







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

### **Annual Report**

2017/2018 Financial Year

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### Submission of the Annual Report to the Executive Authority

To the Minister of Higher Education and Training, **Ms Naledi Pandor,** 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 2017 to 31 March 2018.

Victor Ramathesele (Dr) Chairperson of the Board



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PART A: GENERAL INFORMATION



### 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:** 01 Newtown Avenue,

Ground Floor, Killarney,

Johannesburg,

2193

Postal Address: P O Box 1329, Rivonia, 2128

**Telephone Numbers:** +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,

P.O.Box 446, Pretoria, South Africa

**Bankers:** 

**Investec** 100 Grayston Drive

Sandown Sandton 2196

Nedbank: Upper Ground Floor 1

135 Rivonia Road

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 Street

Johannesburg







### 2. List of Abbreviations/Acronyms

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

AGSA	Auditor-General South Africa
	Annual Performance Plan
	Bid Adjudication Committee
	Broad-based Black Economic Empowerment
	m, Hospitality and Sport Sector Education and Training Authority
	Department of Higher Education and Training
	Executive Authority
	Eastern Cape
	Expanded Public Works Programmme
	Education Training and Development
	Human Resource
	Information Technology
	Key Performance Indicators
	Medium Term Expenditure Framework
	Medium Term Strategic Framework
	Memorandum of Understanding
	National Council of Trade Unions
	National Artisan Moderating Body
	National Certificate (Vocational)
	National Development Plan
NGO	Non-Governmental Organisation
NPO	Non-Profit Organisation
NQF	National Qualifications Framework
NSDS	National Skills Development Strategy
NSF	National Skills Fund





### 2. List of Abbreviations/Acronyms

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
<b>QCTO</b>	Quality Council for Trades and Occupations
QMR	Quarterly Monitoring Report
SACCAWU	South Africa 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	
SDL	
SETA	Sector Education and Training Authority
SIPs	Strategic Infrastructure Projects
SLA	
SMME	Small, Medium and Micro Enterprises
SOP	Standard Operating Procedures
SP	
SRSA	Sport and Recreation South Africa
SSP	
TR	
TVET	Technical, Vocational, Education and Training
UIF	Unemployment Insurance Fund
WIL	
WSP	Workplace Skills Plan

### 3. Foreword by the Chairperson



Victor Ramathesele (Dr) Chairperson of the Board

It is my pleasure to present the 2017/18 Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA) Annual Report. On behalf of all members of the newly appointed Board, I wish to extend our sincerest gratitude to the organisations that nominated us as well as the Minister of Higher Education and Training, Ms Naledi Pandor for appointing us to serve on the CATHSSETA Board. We take this appointment with high regard and thus commit ourselves to serve this organisation diligently.

The current CATHSSETA Board prides itself in having representatives from organised labour, organised employers, government departments and community organisations. The members are a reflection of how diverse our sub-sectors are. We therefore look forward to interactive engagements and a fresh perspective which will contribute immensely in addressing and meeting our various stakeholder needs.

CATHSSETA continued to operate optimally and filled a large number of critical positions with suitably experienced incumbents. The current year's performance bears testimony to the calibre of our employees and their commitment to service excellence. As the new Board, we will be working closely with the Department of Higher Education and Training (DHET) to finalise the appointment of the Chief Executive Officer. Meanwhile, the current Executive Manager: Skills Development has been appointed to act as Chief Executive Officer.

In the year under review, CATHSSETA enjoyed the support and guidance of its governance and oversight structures. These structures (Audit and Risk Committee, Governance and Strategy Committee, and Finance and Remuneration Committee) played a critical role in ensuring that the organisation improves its budget planning and financial management. They also provided relevant sector-specific insight which yielded positive results when reviewing and planning our strategy. With all the support we have from all the governance structures and CATHSSETA staff, we are certain that in this financial year, we will improve significantly on our year-on-year performance against the Annual Performance Plan targets.



Following the plea from our stakeholders at the 2017 Annual General Meeting, CATHSSETA has increased its stakeholder engagements using various platforms such as the roadshows, information sharing workshops and research consultative workshops. This is to ensure that we afford our stakeholders the opportunity to engage both the Board and CATHSSETA management at large. We have noted with great appreciation that stakeholders come in great numbers to our various stakeholder engagements. Out of these sessions, we have identified the need for more strategic partnerships, and as such, we are embarking on more sessions to streamline these partnerships. To this end, I would like to express my sincerest gratitude to all the stakeholders who continue to give us constructive feedback on how to improve our service offerings.

In conclusion, allow me on behalf of the Board to thank the Department of Higher Education and Training, CATHSSETA governance structures as well as all our stakeholders and service providers for their ever increasing confidence in CATHSSETA. My deep appreciation also goes out to the CATHSSETA management and staff for their commitment to this organisation, their hard work and support. With your continued support and determination, CATHSSETA is poised for a bright future.

Victor Ramathesele (Dr)

Chairperson of the Board: CATHSSETA

Date: 31 May 2018

### 4. Chief Executive Officer's Overview



Keitumetse Lebaka (Ms) The Acting CEO

To the Honourable Minister of Higher Education and Training, Ms Naledi Pandor, the newly appointed Board members and our valued stakeholders, it is my pleasure to present the CATHSSETA Annual Report for the year ending 31 March 2018.

In the year under review, I was appointed to act in the Chief Executive Officer's (CEO's) role — while the process of recruiting a suitable and a permanent CEO is still underway. I am committed to providing effective leadership and continuity to the organisation in order to improve our year-on-year performance — while not compromising on the achievements made before my time. As it is, our current performance has increased to 87% and we are determined to do more in the coming years.

CATHSSETA has embarked on revenue increasing projects — the legacy projects - in order to contribute towards improved efforts in the implementation of our programmes, especially the rural development drive. Our legacy projects with King Sabatha Dalindyebo Technical, Vocational, Education and Training (TVET) College and King Hintsa TVET College in the Eastern Cape will ensure that these colleges are refurbished with the necessary infrastructure to enable their students to receive world-class training at these institutions. The birth of the legacy projects is as a result of the established partnerships with TVET colleges where our offices are situated. With these partnerships and more to come, we are confident that we will be able to deliver on our mandate of being *a leader in skills development within our diverse sectors.* 

As a skills development entity, our mandate is to empower and upskill stakeholders within our diverse sectors. It is against this background that in the year under review, and for the first time in the history of CATHSSETA, we partnered with the Gordon Institute of Business Science (GIBS) to develop a custom made



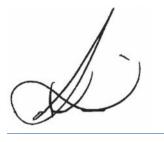
GIBS Executive Development programme to equip managers in our sub-sectors. The Research study conducted in 2016, indicated that there is a shortage of skills in our sub-sectors, predominantly in the executive and senior management roles. As CATHSSETA, we took the responsibility to close these gaps by implementing an Executive Development Programme from an accredited higher learning institution which prides itself in world-class executive programmes. The 12-month Executive Development Programme includes study tours to international destinations that excel in our related sectors such as Las Vegas, Hong Kong, Berlin and Warsaw.

The partnership between CATHSSETA and GIBS helps us to live up to our mission of facilitating skills development through strategic partnerships in order to contribute to economic growth.

I wish to take this opportunity to sincerely thank Mr Pumzile Kedama – the former Board Chairperson as well as Mr Eddy Khosa – the interim Board Chairperson who took over from Mr Kedama after he resigned in January 2018. Both these leaders were instrumental in shaping this organisation and it is under their leadership that we saw improvements in our performance against set targets. Their firm grip in the organisation assisted us to streamline our programmes and focus our energy on strategic partnerships so as to deliver on our mandate.

I also thank the Department of Higher Education and Training, our partner departments, Tourism, Sport and Recreation, Conservation, and 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 have shown great confidence in the organisation.

Finally I wish to extend my gratitude and appreciation to CATHSSETA management and staff for their commitment to the efficient running of this organisation, thus leading to improved performance.



Keitumetse Lebaka (Ms)

The Acting CEO: CATHSSETA

Date: 31 May 2018



### 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 2018.

Yours faithfully

Victor Ramathesele (Dr)

Chairperson of the Board

Date: 31 May 2018



### 6. Strategic Overview

### 6.1 Vision

A leader in skills development within our diverse sector.

### 6.2 Mission

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

### 6.3 Values

CATHSSETA's institutional values are:

Table 1: Strategic Overview

VALUE	Living this value means that CATHSSETA will seek to:
Service Excellence	<ul> <li>Understand stakeholder needs, respond timeously, efficiently and effectively to stakeholder queries and requests</li> <li>Display an image of professionalism and accountability</li> <li>Drive quality and high performance</li> </ul>
Fairness and Transparency	<ul> <li>It conducts its operational business without fear or favour</li> <li>All providers feel confident that their bids are given adequate consideration and evaluated professionally</li> <li>Stakeholder are entitled to believe that nothing is hidden and there are no undeclared meanings and intentions</li> <li>Everything is in the open for all to see, subject to ethical conduct and legal boundaries</li> </ul>
Respect	<ul> <li>Every stakeholder experiences humane relations from the employees</li> <li>Their self-worth is not eroded or negatively impacted by our conduct or actions</li> <li>Stakeholders experience humility from CATHSSETA staff in their relations</li> </ul>



VALUE	Living this value means that CATHSSETA will seek to:
Accessibility	<ul> <li>Develop and promote skills development programmes to ensure equal access to opportunities by all</li> <li>Develop skills development programmes aimed at improving opportunities for people in rural areas</li> <li>Ensure that upon request, conversations, documentation and publications are translated to prominent languages relevant to a geographical area</li> </ul>
Integrity	<ul> <li>Value openness, honesty, consistency and fairness</li> <li>Act in good faith in all our day-to-day activities</li> <li>Conduct operations to fulfil public expectation about what CATHSSETA was established to do and be</li> </ul>
Stakeholder orientation	<ul> <li>Build partnerships with relevant government departments public and private training providers and organisations</li> <li>Offer quality education and skills development opportunities and experiences to learners to ensure ultimate employability and reduce inequality in the sector</li> </ul>





### 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 make progressively available and accessible

Working towards this Constitutional imperative, CATHSSETA is established to research and develop a Sector Skills Plan **(SSP)** to rollout 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 2: CATHSSETA Establishment Legislation

Legislation or Regulations	Purpose
Skills Development Act 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 (1999 as amended)	To impose the payment of skills levies by employer organisations to motivate investment in skills development.
Public Finance Management Act (1999 as amended)	<ul> <li>To regulate financial management in the national government and provincial governments.</li> <li>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.</li> </ul>
Broad Based Black Economic Empowerment Act 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 socio-economic development.
Basic Conditions of Employment Act of 1997, Act No. 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 Sector Education and Training Authorities 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.



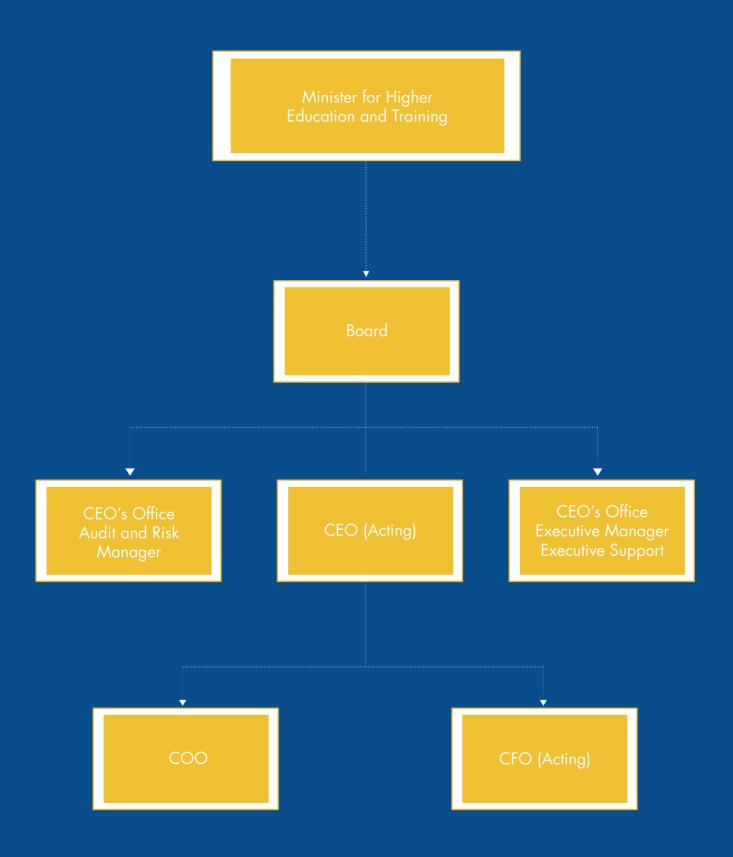
### Policy

The above legislation is supported by the following policy directives:

Table 3: Policy directives

Policy	Purpose
National Development Plan (NDP)	The NDP aims to eliminate poverty and reduce inequality by 2030. According to the plan, South Africa can realise these goals through 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)	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)	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	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	The National HRD Strategy of South Africa (2010 to 2030) is a social compact distilling the critical skill challenges for the socio-economic growth and development of the country. The document also set out collective commitments for all sectors of the society.
Medium Term Strategic Framework (MTSF)	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 covers the focus areas identified in the NDP and Government's electoral mandate.

