

2014/15 Annual Report



higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA





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

ANNUAL REPORT 2014 - 2015

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higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

Submission of Annual Report to the Executive Authority

To the Minister of Higher Education and Training, Dr Bonginkosi "Blade" Nzimande
I have the honour of submitting to you in accordance with the Public Finance Management Act, 1999 (Act 1 of 1999), the Annual Report of Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA) for the period 01 April 2014 to 31 March 2015.

Pumzile E Kedama

The Administrator



**The Minister of Higher
Education and Training,**
*Dr Bonginkosi "Blade"
Nzimande*

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PART A:

GENERAL INFORMATION



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
CATHSSETA REGISTRATION NUMBER	25/CATHSSETA/1/04/11
PHYSICAL ADDRESS	01 Newton Avenue Ground Floor Killarney Johannesburg 2193
POSTAL ADDRESS	P O Box 1329 Rivonia 2128
TELEPHONE NUMBER/S	+27 11 217 0600
FAX NUMBER	+27 11 783 7745
EMAIL ADDRESS	info@CATHSSETA.org.za
WEBSITE ADDRESS	www.CATHSSETA.org.za
EXTERNAL AUDITORS	Auditor General of South Africa P O Box 446 Pretoria South Africa

BANKERS			
Nedbank <i>Upper Ground Floor Block I 135 Rivonia Road Sandown Sandton 2196</i>	Investec <i>100 Grayston Drive Sandown Sandton 2196</i>	Rand Merchant Bank <i>1 Merchant Place Cnr Fredman and Rivonia Road Sandton 2196 South Africa</i>	FNB <i>7th Floor 1 First Place Bank City Cnr Simmonds and Pritchards Streets Johannesburg</i>

LIST of ABBREVIATIONS and ACRONYMS

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

APP	Annual Performance Plan
BBBEE	Broad-based Black Economic Empowerment
BCRCAT	Bargaining Council for the Restaurant, Catering and Allied Trades
CATHSSETA	Culture, Arts, Tourism, Hospitality, Sport Sector Education and Training Authority
CATRA	Catering and Restaurant Allied Trade Association
DEA	Department of Environmental Affairs
DHET	Department of Higher Education and Training
FEDHASA	Federated Hospitality Association of Southern Africa
FET	Further Education and Training
HEI	Higher Education Institution
HOTELLICA	Hotel, Liquor, Catering Commercial and Allied Workers Union of South Africa
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MTEF	Medium-term Expenditure Framework
MTSF	Medium-term Strategic Framework
NACTU	National Council of Trade Unions
NAFCOC	National African Federated Chamber of Commerce and Industry
NAMB	National Artisan Moderating Body
NCV	National Certificate (Vocational)
NDP	National Development Plan
NSDS	National Skills Development Strategy
NGO	Non-governmental Organisation
NQF	National Qualifications Framework
NSF	National Skills Fund
OFO	Organising Framework for Occupations
PIVOTAL	Professional, Vocational, Technical and Academic Learning
QCTO	Quality Council for Trades and Occupations
SACCAWU	South Africa Commercial, Catering and Allied Workers Union
SAQA	South African Qualifications Authority
SDL	Skills Development Levy
SETA	Sector Education and Training Authority
SLA	Service Level Agreement
SMME	Small, Medium and Micro-sized Enterprises
SP	Strategic Plan
SRSA	Sport and Recreation South Africa
SSP	Sector Skills Plan



FOREWORD BY THE ADMINISTRATOR

CATHSSETA experienced extreme operational and governance challenges during the year under review. These challenges prompted the Department of Higher Education and Training (DHET) to place the organisation under administration, and I was therefore appointed as the Administrator of CATHSSETA for a period of 12 months, starting from October 2014.

Soon after my appointment, I received reports from Auditor General, Internal Audit and the management of CATHSSETA suggesting that the organisation required serious intervention and technical capacity to stop the bleed and enforce organisational stability. Several senior managers were suspended and eventually parted ways with the organisation. This necessitated that I immediately source requisite technical capacity to support in the management of CATHSSETA finances, legal support and technical management and planning support. As required by the PFMA and Treasury Regulations, these deviations were immediately reported to the Department of Higher Education and Training, National Treasury and the Auditor General.

We joined an ongoing process of reviewing and developing the 2015/16 – 2019/20 Strategic Plan (SP) and the Annual Performance Plan (APP). The review processes immediately attended to the obvious anomaly of the current 17 budget programmes, which were subsequently reduced to four. There was also a need to immediately align organisational capacity to the performance requirements. Accordingly the processes to

complete organisational restructuring commenced in earnest and are complemented by a rigorous process of recruitment to fill vacant management positions.

Given limited organisational capacity, the focus in the last five months of the year under review targeted improvement in the performance culture of the organisation. An audit of the performance and compliance environment was undertaken and measures put into place to perform to defined quarterly targets, as well as putting into place measures to address the findings of both the internal audit and the Auditor General for the previous financial year. There has been a significant turnaround in the overall compliance environment. A significant number of contractual agreements that were not approved by the previous board were evaluated and regularised. Quarterly performance information was monitored and where deviations were found, remedial actions were introduced and capacity built to improve performance.

Pursuant to Administrator's responsibilities as contained in the gazette, are the establishment advisory structures, governance committees and review of critical policies. We established six Joint Working Committees (JWCs) to provide industry specialist and expert advisory services. These committees focus on various subsectors within CATHSSETA, namely Hospitality, Travel and Tourism, Sport, Recreation and Fitness, Conservation, Gaming and Lotteries and lastly Arts, Culture and Heritage the following governance committees were also

FOREWORD BY THE ADMINISTRATOR

established and they are, Human Resource and Finance Committee as well as Audit and Risk Committee. To support the work of the Audit and Risk Committee, CATHSSETA reviewed and developed Risk Management Framework as well as the relevant policies (Fraud and Anti-corruption and Risk Management Policy), Risk Management Strategies, Fraud Prevention Plan and the (Strategic and Operational) Risk Registers.

CATHSSETA has a limited revenue base and significantly large constituent employer organisations to service in terms of its skills development mandate. Negotiations have commenced to tap on revenue from several government departments within the sector that do not contribute but significantly benefit from the services rendered by the organisation. A positive resolution of this matter will improve not only the operational capacity but the actual service delivery reach of CATHSSETA as well.

Critical and potential beneficiaries of CATHSSETA skills development services are located in rural areas and majority are small businesses and rural communities. Without the deserved contribution from the government department within the sector, the potential gains to the economy and the society will remain confined to significantly larger organisations within the urban environment.

I want to acknowledge DHET, the team I contracted to support me, the management of CATHSSETA and staff who worked extraordinarily hard in the last quarter of the year to improve the annual performance. We were able to reverse the impact of the lost opportunities from the first half of the financial year. The improvement is evidenced by our achievement of an unqualified audit by AGSA. It is my contention that all the staff members have embraced the inevitability of sweeping changes. They have become part of a team eagerly looking forward to a different and promising future. I wish to extend my sincerest appreciation to all of them. I also wish to extend my appreciation to every single one of the experts that accepted my invitation to serve in the JWCs and governance committees.

There is great potential and CATHSSETA will prevail.



Pumzile E Kedama

The Administrator
CATHSSETA

We were able to reverse the impact of the lost opportunities from the first half of the financial year. The improvement is evidenced by our achievement of an unqualified audit by AGSA.

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF 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 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 / Administrator 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 2015.

Yours faithfully



Pumzile E Kedama
The Administrator
CATHSSETA
Date 31 March 2015

VISION, MISSION AND VALUES

VISION

In delivering on its mandate and in support of the National Skills Development Strategy III (NSDS III); the CATHSSETA aspires to the following vision:

Sustainable people development for prosperity

MISSION

To achieve its vision, the CATHSSETA outlines and subscribes to the following mission statement:

To facilitate skills development of our people through creating strategic partnerships to ensure a meaningful contribution to economic growth within our sector

VALUES

Table 1 : The CATHSSETA institutional values

Value	Living this value means that CATHSSETA will seek to:
Service Excellence	<ul style="list-style-type: none"> Understand customer needs, respond timeously, efficiently and effectively to customer queries and requests; Display an image of professionalism and accountability; and Drive quality and high performance.
Commitment to Transformation	<ul style="list-style-type: none"> Prioritise the participation of previously disadvantaged groups in all skills development opportunities; Promote demand-driven skills development programmes; and Measure impact of interventions on transformation.
Ubuntu (CARE AND CONCERN FOR OUR PEOPLE)	<ul style="list-style-type: none"> Work with care, empathy, respect and consideration for the well-being of staff, customers and stakeholders; Maintain a safe and healthy work environment and promote care and concern for assets and people; and Focus on people development, growth and work / life balance.
Accessibility	<ul style="list-style-type: none"> Develop and promote skills development programmes to ensure equal access to opportunities by all; and Develop skills development programmes aimed at improving opportunities for people in rural areas.
Integrity	<ul style="list-style-type: none"> Value openness, honesty, consistency and fairness; Act in good faith in all our day to day activities; Display humility in our actions; and Ensure transparent funding policies and practices.
Partnership and Stakeholder Focused	<ul style="list-style-type: none"> Build partnerships with relevant government departments, public and private training providers and organisations; and Offer quality education and skills development opportunities and experiences to learners to ensure ultimate employability and reduce inequality in sector.

LEGISLATIVE AND OTHER MANDATES

In order to give effect to the constitution, the Skills Development Act (No 97 of 1998) makes provision for the establishment of SETA's for each national economic sector and thereby aims to develop the skills of the South African workforce by increasing the investment in education and training in the labour market; and encouraging employers to play a meaningful role in developing employees, particularly the previously disadvantaged. The Skills

Development Levies Act of 1999 (SDLA) and the revised Grant Regulations (December 2012) provide for the programmes and funding policies and regulations, which are intended to stimulate investment in skills development and learning interventions.

The following pieces of legislation (and their amendments) inform the mandate, scope, operating procedures and reporting requirements of the Sector Education and Training Authority (SETA).

Table 2 : CATHSSETA Establishment Legislation

Legislation or Regulations	Purpose
The Skills Development Act of 1998	SETA Institutional Establishment legislation
South African Qualifications Authority Act of 1995	Provides for the development and implementation of a National Qualifications Framework and establishment of the South African Qualifications Authority
Education and Training Quality Assurance Bodies Regulations of 1998	To guide the accreditation of bodies responsible for monitoring and auditing the provision and achievement of NQF registered standards and qualifications
Skills Development Levies Act of 1999,	To impose the payment of skills levies by employer organisations to motivate investment in skills development
Learner-ship Regulations of 2006	Guidelines to regulate the establishment and implementation of Learnerships in the workplace
National Qualifications Framework Act of 2008	To provide for NQF, SAQA and Quality Councils
New Grant Regulations, came into effect on 1 April 2013 (Government Gazette no. 35940, published on 3 December 2012).	The guidelines are intended to assist the Sector Education and Training Authorities (SETAs) in the development of internal policies and procedures in response to the Grant Regulations.
Public Finance Management Act (1999 as amended)	To regulate financial management in the national government and provincial governments; To ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those governments; and to provide for matters connected therewith.
Broad Based Black Economic Empowerment Act of 2003 (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.

POLICY

The above legislation is supported by the following policy directives

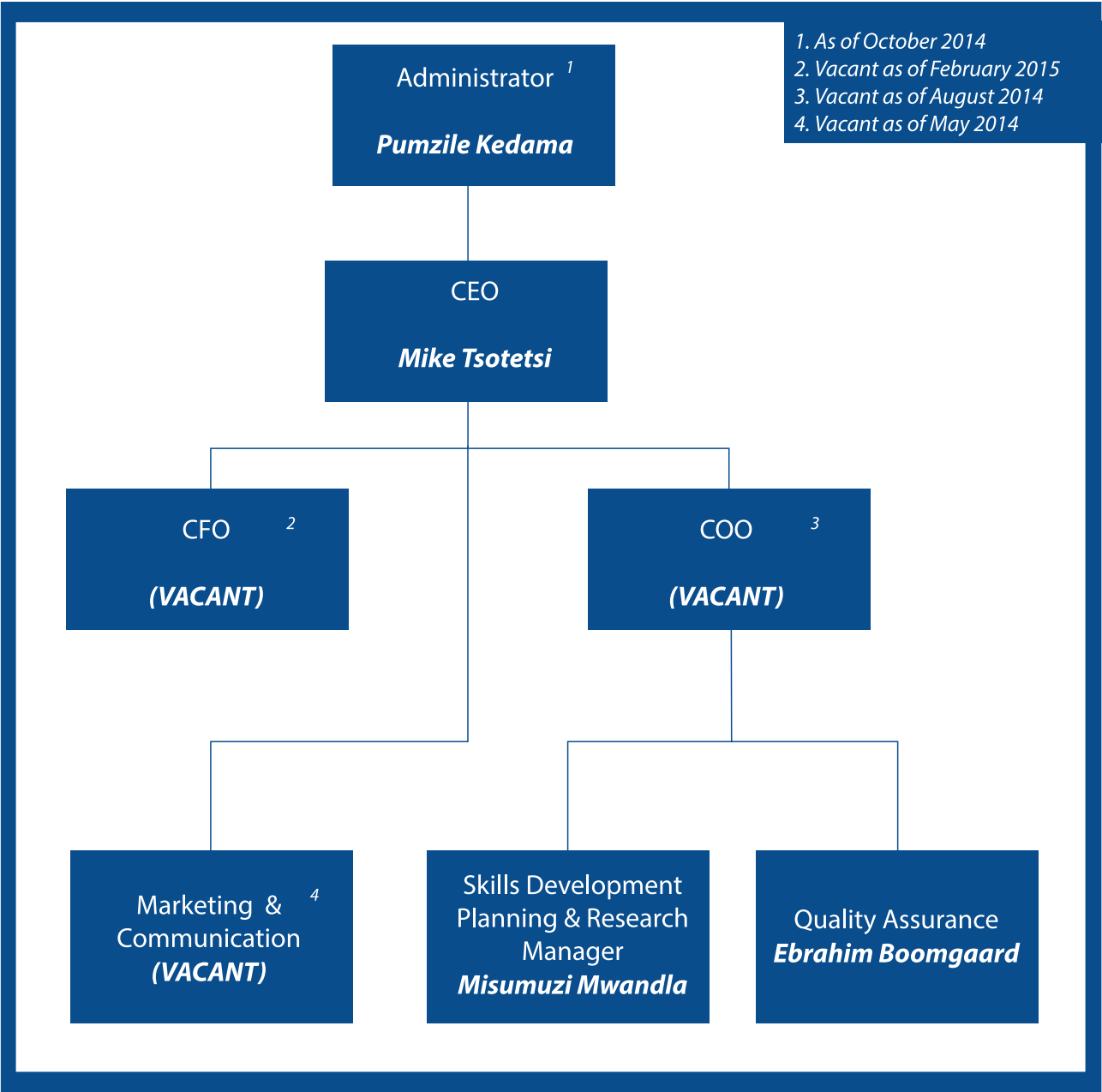
Table 3 : Policy directives

Policy	Purpose
National Development Plan	The NDP aims to eliminate poverty and reduce inequality by 2030. According to the plan, South Africa can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society.
National Skills Development Strategy (NSDS III)	The key driving force of this strategy is improving the effectiveness and efficiency of the skills development systems and effective response to the needs of the labour market and social equity. The strategy seeks to establish and promote closer links between employers and training institutions and between both of them and the SETAs. It represents an explicit commitment to encouraging the link between skills development and career paths, career development and promotion of sustainable employment and career progression.
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 Skills Accord establishes a partnership between DHET, Communities, Organised Business and Labour aimed at promoting common skills development and training needs. The Accord has 8 commitments and commitments 4, 6 and 7 have specific focus on skills planning and the operations of CATHSSETA.
National 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 cover the focus areas identified in the NDP and Governments electoral mandate.

