



Health and Welfare Sector  
Education and Training Authority  
**HWSETA**



2017/2018

# ANNUAL REPORT



**Ms Grace Naledi Mandisa Pandor**  
Minister of Higher Education and  
Training



**Mr Buti Manamela**  
Deputy Minister Of Higher  
Education and Training

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Gardenview, 2047

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**higher education  
& training**  
Department:  
Higher Education and Training  
REPUBLIC OF SOUTH AFRICA



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A woman wearing a teal short-sleeved shirt, a black cap, and a black wristband is leaning over a brown and white cow in a grassy field. She is looking down at the cow's side. The background is a grassy field with some trees in the distance. The image is split into two panels by a diagonal line.

# GENERAL INFORMATION

“

During this period, the HWSETA successfully opened its final two provincial offices which means that the HWSETA now has representation in all nine provinces to meet the needs of our stakeholders nationally.”

Mrs Elaine Brass  
Acting Chief Executive Officer







## Entity Details

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**Registered Name of Entity:**

Health and Welfare Sector Education and Training Authority

**Registration Number:**

11/HWSETA/01/04/05

**Registered Office Address:**

17 Bradford Road, Bedfordview, Johannesburg

**Postal Address:**

Private Bag X15, Gardenview, 2047

## External Auditors Information

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The Auditor-General SA,  
Lefika House,  
Pretoria

## Bankers' Information

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**Standard Bank**

303 Eastgate Office Towers  
43 Bradford Road, Bedfordview, 2008

**RMB**

1 Merchant Place Cnr Friedman Dr and Rivonia Road, Sandton  
2196

**Nedbank**

6th Floor Corporate Place Nedbank Sandton,  
135 Rivonia Road, Sandown, 2196

**Corporation for Public Deposits (CPD)**

PO Box 427, Pretoria, 0001

**Stanlib**

17 Melrose Boulevard  
Melrose Arch, 2196



## List of Abbreviations/Acronyms

---

|                 |  |               |  |
|-----------------|--|---------------|--|
| <b>AET</b>      | Adult Education and Training                                   | <b>NEHAWU</b> | National Education, Health and Allied Workers Union  |
| <b>AFS</b>      | Annual Financial Statements                                    | <b>NPSWU</b>  | National Public Service Workers Union                |
| <b>APP</b>      | Annual Performance Plan  | <b>NQF</b>    | National Qualifications Framework                    |
| <b>AQP</b>      | Assessment Quality Partner                                     | <b>NSA</b>    | National Skills Authority                            |
| <b>ATRs</b>     | Annual Training Reports  | <b>NSDS</b>   | National Skills Development Strategy                 |
| <b>AUCOM</b>    | Audit Committee  | <b>NSF</b>    | National Skills Fund                                 |
| <b>CCMA</b>     | Commission for Conciliation, Mediation and Arbitration         | <b>OFO</b>    | Organising Framework for Occupations                 |
| <b>CPD</b>      | Continuing Professional Development                            | <b>OHSA</b>   | Occupational Health and Safety Act                   |
| <b>CS</b>       | Corporate Services   | <b>PAIA</b>   | Promotion of Access to Information Act               |
| <b>DENOSA</b>   | Democratic Nursing Organisation of South Africa                | <b>PAYE</b>   | Pay As You Earn                                      |
| <b>DoL</b>      | Department of Labour   | <b>PFMA</b>   | Public Finance Management Act                        |
| <b>DoH</b>      | Department of Health   | <b>POPI</b>   | Protection of Personal Information                   |
| <b>DHET</b>     | Department of Higher Education and Training                    | <b>QASA</b>   | Quad-Para Association of South Africa                |
| <b>DSD</b>      | Department of Social Development                               | <b>QCTO</b>   | Quality Council for Trades and Occupations           |
| <b>EDP</b>      | Executive Development Programme                                | <b>RIME</b>   | Research, Information, Monitoring and Evaluation     |
| <b>EISA</b>     | External Integrated Summative Assessment                       | <b>RPL</b>    | Recognition of Prior Learning                        |
| <b>ERP</b>      | Enterprise Resource Planning                                   | <b>SACSSP</b> | South African Council for Social Service Professions |
| <b>ETQA</b>     | Education and Training Quality Assurance                       | <b>SAPS</b>   | South African Police Service                         |
| <b>ETD</b>      | Education, Training and Development (Practitioners)            | <b>SARS</b>   | South African Revenue Service                        |
| <b>EXCO</b>     | Executive Committee  | <b>SDA</b>    | Skills Development Act                               |
| <b>FU</b>       | Finance Unit   | <b>SASSA</b>  | South African Social Security Agency                 |
| <b>GDS</b>      | Growth and Development Summit                                  | <b>SAQA</b>   | South African Qualifications Authority               |
| <b>HASA</b>     | Hospital Association of South Africa                           | <b>SDFs</b>   | Skills Development Facilitators                      |
| <b>HDSA</b>     | Historically Disadvantaged South Africans                      | <b>SDL</b>    | Skills Development Levy                              |
| <b>HOSPERSA</b> | Health and Other Service Personnel Trade Union of South Africa | <b>SDP</b>    | Skills Development Planning                          |
| <b>HR</b>       | Human Resources  | <b>SETA</b>   | Sector Education and Training Authority              |
| <b>HSRC</b>     | Human Science Research Council                                 | <b>SGB</b>    | Standards Generating Body                            |
| <b>H&amp;S</b>  | Health and Safety  | <b>SLA</b>    | Service Level Agreement                              |
| <b>ISO</b>      | International Standards Organisation                           | <b>SMMEs</b>  | Small, Micro, Medium Enterprises                     |
| <b>IT</b>       | Information Technology   | <b>SSP</b>    | Sector Skills Plan                                   |
| <b>MERP</b>     | Monitoring, Evaluation and Reporting Plan                      | <b>SWOT</b>   | Strengths, Weaknesses, Opportunities and Threats     |
| <b>MIS</b>      | Management Information Systems                                 | <b>TVET</b>   | Technical and Vocational Education and Training      |
| <b>MOU</b>      | Memorandum of Understanding                                    | <b>UIF</b>    | Unemployment Insurance Fund                          |
| <b>NPC</b>      | Non-Profit Company   | <b>WSPs</b>   | Workplace Skills Plans                               |



# Foreword by the Chairperson

## Presentation of the Annual Report

I hereby, on behalf of the Accounting Authority, the Board of the Health and Welfare Sector Education and Training Authority (HWSETA) and in my capacity as the Chairperson of the Board, table the 2017/18 HWSETA Annual Report in line with relevant laws. This Annual Report is an account of the performance of the HWSETA towards the achievements of goals and targets stated in its Annual Performance Plan.

After successfully achieving four consecutive unqualified, clean audits, the HWSETA has achieved an unqualified financial audit for 2017/18.

A material finding has been raised by the Auditor-General in respect of the reliability of Programme 2 – Skills development programme implementation and projects, Indicator 8 – Number of unemployed learners registered in skills programmes funded by HWSETA per year.

Whilst any finding made by the Auditor-General is a concern and an indication that corrective measures are required, it should be noted that the finding relates to a sub-indicator that is one of 21 sub-indicators within Programme 2 comprising 15 indicators. This sub-indicator therefore translates into a 1% weighting of the Performance Information Report in its entirety.

The HWSETA has delivered on its mandate effectively, in line with the Skills Development Act and relevant laws. It implemented directives of the Honourable Minister of Higher Education and Training issued in her capacity as the Executive Authority. Its delivery was done in accordance with the National Skills Development Strategy (NSDS) III, the HWSETA plans and National Priorities, particularly the Medium Term Strategic Framework and the National Development Plan Vision 2030.

## Performance of Accounting Authority and Executive Management

The tenure of the previous Board ended on 31 March 2018, and under the guidance of Dr Confidence Moloko as Independent Chairperson of the Board, the HWSETA Board provided leadership to the organisation throughout the 2017/18 financial year. It successfully maintained an environment that promoted productivity and excellence. It continued to deliver in line with its mandate, particularly to attain the goals and targets of the NSDS III.

On behalf of the new HWSETA Board that commenced its tenure on 1 April 2018, we extend our thanks to the Board for laying a solid foundation from which the new Board can assume its responsibility as Accounting Authority and we wish the Board members well in future endeavours.

The HWSETA Standing Committees of the Board excelled in their performance; the Audit and Risk Committee served the HWSETA with distinction; and the HWSETA received excellent service from its Internal Auditors.

Towards the end of the 2016/17 financial year, Mrs Elaine Brass assumed the role as Acting CEO for the HWSETA and the recruitment process for the CEO position commenced. It must be noted though that the tenure of the CEO position corresponds with that of the Board tenure and the anticipated changes in Board tenure at the time would have meant that any appointment of a CEO then would be for a period of only 12 – 18 months. In light of this, Mrs Brass has remained in the position as Acting CEO for the HWSETA during the period under review.

The Acting CEO, together with her highly capable Executive Management team, maintained its good management; continued to improve on corporate governance and delivered on the mandate of the HWSETA.

The Office of the Auditor General remained a valuable partner to the HWSETA providing the necessary support and guidance for the organisation to deliver services.



Ms Refilwe Matenche  
Chairperson of the Board



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After successfully achieving four consecutive unqualified, clean audits, the HWSETA has achieved an unqualified financial audit for 2017/18.

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## Achievement Against Performance Indicators

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The HWSETA successfully achieved 97.5% of its performance indicators as set out in the Annual Performance Plan and extensive progress had been made in the remaining 2.5% not achieved. Furthermore, it executed its plans as stipulated in the Service Level Agreement entered into with the Department of Higher Education and Training.

## Sincere Gratitude to the Minister, Board Members, Standing Committees, Staff and the Office of the Auditor General

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I hereby, on behalf of the Board of the HWSETA, thank all stakeholders who serve as valuable partners in the pursuit of the mandate of the HWSETA. Sincere thanks to all officials of the Department of Higher Education and Training, especially the Director General, the Deputy Director General and Chief Director and their staff.

The HWSETA hereby offers sincere gratitude to organised labour in the sector and its numerous partner employers in the private and public sector, especially provincial and national departments of Social Development and Health; non-governmental organisations (NGOs), institutions of higher learning, the TVET college sector, professional bodies and Councils.

Sincere thanks to the Team-HWSETA made up of the HWSETA Board, the Acting CEO, her Executive Management Team, Managers and all staff for their collective effort and support that made it possible for the HWSETA to perform consistently throughout the year.

# Chief Executive Officer's Report

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The HWSETA had an eventful year, marked by many successes and changes.

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It was the last year of the tenure of our Board. The Minister, through the Department of Higher Education and Training, came through as promised and appointed a new Board, effective 1 April 2018. The new incoming Board will see the HWSETA through to 31 March 2020. The HWSETA salutes our outgoing Board, and thanks them for their valuable contribution to the HWSETA. They truly lived up to their role in line with the Skills Development Act and HWSETA Constitution, and fulfilled their objectives of providing the HWSETA with leadership and strategic direction.

Our Strategic plans and Annual Performance Plans, with budget, was approved by the Minister. The HWSETA met all its statutory obligations and complied with laws and regulations.

In line with these plans, the HWSETA has performed well, and has achieved 97.5% of its planned targets. Further to this, the HWSETA has once again achieved an unqualified audit relating to its Financial health.

In the year under review, the HWSETA opened its last two offices in Bloemfontein and Nelspruit. We now have offices in all nine provinces. This is to ensure that we can service our stakeholders throughout the country. Our next step is to see how effective these offices are at servicing you, and we will make necessary adjustments where we need to.

The HWSETA remains one of the first SETA's to successfully implement, manage and co-ordinate the External Integrated Summative Assessment (EISA) examinations for the Health Promotion Officer Qualification (Community Health worker) as part of its duties as Assessment Quality Partner (AQP) for the QCTO. We continue to strengthen this delegated function and in the 2018/19 period the HWSETA will extend these exams to the Social Auxiliary Work and Child and Youth Care qualifications.

During the 2017/18 year, the HWSETA developed and registered eight new qualifications, addressing Minister of Religion Occupations. During the same period, the HWSETA developed the Social Security qualifications, which will be submitted to the

QCTO in the 2018/19 period for registration. The HWSETA once again exceeded its target on Recognition of Prior Learning (RPL), where 353 learners were successfully recognised for prior learning, compared to a target of 350. This figure included 100 apprenticeships assessed for recognition, as part of the accelerated artisan programme.

Our research has an overarching effect on our strategy, and the HWSETA continues to benefit from research conducted into the sectors and projects implemented. In the period under review, thirteen research papers were completed, as well as research into the Sector needs (Sector Skills Plan). These assist the HWSETA to identify good performing projects, and where the efforts and funding of the HWSETA should be channeled. They also provide us with valuable information to improve our projects and service our sector better.



Mrs Elaine Brass  
Acting Chief Executive Officer

The HWSETA continued with the development of its ERP System and in 2017/18, the ETQA module went live. Despite bugs and teething issues, the module will prove to be a valuable addition to the improved service to our stakeholders. We thank our stakeholders for their patience in this process of development. In 2018/19, the final two modules, namely finance and projects, will go live.

The HWSETA closed its year with R900 million in commitments to the Sector of Health and Social Development. Actual payments during the year to discretionary grant funding was R277 million (R313 million in 2016/17). With a change in the funding cycle of the HWSETA implemented and effective 1 April 2018, the HWSETA has started earlier to roll out projects against the Annual Performance Plan (APP), which should also assist in the earlier movement of funds.

Participation by Employers continues to remain on the low side, with R69 million being paid in mandatory grants over the year, a 63% participation rate (62% in 2016/17). The support from our Departments of Health and Social Development nationally

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## This year under review saw the HWSETA opening its last two offices in Bloemfontein and Nelspruit. We now have offices in all 9 provinces!

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and provincially stabilised, with no significant increase in this year. Each year, the HWSETA reports an underspending on Administration, resulting in more funds being available for Discretionary grant funding for the Sectors we serve.

The HWSETA's focus is now to translate the commitments of R900 million to cash disbursements, as these funds being hosted in our bank accounts do not assist the HWSETA. We appeal to our stakeholders to meet the criteria to assist us to disburse these funds in 2018/19 year.

The HWSETA has established new partnerships in the year under review and has maintained its already established partnerships. Please enjoy some of the good news stories we have displayed in our annual report this year showcasing some of these partnerships.

The Minister of Higher Education and Training announced in December 2016 that the SETA's licenses have been extended to March 2020, with the extension of NSDS III. The paper on the National Skills Development Plan (NSDP) for post school education and training beyond 2020 was launched in December 2017. The National Skills Authority (NSA) and DHET conducted shareholder consultation in January – March 2018, as well as called for formal comments on the paper. This plan, after comments and consultation, will determine the SETA landscape after 2020. Our current Board will see the HWSETA through to 31 March 2020.

The HWSETA cannot achieve targets of 97.5% without a strong control environment and excellent financial health and without a strong and effective Governance in place. The Management of the HWSETA has worked well with the Governance structures of the Board and the Accounting Authority during the year to achieve this.

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## Statement of Responsibility and Confirmation of Accuracy for the Annual Report

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

- All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements 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 required accounting (GRAP) standards applicable to the public entity.
- The Accounting Authority is responsible for the preparation

of the Annual Financial Statements and for the judgements made in this information.

- The Accounting Authority is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.
- The external auditors are engaged to express an independent opinion on the Annual Financial Statements.
- In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2018.

Yours faithfully,



Mrs Elaine Brass CA (SA)

Acting Chief Executive Officer

Date: 28 July 2018



Ms Refilwe Matenche CA (SA)

Chairperson of the HWSETA

Date: 28 July 2018





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## Strategic Overview

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### Our Vision

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The creation of a skilled workforce for the health and social development needs of all South Africans

### Our Mission

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The Health and Welfare Sector Education and Training Authority (HWSETA) endeavours to create an integrated approach to the development and provision of appropriately skilled health and social development workers, to render quality services comparable to worldclass standards.

### Our Values

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- Integrity
- Transparency
- Transformation
- Service Excellence

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## Legislative and Other Mandates

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The HWSETA is a statutory body, a juristic person, and a Schedule 3 entity – as per the Public Finance Management Act (PFMA).

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### Constitutional Mandates

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As an entity of the DHET, it derives its mandate from the Constitution of the Republic of South Africa specifically Section 29 read with schedule 4, which lists education at all levels, including tertiary education as a functional area of concurrent national and provincial legislative competence.

### Policy Mandates

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Policy mandates are dictated by the Service Delivery Agreements entered into by Ministers of:

- Department of Higher Education and Training;
- Department of Health; and
- Department of Social Development.

### Legislative Mandates

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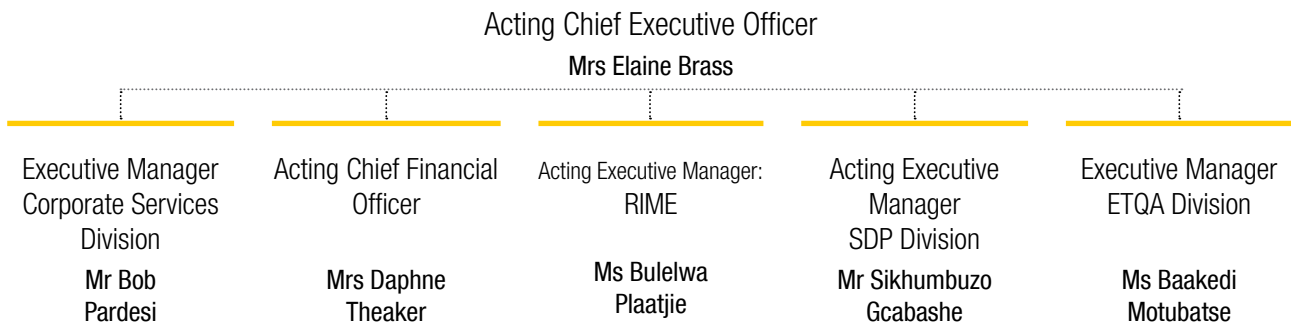
The HWSETA derives its mandate from:

- The Skills Development Act, as amended;
- The Skills Development Levies Act, as amended;
- The SAQA Act, as amended;
- The QCTO Act;
- The Public Finance Management Act, as amended;
- Treasury Regulations;
- All other (relevant/applicable) Human Resources and Industrial Relations Acts;
- All other Health and Welfare Acts and Regulations;
- Grant Regulations; and
- White Paper on Post-school Education.



## HWSETA Board Comprising 15 Members

(refer part c: governance for more detailed information)



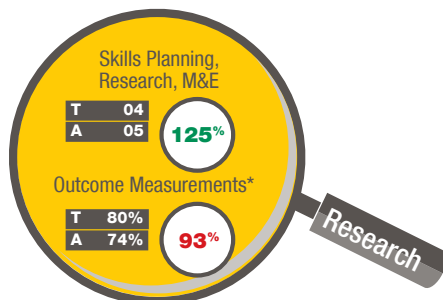
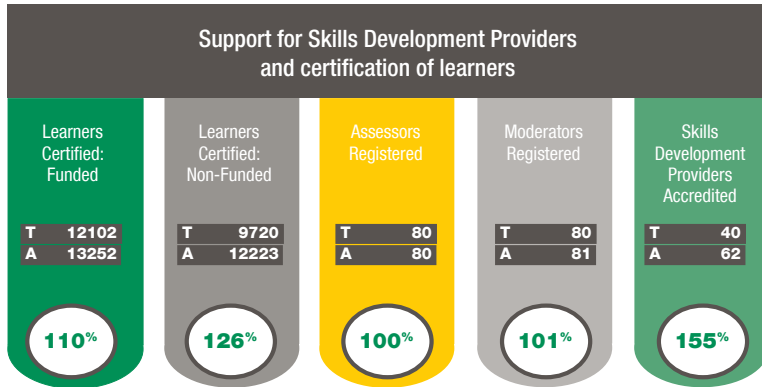
*Standing at the back are Mr Bob Pardesi and Ms Baakedi Motubatse*

*In the front from left to right are Mr Sikhumbuzo Gcabashe, Ms Bulelwa Plaatjie, Mrs Elaine Brass and Mrs Daphne Theaker*

# 2017/18 Annual Dashboard

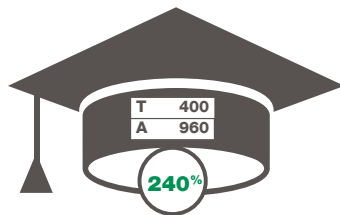
T - Target  
A - Achieve

% achievement against APP targets



*\*Funding recipients placed in permanent employment six months after certification*

University Student Placement



Government Sector Support



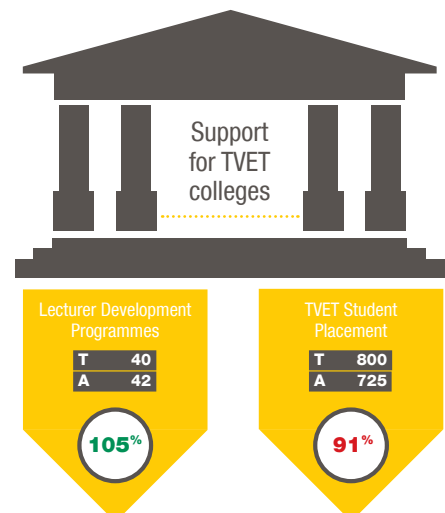
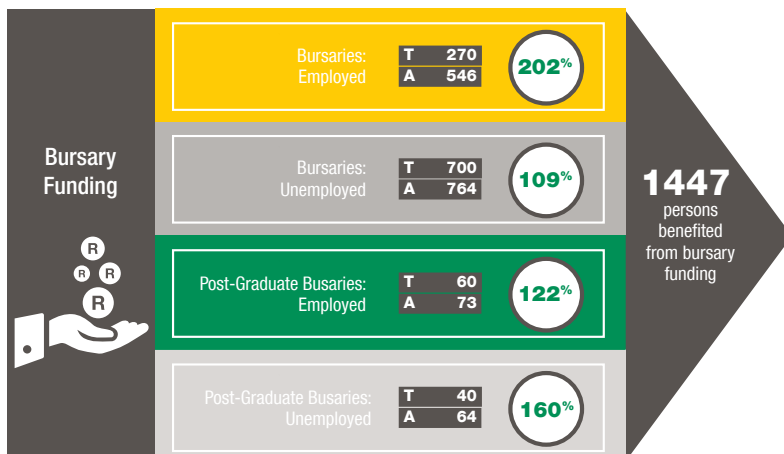
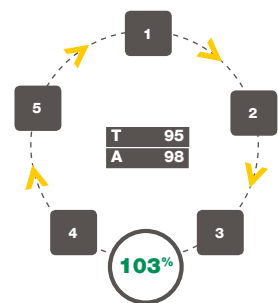
T 06  
A 10

Mid-Level Worker Projects



T 06  
A 13

Qualifications Development Processes Supported



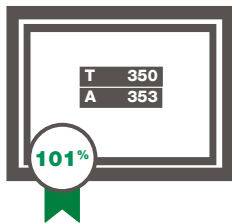


T - Target  
A - Achieve

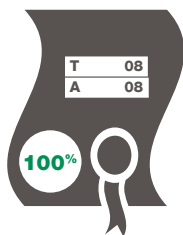
# 2017/18 Annual Dashboard

% achievement against APP targets

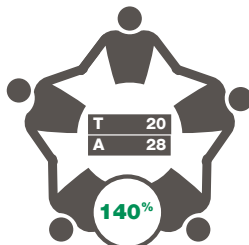
Recognition of  
Prior Learning



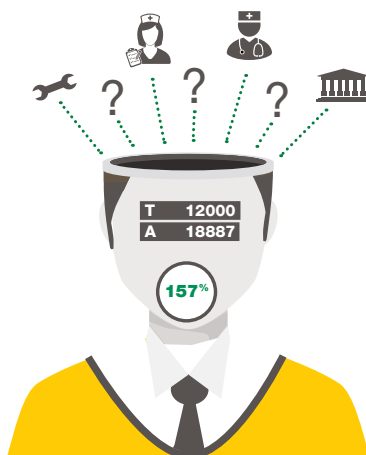
Qualifications  
Development



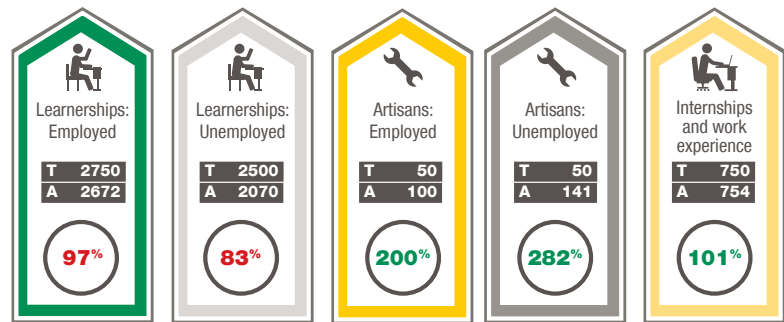
Support for  
Co-operatives



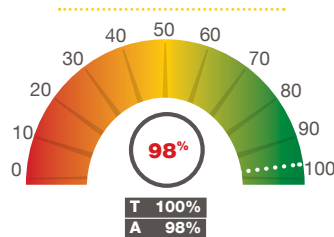
Number of persons  
reached with career guidance