### 8. Organisational Structure





### PART B: PERFORMANCE INFORMATION







### 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 69 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. Each of these sub-sectors are unique and play a significant role not only in the economy but also in the broader quest for social cohesion. The CATHSSETA's operating environment is unique in that it is proliferated by small enterprises. This invariably means that many of the employers served by CATHSSETA are exempted from paying the skills development levy.

In the financial year 2017/18, a total number of enterprises registered with CATHSSETA was 30 752. From this total, 30 050 of the enterprises are Small Medium and Micro Enterprises (SMMEs). Only 7 380 entities paid skills levies, making up the total budget for CATHSSETA. This impacts the budget thus resulting in a gap between the available financial resources and those required to address skills shortages within the sector.

In the 2016/2017 financial year, CATHSSETA extended its physical footprint by establishing regional offices to increase its operational presence in all provinces. This has enhanced service accessibility, improved partnerships with TVET colleges as well as support for work placement opportunities, closing the gap between skills development and work experience.

In the year under review, CATHSSETA witnessed an increased participation and uptake for our Mandatory Grant funding. This was as a result of the establishment of the regional offices, which enabled our stakeholders to easily access CATHSSETA offerings. Our continued engagements through roadshows also contributed to this change.



### 2.2 Organisational Environment

In April 2017, the Administration period of the CATHSSETA officially came to an end. The Minister of Higher Education and Training appointed an Accounting Authority, comprising members with extensive knowledge and experience in the designated sub-sectors. The Accounting Authority appointed an Acting Chief Executive Officer to provide leadership and ensure a smooth transition.

CATHSSETA established Board committees to further strengthen governance and accountability. The newly established 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. Each of these committees have developed and adopted Committee Charters that respectively outline their functions and responsibilities.

### 2.3 Key Policy Developments and Legislative Changes

The National Skills Development Strategy III was extended from **01 April 2018 to 31 March 2020**. In parallel with this extension, the Minister of Higher Education and Training issued a Government Gazette No. 1570 of 15 December 2016 read with Government Gazette No.39260 of October 2015, re-establishing the 21 SETAs for a further period of two years, ending on 31 March 2020.

### 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. 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: Develop sector capacity to deliver skills development programmes informed by sector research and business intelligence

One of the main objectives of CATHSSETA is to increase the skills base within the six sub-sectors. Stakeholder engagement and partnership initiatives between the SETA, employers, private providers, government, other SETAs and sectoral bodies and relevant institutions are crucial in increasing the capacity of the sector to meet industry skills needs throughout the country. During the period under review, CATHSSETA facilitated the establishment of additional partnerships with tertiary institutions (five with TVET colleges and eight with universities), industry (18 with employers), and sectoral bodies in order to strengthen the skills planning processes, the quality of learning programmes, and to increase the number of beneficiaries in various learning programmes.

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### Strategic Goal 2: Effective delivery of learning interventions

In the 2016/17 financial year, CATHSSETA established regional offices in all provinces in order to expand its visibility and increase access to its programmes to potential beneficiaries. These initiatives have strengthened partnerships with TVET colleges, expanded skills development programmes to rural areas which has resulted in an increase of programmes implemented as well as in the number of beneficiaries in various learning programmes.

CATHSSETA had also identified Ten Top Priority PIVOTAL Skills Programmes, targeting 1 928 beneficiaries. At the end of the financial year, 4 000 learners were registered in the Top Ten Priority PIVOTAL Learning Programmes, which is 107% above the annual target.

### Strategic Goal 3: Improved CATHSSETA competence in delivering to the mandate

During the period under review, CATHSSETA continued to strengthen governance structures by ensuring a functioning SETA Board and Board sub-committees that effectively delivers on its mandate. The SETA also reviewed policies and the organisational structure to ensure that the functions of the departments are aligned for effective implementation of its strategic goals and objectives. CATHSSETA also conducted stakeholder workshops to communicate the new SETA management system (Indicium System), the Mandatory/Discretionary Grants processes as well as the learning programmes. As a result, the overall organisational performance increased from 83% in 2016/17 to 87% in 2017/18 (4% increase).





# 3. Performance Information By Programme/Activity/Objective

### 3.1 Programme/activity/objective 1: Administration

The purpose of this programme is to enable CATHSSETA to deliver on its mandate by providing strategic management, sound financial and supply chain management capacity, and corporate and administrative support. This programme is made up of the following sub-programmes; Governance, Finance and Corporate Services.

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

Table 4: Sub-programme 1.1 Governance

o N	Strategic Objective	No.	Performance Indicators	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation	Comment on Deviation
1.1.1	Promoted good governance	1.1.1.1	Established functional governance structures	Interim governance structure	New and functional governance structures	100%	0	None
	at CATHSSETA	1.1.1.2	Percentage level of effectiveness of governance structures	100%	100%	100%	0	None

Table 5: Sub-programme: 1.2 Finance

Strategic Objective	S S	Performance Indicators	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation	Comment on Deviation
	1.2.1.1	Percentage reduction of internal control deficiencies from audit findings	30%	20%	65%	15%	Annual target exceeded 26 audit finding by AGSA in 2015/16 were reduced to 9 findings in 2016/17 due to improved control deficiencies

Table 6: Sub-programme: 1.3 Corporate Services

O Z	Strategic Objective	o Z	Performance Indicators	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation	Comment on Devi- ation
1.3.1	Ensured effective resource management within the organisation	1.3.1.1	Percentage of employee vacancy rate	%8	%	<b>%96</b>	-4%	Annual target not attained due to Organisational Structural review which resulted in the suspension process of filling some posts in regional offices (7.69/8 x 100 = 96%)



Actual Achievement Deviation Comment on Devi- 2017/18	80% 0 None	Actual Achievement Deviation Comment on Devi- 2017/18	Annual target exceeded by 2 due to increased demand for partnership	5 None	Annual target exceeded by 6 due to increased demand for partnerships	15 0 None
Planned Achi Target Achi 2017/18	%08	Planned Achi Target Achi 2017/18	9	2	12	15
Actual Achievement 2016/17	70%	Actual Achievement 2016/17	m	Q	11	27
Performance Indicators	Percentage reduction in IT governance deficiencies from audit findings	Performance Indicators	# of partnership projects established with universities	# of partnership established with TVET colleges	# of partnership projects established with sector employers	# of sector career guidance interventions
No.	1.3.1.2	N O	1.3.2.1	1.3.2.2	1.3.2.3	1.3.2.4
Strategic Objective		Strategic Objective		Promoted	CATHSSETA to stakeholders	
O N		N			1.3.2	

Programme 1: Administration has a total nine Key Performance Indicators (KPIs). A total of eight KPIs were achieved, indicating 89% achievement.



### 3.2 Programme/activity/objective 2: 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 is made up of the following units i.e. the Research Unit; Strategy and Annual Performance Planning Unit; Monitoring and Evaluation Unit.

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

Table 7: Sub-programme 2.1: Research and Sector Skills Plan

S O	Strategic Objec- tive	o. V	Performance Indicators	Performance Actual Achievement Planned Target Indicators 2016/17 2017/18	Planned Target 2017/18	Actual Achievement 2017/18	Devia- tion	Comment on Deviation
		2.1.1.1	Percentage of research agenda items achieved	%08	%06	%06	0	None
2.1.1	2.1.1 sector research	2.1.1.2	Percentage of training achieved within the sector	New target	%06	%06	0	None



Table 8: Sub-programme 2.2: Organisational Performance Management

Comment on Deviation			
Comme	None	None	
Deviation	0	0	
Actual Achievement 2017/18	Ŋ	7	
Planned Target 2017/18	5	2	
Actual Achievement 2016/17	5	2	
Performance Indicators	Number of performance 2.2.1.1 monitoring reports produced	Number of Performance evaluation reports produced	
No.	2.2.1.1	2.2.1.2	
Strategic Objective	Managed 2.2.1 organisational	performance	
0 N	2.2.1		

Programme 2: Planning has a total number of four KPIs. A total of four KPIs were achieved, indicating 100% achievement.

### Programme/activity/objective 3: Learning Programmes

The purpose of this programme is to establish partnerships and facilitate the delivery of skills development and provider support services for the sector. This programme is made up of the following sub-programmes i.e. Training Provision (Quality Assurance and Accreditation, learner certification); Learning Interventions (qualification development and review, material development, TVET support, programme assessment, PIVOTAL programmes); Grants Administration (Mandatory Grants); and Partnership Projects and Regional Operations.

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



### — CATHSSETA | ANNUAL REPORT 2017/18 FINANCIAL YEAR -

Table 9: Sub-programme 3.1: Occupationally directed programmes

o N	Strategic Objective	No.	Performance Indicators	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation	Comment on Devi- ation
	Increased	3.1.1.1	Number of unemployed learners entering Learnership programmes	502	200	293	93	Annual target exceeded due to Professional Cookery learners converting to Food and Beverage Learnership as the Professional Cookery qualification Level 4 had expired
3.1.1	of learners enrolled in PIVOTAL programmes	3.1.1.2	Number of unemployed learners completing Learnership programmes	486	250	256	9	Annual target exceeded by 6 as a result of learners completing from the previous financial year
		3.1.1.3	Number of employed learners entering Learnership programmes	409	250	250	0	None



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Strategic Objective	N O	Performance Indicators	Actual Achievement 2016/17	Planned Target 2017//18	Actual Achievement 2017/18	Deviation	Comment on Devi- ation
	3.1.1.4	Number of employed learners completing Learnership programmes	287	200	230	30	Annual target exceeded by 30 due to learners completing from the previous financial year
Increased the number	3.1.1.5	Number of unemployed learners entering Bursary programmes	517	450	989	186	Annual target exceeded by 186 due to bursary partnership with NSFAS
of learners enrolled in PIVOTAL programmes	3.1.1.6	Number of unemployed learners completing Bursary programmes	175	205	284	79	Annual target exceeded by 79 due to NSFAS, university partnerships on bursary completions
	3.1.1.7	Number of employed learners entering Bursary programmes	254	550	550	0	None
	3.1.1.8	Number of employed learners completing Bursary programmes	100	100	108	∞	Annual target exceeded by 8 due to increased registration in the previous years
	3.1.1.9	Number of unemployed learners entering Skills programmes	1001	1 100	1762	662	Annual target exceeded by 662 due to the implementation of EPWP



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	6		10			
Comment on Deviation	Annual target exceeded by 419 due to the implementation of Special Projects and learners completing from the previous financial year	Target not met due to insufficient applicants	Annual target exceeded by 356 due to the implementation of Special Projects	None	Annual target exceeded by 12 due to increase in enrolment in the previous year	Annual target exceeded by 20 due to increased demand resulting from the implementation of special Projects
Deviation	419	rٺ	356	0	12	20
Actual Achieve- ment 2017/18	919	1 495	556	300	312	378
Planned Target 2017/18	200	1 500	200	300	300	358
Actual Achieve- ment 2016/17	194	400	223	542	New target	347
Performance Indi- cators	Number of unemployed learners completing Skills programmes	Number of employed learners entering Skills programmes	Number of employed learners completing Skills programmes	Number of unemployed learners entering Internship programmes	Number of unemployed learners completing Internship programmes	Number of Artisans entering Training programmes
O Z	3.1.1.13 3.1.1.13 3.1.1.14 3.1.1.15				3.1.1.15	
Strategic Ob- jective			Increased the number of learners	enrolled in PIVOTAL programmes		
o N				3.1.1		



