATING LEASES

Rental fees	6 415	5 886
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CATHSETTA leases a building from Sanlam Life Insurance (Ltd) for a period of seven years, effective from 1 May 2014. No contingent rent is payable. The lease agreement is not renewable at the end of the lease term. The lease is non-cancellable.

CATHSETTA leases printing and photo copy machinery from Flex Technology as from 1 June 2017. The monthly payable amount is fixed for the duration of the contract.

17. EMPLOYER AND DG GRANT EXPENSES

	2020 R'000	2019 R'000
Employer grant	56 852	53 845
Discretionary grant	233 502	261 551
	290 354	315 396

	2020 R'000	2019 R'000
18. GENERAL EXPENSES		
Advertising	543	1 150
Auditors remuneration – internal and external	4 371	4 099
Bank charges	88	108
Cleaning	351	397
Consulting and professional fees	2 768	1 074
Consumables	165	130
Legal fees	3 925	2 942
Insurance	416	385
Conferences and seminars	137	462
Motor vehicle expenses	44	40
Placement fees	2 192	3 130
Postage and courier	20	3
Printing and stationery	1 070	474
Promotions	10	–
Repairs and maintenance	47	25
Secretarial fees	900	900
Security fees	986	951
Staff refreshments	142	25
Subscriptions and membership fees	99	281
Telephone and fax	1 875	2 622
Training	1 507	1 883
Travel	587	1 018
Water and electricity	1 720	1 458
QCTO	2 423	2 347
AGM	23	–
Catering	168	215
System costs	9 490	6 146
Board fees and administration	3 081	2 048
Other expenses	1 705	43
	40 853	34 356

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended at 31 March 2020

	2020 R'000	2019 R'000
19. AUDITORS' REMUNERATION		
Fees – External auditors	2 944	2 973
Fees – Internal auditors	1 427	1 126
	4 371	4 099
20. REPAIRS AND MAINTENANCE		
Repairs and maintenance – Others	47	25
21. (LOSS)/PROFIT ON DISPOSAL OF ASSETS		
Property, plant and equipment	(43)	17
22. CASH GENERATED FROM OPERATIONS		
(Deficit)/surplus	74 353	10 677
Adjustments for:		
Depreciation and amortisation	2 217	1 862
Loss/(profit) on disposal of assets	43	(17)
Impairment	1 280	–
Movements in provisions	5 612	1 129
Changes in working capital:		
Inventory	345	(98)
Receivables from exchange transactions	(409)	196
Other receivables from non-exchange transactions	–	212
Payables from exchange transactions	(121)	406
Payables from non-exchange transactions	(15 693)	6 349
Operating lease	(7 199)	(322)
	60 428	20 394

	2020 R'000	2019 R'000
23. COMMITMENTS DISCRETIONARY GRANTS		
Opening balance	124 897	192 532
Additions	242 816	192 369
Movement	(249 066)	(261 473)
Prior period error	–	1 470
	118 647	124 898
Commitment discretionary grants will now be disclosed reflecting only balances, details will be on the commitment register.		
Minimum lease payments		
Within one year	4 879	6 413
In second year to fifth year	389	5 269
	5 268	11 682

24. RELATED PARTIES

Related party transactions

Department of Higher Education and Training (DHET) is the Executive Authority for CATHSSETA.

All TVET Colleges and Universities are under the common control of the DHET and are therefore related parties. The transactions are with normal operating relationships between entities and are undertaken on terms and conditions that are normal for such transactions. Transactions with TVET Colleges and Universities relates mainly relates expenses paid with regard to the Discretionary Grant. The Discretionary Grant Commitment balances with TVET Colleges and Universities are R13 534 563 and R8 058 047 in total.

All SETA's are under the common control of the DHET and all transactions between the SETA's are disclosed separately below. Interest transactions and balances arise due to movement of employers from one SETA to another. The necessary notifications between the transacting SETA's have therefore been exchanged and where applicable, the necessary payments have been made. No other transactions occurred during the year with other SETAS. All transactions were at arm's length.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended at 31 March 2020