ORGANISATIONAL STRUCTURE

CATHSSETA started the financial year with the structure as it was prior to the organisation being put under administration. The administration period did not change the structure but people were moved around to close capacity gaps. A new structure will be considered in the new financial year 2015/16.

THE CATHSSETA ORGANOGRAM - (INCLUDING THE ADMINISTRATOR AND EXECUTIVE MANAGEMENT)





PART B:

PERFORMANCE INFORMATION



SITUATIONAL ANALYSIS

Service Delivery Environment

The Department of Higher Education and Training has developed the National Skills Development Strategy (NSDS) III that places great emphasis on relevance, quality and sustainability of skills training programmes to ensure that they impact positively on the 7 key developmental and transformation imperatives. The CATHSSETA's strategic focus for the year 2014/15 centred around the 8 Goals of the NSDS III, each of which have outcomes and outputs that form the basis for monitoring and evaluation of SETA's implementation and impact assessment of these goals.

The NSDS III placed great emphasis on partnerships between SETAs, employers and the public sector. Accordingly, various partnership agreements were entered into with various stakeholders to provide the following programmes against which CATHSSETA set out its annual targets:

- Learnerships
- Skills programmes
- Bursaries
- Internships
- Work Integrated Learning
- Apprenticeship

The biggest challenge faced by the SETA pertains mainly to its growth in levy income, ability to reach rural areas, and delivering to small business. The levy income is limited by the fact that the majority of employers are small businesses who do not qualify to pay levies. There are very few significantly large employers who contribute the levy the organisation relies on to service the sector.

The responses to CATHSSETA interventions are mostly from service providers and employers from urban areas. This is influenced by operational requirements that are often not feasible for smaller rural organisations to comply with. For instance, to run a learnership requires a workplace, a provider, and a learner, a combination that rural environments do not have in abundance.

There is an increase in the amount of skills development initiatives from employers and other partners. The performance tables below will bear testimony to employer/ industry contributions to the annual targets of CATHSSETA.

Organisational Environment

The first half of the financial year witnessed significantly low levels of performance owing to increased organisational instability and internal strife. This resulted in the CATHSSETA being put under administration in terms of section 15 of the Skills Development Act, 1998. The internal problems the organisation faced impacted negatively on its performance and achievement of quarterly targets. Resultantly, the push to perform to target towards the end of the year was relatively late though the impact was significant.

Some of the factors that impacted seriously on performance were the high number of vacant management position and suspensions. The delayed approval of several operational programmes also delayed performance significantly during the first two quarters. Invitation for Discretionary Grant applications were processed out of tune with the quarterly performance requirements. In the second half of the year, the Administrator introduced rigorous performance management and accountability requirements. Instances where, specific targets were not achieved, were immediately followed up with targeted and measurable remedial actions during the following quarter.

SITUATIONAL ANALYSIS

These improved the overall annual performance to targets even though the same could not be said about individual quarter performances. Both the internal audit and Auditor General 2013/14 findings were reviewed and specific remedial measures introduced to address them. Supplier contracts were subjected to legal review and scrutiny. Oversight and management controls were introduced to attend to regulatory compliance and reporting. SCM processes were reviewed and financial management strengthened by employment of additional resource full time and on contract. These measures improved the confidence of the SETA and other stakeholders.

Key Policy Developments and legislative Changes

During the year under review, no significant policy and legislative changes were affected. However the Director General for Higher Education and Training issued a Government Gazette No. 38101 of October 2014 to effect the appointment of an Administrator for CATHSSETA substituting the Accounting Authority (CATHSSETA Board).

Strategic Outcome Oriented Goals

In its planning and unpacking its mandate, vision and mission, CATHSSETA has paid specific attention to Outcome 5: **a skilled and capable workforce to support an inclusive growth path**, in support of which the Department of Higher Education and Training plays a lead role, and to which the 8 goals of the NSDS 3 are therefore closely aligned.

The CATHSSETA Service Level Agreement with DHET then further identifies certain key strategic drivers which are framed as obligations in the Service Level Agreement – against which CATHSSETA must provide information and report and which must be reflected in the Strategic Plan and Annual Performance Plan. Accordingly, the Administrator has directed that in order for CATHSSETA to achieve its desired outcomes, the organisation needs to re-examine its strategic plan and ensure concerted focus on the following critical issues, which then form strategic drivers for the work of the CATHSSETA:

- i) Assessment of skills required for each sector and the identification of scarce skills
- ii) Develop a plan to improve education levels and address skills needs and shortage in the sectors that the SETA operates within
- iii) Partnerships between CATHSSETA and Public FET Colleges
- iv) The number of bursaries awarded/to be awarded to deserving SA citizens in critical skills at the 23 Universities and 50 FET colleges
- v) Scarce and critical skills needed in the sector, how it will be addressed, the number of learners that will be trained and placed as well as the companies that will be involved
- vi) Number of agreements signed with Public FET Colleges, Universities and other Training Providers as well as the amount approved for each agreement which should also reflect the number of learners to be trained, types of training programmes and the programmes that are in place for the current financial year
- vii) Targets as reflected in the Strategic Plan and Annual Performance Plan must be credible and linked to a “Baseline”
- ix) A comprehensive plan on making the public service a training space should be developed, with targets per annum to change the lives of the youth
- x) Rural Development Programmes and how it will be implemented
- xi) Progress in the implementation of Recognition of Prior Learning
- xii) Presence of CATHSSETA in rural areas and townships, and how and by when will it be implemented
- xiii) Number of Public FET Colleges and University students placed in companies to obtain work experience
- xiv) Facilitating the exposure and placement of FET College lecturers to industry

SITUATIONAL ANALYSIS

However, the very nature of its mandate for sectoral support means that the CATHSSETA plays a significant role in supporting the other Government Outcomes as well, and in so doing supports other lead departments and institutions, notably:

Outcome 4:	Decent employment through inclusive economic growth
Outcome 10:	Environmental assets and natural resources that is well protected and continually enhanced
Outcome 12b (future Outcome 14):	An empowered, fair and inclusive citizenship

In turn, the above outcomes have informed the development of aligned sectoral policy and strategy frameworks by lead departments and clusters responsible for their delivery. The CATHSSETA Strategic Plan further summarises the “line of sight” and reflects how the programmatic focus of the CATHSSETA aligns fully with National Outcome 5 and importantly the aligned 8 Goals of the NSDS3 and SLA strategic drivers; and then CATHSSETA’s line of sight in support of other National Outcomes through its support to the sub sectors.

The following are the Strategy Oriented Goals for the year under review:

Goal 1:	Establishing a credible institutional mechanism for skills planning
Goal 2:	Increasing access to occupationally-directed programmes
Goal 3:	Promoting the growth of a public FET college system that is responsive to sector, local, regional and national skills needs, and priorities
Goal 4:	Addressing the low level of youth and adult language and numeracy skills to enable additional training
Goal 5:	Encouraging better use of workplace-based skills development
Goal 6:	Encouraging and supporting cooperatives, small enterprises, worker-initiated NGOs and community training initiatives
Goal 7:	Increasing public sector capacity for improved service delivery and supporting the building of a developmental state.
Goal 8:	Building career and vocational guidance.

The progress made towards the achievement of the goals.

There are noticeable outstanding achievements in many areas such as partnerships with Higher Education Institutions. The partnerships strength areas such as research in particular on scarce and critical skills. The various memorandum of understanding we have signed with HEIs have resulted in the formation of research partnerships with specialised research centres and departments with sector specific focus. Through post graduate bursaries and research grants, research is conducted on the Human Capital Development to determine the various factors influencing the demand and supply of skills in the labour market; documenting and mapping career paths and occupations in and around the sector; proposing mechanisms to improve work-integrated learning so that graduates are immediately absorbed into the labour market and analysing the career and further study choices of graduates in the sector to determine if they are indeed employed in the area they are qualified in or find employment in alternative sectors.

We have however experienced challenges in certain areas such as TVETs colleges, SMME and co-operative interventions, and it is these areas that management is putting extra efforts on and emphasis in ensuring that CATHSSETA performs fairly in these areas. These interventions including strategic engagement with the various national and provincial government departments.

PERFORMANCE INFORMATION BY PROGRAMME/ACTIVITY/OBJECTIVE

STRATEGIC OBJECTIVES

Programme 1: Coordinate Research and Skills Planning for the Sector	The purpose of this programme is to establish research capacity within CATHSSETA to coordinate research and skills planning. Research capacity within CATHSSETA is established by introducing a Research Unit whose activities and partnerships contribute to the Institutional Mechanism for Skills Planning. The development of a sector skills plan is the primary objective programme one. CATHSSETA co-ordinates and conducts sector research including Labour Market Analysis and Forecasts to identify scarce and critical skills in the sector, update occupations on the OFO and research and develop career paths.
Programme 2: Address Sector Middle Level Skills	Addressing middle level skills involves the identification of such skills required by the sector, developing and implementation of a strategy to address the skills needs by building partnerships with relevant public provider institutions. CATHSSETA researches and identifies middle level skills needs in their sector and put in place strategies to address these through the use of the public TVET colleges and universities of technology working in partnership with employers providing workplace-based training. Projects are established to address middle level skills in each sub-sector through interventions, including Learnerships and Bursary programmes and PIVOTAL grants for both unemployed and the employed.
Programme 3: Development of Artisans	Increase access to occupationally-directed programmes in needed areas and thereby expand the availability of intermediate level skills with a special focus on artisan skills. Artisan skills needs are addressed through bursaries at appropriately accredited institutions. CATHSSETA establishes projects and partnerships to enable the relevant number of artisans for the sector to be trained, qualify and become work ready in conjunction with the National Artisan Moderating Body.
Programme 4: Communications	CATHSSETA compliance, implementation and information in relation to skills development communicated to all relevant stakeholders in the sector. Promotion and dissemination of information in support of career and vocational guidance. The CATHSSETA Communications Department distributes key compliance, implementation and development information to all its stakeholders through various media and events which must be promoted, hosted and publicised.
Programme 5: Address Sector High Levels Skills	<p>Sector specific high level scarce skills and their provision are identified and a strategy is developed to address this. Sector skills plans identify the supply challenges in relation to high level scarce skills gaps and set out strategies for addressing them.</p> <p>Identify and develop internship programmes for graduates and create experiential learning opportunities for learners through MOUs with relevant institutions and employers. Agreements are entered into between CATHSSETA, university faculties and other stakeholders on appropriate interventions to support improved entry to priority programmes, which increase internship and experiential learning opportunities for students.</p>

STRATEGIC OBJECTIVES

Programme 6: Research for Innovation and Development	Each sub-sector is to identify one focal area for research and develop an intervention strategy. Sector skills plans identify the focal areas for research, innovation and development. concluded with identified university faculties to provide bursaries to Honours, Masters and PHD students. Agreements are entered into between CATHSSETA and university faculties and other stakeholders on flagship research projects linked to sector development.
Programme 7: NCV & N-Courses Review	CATHSSETA facilitates stakeholder led review process of NCV & N – Courses in consultation with Umalusi. The NCV & N - Courses are reviewed with inputs from stakeholders and the curriculum is revised to ensure that it provides a sound foundational basis for building labour market relevant skills. The National Certificate (Vocational) and N (Nated) – courses are recognised by employers as important base qualifications through which young people obtain additional vocational skills and work experience, entering the labour market with marketable skills, and obtaining employment.
Programme 8: Quality Assurance	The CATHSSETA Quality Assurance (QA) continue to perform its education and training quality assurance duties by quality assuring the education and training offered by the public and private training providers it accredits. Furthermore, the QA update sector specific qualifications by scoping and developing new qualifications through the Communities of Expert Practice (CEP) and the Quality Council for Trades and Occupations (QCTO) process and also assist the sector to register professional bodies. CATHSSETA updates the Qualifications under its QA's scope and quality assures the education and training provided by the public and private training providers it accredits. CATHSSETA facilitates the assessment of developed qualifications via the QCTO processes where delegated and where required may assist with setting up assessment centres.
Programme 9: TVET (FET) Capacity Building	The capacity of TVET (FET) colleges to provide quality vocational training reviewed. Assist relevant colleges with a strategic plan to build capacity and engage in skills development programmes, including programmes offered in partnership with employers. CATHSSETA will support the review of both the human and physical capacity of TVET (FET) colleges and their campuses offering sector specific qualifications and develop a strategy to respond to capacity requirements identified. In conjunction with DHET and other SETAs CATHSSETA will explore partnerships to address capacity building requirements.
Programme 10: Provision for the low level unemployed youth and adult language	<p>CATHSSETA develops a DHET aligned strategy to address low level unemployed youth. A CATHSSETA strategy is in place to provide low level unemployed youth with a special emphasis on rural areas with an opportunity to engage in training or work experience in order to improve their employability. CATHSSETA develops a sector specific database that tracks training and work opportunities for unemployed youth and reports on implementation of the strategy.</p> <p>Language, literacy and numeracy skills are fundamental to improve economic and social participation; however there are approximately 3 million youth who do not possess the fundamental skills required to be employed. DHET is therefore establishing institutional frameworks and programmes that will raise the base of these young people to enable them to study further and gain employment. CATHSSETA recognises that while this will be a DHET led process it is willing to assist if required especially to assist rural youth located near wildlife tourism facilities, as contemplated in the Decent Work Country Programme.</p>

STRATEGIC OBJECTIVES

Programme 11: Provision of Quality Training for Employed Workers	<p>Employed workers in the sector improve their qualifications and skills to support economic development and sector growth. CATHSSETA stakeholders agree on the provision of substantial quality programmes for employed workers and report on the impact of the training. Workers employed in the sector are supported through training interventions via mandatory grants for levy payers. Increased number of workers in the sector improves their qualifications and employability and progress to higher positions in their organisations.</p> <p>South Africa is challenged by low productivity in the workplace coupled with the slow transformation of the labour market and lack of workforce mobility. NSDS III promotes the training of employed workers, through both mandatory and discretionary grants, to improve the overall productivity of the economy and address skills imbalances. CATHSSETA recognises this need not only with the economy as a whole but more importantly within our sector and will ensure that mandatory and discretionary grants address this need.</p>
Programme 12: Support for Cooperatives through Skills Development	<p>CATHSSETA to identify established and emergent cooperatives skills needs. Skills needs of sector specific co-operatives are identified per sub-sector and incorporated into Chamber Strategies and Sector Skills Plan. Sector specific cooperative projects are developed and implemented by CATHSSETA and expanded through partnership funding from stakeholders. Established and emergent cooperatives and their skills needs are identified in skills planning and research and sector projects are established by sector stakeholders, supported by the NSF.</p>
Programme 13: Support for Small and Emerging Businesses through Skills Development	<p>CATHSSETA to identify established and emergent SMMEs skills needs. Skills needs of sector specific SMMEs are identified per sub-sector and incorporated into Chamber Strategies and Sector Skills Plan. Sector specific SMME projects are developed and implemented by CATHSSETA and expanded through partnership funding from stakeholders. The skills needs of small and emerging businesses in the sector are identified through the skills planning and research and relevant programmes are promoted. Sector projects are developed that are piloted and expanded through partnership funding. A national database of small businesses supported with skills development is established and the impact of training reported on.</p>
Programme 14: Support for Trade Unions, NGOs and CBOs through Skills Development	<p>CATHSSETA to identify Trade Union, NGO and CBO skills needs. Skills needs of sector specific Trade Union, NGO and CBO are identified per sub-sector and incorporated into Chamber Strategies and Sector Skills Plan. CATHSSETA develops a national database of Trade Union, NGO and CBO supported with skills development and the impact of the training is reported on. Engagement with trade unions, NGOs and community-based organisations in the sector and identify skills needs and strategies to address needs.</p>