### — CATHSSETA | ANNUAL REPORT 2017/18 FINANCIAL YEAR —

No.	Strategic Ob- jective	N O	Performance Indi- cators	Actual Achieve- ment 2016/17	Planned Target 2017/18	Actual Achieve- ment 2017/18	Deviation	Comment on Deviation
		3.1.1.16	Number of Artisans completing Training Programmes	265	173	191	18	Annual target exceeded by 18 due to completions by learners who enrolled in the previous year
		3.1.1.17	Number of TVET learners entering a WIL programme	1393	1 500	1733	233	Annual target exceeded by 233 due to WIL N6 extensions to accommodate N6 learners registered in the previous years to obtain diplomas
3.1.1		3.1.1.18	Number of TVET learners completing a WIL programme	New target	750	750	0	None
		3.1.1.19	Number of university learners entering Workplace Experience	216	009	638	38	Annual target exceeded by 38 due to completions by learners enrolled in the previous year
		3.1.1.20	Number university learners completing Workplace Experience	New target	300	139	-161	Target not met due to lower University throughput
3.1.2		3.1.2.1	Number of ETD practitioners trained	0	100	82	-18	Target not met because some learners have not completed training



Comment on Deviation	Annual target exceeded by 150 due to Special Projects implementation from the previous year	Annual target exceeded by 42 due to completions from the previous financial year's enrollment	Annual target not met due lack of support and buy-in from Industry to review to Coaching Qualification
Deviation	150	42	-1
Actual Achieve- ment 2017/18	230	8	5
Planned Target 2017/18	08	40	9
Actual Achieve- ment 2016/17	102	0	4
Performance Indi- cators	Number of TVET staff entering Training programmes	Number of Legacy Qualifications reviewed	
N O	3.1.3.1	3.1.4.1	
Strategic Ob- jective	Improved the capacity of TVET colleges to deliver skills	Interventions	Reviewed Legacy Qualifications for sector appropriateness
No.	3.1.3		3.1.4





Table 10: Sub-programme 3.2: Rural and youth development

Comment on Deviation	Annual target exceeded due to increased demand	None
Deviation	7	0
Actual Achievement 2017/18	б	0
Planned Target 2017/18	7	6
Actual Achievement 2016/17	9	New target
Performance Indicators	Number of Rural Skills Development projects implemented in provinces	Number of Youth Development projects
N O.	3.2.1.1	3.2.1.2
Strategic Objective	Implemented Skills Development	projects in rural areas for
No.	3.2.1	

Table 11: Sub-programme 3.3: Quality Assurance

Comment on Deviation	None			
Deviation	0			
Actual Achievement 2017/18	24			
Planned Target 2017/18	24			
Actual Achievement 2016/17	N/A			
Performance Indicators	Number of Quality 3.3.1.1 Assurance functions achieved			
No.	3.3.1.1			
Strategic Objective	Maintained Quality Assurance standards			
N O S	3.3.1			



Table 12: Sub-programme 3.4: Support to sector organisations (Special Projects)

Deviation Comment on Deviation	0 None	0 None	Target exceeded by 5 due to increased demand for support after attending Stakeholder Consultative workshops	Target not met due to non-attendance at stakeholder
Devi	_	_		'
Actual Achievement 2017/18	100	ĸ	11	7
Planned Target 2017/18	100	ĸ	Q	m
Actual Achievement 2016/17	0	5	0	0
Performance Indicators	Number of SMMEs directly supported	Number of cooperatives directly supported	Number of NGOs/ NPOs directly supported	Number of Trade Unions directly supported
S O	3.4.1.1	3.4.1.2	3.4.1.3	3.4.1.4
Strategic Objective			Increased support to sector organisations through skills development	
OZ			3.4.1	





Table 13: Sub-programme 3.5: Grant Administration

o Z	Strategic Ob- jective	N O	Performance Indicators	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation	Comment on Deviation
		3.5.1.1	Number of large levy paying employers directly supported through Mandatory Grants	201	205	234	29	Target exceeded due to increased participation and compliance by large levy paying employers
3.5.1	Supported levy paying employers claiming grants	3.5.1.2	Number of medium levy paying employers directly supported through Mandatory Grants	305	300	306	9	Target exceeded due to increased participation and compliance by medium levy paying employers
		3.5.1.3	Number of small levy paying employers directly supported through Mandatory Grants	466	460	493	33	Target exceeded due to increased participation and compliance by small levy paying employers

Programme 3: Learning Programmes has a total number of 34 KPIs. A total of 29 KPIs were achieved, indicating 85% achievement.



# Learning Programmes Beneficiaries' Feedback

### Vemoni Recycling and Trading Intern's Feedback

#### Vanessa's feedback

"I have gained a lot of experience through CATHSSETA and I am grateful. Now I know that there is hope for people who come from disadvantaged backgrounds like myself. Thank you CATHSSETA for coming to our grounds and raising us up."

#### Gomolemo's feedback

"Through the CATHSSETA Internship programme, I was given the opportunity to participate in a Skill Programme at Venomi Recycling and Trading. I now have better communications skills. An opportunity like this contributes to the goals of the country's economy and one's personal growth."

### CATHSSETA Internship Programme in Northern Cape

#### **Shaun Mashimbye's feedback**

Shawn Mashimbye is from the Northern Cape is one of the 117 youth who were offered the CATHSSETA Internship programme for 12 Months. He completed his programme and received an accredited National Certificate in Food and Beverages. The programme was sponsored by the Department of Tourism under the Expanded Public Works Programme.

Shortly after graduating, Mashimbye found a job at a convention centre which specialises in events management and conferencing.

"I am so grateful for being part of the programme. I feel fortunate to have learnt so much about the hospitality industry and how I can contribute to the country's economy by starting my own tourism-related business," said Mashimbye.

### Deputy Minister of Tourism comments on the CATHSSETA Internship Programme in the Northern Cape

"The success of this training programme is shared with industry stakeholders who partnered with us to provide in-house practical training for the learners. Thank you for rallying behind this initiative, and for up-skilling the tourism ambassadors that are graduating," said Thabethe.

To the graduates, Thabethe said: "I applaud your efforts in achieving your CATHSSETA accredited qualification. I urge you to consider advancing yourselves beyond this point to be the future employment creators in our sector."



#### Youth in Action Organisation in Qwaqwa - Free State

#### Hector's feedback

"To CATHSSETA, without you, this programme would be nothing. The certificate that I will receive through this programme will open doors for some of us. Thank you for empowering us and giving us skills that no one will take away from us."

#### Mc Mthembu - Youth in Action Director's feedback

"CATHSSETA has played a major role in the transformation of Skills Development from a rural town in QwaQwa where unproductive, unsupervised youth with too much time, end up getting into trouble. The CATHSSETA programme uses the "First Serve" Life Skills to empower young people by providing them with the certificate through a programme that promotes positive values, healthy habits and education. This programme has made a difference within our community. We are proud to announce that 12 learners from the skills development programme will be permanent employees at our local Chicken Licken as from 1 July 2018. This has been made possible through the CATHSSETA funded programme and also their hard work ".

# 3.4 Strategy to overcome areas of under performance

In the financial year under review, the organisational structure was reviewed in order to strengthen capacity at regional offices and to effectively implement the mandate of CATHSSETA as legislated. The SETA will continue with the process of filling vacant positions in order to attain the strategic objectives in the relevant areas.

# Changes to planned targets

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



I. Linking Performance with Budget

Table 14: Linking Performance with Budget

		2017/2018			2016/2017	
Program me/Activity/Objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Administration	69'99	50 436	16 223	54 926	55 029	-103
Sub-programme 1.1:Finance	15 990	14 982	1008	27 965	28 205	-287
Sub-programme 1.2: Human Resources	13 219	12 378	841	7 134	6 961	174
Sub-programme 1.3: Communications and Stakeholder Management	3 253	3 172	81	3 567	3 562	5
Sub-programme 1.4: Information Technology	21 101	9 744	11357	866 9	6 995	3
Sub-programme 1.5: Knowledge Management (Records Management)	7 591	6 343	1 248	0	0	0
Sub-programmes 1.6 Legal and Labour Services	5 505	3 817	1 688	9 262	9 259	m
Programme 2: Governance	21 053	15 080	5 973	11 763	11 683	80
Sub-programme 2.1: Board Structures (Chief Executive Officer)	21053	15 080	5 973	11 763	11 683	80
Programme 3: Planning	11 965	5 841	6 124	13 989	11 782	2 207
Sub-programme 3.1 : Research and Sector Skills Plan	3 000	1 272	1 728	2 785	2 773	12



		2017/2018			2016/2017	
Programme/Activity/Objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R′000	R'000	R'000	R'000	R'000	R'000
Sub-programme 3.2: Organisational Performance Management	8 965	4 569	4 396	11 204	600 6	2 195
Programme 4: Skills Development	246 870	266 848	-19 978	229 912	182 218	47 694
Sub-Programme 4.1: Training Provision: Accreditation and Quality Assurance	6 745	5 321	1 424	5 020	4 875	145
Sub-Programme 4.2: Learning Interventions	38 171	16 138	22 033	171 994	147 877	24 117
Sub-Programme 4.3 Grant Administration	46 000	48 931	-2 931	52 898	29 466	23 432
Sub-Programme 4.4: Partnership Projects and Regional Operations	155 954	196.458	-40 504			
Grand Total	346 547	338 205	8 342	310, 590	260 665	49 878



# PART C: **GOVERNANCE**







### 1. Introduction

CATHSSETA is established in terms of the Skills Development 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 National Skills Development Strategy III.

In addition to this, Regulation 30 of the National Treasury Regulations prescribes that a Service Level Agreement (SLA) must be concluded between the Executive Authority, namely the Department of Higher Education and Training 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.

On 5 September 2017, CATHSSETA met with the Portfolio Committee on Higher Education and Training, where the 2016/17 Annual Report was presented.

# 3. Executive Authority

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

During the year under review, the Minister of Higher Education and Training, Dr BE Nzimande appointed the new Accounting Authority of CATHSSETA.

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

- Quarterly Monitoring Report (QMRs)
- Governance Charter
- Governance Review for Risk and Audit
- Governance Review for Accounting



# 4. The Accounting Authority/Board

The Minister appointed the new Board on 31 March 2017. The new Board commenced with their duties in the 2017/18 financial year.

Table 15: The Accounting Authority/Board

Name of Members	Date Appointed	Date Resigned	Total Number of meetings held	Number of Meet- ings attended
Mr Pumzile Kedama	31 March 2017	31 January 2018	18	13
Dr Victor Ramathesele	31 March 2017	N/A	18	16
Ms Bulelwa Seti	31 March 2017	N/A	18	15
Mr Michael Sikani	31 March 2017	N/A	18	15
Ms Leelavathi Reddy	31 March 2017	N/A	18	17
Mr Eddy Khosa	31 March 2017	N/A	18	17
Mr Carva Pop	31 March 2017	N/A	18	15
Mr Barry Hendricks	31 March 2017	N/A	18	16
Ms Phelisiwe Sithole	31 March 2017	N/A	18	17

### 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 Public Finance Management Act (PFMA) 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 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.

#### Committees

The following committees have been established by the Accounting Authority:

### 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 16: The Executive Committee

Name of Members	Date Appointed	Date Resigned	Number of meetings held	Number of Meetings attended
Mr Eddy Khosa	01 February 2018	N/A	15	4
Dr Victor Ramathesele	31 March 2017	N/A	15	12
Ms Bulelwa Seti	31 March 2017	N/A	15	11
Mr Michael Sikani	31 March 2017	N/A	15	15
Mr Pumzile Kedama	31 March 2017	31 January 2018	15	11



# 4.2 The Governance and Strategy Committee

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

Table 17: The Governance and Strategy Committee

Name of Members	Date Appointed	Date Resigned	Number of Meetings held	Number of Meetings attended
Mr Carver Pop	31 March 2017	N/A	13	13
Ms Leelavathi Reddy	31 March 2017	N/A	13	12
Mr Eddy Khosa	31 March 2017	N/A	13	12

### 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 18: Audit and Risk Committee Members: Chaired by Ms Nompumelelo Mokou

Name	Qualifications	Membership	Date Appointed	Number of Meetings held	Number of Meetings attended
Ms N Mokou	CA(SA)	Independent	30 June 2017	5	5
Mr JG Shilubane	BSc	Independent	30 June 2017	5	5
Ms AD Mbatha	CA(SA)	Independent	30 June 2017	5	2



#### 4.4 The Finance and Remuneration Committee

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

Table 19: The Finance and Remuneration Committee

Name of Members	Date Appointed	Date Resigned	Number of Meetings held	Number of Meetings attended
Ms Bulelwa Seti	14 June 2017	N/A	5	5
Ms Phelisiwe Sithole	14 June 2017	N/A	5	5
Mr Greg Fredericks	14 June 2017	N/A	5	2
Ms Ntombizodwa Ndhlovu	14 June 2017	N/A	5	3
Mr Barry Hendricks	14 June 2017	N/A	5	5

### 4.5 Remuneration of Committee Members

All Committees 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.