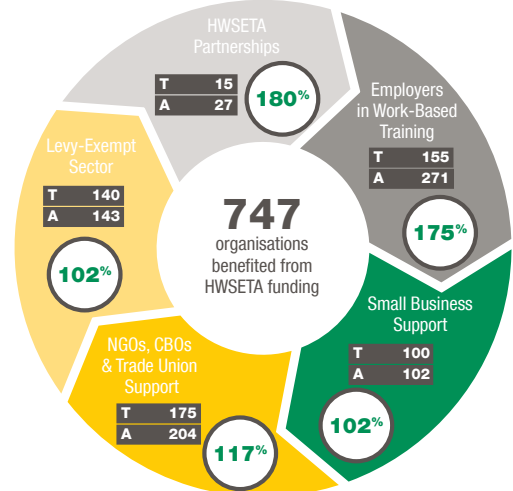
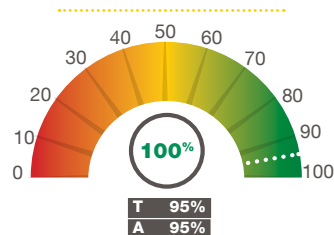
**5 737** persons benefited from occupationally directed programmes and work intergrated learning



IT Support

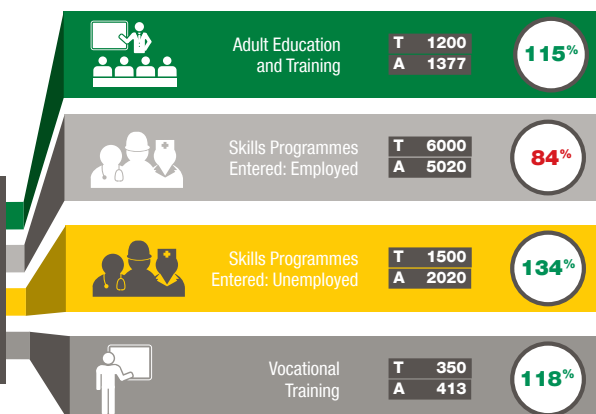


HR Support



**8 177**

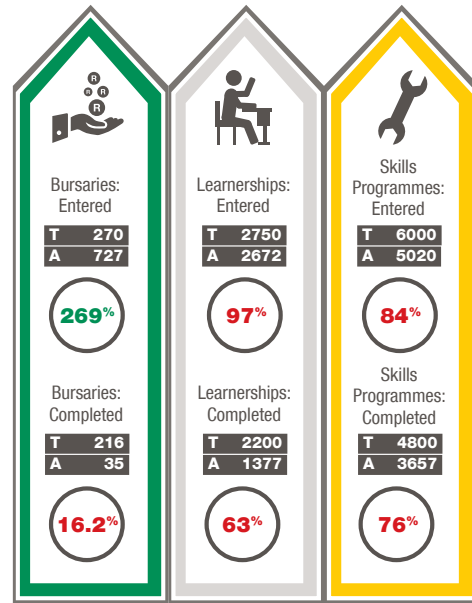
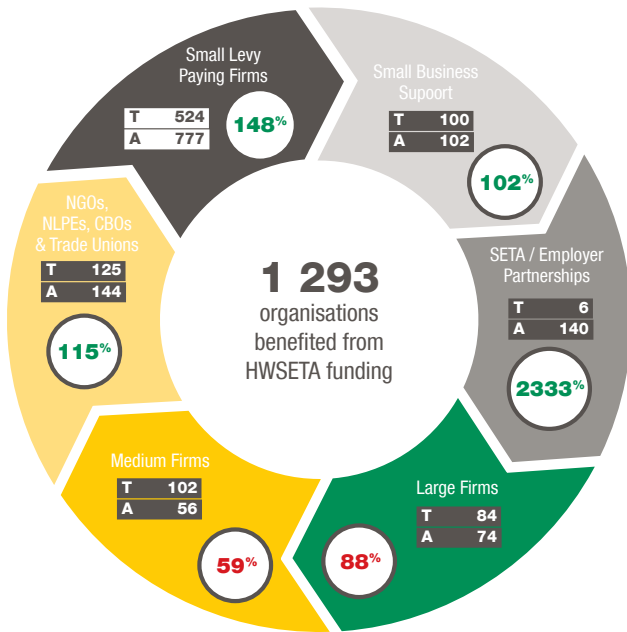
Persons received skills and vocational training



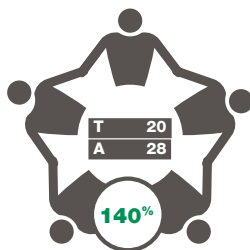
# 2017/18 Annual Dashboard

T - Target  
A - Achieve

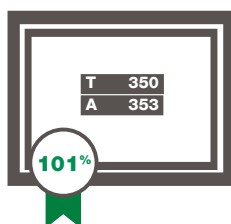
% achievement against SLA annual targets



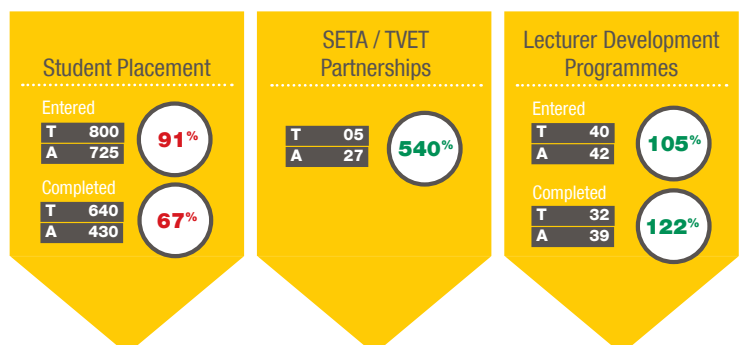
Co-operative Support



Recognition of Prior Learning



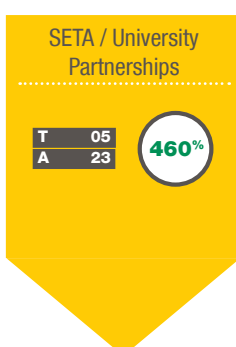
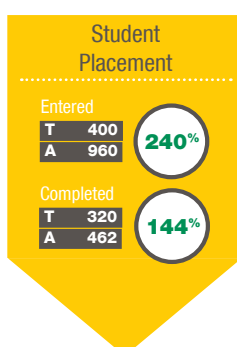
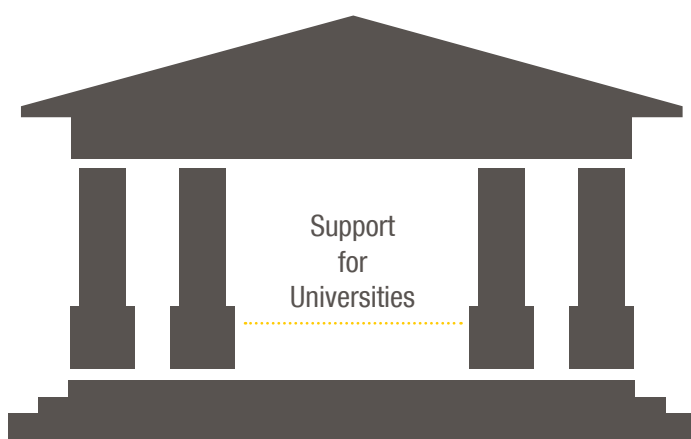
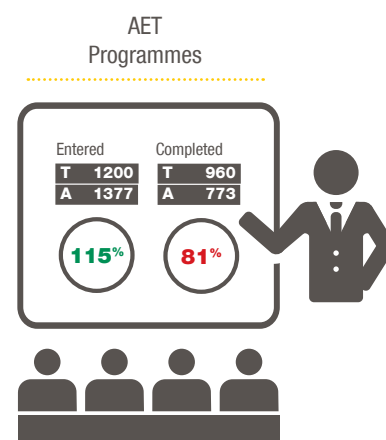
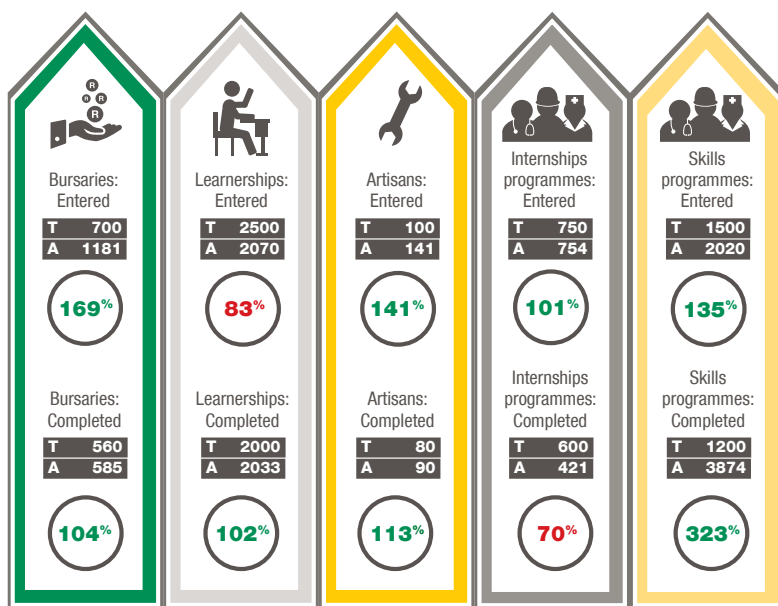
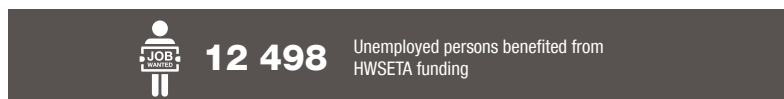
Support for TVET colleges



T - Target  
A - Achieve

# 2017/18 Annual Dashboard

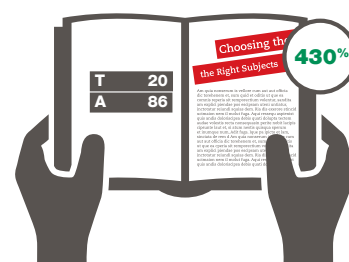
% achievement against SLA annual targets



**Rural Development Projects**



**Career Guidance Events**





## The year in review

# Netcare and HWSETA Join Forces with TVET Colleges

A multilateral partnership between the HWSETA, Netcare and several TVET colleges has resulted in 51 young TVET learners not only successfully completing the Basics of Stores and Stock Control (BSSC) certificate endorsed by the South African Production and Inventory Control Society (SAPICS), but also becoming permanently employed as pharmacy store assistants at various Netcare hospitals across the country.

The achievement of these learners was celebrated at a graduation ceremony held at Netcare's head office in Sandton on 14 March 2018. The Deputy Minister of Higher Education and Training, the Honourable Buti Manamela, attended the event and delivered the keynote address.

The collaboration was initiated as part of a proposal that Netcare CEO, Dr Richard Friedland, presented to various stakeholders including the National Treasury and HWSETA, to drive targeted skills development initiatives that would lead to the creation of permanent jobs for our youth.



With assistance from Campus Managers at TVET Colleges in Gauteng, KwaZulu-Natal, the Free State and the Western and Eastern Cape, learners who had successfully completed either business or financial management studies were identified for placement at Netcare hospitals across the country where they underwent an accelerated 'Netcare on-boarding' process. Once completed, the learners commenced an eight-month 'Basics of Stores and Stock Control' course in 2017.

One of the graduates, Nompoti Mbongo, who is now employed by Netcare Linksfield Hospital, echoes the sentiments of many of her co-learners: "It was an amazing course. Doing both theoretical and practical work meant that you could take the theory you've learned in the classroom and apply it in the workplace. I am very grateful for the opportunity given to me by the HWSETA and Netcare, and to my line manager for coaching me throughout the course. I am inspired to continue growing my career."

*The Deputy Minister of Higher Education and Training, the Honourable Buti Manamela (front, centre); Dr Confidence Moloko, Former Chairperson of the HWSETA Board (front, to the left); and Dr Richard Friedland, CEO of Netcare (2nd row, to the right) with the TVET learners who successfully completed the Basics of Stores and Stock Control (BSSC) certificate.*

## Bringing Dignity to Teenage Girls

Research has revealed that girls who cannot afford sanitary products miss approximately five days of school a month during their monthly cycles. The lack of affordable sanitary products for girls and young women places them at a disadvantage in terms of education and prevents their mobility and productivity as young women.

To commemorate Women's Month, the Department of Higher Education and Training (DHET) raised an appeal for

contributions of sanitary protection for young female students at different colleges throughout the country. The supply of sanitary protection to young women who cannot afford it is an important Corporate Social Investment activity for the HWSETA.

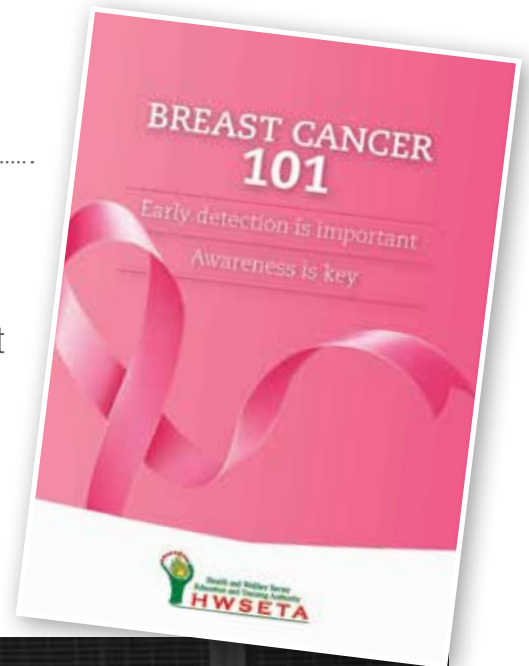


*Seen in this photo with a van packed to capacity with sanitary protection scheduled for delivery to DHET are: Mr Veli Mtembu, Driver for the HWSETA, Ms Reena Takoorpersadh, PA to the CEO and Mrs Elaine Brass, Acting CEO for the HWSETA.*

## HWSETA Goes Pink for Breast Cancer

Apart from non-melanoma skin cancer, Breast Cancer is the most common cancer in women of all races. According to The Cancer Association of South Africa (CANSA), Breast Cancer constitutes at least 25% of all cancers in women and will affect 1 in 29 South Africans in their lifetime.

As the SETA that represents the health sector, breast cancer and its effects on the country fall squarely within the scope of the HWSETA. In October 2017, all HWSETA staff from the Head Office in Gauteng, as well as at the nine provincial offices, donned pink t-shirts and headed out to main intersections to hand out breast cancer awareness information.



## HWSETA's Enterprise Resource Planning System Progressing Well!

The processes and systems in place at the HWSETA generate substantial quantities of information that necessitates extensive physical storage capacity as all information must be kept for a period of five years. Moreover, this places pressure on the environment through excessive use of paper.

In a bid to streamline processes for both the HWSETA and its stakeholders, as well as to move to a 'paperless' environment, the HWSETA took the decision to implement an Enterprise

Resource Planning (ERP) system.

During the 2016/17 financial year an extensive amount of planning and development was put in place and the first WSPs and ATRs were submitted by employers online.

In the financial year under review, the ETQA modules went live and all development on the projects and finance modules was completed. By the end of the financial year, testing on the projects and finance modules

was in full swing and planning had commenced for phase 2 of the project that will comprise supply chain, human resources, marketing and business intelligence.

Whilst the ERP project has been key to the automation of the HWSETA processes, it has also resulted in the need to build capacity within the IT Department therefore increasing the skills base of employees involved in the project.

The background of the slide features a close-up photograph of several hands, likely from people of African descent, giving a thumbs-up gesture. The hands are in various shades of brown and are set against a blurred background. A large white triangle is positioned in the top-left corner, and a small yellow triangle is located at the bottom edge of this white triangle.

# PERFORMANCE INFORMATION

“

The performance of the HWSETA has once again been ground breaking in that 97.5% of APP targets have either been achieved or over achieved. Extensive progress has been made towards the achievement of the 2.5% balance.”

Ms Bulelwa Plaatjie,  
Acting Executive Manager, RIME







# Performance Against Predetermined Objectives

Refer report by Auditor-General on pages 62–65 of this Annual Report.

## Situational Analysis - Service Delivery Environment

The Strategic Plan and Annual Performance Plan (APP) for the year under review was implemented in a service delivery environment characterised by a number of challenges.

- The shift from offering occupationally based qualifications to exclusively higher education qualifications for Nursing education has impacted the HWSETA negatively in that nursing occupations are the leading critical and scarce skills reported in the Sector Skills Plan (SSP) 2016 update. This prompted that the pivotal list allocate 47% of planned learnerships to nursing education.
- During the period under review, nursing colleges that had been offering nursing qualifications from NQF level 3 to 6 were required to secure accreditation for NQF level 5 Higher Certificates (Auxiliary Nursing and Auxiliary Midwifery) and an NQF level 6 Diploma (Staff Nurse) from the Council on Higher Education (CHE). However, very few Nursing Colleges were accredited to offer these new qualifications, which resulted in fewer enrolments than targeted in the 2017/18 APP.
- Low participation by employers in the Artisanal sector caused slow implementation of artisanal training. Furthermore, enrolments into the accelerated Artisan

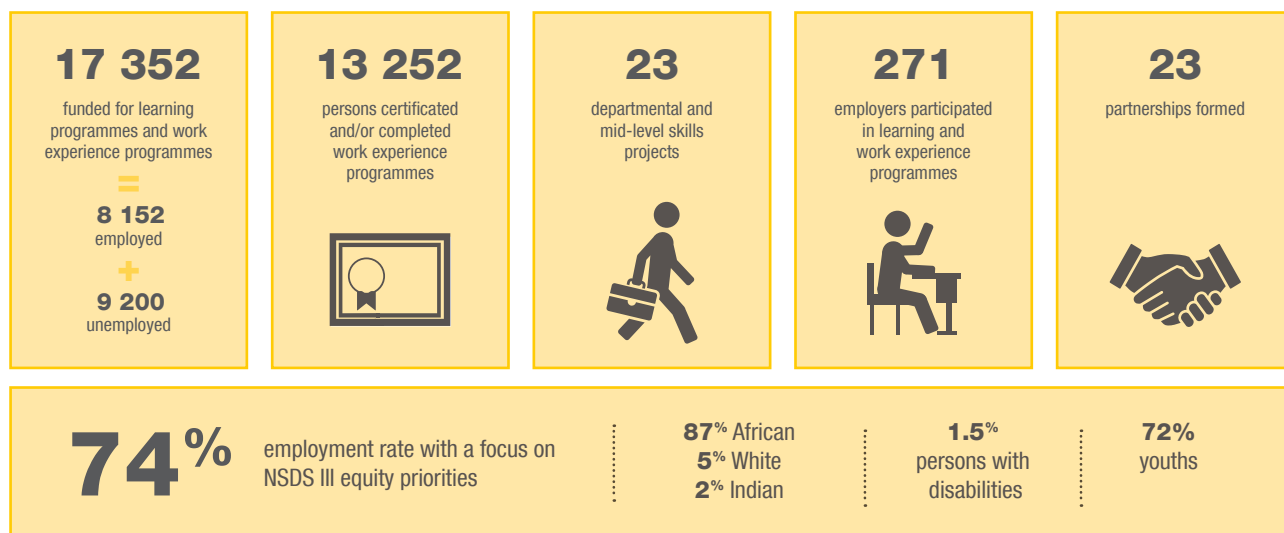
Programme, that requires recognition of prior learning, also occurred at a slower pace and yielded less enrolments than the target figure.

- The mismatch between HWSETA enrolment timeframes and the rate at which government departments sometimes enrol learners into training programmes resulted in training planned for the period under review being carried over to the next financial year.
- For completions, the HWSETA relies on employers participating in training to report learners that have either completed skills development programmes or who have been certificated in learning programmes funded by the HWSETA. Employers who do not timeously report completions and certifications affect targets set in the APP as these are based on entries reported in the previous financial year (2016/17).



The performance of the HWSETA for 2017/18 has nevertheless been ground breaking once again in that 97.5% of APP targets have either been achieved or over-achieved. Extensive progress has been made towards the achievement of the 2.5% balance with progress ranging from 75% to 98% that yielded an average of 90%.

Work-based training supported by the HWSETA through learnerships, apprenticeships, skills programmes, and bursaries, as well as work experience programmes comprising TVET College Placement, University Student Placement, and internships for graduates, yielded the following key outputs:





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# Situational Analysis

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## Organisational Environment

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During the second and final year of the Board's tenure, there was a strong focus on steady achievement of targets from first to last quarter. The non-alignment of the academic year, the financial year, and the disbursement of discretionary grants based on current year WSP submissions, results in a mismatch in implementation timeframes and hence low achievements reported in quarter one and two, relatively moderate achievement quarter 3 and very high achievement in quarter 4. The Board resolved this mismatch for 2018/19 by changing the approval cycle for discretionary grant projects to take place in quarter four that will facilitate a steady achievement of targets from quarter 1 to quarter 4 in the future. Quarter 4 therefore was very busy for the Board as it had to ensure closure of a number of projects it commissioned during its tenure and also approve discretionary grant projects for 2018/19.

The HWSETA also experienced some changes in its Executive Management. The CEO position could not be filled due to the short tenure of the Board and the CFO continued as the Acting CEO. The Executive Manager for the Skills Development Planning (SDP) division was suspended and subsequently dismissed. To address this, the Executive Manager for the RIME Division served as the Acting Executive for SDP and a manager within the RIME Division served as the Acting Executive Manager for the Division (refer organogram of executives on page 11 for more detail).

## Key Policy Developments And Legislative Changes

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- Promulgation of National Policy for Integrated Career Development System for South Africa, (Government Gazette, 20 April 2017): This is a national policy that provides a comprehensive and integrated career development system for South Africans. This policy will ensure that citizens of all ages have access to quality career information and career development services throughout their lives. SETAs will form part of this system and will, in particular, conduct career exhibitions and/or festivals; coordinate and lead career development services system. A SETA career forum will be established to serve as a consultative structure that will promote a career development system
- Amendment of Regulation 14 (2) of SETA standard Constitution Regulations, (Government Gazette, 22 August 2017 Call for comments): This amendment revises the term of office of the Chairperson of the Board. It states that, "a chairperson may not serve more than two terms in a particular SETA".
- Extension of due date for the registration of Private Providers offering qualifications and part-qualifications on Occupational Qualifications Framework with the Department of Higher Education and Training. Initial date was communicated through a joint communique 1 of 2016, which set a due date of 30 June 2017. The due date has been extended to 30 November 2018.

# Strategic Outcome Oriented Goals

The NSDS III identifies ten strategic outcome oriented goals that aim to drive the country's skills development mandate. During the period under review, the HWSETA has made progress towards the achievement of these goals as follows:

## Goal 1:

### Improvement of organisational administration and management capability in the HWSETA

There were no resignations from Management and the Executive Management during the year under review. The suspension of the Executive Manager for Skills Development did not affect operations as the organisation moved swiftly to ensure that there were no vacancies in top management. Operations therefore did not experience a vacuum in leadership. Resignations that occurred in the year were in positions lower than management and vacancies that resulted were filled to maintain the 95% minimum staff complement by the end of the financial period. Four additional positions to the organogram were approved by the Board and these positions further capacitated the provincial offices of the HWSETA.