24. RELATED PARTIES continued

Remuneration of management

Key management remuneration

2020

Name	Basic salary	Bonuses and performance related payments	Allowance	Contribution to pension fund	Contribution to other schemes	Total
Ms K Lebaka – Chief Executive Officer	1 819	216	90	122	31	2 278
Mr KS Mgidi – Chief Operations Officer	1 264	84	114	85	22	1 569
Mr D Hlongwane – Chief Financial Officer	1 495	162	16	–	23	1 696
Ms P Mpye – Executive Manager: Skills Development	1 174	151	60	77	39	1 501
Ms Z Silo – Executive Manager: Support	1 100	–	14	68	–	1 182
Ms M Ngwenya – Executive Manager: Corporate Services	1 011	–	15	69	16	1 111
Ms P Magagula – Acting Chief Financial Officer	436	–	–	–	5	441
	8 299	613	309	421	136	9 778

*** Mr Hlongwane (CFO) was placed on precautionary leave and his contract was terminated on the 31 March 2020.

*** Ms Magagula fulfilled the role of the ACFO while Mr Hlongwane was still on precautionary leave.

24. RELATED PARTIES continued

2019

Name	Basic salary	Bonuses and performance related payments	Allowance	Leave payout	Contribution to pension fund	Contribution to other schemes	Total
Ms K Lebaka – Chief Executive Officer	1 283	158	452	–	79	36	2 008
Mr KS Mgidi – Chief Operations Officer	609	–	51	–	41	16	717
Mr D Hlongwane – Chief Financial Officer	1 079	–	19	–	–	15	1 113
Mr T Rammitlwa – Executive Manager: Support	846	–	3	35	–	15	899
Ms P Mpye – Executive Manager: Skills Development	814	149	405	–	55	30	1 453
Ms D Mathibedi – Executive Manager: Corporate Services	789	143	2	64	53	23	1 074
	5 420	450	932	99	228	135	7 264

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended at 31 March 2020

24. RELATED PARTIES continued

Board and Committee Members

2020

Name of Member	Governance and					Total
	Audit and Risk Committee	HR and FIN Remco Committee	EXCO Committee	Strategy Committee	Board Committee	
Mr MW Dinwa	28	21	–	–	101	150
Mr T Dube	28	21	3	–	75	127
Ms SS Khan	–	–	–	1	3	3
Mr OK Lebogo	–	–	84	–	111	195
Ms N Lubanga	71	–	8	–	44	123
Ms J Makapan	–	18	–	–	20	39
Ms V Malema	–	–	–	–	1	2
Ms Y Mbane	–	33	–	–	4	37
Ms T Mkhosana	7	33	70	–	104	214
Mr CL Mohalaba	–	2	–	–	–	2
Ms N Mokou	77	–	6	–	12	94
Mr X Mpeqeka	–	–	10	14	40	65
Ms T Msibi	–	22	21	–	137	179
Dr AR Ngwenya	64	–	9	–	38	110
Dr V Ramathesele	–	10	126	–	315	451
Mr M Motha	–	–	7	29	134	169
Mr J Shilubane	67	–	–	20	61	148
Adv PN Sibisi	–	–	62	–	88	151
Mr BM Sikani	–	25	79	–	93	198
	342	185	485	64	1 381	2 457

24. RELATED PARTIES continued

2019

Name of Member	Audit and Risk Committee	HR and FIN Remco Committee	EXCO Committee	Governance and Strategy Committee	Board Members	Total
Ms AR Mbatha	32	–	–	–	–	32
Ms B Seti	–	3	–	–	22	25
Mr CL Mohalaba	–	31	–	–	–	31
Mr M Sikani	–	21	60	–	108	189
Mr J Shilubane	183	–	–	–	–	183
Ms SS Khani	–	–	–	1	1	2
Ms M Makapan	–	44	–	–	–	44
Mr B Hendriks	–	–	–	7	14	21
Ms N Mokou	95	–	–	–	–	95
Adv PN Sibisi	–	–	46	–	94	140
Ms T Msibi	–	24	–	–	72	96
Ms T Mkhosana	–	21	54	–	97	172
Ms V Malema	–	–	–	1	3	4
Mr KOI Lebogo	–	–	56	–	92	148
Dr VJ Ramathesele	–	–	95	–	374	469
Mr XL Mpeqeka	–	–	–	28	84	112
Ms N Lubanga	16	–	–	–	–	16
Dr AR Ngwenya	28	–	–	–	–	28
Ms L Reddy	–	–	7	7	14	28
Ms Y Mbane	–	68	–	–	–	68
Mr E Khosa	–	–	18	12	18	48
Mr C Pop	–	–	7	12	14	33
Mr OPM Hoskins	–	–	–	–	20	20
Ms P Sithole	–	–	–	–	7	7
	354	212	343	68	1 034	2 011