# 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 either 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 risk 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:

- Assist 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
- Implement and maintain 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 and Audit Risk Committee

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 the purpose of 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
- Supply Chain Management
- Learning Interventions
- Financial Discipline Review
- Follow up on prior year audit findings



# 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 register on Declaration of Interest. The current members of Board Committees and the CATHSSETA Board, also signed the Register for Declaration of Interest.

# 11. Code of Conduct

The CATHSSETA has an approved Code of Conduct Policy. The SETA standard constitution further provides for a code of conduct for committee members and executive management outlining corporate governance and the roles of all committees.



# 12. Health Safety and Environmental Issues

The CATHSSETA is committed to the fulfilment of the requirements stipulated in the Occupational Health and Safety Act, 1993 (Act No. 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.

In addition to this, we embarked on a Health and Safety Compliance Audit and are currently in the process of implementing the recommendations which emanated from the audit conducted. We have also developed a Health and Safety Policy that was approved by the Board.

# 13. Company/Board Secretary (If Applicable)

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

# 14. Social Responsibility

All CATHSSETA staff members participated in the Mandela Day Initiative. CATHSSETA staff donated blankets to the Vukani Organisation Centre, situated in New Eersterus, Hammanskraal.





# 15. Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2018.

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

Table 20: Audit and Risk Committee

	Period: 1 April 2017 to 31 N	1arch 2018
Dates	Audits performed	Overall assessment/conclusion
April 2017	Audit of Performance Information	Inadequate and ineffective and hence needs to be strengthened and improved
May 2017	Human Resources and Payroll Review	Inadequate and ineffective and hence needs to be strengthened and improved
August 2017	SCM	Inadequate and ineffective and hence needs to be strengthened and improved
November 2017	Discretionary Grant Commitment Schedule SCM	Inadequate and ineffective and hence needs to be strengthened and improved
December 2017	Performance Information Quarter 2 and 3	Inadequate and ineffective and hence needs to be strengthened and improved
January 2018	Learning Interventions	Inadequate and ineffective and hence needs to be strengthened and improved



### 2017/18 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:

- Youth Accord Report
- Strategic Infrastructure Projects (SIPs) Report
- Rural Projects
- Quarterly Management Reports
- Governance Charter

### **Evaluation of Financial Statements**

We have reviewed the Annual Financial Statements prepared by the public entity.





# **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
- Supporting Evidence for Employer Funded Projects
- Data Migration due to new IT system

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.

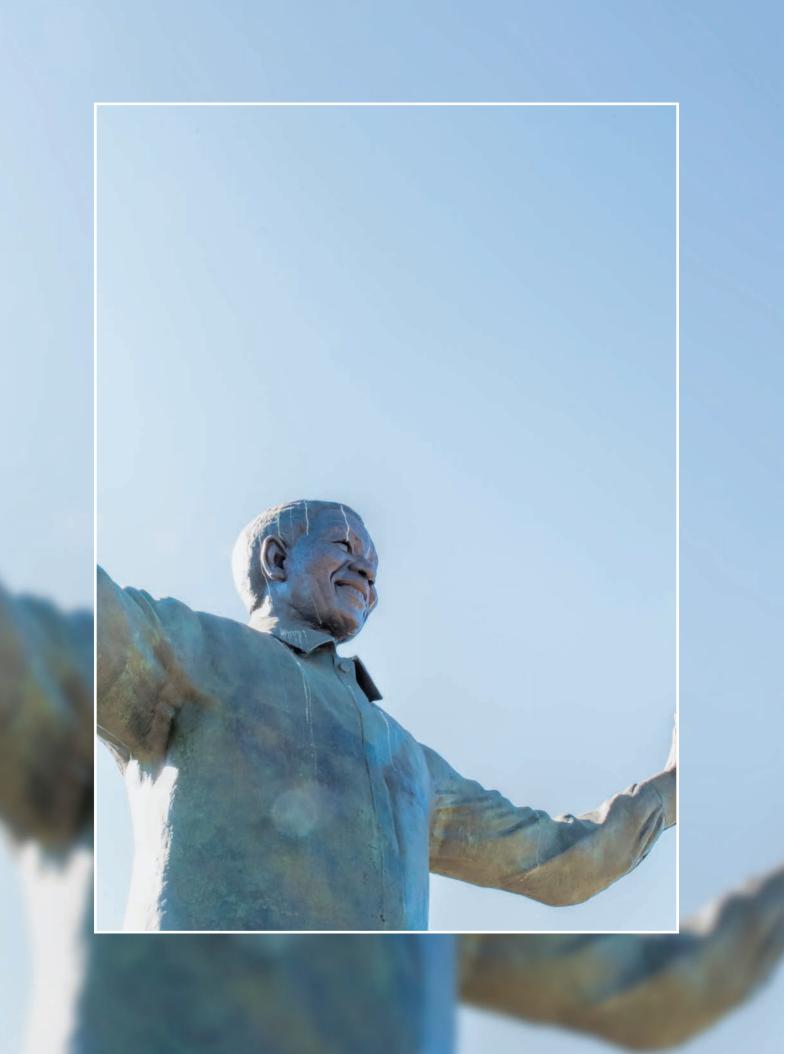
Nompumelelo Mokou (Ms)

Chairperson of the Audit and Risk Committee



PART D: HUMAN RESOURCE MANAGEMENT







### 1. Introduction

The Human Resource (HR) Department ensures optimum and efficient utilisation and development of human capital and provides an advisory service on matters pertaining to organisational development, performance management, learning and development and sound employee relations. Other Human Resource priorities for the year under review was providing CATHSSETA staff with an effective employee health and wellness programme, review and development of all HR policies as well as efficient recruitment and placement processes.

### 1.1 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 HR department 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.

# 1.2 Policy Review

Over the course of the financial year under review, the Human Resources Department reviewed a total of 22 Human Resources policies to ensure that they remain current, relevant, promote fair labour practices as well as alignment with best practice and furthermore to ensure that the rules, responsibilities and procedures that govern HR and the conduct of employees are clearly documented and understood by all. The reviewed policies were presented to the relevant governance structures within CATHSSETA for endorsement and approval. The HR department further developed the internal CATHSSETA Internship Policy and implemented the HR Strategy. The HR department was also responsible for ensuring that the organisation-wide policies were work-shopped with the employees with weekly sessions facilitated by the HR team. HR is also in the process of developing standard operating procedures (SOP) for all HR policies and at the end of the financial year under review, implemented two of SOPs, leave management; and recruitment and selection.



### 1.3 Internship Programme

The HR department 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 and also increases their chances of obtaining employment. In the year under review, CATHSSETA successfully recruited the second cohort of Interns. Twenty four Interns were placed in the National Office and 12 Interns were placed in the six regional offices. Monthly meetings are conducted with the Interns to monitor their development and to address employment issues.

### 1.4 Learning and Development

CATHSSETA's employee learning and development is the cornerstone upon which the organisations continuous quality improvement is built on. It is therefore important that the organisation has adequate and efficient human capital for enhanced performance and service delivery. For that reason, a number of our staff members were afforded the opportunity to undergo training interventions such as Business Writing Skills, Contract Management, Women in Leadership and Public Relations Management which amounted to R627,094.88. Staff were also invited to participate in the Bursary programme which amounted to R949,397.20.

# 1.5 Employee Wellness

CATHSSETA understands the effect that individual health and wellness has on the organisation and is an integral part of the overall strategy. The wellness programme is aimed at assisting and empowering employees to make healthy life style choices which in turn enhances psychological, emotional, physical and social wellness. To this end, the programme provides a 24-hour care center, 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.

# 1.6 Recognition Scheme

CATHSSETA has an employee reward and recognition scheme to recognise and reward CATHSSETA staff living the six CATHSSETA values across the organisation. The scheme was implemented for staff to internalise organisational values, enhance employee engagement; organisational performance improvement and retention of talent. The organisational values drive includes regular communication and conversations on the CATHSSETA values to instil and reinforce the required behaviours from employees. This was followed by a nomination process where employees were encouraged to nominate other employees every three months, who were seen as living the values. The nomination process culminated into the Values Awards Ceremony where employees were recognised for living the values.



# 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 21: Personnel Cost by programme/activity/objective

Programme/activity/ objective	Total Expenditure for the entity (R'000)	Personnel Expendi- ture (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of Employees	Average per- sonnel cost per employee (R'000)
Administration	63, 611	24,438	38%	51	479
Discretionary	272, 671	27,813	10%	53	525
Total	336, 282	52,251	16%	103	507

Table 22: Personnel Cost by salary band

Level	Personnel Expendi- ture (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of Employees	Average per- sonnel cost per employee (R'000)
Top Management	3,825	7%	3	1,275
Senior Management	4,975	10%	3	1,658
Professional Qualified	15,149	29%	20	757
Skilled	9,185	18%	23	399
Semi-skilled	17,346	33%	39	445
Unskilled	1,770	3%	15	118
Total	52,251	100%	103	507



Table 23: Performance Rewards

Programme/activity/objective	Performance Rewards(R'000)	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	-	3,825	0%
Senior Management	480	4,975	10%
Professional Qualified	574	15,149	38%
Skilled	586	9,185	6%
Semi-skilled	712	17,346	4%
Unskilled	18	1,,770	1%
Total	2,369	52,251	4.5%

Table 24: Training Costs

Programme/activity/ objective	Personnel Expendi- ture (R'000)	Training Expenditure (R'000)	Training Expen- diture as a % of Personnel Cost.	No. of Employees trained	Avg training cost per employee
Business Writing Skills	52,251	133	0.26%	16	8,312.50
Contract Management	52,251	25	0.05%	25	1,000.00
Finance for Non-Financial Managers	52,251	120	0.23%	14	8,571.43
Development Programme of Office Management, Administration, Reception, Minute-taking and Report Writing	52,251	13	0.03%	1	13,000.00



Programme/activity/ objective	Personnel Expendi- ture (R'000)	Training Expenditure (R'000)	Expenditure diture as a % of		Avg training cost per employee
Advanced Records and Information Management Standards	52,251	25	0.05%	2	12,500.00
Women as Leaders	52,251	55	0.11%	14	3,928.57
Effective Records, Information and Data Management	52,251	15	0.03%	1	15,000.00
Public Relations Management	52,251	20	0.04%	1	20,000.00
Strategic Supply Chain Management, Purchasing, Bidding and Contract Risk Management Workplace	52,251	43	0.08%	4	10,750.00
Bid Committee's Workshop for Public Entities	52,251	30	0.06%	28	1,071.43
Fraud Prevention Awareness Workshop	52,251	45	0.09%	76	592.11
Occupational Health and Safety, Evacuation Plan, First Aid	52,251	103	0.2%	0.2% 10	
Total	52,251	627	1.2%		



Table 25: Employment and vacancies

Programme/activity/objec-	2016/17 No.	2017/18 Ap-	2017/18 No.	2017/18	% of Vacan-
tive	of Employees	proved Posts	of Employees	Vacancies	cies
Ensure effective human resources management within the organisation	86	103	94	9	8.7%

Table 26: Employment and vacancies per categories

Programme/activity/objec- tive	2016/17 No. of Em- ployees	2017/18 Approved Posts	2017/18 No. of Em- ployees	2017/18 Vacancies	% of Vacan- cies
Top Management	2	2	-	2	0%
Senior Management	3	3	2	1	33.3%
Professional Qualified	17	20	19	1	5%
Skilled	15	18	17	1	5.5%
Semi-skilled	49	50	46	4	8%
Unskilled	-	10	10	-	0%
Total	86	103	94	9	8.7%

# **Employment changes**

The organisation was functioning at 91% capacity at year-end, with a total headcount of 94 employees on a full-time fixed term contract. A total number of 16 new staff members were appointed in various positions and nine terminations were recorded during the year under review.