The automation of business processes of the HWSETA is an innovation in service delivery that is coming into fruition. Automation of the Workplace Skills Plan (WSP), Education and Training Quality Assurance (ETQA), Skills Development Projects (SDP), and Finance functions of the HWSETA were completed by 31 March 2018. The WSP and ETQA modules went live in 2017/18 and SDP and Finance will go live in 2018/19. Automation will provide convenience for stakeholders as they will not have to visit HWSETA offices for submission of application forms and other documentation. The automation of business processes is expected to improve service delivery in many ways and these effects are expected by 2019/20.

## Goal 2:

### Establishment of an institutional mechanism for skills planning in the health and social development sector

Workplace Skills Plans and Annual Training Reports submitted by the private sector to the HWSETA in 2017/18 and those submitted by Government Departments to the PSETA formed the basis for the SSP 2017 update. Additional data sources used to compile the SSP include databases from professional bodies, Medpages, Universities, TVET Colleges etc. Research, monitoring and evaluation conducted by the HWSETA also feeds into the SSP update. The analysis of all data collected from primary and secondary sources produces the critical and scarce skills list and pivotal lists which form the basis for implementation of skills development projects of the HWSETA.

## Goal 3:

### Increase of access to occupationally-directed programmes in the health and social development sector

Access to occupationally directed programmes was facilitated through partnerships with employers, TVET Colleges, Universities and NSFAS.

Employers in the sector hosted **4742** learnerships

**754**

graduates were placed in internships

**1310**

undergraduate bursaries via NSFAS for health and social development sector qualifications

**137**

postgraduate bursaries for Masters and PhD studies (of this 23 were persons with disabilities)

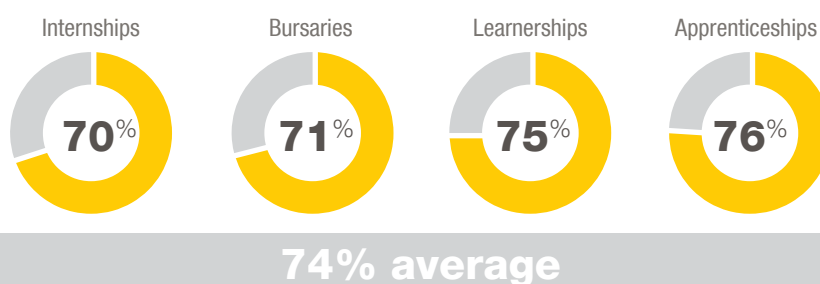
**413**

TVET College students were funded for vocational training

**241**

students were funded for apprenticeships.

The track and trace study conducted in 2017/18 on students previously funded by the HWSETA to access occupationally directed programmes yielded the following outcomes:







#### Goal 4:

**Promotion of the growth of a public TVET college system that is responsive to health and social development sector's local, regional, and national skills needs and priorities**

The HWSETA promoted the TVET College system through partnerships with 27 TVET colleges

**725**

students were placed in work integrated learning

**42**

lecturers received workplace exposure

A significant success is the partnership with Netcare that saw 61 TVET College students hosted as Pharmacy Stock Assistants. Of this number, 51 students completed the training and were employed permanently by Netcare as Pharmacy Stock Assistants.

#### Goal 5:

**Addressing the low level of youth and adult language and numeracy skills to enable additional training in the health and social development sector**

In 2017/18 South Africa had an estimated 5.6 million illiterate adults. The Health and Welfare sector has an estimated 50 050 employees occupying elementary positions. The HWSETA planned to support 1200 workers in 2017/18 but actually supported 1377 workers to complete their education through computer assisted and face-to-face learning.

#### Goal 6:

**Encouragement of the use of workplace-based skills development in the health and social development sector**

Mandatory grants paid to **907** organisations

**74**

large firms

**56**

medium firms

**777**

small firms

#### Discretionary grant funding

**102**

small and emerging businesses

**143**

levy-exempt organisations for work-based learning

**271**

employers participated in work-based training and thus provided a platform for learnerships, internships, and work experience placement for TVET Colleges and university students.

**6 651**

workers were capacitated through skills programmes and short learning programmes

#### Goal 7:

**Encouragement and support of cooperatives, small enterprises, worker-initiated, NGO and community training initiatives in the health and social development sector**

The HWSETA entered into a partnership with the Small Enterprise Development Agency (SEDA) to capacitate 28 cooperatives through skills development initiatives. These cooperatives were empowered to create opportunities to make a living for themselves.

In order to ensure the sustainability of small businesses, the HWSETA supported 102 small and emerging businesses

**144**

organisations benefited from further education and training

**85**

NGOs

**30**

CBOs

**18**

NLPEs

**11**

Unions



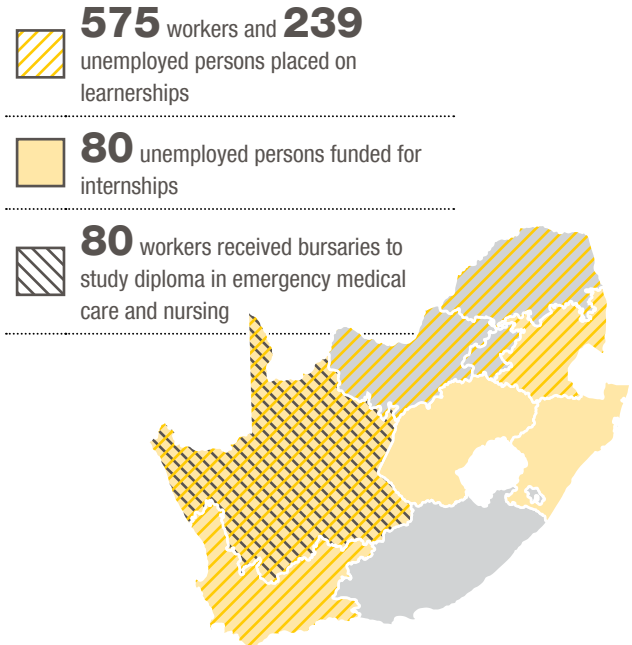
Goal 8:

**Increase of health and social development public sector capacity for improved service delivery in support of the National Development Plan**

**Support for Department of Social Development**



**Support for Department of Health**



Goal 9:

**Provision of career and vocational guidance in the health and social development sector**

The HWSETA conducted career guidance campaigns across the country in partnership with various government departments, DHET in particular. The HWSETA participated in 86 career guidance events and reached 18 887 scholars from various grades to assist these scholars with subject and career choices. In the future, the HWSETA aims to link up with other SETAs when conducting career guidance campaigns to provide a comprehensive and integrated career development programme.

Goal 10:

**Strengthening of the quality assurance system for qualifications development in the health and social development sector**

Quality Assurance of skills development providers and qualifications development is a delegated function of the Quality Council for Trades and Occupations (QCTO). During the year under review 62 skills development providers were accredited to offer occupationally based training. 85 assessors and 26 moderators were registered.

Eight occupational qualifications were developed by the HWSETA and submitted to the QCTO for registration. These comprised three Minister of Religion qualifications and five part qualifications. The Social Security qualification is under development and will be submitted to the QCTO for registration in quarter one of 2018/19.

|               |   |
|---------------|---|
| <b>12 775</b> | funded students completed learning programmes via employers, TVET Colleges, Universities, and NSFAS.                |
| <b>6 517</b>  | certificates were issued to students whose learner achievements for full qualifications were endorsed by the HWSETA |
| <b>7 531</b>  | statements of results were issued to learners for skills programmes endorsed by the HWSETA                          |

## The year in review

# Eskom, the HWSETA and Siemens Join Forces to Establish Legacy Skills Development Project

The marginalisation of young people in South Africa is primarily manifested in high youth unemployment and youth targeted interventions are needed to enable young South Africans to actively participate and engage in society and the economy.

Skills development remains a top priority in the country and whilst the achievement of critical mass is desirable, quality in the form of sustainable projects that will offer long-term benefits to project recipients, as well as to society and the economy at large, are an important factor in addressing the country's skills mismatch.

A market gap exists to finding and appointing professional black youth owned (BYO) companies in the field of safety, health, environment, risk management and quality (SHERQ).

With this in mind, the Health and Welfare Sector Education and Training Authority (HWSETA), Eskom and Siemens partnered to provide 15 black South African youth from the Nkangala District of Mpumalanga with comprehensive,

accredited, academic, and work-based practical training in the professional field of SHERQ. The project was launched at a function hosted on-site at Eskom's Kusile Power Station in Mpumalanga on 28 June 2017.

Ten of the 15 youth will become equal partners in Kusile Leroo Consulting (Pty) Ltd., a for profit company that has been established through a Memorandum Of Understanding between Eskom Holdings Ltd., the HWSETA and Siemens (Pty) Ltd. This project will serve as the vehicle to train the BYO shareholders in Eskom and Siemens SHERQ methodologies, as well as afford the company opportunities to conduct reviews and audits on Eskom and Siemens permanent and project sites.

Kusile Leroo Consulting (Pty) Ltd. will become a company mentored and

trained by industry stakeholders in power generation and distribution as well as achieve structured and fast-tracked skills development and transfers which would normally only be achieved in a 5-7 year working experience window. The company will also receive Eskom and Siemens endorsements for projects successfully completed which, in turn, will give Kusile Leroo the market credentials to market itself as a professional company to other state owned or private companies in both upstream and downstream industries.





The HWSETA, Eskom and Siemens alike believe that this project will emerge as a legacy project and offer tangible long-term benefits to the learners involved, as well as to the niche SHERQ environment.



*The 15 learners selected from over 400 applicants who embarked on their health, safety and environment two-year training and development journey during the period under review.*

# Performance Information by Programme/Objectives


## Classification of Performance

| Description of classification  | Progress in % | Colour code   |
|--|---------------|---|
| Annual target has been achieved or exceeded before or by 31 March 2018   | 100           |  |
| Annual target was almost achieved based on substantial progress made by 31 March 2018  | 70 – 99       |  |
| Annual target has not been achieved and strides made have yielded moderate success.<br>The non-achievement may be attributed to external factors that impacted negatively on the indicator | 40 – 69       |  |
| Annual target has not been achieved and strides made have yielded low success.<br>The non-achievement may be attributed to external factors that impacted negatively on the indicator      | 0 – 39        |  |
| Unemployed : U      Employed : E   |               |   |

## Programme 1: Administration

### Programme 1: Indicator 5

**Strategic Objective:** 80% of HWSETA funded work-ready graduates finding employment in their trades and occupations in the health and welfare sector<sup>1</sup> in the strategic period

| Success Indicator   | Performance Indicator   | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18  | Comment on deviations   | Spend   |
|---|---|----------------------------|------------------------|---|---|---|
| The percentage of qualified technicians, artisans and unemployed learners previously funded <sup>2</sup> by the HWSETA finding employment <sup>3</sup> within 6 months of completing the learning programmes <sup>4</sup> in the reporting period | Percentage of qualified technicians, artisans and unemployed learners previously funded by the HWSETA finding employment per year | 65%<br>(530/817)           | 80%<br>(4900)          | 74%<br><br>(628/853) | This indicator is affected by the number of students reported at the time of the survey and also the number of students that can be reached through a telephonic survey. From a target population of 4813, 2231 students were accessible (had contact numbers). Of the 2231 students only 853 responded to the interviews and 628 of these students were employed | Committed:<br>–<br><br>Spend:<br>–489<br><br>Budget:<br>Admin<br>budget |

1. The 80% target can only be achieved in the last years of NSDS III since the training of artisans and other workers takes between 2 and 4 years. Certain exogenous factors beyond the control of HWSETA need to be considered
2. Funded refers to issuing of funding approval letter and signing of Memorandum of Agreement and, where applicable, release of tranche payments as per the Memorandum of Agreement
3. Finding employment refers to signing an employment contract as defined in the Basic Conditions of employment Act, as amended
4. Learning programmes refers to learning programmes as defined in the Skills Development Act, as amended





## Programme 1: Indicator 12

**Strategic objective:** Evidence-based research to inform planning<sup>5</sup> in the sector for the strategic period

| Success Indicator   | Performance Indicator  | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18 | Comment on deviations   | Spend  |
|---|--|----------------------------|------------------------|----------------------------|---|--|
| The Number of research reports based on sound analysis of Health and Social Development sectors confirmed by stakeholders and impact of training assessed in the reporting period | Number of applied research <sup>6</sup> reports completed and confirmed by stakeholders that inform planning and impact of training assessed per year <sup>7</sup> | 13                         | 4                      | 5                          | Over and above the research agenda for 2017/18 the Board commissioned a study on one of the projects funded. This study was therefore additional to the target. | Committed :<br>-<br>Spend:<br>-807<br>Budget:<br>801 |

5. Sector planning refers to sector skills planning, strategic planning and business planning including operational planning
6. Applied research is a form of systematic inquiry involving the practical application of science. It accesses and uses some part of the research communities' (the academia's) accumulated theories, knowledge, methods, and techniques, for a specific, often state-, business-, or client-driven purpose. Applied research is compared to pure research (basic research) in discussion about research ideals, methodologies, programmes, and projects
7. Evaluation of training includes research reports on areas such as dropout rate and analysis, and impact analysis

## Programme 1: Indicator 13<sup>8</sup>

**Strategic objective:** Research within the health and social development fields of study promoted<sup>9</sup> in the strategic period


| Success Indicator  | Performance Indicator  | Socio economic status | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement | Comment on deviations   | Spend                                     |
|--|--|-----------------------|----------------------------|------------------------|--------------------|---|---|
| The number of researchers in the sector has increased through targeted funding <sup>10</sup> in the reporting period | Number of new post graduate research students <sup>11</sup> funded <sup>12</sup> for research in the health and welfare field per year | E                     | 103                        | 60                     | 73                 | Due to the huge number of applications, there was a need to cover more qualifying students; hence a number higher than the target was identified, recommended and approved  | Committed :<br>10 328<br>Spend:<br>-3 076 |
|  |  | U                     | 90                         | 40                     | 64                 | Due to the huge number of applications, there was a need to cover more qualifying students; hence a number higher than the target was identified, recommended and approved. In addition, the HWSETA received a special funding application for a cohort of disabled students from UWC. As thus 23 students at a cost of R1 8840 million were funded, which increased the total to 64. | Budget:<br>6755                           |

8. The output indicator associated with this indicator is indicator 19 sub indicator 3
9. Promoted in this context means funded through the HWSETA
10. Targeted funding refers to ring fenced funding aimed at increasing the pool of Masters and Doctoral candidates in the sector graduating and contributing to the sector
11. New post graduate research students refer to registered students in higher education institutions for higher degrees that have a research component in the curriculum and have registered for the first time
12. Funded refers to issuing of funding approval letter and signing of Memorandum of Agreement and where applicable release of tranche payments as per the Memorandum of Agreement



## Programme 1: Indicator 15

**Strategic objective:** Career guidance initiatives aimed at marketing and communicating the health and social development related occupations supported in the strategic period


| Success Indicator  | Performance Indicator  | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18  | Comment on deviations   | Spend   |
|--|--|----------------------------|------------------------|---|---|---|
| The number of school and post-school youth reached through career development awareness programmes in the reporting period | Number of learners reached through HWSETA career development awareness programmes per year | 15159<br>(56 Events)       | 12000<br>(20 Events)   | 18887<br><br>(86 Events) | Year-on-year, the number of career guidance opportunities increases as various local, provincial and national government structures organise career guidance activities, particularly in rural communities. The HWSETA takes its career guidance mandate very seriously and it is for this reason that the set target for the 2017/18 financial year was over-achieved. | Committed:<br>-<br>Spend:<br>-200<br>Budget:<br>1 000<br>(discretionary grant budget) |

13. Post-school youth refer to those unemployed youth as defined in the Green paper on post school education

14. Reached in this context refers to learners recorded in the register at career fairs or career exhibitions

## Programme 1: Indicator 18


**Strategic objective:** HWSETA is capacitated to deliver on its targets and discharge its mandate in the strategic period

| Success Indicator  | Performance Indicator   | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18  | Comment on deviations  | Spend   |
|--|---|----------------------------|------------------------|---|--|---|
| The percentage of filled positions in the HWSETA to ensure optimum capacity and delivery of services in the reporting period | Percentage of filled positions in the HWSETA approved organogram per year | 92%<br>(102/111)           | 95%<br>(123)           | 92%<br><br>(124/130) | The massive recruitment drive in quarter 3 and 4 contributed to the reduction of vacancies and thus meeting the target set for the year. | Committed:<br>-<br>Spend:<br>-401<br>Budget:<br>450 |

15. Filled in this context refers to the signing of contract of employment in the approved organogram

## Programme 1: Indicator 20

**Strategic objective:** HWSETA processes automated and integrated for effective and efficient delivery of services

| Success Indicator   | Performance Indicator   | Actual Achievement 2016/17  | Planned Target 2017/18 | Actual Achievement 2017/18  | Comment on deviations   | Spend   |
|---|---|-----------------------------|------------------------|---|---|---|
| The percentage of processes automated and integrated to ensure effectiveness and efficiency of operations <sup>16</sup> in the reporting period | Percentage of processes automated and integrated <sup>17</sup> per year | 52%<br>(Dev 65%<br>Dep 38%) | 100%<br>(36)           | 98%<br><br>(Development 99%)<br>(Deployment 95%) | 98% of planned work for financial year 2017/18 was completed, as follows:<br><ul style="list-style-type: none"> <li>System development for Finance, SDP, and ETQA has been completed</li> <li>WSP submissions process for 2018/19 has been completed.</li> <li>ETQA Module has gone Live</li> </ul> The target has not been achieved because some testing is outstanding and there were delays with data uptake due to legacy data quality. | Committed:<br>-<br>Spend:<br>-1 217<br>Budget:<br>3 000 |

16. Efficiency and effectiveness refers to minimum errors and short turnaround times as recorded in the audit trail of the ERP system

17. Automation and integration refers to the development and deployment of the ERP system as approved by the HWSETA board



## Programme 2: Skills Development Programme Implementation and Projects

### Programme 2: Indicator 2<sup>18</sup>

**Strategic objective:** Employers in the health and social development sector open up their workplaces as places of learning<sup>19</sup> in the strategic period

| Success Indicator   | Performance Indicator   | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18 | Comment on deviations   | Spend   |
|---|---|----------------------------|------------------------|----------------------------|---|---|
| The number of employers evaluated and participating in work-based training in the health and social development sector within the reporting period. | Number of employers evaluated and participating <sup>20</sup> in work-based training in the health and social development sector per year | 364                        | 155                    | 271                        | <p>During the 2017-2018 financial year the HWSETA implemented a number of programmes directed at encouraging employers to open up their workplaces into training places. As thus:</p> <ul style="list-style-type: none"> <li>• 145 employers participated in learnerships</li> <li>• 65 employers participated in TVET College WIL</li> <li>• 61 employers participated in internships</li> </ul> | <p>Committed: -</p> <p>Spend: Included in Learnership spend</p> <p>Budget: Included in the Learnership budget</p> |

18. The outcome indicator associated with this indicator is indicator 12

19. Support refers to the process of funding and advising employers

20. Evaluation and participation means workplace has been validated and the learners allocated as per the approval schedule and the Memorandum of Agreement signed

### Programme 2: Indicator 4<sup>21 & 22</sup>

**Strategic objective:** Increase the number of work-ready graduates in trades (artisans) demanded in health and social development sector through targeted funding in the strategic period

| Success Indicator   | Performance Indicator  | Socio economic status | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18 | Comment on deviations   | Spend                            |
|---|--|-----------------------|----------------------------|------------------------|----------------------------|---|----------------------------------|
| The number of employed and unemployed persons funded as apprentices to become artisans for the Health and Social Development sector <sup>23</sup> in the reporting period | Number of employed and unemployed persons funded <sup>24</sup> and enrolled <sup>25</sup> to become artisans through HWSETA funding per year | E                     | 110                        | 50                     | 100                        | The achievement is from the implementation of 2015-2016 Artisans RPL funding, which is being implemented gradually due to challenges in finding workplaces.   | Committed: 20 483                |
|   |  | U                     | 86                         | 50                     | 141                        | Funding for the 2017-2018 approved project is not yet implemented. Implementation will happen in 2018-2019. The achievement is from implementation of 2015-2016 and 2016-2017 funding which is being implemented gradually due to challenges in finding workplaces. | Spend: -43 704<br>Budget: 23 200 |

21. The outcome indicator associated with this indicator is indicator 19 sub indicator 3

22. The outcome indicator associated with this indicator is indicator 5 and indicator 12

23. Transformation and equity imperatives: 85% Black 60% women 5% people with disability 70% youth (35yrs or less) 20% from rural areas



24. Funded refers to issuing of funding approval letter and signing of Memorandum of Agreement and, where applicable, release of tranche payments as per the Memorandum of Agreement

25. Enrolled refers to registration with both the training institution and HWSETA Seta Management System



## Programme 2: Indicator 6<sup>26</sup>

**Strategic objective:** Increase the number of students in higher education in identified scarce and critical skills through HWSETA funding enabling them enter the labour market<sup>27</sup> in the strategic period

| Success Indicator   | Performance Indicator  | Socio economic status | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18   | Comment on deviations   | Spend   |
|---|--|-----------------------|----------------------------|------------------------|--|---|---|
| The number of students funded through HWSETA funded bursaries for training in higher education institutions <sup>28</sup> in the reporting period | Number of students funded <sup>29</sup> through HWSETA funded bursaries for training in higher education institutions per year | E                     | 382                        | 270                    | 546<br> | During the 2017-2018 financial year the Expression of Interest Bursaries for Employed Persons invited all employers in the sector to participate. The maximum grant awarded per learner was R30 000. Some institutions, however, were able to accommodate more learners than the number of learners targeted by the HWSETA hence the over achievement.  | Committed: 90 321<br>Spend: -41 079<br>Budget: 60 600 |
|   |  | U                     | 655                        | 700                    | 764<br> | During the 2017-2018 financial year the HWSETA established partnerships geared towards funding of bursaries for learners studying at Universities and Universities of Technology in areas related to Health, Social Development and Veterinary Services. The overachievement is as a result of partnerships with Northern Cape Premier Trust and Netcare, which ensured that more students were awarded the opportunity |   |

26. The output indicator associated with this indicator is indicator 19 sub indicator 3

27. Higher education institutions include Universities as defined by the Department of Higher Education and Training and those defined as such by relevant Councils

28. Bursaries for the unemployed students in scarce and critical skills furthering their studies in higher education institutions

29. Funded refers to issuing of funding approval letter and signing of Memorandum of Agreement and where applicable release of tranche payments as per the Memorandum of Agreement

## HWSETA Funded Social Auxiliary Learnerships Completed in Eastern Cape

In 2013 the Department of Higher Education and Training (DHET) called on South Africa's 21 SETAs to join forces with TVET Colleges across the country so that the SETAs could drive skills development initiatives in consultation with TVET Colleges, as well as make the services of the SETAs more accessible to the citizens of our country, particularly those living in rural areas.

This call by the DHET, the fact that partnerships with training institutions have been an integral aspect of the HWSETA's operations since its inception, and the need to positively address the skills mismatch in the social development sector prompted partnership negotiations between the HWSETA and King Hintsa TVET College in 2013. During these negotiations King Hintsa TVET College was called on to apply for accreditation from the HWSETA to offer the Social Auxiliary Work Level 3 qualification.

Once this had been finalised, the HWSETA entered into a learnership agreement that would see 100 learners participating in the learnership for the Social Auxiliary Work Level 3 qualification. In terms of this agreement, King Hintsa would provide not only the theory component of the learnership, but also support the learners with

placement in suitable workplaces. The Provincial Department of Social Development in the Eastern Cape, as well as Mquma Municipality were approached to assist with providing workplaces for the 100 learners.

80 of the initial 100 learners successfully completed the learnership and graduated on 6 March 2017. Through this project, the learners have not only taken an important step towards their future careers in social services, but they will be able to make a positive contribution towards the skills mismatch that exists in the sector.