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended at 31 March 2020

25. IRREGULAR EXPENDITURE

	Note	2020 R'000	2019 R'000
Opening balance as previously reported		50 213	7 130
Prior period error: Irregular expenditure incurred in the prior period that were erroneously not recognised in the prior periods	29.3, *1	–	40 509
Opening balance as restated		50 213	47 639
Add: Irregular expenditure – current	*1, *2	8 369	365
Add: Irregular expenditure – prior period		–	2 209
Closing balance		58 582	50 213

* The actual expenditure exceeded the initial budget approved by the Honourable Minister of Higher Education and Training by R7 758 (FY2018/19: R40 509), therefore not in compliance with section 6(9)(iii) of the SETAs Grant Regulations. The SETA will submit the information to the Executive Authority and National Treasury, who are the relevant authority and custodian of the legislation, respectively, for further clarification.

** There were various non-compliance with the PFMA Regulations on Supply Chain Management that resulted in an irregular expenditure as of R611 (FY2018/19: R9 704).

Details of irregular expenditure – current year

Contravention	Disciplinary steps taken/ criminal proceedings	2020 R'000	2019 R'000
Payments made in contravention of PFMA Regulations on Supply Chain Management	Assessment and determination stage	611	9 704
Costs incurred in excess of the approved budget in terms of section 6(9)(iii) of the SETAs grant Regulations	Assessment and determination stage	7 758	40 509
Closing balance		8 369	50 213

26. FRUITLESS AND WASTEFUL EXPENDITURE

	2020 R'000	2019 R'000
Opening balance as previously reported	103	100
SARS penalties and interest	321	3
Cancelled tenders	7	–
Litigation settlement	800	–
Intangible assets write-off	4 752	–
Closing balance	5 983	103

	2020 R'000	2019 R'000
27. VOLUNTARY LEVIES		
Voluntary levies	5 254	5 261
Below is a detailed breakdown of the voluntary levies received		
Name of institution		
Department of Sport, Arts, Culture & Recreation – National	77	77
Department of Sport, Arts, Culture & Recreation – Free State	638	499
Department of Sports & Recreation – KwaZulu Natal	299	1 771
Department of Sport, Arts, Culture & Recreation – Eastern Cape	1 476	–
SANBI	–	957
ECPTA – project DG W2014W2	129	122
Department of Sports – Gauteng	–	7
Department of Tourism, Environmental and Economics – Free State	675	–
Department of Sport, Arts, Culture & Recreation – Limpopo	423	395
Department of Agriculture – Gauteng	750	653
Department of Arts, Culture and Traditional Affairs – North West	67	64
Department of Sport, Arts, Culture & Recreation – Northern Cape	–	160
Department of Environmental Affairs – Northern Cape	–	278
Limpopo Tourism Agency	–	99
Department of Tourism – National	157	179
Public Works	250	–
Department of Environment and Nature Conservation	313	–
	5 254	5 261

28. RISK MANAGEMENT

Financial risk management

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.

Liquidity risk

Ultimate responsibility for the liquidity risk management rest with the CATHSSETA Board, 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.

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for the year ended at 31 March 2020

28. RISK MANAGEMENT continued

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.

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

Financial instrument	2020 R'000	2019 R'000
Accounts receivables	2 917	2 508
Cash and cash equivalents	13 584	9 040
Cash and cash equivalents – short-term deposits	412 020	365 060
	428 521	376 608

MARKET RISK

Interest rate risk

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.

Foreign exchange risk

The entity does not hedge foreign exchange fluctuations. CATHSSETA has no exposure to foreign currency.

The entity reviews its foreign currency exposure, including commitments on an ongoing basis. The entity expects its foreign exchange contracts to hedge foreign exchange exposure.

Price risk

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

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 stakeholders. CATHSSETA overall strategy remains unchanged from the previous financial year.

28. RISK MANAGEMENT continued

Categories of financial instruments 2020

	Interest-bearing R'000	Non-interest-bearing R'000	Total R'000
Financial assets			
Cash (interest @7%)	425 604	9	425 613
Accounts receivable	–	2 917	2 917
	425 604	2 926	428 530
Financial liabilities			
Accounts payable	–	33 108	33 108
2019			
Financial assets			
Cash (interest @7%)	372 520	1 585	374 105
Accounts receivable	–	2 507	2 507
	372 520	4 092	376 612
Financial liabilities			
Accounts payable	–	48 898	48 898

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.