STRATEGIC OBJECTIVES

Programme 15: Public Sector Education and Training	<p>SETAs with responsibility for public sector training conduct analysis and reflection on achievements and challenges. CATHSSETA partners with Government Departments to enable analysis of training requirements, identify challenges and reflect on achievements. CATHSSETA identifies skills needs to capacitate those government departments relevant to CATHSSETA. Partnerships with PSETA and Government departments to develop programmes to capacitate public servants and improve service delivery to the CATHSSETA sector.</p> <p>There is a need to improve service delivery of government departments both nationally and provincially. To achieve this improved service delivery requires that the skills levels of all public servants are improved through improved skills planning. SETAs in future will have to capture and address the skills development requirements of government departments operating in their scope. The responsibility is not on the SETAs shoulders alone as government departments will need to effectively engage with SETAs in this process. CATHSSETA is happy to embrace the skills development requirements of government departments in its scope as some have historically been focus on training the sector and note their own staff.</p>
Programme 16: Career Guidance for Sector Stakeholders	<p>Career guides are developed with labour market information by CATHSSETA addressing the sub-sectors within their sector. CATHSSETA develops career guides per sub-sector. Sector stakeholders are engaged and programmes are adjusted to meet the skills and qualification needs to promote comprehensive career development. CATHSSETA hosts and participates in sector specific National, Provincial, Regional and Municipal Career Workshops and exhibitions.</p> <p>National Tourism Careers Expo Outcomes: approximately 500 Sector specialists and 20 000 learners supported to provide career guidance. Career guidance particularly at school level in terms of career and vocational guidance is urgently needed and SETAs must build career guidance initiatives in their sectors. CATHSSETA has recognised this need since NSDS III with the National Tourism Careers Expo and looks forward to expanding similar initiatives to provide the youth with relevant career and vocational guidance of its sector.</p>
Programme 17: SETA Administration	<p>Provide strategic direction by setting priorities and directives in order to meet the mandate of CATHSSETA. Through consultation with stakeholders, CATHSSETA's strategic objectives and priorities are reviewed and updated accordingly in the Strategic Plan and Annual Performance Plan. CATHSSETA priorities and strategies translated into policies and programmes for effective service delivery, management and monitoring to achieve optimal organizational performance.</p> <p>CATHSSETA annually updates its policies and programmes to ensure alignment to legislation, regulation and its strategic objectives. These policies and programmes are then implemented to ensure good governance, sound financial and organisational management.</p> <p>CATHSSETA Audit and Management Report, Quarterly Monitoring Report and Management Reports, SETA administration is a key objective to ensure that CATHSSETA's mandate is achieved. The strategic directives and priorities will be determined through consultation with CATHSSETA stakeholders. These strategic objectives will then be translated into policies and programmes that will be implemented by management to ensure that good governance, sound financial and organisational management are achieved.</p>

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

The report is structured to reflect the 8 NSDS III Goals, Performance Indicators developed by CATHSSETA as per the Annual Performance Plan (APP), the Target, and Performance results; describing organizational performance or achievements against the target. The last section of the Performance Information analysis provides comments indicating reasons for either underperformance or over performance. Comments may also describe challenges in addressing the target or plans to address the challenges.

Programme 1: Research and Planning

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
<i>A sound institutional framework for Sector Skills Planning and aligned CATHSSETA Strategic and Annual Performance Planning</i>	Annually updated Sector Skills Plan informing Annual Performance Plan	1	1	1	0	No variance
<i>Appropriate sectoral plans and strategies responding to identified high, middle and low level scarce skills</i>	The number of sector Supply and Demand modelling reports identifying scarce and critical skills	New Target	1	1	0	No variance
	Percentage of Mandatory Grant applications	New Target	95%	100%	5%	All Mandatory grant applications submitted to CATHSSETA follow a validation and evaluation process as outlined in the Mandatory Grant policy.
	Number of sub-sector critical skills lists updated (including SMME, Coops and related targeted issues)	New Target	6	6	0	No variance
	The Number of aligned sub-sector (chamber) strategies approved (including SMME, Coops and related targeted issues)	New Target	6	6	0	No variance

Programme 1: Research and Planning

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
Promotion of sector driven research and cited research publications	The number of research articles, documents and reports published on the CATHSSETA research portal	New target	6	6	0	No variance
Relevant courses and qualifications that provide a sound foundational basis for building targeted labour market skills.	The number of sub-sectors (chambers) with aligned career paths	New Target	6	0	6	Annual target has not been achieved. This research project was part of the research to be conducted through the appointment of research partners. This appointment of research partners was put on hold due to organisational situation described, there are plans to address it in the next financial year.
Enhanced information and knowledge management systems - integrated with other departments	Annual verification audit (sample 10%) of learner records	New Target	1	1	0	No variance
	Percentage increase in number of registered learners categorised on learner database	New Target	+5%	33%	560%	The overachievement of this target was due to the huge increase in demand created by marketing of the registration platform. There were no additional costs for this registration process as it was done online by learners.

Programme 1: Research and Planning

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
	The percentage increase in number of levy and non-levy paying entities categorised on employer database	New target	5%	6%	20%	The overachievement of this target was due to the huge increase in demand created by marketing of the registration platform. There were no additional costs for this registration process as it was done online by employers
	The percentage increase in number of public and private training providers categorised on Accredited Training Provider database	New target	5%	18%	260%	The overachievement of this target was due to the huge increase in demand created by marketing of the registration platform. There were no additional costs for this registration process as it was done online by Training Providers
Broad-based partnerships that increase CATHSSETA's capacity and capability to meet industry needs	The number of MOU annexures reviewed	New target	10	10	0	No variance
Full-value chain monitoring and evaluation informing the continuous enhancement of CATHSSETA programmes and interventions	The number of quarterly monitoring reports	New Target	4	4	0	No variance

Programme 1 had a total of 13 KPIs. From the 13, 12 KPIs were achieved indicating a 92% achievement. The 1 KPI which was not achieved was as a result of the project being put on hold due to the organisational situation. This research project however will be addressed in the next financial year.

Programme 2: Address Sector Middle Level Skills

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
Broad-based partnerships that increase CATHSSETA's capacity and capability to meet industry needs	The number of MOAs concluded with relevant sector employers	New target	35	0	35	Lack of M&E, weekly schedule to monitor, M&E unit has been established to ensure implementation of projects.
Enhanced implementation of targeted learning interventions and PIVOTAL programmes for employed and unemployed workers	The number of sector specific PIVOTAL programmes approved by the Board	New Target	12	12	0	No variance
	The number of employed learners entering LEARNERSHIP programmes	1572	1150	1207	57	The overachievement was due to rollover from previous financial year and industry training
	The number of employed learners completing LEARNERSHIP programmes	289	500	506	6	The overachievement was due to industry funded training
	The number of employed learners entering BURSARY programmes	No target	100	105	5	The overachievement is due to the rollover of one learner from the previous financial year; four learners are as a result of multiyear contracts
	The number of employed learners entering BURSARY programmes	No target	80	30	50	The overachievement is due to multiyear contracts
	The number of employed learners entering EMPLOYED SKILLS programmes	2097	930	1739	809	The overachievement is due to industry funded training

Programme 2: Address Sector Middle Level Skills

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
	The number of employed learners completing EMPLOYED SKILLS programmes	4719	2430	2251	179	Underachievement is due to low enrolment in the previous financial year
	The number of unemployed learners entering LEARNERSHIP programmes	1262	1200	2576	1376	The overachievement was due to industry funded training and partnership interventions
	The number of unemployed learners completing LEARNERSHIP programmes	798	550	630	80	The overachievement was due to industry funded training and partnership interventions
	The number of unemployed learners completing LEARNERSHIP programmes	No target	800	1553	753	The overachievement was due to industry funded training
	The number of unemployed learners entering SKILLS programmes	No target	1400	4853	3453	The overachievement was due to industry funded training
Effective TVET college programmes implemented for the sector	The number of learners entering TVET COLLEGE programmes	689	1000	1082	82	The overachievement is due to carryover of the previous financial year
	The number of learners graduating from TVET COLLEGE programmes	0	500	351	149	The underachievement is due to learner attrition

Programme 2, addressing sector middle level skills had a total of 14 KPIs. A total of 11 KPIs were achieved. The 3 KPIs not achieved were due to learner attrition from projects low intake from previous years impacting on completions reporting in the 2014/2015 period. The total achievement rate for this programme is at 79%.

Programme 3: Development of Artisans

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
Appropriate sectoral plans and strategies responding to identified high, middle and low level scarce skills	Annually updated CATHSSETA Artisan Training Strategy	0	1	1	0	No variance
	Monthly reports on implementation of Artisan Training Strategy	No target	12	11	1	In one month of the year, there were no artisan learners reported
Appropriate sectoral plans and strategies responding to identified high, middle and low level scarce skills	The number of ARTISANS entering training programmes	125	204	363	159	The overachievement is due to learners rollover from the previous year
	The number of ARTISANS completing training programmes	9	150	201	51	The overachievement is due to completions reported from the previous year

Programme 3 has four KPIs directed at the development of artisans in the sector. During the period, a total of 363 artisans were entered into learning programmes and 201 learners completed from artisan programmes. There was however, one KPI which was not achieved. The total achievement rate for this programmes is 75%.

Programme 4: Marketing, Communication and Stakeholder Management

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
Enhanced visibility and credibility of CATHSSETA through effective marketing, communication and stakeholder management	Number of CATHSSETA marketing campaigns implemented per annum	41	16	14	2	Due to organisational instability, the target was not achieved
	Percentage Brand perception awareness index	New Target	1	1	0	No variance
	Number of online communication and information sharing channels	New Target	5	3	2	Due to organisational instability, the target was not achieved
	Percentage annual Customer Satisfaction index	New Target	2	2	0	No variance
	Stakeholder management database established	New Target	4	3	1	Due to organisational instability, the target was not achieved

Marketing, communications and stakeholder management makes up programme 4. There were a total of five KPIs in this programme with three KPIs having been achieved, translating into a 60% achievement rate. The two KPIs not achieved were due to organisational instability which resulted in certain projects not being implemented in full.

Programme 5: Address Sector High Levels Skills

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
Enhanced implementation of targeted learning interventions and PIVOTAL programmes for employed and unemployed workers	The number of unemployed learners entering BURSARY programmes	5	150	228	78	The overachievement is due to carryover from the previous multi-year contracts
	The number of unemployed learners completing BURSARY programmes	0	125	145	20	The overachievement is due to carryover from the previous multi-year contracts
	The number of unemployed learners entering WORK EXPERIENCE / INTERNSHIP programmes	142	150	162	12	The overachievement is due to carryover from the previous multi-year contracts
	The number of unemployed learners completing WORK EXPERIENCE / INTERNSHIP programmes	107	125	62	63	The underachievement is due to the low intake of the internship learners in the previous financial year

Programme 5 aims to address sector high level skills and comprises four KPIs. Only one KPI was not achieved due to the low intake of the internship learners in the previous financial year impacting the completion figures. The total achievement rate for this programme is 75%.

Programme 6: Research, Development and Generation of New Knowledge

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
Promotion of Sector driven Research and cited research publications	The number of Masters, PhD and post-doctoral students entering bursaries through MoU with HELs	40	92	92	0	No variance
	Number of Masters, PhD and post-doctoral students completing bursaries through MoU with HELs	0	64	64	0	No variance
	Number of research and conference papers published	13	12	12	0	No variance
Full-value chain monitoring and evaluation informing the continuous enhancement of CATHSSETA programmes and interventions	Annual CATHSSETA Impact Assessment conducted	New Target	1	1	0	No variance
	Number of full value-chain grant project analysis reports produced	New Target	2	2	0	No variance

Programme 6 covers research, development and generation of new knowledge. There were a total of five KPIs in this programme, all of which have been achieved, indicating a 100% achievement of the programme.

Programme 7: NCV & N-Courses Review

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
Relevant courses and qualifications that provide a sound foundational basis for building targeted labour market skills	The number of NCV & N Courses approved and accepted by industry	0	2	0	2	Research into the curriculum review has been completed and the project is pending implementation and approval by industry.

The NCV and N-Course review forms part of programme 7 which is specifically aimed at courses offered at TVET Colleges. The target set for this programme was for two courses to be approved and accepted by industry. The research into the curriculum review has been completed and the project is pending implementation and approval by industry.

Programme 8: Quality Assurance

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
Relevant courses and qualifications that provide a sound foundational basis for building targeted labour market skills	The number of qualifications scoped via QCTO	4	4	4	0	No variance
Education and Training Quality Assurance provided to qualifications under CATHSSETA scope, to both public and private training providers	The number of Training Provider Verification Visits based on the accredited training providers including FET Colleges	94	110	114	4	The overachievement of the target was due to additional verification visits to the providers involved in projects that were completing learners and needed to be certified.

Programme 8 which entails the quality assurance aspect of the SETA had 2 KPIs for the 2014/15 period. Both KPIs were achieved, translating into a 100% achievement of the programme.

Programme 9: TVET Capacity Building

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
Effective TVET college programmes implemented for the sector	Number of TVET STAFF completing training programmes	178	20	0	20	Underachievement is due to the project that has not yet been implemented at the reporting date.

TVET college capacity building, programme 9, includes the training of 20 TVET College staff. This project was not implemented in the 2014/15 year and thus the KPI was not achieved.

Programme 10: Skills Development for Low Level Literacy and Numeracy

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
Appropriate sectoral plans and strategies responding to identified high, middle and low level scarce skills	Annually updated Rural Development Strategy	1	1	1	0	No variance
Enhanced information and knowledge management systems - integrated with other departments	The number of work seeking unemployed youth captured on CATHSSETA database	9632	2804	11502	8698	Target exceeded due to increase in the number of jobseekers registered on CATHSSETA database

Programme 10, 2 KPIs were achieved in full at 100%. The programme is aimed at skills development for low level skills.

Programme 11: Employer Grants

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
CATHSSETA receives accurate information on the labour market for inclusion in the Sector Skills Plan	The number of Mandatory Grant Applications received	New Target	1363	1141	222	The underachievement is associated with the impact of the SETA Grant regulations which has seen a decline in Mandatory Grant applications
	The number of submitted Mandatory Grant Applications verified	New Target	1363	1141	222	The underachievement is associated with the impact of the SETA Grant regulations which has seen a decline in Mandatory Grant applications
Enhanced mandatory grant processing, payment and reporting processes	The number of sector employed workers supported through mandatory grants	4267	5225	2739	2486	The underachievement is associated with the impact of the SETA Grant regulations which has seen a decline in Mandatory Grant applications

Employer grants, commonly referred to as Mandatory grants is part of programme 11. This programme had a total of three KPIs, all of which has been underachieved. This underachievement is as a result of the reduction in the number of mandatory grant applications received from employers which may be associated with the impact of the SETA grant regulations which saw a decrease of the mandatory grant available to employers from 50% to 20%.

Programme 12: Cooperatives Skills Development

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
Targeted interventions supporting sectoral SMMEs, cooperatives, NGOs, CBOs and trade unions	Number of cooperatives directly supported	0	8	99	91	The overachievement is due to SMMEs reported as cooperatives

A target of 8 cooperatives supported was set and 99 was reported as achieved. The reason for over performance is SMMEs trained and reported as cooperatives. The total achievement rate for this programme is 100%.

Programme 13: Skills Development Support for Small and Emerging Businesses

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
Targeted interventions supporting sectoral SMMEs, cooperatives, NGOs, CBOs and trade unions	Number of SMME owners and entrepreneurs directly supported	1253	2300	1478	822	There was a poor response from SMMEs to training opportunities. New interventions are being explored to entice SMMEs into training

Programme 13 entails the support for small and emerging businesses. A target of 2300 small businesses supported was set and achievement of 1478 at 64% was achieved. The underperformance was due to delays in projects implementation as well as the poor response from SMMEs to training opportunities. New interventions are being explored for the 2015/16 financial year to entice SMMEs into training.