## Programme 2: Indicator 7<sup>30 & 31</sup>

**Strategic objective:** Fund experiential learning across the sector to ensure work-ready graduates contribute to effective delivery of health and social development services in the strategic period

| Success Indicator   | Performance Indicator  | Funded Programme             | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18   | Comment on deviations  | Spend   |
|---|--|------------------------------|----------------------------|------------------------|--|--|---|
| The number of unemployed TVET college students and other unemployed graduates of mid-level qualifications enrolled in workplace experience through Workplace Experience Grant in the reporting period <sup>32</sup> | Number of unemployed TVET college students enrolled <sup>33</sup> for work-experience and experiential learning programmes <sup>34</sup> funded by the HWSETA per year | Internships                  | 614                        | 750                    | 754   | During the 2017-2018 financial year the Expression of Interest for Internships invited all employers in the sector to participate and the number approved exceeded the target slightly.  | Committed: 78 092<br>Spend: -81 371<br>Budget: 97 800 |
|   |  | TVET student placement       | 1012                       | 800                    | 725   | The underachievement is as a result of employer's non- submission of learner registration forms within stipulated timeframes. 8 organizations withdrew from participating in the programme. Furthermore, challenges were experienced with Government Departments who did not adhere to the HWSETA timeframes due to their own internal processes and one Department having a strike action in the last two months of the financial year.   |   |
|   |  | University student placement | 502                        | 400                    | 960  | The overachievement in this programme is as a result of funding allocated being able to accommodate more learners than the targeted number. Planning is based on the maximum duration of WIL, which is 12 months. However the different programmes have different durations and this is only known once Universities make applications. Furthermore, The non-alignment of the financial year to the academic year also results in the overlap of implementation from one financial year to the next. E.g learners approved in the 2016-2017 financial year may only be enter WIL in the 2017-2018 financial year based on the academic calendar. |   |

30. The output indicator associated with this indicator is indicator 19 sub indicator 3

31. The outcome indicators associated with this indicator are indicators 5 and 12


32. This indicator includes TVET student placements, university student placement and internships

33. Enrolled refers to registration with both the training institution and HWSETA Seta Management System

34. Workplace experience and experiential learning refers to a course, or a portion of a course, requiring students to participate in a supervised workplace experiential learning, directed field study, internship, cooperative, or cooperative work term course that is related to their programme of study or training. It is also viewed as having four basic elements of learning in the workplace: experience, practice, conversations and reflection where at least 70% of workplace learning is through on-the-job experience and practice 20% of workplace learning is through others (coaching, feedback and personal networks) 10% of workplace learning is through formal off-job training (Jennings, C: 2009). For the purposes of NSDS III, the target includes internships (500) , TVET graduate placement (2050) and University student placement (100)

## Programme 2: Indicator 9<sup>35</sup>

**Strategic objective:** Support cooperatives within the health and social development sector through funding for skills development training within the strategic period

| Success Indicator  | Performance Indicator   | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18   | Comment on deviations   | Spend  |
|--|---|----------------------------|------------------------|--|---|--|
| The number of cooperatives in the health and social development sector whose skills training is funded <sup>36</sup> by the HWSETA in the reporting period | Number of cooperatives in the health and social development sector whose skills needs are funded by the HWSETA per year <sup>37</sup> | 30                         | 20                     | 28  | The over achievement is as a result of the partnership between the HWSETA and SEDA aimed at training and development of Cooperatives across all nine provinces. | Committed: -<br>Spend: -1 286<br>Budget: 1 160 |

35. The outcome indicator associated with this indicator is indicator 12


36. Funded refers to issuing of funding approval letter and signing of Memorandum of Agreement and where applicable release of tranche payments as per the Memorandum of Agreement

37. Co-operatives are those organisations established in terms of the co-operatives Act, 2005 (Act 14 of 2005). Funding in respect of these organisations includes start-up funding and skills development funding linked to worker initiated training.



## Programme 2: Indicator 10<sup>38</sup>

**Strategic objective:** Fund small and emerging businesses<sup>39</sup> for skills development in the sector in the strategic period

| Success Indicator   | Performance Indicator   | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18  | Comment on deviations  | Spend  |
|---|---|----------------------------|------------------------|---|--|--|
| The number of small and emerging businesses funded in both health and social development sectors through HWSETA skills development funds in the reporting | Number of small and emerging businesses funded <sup>40</sup> through HWSETA skills development funds per year | 106                        | 100                    | 102  | HWSETA approved funding for SME stakeholders to participate, 102 MoA's were received and approved. | Committed: 4 293<br>Spend: -533<br>Budget: 6 000 |


38. The outcome indicator associated with this indicator is indicator 12

39. Small and emerging businesses as defined by the Department of Trade and Industry

40. Funded refers to issuing of funding approval letter and signing of Memorandum of Agreement and where applicable release of tranche payments as per the Memorandum of Agreement

## Programme 2: Indicator 11<sup>41</sup>


**Strategic objective:** Support NGOs, CBOs and trade unions skills development initiatives in the strategic period

| Success Indicator   | Performance Indicator   | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18  | Comment on deviations  | Spend  |
|---|---|----------------------------|------------------------|---|--|--|
| The number of participants in skills development projects funded by the HWSETA to support NGOs, CBOs and trade unions in the reporting period | Number of participants in skills development projects funded by the HWSETA to support NGOs, CBOs, and trade unions per year | 179                        | 175                    | 204  | The HWSETA entered into a partnership with the Workers College for the training of Trade Union representatives. Training commenced in February 2018. The over achievement on this target is based on the implementation of two strategies aimed at both the Trade Union and NGO sector. The Levy Exempt grant has participation of more than 100 employees from NGOs who were funded for training and development. | Committed: 4 910<br>Spend: -1 749<br>Budget: 5 250 |

41. The outcome indicator associated with this indicator is indicator 12

## Programme 2: Indicator 17<sup>42 & 43</sup>

**Strategic objective:** Support<sup>44</sup> public TVET Colleges and associated students in vocational training in the strategic period

| Success Indicator  | Performance Indicator  | Socio economic status | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18  | Comment on deviations  | Spend  |
|--|--|-----------------------|----------------------------|------------------------|---|--|--|
| The number of learners in TVET college partners funded <sup>45</sup> for vocational training in the reporting period | Number of learners in TVET colleges and other public colleges <sup>46</sup> (and the number of associated learners) enrolled <sup>47</sup> for vocational training courses funded <sup>48</sup> by the HWSETA per year | U                     | 1212                       | 350                    | 413  | The over achievement is as a result of two different strategies implemented in partnership with TVET colleges. | Committed: 34 136<br>Spend: -7 502<br>Budget: 21 000 |

42. The output indicator associated with this indicator is indicator 19 sub-indicator 3

43. The outcome indicator associated with this indicator is indicator 12

44. Support in this instance refers to HWSETA funding

45. Funded refers to issuing of funding approval letter and signing of Memorandum of Agreement and, where applicable, release of tranche payments as per the Memorandum of Agreement

46. Public colleges include public nursing colleges and public agricultural colleges

47. Enrolled refers to registration with both the training institution and HWSETA Seta Management System

48. Funded refers to issuing of funding approval letter and signing of Memorandum of Agreement and, where applicable, release of tranche payments as per the Memorandum of Agreement



## Programme 2: Indicator 14<sup>49</sup>

**Strategic objective:** Support<sup>50</sup> Goal 3 of the National Development Plan: A capable public service to deliver on the objectives of a developmental state in the strategic period

| Success Indicator   | Performance Indicator   | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18 | Comment on deviations   | Spend   |
|---|---|----------------------------|------------------------|----------------------------|---|---|
| The number of projects funded aimed at addressing the skills development priorities of the Departments of Health and Social Development in the reporting period | Number of projects funded <sup>51</sup> through discretionary grants aimed at the public sector education and training per year | 13                         | 6                      | 10                         | The Department of Social Development has interest and priority in Internships especially Social Work. Furthermore, the Department of Health Northern has initiated the process of articulating some of their staff within the Emergency Medical Care field towards a full qualification. This is also one of the priority areas as indicated in the NDP. The over achievement is as a result of the support required by Departments from the HWSETA | Committed: 6 946<br>Spend: -17 092<br>Budget: 6 372 |

49. The outcome indicator associated with this indicator is indicator 12

50. Support in this instance refers to HWSETA funding

51. Funded refers to issuing of funding approval letter and signing of Memorandum of Agreement and, where applicable, release of tranche payments as per the Memorandum of Agreement

## Programme 2: Indicator 15<sup>52</sup>

**Strategic objective:** Identification, development of strategies and funding<sup>53</sup> of priority Mid-level skills in the sector<sup>54</sup> in the strategic period

| Success Indicator   | Performance Indicator   | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18 | Comment on deviations  | Spend                                     |
|---|---|----------------------------|------------------------|----------------------------|--|---|
| The number of health and social development projects <sup>55</sup> addressing mid-level skills funded <sup>56</sup> in the reporting period | Number of programmes funded through grants to develop and address mid-level skills per year | 11                         | 6                      | 13                         | The HWSETA received expressions of interest for the implementation of mid-level skills in the sector during the financial year, which were funded from both budgeted funds as well as surplus funds. The over achievement is as a result of the submissions made by employers in the sector. | Committed: -<br>Spend: -<br>Budget: 1 200 |

52. The outcome indicator associated with this indicator is indicator 12

53. Funding in this context means having met the requirements of the Expression of Interest which includes signing the Memorandum of Agreement

54. Health and Social Development projects and programmes include those that support cooperatives, cross-sectoral projects, development of placement guides and qualification development



55. Projects and programmes initiated and funded through grants shall have equity and transformation imperatives of 85% black, 60% women, 5% people with disabilities and 70% youth

56. Mid-level categories refer to those categories of mid-level workers as defined by the respective statutory body



## Programme 2: Indicator 3<sup>57 & 58</sup>

**Strategic objective:** Increase of the number of work-ready graduates in mid-level and high-level skills development programmes through targeted funding within the strategic period

| Success Indicator   | Performance Indicator  | Socio economic status | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18  | Comment on deviations  | Spend   |
|---|--|-----------------------|----------------------------|------------------------|---|--|---|
| The number of employed and unemployed learners funded and registered through learnerships in the reporting period | Number of employed and unemployed learners registered <sup>59</sup> in learnership training programmes and funded <sup>60</sup> by the HWSETA per year | E                     | 3232                       | 2750                   | 2672<br> | The under achievement is due to the number of approved employers who plan to implement learnerships after 31 March 2018 as the last day of implementation is 30 June 2018. The number of rejections after work place site validation for social learnerships was also high compared to previous years. | Committed: 100 355<br>Spend: -75 994<br>Budget: 128 750 |
|   |  | U                     | 2475                       | 2500                   | 2070<br> | The under achievement is due to the number of approved employers who plan to implement learnerships after 31 March 2018 as the last day of implementation is 30 June 2018. The number of rejections after work place site validation for social learnerships was also high compared to previous years  |   |

57. The output indicator associated with this indicator is indicator 19 sub indicator 3



58. The outcome indicator associated with this indicator is indicator 12

59. Registered means learner, employer and training provider details captured in the Seta Management System

60. Funded refers to issuing of funding approval letter and signing of Memorandum of Agreement and, where applicable, release of tranche payments as per the Memorandum of Agreement

## Programme 2: Indicator 8<sup>61 & 62</sup>

**Strategic objective:** Improve sector-level productivity and economic growth through funding of identified skills programmes in the strategic period<sup>63</sup>

| Success Indicator   | Performance Indicator  | Socio economic status | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18  | Comment on deviations  | Spend   |
|---|--|-----------------------|----------------------------|------------------------|---|--|---|
| The number of unemployed and employed workers funded and registered for skills programmes in the reporting period | Number of employed and unemployed learners registered in skills programmes funded by HWSETA per year | E                     | 8224                       | 6000                   | 5020<br> | The under-achievement on this target is due to the number of approved employers who will implement skills programme training after 31 March 2018, as the last day of implementation is 30 June 2018. | Committed: 31 501<br>Spend: 9 346<br>Budget: 40 500 |
|   |  |                       | 5019                       | 1500                   | 2020<br> | The over-achievement was because of early implementation by employers and timeous funding by the HWSETA.   |   |

61. The output indicator associated with this indicator is indicator 19 sub indicator 3

62. The outcome indicators associated with this indicator are indicators 5 and 12

63. This support includes employed workers and unemployed learners





## Programme 2: Indicator 21<sup>64</sup>

**Strategic objective:** Support adult education and promote lifelong learning in the sector<sup>65</sup>

| Success Indicator   | Performance Indicator  | Socio economic status | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18 | Comment on deviations  | Spend  |
|---|--|-----------------------|----------------------------|------------------------|----------------------------|--|--|
| Number of Learners registered <sup>66</sup> for AET programmes over the strategic period. | Number of learners registered <sup>67</sup> for AET programmes funded by HWSETA per year | U                     | 1540                       | 1200                   | 1377                       | The over achievement is a result of the current partnership the HWSETA has with the Northern Cape Community College. All learners reported in the Fourth quarter are enrolled for ICT at the Potsmansburg center, which is one of the biggest centers in the Northern Cape Province. | Committed: 2 600<br>Spend: -6 596<br>Budget: 4 800 |

64. The output indicator associated with this indicator is indicator 19 sub indicator 3

65. This support includes employed workers and unemployed learners

66. Registered means learner, employer and training provider details captured in the Seta Management System

67. Registered means learner, employer and training provider details captured in the Seta Management System

## Programme 2: Indicator 16<sup>68</sup>

**Strategic objective:** Support partnerships to facilitate quality training and skills development in the sector in the strategic period<sup>69</sup>

| Success Indicator  | Performance Indicator  | Socio economic status | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18 | Comment on deviations   | Spend                                       |
|--|--|-----------------------|----------------------------|------------------------|----------------------------|---|---|
| The number of TVET College lecturers trained to offer qualifications in the health and social development sector in the reporting period | Number of TVET College lecturers placed <sup>70</sup> in work experience with employers per year | E                     | 54                         | 40                     | 42                         | The Expression of interest for the 2017-2018 financial year extended the programme to also include Trade qualification lecturers. This has resulted in the increased number of lecturers funded for this programme. | Committed: 166<br>Spend: 103<br>Budget: 120 |

68. Registered means learner, employer and training provider details captured in the Seta Management System

69. The output indicator associated with this indicator is indicator 19 sub indicator 3

70. This support includes employed workers and unemployed learners



## Programme 2: Indicator 22<sup>71</sup>

**Strategic objective:** Support<sup>72</sup> levy-exempt organisations skills development initiatives in the strategic period

| Success Indicator  | Performance Indicator   | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18 | Comment on deviations  | Spend  |
|--|---|----------------------------|------------------------|----------------------------|--|--|
| The number of levy-exempt organisations funded by the HWSETA in the reporting period | Number of levy-exempt organisations funded by the HWSETA per year               | 132                        | 140                    | 143                        | HWSETA approved funding for levy-exempt stakeholders, using an expression of interest for accredited and non-accredited training. Hence the exceeding of target. | Committed: 9 573<br>Spend: -1 946<br>Budget: 8 400 |
|  | Number of levy paying organisations funded by the HWSETA per year <sup>73</sup> |                            |                        |                            |  |  |
|  | Large Firms   |                            |                        |                            | 74 This target is dependent on the number of organisations that participated by submitting WSP.  | Mandatory Grant                                    |
|  | Medium Firms  |                            |                        |                            | 56 This target is dependent on the number of organisations that participated by submitting WSP.  |  |
|  | Small Firms   |                            |                        |                            | 777 HWSETA has a large number of small organisations registered in the sector and submitting WSPs.   |  |

71. The outcome indicator associated with this indicator is indicator 12

72. Support in this instance refers to HWSETA funding

73. This performance indicator, "Number of levy paying organisations funded by the HWSETA per year" is not part of the Service Level Agreements between DHET and HWSETA. It has been included in the annual performance report to meet the requirements of alignment of APP and SLA.

## Programme 3: Quality Assurance and Qualification Development

### Programme 3: Indicator 23<sup>74</sup>

**Strategic objective:** Support partnerships to facilitate quality training and skills development in the sector in the strategic period<sup>75</sup>

| Success Indicator  | Performance Indicator   | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18 | Comment on deviations   | Spend   |
|--|---|----------------------------|------------------------|----------------------------|---|---|
| The number of partnership <sup>76</sup> agreements signed outlining areas of collaboration in the reporting period | Number of partnerships signed through Memoranda of Understanding with the HWSETA per year <sup>77</sup> | 28                         | 15                     | 27                         | The HWSETA entered into partnerships with employers, TVET colleges, Universities and Statutory bodies based on the number of applications received. The HWSETA was able to fund more organisations through the utilisation of its surplus funds | Committed: 22 432<br>Spend: -2 373<br>Budget: 7 500 |

74. The outcome indicator associated with this indicator is indicator 12

75. Partnerships include HWSETA-TVET College partnerships, HWSETA-University partnerships and HWSETA-Employer partnerships





76. Partnership refers to projects where shared responsibility is agreed upon and defined in the memorandum of agreement or the memorandum of understanding

77. Partnerships herein include Universities, TVET Colleges, Councils, Statutory bodies, employer bodies, communities of practice, etc.



### Programme 3: Indicator 19<sup>78</sup>

**Strategic objective:** HWSETA accredited training providers deliver quality programmes in the strategic period

| Success Indicator   | Performance Indicator   |                           | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18   | Comment on deviations  | Spend                         |
|---|---|---------------------------|----------------------------|------------------------|--|--|-------------------------------|
| The number of skills development training providers <sup>79</sup> accredited to offer full qualifications in the reporting period | Number of skills development training providers <sup>80</sup> accredited <sup>81</sup> per year |                           | 111                        | 40                     | 62<br>              | The over-achievement is based on received, processed and approved applications from Skills Development Providers. The HWSETA has no control over the number of applications that are received.   | Committed: 773<br>Spend: -773 |
|   | Sub-indicator 1: Percentage of assessors registered per year                                    |                           | 85%<br>(529/620)           | 80                     | 80%<br><br>(85/106) | <ul style="list-style-type: none"> <li>106 applications were received during 2017/18</li> <li>85 applications were approved and thus 85 Assessors were registered</li> <li>16 applications were declined</li> <li>5 applications were still undergoing evaluation</li> </ul>   | Budget Admin. budget          |
|   | Sub-indicator 2: Percentage of moderators registered per year                                   |                           | 81%<br>(197/243)           | 80%                    | 81%<br><br>(26/32)  | <ul style="list-style-type: none"> <li>32 applications were received during 2017/18</li> <li>26 applications were approved and thus 85 Assessors were registered</li> <li>5 applications were declined</li> <li>1 application was still undergoing evaluation</li> </ul>   |                               |
| The number of skills development training providers <sup>82</sup> accredited to offer full qualifications in the reporting period | Sub-indicator 3: Number of learners certificated per year <sup>83</sup>                         | Funded                    | 18986                      | 12102                  | 13252<br>          | The target was over-achieved due to the number of certificated and completed students reported during the year under review. Some programmes experienced challenges that affected a complete overhaul of certifications and completions. Plans are in place to address the challenges in order to ensure reporting of outputs of the HWSETA.   |                               |
|   |   | Internships <sup>84</sup> |                            |                        | 421  | Learners commenced their 12-month internship during the financial year therefore they will complete the internship after the financial year ends. These will therefore be reported in quarter 1 and 2 of the 2018/19 financial periods as learners complete their internship placements.   |                               |
|   |   | TVET WIL                  |                            |                        | 430  | The duration for this programme is 18 months and therefore more learners are expected to complete their work experience during the 2018/19 financial year.   |                               |
|   |   | University WIL            |                            |                        | 462  | The HWSETA was able to fund more learners based on the funding model and duration of WIL for the different qualifications. WIL is aligned to an academic period and therefore the majority of the learners completed in the third quarter.   |                               |
|   |   | AET                       |                            |                        | 773  | Compared to the rate of entries in the previous financial years, the completions reported are low. The nature of the programme causes completion rate of learners to be slow.  |                               |
|   |   | Lecturer Development      |                            |                        | 39   | These are lecturers that were funded in the 2016/17 financial year.  |                               |
|   |   | Learnerships (18.1)       |                            |                        | 1377   | Compared to the rate of entries in the previous financial years, the completions reported are low. This is due to delays in submitting proof of completions by employers, delays in verifications of learner achievements for HWSETA Qualifications, dropouts and late implementation of programmes by employers. An early drive to collect proof of completions from employers will be embarked on in the new year. |                               |
|   |   | Learnerships (18.2)       |                            |                        | 2033   | The number of completions reported are a result of a drive by the HWSETA to ensure that employers submit proof of completions from previous year's implementation.   |                               |
|   |   | Skills Programmes (18.1)  |                            |                        | 3657   | Compared to the rate of entries in the previous financial years, the completions reported here are low. This is due to delays in training verifications and implementation of approved funding by employers.   |                               |
|   |   | Skills Programmes (18.2)  |                            |                        | 3874   | Employers training unemployed learners seem to start and complete skills programmes training on time which leads to early reporting.   |                               |
|   |   | Artisans (18.2)           |                            |                        | 90   | These completions are from closing off previous years approved funding. Employers implementing artisan training comply with requirements timeously.  |                               |



| Success Indicator   | Performance Indicator   |                  | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18 | Comment on deviations   | Spend         |
|---|---|------------------|----------------------------|------------------------|----------------------------|---|---------------|
| The number of skills development training providers <sup>82</sup> accredited to offer full qualifications in the reporting period | Sub-indicator 3: Number of learners certificated per year <sup>83</sup> | Bursaries (18.1) |                            |                        | 35                         | Compared to the rate of entries in the previous financial years, the completions reported here are low. This is due employers not submitting the learner results for the academic year.   |               |
|   |   | Bursaries (18.2) |                            |                        | 61                         | The number of completions reported are a result of the HWSETA's ability to fund more students for bursaries through its Ad-hoc projects in the previous financial year.   |               |
|   |   | Non funded       | 12845                      | 9720                   | 12223                      | 4694 students were certificated for full qualifications and 7529 students were endorsed for skills programmes. The over-achievement is due to the high number of students trained by private colleges accredited by the HWSETA. | Admin. budget |

78. The outcome indicator associated with this indicator is indicator 12
79. This indicator includes all processes associated with the supply pipeline of HWSETA quality assured qualifications such as the registration of assessors, moderators and certification of learners
80. Skills Development Training Providers refers to those as defined by the SAQA Act and the HWSETA policy
81. Accreditation refers to meeting the criteria as set in the SAQA Act and the QCTO Act and policies/regulations and the HWSETA accreditation policies
82. This indicator includes all processes associated with the supply pipeline of HWSETA quality assured qualifications such as the registration of assessors, moderators and certification of learners
83. This sub-indicator includes all learners reported as certificated during the reporting period. It also includes funded and non-funded learners that have gone through the HWSETA quality assurance, certification and funding system
84. The programmes listed within the performance indicator, "Num
85. The programmes listed within the performance indicator, "Number of learners certificated per year " are not part of the 2017/18 APP but have been included to align reporting of certificated learners/completions to the Service Level Agreements of the DHET and HWSETA. These include Internships, TVET WIL, University WIL, AET, Lecture Development, Learnerships, Skills Programmes, Artisans, and Bursaries
86. This sub-indicator includes all learners reported as certificated during the reporting period. It also includes funded and non-funded learners that have gone through the HWSETA quality assurance, certification and funding system

### Programme 3: Indicator 24<sup>87</sup>

**Strategic objective:** HWSETA through its partners register develop and register demand led qualifications in the strategic period

| Success Indicator  | Performance Indicator   | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18 | Comment on deviations  | Spend   |
|--|---|----------------------------|------------------------|----------------------------|--|---|
| Number of new demand-led qualifications developed and registered through the registration bodies in the reporting period | Number of new demand-led qualifications developed and registered through the registration bodies per year | 14                         | 8                      | 8                          | Three qualifications were developed for the Minister of Religion Occupations. These qualifications expanded to have five part qualifications to cater for associated categories of occupations in the religious sector. These will be registered independently of the full qualification. As thus, three qualifications and five part qualifications were submitted and accepted by the QCTO for registration. | Committed: -<br>Spend: -1 302<br>Budget: R8 000 |
|  | Sub-indicator 1: Percentage of processes supported to develop qualifications per year                     | 98%                        | 95                     | 98%<br>(98/100)            | Social Security qualifications were developed and completed by the end of the financial year. They will be resubmitted to the QCTO for registration in quarter one of the next financial year.   |   |

87. The outcome indicator associated with this indicator is indicator 12





## Programme 3: Indicator 25<sup>88</sup>

**Strategic objective:** Encouraging better use of workplace-based-skills programmes in the strategic period

| Success Indicator  | Performance Indicator  | Actual Achievement 2016/17 | Planned Target 2017/18 | Actual Achievement 2017/18 | Comment on deviations  | Spend   |
|--|--|----------------------------|------------------------|----------------------------|--|---|
| Number of students funded <sup>89</sup> to obtain full or part qualification through Recognition of Prior Learning <sup>90</sup> in the reporting period | Number of students funded <sup>91</sup> to obtain full or part qualification through Recognition of Prior Learning <sup>92</sup> in the reporting period | 351                        | 350                    | 353                        | 253 learners were assessed for recognition of prior learning by assessors trained by the HWSETA.<br>100 apprenticeships were assessed for recognition of prior learning as part of accelerated artisan programme | Committed: 12 849<br>Spend: -1 739<br>Budget: 7 000 |

88. The output indicator associated with this indicator is indicator 19 sub indicator 3

89. Funded in this context refers to signing the MoA and registering in the HWSETA Management System (SMS)

90. Recognition of Prior Learning (RPL) is a process of identifying a candidate's knowledge and skills against a qualification or part thereof. The process involves, inter alia, the identification, mediation, assessment and acknowledgement of knowledge and skills obtained through informal, non-formal and/ or formal learning

91. Funded in this context refers to signing the MoA and registering in the HWSETA Management System (SMS)

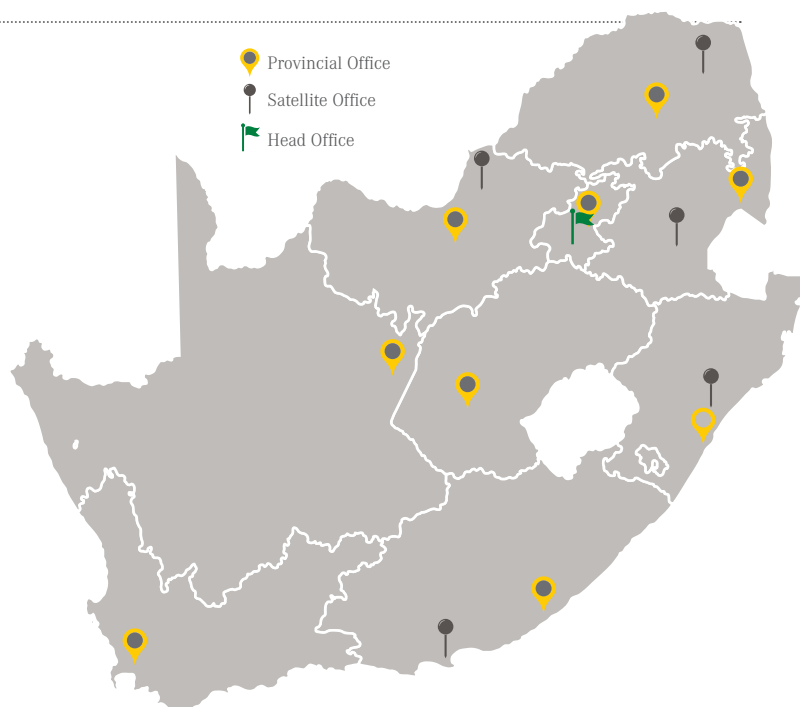
92. Recognition of Prior Learning (RPL) is a process of identifying a candidate's knowledge and skills against a qualification or part thereof. The process involves, inter alia, the identification, mediation, assessment and acknowledgement of knowledge and skills obtained through informal, non-formal and/ or formal learning

## HWSETA Expands its Presence to all Nine Provinces

Since the HWSETA was established in 2001, it has changed and grown in line with legislation governing the operations of South Africa's 21 SETAs. However, 2013 was an important year for the HWSETA as it was at this time that the HWSETA Board made a decision to decentralise its operations and establish fully-fledged Provincial Offices in several main centres across the country.