Table 27: Employment Changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	2	-	2	-
Senior Management	3	-	1	2
Professional Qualified	17	3	1	19
Skilled	14	5	2	17
Semi-skilled	41	8	3	46
Unskilled	10	-	-	10
Total	87	16	9	94

Table 28: Reasons for Staff Leaving

Reason	Number	% of total no. of staff leaving
Death	1	1%
Resignation	5	5%
Dismissal	-	-
Retirement	-	-
III health	-	-
Expiry of contract	-	-
Other	3	3%
Total	9	9%



Table 29: Labour Relations: Misconduct and Disciplinary Action

Nature of disciplinary Action	Number
Verbal Warning	6
Written Warning	4
Final Written Warning	1
Dismissal	0
Total	11

Table 30: Employment Target and Employment Equity (Male)

	Male								
Levels	Afri	can	Coloured		Indian		White		
	Current	Target	Current	Target	Current	Target	Current	Target	
Top Management	1	1	0	0	0	0	0	0	
Senior Management	0	1	0	1	0	1	0	0	
Professional Qualified	3	4	0	1	0	0	0	0	
Skilled	4	4	0	2	0	1	0	0	
Semi-skilled	11	11	0	2	1	1	0	0	
Unskilled	2	3	0	1	0	1	0	0	
Total	21	24	0	7	1	4	0	0	



Table 31: Employment Target and Employment Equity (Female)

Levels	Female							
Levels	Afri	can	Colo	ured	Ind	ian	Wh	iite
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	2	2	0	1	0	1	0	0
Professional Qualified	14	13	2	2	0	1	1	1
Skilled	12	11	1	1	0	1	0	0
Semi-skilled	32	26	0	3	0	3	0	0
Unskilled	8	11	0	0	0	1	0	0
Total	68	63	3	7	0	7	1	1

Table 32: Employment Target and Employment Equity (Persons with Disability)

	Staff with Disabilities			
Levels	Male		Female	
	Current	Target	Current	Target
Top Management	-	-	-	-
Senior Management	-	-	-	-
Professional Qualified	-	-	-	-
Skilled	-	-	-	1
Semi-skilled	-	-	-	1
Unskilled	-	-	-	-
Total	-	-	-	2



# PART E : FINANCIAL INFORMATION





# Auditor's Report

# Report of the Auditor General to Parliament on Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA)

### Report on the Audit of the Financial Statements

#### **Opinion**

- 1. I have audited the financial statements of Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA) set out on pages 80 to 120, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget information with actual information 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 Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the South African standard of Generally Recognised Accounting Practise (SA Standard 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 the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and 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 code.
- 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 corresponding figures

7. As disclosed in note 35 to the financial statements, the corresponding figures for financial year ended 31 March 2017 have been restated as a result of an error in the financial statement of the public entity for the year ended 31 March 2018.

### Responsibilities of the Accounting Authority for the financial statements

- 8. The Accounting Authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standard of SA GRAP and the requirements of the PFMA and SDA Act 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.
- 9. In preparing the financial statements, the Accounting Authority is responsible for assessing CATHSSETA'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 Accounting Authority 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

- 10. 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.
- 11. 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

- 12. 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 material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
- 13. My procedures address 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 also did 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.
- 14. 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 programmes presented in the annual performance report of the public entity for the year ended 31 March 2018.

Progr	rammes	Pages in annual performance report
Progr	ramme 03 – Learning programmes	31 - 38

- 15. 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.
- 16. I did not raise any material findings on the usefulness and reliability of the reported performance information for programmes 3 learning programmes.

#### Other matters

17. I draw attention to the matters below.

### Achievement of planned targets

18. Refer to the annual performance report on pages 26 to 38 for information on the achievement of planned targets for the year [and explanations provided for the under-/overachievement of number of targets.

#### Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of performance indicators of learning programme. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.



### 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 compliance of the public entity 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 legislations are as follows:

### Procurement and contract management

22. Some of the competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with the policies of public entity, as required by treasury regulations 16A6.2 (a), (b) and (c).

### Other information

- 23. The Accounting Authority is responsible for the other information. The other information comprises the information included in the Annual Report which includes general information, governance and human resources report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
- 24. 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.
- 25. 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.
- 26. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

### Internal control deficiencies

27. 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 findings on compliance with legislation.

### Financial and performance management

28. Management did not review and monitor compliance with the supply chain management policy, laws and regulations for composition and appointments of bid committee members. Members of bid specification and evaluation committee participated in the bid adjudication of the same bids and evaluation committee member was appointed after evaluation of the bid.

Auditor-General

Auditor-General **Pretoria** 

31 July 2018





### Annexure – Auditor-General's responsibility for the audit

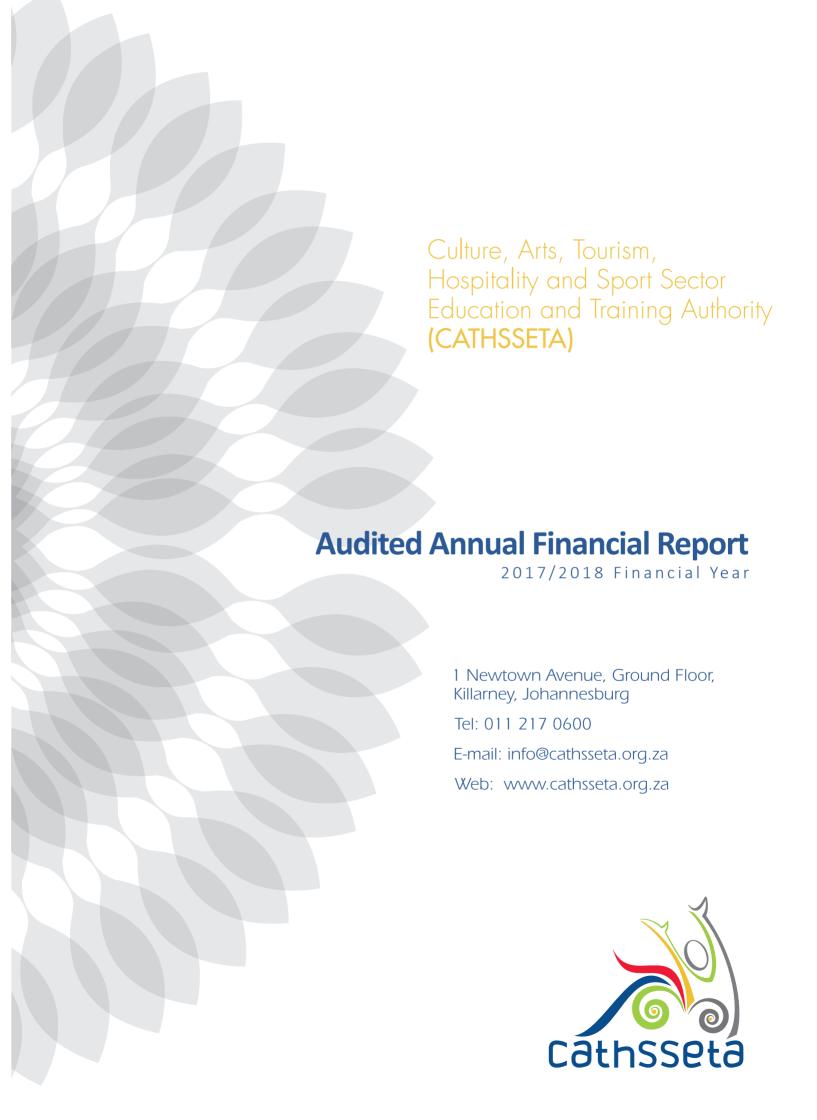
1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with 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
  approprziate 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 Board of Directors, which constitutes 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 related to events or conditions that may cast significant doubt on the CATHSSETA's ability 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 the 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 a public entity to cease continuing as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business
  activities within the group to express an opinion on the consolidated financial statements. I am responsible for
  the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

### 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 Officer and 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, related safeguards.







The Annual Financial Statements for the year ended 31 March 2018, set out on pages 80 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:

K Lebaka (Ms)

**Acting Chief Executive Officer** 

V VJ Ramathesele

Chairperson of the Board



## **General Information**

Audited Annual Financial Statements for the year ended 31 March 2018

**Country of incorporation and domicile**South Africa

**Registered Office:** 01 Newton Avenue,

Ground Floor, Killarney,

Johannesburg,

2193

Postal address P O Box 1329

Rivonia 2128

Company registration number 25/CATHSSETA/1/04/11

**Telephone** +27 11 217 0600

**Website:** www.cathsseta.org.za

Email address info@cathsseta.org.za



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# Audited Annual Financial Statements for the year ended **31 March 2018** Accounting Authority's Responsibilities and Approval

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

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

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

The annual financial statements set out on page pages 80 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 May 2018.

Victor Ramathesele (Dr)

Chairperson of the Board: CATHSSETA

# Audited Annual Financial Statements for the year ended **31 March 2018**Statement of Financial Position as at 31 March 2018

		2018	2017 Restated*
	Note(s)	R '000	R '000
Assets			
Current Assets			
Inventories	3	577	502
Receivables from exchange transactions	5	2,703	2,578
Receivables from non-exchange transactions	4	212	212
Cash and cash equivalents	6	355,976	334,298
	_	359,468	337,590
Non-Current Assets			
Property, plant and equipment	7	5,906	3,320
Intangible assets	8	5,253	-
	_	11,159	3,320
Total Assets	_	370,627	340,910
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	12,047	14,989
Payables from non-exchange transactions	10	20,108	27,837
Donor funding	11	-	1,062
Provisions	12	6,763	6,820
Operating lease	_	2,417	2,317
		41,335	53,025
Total Liabilities	_	41,335	53,025
Net Assets	_	329,292	287,885
Reserves			
Employer grant reserve		42	42
Administration reserve		11,159	3,320
Discretionary Reserve	_	318,091	284,523
Total Net Assets		329,292	287,885



# Audited Annual Financial Statements for the year ended **31 March 2018** Statement of Financial Performance

		2018	2017 Restated*
	Note(s)	R '000	R '000
Revenue			
Revenue from exchange transactions			
Interest received	13	22,469	18,054
Other income	14	5,089	678
Total revenue from exchange transactions	_	27,558	18,732
Revenue from non-exchange transactions			
Transfer revenue			
SDL - Income	15	339,149	320,537
SDL - Interest and penalties	15	12,875	10,436
Total revenue from non-exchange transactions	_	352,024	330,973
Total revenue	_	379,582	349,705
Expenditure			
Employee related costs	16	(24,438)	(22,692
Depreciation and amortisation	17	(1,915)	(1,012
Lease rentals on operating lease	18	(5,592)	(4,659
Employer grant and project expenses	19	(272,671)	(188,937
General Expenses	20	(33,581)	(38,302
Total expenditure	_	(338,197)	(255,602
Profit / (Loss) on disposal of assets	22	22	(53)
Surplus for the year	_	41,407	94,050

# Audited Annual Financial Statements for the year ended 31 March 2018 Statement of Changes in Net Assets

	Administration Employer grant reserve reserve R '000 R '000	mployer grant reserve R '000	Discretionary reserve R '000	Total reserves R '000	Total reserves Unappropriated Total net assets reserve R '000 R '000	Total net assets R '000
Balance at 1 April 2016	1,798	42	191,993	193,833		193,833
Changes in net assets Surplus for the year		1	1	,	94,050	94,050
Changes for the year	1,522	•	(1,522)	•	•	•
Excess reserves transferred to/(from) discretionary	24,556	(50,836)	26,280	'	•	•
Surplus/(deficit)	(24,556)	50,836	62,707	88,987	(88,987)	•
Prior year errors and reclassification	•	1	5,063	5,063	(5,063)	1
Total changes	1,522	42	92,528	88,987		88,987
Restated* Balance at 1 April 2017	3,320	42	284,522	287,884		287,884
Changes in net assets						
Surplus for the year		1	•	'	41,407	41,407
Surplus/(deficit)	(19,902)	34,270	27,039	41,407	(41,407)	•
Changes for the year	27,741	(34,270)	6,530	'	1	•
Total changes	7,839	42	33,569	41,450	1	41,450
Balance at 31 March 2018	11,159	42	318,091	329,292	1	329,292

<sup>-</sup> The admin reserve is for the carrying value of property, plant and equipment - The mandatory grant is a reserve for new employers that have contracted with CATHSSETA after the legislative cut off.