Programme 14: Trade Unions, NGOs and CBOs Skills Development Support

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
Targeted interventions supporting sectoral SMMEs, cooperatives, NGOs, CBOs and trade unions	Number of cooperatives directly supported	0	29	18	11	Planned projects for trade unions were not implemented due to organisational instability

The support of trade unions, NGOs and CBOs forms programme 14. A target of 29 was set for the support of trade unions, NGOs and CBOs. A total of 18 organisations were supported in the year, indicating a 62% achievement of the target. The underperformance was as a result of planned projects for trade unions which were not implemented in the financial year due to organisational instability.

Programme 15: Public Sector Education and Training

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
Broad based partnerships that increase CATHSSETA's capacity and capability to meet industry needs	Number of MOUs annexures reviewed - with relevant sector government departments and agencies	2	8	16	8	Target exceeded due to increased demand for partnerships

Public sector education and training forms part of programme 15. The target set for this programme was the review of MoUs with relevant sector government departments and agencies. The KPI was achieved with a total of 16 MoUs reviewed.

Programme 16: Career Guidance

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
Stakeholders informed and educated on skills development benefits and the policies and processes of the SETA	Number of career guidance exhibitions	New target	15	25	10	Target was met and exceeded due to huge demand for career guidance
Relevant courses and qualifications that provide a sound foundational basis for building targeted labour market skills.	Number of sub-sectors with developed career guides	6	6	6	0	No variance

Programme 16, career guidance had a total of two KPIs, both of which have been achieved. A target of 15 was set for the career guidance target and achievement of 25 at 167% achievement was reported. The target was met and exceeded due to a huge demand for career guidance. The programme achievement rate is at 100%.

Programme 17: SETA Administration

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
Appropriate sectoral plans and strategies responding to identified high, middle and low level scarce skills	Quarterly analysis of levy income and Mandatory grant disbursement	New target	4	4	0	No variance
An effective, efficient and transparent system of financial management and internal control	The percentage variance between budget & actual expenditure	New target	<10%	18%	8	Achievement is due to under expenditure on the projects
	The percentage variance of administrative expenditure to regulated levels	New target	<10%	67%	57%	Overachievement is due to over expenditure occurred on legal fees of 4.6 m and consulting fee of 1.5 m.
	The number of significant/material audit findings related to adherence to procurement processes	New target	0	N/A	N/A	
	The percentage of service providers paid within 30 days	New target	100%	100%	0	No variance
Compliance and sound corporate governance	Number of significant audit findings related to adherence to legislation	New target	0	N/A	N/A	
	Annually approved risk register	New target	1	1	0	No variance
A high performing and optimally capacitated organisation	The percentage headcount vs. budgeted position (% Vacancy Rate)	New target	95%	114%	19%	Annual overachievement was due to more head counts that were recruited in the form of temporary staff.
	The percentage of women in Senior Management positions within CATHESETA	New target	41%	58%	17%	Overachievement is due to females in management positions in D band and up.

Programme 17: SETA Administration

Strategic objectives	Performance Indicator	Actual Achievement 2013/14	Planned Target 2014/15	Actual Achievement 2014/15	Deviation from planned target to actual Achievement for 2014/15	Comment on deviations
	The percentage people with disabilities in CATHSSETA employment	New target	2%	0%	2%	Underachievement is due to employment equity plan not implemented
	The percentage payroll spent on training and development of staff	New target	2%	14,51%	13%	Overachievement is due to the huge applications for training and development that were received from the staff.

Programme 17, SETA administration had a total of 11 KPIs. Of the 11 KPIs, a total of 10 has been achieved. This achievement indicates a 91% achievement of the programme.

LINKING PERFORMANCE WITH BUDGETS

Programme / activity / objective	2013/2014			2014/2015		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Coordinate Research and Skills Planning for the Sector	R 23,430,460	R 23,430,460	R 0	R 3,272,937	R 3,272,937	R 0
Programme 2: Address Sector Middle Level Skills	R 59,825,791	R 59,825,791	R 0	R 73,595,852	R 73,595,852	R 0
Programme 3: Artisan Development	R 4,086,912	R 4,086,912	R 0	R 7,009,814	R 7,009,814	R 0
Programme 4: Communications	R 2,485,583	R 2,485,583	R 0	R 1,862,032	R 1,862,032	R 0
Programme 5: Addressing High Level Scarce Skills	R 14,982,903	R 14,982,903	R 0	R 16,752,179	R 16,752,179	R 0
Programme 6: Research for Innovation and Development	R 10,008,016	R 10,008,016	R 0	R 8,407,761	R 8,407,761	R 0
Programme 7: NCV Review	R 2,135,640	R 2,135,640	R 0	R 2,352,975	R 2,352,975	R 0
Programme 8: Quality Assurance	R 6,487,842	R 6,487,842	R 0	R 7,638,295	R 7,638,295	R 0
Programme 9: FET Capacity Building	R 3,621,539	R 3,621,539	R 0	R 3,959,976	R 3,959,976	R 0
Programme 10: Provision for the low level unemployed language and numeracy skills	R 11,495,714	R 11,495,714	R 0	R 8,220,430	R 8,220,430	R 0

LINKING PERFORMANCE WITH BUDGETS

Programme / activity / objective	2013/2014			2014/2015		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 11 : Provision of Quality Training for Employed Workers	R 42,084,000	R 42,084,000	R 0	R 47,555,000	R 47,555,000	R 0
Programme 12 : Support for Cooperatives through skills development	R 2,238,591	R 2,238,591	R 0	R 2,448,064	R 2,448,064	R 0
Programme 13 : Support for Small and Emerging Businesses through skills development	R 31,194,400	R 31,194,400	R 0	R 23,593,151	R 23,593,151	R 0
Programme 14 : Support for Trade Unions, NGOs and CBOs through skills development	R 2,933,270	R 2,933,270	R 0	R 3,207,747	R 3,207,747	R 0
Programme 15: Public Sector Education and Training	R 2,334,037	R 2,334,037	R 0	R 2,908,699	R 2,908,699	R 0
Programme 16 : Career Guidance for Sector Stakeholders	R 12,515,303	R 12,515,303	R 0	R 10,499,088	R 10,499,088	R 0
Programme 17 : SETA Administration	R 29,427,750	R 29,427,750	R 0	R 64,372,000	R 64,372,000	R 0
TOTAL	R 261,287,751	R 261,287,751	R 0	R 287,656,000	R 260,149,500	R 0



PART C:

GOVERNANCE



INTRODUCTION

The Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA) is a juristic body governed by the CATHSSETA constitution and 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 (NSDS III).

CATHSSETA was meant to be led by the Accounting Authority in the form of a Board, however this could not be realised owing to endless internal strife amongst Board members and between the Board and CATHSSETA management. The Board admittedly failed to execute their oversight responsibilities for a period dating back to the previous financial year. In the words of the former Board Chairperson, CATHSSETA “failed to meet our annual performance targets our foundation sank into the sand, this is evidenced by the number of meetings we held as well as internal audit reviews that were commissioned by the Accounting Authority with the implementation of the findings still outstanding” (CATHSSETA Annual Report, 2013 –2014). The state of affairs as described by the former Chairperson of CATHSSETA continued unabated until 2014 when the Minister of Higher Education engaged the Board, requesting immediate actions be taken to resolve ongoing conflicts as well as implement the internal audit findings and commissioned investigations.

On failure to act on the Minister's directive, the Board left the Minister with no other option but to direct the Director General to disestablish the Board and put CATHSSETA under Administration.

In providing governance report, CATHSSETA aims to provide a fair account of the activities of the governance structures prior to appointment of the Administrator in compliance with the National Treasury guidelines, but equally account for the work of the Administrator were applicable in different sections.

PORTFOLIO COMMITTEE

Parliament is the legislative arm of the republic with two houses, the National Assembly and the National Council of Provinces (NCOP). The CATHSSETA reports on a periodic basis to the respective committees of the National Assembly on its affairs as per the committee programmes. The Minister of Higher Education and Training is a Member of Parliament and the Executive Authority accountable for the affairs of the CATHSSETA. Parliament exercises its role through evaluating the

performance of the CATHSSETA by interrogating their annual financial statements and other relevant documents that have to be tabled as well as any other documents tabled from time to time. The Portfolio Committee exercises oversight over the service delivery performance of CATHSSETA, as such reviews the non-financial information contained in the annual reports of public entities and is concerned with service delivery and enhancing economic growth.

In the year under review the CATHSSETA appeared before the Select Committee on Higher Education and Recreation to present the CATHSSETA 2013 – 2014 Annual Report.

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.

During the year under review, the Minister evoked provisions of section 14A of the Skills Development Act, 97 of 1998, directing the Board to attend to existing internal strife and implement recommendations of the investigations they commissioned. On failure to act, the Minister directed the Director General to appoint the administrator to take over the administration of CATHSSETA. Accordingly, the Administrator was appointed in terms of Government Gazette No: 38101 Vol 592 issued on the 15 October 2014.

CATHSSETA BOARD

The CATHSSETA board remained the highest decision-making structure in CATHSSETA until 15 October 2014. The roles and functions of the board included the provisions of strategic direction, ensuring effective internal controls, proper governance, accountability, compliance with statutory requirements, management of institutional risk, liaison with stakeholders and the establishment of relevant sub committees and chamber committees to assist the board to realise the mandate of CATHSSETA. The board further monitored the performance of the organisation through the performance information reports and the review of strategic plans. In line with the CATHSSETA Constitution, the composition of the board comprised of fifteen members who served on a non-executive and independent capacity.

INTRODUCTION

The board chairperson and two other members were ministerial appointees. In compliance with the Skills Development Act 97 of 1998 (the Act), CATHSSETA's business is largely driven by its stakeholders. To this end, the organisation is required to have representation from strategic sector-related stakeholders as follows:

- Three organised business representatives
- Three organised labour representatives
- Five government department representatives
- One bargaining council representative
- Three ministerial appointees

Effective from 16 October 2014 however, and in compliance with the Government Gazette referred to above, the Administrator took over the function of the Accounting Authority or the CATHSSETA Board. The Gazette makes provision for the Administrator to establish joint working committees comprised of sector specialists and experts as well as establish and strengthen the joint working committee for good governance for the CATHSSETA.

CATHSSETA Constitution

As reported in the previous financial year, the CATHSSETA's board composition reduced employers and organised labour representation to three individuals as opposed to six in order to accommodate five government line departments and the bargaining council. CATHSSETA's Board roles and responsibilities (detailed below) are outlined in the CATHSSETA Constitution.

Duties of the Accounting Authority

The Accounting Authority must:

- Govern and manage the SETA in accordance with the PFMA, the Act and any other applicable legislation;
- Provide effective leadership to ensure that, the SETA implements the goals of the NSDS III and the Performance Agreement with the Minister;
- Provide strategic direction for the SETA;
- Liaise with stakeholders;
- Ensure that the SETA complies with the relevant statutory requirements of its Constitution;
- Manage institutional risk;
- Monitor the performance of the SETA; and
- Ensure that its members and the members of the established committees, comply with the Code of Conduct as contained in the CATHSSETA Constitution.

Powers of the Accounting Authority

The Accounting Authority may:

- Exercise all the powers necessary in order to enable it to perform its functions in terms of the Act, its constitution and any other relevant legislation.
- Exercise any other powers conferred on it by the Act, the PFMA, the SDLA, any other relevant legislation and its constitution.
- Take decisions on any matter related to the performance of its functions in terms of the Act and its Constitution.
- Establish committees of the SETA to assist it in performing its functions.
- Establish chambers of the SETA as contemplated in Section 12 of the Act.

COMPOSITION OF THE BOARD

Below is a schedule of board meetings and attendance for the period April 2014 - October 2014.

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Number of meetings attended
Advocate Brenda Madumise	Chairman	01/04/ 2011	N/A	13/15
Mr. Joseph Maghekeni	Organized Labour	01/04/ 2011	N/A	14/15
Ms. Judy Mulqueeny	Ministerial Appointee	01/04/ 2011	N/A	8/15
Ms. Margarita Wilson	Organized Business	01/04/ 2011	N/A	14/15
Ms. Sheila Sekitla	Ministerial Appointee	01/04/ 2011	N/A	15/15
Ms. Kentse Makgae	Organized Business	01/04/ 2011	N/A	10/15
Ms. Caroline Rakgotsoka	Organized Labour	01/04/ 2011	N/A	12/15
Ms. Fihliwe Nkomo	Organized Business	01/04/ 2011	N/A	7/15
Mr. Thabo Mahlangu	Organized Labour	01/04/ 2011	N/A	14/15
Mr. Brian Magqaza	Organized Labour	01/04/ 2011	N/A	15/15
Ms. Leonore Beukes	Government	01/06/2012	Resigned	N/A
Mr. Thomas Mathiba	Government	01/06/2012	N/A	4/15
Mr. Glen-Ujebe Masokoane	Government	01/06/2012	N/A	0/15
Ms. Sumayya Khan	Government	01/04/2011	N/A	8/15
Mr Mhlanganisi Masoga	Government	27/01/2014	N/A	0/15

BOARD COMMITTEES

1. Executive Committee - Chaired by Advocate Brenda Madumise

Executive Committee Meetings attendance for the period April 2014 to October 2014

No.	First Name	Last Name	Organisation	27/03/14	11/06/14	Total No Attended
1	Brenda	Madumise	Independent	Yes	Yes	2/2
2	Sheila	Sekhitla	Independent	Yes	Yes	2/2
3	Fihliwe	Nkomo	FEDHASA	No	Yes	1/2
4	Thabo	Mahlangu	SACCAWU	Yes	Yes	2/2
5	Thomas	Mathiba	DEAT	No	Yes	1/2

2. Finance Committee - Chaired by Mr Thabo Mahlangu

Finance Committee meeting attendance for the period April 2014 - October 2014

No.	First Name	Last Name	Organisation	09/04/14 Special	15/05/14	24/06/14	Total No Attended
1	Thabo	Mahlangu	SACCAWU	Yes	Yes	Yes	3/3
2	Sheila	Sekhitla	Independent	Yes	Yes	Yes	3/3
3	Fihliwe	Nkomo	FEDHASA	Yes	Yes	Yes	3/3

BOARD COMMITTEES

3. Governance and Strategy Committee - Chaired by Mr Brian Magqaza

The Governance and Strategy committee meeting attendance for the period April 2014 - October 2014

No.	First Name	Last Name	Organisation	23/05/14	Total No Attended
1	Brian	Magqaza	BCRCAT	Yes	1/1
2	Kentse	Magkae	NAFCOC	Yes	1/1
3	Caroline	Rakgotsoka	HOTELLICA	Yes	1/1

4. Skills Planning Committee - Chaired by Mr Joseph Maqhekenni

The Skills Planning Committee meeting schedule attendance for the period April 2014 - October 2014.

No.	First Name	Last Name	Organisation	13/05/14	07/07/14	23/07/14	10/10/14	Total No Attended
1	Joseph	Nkomo	NACTU	Yes	Yes	Yes	Yes	4/4
2	Margarita	Wilson	CATRA	Yes	Yes	Yes	Yes	4/4
3	Judy	Mulqueeny	Independent	No	Yes	No	No	2/4
4	Sumayya	Khan	SRA	No	No	No	No	0/4

5. Learnership Committee- Chaired by Ms Fihliwe Nkomo

The Learnership Committee meeting schedule attendance for the period April 2014 - October 2014

No.	First Name	Last Name	Organisation	12/05/14	Total No Attended
1	Fihliwe	Nkomo	FEDHASA	Yes	1/1
2	Caroline	Rakgotsoka	HOTELLICA	Yes	1/1
3	Sumayya	Khan	SRSA	Yes	1/1

6. Quality Assurance Committee - Chaired by Ms Margarita Wilson

The Quality Assurance Committee meeting schedule attendance for the period April 2014 - October 2014.