Initially, offices were established in the Gauteng, Eastern Cape, Western Cape Limpopo and KZN provinces and each of these offices was quickly capacitated with the requisite staff. Whilst this enabled more effective stakeholder service than previously, the vast geographic distances that stakeholders from the Free State, North-West, Mpumalanga and Northern Cape needed to travel to access HWSETA services resulted in the HWSETA Board taking the decision to establish provincial offices in the remaining four provinces.

This is a process that was completed during the period under review, which means that the HWSETA is well placed to serve the needs of its stakeholders on a national basis through its head office, nine provincial offices, as well as the five satellite offices situated at TVET Colleges.





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## Strategies to Overcome Areas of Underperformance

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The performance information by programme/objective on pages 26–39 indicates that the following indicators were not fully achieved:

- Indicator 3 – Number of employed and unemployed learners registered in learnerships training programmes and funded by the HWSETA per year:  
Employed learners – Achieved 2672 against a target of 2750 (97% achieved)  
Unemployed learners – Achieved 2070 against a target of 2500 (83% achieved)
- Indicator 5 – Percentage of qualified technicians, artisans and unemployed learners previously funded by the HWSETA finding employment per year: Achieved 74% against a target of 80% (93% achieved)
- Indicator 7 – Number of unemployed TVET college students enrolled for work-experience and experiential learning programmes funded by the HWSETA per year – TVET College Student Placement: Achieved 725 against a target of 800 (91% achieved)
- Indicator 8 – Number of employed and unemployed learners registered in skills programmes funded by the HWSETA per year: Employed learners – Achieved 5020 against a target of 6000 (83% achieved)
- Indicator 20 – Percentage of processes automated and integrated per year: Achieved 98% against a target of 100% (98% achieved)

### Disclosure on alignment of APP and SLA targets

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The following targets were not included in the APP as the approval time-frame of the two documents is not the same. i.e. the APP gets approved first and the SLA is received much later by DHET

- Large, medium, and small firms are not in the APP
- Completions in the APP are aggregated to include all programmes. The SLA however has disaggregated targets per programme.

In order to address these areas of under-achievement the HWSETA has adopted the following strategies:

- Completions will be monitored and collected from various stakeholders. This will ensure a higher target population for the track and tracer study.
- Automation of business processes will ensure that essential data is accurate and has integrity i.e. contact numbers collected and captured correctly. This will secure a higher number of the accessible population.
- The approval cycle for discretionary funding has been shifted to quarter 4 of the preceding financial year. This has moved the implementation of learners to quarter two and three. As from 2018/19 implementation of learning programmes will therefore not overlap over two financial years.
- Provide support to employers to get their workplaces ready for accommodating students on occupationally based programmes.



## Revenue Collection

### Sources of revenue (R million)

#### Skills Development Revenue

| Estimate –<br>2016/17 | Actual collection<br>2016/17 | (Over)/under<br>collection | Commentary   | Estimate –<br>2017/18 | Actual collection<br>-2017/18 | (Over)/under<br>collection H11 |
|-----------------------|------------------------------|----------------------------|--|-----------------------|-------------------------------|--------------------------------|
| R456                  | R400                         | R-56                       | 12% lower than budgeted. contributions received from employers have not increased as expected. | R416                  | R445                          | R29                            |

#### Investment Income – Interest

| Estimate –<br>2016/17 | Actual collection<br>2016/17 | (Over)/under<br>collection | Commentary   | Estimate –<br>2017/18 | Actual collection<br>-2017/18 | (Over)/under<br>collection H11 |
|-----------------------|------------------------------|----------------------------|--|-----------------------|-------------------------------|--------------------------------|
| R40                   | R52                          | R12                        | Higher than expected due to large cash balances held. There has been an improvement in the movement of cash. | R55                   | R56                           | R1                             |

#### Government Levies

| Estimate –<br>2016/17 | Actual collection<br>2016/17 | (Over)/under<br>collection | Commentary  | Estimate –<br>2015/16 | Actual collection<br>-2015/16 | (Over)/under<br>collection |
|-----------------------|------------------------------|----------------------------|---|-----------------------|-------------------------------|----------------------------|
| R72                   | R117                         | R45                        | Actual collection is higher than expected as more government departments are complying with the Cabinet Circular of 2012. | R123                  | R124                          | R1                         |



# GOVERNANCE

“

Research has revealed that a need exists for training in healthcare quality and patient safety. During the year under review, and in the future, programmes aimed at clinicians and mid-level healthcare workers will be funded by the HWSETA to improve the quality and safety of healthcare provision in the country.”

Sikhumbuzo Gcabashe,  
Acting Executive Manager SDP







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## The HWSETA Board

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The Board's role is to provide leadership, direction, and stewardship of the organisation's assets and interests in relation to the public funds it administers to promote public interest in skills development within the Health and Social Development (welfare) sectors.

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The Board is constituted of 15 Board members representing the following constituencies and stakeholders in the sectors served by the HWSETA:

- Ministerial appointed Independent Chairperson
- Organised Labour
- Organised Employers, including small businesses and relevant government departments
- Levy-exempt sector
- Any interested professional body or bargaining council with jurisdiction in the sector, which the DHET Minister considers appropriate for the sector

It meets every quarter, or as required, to enable it to assert its governance responsibility as the Accounting Authority and as the employer of all HWSETA staff.

### Fiduciary Responsibility of Board Members

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All Board members are aware of their fiduciary responsibilities and the need for fair, transparent, and accountable decisions and actions. Board members are both individually and collectively liable for all decisions and actions of omission and commission by the Board during their term of office.

### Statutory Meetings

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Attendance of Board members at all statutory meetings is recorded in attendance registers which are audited annually by the Internal Auditors and the Auditor-General South Africa. All meetings are formally noted, with an agenda and supporting meeting packs. Meeting protocol is formal, and all

minutes and documents are formally tabled, considered, addressed, filed, and stored.

### Meeting Attendance Fees for Board Members

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Board members are not staff members of the HWSETA, and they do not receive any salaries or benefits. Board members are employers of the HWSETA staff, and as such serve the HWSETA in their capacity as the Accounting Authority with executive oversight, accountability, and responsibility. A meeting fee is paid to Board members for their attendance at and contributions to statutory meetings.

A record is kept of all allowances paid to members, and such record is audited through internal and external audits conducted by the Internal Auditor and the Auditor-General South Africa, respectively.

### Board Changes During Year Under Review:

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The 4th Board was appointed on 14 June 2016 for a period up to 31 March 2018.

*Board members in place during the year under review:*

#### Ministerial Appointees

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- Dr Confidence Moloko, Independent Chairperson

#### Representing Employer Representatives

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- Dr Andrew Crichton  
Department of Health
- Dr Wiseman Magasela  
Department of Social Development
- Dr Dumisani Bomela

HASA

- Dr Nceba Ndzwayiba  
Netcare Limited
- Mr Dumisani Ndebele  
NPG
- Ms Teleni Ntabeni  
SASSA

#### Representing Organised Labour

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- Ms Mosidi Ndambule  
DENOSA
- Ms Fazeela Fayers  
HOSPERSA
- Mr Pat Motubatse  
NEHAWU
- Mr Hitler Sekhitla  
NEHAWU
- Mr Mbongiseni Khanyesa  
NPSWU
- Mr Ignatius Mokaila  
NUPSAW

#### Representing the Levy Exempt Sector

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- Mr Ari Seirlis  
QASA

#### Representing Professional Councils

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- Dr Charlotte Nkuna  
SA Veterinary Council

#### Board Resignations During the Year Under Review:

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- Dr Andrew Crichton  
Department of Health  
resigned 4 October 2017
- Mr Hitler Sekhitla  
NEHAWU  
resigned 1 November 2017



## HWSETA Board Comprising 15 Members

### Executive Committee of the Board

The Board is assisted by its Executive Committee, comprising 5 members from the Board. The Executive Committee meets monthly to assert strategic oversight over the HWSETA's affairs.

### Standing Committees

The Board has 5 Standing Committees, namely:

- Finance, Remuneration & Tender Standing Committee
- Skills Development & RIME Standing Committee
- ETQA Standing Committee
- Corporate Services Standing Committee

The Standing Committees provide technical guidance and recommendations in key portfolio areas, as well as assist the Executive Committee.

### Audit, Risk and Governance Committee

The Audit, Risk and Governance Committee is a standing committee with direct delegations from, and reporting to, the Board. It assists the Accounting Authority in its compliance, oversight, governance and fiduciary responsibilities within the prevailing legislative prescriptions. Furthermore, this committee is responsible for review and update of the risk analysis, by management and independently from internal audit.

The Audit, Risk and Governance Committee comprises 3 independent members who are recruited openly and are not members of the Board. The remaining two members of this committee stem from the Board.

This committee functions in line with its Committee Charter and complies with principles of good corporate governance and with the requirements of the Public Finance Management Act.

## HWSETA Board Meeting Attendance 2017/18



**Dr E.T. Confidence Moloko**  
Independent Chairperson



**Mr Hitler Sekhitla**  
NEHAWU



**Mr Aristides Seirlis**  
QASA



**Dr Dumisani Bomela**  
HASA



**Ms Fazeela Fayers**  
HOSPERSA



**Mr Patrick Motubatse**  
NEHAWU



**Dr Wiseman Magasela**  
Department of Social  
Development

|  |           |           |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Board Meeting and<br>Special Board Meetings                | 15        | 9         | 8         | 14        | 10        | 8         | 7         |
| EXCO and CEO<br>Recruitment                                | 13        | 14        | 7         | 4         |           | 3         | 14        |
| SD/RIME Standing<br>Committee Meetings                     |           | 1         |           | 4         | 2         | 3         |           |
| ETQA Standing<br>Committee Meetings                        |           |           | 3         |           |           | 1         |           |
| Corporate<br>Services                                      |           | 5         |           |           | 5         |           | 1         |
| Standing Committee<br>Meetings                             |           | 6         |           | 1         | 4         |           | 3         |
| Finance and<br>Remuneration Standing<br>Committee Meetings |           |           | 4         | 8         |           |           | 3         |
| Audit and Risk<br>Committee Meetings                       |           |           |           | 4         |           |           |           |
| Other<br>Meetings  | 4         | 4         |           | 2         |           |           | 1         |
| <b>TOTAL</b>   | <b>32</b> | <b>39</b> | <b>22</b> | <b>37</b> | <b>21</b> | <b>15</b> | <b>29</b> |

## HWSETA Board Meeting Attendance 2017/18



**Dr Nceba Ndswayiba**  
Netcare Limited



**Mr Dumisani Ndebele**  
NPG



**Mr Kagiso Mokaila**  
NUPSAW



**Dr Charlotte Nkuna**  
SA Veterinary Council



**Ms Teleni Ntebeni**  
SASSA



**Mr Mbongiseni Khanyeza**  
NPSWU



**Ms Mosidi Nkambule**  
DENOSA

**Dr Andrew Creighton**  
National Department of  
Health

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## Executive Authority Department of Higher Education and Training

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The HWSETA reports to the DHET on the following basis:

- Quarterly reporting of both financial and non-financial performance information
- The Annual Sector Skills Plan
- The annual budget and Strategic Plan
- Annual Performance Plan for the following financial year
- The Service Level Agreement with DHET
- Ad hoc reporting

## Internal Control Unit

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The HWSETA's Internal Audit function is outsourced to an independent firm and it operates on an approved three-year rolling strategic internal audit plan. The Internal Audit plan is formulated on the HWSETA's current operations and the strategic plan, with a focus on the key risks of the HWSETA as identified by the annual risk assessment. The Internal Auditors report in accordance with an approved Charter which is in line with the Audit Committee Charter. The Internal Audit function has continuously added value by strengthening the control environment through improvements in internal control.

In the current year, internal audits were performed, which allowed the HWSETA to strengthen internal controls.

## Internal Audit and the Audit and Risk Committee

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### The Effectiveness of Internal Control

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The system of internal control applied by the Health and Welfare SETA over financial and risk management is effective, efficient and transparent.

In line with the PFMA and the Treasury Regulations, Internal Audit provides the Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, we noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from.

An updated annual formal risk assessment was undertaken by Health and Welfare SETA for the year ending 2017/18. Consequently, Internal Audit used this data to prepare the 3-year rolling strategic plan and the annual operating audit plan. The Committee monitored the significant risks faced by the Health and Welfare SETA and is satisfied that these risks were managed to an acceptable level. The Health and Welfare SETA implemented a risk management strategy which includes a fraud prevention plan. We acknowledge that the findings raised by the Auditor-General South Africa for the last financial year-end have been satisfactorily resolved.

Management is committed to addressing the issues raised by the Internal Auditors and External Auditors and this follow-up report is reviewed by the Committee during its meetings. Accordingly, the system of internal control over financial reporting for the period under review was efficient and effective.

### Internal Audit

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We are satisfied that the Internal Audit function has operated effectively and that it has addressed the risks pertinent to the Health and Welfare SETA in its audits. We believe the Internal Audit has contributed to the improvement of internal controls within the Health and Welfare SETA.

### Audit and Risk Committee Responsibility

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The Audit and Risk Committee has adopted appropriate formal terms of reference in its Charter in line with the requirements of Section 51(1)(a) of the Public Finance Management Act, No. 1 of 1999 and Treasury Regulation 27. The Audit and Risk Committee has conducted its affairs in compliance with this Charter.

### Key activities and objectives of the Audit and Risk Committee

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The Audit and Risk Committee has:

- reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with the Auditor-General South Africa and the Accounting Authority;
- reviewed the Auditor-General's management letter and management's response thereto;
- reviewed changes in accounting policies and practices; and
- reviewed significant adjustments resulting from the audit if applicable.

The Audit and Risk Committee concurs and accepts the Auditor-General's conclusions on the Annual Financial Statements, and is of the opinion that the Audited Annual Financial Statements be accepted and read together with the report of the Auditor-General South Africa.



The following internal audits were conducted by the internal auditors during the 2017/18 financial year:

- Human resource management and payroll review
- ETQA review
- Fraud prevention plan review
- Discretionary grant, commitment and policy procedure review
- Procurement and contract management review
- Performance information audit
- Risk management process review
- ERP functionality review: Phase 1 (Finance)
- ERP functionality review: Phase 1 (ETQA)
- POPI readiness review

The Audit and Risk Committee is established and comprises three independent members and two Board members. The Committee is advisory in nature and reports directly to the Board.

The Committee's Charter and Terms of Reference are aligned to the HWSETA's constitution, the PFMA and Treasury Regulations. This Committee also takes on the responsibility of IT and Governance oversight.

The Audit and Risk Committee has the following objectives, to review

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>a. the effectiveness of the internal control systems;</li> <li>b. the effectiveness of internal audit;</li> <li>c. the risk areas of the entity's operations to be covered in the scope of internal and external audits;</li> <li>d. the adequacy, reliability and accuracy of financial information provided to management and other users of such information;</li> <li>e. any accounting and auditing concerns identified as a result of internal and external audits;</li> </ul> | <ul style="list-style-type: none"> <li>f. the entity's compliance with legal and regulatory provisions;</li> <li>g. the activities of the internal audit function, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations; and</li> <li>h. where relevant, the independence and objectivity of the external auditors.</li> </ul> |
|---|---|

**The table below discloses relevant information on the audit committee members**

| Name                    | Qualifications          | Internal or external | If internal, position in the public entity | No. of Meetings attended |
|-------------------------|-------------------------|----------------------|--|--------------------------|
| Mr R Adam (Chairperson) | CA (SA)                 | External             | n/a  | 4                        |
| Mrs M Ramatsheli        | MPhil Internal Auditing | External             | n/a  | 7                        |
| Mr G Higgins            | CA (SA)                 | External             | n/a  | 4                        |
| Mr P Motubatse          | Board Member            | Internal             | Board Member                               | 4                        |
| Mr D Ndebele            | Board Member            | Internal             | Board Member                               | 3                        |



## Compliance with Laws and Regulations

The HWSETA has established internal mechanisms to ensure compliance with laws and regulations, including checklists and internal reporting. The following are significant changes to laws and regulations that have had an effect on the period under review.

### HWSETA License

SETA's are established by the Minister of Higher Education and Training for a period of 5 years. During the 2015/16 financial year the license that was scheduled to expire on 31 March 2016 was extended to 31 March 2018. On 15 December 2016, the Minister of Higher Education and Training announced a further extension of the SETA licences to 31 March 2020.

### Fraud and Corruption

The HWSETA has a fraud prevention plan in place that has been implemented. As one mechanism, the HWSETA has an anonymous tip-offs hot line, which is widely advertised, and is included on our website. The HWSETA investigates all tip-offs made without exception. Tip-offs from our hot line are given directly to our internal auditors who then report to the appropriate authority for investigation.

### Allegations of Misconduct

There have been charges of misconduct by some staff members of the HWSETA during the year. One staff member has been dismissed subsequent to year-end.

A total of 18 tip-offs were received between 1 April 2017 and 31 March 2018. These tip-offs were reported through the tip-offs hot-line and went directly to the Internal Auditors to ensure confidentiality. All 18 related to external service providers and not the internal affairs of the HWSETA. All tip-offs were investigated. Four were resolved and the resolution of fourteen were in progress at the end of the financial period.

## Minimising Conflict of Interest

The HWSETA abides by the HWSETA Related Party policy. Declarations of interest are made and recorded at each Board and subcommittee meeting of the HWSETA, and in the Tender Committee meetings for specification and adjudication of tenders.

All employees, including senior management declare their interest annually, which is co-ordinated and monitored by the Corporate Services Division. In an effort to discourage conflicts of interest, it is the policy of the HWSETA that all employees are discouraged from the acceptance of gifts from employers, suppliers and other outside parties. All small gifts are declared by the employee and assessed by Corporate Services.

If any conflict arises, the affected employee will immediately refrain from participation in any supply chain management process or decision-making process in this regard. This has occurred on a few occasions, and the affected individual has refrained from participation in decision making in the affected area/issue.

### Code of Conduct

The HWSETA has a Code of Conduct and Business Ethics Policy which provides direction to employees with regard to their relationship with other employees and the public and to indicate the spirit in which employees should perform their duties, what should be done to avoid conflicts of interest and what is expected of them in terms of their personal conduct in public and private life.

The primary purpose of the Code is to promote exemplary conduct in line with our values. Notwithstanding this, an employee shall be guilty of misconduct and shall be dealt with in accordance with the relevant HWSETA policies, if she / he contravenes any provision of the Code or fails to comply with any provision thereof. A register of all declaration of interests and gifts is maintained.

## Health, Safety and Environmental Issues

The health and safety of all employees is of paramount importance at the HWSETA. Regular meetings of the HWSETA OHS Committee are held in order to discuss safety issues, identify potential safety risks and address these accordingly.

Members of the Committee are trained in OHSA and conduct regular inspections. A safe working environment contributes to staff morale and productivity. Employees are encouraged to do e-filing and minimise paper printing where possible. Paper and waste recycling are encouraged.

### Social Responsibility

The HWSETA invests its annual Corporate Social Responsibility spend in the following areas:

- Hygiene/Dignity Packs
- School Uniforms
- Bursaries
- Early Childhood Development

### Protection of Personal Information

The HWSETA has made significant effort to ensure readiness for the implementation of POPI. The effective date for implementation of this Act has not yet been determined. The HWSETA underwent a POPI Readiness assessment, has drawn up a roadmap, and has started with internal assessment and awareness. The HWSETA embraces the objectives and spirit of this act.



## Risk Management

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The HWSETA is committed to promoting a sound control environment and maintains appropriate systems of internal control and risk management. Good governance is promoted through transparency and openness. Effective risk management exists to ensure that all potential threats to financial interests of the state as well as its achievement of objectives are identified and addressed in a timely manner. There exists an adequate system of internal control in place to mitigate the significant risks faced by the HWSETA to an acceptable level

Risk management is a continuous process of the HWSETA, where internal control systems are regularly reviewed for effectiveness taking into consideration changes to the internal and external environment. Appropriate risk and control procedures are developed, communicated throughout the HWSETA and monitored. Risk management was effective throughout the financial year, which has translated into increased performance of the HWSETA during the year.

There is an ongoing process for the identification, evaluation and management of all significant risks faced by the HWSETA. This is performed through regular risk assessments, including an annual risk assessment. All identified significant risks are addressed by the formulation and implementation of mitigating controls. There is a Risk Management Committee in place that meets every quarter to ensure that mitigation of risk is in place to ensure that risks are managed to an acceptable level of risk.

The HWSETA performed its risk assessment for the 2017/18 financial year in February 2017.

Fifteen (15) strategic risks were identified for focus and mitigation in 2017-2018. These risks were reported on monthly and remained under control for the full financial year. In general, the HWSETA was able to manage its risks and reduced residual risk to an acceptable level. There is however still focus on certain risks that need to be managed monthly.