# Audited Annual Financial Statements for the year ended **31 March 2018** Cash Flow Statement

		2018	2017
	Note(s)	R '000	Restated* R '000
Cash flows from operating activities			
Cash receipts from stakeholders			
Other income		5,089	678
Levies, interest and penalties received		352,024	330,973
Interest income	_	22,469	18,054
		379,582	349,705
Cash payments to stakeholders, suppliers and employees			
Employer grants payments		(48,931)	(29,466)
Discretionary grants and project payments		(223,740)	(164,534)
Payments to suppliers and employees	_	(75,601)	(74,107)
	_	(348,272)	(268,107)
Net cash flows from operating activities	23	31,310	81,598
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(4,520)	(2,587)
Proceeds from sale of property, plant and equipment	7	41	-
Purchase of other intangible assets	8	(5,253)	-
Net cash flows from investing activities		(9,732)	(2,587)
Cash flows from financing activities			
Movement in operating lease liability		100	347
Long term liability	_	-	(42)
Net cash flows from financing activities	_	100	305
Net increase/(decrease) in cash and cash equivalents		21,678	79,316
Cash and cash equivalents at the beginning of the year	_	334,298	254,982
Cash and cash equivalents at the end of the year	6	355,976	334,298
	_		

# Audited Annual Financial Statements for the year ended **31 March 2018**Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	
Statement of Financial Performance						
Revenue						
Revenue from exchange ransactions						
Other income	-	22,000	22,000	27,558	5,558	
Revenue from non-exchange ransactions						
ransfer revenue	240.000		319,908	220.440	19,241	
evies	319,908	-	319,908	339,149	12,875	
DL - Interest and penalties oluntary Ley Income	-	4,639	4,639	12,875 -	(4,639)	
otal revenue from non-exchange ransactions	319,908	4,639	324,547	352,024	27,477	
otal revenue	319,908	26,639	346,547	379,582	33,035	
xpenditure						
dmin Expenses	(39,448)	(45,168)	(84,616)	(63,611)	21,005	31 (1)
epreciation and Amortisation	(2,540)	(556)	(3,096)	(1,915)	1,181	(2)
mployer Grants	(79,977)	33,798	(46,179)	(48,931)	(2,752)	31 (3)
iscretionary Grants	(197,943)	(14,713)	(212,656)	(223,740)	(11,084)	31 (4)
otal expenditure	(319,908)	(26,639)	(346,547)	(338,197)	8,350	
perating surplus/(deficit)	-	-	-	41,385	41,385	
ain on disposal of assets and abilities	-	-	-	22	22	
urplus/(deficit) for the period	-	-	-	41,407	41,407	
ctual Amount on Comparable asis as Presented in the Budget nd Actual Comparative Statement	-	-	-	41,407	41,407	



### **Accounting Policies**

### 1. Presentation of Audited 'annual Financial Statements

The audited '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 audited '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. Unless otherwise stated all financial figures have been rounded off to the nearest one thousand rand (R'000).

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

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

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

### 1.1 Going concern assumption

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

CATHSSETA's licence has been extended by The Minister of Higher Education and Training until 31st March 2020.

### 1.2 Significant judgements and sources of estimation uncertainty

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

Depreciation of plant and other assets is charged so to write down the value of these assets to their residual value over their respective estimated useful life. The Accounting Authority is required to assess useful life and residual values of assets so that the depreciation is charged on a systematic basis to the current carrying amount. It is the policy to write off the assets over their useful life estimated by the organisation. Refer to note 1.3 for further disclosure.

### Accounts payable and receivables

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

### Cash and cash equivalents

Cash and cash equivalents are stated at cost which approximates fair value. (Refer to note 6 for further disclosures).

### 1.3 Property, plant and equipment

### Initial measurement

Property, plant and equipment is initially measured at cost.

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

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



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

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

### **Subsequent Measurement**

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

### Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. The depreciation of assets commences on the date that the asset is available for use and when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5-25 years
Motor vehicles	Straight line	5 years
IT equipment	Straight line	3-5 years
Leasehold improvements	Straight line	5 years
Mobile devices	Straight line	2 years

### **Impairment**

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

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

### **Residual Values**

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

### Derecognition

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

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

### **Repairs and Maintenance**

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



### 1.4 Intangible assets

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 into the entity and the cost or fair value of the asset can be measured reliably.

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

### Recognition and measurement

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

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

### Subsequent measurement

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

### Amortisation

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

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

ItemUseful lifeComputer software and other intangibles3 years

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

### Impairment

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

### Derecognition

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

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



### 1.5 Inventories

Inventories refer to assets in the form of materials or to be distributed in the rendering of services, held for sale in the ordinary course of operations or in the process of production.

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

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

### Initial Measurement

Inventory, which comprises of consumables and stationery on hand, is initially measured at cost. Inventory acquired through a non-exchange transactions is stated at fair value at the date of acquisition. All items are kept in inventory and disclosed as an expense in the period of actual usage.

### **Subsequent Measurement**

CATHSSETA carries all inventory items held for providing services at the lower of cost and current replacement costs.

Materials to be sold to trading providers are carried at the lower of cost and net realisable value.

### 1.6 Leases

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time.

The definition of a lease includes other arrangements, such as hire purchase contracts (contracts for the hire of an asset which contain a provision giving the hirer an option to acquire title to the asset upon the fulfilment of agreed conditions).

### **Finance leases**

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

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

### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.



### 1.7 Employee benefits

### **Defined contribution plans**

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan. The entity contributes to retirement benefits on a defined contribution plans whose assets are held in separate trustee-administered funds that is subject to the Pension Funds Act, 1956 as amended. Contributions are at a rate of 7% of pensionable emoluments by CATHSSETA and which members (employees) contribute 6%.

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

### 1.8 Provisions and Accruals

Provisions are recognised when the SETA has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably.

### 1.8.1 Accruals for employee entitlements

The cost of other employee benefits is recognised during the period in which the employee renders the related services. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the Statement of Financial Position date. Provisions included in the Statement of Financial Position are accruals for bonuses and termination benefits. Leave days(leave accrual as per GRAP 19&25) are accrued at year end based on the daily rate and number of days due.

Bonuses to be paid are performance based. An accrual is raised for bonus based on actual performance appraisal scores.

### 1.8.2 Provisions for grants

### **Mandatory Grant payments**

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

### **Projects**

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

### 1.9 Contigent liabilities/Discretionary Grant Commitments

The entity discloses contingent liabilities when possible obligation arising due to past event whose existence will only be confirmed by occurrence or non-occurrence of uncertain future events not wholly within control of entity or present obligation arising due to past event not recognised because uncertainty of timing or amount or probable outflow.

Discretionery grant commitments are the contracts whose costs to be incurred in the future in discharging the obligations by the training providers based on contracts signed between CATHSSETA and employers.

### 1.10 Prepaid expenses

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



### 1.11 Taxation

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

### 1.12 VAT

The Revenue Amendment Act of 2003 (Act No 45 of 2003) amended the definition of an enterprise and effectively placed the public entity outside the scope of VAT. The amended definition of enterprise came into operation with effect from 01 April 2005.

### 1.13 Revenue recognition

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

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

### 1.14 Revenue from non - exchange transactions

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

### Levy income transfer

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

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

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

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

Revenue is adjusted for Inter-SETA transfers due to employers changing SETAs. Such adjustments are separately disclosed as Inter-SETA transfers. The amount of the INTER-SETA adjustment is calculated according to the standard operating procedure issued by the DHET.

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

When a new employer is transferred to the SETA, the levies transferred by the former SETA are recognised as revenue and allocated to the respective category to maintain its original identity.



### Interest and penalties

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

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

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

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

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

### Government grants and other donor income

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

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

### 1.15 Revenue from exchange transactions

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.

### **Investment Income**

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

### Other Income

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

### 1.16 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.



### 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.

### 1.17 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 is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons thereof must be provided in the notes. Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written-off as irrecoverable.

Irregular expenditure must be removed from the balance of the irregular expenditure notes when it is either:

- (a) condoned by the relevant authority if no official was found to be liable in law;
- (b) recovered from an official liable in law;
- (c) written-off if it's irrecoverable from an official liable in law; or
- (d) written-off if it's not condoned and not recoverable.

### 1.18 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. A receivable is raised in the process of recovering the expense.

### 1.19 Financial instruments

### Initial recognition

A financial asset or liability is recognised when, and only when, CATHSSETA becomes a party to the contractual provisions of the financial instrument. Financial instruments recognised in the CATHSSETA balance sheet include cash and cash equivalents, trade and other receivables, trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.



### Derecognition

### **Financial assets**

The entity derecognises a financial asset only when:

the contractual rights to the cash flows from the financial asset expire, are settled or waived;

the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

It transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

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

### **Financial liabilities**

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

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

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the contract is longer retains control of the asset. The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to another party and consideration received, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement.

### Cash and cash equivalents

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

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

### Trade and other receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measures at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate.

### Impairment of financial assets

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



### **Fair Value Considerations**

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

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

### 1.20 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.

	2010	2017
Administration	10.50 %	10.50 %
Mandatory grants	20.00 %	20.00 %
Discretionery 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 %

2017

2018



### 1.21 Related parties

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

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Transactions with related parties not at arm's length or not in the ordinary course of business are disclosed separately.

### 1.22 Events after reporting date

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

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

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

### 1.23 Budget information

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



			2018 R '000	2017 R '000
. Allocation of the net surplus for the year to reserves				
018				
	Total Ad	lministration	Fmmlover	Discretionen
	Statement of	Reserve	Employer Grant	Discretionary Grants
	Financial	Reserve	Reserves	Reserves
	Performance		iveserves	Neserves
dministration levy income (10,5%)	45,602	45,602	_	_
Nandatory grant levy income (20%)	83,201	-5,002	83,201	_
piscretionary grant levy income (49,5%)	211,406	_	-	211,406
DL: Penalties and interest	12,875	_	_	12,875
nvestment income	22,470	_	_	22,470
Other income	4,028	-	_	4,028
		45.602	92 201	
otal revenue	379,582	45,602	83,201	250,779
Administration expenses	(65,504) (48,931)	(65,504) -	- (40 021)	-
Employer grants Discretionary grants	(223,740)	-	(48,931)	(223,740)
discretionary grants			-	
	41,407	(19,902)	34,270	27,039
	Total Ad Statement of	lministration Reserve	Employer Grant	Discretionary Grants
	Financial	Reserve	Reserves	Reserves
	Performance		reserves	rieser ves
Administration levy income (10,5%)	42,161	42,161	_	-
Mandatory grant levy income (20%)	80,303	-	80,303	-
Discretionary grant levy income (49,5%)	198,751	-	-	198,751
SDL: Penalties and interest	10,436	-	-	10,436
nvestment income	18,054	-	-	18,054
otal revenue	349,705	42,161	80,303	227,241
Administration expenses	(66,665)	(66,665)	, -	-
Other expenses	(53)	(53)	-	-
imployer grants	(29,466)	-	(29,466)	-
Discretionary grants	(159,471)	-	-	(159,471)
	94,050	(24,557)	50,837	67,770
. Inventories				
nventories			577	7 5
		_		
Balance at beginning of year			502	
Novement for the period			75	5 1
Balance at year end			577	5
-				



	2018 R '000	2017 R '000
4. Receivables from non-exchange transactions		
Inter-seta receivables	212	212
The costs of receivables approximate their fair values. No receivables were considered to be impair	red at year end.	
5. Receivables from exchange transactions		
Sundry debtors	1,178	1,527
Prepayments	825	351
Office rental deposit	700	700
	2,703	2,578
The costs of receivables approximate their fair values. No receivables were considered to be impain	red at year end.	
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3	3
Bank balances	36,092	54,942
Short-term deposits	319,881	279,353
	355,976	334,298

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

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

### 7. Property, plant and equipment

		2018			2017	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Leasehold property	700	(216)	484	700	(76)	624
Furniture and fixtures	4,310	(2,169)	2,141	3,050	(1,599)	1,451
Motor vehicles	2,418	(460)	1,958	168	(131)	37
IT equipment	4,031	(2,922)	1,109	3,414	(2,206)	1,208
Mobile devices	301	(97)	204	301	(301)	-
Minor plant	23	(13)	10	-	-	-
Total	11,783	(5,877)	5,906	7,633	(4,313)	3,320



2018 R '000	2017 R '000

### 7. Property, plant and equipment (continued)

### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Reclassifications	Depreciation	Total
Leasehold property	624	-	-	-	(140)	484
Furniture and fixtures	1,451	1,260	-	-	(572)	2,141
Motor vehicles	37	2,250	-	-	(329)	1,958
IT equipment	1,208	688	(14	(9)	(763)	1,109
Mobile devices	-	299	(5	9	(99)	204
Minor plant	-	23	-	-	(13)	10
	3,320	4,520	(19	-	(1,916)	5,906

### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold property	-	700	-	(76)	624
Furniture and fixtures	867	970	(21)	(365)	1,451
Motor vehicles	76	-	-	(39)	37
IT equipment	855	917	(32)	(532)	1,208
	1,798	2,587	(53)	(1,012)	3,320

Residual values were not changed from prior years. The assets in use were not impaired. There are no restrictions on the title of PPE items. None of the items of PPE are pledged as security over debt.