No.	First Name	Last Name	Organisation	19/05/14	28/05/14	Total No Attended
1	Margarita	Wilson	CATRA	Yes	Yes	2/2
2	Brain	Magqaza	BCRCAT	Yes	Yes	2/2
3	Joseph	Maqhekeni	NACTU	Yes	Yes	2/2

7. HR and Remuneration Committee - Chaired by Ms Caroline Rakgotsoka

The HR and Remuneration Committee meeting schedule attendance for the period April 2014- October 2014

No.	First Name	Last Name	Organisation	19/05/14	28/05/14	30/06/14	Total No Attended
1	Caroline	Rakgotsoka	HOTELLICA	Yes	Yes	Yes	3/3
2	Kentse	Makgae	NAFCOC	Yes	Yes	Yes	3/3
3	Brenda	Madumise	Independent	No	Yes	Yes	2/3
4	Thandiwe	Ngqobe	Independent	Yes	Yes	Yes	3/3
5	Rashied	Essop	Independent	No	Yes	Yes	2/3

ADMINISTRATOR

The Administrator, on assumption of duty, took over from the CATHSSETA BOARD and in terms of the Gazette assumed the highest decision-making position in CATHSSETA. This meant that besides the gazetted responsibilities and powers (detailed below), the Administrator is still required to ensure compliance to the PFMA. The PFMA requires that the Board of any public entity should provide the organisation with strategic direction, ensure effective internal controls, proper governance, accountability, compliance with statutory requirements and management of institutional risk. Additionally, the Administrator is required to liaise with stakeholders and establish the prescribed Joint Working Committees.

Powers of the Administrator

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

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

Duties of the Administrator

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

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

Governance Working Committees

In order to benefit from the wisdom of expert practitioners and improve corporate governance, the Administrator decided to establish two critical committees to advise him on governance issues. The work to establish these committees commenced in January 2015. These committees are: Human Resource and Finance Committee as well as the Audit and Risk Committee.

ADMINISTRATOR

Human Resource and Finance Committee: Chaired by Ms Ndileka Nobaxa

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

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

The role and responsibilities of the Committee included:

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

Audit and Risk Committee

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

In the latter part of the 2014/15 financial year, CATHSSETA advertised for the appointment of members of the Audit and Risk Committee in the print media. At year end the appointment process have not yet been concluded.

However, the Audit and Risk Committee members were appointed in May 2015 and they considered the 2014/15 annual financial statements and the annual report as well as the Auditor General's report. Additional and further details of this Committee will be attended to under the Audit and Risk Committee report below. In absence of a Board, the Administrator as Accounting Authority approved and subsequently submitted the Annual Report to the Department of Higher Education and Training, National Treasury and the Auditor General within the period prescribed by the PFMA.

The Audit Committee has not recommended any changes to the accounting policies as at 31 March 2015.

ADMINISTRATOR

Joint Working Committees (JWCs)

The following six (6) joint working committees comprised of sector experts were established but, as of the end of the financial year, none has had their inaugural meetings. Primarily, these JWCs are established to provide policy advice and support to the Administrator in respect of matters relevant to their respective subsectors:

1. Arts, Culture and Heritage sub-sector: Chaired by Mr Luvuyo Ngubelanga

Name of the JWC	Composition
Arts, Culture and Heritage Joint Working Committee	Mr Kevan Jones
	Ms Bulelwa Bam
	Mr Kurt Egelhof
	Mr Sello Maake KaNcube
	Ms Nomatlou Mahlangu
	Ms Stella Ndhrazi

2. Tourism and Travel sub-sector: Chaired by Mr Goodman Khayaletu Matiso

Name of the JWC	Composition
Tourism and Travel Joint Working Committee	Ms Carol-Anne Cairns
	Mr Bernard Marobe
	Ms Lulama Tshabalala
	Mr Rich Mkhondo

3. Sport, Recreation and Fitness sub-sector: Chaired by Mr Gregory Fredericks

Name of the JWC	Composition
Sport, Recreation and Fitness Joint Working Committee	Mr Muditambi Ravele
	Mr Mlungisi Ncame
	Ms Ezera Shabangu
	Mr Xolani Freddie Ndlovu
	Ms Nthabiseng Molongoana
	Ms Clelland Kruger

4. Conservation sub-sector: Chaired by Mr Sakiwo Belot

Name of the JWC	Composition
Conservation Joint Working Committee	Dr Glenda Raven
	Mr Adam Pires
	Mrs Maria O' Connor
	Dr Sibusiso Manzini

5. Gaming and Lotteries sub-sector: Chaired by Ms Matilda Gasela

Name of the JWC	Composition
Gaming and Lotteries Joint Working Committee	Ms Ndileka Nobaxa
	Mr Luvuyo Tshoko
	Mr Eddie Lalumbe
	Ms Zukiswa Ntlangula

6. Hospitality sub-sector: Chaired by Mr Mkululi Pakade

Name of the JWC	Composition
Hospitality Joint Working Committee	Ms Tshidi Mkhosana
	Ms Nompumelelo Mqwebu
	Ms Doreen Februarie

Remuneration of Board Members

The remuneration of board members is determined by the Minister of Higher Education and Training in terms of the circular issued by the National Treasury on remuneration tariffs for office bearers.

A detailed account of CATHSSETA board and committee members is contained in the Finance Section of this report. Members of the board representing government departments are not remunerated, but rather apprised by the board to their respective employers for meetings attended.

RISK MANAGEMENT

In compliance with the requirements of the PFMA and Treasury Regulations, CATHSSETA has approved a Risk Management Framework, Risk Management Policy and Fraud and Anti-Corruption Policy for the organisation. As part of the requirements of the approved Risk Management Policy, complete risk identification and ranking exercise was conducted from February 2015 and was concluded before 31 March 2015. We believe that the risk assessments will be conducted annually to determine and rank the risks facing the organisation. This risk identification is carried out as part of the strategic planning process within the organisation.

Risk management was not effectively managed and implemented for 9 months of the 2014/15 financial year. All efforts were made from January 2015, with a Risk Manager contracted by CATHSSETA to draft the policies and ensure the governance frameworks are appropriately drafted and the platform is established to implement and instil risk management processes within CATHSSETA.

Internal Audit and Audit Committees

According to the Public Finance Management Act 1 of 1999 as amended ("PFMA"), the Accounting Authority of the Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority ("CATHSSETA") must ensure that the entity has and maintains effective, efficient and transparent systems of financial and risk management and internal controls. Treasury Regulations, section 27.2.7 requires that the entity prepare a three-year strategic internal audit plan, based on the assessment of key areas of risk having regard to its current operations and those proposed in its strategic plan and its risk management strategy.

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

The objective of the CATHSSETA internal audit function is to:

- Provide professional, independent and objective assurance and consulting activity designed to add value and improve the operations of CATHSSETA; and

- Assist CATHSSETA in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The key activities of Internal Audit are to:

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

The three year internal audit plan was approved by the then audit committee and covered 15 audits as planned for implementation during the year. The plan was discussed with management before submission to the audit committee and was based on the risks identified during the strategic risk session held with the Board and then, based on the knowledge of the client and outcomes of the AGSA audits, the plan was further enhanced.

15 Audits were approved for implementation and internal audit concluded only 12.

RISK MANAGEMENT

Minimising Conflict of Interest

The CATHSSETA staff and the members of the board signed an annual register on declaration of interest. The current members of the Joint Working Committee on Human Resource and Finance Committee, as will be the case with the rest of the JWCs, also signed the Register for Declaration of Interest.

The Bid Adjudication Committee (BAC) has also been duly appointed by the CEO in line with the delegation of authority matrix approved by the Accounting Authority. All Individuals who are involved in the bidding processes (evaluation and adjudication of bids) are required to declare any interest prior to proceeding with the process. Any individual who might be conflicted is excused from the process of either evaluating or adjudicating on the bid.

Any individual who participates in the evaluation of a bid is not allowed to adjudicate on the same bid if they happen to be a member of the BAC.

Code of Conduct

The CATHSSETA's code of conduct is contained in the SETA's constitution. The organization has developed and published a guide to all board members and executive management outlining corporate governance, the role of the board and audit committee including self-assessment toolkits for all committees. In spite of these measures, their effectiveness was compromised by endless conflicts within the board and between the board and management.

Health, Safety and environmental issues

The CATHSSETA outsourced the employee wellness programme that provided services to the employees of the organisation. During the year under review, the contract ended was not renewed.

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

The CATHSSETA is committed to the fulfilment of the requirements stipulated in the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993) and to this end, has established a Health and Safety Committee that monitors the health and safety of employees and their work environment.

AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2015. We have noted that CATHSSETA was placed under administration in October 2014 and this Audit and Risk Committee was only appointed in May 2015. Prior to our appointment, the Audit Committee listed below as well as the Administrator (in the intervening period) were responsible for this function:

Name of members	Number of meetings attended
Margarita Wilson	8/8
Thabo Mahlangu	8/8
Joseph Maqhekeni	8/8
John Davis – Chairperson	8/8
Fay Mukaddam	5/8
Siphelele Mdikizela	0/8

As the new Audit & Risk Committee, we commenced our function on the 28th May 2015 and we considered the annual financial statements as well as the annual performance report for the 2014/2015 financial year. This committee consists of the following members:

Name of members
Mr. Andile Nongogo - Chairperson
Ms. Nompumelelo Mokou
Ms. Lesego Motlhamme

Evaluation of Financial Statements

The Audit and Risk Committee reviewed and discussed the unaudited financial statements for 2014/15 financial year with management. The Committee also reviewed and discussed the unaudited performance information for the 2014/15 financial year with management.

We therefore recommend that CATHSSETA should submit the audited Annual Financial Statements for the 2014/15 financial year to the Auditor-General for audit purposes.

Appreciation

The Committee would like to take this opportunity to express its sincere appreciation to the Administrator and the management of CATHSSETA for their support and co-operation during the year under review.



Andile Nongogo

Chairperson of the Audit & Risk Committee
Culture, Arts, Tourism, Hospitality, Sport Sector Education Training Authority



PART D:

HUMAN RESOURCES MANAGEMENT



INTRODUCTION

The year 2014/15 was a challenging year for the organisation and its staff members. CATHSSETA has taken great care to manage its staff successfully by monitoring the implementation of the HR policies and procedures. The HR division was able to fulfil its mandate under the guidance and advice of the HR and Remuneration Committee. The committee's activities were around, but not limited to aspects relating to Organisational Development, HR systems, performance management, training and development as well as labour relations.

There is a great need to increase the employment of people with disabilities as well as increase the percentage of women in senior management positions. As at 31 March 2015 the staff complement was 101. In order for the organisation to perform effectively, 15 staff members were transferred to other departments or within the same department but to a different position. As at 31 March

2015/16 fixed term as well as 9 temporary appointments were made mainly in the Learning Programmes division. The HR office has recorded 17 terminations during the year and reasons for such are resignations and dismissals.

For continuity, appointments were made for staff members to act in eight key positions that had become vacant because of resignations and terminations. The CFO was put on suspension after the administration commenced and the Finance Manager was appointed as the Acting CFO. The Finance Manager then resigned in January 2015 and the Supply Chain Manager was appointed as Acting CFO.

HUMAN RESOURCES OVERSIGHT STATISTICS

Personnel Cost by programme/activity/objective

Programme/ activity/ objective	Personnel Expenditure	Personnel Expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
	(R'000)	(R'000)	(R'000)		(R'000)
17	241 543,423	35 357 124	14.64%	90	392 856

Personnel cost by salary band

Programme/ activity/ objective	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
	(R'000)	(R'000)	(R'000)	
Top Management	6 180	17.52%	3	2 060
Senior Management	5 803	16.45%	8	72 538
Professional qualified	11 606	32.90%	23	50 461
Skilled	4 934	13.99%	15	328 933
Semi-skilled	6 749	19.13%	31	217 710
Unskilled	-	0	0	0
TOTAL	35 274		80	671 702

HUMAN RESOURCES OVERSIGHT STATISTICS

Performance rewards for the year under review

Programme/activity/objective	Performance rewards	Personnel Expenditure	% of performance rewards to total personnel cost
Top Management	164 506,23	6 180	2.66%
Senior Management	-	5 803	-
Professional qualified	-	11 606	-
Skilled	-	4 934	-
Semi-skilled	-	6 749	-
Unskilled	-	-	-
TOTAL	164 506,23	35 274	2.66%

There was one performance reward that was paid to the CFO. The reward was for the 2013/14 financial year but was only paid in the 2014/15 financial year.

Training Costs

Programme/activity/objective	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg. training cost per employee
	(R'000)	(R'000)	(R'000)		(R'000)
17	35 357 124.54	135 805.71	26%	90	1,508.95

Funds were allocated to employees for external training. The applications for funding were approved by the CEO after recommendation by the immediate supervisor.

Employment and vacancies

Programme/activity/objective	2014/2015 No. of Employees	2014/2015 Approved Posts	2014/2015 No. of Employees	2014/2015 Vacancies	% of vacancies
17	76	7	90		21%

HUMAN RESOURCES OVERSIGHT STATISTICS

Programme/activity/objective	2014/2015 No. of Employees	2014/2015 Approved Posts	2014/2015 Vacancies	% of vacancies
Top Management	3	3	3	100%
Senior Management	8	8	0	0%
Professional qualified	23	26	3	11.5%
Skilled	15	17	2	11.8%
Semi-skilled	31	34	3	8.8%
Unskilled	-	-	-	
TOTAL	80	88	8	9%

The CEO, CFO and the COO resigned in the 2014/15 financial year hence the three (3) vacancies for top management.

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	3	3	3	3
Senior Management	8	-	3	5
Professional qualified	23	3	4	22
Skilled	15	2	4	15
Semi-skilled	31	2	1	32
Unskilled	-	-	-	-
TOTAL	80	10	15	77

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	-	-
Resignation	14	15%
Dismissal	1	1.1%
Retirement	-	-

We are striving to retain our talent, we have experienced voluntary and involuntary terminations in the reporting period under review, based on resignations and one dismissal. A full exit interview feedback session is conducted upon termination which contains valuable information which assist us in strengthening our retention strategies. In an attempt to replace the staff that have vacated their positions, CATHSSETA follows a recruitment process that provides both internal and external staff with opportunities to apply for the positions. Many of the terminations took place in the latter part of the year so the recruitment process to replace some of the positions is underway as this report is been written. In an endeavour to improve operations of the organisation and to ensure that CATHSSETA is adequately staffed, CATHSSETA will be embarking on an OD exercise in the financial year 2015-2016. Of the terminations six positions are management positions and CATHSSETA has filled 4 of the positions with the managers commencing employment in the new financial year. The other positions will be dealt with through the OD exercise.