Unusual risks identified in the period under review:

- Governance of the HWSWETA beyond 2017-2018 – The DHET announced a new Board on 1 April 2018, therefore this risk has now passed
- The high risk relating to the development and implementation of the ERP system remains. This is inherent due to the nature of such development and implementation.

## King III and King IV

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The release of King III on 1 September 2009 and the subsequent release of King IV on 1 November 2016, represents a significant milestone in the evolution of corporate governance in South Africa and brings with it significant opportunities for organisations that embrace its principles. HWSETA continues to strive to ensure that it prospers in an environment of good and balanced corporate governance. While it is understood that achieving good corporate governance is a complex task, HWSETA believes that sound governance practices offer numerous practical benefits and that such practices should be integrated into its operational processes and is a code to live by rather than comply to. The HWSETA is fully committed to the King III, and has adopted King IV principles.

# Audit and Risk Committee Report

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

The Audit Committee reports that it has complied with its responsibilities arising from Section of the Public Finance Management Act and Treasury Regulation 27.1.10. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

## The effectiveness of internal control

Our review of the findings of the internal audit work, which was based on the risk assessments conducted in the HWSETA revealed certain weaknesses, which were then raised with the HWSETA, however these were not significant weaknesses identified in internal control.

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

- Human resource management and payroll review
- ETQA review
- Fraud prevention plan review
- Discretionary grant, commitment and policy procedure review
- Procurement and contract management review
- Performance information audit
- Risk management process review
- ERP functionality review: Phase 1 (Finance)
- ERP functionality review: Phase 1 (ETQA)
- POPI readiness review

The Committee monitored the significant risks faced by the Health and Welfare SETA and is satisfied that these risks were managed to an acceptable level. The Health and Welfare SETA implemented a

risk management strategy which includes a fraud prevention plan. We acknowledge that the findings raised by the Auditor-General South Africa for the last financial year end have been satisfactorily resolved.

Management is committed to addressing the issues raised by the Internal Auditors and External Auditors and this follow up report is reviewed by the Committee during its meetings. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

## Internal Audit

We are satisfied that the Internal Audit function has operated effectively and that it has addressed the risks pertinent to the Health and Welfare SETA in its audits. We believe the Internal Audit has contributed to the improvement of internal controls within the Health and Welfare SETA.

## In-year Management and Monthly/Quarterly Report

The HWSETA has submitted monthly and quarterly reports to the Executive Authority as required.

## Evaluation of Financial Statements

The Audit and Risk Committee has:

- Reviewed and discussed the audited

annual financial statements to be included in the Annual Report, with the Auditor-General South Africa and the Accounting Authority;

- Reviewed the Auditor-General's management letter and management's response thereto;
- Reviewed changes in accounting policies and practices; and
- Reviewed significant adjustments resulting from the audit, if applicable.

## Auditor's Report

We have reviewed the HWSETA's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved, except for matters that can only be fully resolved on implementation of an automated ERP system.

## Conclusion

The Audit and Risk Committee concurs and accepts the Auditor-General's conclusions on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General South Africa.

## Appreciation

The Audit and Risk Committee expresses its sincere appreciation to the Accounting Authority, Executive management team, Internal Audit and the Auditor-General South Africa for their co-operation towards us achieving the requirements of our Charter as mandated.



Mr R Adam CA (SA)

Chairman of the Audit and Risk Committee



The year in review

## Inaugural Graduation at Eastern Cape Agricultural College

Three of South Africa's previously defunct agricultural colleges re-opened in 2015 to improve the skills base in the agricultural sector with a strong focus on animal health skills.

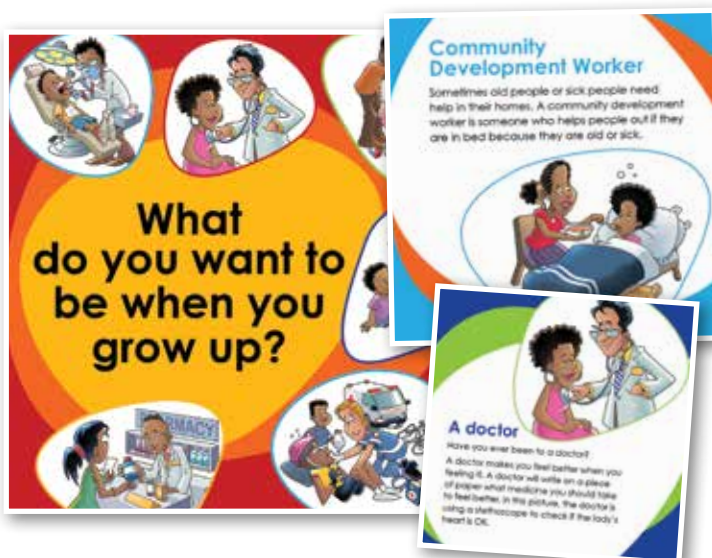
The Tsolo Agricultural and Rural Development Institute (TARDI) in the Eastern Cape is one of the three re-opened agricultural colleges and the HWSETA provided R8.9 million to fund the inaugural group of 50 students to obtain a Diploma in Animal Health. The hard work and success of this group of students was celebrated at the inaugural graduation ceremony that took place on 16 March 2018 at the college.

Through its contribution to the bursaries for these students, the HWSETA has successfully not only impacted the lives of the young graduates through a skills development opportunity, but has also provided much-needed animal health skills for rural communities.



*Dambuza Philasande, centre, who graduated Cum Laude, received the award for the Best Performing Student in 2015, 2016 and 2017. She is seen here from left to right with Ms Luyanda Lokwe, Projects Manager for the HWSETA, Mr Mlibo Qoboshiyane, MEC for Eastern Cape Rural Development and Agrarian Reform, Dr N T Ndudane, Principal of TARDI, and Mrs Welekazi Mangaliso, HWSETA's Provincial Manager in the Eastern Cape.*

## Foundation Phase Career Guide



Effective career guidance is very important to young people in South Africa. Whilst many might assume that one should only really start thinking about a career in the last few years of schooling, it is important that young minds are made aware of the many different career paths and opportunities that are available to them when they 'grow up'. Parents and educators have an important role to play in ensuring that this country's youngsters are exposed to as many different career opportunities as possible.

During the period under review, the HWSETA produced a career guidance booklet comprising cartoons and easy to understand text aimed at informing young minds about possible careers within the health, social development and veterinary sectors.



# HUMAN RESOURCE MANAGEMENT

“

Technology has, and continues, to change the world we live in and this is particularly true of the HWSETA's ERP system that once completed will benefit the HWSETA and its stakeholders alike.”

Mr Bob Pardesi,  
Executive Manager, Corporate Services







# Human Resources

## Employment and Vacancies

| Programme/activity/objective | 2017/2018<br>No. of Employees | 2017/2018<br>Approved Posts | 2017/2018<br>Vacancies | % of<br>vacancies |
|------------------------------|-------------------------------|-----------------------------|------------------------|-------------------|
| Top Management               | 0                             | 1                           | 1                      | 100%              |
| Senior Management            | 5                             | 5                           | 0                      | 0%                |
| Professional qualified       | 75                            | 85                          | 7                      | 8%                |
| Skilled                      | 44                            | 45                          | 4                      | 8%                |
| Semi-skilled                 | 0                             | 0                           | 0                      | 0%                |
| Unskilled                    | 0                             | 0                           | 0                      | 0%                |
| <b>TOTAL</b>                 | <b>124</b>                    | <b>136</b>                  | <b>12</b>              | <b>8%</b>         |

The statistics above are as at 31 March 2018 and is not reflective of the turnover rate during the financial year under review.

## Employment Changes

| Salary Band            | Employment at<br>beginning of period | Appointments | Terminations | Employment at end of<br>the period |
|------------------------|--------------------------------------|--------------|--------------|------------------------------------|
| Top Management         | 0                                    | 0            | 0            | 0                                  |
| Senior Management      | 5                                    | 0            | 0            | 5                                  |
| Professional qualified | 66                                   | 12           | 3            | 75                                 |
| Skilled                | 40                                   | 7            | 3            | 44                                 |
| Semi-skilled           | 0                                    | 0            | 0            | 0                                  |
| Unskilled              | 0                                    | 0            | 0            | 0                                  |
| <b>Total</b>           | <b>111</b>                           | <b>19</b>    | <b>6</b>     | <b>124</b>                         |

## Reasons for Staff Leaving

|                    | Number   | % of total no. of staff leaving |
|--------------------|----------|---------------------------------|
| Death              | 0        | 0%                              |
| Resignation        | 6        | 4.8%                            |
| Dismissal          | 0        | 0%                              |
| Retirement         | 0        | 0%                              |
| Ill health         | 0        | 0%                              |
| Expiry of contract | 0        | 0%                              |
| Other              | 0        | 0%                              |
| <b>Total</b>       | <b>6</b> | <b>4.8%</b>                     |

The main reasons for staff leaving includes better job offers.



## Human Resources

### Labour Relations: Misconduct and disciplinary action

| Nature of disciplinary Action | Number   |
|-------------------------------|----------|
| Verbal Warning                | 2        |
| Written Warning               | 3        |
| Final Written warning         | 2        |
| Dismissal                     | 0        |
| <b>TOTAL</b>                  | <b>7</b> |

Disciplinary action taken is informed by the HWSETA disciplinary code and policy. Progressive discipline is followed where the transgression warrants such.

### Equity Target and Employment Equity Status - Male

| Levels                 | African   |           | Coloured |          | Indian   |          | White    |          |
|------------------------|-----------|-----------|----------|----------|----------|----------|----------|----------|
|                        | Current   | Target    | Current  | Target   | Current  | Target   | Current  | Target   |
| Top Management         | 0         | 0         | 0        | 0        | 0        | 0        | 0        | 0        |
| Senior Management      | 1         | 0         | 0        | 0        | 2        | 2        | 0        | 0        |
| Professional qualified | 7         | 7         | 0        | 2        | 2        | 1        | 1        | 1        |
| Skilled                | 13        | 13        | 1        | 2        | 2        | 4        | 1        | 1        |
| Semi-skilled           | 7         | 6         | 3        | 2        | 1        | 1        | 0        | 0        |
| Unskilled              | 2         | 3         | 0        | 1        | 0        | 0        | 0        | 0        |
| <b>TOTAL</b>           | <b>30</b> | <b>29</b> | <b>4</b> | <b>7</b> | <b>7</b> | <b>8</b> | <b>2</b> | <b>2</b> |

### Equity Target and Employment Equity Status - Female

| Levels                 | African   |           | Coloured  |           | Indian   |          | White    |          |
|------------------------|-----------|-----------|-----------|-----------|----------|----------|----------|----------|
|                        | Current   | Target    | Current   | Target    | Current  | Target   | Current  | Target   |
| Top Management         | 0         | 1         | 0         | 0         | 0        | 0        | 0        | 0        |
| Senior Management      | 1         | 1         | 0         | 0         | 0        | 1        | 1        | 1        |
| Professional qualified | 9         | 8         | 1         | 1         | 2        | 1        | 1        | 2        |
| Skilled                | 25        | 19        | 4         | 5         | 2        | 2        | 2        | 2        |
| Semi-skilled           | 23        | 24        | 8         | 7         | 2        | 1        | 0        | 2        |
| Unskilled              | 0         | 0         | 0         | 0         | 0        | 0        | 0        | 0        |
| <b>TOTAL</b>           | <b>58</b> | <b>53</b> | <b>13</b> | <b>13</b> | <b>6</b> | <b>5</b> | <b>4</b> | <b>7</b> |





# Human Resources

## Equity Target and Employment Equity Status - Disabled

| Levels                 | Male     |          | Female   |          |
|------------------------|----------|----------|----------|----------|
|                        | Current  | Target   | Current  | Target   |
| Top Management         | 0        | 0        | 0        | 0        |
| Senior Management      | 0        | 0        | 0        | 0        |
| Professional qualified | 0        | 1        | 0        | 0        |
| Skilled                | 0        | 0        | 1        | 1        |
| Semi-skilled           | 2        | 2        | 2        | 2        |
| Unskilled              | 0        | 0        | 0        | 0        |
| <b>TOTAL</b>           | <b>2</b> | <b>3</b> | <b>3</b> | <b>3</b> |

The above table includes interns.

## Personnel Cost by programme/ activity/ objective

| Programme/activity/<br>objective  | Total Expenditure<br>for the entity<br>(R'000) | Personnel<br>Expenditure<br>(R'000) | Personnel exp. as a<br>% of total exp.<br>(R'000) | No. of employees | Average personnel<br>cost per employee<br>(R'000) |
|---|--|-------------------------------------|---|------------------|---|
| Administration<br>(Finance, Corporate Services,<br>RIME and CEO's Office) | 79 251   | 40 221                              | 50%   | 55               | 731   |
| Skills Development<br>Planning*   | 25 236   | 21 849                              | 86%   | 54               | 404   |
| Education, Training and<br>Quality Assurance                              | 12 379   | 8 914                               | 72%   | 15               | 594   |

\* The figures provided for Skills Development Planning include personnel costs for the Provincial offices.

## Personnel cost by salary band

| Level                          | Personnel Expenditure<br>(R'000) | % of personnel exp. to<br>total personnel cost<br>(R'000) | No. of employees | Average personnel cost<br>per employee (R'000) |
|--------------------------------|----------------------------------|---|------------------|--|
| Top (CEO) Management           | 2 058                            | 3%  | 1                | 2 058  |
| Senior (EXEC) Management       | 7 910                            | 11%   | 6                | 1 318  |
| Professional qualified (MNGRS) | 6 980                            | 10%   | 10               | 698  |
| Skilled                        | 50 777                           | 72%   | 86               | 590  |
| Semi-skilled                   | 3 259                            | 4%  | 21               | 155  |
| Unskilled                      |                                  |   |                  |  |
| <b>TOTAL</b>                   | <b>70 984</b>                    |   | <b>124</b>       | <b>572</b>                                     |




## Human Resources

### Performance Rewards

| Programme/activity/objective   | Performance rewards (R'000) | Personnel Expenditure (R'000) | % of performance rewards to total personnel cost (R'000) |
|--------------------------------|-----------------------------|-------------------------------|--|
| Top (CEO) Management           | 137                         | 2 058                         | 6%   |
| Senior (EXEC) Management       | 437                         | 7 910                         | 5%   |
| Professional qualified (MNGRS) | 489                         | 6 980                         | 7%   |
| Skilled                        | 2 919                       | 50 777                        | 5%   |
| Semi-skilled                   | 228                         | 3 259                         | 6%   |
| Unskilled                      |                             |                               |  |
| <b>TOTAL</b>                   | <b>4 210</b>                | <b>70 984</b>                 |  |

### Training Costs

| Programme/activity/objective   | Personnel Expenditure (R'000) | Training Expenditure (R'000) | Training Expenditure as a % of Personnel Cost. | No. of individual training interventions undertaken | Avg training cost per employee |
|--|-------------------------------|------------------------------|--|---|--------------------------------|
| Administration<br>(Finance, Corporate Services, RIME and CEO's Office) | 40 221                        | 241                          | 0.7%   | 112   | 2.15                           |
| Skills Development Planning  | 21 849                        | 40                           | 0.18%  | 16  | 2.50                           |
| Education, Training and Quality Assurance                              | 8 914                         | 480                          | 5.38%  | 36  | 13.33                          |
| <b>TOTAL</b>   | <b>70 984</b>                 | <b>761</b>                   |  | <b>164</b>  |                                |



# FINANCIAL INFORMATION

“

The change in the funding cycle during the financial year will in the future assist with the earlier movement of funds. In the period under review, the HWSETA closed its year with R900 million in commitments to projects and programmes in our sector. An amount of R277 million was paid during the period to discretionary grant funding and savings realised on administration expenses will be carried over to the 2018/19 financial year for discretionary grant funding.”

Mrs Daphne Theaker  
Acting Chief Financial Officer







# Report of the Auditor-General to Parliament on the Health and Welfare Sector Education and Training Authority

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for the year ended 31 March 2018

## Opinion

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1. I have audited the financial statements of the Health and Welfare Sector Education and Training Authority set out on pages 66 to 102, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison between budget and actual expenditure for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Health and Welfare Sector Education and Training Authority as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA).
3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Responsibilities of the accounting authority for the financial statements

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

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

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



# Report of the Auditor-General to Parliament on the Health and Welfare Sector Education and Training Authority

for the year ended 31 March 2018

## Report on the audit of the annual performance report

### Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

| Programmes  | Pages in the annual performance report |
|---|--|
| Programme 1<br>Administration   | 2 – 6                                  |
| Programme 2<br>Skills Development Programme<br>Implementation and Project | 7 – 20                                 |
| Programme 3<br>Quality Assurance and Qualification<br>Development         | 21 – 27                                |

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

14. The material finding in respect of the reliability of the selected programme is as follows:

### Programme 2 – Skills development programme implementation and projects Indicator 8: Number of unemployed learners registered in skills programmes funded by HWSETA per year

15. The achievement of 2020 for unemployed learners registered in skills programmes funded by HWSETA as reported in the annual performance report is understated. I was unable to determine the full extent of the understatement of the reported achievement as it was impractical to do so.

### Other matter

16. I draw attention to the matter below.

### Achievement of planned targets

17. Refer to the annual performance report on pages 26 to 39 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a significant number of targets. This information should be considered in the context of the material finding on the reliability of the reported performance information in paragraph 15 of this report.

### Adjustment of material misstatements

18. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 2: skills development programme implementation and projects as well as programme 3: quality assurance and qualification development. As management subsequently corrected only some of the misstatements, I raised material findings on the reliability of the reported performance information. Those that were not corrected are reported above.

# Report of the Auditor-General to Parliament on the Health and Welfare Sector Education and Training Authority

for the year ended 31 March 2018

## Report on the audit of compliance with legislation

### Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
20. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

### Other information

21. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes foreword by the acting chairperson of the board, chief executive officer's overview, statement of responsibility and confirmation of accuracy for the annual report, strategic overview and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
22. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

23. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
24. If, based on the work I have performed, I conclude that there is a material misstatement in this other information; I am required to report that fact. I have nothing to report in this regard.

### Internal control deficiencies

25. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report.

### Financial and performance management

26. Management did not adequately review the annual performance report as a result errors were not identified and corrected prior to submission for audit.

*Auditor-General*

Pretoria  
31 July 2018





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

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

### Financial Statements

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

### Communication with those Charged with Governance

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



# Statement of Financial Performance

for the year ended 31 March 2018

|   |          | 2017/18        | 2016/17        |
|---|----------|----------------|----------------|
|   | Note     | R'000          | R'000          |
| <b>REVENUE</b>                                  |          |                |                |
| <b>Non - Exchange Revenue</b>                   | <b>3</b> | <b>568 963</b> | <b>516 954</b> |
| Skills Development Levy: income                 |          | 562 181        | 509 518        |
| Skills Development Levy: penalties and interest |          | 6 782          | 7 436          |
| <b>Exchange Revenue</b>                         |          | <b>56 895</b>  | <b>55 033</b>  |
| Interest income                                 | <b>4</b> | 56 493         | 51 791         |
| Other income                                    | <b>5</b> | 402            | 3 242          |
| <b>Total revenue</b>                            |          | <b>625 858</b> | <b>571 987</b> |
| <b>EXPENSES</b>                                 |          |                |                |
| <b>Total expenses</b>                           |          | <b>462 661</b> | <b>473 147</b> |
| Employer grant and project expenses             | <b>6</b> | 345 795        | 373 157        |
| Administration expenses                         | <b>7</b> | 116 866        | 99 990         |
| <b>Net surplus for the year</b>                 | <b>2</b> | <b>163 197</b> | <b>98 840</b>  |



# Statement of Financial Position

as at 31 March 2018

|  | Note | 2017/18<br>R'000 | 2016/17<br>R'000 |
|--|------|------------------|------------------|
| <b>ASSETS</b>  |      |                  |                  |
| <b>Current assets</b>                                    |      | <b>1 005 394</b> | <b>807 542</b>   |
| Accounts receivable: Non-exchange transactions           | 10.1 | 1 629            | 3 967            |
| Accounts receivable: Exchange transactions               | 10.2 | 4 952            | 4 013            |
| Prepayments and advances                                 | 9    | 1 297            | 1 138            |
| Inventories  | 12   | 841              | 653              |
| Cash and cash equivalents                                | 13   | 996 675          | 797 771          |
| <b>Non-current assets</b>                                |      | <b>13 916</b>    | <b>11 992</b>    |
| Property, plant and equipment                            | 8.1  | 8 146            | 7 721            |
| Intangible assets  | 8.2  | 5 770            | 4 271            |
| <b>TOTAL ASSETS</b>                                      |      | <b>1 019 310</b> | <b>819 534</b>   |
| <b>FUNDS AND LIABILITIES</b>                             |      |                  |                  |
| <b>Current liabilities</b>                               |      | <b>83 446</b>    | <b>46 867</b>    |
| Grants and transfers payable - Non exchange transactions | 14.1 | 67 143           | 35 350           |
| Trade and other payables - Exchange transactions         | 15   | 10 642           | 6 440            |
| Levy exempt provision                                    | 16   | 5 640            | 4 616            |
| NSF Funds received in Advance                            | 17   | 1                | 1                |
| Operating lease commitment                               | 26   | 20               | 460              |
| <b>Funds and reserves</b>                                |      | <b>935 864</b>   | <b>772 667</b>   |
| Administration reserve                                   |      | 13 916           | 11 992           |
| Employer grant reserve                                   |      | -                | -                |
| Discretionary reserve                                    |      | 921 948          | 760 675          |
| <b>TOTAL FUNDS AND LIABILITIES</b>                       |      | <b>1 019 310</b> | <b>819 534</b>   |





# Statement of Changes in Net Assets

for the year ended 31 March 2018

|                                      |          | Administration<br>reserve | Employer grant<br>reserve | Discretionary<br>reserve | Unappropriated<br>surplus | Total          |
|--------------------------------------|----------|---------------------------|---------------------------|--------------------------|---------------------------|----------------|
|                                      |          | R'000                     | R'000                     | R'000                    | R'000                     | R'000          |
| <b>Balance at 31 March 2016</b>      |          | <b>11 619</b>             | <b>-</b>                  | <b>662 208</b>           | <b>-</b>                  | <b>673 827</b> |
| Net surplus                          | <b>2</b> |                           |                           |                          | 98 840                    | 98 840         |
| Allocation of unappropriated surplus |          | 29 125                    | 37 432                    | 32 283                   | (98 840)                  |                |
| Transfer from Employer reserves      |          |                           | (37 432)                  | 37 432                   |                           |                |
| Transfer to Discretionary reserves   |          | (28 752)                  |                           | 28 752                   |                           |                |
| <b>Balance at 31 March 2017</b>      |          | <b>11 992</b>             | <b>-</b>                  | <b>760 675</b>           | <b>-</b>                  | <b>772 667</b> |
| Net surplus                          | <b>2</b> |                           |                           |                          | 163 197                   | 163 197        |
| Allocation of unappropriated surplus |          | 14 972                    | 40 888                    | 107 337                  | (163 197)                 |                |
| Transfer from Employer reserves      |          |                           | (40 888)                  | 40 888                   |                           |                |
| Transfer to Discretionary reserves   |          | (13 048)                  |                           | 13 048                   |                           |                |
| <b>Balance at 31 March 2018</b>      |          | <b>13 916</b>             | <b>-</b>                  | <b>921 948</b>           | <b>-</b>                  | <b>935 864</b> |