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.

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.

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for the year ended at 31 March 2020

28. RISK MANAGEMENT continued

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 continues 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 funds are invested between fixed deposits and 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.

Maximum exposure

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

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.

Fair value

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.

29. PRIOR PERIOD ERRORS

29.1 Property, plant and equipment

During the process of assessing the asset's estimated useful lives, we discovered that the accounting estimates were not a true reflection of how the entity derive service potential from the assets. As a result of the initial estimates, the assets' useful lives had been extended numerous times. This had resulted in the assets' useful live to fail the criteria "straight line basis over their expected useful lives."

To correct the above stated error, we have conducted research on more realistic estimated useful lives. These were further benchmarked against the trend identified in our fixed asset registeras well as comparing to the estimated useful lives used by other SETA's.

29. PRIOR PERIOD ERRORS continued

29.1 Property, plant and equipment

The effect of the correction of the prior period error is as follows:

	As previously reported in 2019	2019 error correction	2019 restated amount
Statement of financial position			
Increase in property, plant and equipment	4 924	2 533	7 457

	As previously reported in 2018	2018 error correction	2018 restated amount
Statement of financial position			
Increase in property, plant and equipment	5 906	1 982	7 888

	As previously reported in 2019	2019 error correction	2019 restated amount
Statement of financial performance			
Decrease in depreciation	1 678	(551)	1 127

	As previously reported in 2019	2019 error correction	2019 restated amount
Statement of changes in net asset			
Increase in admin reserve	110	562	672

	As previously reported in 2018	2018 error correction	2018 restated amount
Statement of changes in net asset			
Increase in admin reserve	7 622	1 982	9 604

29.2 Intangible assets

When preparing the AFS, we discovered that the amount disclosed in the prior year as opening balance and as additions for intangible assets was not accurate. The effect of the correction is as follows:

	As previously reported in 2019	2019 error correction	2019 restated amount
Statement of financial position			
Increase in intangible assets	3 117	11	3 128

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for the year ended at 31 March 2020

29. PRIOR PERIOD ERRORS continued

29.3 Non-compliance with section 6(9)(iii) of the SETAs Grant Regulations

SETAs Grant Regulation 6(9)(iii) states that in allocation of discretionary grants by a SETA; the SETA's The Discretionary Grants Policy must determine the proportion of discretionary grants that can be used for administration or project management purposes in the various grant and project categories provided it indicates that a maximum of 7.5% of any grant or SETA-funded project may be used for administration or project management costs. However, it does not prescribe as to who should condone the expenditure in excess of 7.5%.

In the beginning of each financial year, CATHSSETA in line with the requirements of this legislation determines the discretionary grant administration budget. For the 2016/17 financial year, CATHSSETA recorded a spending in excess of the project expenditure discretionary legislated limit. On the 15 November 2016, CATHSSETA wrote a letter to DHET requesting for the condonation of both the 10.5% and the 7.5% administration over expenditures. DHET however only condoned the 10.5% excess. The 7.5% was not condoned with the reason that the grant regulations only made provision for approval for exceeding the 10.5% administration costs for operations and not for the project expenditure.

After various engagements with DHET regarding this issue, it was advised that the Accounting Authority can condone the 7.5% project Administration expense. Since then it has been the that CATHSSETA's practice to request the Accounting Authority to condone the exceeding of the discretionary grant project expenditure.

During the 2019/20 financial audit, the Auditor-General of South Africa (AGSA) advised that since this is a non-compliance with section 6(9)(iii) of the SETA Grant Regulation; this should be treated as an Irregular Expenditure. The over expenditure in excess of 7.5% limit relating to prior years has been incurred as follows since the 2016/17 financial year:

- 2016/17: R12 327
- 2017/18: R15 629
- 2018/19: R12 553

The effect of the correction of the prior period error is as follows:

	As previously reported in 2019	2019 error correction	2019 restated amount
Irregular expenditure note			
Increase in irregular expenditure	–	40 509	40 509

30. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an 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.

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.