2018	Cost Accumulated Carrying		ing Amount
		Depreciation	
Owned Assets	11,083	(5,562)	5,521
Leased Assets	700	(315)	385
	11,783	(5,877)	5,906
2017	Cost		ing Amount
		Depreciation	
Owned Assets	6,632	(3,836)	2,796
Leased Assets	1,001	(477)	524
	7,633	(4,313)	3,320



					2018	2017
					R '000	R '000
8. Intangible assets						
		2018			2017	
		tisation and	rying value	Cost / Valuation	amortisation and	Carrying value
		umulated pairment			accumulated impairment	
Computer software, other Intangible assets under development	5,253	-	- 5,253			-
Total	5,253	-	5,253			-
Reconciliation of intangible assets	- 2018					
			Оре	ening balance	Additions	Total
Intangible assets under developmen	nt			-	5,253	5,253
9. Payables from exchange tran	sactions					
Bonus provision					5,942	3,536
Leave accrual Admin accrual					1,652 4,453	1,616 9,837
Admin accidal					12,047	14,989
There was a reclassification of paya	ibles from exchange trai	nsactions to pava	ables from no	on exchange tra	ansactions. Refer to	note 35 and
note 10.		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,				
10. Payables from non exchange	transactions					
Project accrual Levy creditors					17,824 2,284	24,494 3,343
·					20,108	27,837
The carrying amount of payables ap payables from non exchange transa			eclassificatio	n of payables f	rom exchange trans	actions to
11. Donor funding						
Unspent conditional grants and rec	eipts comprises of:					
Unspent conditional grants and rec	ceipts					
Donor funding - SA Host Donor funding - DEAT					-	626 436
-						1,062
Movement during the year						
Balance at the beginning of the yea	r				-	1,062
						· ·



			2018 R '000	2017 R '000
11. Donor funding (continued)				
The Donor fund that was received in the past has been tra	ansferred to exchange rev	enue. Refer to 1.14.		
12. Provisions				
SMME Provision SMME provision - below R500K		_	6,763	6,820
SMME provision - below R500K		Opening Balance 6,820	Movement (57)	Total 6,763
13. Investment income				
Interest received - investments		_	22,469	18,054
14. Other revenue				
EPWP Insurance refunds			5,050 39	676
			5,089	676
15. Levy income				
Skills development levy				
2018	Administration	Employer grants	Discretionary grants	Total
Levy income received from DHET - current period Government levies received Inter-SETA transfers out	43,800 5,406		206,742	333,743 5,406 -
	49,200	83,201	206,742	339,149
2017	Administration	Employer grants	Discretionary grants	Total
Levy income received from DHET - current period Levy income received from DHET - prior period Government levies received	41,380 159 4,016	299	195,039 741	315,315 1,199 4,016
Inter-SETA transfers in		1 2	4	7
	45,556	79,197	195,784	320,537
Penalties and interest				
Penalties received Interest received			7,047 5,828	5,971 4,465
		_	12,875	10,436



	2018 R '000	2017 R '000
16. Employee related costs		
Basic	19,193	18,254
Bonus	2,396	1,794
Medical aid - company contributions	674	545
UIF	146	117
WCA	45	-
SDL	188	188
Leave pay provision charge	(26)	54
Travel, motor car, accommodation, subsistence and other allowances	-	2
HR - support salaries	-	238
Long-term benefits - Pension, disability and funeral	1,823	1,500
	24,439	22,692
17. Depreciation and amortisation		
Property, plant and equipment	1,915	1,012
18. Operating leases		
Rental fees	5,592	4,659
18.1 Minimum Lease Payments		
Within one year	5,903	4,559
In second year to fifth year	11,200	16,784
	17,103	21,343

CATHSSETA leases a building from Sanlam Life Insurance (Ltd) for a period of 7 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.

CATHSSETA leases printing and photo copy machinery from Flex Technology as from 01 June 2017. The monthly payable amount is fixed for the duration of the contract.

### 19. Employer grant and project expenses

Employer grant	48,931	29,466
Discretionary grants	223,740	159,471
	272,671	188,937

Property, plant and equipment



# Audited Annual Financial Statements for the year ended **31 March 2018**Notes to the Audited Annual Financial Statements

	2018 R '000	2017 R '000
20. General expenses		
Advertising	927	1,197
Auditors remuneration - internal and external	4,387	3,416
Bank charges	104	43
Board fees and admin	2,506	225
Catering	258	112
Cleaning	387	501
Conferences and seminars	611	18
Consulting and professional fees	2,250	8,101
Consumables	151	128
Insurance	334	219
Legal fees	3,181	9,166
Motor vehicle expenses	26	22
Other expenses Placement fees	474 1,654	486
Postage and courier	53	2,019 182
Printing and stationery	1,164	487
QCTO	1,686	1,520
Repairs and maintenance	49	540
Secretarial fees	825	560
Security Expenses	1,145	1,115
Staff refreshments	214	249
Subscriptions and membership fees	88	28
System costs .	4,164	3,487
Telephone and fax	2,923	1,173
Training	1,378	1,101
Travel - local	1,539	944
Water and electricity	1,103	1,264
	33,581	38,303
The prior year expense line items were reviewed and re-grouped in order to enhance fair presentation	and disclosure for the	users.
21. Auditors' remuneration		
Fees - External Auditors	2,884	2,827
Fees - Internal Auditors	1,503	589
	4,387	3,416
22. Profit / (Loss) on disposal of assets		

(53)

22



				2018 R '000	2017 R '000
23. Cash generated from or	perations				
Surplus				41,407	94,050
Adjustments for:				41,407	34,030
Depreciation and amortisation	n			1,915	1,012
(Profit) / Loss on disposal of a				(22)	53
Movements in provisions				(57)	
Changes in working capital:				,	
Inventories				(75)	(136
Receivables from exchange tra	ansactions			(128)	(79
Other receivables from non-e				· -	2,64!
Payables from exchange trans	•			(2,939)	(11,528
Payables from non - exchange				(7,729)	(3,704
Donor funding				(1,062)	(-, -
ū				31,310	81,598
24. Commitments Discretio	onary Grants				
Discretionary grants					
2018	Opening Balance 01/04/2017	Prior period error	Additions	Movement	Total 31/03/2018
	R'000	R'000	R'000	R'000	R'000
Apprenticeship	2,017	-	2,767	(2,892)	1,892
Bursaries	42,007	(2,835)	32,993	(40,540)	31,625
Quality assurance	2,304	-	-	(2,304)	-
Events	2,094	-	-	(2,094)	-
Internship	19,302	-	32,502	(31,143)	20,661
Learnership	53,837	-	26,092	(55,270)	24,659
Research	-	-	100	(67)	33
Skills	87,398	-	46,671	(57,340)	76,729
WIL	22,404	-	50,861	(42,206)	31,059
Special projects	4,072	-	5,284	(3,482)	5,874
	235,435	(2,835)	197,270	(237,338)	192,532
2017		Opening Balance	Additions	Movement	Total
		R'000	R'000	R'000	R'000
Apprenticeship		4,275	4,700	(6,958)	2,017
Bursaries		22,654	60,921	(41,567)	42,007
Quality assurance		1,000	2,886	(1,581)	2,305
Events		-	3,997	(1,903)	2,094
Internship		5,217	32,628	(18,543)	19,302
Learnership		58,733	43,480	(48,376)	53,837
Project Management		1,658	-	(1,658)	-
Research		4,645	-	(4,645)	-
Skills programme		34,624	84,341	(31,568)	87,397
WIL Special projects		12,935	35,098 4,072	(25,630)	22,404 4,072
		-	4,072	-	4,072



2018	2017
R '000	R '000

During the year the Discretionary grant line items were reclassified based on the nature of the agreements signed.

### 25. Related parties

Department of Higher Education and Training (DHET) is the Executive Authority for CATHSSETA. All SETA'S are under the common control of the DHET are related parties.

### **Transactions with other SETAS**

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.

	2018	2017
	Receivables/(Payables)	Receivables/(Payables)
Services SETA	212	212

1,837 1,765 1,765 1,585 1,678 1,597 115

# Audited Annual Financial Statements for the year ended 31 March 2018 Notes to the Audited Annual Financial Statements

(continued)
parties
Related
25.

Remuneration of management

Key Management Remuneration

2018

8,7	40	253	1,083	481	6,885
1	1	1	115	-	
1,5	14	71	317	135	1,060
1,6	11	54	124	177	1,312
1,5	14	92	198	169	1,128
1,7	Н	44	15	1	1,705
1,8	1	∞	314	1	1,515
1	1			•	165
				payments	
R'000	otner scneme R'000	pension tund R'000	R'000	perrormance related	R'000
Total	Contribution to Contribution to	Contribution to	Allowances	Bonuses and	Salary

Figures in Rand

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**Name** P Kedama - Administrator

S Silinga M Shezi D Mathibedi M Mwandla K Lebaka P Mpye

	nd Sport ! '1/04/11)	Sec	tor Ec	luc	atio	n Ar	nd '	Tra	ini	ing	Au	tho
2017 R '000		Total			R'000	1,741	1,023	1,305	1,358	1,142	1,255	7,824
		ntribution to	other scheme		R'000	12	1	1	12	1	∞	32
2018 R '000		Contribution Contribution to	to pension of fund		R'000	1	64	82	29	09	29	340
		Allowances			R'000	•	32	16	140	16	06	294
		Bonuses and	performance related	payments	R'000		1	1	153	9	111	270
		Salary			R'000	1,729	927	1,207	986	1,060	626	6,888
	I											

2017 25. Related parties (continued)

Name

**Name** P Kedama - Administrator

Mr Silinga Mr Shezi M Mwandla Ms Mathibedi Ms K Lebaka

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	2018 R '000	2017 R '000
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### 25. Related parties (continued)

### **Remuneration of Audit, HR and Finance Committees**

### 2018

Name of Member	Audit & Risk Committee	Hr & Fin Committee	RTJWC	Gov and Strat	Total
	R'000	R'000	R'000	R'000	R'000
L Motlhamme	7	-	=	-	7
B Seti	-	2	-	-	2
N Mokou	70	-	-	-	70
L Tshabalala	-	-	3	-	3
J Shilubane	52	-	-	-	52
G Fredericks	-	10	-	-	10
SN Ndhlovu	-	24	-	-	24
Mr ZL Mopoma	-	4	-	-	4
AD Mbatha	6	-	-	-	6
BE Hendricks	-	24	-	-	24
CA Pop	-	-	-	78	78
E Khosa	-	-	-	63	63
L Reddy	-	-	-	66	66
PP Sithole	-	25	-	-	25
	135	89	3	207	434

### 2017

Name of Member	Audit & Risk Committee	HR & Fin Committee	Allowances	Total
	R'000	R'000	R'000	R'000
L Motlhamme	15	-	-	15
N Mokou	32	-	-	32
AD Mbatha	9	-	-	9
J Shilubane	27	-	-	27
G Fredericks	-	5	-	5
SN Ndhlovu	-	8	-	8
	83	13	-	96



	2018	2017
	R '000	R '000
25. Related parties (continued)		
Remuneration of Board Members		
2018		
Name of Member	Board members	Total
	R'000	R'000
Mr P Kedama	451	451
Mr B Sikani	206	206
Mr CA Pop	124	124
Mr ERA Khosa	162	162
Dr VR Ramathesle	182	182
Ms L Reddy	111	111
Ms PP Sithole	124	124
Mr BE Hendricks	101	101
Ms BB Seti	9	9

1,470

1,470



	2018 R '000	2017 R '000
25. Related parties (continued)		
2017		
Name of Member	JWC Arts,culture & Conservation	Total
G Raven	R'000 5	R'000 5
26. Irregular Expenditure		
Opening balance Payments for bursaries (pre administration, contract under court review) Contracts extension by Accounting officer with no due authority (pre administration) Non compliance to legislation (Variations) Over expenditure on administration costs (10,5% and 7,5%)	978 - - 6,152 41,123	1,391 836 6,353 142 36,156
Relating to Prior period - non submission made for prior period expenditure Condoned: current period irregular expenditure on deviation to regulation Condoned: excess administration costs in the current period (10,5% and 7,5%)	48,253 - (41,123) <b>7,130</b>	44,878 (1,391) (6,353) (36,156)

### Incidents

The irregular expenditure incurred in the current year amounting to R47.2m is as a result of transgressions with the following:

- R6.1m is non compliance with Treasury Regulations
- R41.1m is non compliance with Grant Regulations.