# Cash Flow Statement

for the year ended 31 March 2018

|   |             | <b>2017/18</b> | <b>2016/17</b> |
|---|-------------|----------------|----------------|
|   | <b>Note</b> | <b>R'000</b>   | <b>R'000</b>   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |             |                |                |
| <b>Operating activities</b>                                   |             |                |                |
| Cash receipts from stakeholders                               |             | 569 365        | 520 196        |
| Levies, and penalties received                                |             | 568 963        | 516 954        |
| Other cash receipts from stakeholders                         |             | 402            | 3 242          |
| Cash paid to stakeholders, suppliers and employees            |             | (422 882)      | (474 121)      |
| Grants and project payments                                   |             | (343 799)      | (375 658)      |
| Compensation of employees                                     |             | (70 984)       | (60 608)       |
| Payments to suppliers and other                               |             | (8 099)        | (37 855)       |
| Cash generated from operations                                | <b>27</b>   | 146 483        | 46 075         |
| Interest income   | <b>4</b>    | 56 493         | 51 791         |
| <b>Net cash inflow / (outflow) from operating activities</b>  |             | <b>202 976</b> | <b>97 866</b>  |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                    |             |                |                |
| Purchase of property, plant and equipment                     | <b>8.1</b>  | (2 196)        | (1 511)        |
| Purchase of intangible assets                                 | <b>8.2</b>  | (1 876)        | (1 253)        |
| Disposal of property, plant and equipment                     |             |                | 42             |
| <b>Net cash (outflow) from investing activities</b>           |             | <b>(4 072)</b> | <b>(2 722)</b> |
| <b>Net increase / (decrease) in cash and cash equivalents</b> |             | <b>198 904</b> | <b>95 144</b>  |
| <b>Cash and cash equivalents at the beginning of the year</b> |             | <b>797 771</b> | <b>702 625</b> |
| <b>Cash and cash equivalents at the end of the year</b>       | <b>13</b>   | <b>996 675</b> | <b>797 771</b> |



# Statement of Comparison Between Budget and Actual Expenditure

for the year ended 31 March 2018

| 2017 / 18                                  |                 |                             |            | 2016 / 17       |
|--|-----------------|-----------------------------|------------|-----------------|
| Reference to<br>explanations               | R'000<br>Actual | R'000<br>Approved<br>budget | % Variance | R'000<br>Actual |
| Total Levy Income 80%                      | 445 459         | 415 586                     | 7%         | 400 230         |
| Levy - Mandatory                           | 109 697         | 103 754                     | 6%         | 98 066          |
| Levy - Discretionary                       | 271 439         | 257 269                     | 6%         | 243 156         |
| Levy - Administration                      | 57 542          | 54 563                      | 5%         | 51 572          |
| Levy - Interest & Penalties                | 6 781           | -                           | 100%       | 7 436           |
| Total Income - Government Dept             | 123 504         | 123 494                     | 0%         | 116 724         |
| Total Investment Income                    | 56 493          | 54 898                      | 3%         | 51 791          |
|  | 625 456         | 593 978                     | 5%         | 568 745         |
| Skills Development Levies Grant refund     | 254             |                             |            | 103             |
| Sundry income                              | 148             |                             |            | 3 139           |
| <b>Administration Expenditure</b>          | 116 866         | 123 537                     | -5%        | 99 990          |
| Accommodation and Travelling               | 5 170           | 5 554                       | -7%        | 5 170           |
| Advertising and Promotions                 | 1 280           | 1 467                       | -13%       | 1 119           |
| Audit - External                           | 2 367           | 2 752                       | -14%       | 2 103           |
| Audit - Internal                           | 1 838           | 2 833                       | -35%       | 1 655           |
| Bank charges                               | 97              | 77                          | 26%        | 75              |
| Branding                                   | 920             | 564                         | 63%        | 461             |
| Catering and Refreshments                  | 353             | 301                         | 17%        | 258             |
| Cleaning                                   | 885             | 766                         | 16%        | 643             |
| Consulting Fees                            | 637             | 618                         | 3%         | 238             |
| Courier & Postage                          | 195             | 381                         | -49%       | 294             |
| Depreciation                               | 2 148           | 2 655                       | -19%       | 2 357           |
| Audit Committee costs                      | 198             | 204                         | -3%        | 192             |
| Governance Costs                           | 2 923           | 2 751                       | 6%         | 2 595           |
| Insurance Premiums                         | 518             | 466                         | 11%        | 440             |
| Groceries                                  | 114             | 120                         | -5%        | 62              |
| Lease charges                              | 35              | 172                         | -80%       | 50              |
| Legal fees                                 | 2 336           | 869                         | 169%       | 776             |
| Memberships & Subscriptions                | 336             | 284                         | 18%        | 268             |
| Motor Vehicle expenses                     | 38              | 109                         | -65%       | 41              |
| Printing and Stationery                    | 1 926           | 2 124                       | -9%        | 1 446           |
| Programme evaluations                      | 311             | 451                         | -31%       | 402             |
| Quality Council for Trades and Occupations | 2 226           | 2 184                       | 2%         | 2 036           |
| Research costs                             | 807             | 801                         | 1%         | 1 028           |
| Recruitment costs                          | 401             | 450                         | -11%       | 634             |
| Rent Paid and storage                      | 8 982           | 9 321                       | -4%        | 8 717           |
| Repairs and Maintenance                    | 155             | 122                         | 27%        | 26              |
| Salaries                                   | 70 984          | 74 076                      | -4%        | 60 608          |
| Security                                   | 154             | 212                         | -27%       | 164             |
| Social responsibility                      | 98              | 106                         | -8%        | 87              |



# Statement of Comparison Between Budget and Actual Expenditure

for the year ended 31 March 2018

| Reference to<br>explanations              | 2017 / 18 |                    |            | 2016 / 17 |
|---|-----------|--------------------|------------|-----------|
|   | R'000     | R'000              | % Variance | R'000     |
|   | Actual    | Approved<br>budget |            | Actual    |
| Software licences and support             | 1 891     | 2 339              | -19%       | 1 971     |
| Staff, Board Training and bursaries       | 876       | 1 072              | -18%       | 444       |
| Staff welfare and EAP                     | 130       | 225                | -42%       | 87        |
| Telephone and faxes                       | 1 480     | 1 380              | 7%         | 1 302     |
| Management of fraud hotline               | 31        | 38                 | -18%       | 34        |
| International benchmarking and research   | 420       | 850                | -51%       | -         |
| Water and Electricity, rates and taxes    | 1 403     | 1 773              | -21%       | 1 336     |
| Other consumables                         | 134       | 378                | -65%       | 231       |
| POPI Compliance                           | 12        | 1 000              | -99%       |           |
| Workshops                                 | 2 057     | 1 692              | 22%        | 640       |
| <b>G</b>                                  |           |                    |            |           |
| Mandatory Grants                          | 68 809    | 73 665             | -7%        | 60 634    |
| Project Expenditure - Discretionary Funds | 276 986   | 390 776            | -29%       | 312 523   |
| Total grants                              | 345 795   | 464 441            |            | 373 157   |
| Surplus before capital expenditure        | 163 197   | 6 000              |            | 98 840    |
| CAPEX                                     | 4 072     | 6 000              | -32%       | 2 764     |
| Surplus                                   | 159 125   | -                  |            | 96 076    |

## Commentary on material variances - 20% and R500 000 or more

- A Levy Income is slightly over budget in the current year. The collection of levy income is not predictable. In the formulation of budget, a proposed collection is estimated based on factors available at the time of budgeting.*
- B Investment Income - Investment income remains high due to the high cash balance maintained. The Corporation for Public Deposits average interest rate increased from 7.1% to 7.38%.*
- C Internal audit fees- Due to some ERP processes being deferred to the new financial year, some of the related audits could not be performed. In addition, a there remains fees that need to be billed for work completed at the end of March 2018.*
- D Depreciation - There was a significant portion of fixed assets that reached the end of their useful life in the prior year which will only be replaced early in the 2018/19 financial year.*
- E Legal Fees - This cost is above budget due to unforeseen legal cases in respect of staff disciplinary matters and fees to defend legal actions against the HWSETA.*
- F Salaries - Lower than budget due to vacancies. 95% of all positions were filled at year-end.*
- G POPI - The HWSETA POPI readiness project had been started in 2017-18, however most of this budget will be spent in the next year.*



# Notes to Financial Statements

for the year ended 31 March 2018

## 1. ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

### **BASIS OF PREPARATION**

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

The financial statements 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 the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999), and on the going concern basis. The HWSETA is a Public Entity listed in schedule 3A to the PFMA. The HWSETA obtains its mandate from the Skills Development Act and provides this service to its sectors of Health and Social Development in South Africa.

The Annual Financial Statements have been prepared on a historical cost basis.

### **GOING CONCERN ASSUMPTION**

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

### **NEW ACCOUNTING PRONOUNCEMENTS**

The HWSETA has not applied the following standards and interpretations, as the effective dates have not yet been gazetted by the Minister:

GRAP 20 – Related Party Disclosures

GRAP 32 – Service session arrangements: Grantor

GRAP 108 – Statutory Receivables

GRAP 109 – Accounting by Principles and Agents

IGRAP17 – Service concession arrangements where a grantor controls a significant residual interest in an asset

IPSAS 20 on Related Party Disclosures has been applied to these financial statements.

### **1.1 CURRENCY**

These financial statements are presented in South African Rands since that is the currency in which the majority of the entity transactions are denominated. All amounts are rounded to the nearest one thousand, unless otherwise stated.

### **1.2 REVENUE RECOGNITION**

#### **Exchange revenue**

Revenue is measured at fair value of the consideration received or receivable.

#### **Non-exchange transactions**

Revenue from non-exchange transactions are recognised in accordance with GRAP 23 using the ‘assets and liabilities’ approach. Non-exchange revenue transactions result in resources being received by the HWSETA, usually in accordance with a binding arrangement. When the HWSETA receives resources as a result of a non-exchange transaction, it recognises an asset and revenue in the period that the arrangement becomes binding and when it is probable that the HWSETA will receive economic benefits or service potential and it can make a reliable measure of the resources transferred.

When the resources transferred to the HWSETA are subject to the fulfilment of specific conditions, it recognises an asset and a corresponding liability. As and when the conditions are fulfilled, the liability is reduced and the revenue is recognised. The asset and the corresponding revenue are measured on the basis of the fair value of the asset on initial recognition.

Non-exchange transactions include the receipt of levy income, penalties and interest on such income levied by SARS, received by the HWSETA from the Department of Higher Education and Training. This income category also includes the receipt of levy income from Government Departments of Health and Social Development.

#### **1.2.1 LEVY INCOME**

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 HWSETA pay a skills development levy of 1% of the total payroll cost to the South African Revenue Services (SARS) who collects the levies on behalf of the Department of Higher Education and Training. Companies with an annual payroll cost of less than R500 000 are exempted in accordance with section 4(b) of the Levies Act as amended, effective 1 August 2005.





Eighty percent (80%) of skills development levies are paid to the HWSETA (net of the twenty percent contribution to the National Skills Fund) as a direct charge against the National Revenue Fund.

A net receivable / payable is recognised for SARS adjustments. An estimate as a result of retrospective adjustments by SARS due at year-end is based on historical trends and actual data where these amounts are available subsequent to year end. Changes to prior year estimates are accounted for in revenue in the current period.

The HWSETA 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 certain employers that are in excess of the amount the HWSETA is permitted to have granted to employers. A receivable relating to the overpayment to the employer in earlier periods is raised at the amount of such grant over-payment, net of bad debts and provision for irrecoverable amounts.

Revenue is adjusted for inter-SETA transfers due to employers changing SETA's. 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 Department of Higher Education and Training in June 2001.

#### **Exempted employers**

An employer who is liable to pay the levy is exempted, if during any month, there are reasonable grounds for believing that the total remuneration (as determined in accordance with the Act) paid or payable by that employer to all its employees during the following 12 month period will not exceed R500 000. The HWSETA recognises a payable in respect of SDL levy refunds due to Levy exempt employers. This payable is a provision based on levies received from possible levy exempt entities.

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

#### **Interest and penalties**

Interest and penalties on the skills development levy is recognised when it is received. This is recognised as non-exchange transactions.

#### **Investment income**

Interest income from investments including fixed deposits and cash held in current accounts, is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity.

#### **1.2.2 GOVERNMENT LEVY INCOME**

In accordance with the Cabinet Circular of 2012, Government Departments pay 30% of 1% of their annual payroll budget to a SETA effective 01 April 2013. The 30% received by the HWSETA is utilised as follows:

|     |                                    |
|-----|------------------------------------|
| 10% | Administration costs of the SETA   |
| 20% | Discretionary grants and projects. |

#### **1.2.3 GOVERNMENT GRANTS AND OTHER DONOR INCOME**

Funds transferred by the National Skills Fund (NSF) are accounted for in the financial statements of the HWSETA as a liability until the related eligible special project expenses are incurred, when the liability is utilised the revenue is recognised as income in the statement of financial performance.

Property, plant and equipment acquired because of government projects are capitalised in the financial statements of the HWSETA, as the HWSETA controls such assets for the duration of the project. Such assets are disposed of in terms of agreement with the donor.

Conditional government grants and other conditional donor funding received are recorded as deferred income when they become receivable and are then recognised as income on a systematic basis over the period necessary to match the grants with the related costs which they are intended to compensate.

Unconditional grants received are recognised when the amounts have been received.

#### **1.2.4 LEVY EXEMPT INCOME.**

Levy exempt income is monies received from employers who are exempt from paying SDL levies. As per the Skills Development Circular 09/2013, the HWSETA transfers all monies received from levy exempt employers to discretionary grant income after the expiry date of five years from date of receipt of the funds, if not refunded to the respective employer through the SARS system.



### 1.3 GRANTS AND PROJECT EXPENDITURE

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A registered employer company or organisation may recover a maximum of 69.5% of its total levy payment by complying with the grant criteria in accordance with the Skills Development Regulations issued in terms of the Skills Development Act 1999 (Act No 9 of 1999). A refund of 20% would be for participation in mandatory grants, and 49.5% for participation in discretionary grants.

#### **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 for the skills planning grant and skills implementation grant.

#### **Discretionary grants and project expenditure**

The HWSETA 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 discretionary grant funding in the prescribed form within the agreed upon cut-off period. The discretionary grant payable and the related expenditure are recognised when the application has been approved and the conditions are met.

Project expenditure comprises:

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

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

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

#### **Grant payments and projects**

A provision is recognised for grant payments once the specific criteria set out in the regulations to the Skills Development Act, 97 of 1998 have been complied with by member companies and it is probable that the HWSETA will approve the payment. The measurement of the obligation involves an estimate, based on the established pattern of past practice of approval for each type of grant.

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.

### 1.4 EMPLOYEE BENEFITS

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#### **Salaries and wages**

Salaries and wages are recognised on an undiscounted basis as expenditure in the statement of financial performance.

#### **Leave**

The HWSETA recognised a liability and an expense for accumulating leave as and when employees render services that entitle them to leave days. The amount of the liability and expense is determined as the additional amount payable as a result of the unused leave days owing to employees at the end of the period.

#### **Performance bonuses**

A liability and expenses are recognised for performance bonuses when a reliable estimate can be made of the amount to be paid as performance bonuses. A reliable estimate can only be made when performance assessments have been completed in terms of the Performance policy and the bonus value has been approved. This process starts and is completed after year end.

#### **Post-retirement benefits**

The HWSETA provides a defined contribution plan as post-retirement benefits to its employees.

The HWSETA recognises a liability for any contributions owing to the fund at the end of the period and recognises the amount of contributions that were paid or due to the plan during the reporting period as an expense.

### 1.5 COMMITMENTS

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Commitments are disclosed in the notes to the annual financial statements and are not raised as liabilities and is where the HWSETA has, in the normal course of its operations, entered into a contractual agreement with entities related to project expenses or capital expenditure, or where there is a conditional letter of approval of funds. Commitments are measured at the amount that the entity would rationally pay to settle the obligation or to transfer it to a third party at the reporting date.



## 1.6 IRREGULAR AND 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 of 1999,
- The Skills Development Act of 1998,

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

All irregular and fruitless and wasteful expenditure is charged against the respective class of expenditure in the period in which they are incurred and disclosed in a note in the period that it is identified.

Where instances of possible fruitless and wasteful expenditure are identified, the incidence is investigated, and where appropriate, recovered from the party/parties responsible.

## 1.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (owned and leased) are initially recognised at cost and subsequently at cost less accumulated depreciation and adjusted for any 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 as follows:

|                               |                                   |
|-------------------------------|-----------------------------------|
| Computer equipment            | 3 to 6 years                      |
| Motor Vehicles                | 5 to 8 years                      |
| Office furniture and fittings | 10 to 20 years                    |
| Office equipment              | 6 to 10 years                     |
| Leased assets                 | Depreciated over the lease period |

The useful lives and residual values are estimated on an annual basis at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets are reviewed regularly to assess whether there is any indication of impairment and where the carrying amounts of assets are greater than their recoverable service amounts, the assets are written down to these recoverable service amounts. The recoverable service amount is the greater of the fair value of the asset less costs to sell or the value in use. Depreciation and impairment losses are included in the surplus or deficit.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds,

if any, and the carrying amount of the item.

Where the carrying amount of an item of property, plant and equipment is greater than its estimated recoverable service amount, it is written down immediately to its recoverable service amount (i.e., impairment losses are recognised).

## 1.8 INTANGIBLE ASSETS

Acquired computer software licences and computer application packages are capitalised on the basis of the costs incurred and bring to use the specific software. These costs are amortised over their estimated useful lives.

|                            |                                |
|----------------------------|--------------------------------|
| Computer software          | 3 to 6 years                   |
| Computer Software Licences | over the period of the licence |

The useful lives and residual values are estimated on an annual basis at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

Intangible assets are reviewed regularly to assess whether there is any indication of impairment and where the carrying amounts of intangible assets are greater than their recoverable service amounts, these assets are written down to these recoverable service amounts. The recoverable service amount is the greater of the fair value of the intangible asset less costs to sell or the value in use. Amortisation and impairment losses are included in the statement of financial performance.

The gain or loss arising from the derecognition of an intangible asset item is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an intangible asset item is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the HWSETA, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Amortisation of such costs will be amortised from the time of bringing the asset into use over the estimated life of the asset.



## 1.9 INVENTORIES

### **Inventories are initially measured at cost.**

Inventories are subsequently measured at the lower of cost and current replacement cost. Cost is determined on the first in first out (FIFO) basis. Current replacement cost is the cost that the entity would incur to acquire the asset on the reporting date. The HWSETA hold inventory for consumption in the production process of goods to be distributed at no charge.

## 1.10 LEASING

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Legal title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

### **The HWSETA as a lessee**

In respect of an operating lease, periodic payments are made to the lessor in return for the use of the asset. These periodic payments are recognised in equal instalments (the straight-line basis) as an expense over the period of the lease, and not based on actual cash payments.

## 1.11 CONTINGENT LIABILITIES

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

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

## 1.12 IMPAIRMENT OF ASSETS

Impairment is the loss in the future economic benefits or service potential of an asset over and above the systematic recognition of the loss through depreciation or amortisation. All HWSETA assets are non-cash generating.

### **Property, plant and equipment and Intangible assets**

Property, plant and equipment and intangible assets are annually assessed, by considering internal and external factors where there is an indication of impairment. If any such indication exists, the recoverable service amount of the asset is estimated at the higher of fair value less cost to sell and its value in use.

The assets value in use is determined using one of three approaches, depreciated replacement cost, restoration cost or service units. The approach selected will be determined by the availability of the data and the nature of the impairment.

An impairment loss is recognised whenever the carrying amount exceeds the recoverable service amount.

A previously recognised impairment loss is only reversed if there has been a change in the estimates used to determine the recoverable amount; however, not to an amount higher than the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised in previous years.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 1.13 PROVISIONS

Provisions are recognised when the HWSETA 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 or service potential that can be estimated reliably.

## 1.14 FINANCIAL INSTRUMENTS

### **Initial Recognition**

Financial assets and financial liabilities are recognised on the HWSETA statement of financial position when the HWSETA becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are initially recognised using trade date accounting.

### **Initial Measurement**

Financial instruments are initially measured at fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs directly attributable to the acquisition or issue of the financial asset or liability.

### **Financial Assets**

The HWSETA's principle financial assets are cash and cash equivalents, loans and advances and other receivables.

### **Accounts and other receivables**

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of Accounts receivable is established when there is objective evidence that the HWSETA will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the receivables carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The movement in the provision is recognised in the Statement of Financial Performance.



### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, investments and deposits held by HWSETA with the Corporation for Public Deposits (CPD) and domestic banks. Cash and cash equivalents are measured at amortised cost.

### Financial liabilities

The HWSETA principal financial liabilities are accounts and other payables.

All financial liabilities are measured initially at fair value and include transaction costs where appropriate. After initial recognition all financial liabilities are measured at amortised cost using the effective interest rate method.

### Derecognition

A financial asset or a portion thereof is derecognised when the HWSETA realises the contractual rights to the benefits specified in the contract, the rights expire, and the HWSETA surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On derecognising, 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 derecognising, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in net surplus or deficit for the period.

### Fair value considerations

The fair values at which financial instruments are carried at the balance sheet date have been determined using available market values. Where market values are not available, fair values will be calculated by discounting expected future cash flows at prevailing interest rates where material.

### Offsetting

Financial assets and financial liabilities are offset if there is any intention to realise the asset and settle the liability simultaneously and a legally enforceable right to set off exists.

## 1.15 RESERVES

Net assets are sub-classified in the Statement of Financial Position between the following funds and reserves:

### Administration reserve

This is the reserve maintained for the operational and running costs of the HWSETA.

### Employer grant reserve

This is the reserve maintained for the paying back to employers a percentage of the contributed levies after they satisfy the specific criteria set out in the Act.

### Discretionary grant reserve

This is the reserve set out of surplus monies for use on special projects which the HWSETA deem suitable in fulfilling its objectives as set out in the Act.

### Accumulated surplus / deficit

This is the reserve arising out of operations and is reallocated at the end of the year to the above reserves on the basis set out below.

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 No97 of 1998). Accrual basis of accounting is used to calculate the reserves and thus reserves are not an indication of the cash used or available at the end of the year.

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:

|  | 2017/18 | 2016/17 |
|--|---------|---------|
|  | %       | %       |
| Administration cost of the HWSETA        | 10.5    | 10.5    |
| Employer grant fund levy                 | 20      | 20      |
| Discretionary grant and projects         | 49.5    | 49.5    |
| Received by the HWSETA                   | 80      | 80      |
| Contribution to the National Skills Fund | 20      | 20      |
|  | 100     | 100     |

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

Interest and penalties received from SARS, as well as interest received on investments, are utilised for discretionary grants and projects. Other income received is utilised in accordance with the original source of the income.

The amount retained in the administration reserve equates to the net book value of property, plant and equipment and intangible assets.





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 administration reserve on the HWSETA' S board approval (after prior written approval from National Treasury) and from the mandatory grant on fulfilment of the HWSETA' S payment obligations.

#### **1.16 TAXATION**

HWSETA is exempt from income tax in terms of section 10 of the Income Tax Act, 1962 (Act 58 of 1962).

#### **1.17 COMPARATIVE AMOUNTS**

Where necessary, comparative amounts have been adjusted to conform to changes in the presentation. No comparatives were restated in the current year.

#### **1.18 PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS**

The HWSETA presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as a separate financial statement in the Annual financial statements.

The comparison of budget and actual amounts are presented separately for each level of legislative oversight:

- the approved and final budget amounts.
- the actual amounts on a comparable basis and.
- by way of note disclosure and explanations of material differences between the budget for which the entity is held publicly accountable and actual amounts.

The budget covers the period 1 April 2017 to 31 March 2018 and has been prepared on the accrual basis of accounting.

#### **1.19 RELATED PARTIES**

An entity or individual is considered to be a related party to the HWSETA when the party has the ability to control the HWSETA or can exercise significant influence over the HWSETA in making financial and operating decisions, or if the party and the HWSETA are subject to common control.

#### **1.20 KEY ACCOUNTING JUDGEMENTS**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

##### **Non-exchange receivables**

The calculation in respect of the impairment of non-exchange transactions is based on an assessment of the extent to which receivable have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness or other information available. This was performed across all classes of these receivables.

##### **Property, plant and equipment and Intangible assets**

The useful lives of assets are based on management's estimation. Management considers the impact of technology, condition of the asset, obsolescence, and service requirements to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

The following values in the Annual Financial Statements have been judgementally derived:

- Depreciation of property, plant and equipment, and amortisation of intangible assets.
- Provision for doubtful debts from non-exchange transactions.
- Provision for Levy Exempt employers

##### **Levy exempt employers**

A provision for levy exempt employers is made annually based on the identification of levy exempt employers based on information available from these entities, and the amount of contributions received from employers who have not been specifically identified as being levy exempt. The change in any estimate is also effected by prior scheme year levy reversals that occurred in the current year.