HUMAN RESOURCES OVERSIGHT STATISTICS

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	3
Written Warning	5
Final Written warning	2
Dismissal	1
Suspended	8

Equity Target and Employment Equity Status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1						1	
Senior Management	5		1					
Professional qualified	6							
Skilled	5							
Semi-skilled	4				1			
Unskilled								
TOTAL	21		1		1		1	

Equity Target and Employment Equity Status

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1							
Senior Management	2							
Professional qualified	15		3		1		2	
Skilled	11							
Semi-skilled	29				1			
Unskilled								
TOTAL	58		3		2		2	

HUMAN RESOURCES OVERSIGHT STATISTICS

Equity Target and Employment Equity Status

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	-	-	-	-
Senior Management	-	-	-	-
Professional qualified	-	-	-	-
Skilled	-	-	-	-
Semi-skilled	-	-	-	-
Unskilled	-	-	-	-
TOTAL	-	-	-	-



PART E:

FINANCIAL INFORMATION

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

Audited Annual Financial Statements
For the year ended 31 March 2015

The Annual Financial Statements for the year ended 31 March 2015, set out on pages 68 to 106 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:



T.E. Xulu
Acting Chief Financial Officer



P.E. Kedama
Administrator

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

Report on the financial statements

Introduction

1. I have audited the financial statements of the Culture, Arts, Tourism, Hospitality and Sports Sector Education Training Authority (CATHSSETA) set out on pages 70 to 107, which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) 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), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of CATHSSETA as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA and SDA.

Emphasis of matter

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

Restatement of corresponding figures

8. As disclosed in notes 18.1 and 20 to the financial statements, the corresponding figures for 31 March 2014 have been restated as a result of an error discovered during the current year in the financial statements of CATHSSETA at, and for the year ended, 31 March 2014. This error together with other errors resulted in qualified audit opinion of the financial statements for the year ending 31 March 2014.

Additional matters

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

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

SETA re-establishment

10. In April 2011, the minister of Higher Education and Training extended the licences of the SETAs for an additional period of five years expiring on 31 March 2016. As at the date of this report, the minister had not yet made a pronouncement on renewal of the SETA licences beyond 31 March 2016.

SETA administration

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

Report on other legal and regulatory requirements

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 findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2015:

- **Programme 1:** Coordinate research and skills planning for the sector, on pages 24 to 26
- **Programme 2:** Address sector middle level skill, on pages 27 to 28
- **Programme 5:** Address sector high level skill, on page 30

- **Programme 11:** Provision of quality training for employed workers, on page 33
- **Programme 13:** Support for small and emerging businesses through skills development, on page 34

14. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

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

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

17. The material findings in respect of the selected programmes are as follows:

Programme 1: Co-ordinate research and skills planning for the sector

Usefulness of reported performance information

Consistency of targets

18. Treasury Regulation 30.1.3(g) for public entities requires the annual performance plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 23% of the reported targets were not consistent with those in the approved annual performance plan. This was due to a lack of understanding of National Treasury's Guide for the preparation of the annual report and review by management.

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

Measurability of indicators

19. Performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use, as required by the FMPPI. A total of 23% of the indicators were not well defined. This was due to a lack of management's understanding of the FMPPI.

Programme 2: Address sector middle level skills
Usefulness of reported performance information

Presentation of performance information

20. No reasons for variances between planned and actual achievements reported in the annual performance report were given for 100% of the targets, as required by the National Treasury's Guide for the preparation of the annual report. This was due to a lack of understanding of National Treasury's Guide for the preparation of the annual report and review by management.

Consistency of targets

21. Treasury Regulation 30.1.3(g) requires the annual performance plan to form the basis for the annual performance report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 57% of the reported targets were not consistent with those in the approved annual performance plan. This was due to a lack of understanding of National Treasury's Guide for the preparation of the annual report and review by management.

Reliability of reported performance information

22. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not valid, accurate and complete when compared to the source information or evidence provided. This was due to a lack of monitoring of the completeness of source documentation in support of actual achievements and validation checks of reported achievements against source documentation.

Programme 5: Address sector high level skills
Usefulness of reported performance information

Presentation of performance information

23. No reasons for variances between planned and actual achievements reported in the annual performance report were given for 100% of the targets, as required by the National Treasury's Guide for the preparation of the annual report. This was due to a lack of understanding of National Treasury's Guide for the preparation of the annual report and review by management.

Reliability of reported performance information

24. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not valid, accurate and complete when compared to the source information or evidence provided. This was due to a lack of documented system processes for the accurate recording of actual achievements; lack of technical indicator descriptions for the accurate measurement, recording and monitoring of performance; and the lack of monitoring of the completeness of documentation as evidence of actual achievements and the failure to perform validation checks on the reported achievements.

Programme 11: Provision of quality training for employed

Usefulness of reported performance information

Presentation of performance information

25. No reasons for variances between planned and actual achievements reported in the annual performance report were given for 100% of the targets, as required by the National Treasury's Guide for the preparation of the annual report. This was due to a lack of understanding of National Treasury's Guide for the preparation of the annual report and review by management.

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

Measurability of indicators

26. Performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use, as required by the FMPPI. A total of 33% of the indicators were not well defined. This was due to a lack of management's understanding of the FMPPI.

Programme 13: Support for small and emerging businesses through skills development

Usefulness of reported performance information

Measurability of indicators

27. Performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use, as required by the FMPPI. A total of 100% of the indicators were not well defined. This was due to a lack of management's understanding of the FMPPI.

28. The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 100% of the indicators were not verifiable. This was due to a lack of management's understanding of the FMPPI.

Reliability of reported performance information

29. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not valid and accurate when compared to the source information or evidence provided. This was due to a lack of monitoring of the completeness of documentation as evidence of actual achievements and failure to perform validation checks on the reported achievements.

Additional matters

30. I draw attention to the following matters.

Achievement of planned targets

31. Refer to the annual performance report on pages 16 to 39; for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on usefulness and reliability of the reported performance information for the selected programmes reported in paragraphs 17 to 29 of this report.

Adjustment of material misstatements

32. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for all of the programmes selected for auditing. As management subsequently corrected only some of the misstatements, I identified material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

33. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual financial statements

34. The accounting authority submitted financial statements for auditing that were not prepared in all material aspects in accordance with the prescribed accounting framework as required by section 55(1) (b) of the PFMA. Material misstatements in administrative expenses, payables from exchange transactions, provisions and irregular expenditure disclosure note identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

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

Strategic planning and performance management

35. Effective, efficient and transparent systems of risk management and internal controls with respect to performance information and management were not in place as required by section 51(1)(a)(i) of the PFMA. The entity did not have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets as required by FMPPI.

Procurement and contract management

36. Awards were made to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by treasury regulation 16A9.1 (d) and the Preferential Procurement Regulations.

37. Goods and services with a transaction value above R500 000.00 were procured without inviting as required by treasury regulation 16A6.1.

Expenditure management

38. During the first six months of the financial year the accounting authority did not take effective steps to prevent irregular expenditure as required by section 51(1)(b)(ii) of the PFMA.

Internal control

39. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and non-compliance with legislation included in this report.

Leadership

40. A skills gap was identified in respect of individuals responsible for financial management, performance management, skills planning and supply chain management. These individuals do not always understand the importance of internal controls and the requirements of legislation and frameworks. This resulted in the material misstatements identified in financial

statements, annual performance report and significant non-compliance with legislation.

41. For the first six months of the year, action plans were not developed to address the internal control deficiencies identified by the internal and external auditors. This resulted in some of the recurring findings.

Financial and performance management

42. CATHSSETA did not have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets as required by FMPPI, resulting in material errors identified on reliability of the annual performance report.

43. Daily and monthly processing and reconciling of transactions did not take place throughout the year due to high staff turnover and restructuring caused by the SETA being placed under administration. This resulted in material misstatements identified in the financial statements. Validation checks for quarterly performance reports were not undertaken, which resulted in material misstatements being identified in the annual performance report.

Other reports

Investigations

44. An independent consulting firm is performing an investigation at the request of the administrator. The investigation was initiated as a result of CATHSSETA being placed under administration and allegations of fraud. The outcome of the investigation is expected by 31 August 2015.

45. An independent consulting firm is performing an investigation at the request of the administrator. The investigation was initiated as a result of allegations of conflict of interest by an employee. The outcome of the investigation is expected by 14 August 2015.

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

46. An independent consulting firm is performing an investigation at the request of the administrator. The investigation was initiated as a result of financial misconduct identified by the administrator, where payments were made to employees' bank accounts through grants process. There was fraud identified during this process which was reported to South African Police Service. The final outcome of the investigation is expected by 06 August 2015.

Auditor - General

Pretoria

31 July 2015



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

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

ANNUAL FINANCIAL STATEMENTS STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

	Note	2015	2014 Restated
		R '000	R '000
Assets			
Current Assets			
Inventories		701	357
Receivables from exchange transactions	9.2	1 224	377
Receivables from non-exchange transactions	9.1	2 630	819
Cash and cash equivalents	10	194 077	159 070
		198 632	160 623
Non-Current Assets			
Property, plant and equipment	8.1	3 439	5 633
Intangible assets	8.2	9	30
		3 448	5 663
Total Assets		202 080	166 286
Liabilities			
Current Liabilities			
Current portion on long term liabilities		1 481	1 380
Payables from exchange transaction	13.1	21 138	13 787
Payables from non-exchange transactions	13.2	19 390	29 365
Donor funding	14	1 062	1 062
Provisions	15.1&15.2	6 792	5 980
		49 862	51 574
Non-current liabilities			
Long term liabilities		189	1 478
Total Liabilities		50 051	53 051
Net Assets		152 029	113 235
Reserves			
Revaluation reserve		531	-
Employer grant reserve		42	42
Administration grant reserve		2 797	2 796
Discretionary grant reserve		148 659	110 397
Total Net Assets		152 029	113 235

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

ANNUAL FINANCIAL STATEMENTS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015	2014 Restated
		R '000	R '000
Revenue			
Revenue from exchange transactions			
Other income	5.1	-	4 264
Interest received - investment	4	8 299	5 110
Total revenue from exchange transactions		8 299	9 374
Revenue from non-exchange transactions			
Transfer revenue			
Skills Development Levy: Income	3.1	269 929	255 386
Skills Development Levy: Interest and Penalties	3.2	6 246	3 900
Total revenue from non-exchange transactions		276 175	259 286
Total revenue		284 474	268 660
Expenditure			
Employer grants and project expenses	6	(179 007)	(197 843)
Administration expenses	7	(67 066)	(52 598)
Total expenditure		(246 074)	(250 441)
Loss on disposal of assets	5.2	(140)	(166)
Net surplus for the year		38 262	18 053

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

ANNUAL FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 MARCH 2015

	Revaluation reserve	Employer grant reserve	Administration reserve	Discretionary reserve	Total reserves	Unappropriated reserve	Total net assets
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Balance at 31 March 2013		1 090	3 029	91 064	95 183	-	95 183
Surplus for the year	-	-	-	-	-	18 053	18 053
Application of unappropriated surplus/(deficit)	-	32 462	303	(14 713)	18 053	(18 053)	
Excess reserves transferred to/(from) discretionary		(33 511)	(535)	34 046	-		
Balance at 31 March 2014	-	42	2 797	110 397	113 236		113 236
Revaluation of assets	531				531		531
Surplus for the year						38 262	38 262
Application of unappropriated surplus/(deficit)	-	9 999	(28 567)	56 829	38 262	(38 262)	
Excess reserves transferred to/(from) discretionary		(9 999)	28 567	(18 567)			
Balance at 31 March 2015	531	42	2 797	148 659	152 029		152 029

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

ANNUAL FINANCIAL STATEMENTS

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015	2014 Restated
		R '000	R '000
Cash receipts from stakeholders			
Levies, interest and penalties received		273 869	266 556
Interest income		8 299	5 110
		282 168	271 666
Cash payments to stakeholders, suppliers and employees		(246 418)	(235 947)
Employer grants payments		(59 521)	(50 503)
Discretionary grants and projects payments		(122 544)	(169 727)
Payments to suppliers and employees		(64 353)	(15 717)
Net cash flows from operating activities	16	35 750	35 719
Cash flows from investing activities			
Purchase of property, plant and equipment		(906)	(1 298)
Proceeds from sale of property, plant and equipment		1 460	194
Net cash flows from investing activities		554	(1 104)
Cash flow from financing activities			
Decrease in long term liabilities		(1 297)	(775)
Net cash inflow from financing activities		(1 297)	(775)
Net increase in cash and cash equivalents		35 007	33 840
Cash and cash equivalents at the beginning of the year		159 070	125 230
Cash and cash equivalents at the end of the year	10	194 077	159 070

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

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

	Approved Budget	Final Budget	Actual Amounts on Comparable Basis	Difference: Final Budget and Actual
	R'000	R'000	R'000	R'000
Revenue				
Non-exchange revenue				
Skills Development Levy: Income	280 800	280 800	269 929	(10 871)
Skills Development Levy: Penalties and interest	-	-	6 246	6 246
Exchange revenue				
Investment Income	6 856	6 856	8 299	1 443
Other Income	-	-		
Total Revenue	287 656	287 656	284 474	(3 182)
EXPENSES				
Employer Grants and Projects expenses	(250 801)	(250 801)	(179 007)	71 794
Administration expenses	(36 855)	(36 855)	(67 066)	(30 211)
Total Expenses	(287 656)	(287 656)	(246 073)	41 583
Loss on disposal of assets			(140)	(140)
Net surplus	-	-	38 262	38 262

Refer Note 24

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

ANNUAL FINANCIAL STATEMENTS

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

1. Presentation of Financial Statements

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

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

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

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

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

1.1. Going concern assumption

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

CATHSSETA's licence expires on the 31st March 2016 and as at the 31st March 2015 there was no indication that there will not be re-licencing.

1.1.1. Offsetting

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

1.1.2. Key sources of estimation uncertainty

Useful economic lives of property, plant and equipment

Depreciation of plant and other assets is charged so to write down the value of these assets to their residual value over their respective estimated useful life. The Accounting Authority is required to assess useful life and residual values of assets so that the depreciation is charged on a systematic basis to the current carrying amount. It is the policy to write off the assets over their useful life estimated to be the same as the licensing period of CATHSSETA, this may be much shorter than actual useful life during the second half of the licensing period. To compensate for this estimation uncertainty, the residual value of the assets is re assessed on a yearly basis and adjusted to cater for the increase in useful life in the latter part of the licensing period.

Fair values of financial instruments

Accounts payable and receivables

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

1.1.3. Rounding

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

1.1.4. Cash and cash equivalents

Cash and Cash equivalents are stated at cost which approximates fair value. (refer to note 1.10 for further disclosure)

1.2. Presentation currency

These annual financial statements are presented in South African Rand (ZAR).

1.3. 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 further disclosed as exchange revenue and non-exchange revenue.

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

ANNUAL FINANCIAL STATEMENTS

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

Revenue is measured at the fair value of the consideration received and is based on the information as provided by Department of Higher Education and Training 'herein thereafter to be referred to as DHET'

1.3.1. Non exchange revenue

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

1.3.1.1. Levy income transfer

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

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

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

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

As of 2014 all outstanding amounts for longer than five years are transferred to the Discretionary Reserve.

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

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

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

1.3.1.2. Interest and penalties

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

1.3.1.3. Funds allocated by the National Skills Funds for special projects

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

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

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

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1.3.1.4. Government grants and other donor income

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

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

1.3.2. Exchange revenue

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

1.3.2.1. Investment Income

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

1.3.2.2. Other Income

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

1.4. Grants and project expenditure

1.4.1. Mandatory grants

The grant payable and the related expenditure are recognised when the employer has submitted an application for a grant in the prescribed form, within the agreed upon cut-off period, and the application has been

approved as the payment then becomes probable. The grant is equivalent to 20% of the total levies paid by the employer during the corresponding financial period.

1.4.2. Discretionary grants

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

1.4.3. Discretionary grant project expenditure

Project expenditure comprises of;

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

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

1.5. Irregular, Fruitless and Wasteful Expenditure

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

- The PFMA, No 1 of 1999 (as amended)
- The Skills Development Act, 1998 (as amended)
- The Skills Development Levies Act, 1999 (as amended)

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

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

Irregular and Fruitless and Wasteful expenditure will be disclosed as an asset in the books of account until condoned by the Accounting Authority.