Management has put measures in place to strengthen the procurement process to ensure non-recurrence of similar incidences in the future.

### 27. Fruitless and wasteful expenditure

Cancelled Flights	4	-
Interest on Rent	6	-
Catering services	3	-
Cancelled tender adverts	87	-
	100	-

### 2018

The fruitless and wasteful expenditure incurred was as a result of the following:

- Cancelled flights for managers and board members
- Interest charged on late rental payments
- Cancelled catering services and tender adverts.



	2018 R '000	2017 R '000
28. Voluntary Levies		
Below is a detailed breakdown of the voluntary levies received		
Name of Institution		
National Department of Sport & Recreation	233	129
Department of sports Free State	1,050	-
Department of Sports & Recreation - KZN	274	289
Department of Sport, Recreation, arts and culture (EC)	1,073	1,078
PE Opera HPR Opera House	-	4
ECPTA - PROJECT DG W2014W2	117	299
Department of Sports GP	650	-
Department of Economics Free State	-	568
Gauteng Tourism Authority	126	-
Sanbi Main	-	749
Department of Agriculture Gauteng	429	480
Department of Arts, culture and Traditional affairs NW	61	-
Department of Sports North West	-	58
Department of Environmental Affairs Northern Cape	-	266
KZN Triatholon Association	-	96
Department of tourism National	382	-
KZN Tourism Authority	123	-
SA National Biodiversity Institute	888	-
	5,406	4,016

### 29. Financial instruments

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

### 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	2018	2017
	R'000	R'000
Accounts receivable	2,703	2,578
Cash and cash equivalent-current	36,093	54,945
Cash and cash equivalent - short term deposits	319,883	279,353



2018	2017
R '000	R '000

### 29. Financial instruments (continued)

### 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 stake holders. CATHSSETA overall strategy remains unchanged from the previous financial year.



		2018 R '000	2017 R '000
29. Financial instruments (continued)			
Categories of financial instruments			
2018			
Financial assets	Interest bearing	Non-interest bearing	Total
	R'000	R'000	R'000
Cash (interest @6%)	319,883	36,093	355,976
Accounts receivable	-	2,703	2,703
	319,883	38,796	358,679
Financial liabilities	Interest bearing	Non-interest bearing	Total
	R'000	R'000	R'000
Accounts payable	-	41,335	41,335
2017			
Financial assets	Interest bearing	Non-interest bearing	Total
	R'000	R'000	R'000
Cash (interest @6%)	279,353	54,945	334,298
Accounts receivable	<u> </u>	2,578	2,578
	279,353	57,523	336,876
Financial liabilities	Interest bearing	Non-interest bearing	Total

### **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.



2018	2017
R '000	R '000

### 29. Financial instruments (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 fund investments are invested between at least three registered banks and that at each bank no more that 60% is invested in up to maximum three month fixed deposit with balance in money market or call accounts.

An interest change sensitivity analysis resulted in immaterial effect on the Cash and Cash equivalents of the entity.

The amount disclosed for cash and cash equivalents represents the maximum exposure that credit risk pose to the entity.

### 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 renegotiated.

### 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.

### 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.



2018	2017
R '000	R '000

### 31. Statement of Comparison of Budget and Actual Amounts

The budget and accounting basis adopted by CATHSSETA are the same. The budget on the accrual basis. The statement of Comparison of the Budget and Actual Amounts is shown on the face of the annual financial statements.

Below are the detailed explanations for the 2018 differences:

- 1. The underspending is due to the to amongst others, the resignation of three key personnel, the capitalisation of software development costs as intangible assets. The implementation of cost containment measures.
- 2. Underspending on depreciation is due to some assets being under construction and not yet brought to use.
- 3. The over expenditure is due to the increased number of workshops across the country which led to an increase in the WSP approval.
- 4.The over expenditure is due to an increase in performance information which was reported at 87 percent of targets and an increase in admin expenditure (7.5 %) relating to discretionary grants .

### 32. Contingencies

### First time employer registrations

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

### Contingent assets

The forensic investigation instituted by management against ex-finance employee was completed in May 2016. The forensic investigation results of the investigation indicated that the former employee misdirected funds to private bank accounts between the 2010 and 2014 period. The legal action was instituted to recover R5,5 million from a former employee for undue benefit. The case has been transferred to the Asset and Forfeiture Unit within the National Prosecuting Authority, since the amount was just over R5 million.

Due to the uncertainty of the recoverability of this amount, it is still not possible to raise recognise it as an account receivable at the period 31/03/2018 end and is consequently considered a contingent asset until the legal proceedings outcome is known and the case is concluded.

### **Contingent liablities**

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

- Claim by employers and training provider for the amount of R21.6 million, with regards to contractual disputes.
- $Former \ employees \ have \ instituted \ legal \ cases \ against \ the \ entity, \ resulting \ in \ contingent \ liabilities \ of \ R254 \ thousands.$

### Investigations

Managenent will be conducting an investigation of a possible supplier collusion on an RFQ awarded which was less than a million rand.

### 33. Going concern

The audited 'annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The SETA's license will operate until 31 March 2020.

### 34. Subsequent events

Vat has increased from 14 % to 15 % with effect on 01 April 2018. This affects the future minimum lease payments.



2018	2017
R '000	R '000

### 35. Prior year errors and reclassifications

### 35.1 Commitments balance

Prior year commitment balance was overstated. The closing balance did not include other contracts that were already committed at year end. The value is shown below.

### **Commitment balance**

Value of contracts not included

2,835

The impact on the statement of financial performance and statement of financial position is nil.

### 35.2 Reversal of incorrect project provision

The prior year figures have been restated as shown below in relation to the provision liability for projects. The net effect on the statement of financial position will be an increase in discretionary reserve.

	Previously reported R'000	Adjustment R'000	Restated balance R'000
Statement of Financial Performance Employer grant and project expenses	194,000	(5,063)	188,937
Statement of Financial Position Project accrual	29,558	(5,063)	24,495
Statement of changes in equity Net assets	279,459	5,063	284,522

### 36. Change in accounting estimate

### Property, plant and equipment

In the prior year, the useful life of computer equipment changed from 2 - 16 years to being 3 - 5 years and that of office furniture and equipment from 2 - 26 years to being 5 - 25 years.

In the current year the useful life of mobile devices was changed from 3 years to being 2 years.

The financial impact of the change in the useful life review, resulted in the depreciation cost as shown below:

New depreciation on new estimate	(1,916)	(195)
	3	1,012



Figures in Rand

### 37. Segment information

### **General information**

### **Identification of segments**

The entity is organised and reports to management on the basis of three major functional areas: Administration, Mandatory grants and Discretionary grants . The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

### **Aggregated segments**

The entity operates throughout the country in six provinces. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the regions were sufficiently similar to warrant aggregation.

### Segment surplus or deficit, assets and liabilities

### 2018

	Administration	Mandatory grants	Discretionary grants	Total
Revenue Revenue from non-exchange transactions	45,602	83,201	211,406	340,209
SDL Investment Income	-	-	12,875 22,470	12,875 22,470
Other income	- 45.600		4,028	4,028
Total segment revenue	45,602	83,201	250,779	379,582
Entity's revenue				379,582
Expenditure				
Grants paid	(65,504)	(48,931)	(223,740)	(338,175)
Total segmental surplus/(deficit)				41,407
Assets				
Segment assets	5,430	-	5,729	11,159
Total assets as per Statement of financial Position				11,159
Liabilities				
Segment liabilities	41,334	-	-	41,334
Total liabilities as per Statement of financial Position				41,334

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Measurement of segment surplus or deficit, assets and liabilities



Figures in Rand

### 37. Segment information (continued)

### Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

The nature of differences between the measurements of the reportable segments' surplus or deficit and the entity's surplus or deficit and discontinued operations

### Information about geographical areas

The entity's operations are in six provinces.

The table below indicates the relevant geographical information after eliminating inter segmental transfers:

### 2018

External	Total	Non-current
revenues from	expenditure	assets*
non-exchange		
transactions		
-	4,087	953
-	7,098	834
-	4,589	924
-	21,587	1,162
-	10,914	1,184
-	8,335	1,067
379,582	281,565	5,035
379,582	338,175	11,159
	revenues from non-exchange transactions 379,582	revenues from non-exchange transactions  - 4,087 - 7,098 - 4,589 - 21,587 - 10,914 - 8,335 379,582 281,565

### 2017

	External revenues from non-exchange transactions	Total expenditure	Non-current assets*
Gauteng	-	8,420	53
KZN	-	7,836	34
Mpumalanga	-	3,335	28
Western Cape	-	9,211	662
Eastern Cape	-	8,346	184
Free State	-	3,844	166
Head office	349,705	214,610	2,193
Total	349,705	255,602	3,320



### 38. New standards and interpretations

### 38.1 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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 34: Separate Financial Statements	Not yet determined	Cathsseta will have to prepare its financial statements in terms of this Standard; once it becomes effective.
GRAP 35: Consolidated financial statements	Not yet determined	This Standard will have no impact on Cathsseta once it becomes effective; as Cathsseta is not a group of entities.
GRAP 36: Investments in Associates and Joint Ventures	Not yet determined	There will be no impact on Cathsseta from the requirements of this Standard once it becomes effective.
GRAP 37: Joint Arrangements	Not yet determined	There will be no impact on Cathsseta from the requirements of this Standard once it becomes effective.
GRAP 38: Disclosure of interest in other entities	Not yet determined	There will be no impact on Cathsseta from the requirements of this Standard once it becomes effective.
GRAP 110: Living and non - living resources	Not yet determined	There will be no impact on Cathsseta from the requirements of this Standard once it becomes effective.
GRAP 20: Related parties	Not yet determined	The standard provides guidance on accounting for related party relationships and related transactions. The principles of this standard are already adopted in the related party diclosures; as are also prescribed by the PFMA and Treasury Regulations.
GRAP 32: Service Concession Arrangements: Grantor	Not yet determined	The purpose of this standard is to prescribe the accounting treatment for service concession arrangements by the Grantor. The standard currently has no impact on CATHSSETA
GRAP 108: Statutory Receivables	Not yet determined	This standard establishes accounting principles for the reporting entities on disclosure of statutory receivables. This standard may have an impact on CATHSSETA financial reporting in future once effective.
GRAP 109: Accounting by Principals and Agents	Not yet determined	This standard outlines principles to be used by an entity to assess whether it is party to a principal-agent arrangement and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. This standard may have no impact on CATHSSETA financial reporting in future dates



### 38. New standards and interpretations (continued)

### 38.2 Effective Standards

The following standards and interpretations became effective in the prior period. The nature of these Standards did not impact on the operations of the CATHSSETA and consequently have no impact on the financial statements of the SETA.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
5040 407 14	04.4. 11.2045	
GRAP 107:Mergers	01 April 2015	The objective of this Standard is to provide accounting principles guidance for merged entities. It has no impact on the SETA.
GRAP 105:Transfers of functions between entities under common control	01 April 2015	The Standard establishes accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.
GRAP 106:Transfers of functions between entities not under common control	01 April 2015	The Standard establishes accounting principles for the acquirer and transferor in a transfer of functions between entities not under common control.