31. CONTINGENCIES

31.1 Case No: JR 1110/13 – Matter between Business Unity South Africa and the Minister of Higher Education and Training, National Skills Authority and the National Skills Refund.

In terms of the Sector Education and Training Authority's ('SETA') Grant Regulations Regarding Monies Received by a SETA and Related Matters (published in Government Gazette R713 of 18 July 2005 and amended by Government Notice R88 of 2 February 2007 ('the 2005 Grant Regulations')), an employer who paid the skills development levy could claim 50% of these levies back in the form of a mandatory grant, if it complied with the eligibility criteria as set out therein.

This grant regulation was repealed by the 2012 Grant Regulations, which were promulgated in Government Notice R990 of December 2012. Regulation 4 (4) of the Grant Regulations reduced the mandatory grant that an employer could claim back from 50% to 20% of the total levies paid by the employer. Employers contested the change and took the matter to court. After much legal deliberations, the Court set aside Regulation 4 (4) as promulgated in Government Notice 23 of 2016, published in Government Gazette 39592 in terms of s 36 of the Skills Development Act 97 of 1998.

The Court ruling is, however, silent with regards to whether SETA's are expected to refund employers for the difference between the 50% and the 20%. It is further unclear whether SETAs are expected to pay such costs fully for the duration of the period when the Regulation was in effect. Thus, as at the end of the year, since it is unclear whether the CATHSSETA is expected to reimburse employers of the difference, CATHSSETA management is of the view that the liability is not probable. Thus, this transaction represents a possible liability that will be confirmed by a future event when the DHET gives clear direction on whether the setting aside of the Regulation will be applied retrospectively or prospectively. Furthermore, the value of the possible liability is indeterminable at this stage.

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for the year ended at 31 March 2020

30. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

31.2 Matter between Maraba Events & Entertainment and the CATHSSETA

Maraba Events & Entertainment/Q-Note Digital Music Academy was awarded a Learnership Agreement for 20 learners. Maraba Events subsequently substituted the 20 learners registered in the Learnership Agreement. Fourteen (14) learners disputed the substitution. The substitution of learners was a breach of contract and the SETA could not pay all the funds as per the Learnership Agreement. The legal dispute relates to the balance of the Learnership Agreement, which amounts to R420 000. The likelihood of Maraba Attorneys winning the case is unlikelye as they breached material clauses of the Learnership agreement.

31.3 Retention of surpluses

In terms of section 53(3) of PFMA, public entities listed in Schedules 3A and 3C to the PFMA may not accumulate surpluses that were realised in the previous financial year without obtaining prior written approval of the relevant Treasury.

The National Treasury Instruction No. 12 Of 2020/2021 revised definition of a surplus. According to this instruction, a surplus is based on “Cash and cash equivalents at the end of the year”, plus “Receivables” and less “Current liabilities”.

As at 31 March 2020, the surplus for the year is as follows:

	Notes	2020	2019
Cash and cash equivalents at the end of the year	5	425 606	374 105
Add: Receivables	4	2 924	2 508
Less: Current liabilities	8, 9, 10	(33 108)	(48 898)
Surplus		395 422	327 715
Discretionary grant commitment	1*	–	(124 898)
		395 433	(202 817)

* The surplus calculations for the 2019/20 financial year the exclude Discretionary Grant Commitment (note 23) and Contingent Liabilities (note 31.1 and 31.2). This is because the formula calculation in terms of the National Treasury Instruction No. 12 of 2020/2021 exclude these items as per the The National Treasury Instruction No. 12 of 2020/2021.

32. EVENTS AFTER BALANCE SHEET DATE

On 21 April the President announced, that there would be relief from skills development levy (“SDL”) contributions for the four-month period commencing from May to August 2020. This means that employers who are registered for SDL do not have to declare and pay SDL to SARS for this period. A detailed analysis of whether the organisation will be able to operate as a going concern was conducted. The outcome of the assessment resulted in management making the conclusion that, notwithstanding the expected losses, the entity still remains solvent and liquid and will thus be able to continue as a going concern.

33. SEGMENT INFORMATION

GENERAL INFORMATION

Identification of segments

The entity reports on the basis of three major functional areas: Administration, Mandatory grants and Discretionary grants. The segments are organised around the type of service delivered and the target market. Management have re-assessed post 31 March 2019 financial year and concluded that the disclosure of segment information is not materially useful to users of financial statements and hence no disclosures in the current year.