1.6. Property, Plant and Equipment

1.6.1. Tangible Assets

Property, Plant and Equipment (owned and leased) are stated at cost less any subsequent depreciation and adjusted for impairments. Depreciation is calculated on the straight line method to write off the cost of each asset to estimated residual value over its estimated useful life.

The estimated useful life of the assets is limited to the remaining period of the license issued to the SETA by the Minister of Higher Education and Training. For the current year the remaining period is 1 year (2014: 2 years).

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

The assets residual value and useful lives are reviewed, and adjusted if appropriate, at each statement of position date. 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. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

1.6.2. Intangible Assets

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 to initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. The cost (or depreciable amount) of intangible assets with finite useful lives are amortised over the estimated useful lives.

Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

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 asset is ready for its intended use.

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.

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.

1.6.3. 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 indications of impairment of assets for the year under review.

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1.7. Leases

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

1.7.1. Finance Leases

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

1.7.2. Operating leases

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

1.8. Retirement benefit costs

The entity operates defined contribution benefit plans, the assets of which are held in separate trustee-administered funds. The plan is generally funded by payments from the entity and employees, taking account of the recommendations of independent qualified actuaries. The contributing expense is disclosed under a separate heading as part of Employee costs in the Statement of Financial Performance.

1.9. Provisions

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

1.9.1. Provision for employee entitlements

The cost of other employee benefits (not recognised as retirement benefits - see note 1.8 above) is recognised during the period in which the employee renders the related services. Employee entitlements are recognised when they accrue to employees. A provision is made for

the estimated liability as a result of services rendered by employees up to the Statement of Financial Position date. Provisions included in the Statement of Financial Position are provisions for bonuses and termination benefits. Leave (based on the current salary rates) are accrued at year end.

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

1.9.2. Provision for grants

Mandatory Grant payments

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

Projects

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

1.10. Financial instruments

Recognition and de-recognition

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

CATHSSETA derecognises a financial asset when;

- The contractual rights to the cash flows arising from the financial assets have expired or been forfeited by CATHSSETA; or
- It transfers the financial asset including substantially all the risks and rewards of ownership of the asset; or
- It transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

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

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

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

Cash and cash equivalents

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

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

Trade and other receivables

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

Impairment of financial assets

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

receivables.

Financial Liabilities: Trade and Other Payables

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

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

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

Fair Value Considerations

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

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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.

1.11. Reserves

The sub-classification is shown in the Statement of Financial Position:

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

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

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

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

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

- Administration costs of the SETA
- Mandatory Workplace Skills Planning / Implementation Grant
- 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.

1.11. Reserves continues

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, the mandatory grant reserve and the discretionary fund reserve based on the above.

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

1.12. 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).

1.13. Value Added Taxation (VAT)

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

1.14. Inventory

Inventory consists of stationery, promotional materials and other consumables and are stated at lowest of cost, determined on a first in first out basis, or estimated net realisable value. All items are kept in inventory and disclosed as an expense in the period of actual usage. Net realisable value represents the estimated replacement for inventories.

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1.15. Related Party Transactions

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

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

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

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

1.16. Budget Information

Budgets are prepared on an annual basis and compared with actual results on a month to month basis, CATHSSETA has presented in this annual financial statements this comparison and explanations and relevant reconciliation.

1.17. Contingent Liabilities / Discretionary Grant Commitments

The entity discloses contingent liabilities when;

- Possible obligation arising due to past event whose existence will only be confirmed by occurrence or non-occurrence of uncertain future events not wholly within control of entity; or

Present obligation arising due to past event not recognised because uncertainty of timing or amount or probable outflow.

1.18. 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.

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2. ALLOCATION OF NET SURPLUS FOR THE YEAR TO RESERVES

2015	Total Statement of Financial Performance	Administration Reserve	Employer Grant Reserves	Discretionary Grants Reserves	Special Projects
	R '000	R '000	R '000	R '000	R '000

Total Revenue	284 474	38 640	66 462	179 372	
Skills development levy: income					
Administration levy income (10%)	38 640	38 640	-	-	-
Mandatory grant levy income (20%)	66 462	-	66 462	-	-
Discretionary grant levy income (50%)	164 827			164 827	
SDL: Penalties and interest	6 246			6 246	
Investment income	8 299			8 299	
Total expenses	(245 794)	(66 647)	(56 463)	(123 899)	
Administration expenses	(67 066)	(67 066)	-	-	-
Other expenses	(140)	(140)			
Employer grants	(56 463)		(56 463)		
Discretionary grants	(376)			(376)	
Project expenses	(122 168)			(122 168)	
Net surplus for the year 2014	38 262	(28 567)	9 999	56 829	

2014 Restated

Total revenue	268 712	33 029	80 617	155 014	52
Skills development levy: income					
Admin levy income (10%)	33 029	33 029			
Mandatory grant levy income (20%)	80 617		80 617		
Discretionary grant levy income (50%)	141 741			141 741	
SDL: Penalties and interest	3 900			3 900	
Donor funding income	52				52
Investment income	5 110			5 110	
Other income	4 264			4 264	
Total expenses	(250 660)	(32 726)	(48 155)	(169 727)	(52)
Administration expenses	(32 560)	(32 560)			
Donor funding expenses	(52)				(52)
Employer grants	(48 155)		(48 155)		
Discretionary project expenses	(169 727)			(169 727)	
Other expenses	(166)	(166)			
Net surplus for the year	18 053	304	32 463	14 713	

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3. LEVY INCOME

3.1. Skills development levy

2015	Administration	Employer Grants	Discretionary Grants	Total
	R '000	R '000	R '000	R '000

Levy income received from DHET –
current period

29 758 56 681 140 290 226 391

Levy income received from DHET –
prior period

5 379 10 023 25 539 40 914

Government levies received

3 877 3 877

Levy provision/(reversal)

(338) (178) (837) (1 353)

Inter-SETA transfers in

14 32 50 95

Inter-SETA transfers out

(50) (96) (214) (360)

Total levy income

38 640 66 462 164 827 269 929

2014

Levy income received from DHET –
current period

27 474 53 455 128 576 209 505

Levy income received from DHET –
prior period

4 608 27 219 11 716 45 543

Government levies received

1 005 1 794 2 799

Levy provision/(reversal)

(58) (59) (346) (463)

Inter-SETA transfers in

33 164 65 262

Inter-SETA transfers out

(32) (162) (65) (259)

Total levy income

33 029 80 617 141 741 255 386

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AS AT 31 MARCH 2015

3.2. Penalties and interest

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	2015	2014
	R '000	R '000
3.2. Penalties and interest		
Penalties received	3 467	1 958
Interest received	2 778	1 942
	6 246	3 900
3.3. Donor funding income	-	52
4. INVESTMENT INCOME		
Interest received	8 299	5 110
5. OTHER INCOME/EXPENSE		
5.1. Transfer of SMME Creditors	-	4 264
5.2. Loss on disposal of property, plant and equipment	140	166
6. EMPLOYER GRANT AND PROJECT EXPENSES		
Employer grant	56 463	48 155
Discretionary grants	376	-
Project expenditure	122 168	149 689
	179 007	197 843
7. ADMINISTRATION EXPENSES		
Depreciation and amortization	3 678	2 484
Depreciation for the year	2 802	2 469
Amortization for the year	17	15
Prior period adjustment	859	-
Operating lease rentals (minimum lease payments)	5 195	1 445
Operating lease payments: buildings	4 046	1 607
Change in straight line recalculation	1 149	(162)
QCTO Contribution	693	397
Maintenance, repairs and running costs	616	113
Buildings and equipment	601	94
Fuel and oil motor vehicles	15	18
Advertising, marketing, promotions & communication	2 632	702
Entertainment expenses	213	375

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7. ADMINISTRATION EXPENSES *(continued)*

	2015	2014
	R '000	R '000
Consultancy and service provider fees	4 820	2 273
Internal audit fees	959	578
Other	3 861	1 695
External auditor's remuneration	2 355	1 670
Legal fees	13 174	849
Interest paid	265	323
Cost of employment	24 000	13 290
Travel and subsistence	1 244	698
Staff wellness, training and development	354	743
Remuneration to members of the accounting authority	2 341	3 751
Remuneration as member of the Board and Committees	1 453	2 206
Travel expenses, accommodation and refreshments	323	816
Administration expenses	510	511
Board members indemnity insurance	55	218
Remuneration to members of the audit committee	108	107
Other administration expenses	5 378	2 711
System costs	1 058	980
Printing, stationery and postage	1 427	627
Telephones	589	150
Skills development levies	249	201
Water and lights	569	276
Recruitment costs	557	105
Security expenses	442	73
Insurance	220	128
Bank charges	69	80
Cleaning	171	69
Subscriptions	28	22
Subtotal	67 066	32 560
Reallocation from project costs	-	20 038
Total Administration expenses	67 066	52 598

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7.1. Cost of employment

	2015	2014
	R '000	R '000
Basic salaries	21 752	10 926
Performance awards *	(521)	1 080
Other non-pensionable allowance	660	404
Temporary staff	180	136
Leave pay	450	640
Social contributions	1 479	734
Medical aid	325	157
Pension fund	1 003	530
Unemployment Insurance Fund and Workmen Compensation	151	47
Total cost of employment	24 000	13 920
Average number of employees	85	97

* The performance awards reversal is due to an over provision in the previous financial years, previously not reversed, and after taking into account the current bonus provision of R 2 540 634.

The details on the total cost of employment and human resource is shown in the human resource section of the Annual Report.

The basic salaries is impacted by project allocation between administration and project expenditure but the overall figures are reflected in the human resource section of the Annual Report.

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8. NON CURRENT ASSETS

8.1 Property, plant and equipment

	Cost	Accumulated Depreciation	Carrying Amount end of year
	R '000	R '000	R '000
2015			
Computer equipment	4 826	(3 348)	1 478
Office furniture and fittings	2 411	(1 513)	898
Motor vehicles	3 479	(2 416)	1 063
Balance at end of period	10 716	(7 277)	3 439
Leased assets	5 354	(3 812)	1 541
Owned assets	5 362	(3 465)	1 898
2014			
Computer equipment	5 122	(2 369)	2 753
Office furniture and fittings	1 769	(823)	945
Motor vehicles	3 544	(1 610)	1 934
Balance at end of period	10 435	(4 802)	5 633
Leased assets	5 129	(2 217)	2 912
Owned assets	5 306	(2 586)	2 720

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8. NON CURRENT ASSETS

8.1 Property, plant and equipment (*continued*)

	Carrying amount at beginning of year*	Revaluation	Additions	Disposals	Depreciation	Carrying amount at end of year
	R '000	R '000	R '000	R '000	R '000	R '000
Movement summary 2015						
Computer equipment	1 864	106	879	(115)	(1 257)	1 478
Office furniture and fittings	1 036	425	27	(18)	(573)	898
Motor vehicles	2 036	-	-	-	(973)	1 063
Balance at end of period	4 936	531	906	(132)	(2 802)	3 439
<i>* Restated – refer note 20</i>						
Movement summary 2014						
Computer equipment	3 537	-	401	(181)	(1 004)	2 753
Office furniture and fittings	1 146	-	190	(13)	(378)	945
Motor vehicles	3 022	-	-	-	(1 088)	1 935
Balance at end of period	7 705	-	591	(194)	(2 469)	5 633

The economic useful life of tangible assets are

Asset category	Useful life
Computer equipment	3 years
Office furniture and equipment	5 years
Motor vehicle	5 years

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8. NON CURRENT ASSETS

8.2 Intangible Assets

	Cost	Accumulated Depreciation	Carrying Amount end of year
	R '000	R '000	R '000
2015			
Computer software			
Owned assets	43	(36)	7
Leased assets	10	(8)	2
	53	(44)	9
2014			
Computer software			
Owned assets	43	(19)	24
Leased assets	10	(4)	6
	53	(23)	30

	Carrying amount at beginning of year*	Adjustments on carrying amount at beginning of year	Additions	Disposals	Depreciation	Carrying amount at end of year
	R '000	R '000	R '000	R '000	R '000	R '000
Movement summary 2015						
Computer equipment	30	(4)	-	-	(17)	9
Movement summary 2014						
Computer equipment	45	-	-	-	(15)	30

The economic useful life of tangible assets are

Asset category	Useful life
Software	3 years

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9. TRADE AND TRADE RECEIVABLES

9.1. Non-exchange transactions

	2015	2014
	R '000	R '000
Employer receivables	2 630	726
Prepayment	-	93
	2 630	819

9.2. Exchange transactions

Sundry debtors	524	377
Office rental deposit	700	-
	1 224	377

	2015	2014 Restated
	R '000	R '000

10. CASH AND CASH EQUIVALENT

Cash at hand and in hand	25 318	2 368
Cash at bank	25 317	2 367
Cash on hand	2	1
Short term investment/instruments	168 759	156 702
Cash and cash equivalents at end of year	194 077	159 070

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

The Skills Development Act Regulations state that a Seta may, if not otherwise specified by the Public Finance Management Act, invest monies in accordance with the investment policy approved by the relevant Seta.

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 an investment policy as required by Treasury Regulation 31.3.5

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11. OPERATING LEASE

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	2015	2014
	R '000	R '000
Total of future minimum lease payments under non-cancellable leases		
Not later than a year	4 359	362
Later than one year and no later than five years	21 279	-
Later than five years	7 003	-
	32 642	362
12. LONG TERM LIABILITIES		
12.1. Finance lease relating to printers		
Future minimum Lease payments	157	301
No later than one year	145	145
Later than one year less than 5 years	12	156
Future finance charges	(8)	(28)
Present value of finance liabilities	149	273
Analysed for financial reporting purposes		
Non-Current finance lease liability	12	149
Current finance lease liability	137	125
Finance lease liability	149	273
No later than one year	1 380	1 380
Later than one year less than 5 years	-	1 380
Future finance charges	(65)	(243)
Present value of finance liabilities	1 315	2 517
Analysed for financial reporting purposes		
Non-Current finance lease liability	-	1 315
Current finance lease liability	1 315	1 202
Finance lease liability	1 315	2 517

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12. LONG TERM LIABILITIES (continued)

	2015	2014
	R '000	R '000
12.2. Finance lease		
Future minimum Lease payments	191	69
No later than one year	161	55
Later than one year less than 5 years	30	14
Future finance charges	(10)	(3)
Present value of finance liabilities	181	66
Analysed for financial reporting purposes		
Non-Current finance lease liability	30	14
Current finance lease liability	151	53
Finance lease liability	181	66
13. TRADE AND OTHER PAYABLES		
13.1. Trade and other payables from exchange transaction		
Service provider fees outstanding	6 523	12 434
Administration expense accrual	2 067	-
Project expense accrual	9 935	-
Operating lease accrual	1 149	-
Accrual for leave payments	1 464	1 352
	21 138	13 786
13.2. Grants and transfers payables from non-exchange transactions		
Skills development grants payable 13.2.1	131	3 058
SMME/ SARS reversal grant payable 13.2.2	18 838	1 687
SNF/FET grant payable	-	24 543
Inter-SETA payable	421	68
	19 390	29 356

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13. TRADE AND OTHER PAYABLES (continued)

	2015	2014
	R '000	R '000
13.2.1. Skills development grants payable (Mandatory grants)		
Opening carrying amount	3 058	18 690
Amount utilised	(3 058)	(18 690)
Change in estimate	131	3 058
Closing carrying amount	131	3 058
13.2.2. SMME / SARS reversal grant payable		
Opening balance	1 687	6 250
Net effect of SMME / SARS adjustments for the current year	17 151	(4 563)
Grants payable	18 838	1 687
14. DONOR FUNDING RECEIVED IN ADVANCE		
Opening balance	1 062	1 062
Received during the year	-	52
Utilised during the year	-	(52)
Closing balance	1 062	1 062

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

14.1. Donor funds received in advance per project

	DEAT	SA Host	Total
	R'000	R'000	R'000
Balance at 31 March 2013	440	622	1 062
Interest received		-	
Income received		112	112
Utilised and recognised as income - conditions met		(112)	(112)

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14. DONOR FUNDING RECEIVED IN ADVANCE *(continued)*

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14.1. Donor funds received in advance per project *(continued)*

	DEAT	SA Host	Total
	R'000	R'000	R'000
Balance at 31 March 2014	440	621	1 062
Interest received	-	-	
Income received	-	-	
Utilised and recognised as income - conditions met	-	-	
Balance at 31 March 2015	440	621	1 062
15. PROVISION			
15.1. Employee bonus provision			
Opening carrying amount		3 082	402
Amounts utilised		(3 082)	(402)
Change in estimate		2 541	3 082
Closing carrying amount		2 541	3 082

Bonus provisions are calculated based on the conditions as stipulated in the contract of employment.

15.2. Provision from non-exchange transactions

Carrying amount		2 898	6 698
Amount utilised		-	(6 698)
Change in estimate		1 353	2 898
Closing carrying amount		4 251	2 898

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16. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES

	2015	2014
	R '000	R '000
Net income as per statement of financial performance	38 262	18 053
Adjusted for non-cash items:	(1 197)	3 412
Depreciation	3 678	2 484
Depreciation on disposed property, plant and equipment	(1 327)	-
Adjustments on property, plant and equipment	(199)	-
Surplus/deficit on disposal of property, plant and equipment	140	166
Changes in provisions	(3 488)	762
Adjustment for working capital	(1 733)	14 254
(Increase) decrease in inventory	(345)	153
Decrease (Increase) in receivables	(2 305)	9 940
Increase (decrease) in payables	1 335	4 162
Cash generated by operations	35 750	35 719

17. COMMITMENT FUNDS 2015

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

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17.COMMITMENT FUNDS 2015 *(continued)*

17. COMMITMENT FUNDS 2014

Programme No.	Description	Contingent Commitment (contractual) 1/4/2014	Additions	Actual Contractual Expenditure / Payments / Write back	Contingent Commitment (contractual) 31/03/2015
1	Research and skills planning	12 363	2 739	5 400	9 702
2	Sector middle level skills	69 602	59 259	42 610	86 251
3	Artisan development	1 260	-	(516)	744
5	High level scarce skills	4 378	2 009	1 482	4 905
6	Research for innovation	-	6 451	2 213	4 238
8	Quality Assurance	-	621	243	378
9	FET capacity building	1 183	-	217	966
10	Low level unemployed skills support	2 516	10 320	9 069	3 767
12	Support for COOPS	800	-	-	800
13	Support for SMME's	14 834	9 583	4 923	19 494
14	Support for trade unions, NBO' and CBO's	4 150	360	1 595	2 195
12	Career Guidance	21 919	4 213	14 267	11 865
Total		133 005	94 835	82 544	145 306

Discretionary reserves

The projects will be funded from the discretionary reserve. The discretionary reserves disclosed in the Statement of Financial Position as at 31 March 2015 amounts to R148.7 million, which funds the commitments of R162.3 million. The over-commitment of R13.6 million is fully funded because multi-year contracts values due beyond this period will be funded with income from subsequent periods, and certain contracts are already at advanced stages of cancellation process and potential contract savings will easily compensate for the difference.

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18. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

18.1. Irregular Expenditure

	2015	2014 Restated
	R '000	R '000
Opening balance	54 324	-
Prior Period:-		
Over expenditure on administration costs	-	19 735
Non-compliance to supply chain management practices (Management)	-	9 105
Projects not approved by the Accounting Authority	-	11 768
International bursaries awarded against the mandate and are non-compliant	-	4 926
Contracts extensions by Accounting Officer with no Accounting Authority approval	-	8 790
Current Period:-		
Payments for bursaries exceeding the contract value	67	
Projects not approved by the Accounting Authority	301	
Non-compliance to supply chain management practices (AGSA)	2 832	
Contracts extensions by Accounting Officer with no Accounting Authority approval	-	
Non-compliance to the legislation, i.e. deviation	14 813	
Over expenditure on administration expenses	28 567	
Unreported or previously unidentified	23 038	
	123 942	54 324
Condonations:-		
Relating to prior periods – no submission made for prior period expenditure	-	
Condoned – non compliance to supply chain management practices	(1 261)	
Condoned – current period irregular expenditure on deviation to regulations	(14 813)	
Condoned – excess administration costs in the current period	(28 567)	
Closing balance	79 301	54 324

Irregular expenditure is due to non-compliance with PFMA Act and procurement policies of the organisation. An instance, during the transition period, almost led to an irregular expenditure of R71m wherein the allocation letters were issued as part of the Discretionary Window 1 approval by the Discretionary Grant Committee, but that had not yet been approved by the Board as the meeting was cancelled. The Administrator, upon his appointment and after

considering all matters on the process followed condoned it. No payments had yet been incurred.

Incidents

The irregular expenditures were incurred as a result of the contravention of PFMA and SCM legislation either through non-compliance, sourcing of goods and services without proper processes being followed, etc.

18.1.1. Disciplinary actions

Disciplinary actions were taken against employees who authorised these expenditure which led to suspensions and resignations of employees. The cases were also opened with the police with the matter also reported to the Department of Higher Education & Training, and matter was subsequently referred back for condonement internally by the Administrator, upon appropriate actions being taken.

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18. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE *(continued)*

18.2. Fruitless and wasteful expenditure

	2015	2014
	R '000	R '000
Opening balance	155	
Board and committee fees paid in meetings where no quorum was present	39	52
Cost for tender of services cancelled due to changes in terms of reference	380	103
	574	155
Condonations:		
Relating to prior periods – no submission made for prior period expenditure		
Condoned – current period fruitless & wasteful expenditure	-	-
Balance not yet under consideration for condonement	(419)	-
	155	155

19. Financial Instruments

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

19.1. Capital risk management

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

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AS AT 31 MARCH 2015

19. FINANCIAL INSTRUMENTS *(continued)*

19.2. Categories of Financial Instruments

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

	2015			2014
	Interest Bearing	Non-interest Bearing	Total	
	R'000	R'000	R'000	R'000
Assets				
Cash (Interest 4.8%) (2014 5.9%)	194 077		194 077	159 070
Accounts receivable		524	524	377
Total financial assets	194 077	524	194 601	159 447
Accounts payable		7 987	7 987	13 787
Finance lease obligations (Interest rate 9%) (2014 9%)	1 618		1 618	2 866
Total financial liabilities	1 618	7 987	9 657	16 653

19.3. Financial risk management

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

19.3.1. Foreign currency risk

CATHSSETA has no exposure to foreign currency.

19.3.2. Interest rate risk management

CATHSSETA is exposed to interest rate risk as all surplus funds are invested in short term cash vehicles. 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 investment vehicles and are therefore not sensitive to interest changes.

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19. FINANCIAL INSTRUMENTS *(continued)*

19.3.3. Price risk

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

19.4. Credit risk

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

	2015		2014	
	Gross	Impairment	Gross	Impairment
	R'000	R'000	R'000	R'000
Accounts receivable	524	-	377	-
Current				
Cash and cash equivalents				
Current	25 318	-	2 368	-
30 days	168 759	-	156 702	-
	194 077	-	159 070	-

19.4.1. Quality of credit

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

19.4.2. Fair value of accounts receivable

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

19.4.3. Accounts receivable; defaults; security and pledges

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

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19. FINANCIAL INSTRUMENTS *(continued)*

19.4.4. Maximum exposure

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

19.4.5. Cash and cash equivalents

- The SETA management limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of their investment policy in terms of Treasury Regulation. The CATHSSETA's exposure is continuously monitored by the Accounting Authority. Further the organisation has adopted a policy of only dealing with creditworthy counterparts. CATHSSETA only transact with Banks that are part of the "big five" registered banks in South Africa and which are approved by National Treasury as per the PFMA, the credit and investment ratings of the mentioned banks are monitored on a 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 50% is invested in up to maximum three month fixed deposit with balance in money market or call accounts.
- An interest change sensitivity analysis resulted in immaterial effect on the Cash and Cash equivalents of the entity.
- The amount disclosed for cash and cash equivalents represents the maximum exposure that credit risk pose to the entity.

19.5. Liquidity

Ultimate responsibility for the liquidity risk management rest with the board of CATHSSETA, which 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.

19.6. Default

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

19.7. Fair value

- Recognised Financial Instruments

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

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AS AT 31 MARCH 2015

20. ERRORS AND RECLASSIFICATIONS

Errors and reclassification relates to opening balances on Property, Plant and Equipment, which were a result of the asset verification and fair value exercise performed during this financial period. The impact is shown herein below;

	Original opening balance	Adjustment	Restated opening balance
	R '000	R '000	R '000
Property, Plant & Equipment – 2014 (Prior Period Errors)			
Computer equipment	2 753	(889)	1 864
Office equipment	945	91	1 036
Motor vehicle	1 935	101	2 036
Total	5 633	(697)	4 936

	Original Amount	Adjustment	Restated Amount
	R '000	R '000	R '000
Expenditure – 2014 (Reclassification)			
Employer grants and project expenses	217 881	(20 038)	197 843
Administration expenses	32 560	20 038	52 598

Irregular expenditure	-	54 324	54 324
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21. RELATED PARTY TRANSACTIONS

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

21.1. Transactions with other SETAs

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

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21. RELATED PARTY TRANSACTIONS *(continued)*

	2014/15	2013/14	2014/15	2013/14
	R '000	R '000	R '000	R '000
	Transfers in/(out) during the year	Transfers in/(out) during the year	Receivables / (Payables)	Receivables / (Payables)
NSF				(24 543)
INSETA		(11)		
SERVICES SETA	174		174	
FASSET	1	264	1	
LG SETA	86		86	
MICT SETA		(248)		(60)
W&R SETA				(8)
	261	5	261	(24 611)

21.2. Remuneration of Key Management

The key management personnel, as defined by IPSAS 20, Related Party Disclosures, of the SETA are the

- Members of the Accounting Authority
- Members of the Senior Management Group of the entity

The Accounting Authority consists of members appointed in terms of its constitution, senior managers attend meetings of the Accounting Authority but is not a member of the Accounting Authority.

The aggregate remuneration of members of the Accounting Authority and number of members receiving remuneration within this category are:-

	2014/15	2013/14
	R '000	R '000
Total Aggregated Remuneration (Rand)	1 723	2 083
Number of persons paid	11	15

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21. RELATED PARTY TRANSACTIONS *(continued)*

The aggregate remuneration of senior management of the organisation and number of members receiving remuneration within this category are:-

	2014/15	2013/14
	R '000	R '000
Total Aggregated Remuneration (Rand)*	11 957	6 164
Number of persons paid	14	7

* Includes the settlement amounts for the suspended senior management in 2014/15 financial year.

22 A. New Accounting Pronouncements

Various revisions have been made to the statements of GRAP which become effective in future years. None of these revisions will have an impact on the financial statements of the SETA.

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

GRAP No.	GRAP Name	Gazette Effective Date	Impact
GRAP 18	Segment reporting	01 April 2015	The standard provides guidance on accounting for determination of reportable segments and will require additional disclosure.
GRAP 20	Related party disclosures	Not yet determined	The standard provides guidance on related party An entity's financial statements contain the disclosure necessary to draw attention to the possibility that its financial position and surplus or deficit may have been impacted by the existence of connected parties and by transactions and outstanding balances with such parties. The standard will not have an impact on CATHSSETA as the standard was early adopted.
GRAP 32	Service concession arrangement: Grantor	01 April 2015	The purpose is to prescribe the accounting for service concession arrangements by the Grantor. The standard has not had an impact on CATHSSETA.

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22 A. NEW ACCOUNTING PRONOUNCEMENTS *(continued)*

GRAP No.	GRAP Name	Gazette Effective Date	Impact
GRAP 105	Transfers of functions between entities under common control	01 April 2015	The purpose of the standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It is not anticipated that the standard will have an impact on the CATHSSETA.
GRAP 106	Transfers of functions between entities not under common control	01 April 2015	The purpose of the standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It is not anticipated that the standard will have an impact on the CATHSSETA.
GRAP 107	Mergers	01 April 2015	The objective is to provide accounting principles guidance for the merged entities.
GRAP 108	Statutory receivables	01 April 2015	The objective is to establish accounting principles for the reporting entities on disclosure of statutory receivables

22 B. RESTATEMENT OF PREVIOUS YEARS FINANCIAL STATEMENTS

During the preparation of the Annual Financial Statements for the financial year ending 31 March 2015, management found that errors were made in the calculation of the Commitments referred to Note 17, which were corrected and the amounts restated in this financial year. The errors have no effect on the Statements of Financial Performance, the Statement of Financial Position or the Statement of Changes in Net Assets.

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

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

23. 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.

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23. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

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.

Key sources of estimation uncertainty:-

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

- Useful lives of property, plant and equipment and intangible assets
- The Seta reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period, for the respective carrying values. The Seta's licence is currently operational until 31 March 2016.

24. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

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

Below are the detailed explanations for the differences:

- 24.1.1.** The budget is approved on an accrual basis by functional classification. The approved budget covers the fiscal period from 1 April 2014 to 31 March 2015.
- 24.1.2.** A variance of 3.9% or R10.9 million under recovery on levy income was due to expected increase in employer levy contributions which only took effect towards the middle of the year instead of earlier.
- 24.1.3.** There was an overall under-spending on expenses. The intervention initiatives by the Administrator led to significant reduction in costs relating to discretionary grant & project expenses.
- 24.1.4.** There was an over-spending on Administrative expenses. This was mainly due to consulting, legal and restructuring fees to turn around the organisation's performance during the period of administration after CATHSSETA was placed under administration on 15 October 2014.

25. CONTINGENCIES

25.1 Legal Cases

The legal cases, at hand, involve the suspended senior management including the Chief Executive Officer and Chief Financial Officer as well as other personnel with the organisation. Progress has been achieved in certain cases wherein settlement offers have been presented by the other parties after the disciplinary hearings have been held. The cases have not all concluded, yet.

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26. CONTINGENCIES *(continued)*

25.2 First Time Employer Registrations

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

25.3 NSF Liability

In terms of the grant regulations, a SETA must have committed or paid 95% of discretionary funds available, if not, the uncommitted funds will be forfeited to the NSF.

25.4. Office building

CATHSSETA has committed to occupy the building office space at 01 Newton Avenue, Killarney area beyond the licence expiry period of 31 March 2016. CATHSSETA has taken a negotiated approach with the Landlord in case the license is not renewed to address potential legal challenges and penalties that can be levied. The Landlord is amenable to assist in finding the tenant as they had previously done.

26. Subsequent Events

CATHSSETA identified a subsequent event after the financial year end. Sizwe Ntsaluba Gobodo (SNG) is currently conducting an investigation on possible financial misconduct by staff member(s), which may result in possible criminal charges being instituted against anyone found to have committed fraud and lawsuit laid against the affected individual in order to recover any money misappropriated.

CATHSSETA Accounting Authority has appointed a new audit and risk committee post the balance sheet date.

27. Additional Notes

27.1 Section 53(3) of the Public Finance Management Act No. 1 of 1999, as amended, requires that a public entity may not budget for a deficit and may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained. The SETA has submitted a request, to National Treasury, for condonation to rollover the surplus and the final audited figure is R38.3 million for the 2014/15 financial year.

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

	2015	2014
Administration costs	10.50%	10.50%
Mandatory grants	20.00%	20.00%
Discretionary grants	49.50%	49.50%
Received by Seta	80.00%	80.00%
Contribution by National Skills Fund	20.00%	20.00%
	100.00%	100.00%



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