## 2 ALLOCATION OF NET SURPLUS FOR THE YEAR TO RESERVES 31 MARCH 2018

|   | Total per Statement<br>of Financial<br>Performance<br>R'000 | Administration<br>Reserve<br>R'000 | Employer Grant<br>Reserve<br>R'000 | Discretionary Grant<br>Reserve<br>R'000 |
|---|---|------------------------------------|------------------------------------|---|
| <b>Total revenue</b>  | <b>625 858</b>  | <b>131 838</b>                     | <b>109 697</b>                     | <b>384 323</b>                          |
| Skills development levy: income   |   |                                    |                                    |   |
| Admin levy income (10.5%)   | 57 542  | 57 542                             | -                                  | -                                       |
| Grant levy income (69.5%)   | 381 136   | -                                  | 109 697                            | 271 439                                 |
| Government levy income  | 123 504   | 73 894                             | -                                  | 49 610                                  |
| Skills development levy: penalties and interest                             | 6 781   | -                                  | -                                  | 6 781                                   |
| Investment income   | 56 493  | -                                  | -                                  | 56 493                                  |
| Other income  | 402   | 402                                | -                                  | -                                       |
| <b>Total expenses</b>   | <b>(462 661)</b>  | <b>(116 866)</b>                   | <b>(68 809)</b>                    | <b>(276 986)</b>                        |
| Administration expenses   | (116 866)   | (116 866)                          | -                                  | -                                       |
| Employer grants and project expenses  | (345 795)   | -                                  | (68 809)                           | (276 986)                               |
| <b>Net surplus per the Statement of Financial<br/>Performance allocated</b> | <b>163 197</b>  | <b>14 972</b>                      | <b>40 888</b>                      | <b>107 337</b>                          |

The amounts reflected on the note do not represent actual cash flows. Instead, these amounts were prepared on an accrual basis in line with Generally Recognised Accounting Practice (GRAP).

## 2 ALLOCATION OF NET SURPLUS FOR THE YEAR TO RESERVES 31 MARCH 2017

|   | Total per Statement<br>of Financial<br>Performance<br>R'000 | Administration<br>Reserve<br>R'000 | Employer Grant<br>Reserve<br>R'000 | Discretionary Grant<br>Reserve<br>R'000 |
|---|---|------------------------------------|------------------------------------|---|
| <b>Total revenue</b>  | <b>571 987</b>  | <b>129 115</b>                     | <b>98 066</b>                      | <b>344 806</b>                          |
| Skills development levy: income   |   |                                    |                                    |   |
| Admin levy income (10.5%)   | 51 572  | 51 572                             | -                                  | -                                       |
| Grant levy income (69.5%)   | 341 222   | -                                  | 98 066                             | 243 156                                 |
| Government levy income  | 116 724   | 75 381                             | -                                  | 41 343                                  |
| Skills development levy: penalties and interest                             | 7 436   | -                                  | -                                  | 7 436                                   |
| Investment income   | 51 791  | -                                  | -                                  | 51 791                                  |
| Other income  | 3 242   | 2 162                              | -                                  | 1 080                                   |
| <b>Total expenses</b>   | <b>(473 141)</b>  | <b>(99 990)</b>                    | <b>(60 634)</b>                    | <b>(312 523)</b>                        |
| Administration expenses   | (99 990)  | (99 990)                           | -                                  | -                                       |
| Employer grants and project expenses  | (373 157)   | -                                  | (60 634)                           | (312 523)                               |
| <b>Net surplus per the Statement of Financial<br/>Performance allocated</b> | <b>98 840</b>   | <b>29 125</b>                      | <b>37 432</b>                      | <b>32 283</b>                           |

The amounts reflected on the note do not represent actual cash flows. Instead, these amounts were prepared on an accrual basis in line with Generally Recognised Accounting Practice (GRAP).



### 3 SKILLS DEVELOPMENT LEVY INCOME, PENALTIES AND INTEREST

|   | 2017/18<br>R'000 | 2016/17<br>R'000 |
|---|------------------|------------------|
| Levy income: Administration                 | 131 436          | 126 953          |
| Levies received                             | 131 436          | 126 953          |
| Levies received from SARS                   | 57 542           | 51 572           |
| Government levies received                  | 73 894           | 75 381           |
| Intersecta transfers in                     | -                | -                |
| Intersecta transfers out                    | -                | -                |
| Levy income: Employer Grants                | 109 697          | 98 066           |
| Levies received                             | 109 697          | 98 066           |
| Levies received from SARS                   | 109 697          | 98 066           |
| Intersecta transfers in                     | -                | -                |
| Intersecta transfers out                    | -                | -                |
| Levy income: Discretionary Grants           | 327 830          | 291 935          |
| Levies received                             | 327 830          | 291 935          |
| Levies received from SARS                   | 271 206          | 243 165          |
| Government levies received                  | 49 610           | 41 343           |
| Transfer from Levy Exempt                   | 233              | -                |
| Interest                                    | 2 896            | 3 053            |
| Penalties                                   | 3 885            | 4 383            |
| Intersecta transfers in                     | -                | 1                |
| Intersecta transfers out                    | -                | (10)             |
| <b>Total Skills Development Levy Income</b> | <b>568 9635</b>  | <b>516 954</b>   |

### 4 INTEREST INCOME

|   | 2017/18<br>R'000 | 2016/17<br>R'000 |
|---|------------------|------------------|
| Interest income from banking institutions | 56 493           | 51 791           |
|   | <b>56 493</b>    | <b>51 791</b>    |

### 5 OTHER INCOME

|  | 2017/18<br>R'000 | 2016/17<br>R'000 |
|--|------------------|------------------|
| Other income comprises:                      |                  |                  |
| Mandatory grants received from Services SETA | 254              | 103              |
| Release of prescribed payables               | 80               | 1 980            |
| Discretionary grants refunds                 | -                | 1 080            |
| Recovery from Legal claims                   | -                | 50               |
| Other  | 68               | 1                |
| Insurance proceeds                           | -                | 28               |
|  | <b>402</b>       | <b>3 242</b>     |

### 6 EMPLOYER GRANT AND PROJECT EXPENSES

|                       | 2017/18<br>R'000 | 2016/17<br>R'000 |
|-----------------------|------------------|------------------|
| Mandatory grants      | 68 809           | 60 634           |
| Movement in provision | 1 996            | (2 501)          |
| Disbursed             | 66 813           | 63 135           |
| Discretionary grants  | 276 986          | 312 523          |
| Disbursed             | 276 986          | 312 523          |
|                       | <b>345 795</b>   | <b>373 157</b>   |

## 7 ADMINISTRATION EXPENSES

|  | Note | 2017/18<br>R'000 | 2016/17<br>R'000 |
|--|------|------------------|------------------|
| Depreciation   | 8.1  | 1 771            | 1 896            |
| Amortisation of Intangible assets                    | 8.2  | 377              | 461              |
| Operating lease                                      |      | 9 008            | 8 745            |
| Buildings  |      | 8 973            | 8 695            |
| Plant, machinery and equipment                       |      | 35               | 50               |
| Maintenance, repairs and running costs               |      | 155              | 26               |
| Property and buildings                               |      | 141              | 13               |
| Machinery and equipment                              |      | 14               | 13               |
| Quality Council for Trades and Occupations (QCTO)    |      | 2 226            | 2 036            |
| Research costs                                       |      | 807              | 1 028            |
| Advertising, marketing and promotions, communication |      | 1 280            | 1 119            |
| Consultancy and service provider fees                |      | 637              | 238              |
| Legal fees   |      | 2 336            | 776              |
| Cost of employment                                   | 7.1  | 70 984           | 60 608           |
| Travel and subsistence and accommodation             |      | 5 170            | 5 170            |
| Staff training and development                       |      | 763              | 238              |
| Remuneration to members of the accounting authority  |      | 2 923            | 2 595            |
| Remuneration to members of the audit committee       |      | 198              | 192              |
| External auditor's remuneration                      |      | 2 367            | 2 103            |
| Other  |      | 15 864           | 12 759           |
| Workshops  |      | 2 057            | 640              |
| Internal audit fees                                  |      | 1 838            | 1 625            |
| Forensic audit fees                                  |      | -                | 30               |
| Courier and postage                                  |      | 195              | 294              |
| Telephone  |      | 1 480            | 1 302            |
| Programme evaluations - ETQA                         |      | 311              | 402              |
| Management of Fraud hotline                          |      | 31               | 34               |
| Printing and stationery                              |      | 1 924            | 1 446            |
| Staff welfare  |      | 130              | 87               |
| Office cleaning                                      |      | 885              | 643              |
| Insurance  |      | 518              | 440              |
| Motor vehicle expenses                               |      | 38               | 41               |
| Social responsibility                                |      | 98               | 87               |
| Software support                                     |      | 1 891            | 1 971            |
| Storage  |      | 9                | 22               |
| Subscriptions  |      | 336              | 268              |
| Staff bursaries                                      |      | 113              | 206              |
| Security   |      | 154              | 164              |
| Water and electricity, rates and taxes               |      | 1 403            | 1 336            |
| Recruitment costs                                    |      | 401              | 634              |
| Bank charges   |      | 97               | 75               |
| Branding   |      | 920              | 461              |
| Other consumables                                    |      | 134              | 231              |
| Write off of small assets                            |      | 2                | -                |
| POPI compliance                                      |      | 12               | -                |
| International benchmarking                           |      | 420              | -                |
| Catering and refreshments                            |      | 353              | 258              |
| Groceries  |      | 114              | 62               |
|  |      | <b>116 866</b>   | <b>99 990</b>    |



## 7.1 COST OF EMPLOYMENT

|   | Note | 2017/18<br>R'000 | 2016/17<br>R'000 |
|---|------|------------------|------------------|
| Salaries and wages                                      |      | 60 824           | 52 308           |
| Basic salaries  |      | 53 813           | 46 444           |
| Performance awards                                      |      | 3 908            | 3 277            |
| Temporary staff and interns                             |      | 2 045            | 1 985            |
| Leave expense   |      | 1 058            | 602              |
| Social contributions                                    |      | 10 160           | 8 299            |
| Medical aid allowance                                   |      | 1 695            | 1 210            |
| Provident fund - additional benefits                    |      | 1 395            | 1 129            |
| Provident fund contributions: defined contribution plan |      | 5 966            | 4 973            |
| SDL Levies  |      | 620              | 538              |
| UIF   |      | 220              | 199              |
| Other salary related costs - cell phone allowances      |      | 264              | 250              |
|   |      | <b>70 984</b>    | <b>60 608</b>    |
| <b>Number of permanent employees at period end</b>      |      |                  |                  |
| Permanent   |      | 124              | 111              |
| Temporary   |      | 2                | 1                |
| Internships   |      | 4                | 23               |

## 8.1 PROPERTY PLANT AND EQUIPMENT

|                                 | Cost<br>R'000 | Accumulated depreciation/<br>impairment<br>R'000 | Closing carrying<br>amount<br>R'000 |
|---------------------------------|---------------|--|-------------------------------------|
| <b>Year ended 31 March 2018</b> |               |  |                                     |
| Computer equipment              | 4 682         | (3 209)  | 1 473                               |
| Office furniture and fittings   | 5 383         | (1 942)  | 3 441                               |
| Office equipment                | 5 236         | (2 391)  | 2 845                               |
| Motor vehicles                  | 892           | ( 505)   | 387                                 |
| Balance at end of period        | 16 193        | (8 047)  | 8 146                               |
| Made up as follows:             |               |  |                                     |
| - Owned assets                  | 16 193        | (8 047)  | 8 146                               |

|                                 | Cost<br>R'000 | Accumulated depreciation/<br>impairment<br>R'000 | Closing carrying<br>amount<br>R'000 |
|---------------------------------|---------------|--|-------------------------------------|
| <b>Year ended 31 March 2017</b> |               |  |                                     |
| Computer equipment              | 4 450         | (2 682)  | 1 768                               |
| Office furniture and fittings   | 5 208         | (2 470)  | 2 738                               |
| Office equipment                | 4 623         | (1 917)  | 2 706                               |
| Motor vehicles                  | 892           | (383)  | 509                                 |
| Balance at end of period        | 15 173        | (7 452)  | 7 721                               |
| Made up as follows:             |               |  |                                     |
| - Owned assets                  | 15 173        | (7 452)  | 7 721                               |





## 8.1 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

### MOVEMENT SUMMARY 31 MARCH 2018

|                               | Carrying amount<br>2017<br>R'000 | Additions<br>R'000 | Disposals<br>R'000 | Depreciation Charge/<br>Impairment Loss<br>R'000 | Carrying amount<br>2018<br>R'000 |
|-------------------------------|----------------------------------|--------------------|--------------------|--|----------------------------------|
| Computer equipment            | 1 769                            | 782                | -                  | (1 078)  | 1 473                            |
| Office furniture and fittings | 2 736                            | 801                | -                  | (96)   | 3 441                            |
| Office equipment              | 2 707                            | 613                | -                  | (475)  | 2 845                            |
| Motor vehicles                | 509                              | -                  | -                  | (122)  | 387                              |
| Balance at end of year        | 7 721                            | 2 196              | -                  | (1 771)  | 8 146                            |

### MOVEMENT SUMMARY 31 MARCH 2017

|                               | Carrying amount<br>2016<br>R'000 | Additions<br>R'000 | *<br>Disposals<br>R'000 | Depreciation Charge/<br>Impairment Loss<br>R'000 | Carrying amount<br>2017<br>R'000 |
|-------------------------------|----------------------------------|--------------------|-------------------------|--|----------------------------------|
| Computer equipment            | 2 237                            | 609                | (34)                    | (1 043)  | 1 769                            |
| Office furniture and fittings | 2 343                            | 678                | -                       | (285)  | 2 736                            |
| Office equipment              | 2 929                            | 224                | -                       | (446)  | 2 707                            |
| Motor vehicles                | 631                              | -                  | -                       | (122)  | 509                              |
| Balance at end of year        | 8 140                            | 1 511              | (34)                    | (1 896)  | 7 721                            |

\* Disposal: Computer equipment with a cost of R1 115 158 and carrying value of R34 252 has been identified for disposal in early 2018/19 financial year. In addition, Furniture and fittings with a cost of R468 477 and Computer equipment with a cost of R133 853, that has almost reached the end of their useful life have also been identified for disposal.

## 8.2 INTANGIBLE ASSETS

| Year ended 31 March 2018                               | Cost<br>R'000 | Accumulated amortization/<br>impairment<br>R'000 | Closing carrying<br>amount<br>R'000 |
|--|---------------|--|-------------------------------------|
| Computer software                                      | 1 750         | (1 145)  | 605                                 |
| Computer software - Work in progress - ERP Development | 5 165         | -  | 5 165                               |
| Balance at end of year                                 | 6 915         | (1 145)  | 5 770                               |
| Made up as follows:                                    |               |  |                                     |
| Owned assets   | 6 915         | (1 145)  | 5 770                               |

| Year ended 31 March 2017                               | Cost<br>R'000 | Accumulated amortization/<br>impairment<br>R'000 | Closing carrying<br>amount<br>R'000 |
|--|---------------|--|-------------------------------------|
| Computer software                                      | 2 011         | (1 025)  | 986                                 |
| Computer software - Work in progress - ERP Development | 3 285         | -  | 3 285                               |
| Balance at end of year                                 | 5 296         | (1 025)  | 4 271                               |
| Made up as follows:                                    |               |  |                                     |
| Owned assets   | 5 296         | (1 025)  | 4 271                               |



## 8.2 INTANGIBLE ASSETS (CONTINUED)

### MOVEMENT SUMMARY 2017/18

|  | Carrying amount<br>2016<br>R'000 | Additions<br>R'000 | Disposals<br>R'000 | Amortization Charge<br>R'000 | Carrying amount<br>2018<br>R'000 |
|--|----------------------------------|--------------------|--------------------|------------------------------|----------------------------------|
| Computer software - Purchased                          | 984                              | -                  | -                  | (377)                        | 607                              |
| Computer software - Work in progress - ERP Development | 3 287                            | 1 876              | -                  | -                            | 5 163                            |
| Balance at end of year                                 | 4 271                            | 1 876              | -                  | (377)                        | 5 770                            |

### MOVEMENT SUMMARY 2016/17

|  | Carrying amount<br>2017<br>R'000 | Additions<br>R'000 | Disposals<br>R'000 | Amortization Charge<br>R'000 | Carrying amount<br>2017<br>R'000 |
|--|----------------------------------|--------------------|--------------------|------------------------------|----------------------------------|
| Computer software - Purchased                          | 950                              | 36                 | -                  | -                            | 986                              |
| Computer software - Work in progress - ERP Development | 2 529                            | 1 217              | -                  | (461)                        | 3 285                            |
| Balance at end of year                                 | 3 479                            | 1 253              | -                  | (461)                        | 4 271                            |

## 9 PREPAYMENTS AND ADVANCES

|   | 2017/18<br>R'000 | 2016/17<br>R'000 |
|---|------------------|------------------|
| Insurance                                 | 361              | 297              |
| Office rental in advance                  | 820              | 718              |
| Subscriptions and other supplier deposits | 116              | 123              |
| Closing balance                           | 1 297            | 1 138            |

## 10.1 ACCOUNT RECEIVABLES: NON EXCHANGE TRANSACTIONS

|   | Note | 2017/18<br>R'000 | 2016/17<br>R'000 |
|---|------|------------------|------------------|
| Intersecta debtors                                      | 25   | 18               | 18               |
| SARS levy reversals - Employer mandatory grant overpaid | 11   | 3 439            | 4 431            |
| Provision for doubtful debts                            |      | (1 828)          | (482)            |
|   |      | 1 629            | 3 967            |



## 10.2 ACCOUNT RECEIVABLES: EXCHANGE TRANSACTIONS

|                                      | 2017/18<br>R'000 | 2016/17<br>R'000 |
|--------------------------------------|------------------|------------------|
| Interest receivable on cash balances | 2 433            | 1 760            |
| <b>Net Receivables</b>               | <b>29</b>        | <b>41</b>        |
| Other receivables                    | 128              | 140              |
| Less: Provision for bad debts        | ( 99)            | (99)             |
| Staff receivables - salary advances  | 126              | 106              |
| Office rental deposits               | 1 159            | 1 159            |
| Staff study assistance/bursaries     | 1 205            | 947              |
|                                      | 4 952            | 4 013            |

Staff study assistance represents bursaries paid in respect of employees studies. At the end of the course this amount is either expensed or recovered based on the employee results.

## 11 EMPLOYER OVERPAID

| Included in Skills Development Levy debtors is:               | 2017/18<br>R'000 | 2016/17<br>R'000 |
|---|------------------|------------------|
| SARS receivable/(payable)                                     |                  |                  |
| Opening carrying amount                                       | 4 431            | 2 473            |
| Net effect of SARS Adjustments on levies for the current year | (992)            | 1 958            |
| Closing carrying amount                                       | 3 439            | 4 431            |

## 12 INVENTORIES

|             | 2017/18<br>R'000 | 2016/17<br>R'000 |
|-------------|------------------|------------------|
| Consumables | 841              | 653              |

There are no consumables held at current replacement cost

Inventory is recognised at the lower of cost and net realisable value on the first in first out basis.

## 13 CASH AND CASH EQUIVALENTS

|  | 2017/18<br>R'000 | 2016/17<br>R'000 |
|--|------------------|------------------|
| Cash - Bank deposits                     | 295 907          | 196 342          |
| Cash - Corporation for Public Deposits   | 526 471          | 394 114          |
| Cash - Investments in term deposits      | 174 269          | 207 301          |
| Cash on hand                             | 28               | 14               |
| Cash and cash equivalents at end of year | 996 675          | 797 771          |

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

Cash includes cash on hand and cash with banks. Cash equivalents are short term, highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are subject to an insignificant risk of change.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments.

As the HWSETA was no longer exempted by the National Treasury from the requirement of Treasury Regulation 31.3 to invest surplus funds with the Corporation for Public Deposits (CPD), surplus funds were invested in institutions that have been approved by the National Treasury including the CPD.



## 14 ACCOUNT PAYABLES

### 14.1 GRANTS AND TRANSFERS PAYABLE NON-EXCHANGE TRANSACTIONS

|   | Note | 2017/18<br>R'000 | 2016/17<br>R'000 |
|---|------|------------------|------------------|
| Grants payable  |      | 61 653           | 35 077           |
| SARS levy reversals - Employer mandatory grants underpaid |      | 5 466            | 249              |
| Intersecta Payables                                       | 25   | 24               | 24               |
|   |      | 67 143           | 35 350           |

## 15 TRADE AND OTHER PAYABLES: EXCHANGE TRANSACTIONS

|  | 2017/18<br>R'000 | 2016/17<br>R'000 |
|--|------------------|------------------|
| Trade creditors                          | 6 847            | 4 533            |
| Staff leave accrual                      | 2 440            | 1 775            |
| SARS - PAYE/UIF and third party payables | 1 355            | 132              |
|  | 10 642           | 6 440            |

The staff leave accrual is calculated by apportioning the annual salary to a daily cost which is then multiplied by the number of leave days accumulated at year-end by an employee.

## 16 LEVY EXEMPT PROVISION

|                                     | 2017/18<br>R'000 | 2016/17<br>R'000 |
|-------------------------------------|------------------|------------------|
| Opening balance                     | 4 616            | 1 915            |
| Transferred to discretionary income | (233)            | -                |
| Additional provision created        | 1 257            | 2 701            |
| Closing balance                     | 5 640            | 4 616            |

This balance relates to levy-Exempt employers contributing levies to the HWSETA. Unclaimed funds received more than 5 years ago have been transferred to discretionary income as per the Skills Development Levies Act.



## 17 DEFERRED GOVERNMENT GRANTS AND DONOR FUNDING

### 17.1 NATIONAL SKILLS FUND (NSF) ADVANCE RECEIPTS

|   | 2017/18<br>R'000 | 2016/17<br>R'000 |
|---|------------------|------------------|
| Opening balance   | (1)              | (1)              |
| Received during the year/ (paid during the year)                            | -                | -                |
| Deposits current (NSF)  | -                | -                |
|   | (1)              | (1)              |
| Less Utilised and recognised as income or against accrual as conditions met | -                | -                |
| Learners allowance  | -                | -                |
| Training provider   | -                | -                |
| Learners uniform  | -                | -                |
| Net payable/(receivable)  | (1)              | (1)              |
| Made up as follows:   | (1)              | (1)              |
| Receivable  | -                | -                |
| Payable   | (1)              | (1)              |

*Note that in the current and prior year there were no NSF projects.*

## 18 CONTINGENCIES

- 18.1 In terms of the PFMA, all surplus funds as at year-end may be forfeited to National Treasury. Formal approval was obtained from the National Treasury to retain the surplus funds of 2016-2017 which was approved. Formal approval was sent to the National Treasury on 31 May 2018 to apply to retain surplus funds for 2017-2018.
- 18.2 A letter of demand was received from attorneys after year end 2008-09, acting on behalf of a consulting firm demanding R823 267 from the HWSETA. This was for a contract that was not awarded to them. There is no indication that this demand will succeed in favour of the plaintiff. The plaintiff, Ler-Ong has on two occasions removed the matter from the court roll after being set-down for trial. Currently the matter is pending to 2019. Total possible further cost amounts to R250 000 once trial begins.
- 18.3 Currently there is an application for recovery of costs in the matter of Thuto Bophelo, the HWSETA and others. The recovery of costs is in the HWSETA's favour.





## 19 COMMITMENTS

### 19.1 DISCRETIONARY RESERVES

|  | NSDS Objectives and Is | Opening Commitment 2016/17 R'000 | Approved by Accounting Authority and committed 2017/18 R'000 | Current year Commitments released as no MoU at 31 March 2018 | Commitments released 2017-18 | Utilised-2017/18 R'000 | Closing Commitment 2017/18 R'000 |
|--|------------------------|----------------------------------|--|--|------------------------------|------------------------|----------------------------------|
| Learnerships   | P 2, I 3               | 243 438                          | 155 350  | -27 450  | -37 628                      | (72 878)               | 260 832                          |
| SME Training support   | P 2, I 10              | 6 915                            | 8 929  | -4 636   | -                            | ( 533)                 | 10 675                           |
| Co-Operative Funding - Alfred Nzo DA ( Adhoc 2015-16)                  | P 2, I 9               | 1 285                            |  |  |                              | (1 286)                | ( 1)                             |
| WIL University Students  | P 2, I 7               | 15 754                           | 16 800   | -728   | -332                         | (16 363)               | 15 130                           |
| WIL Bachelor of Veterinary Science 2017-18 (adhoc)                     | P 2, I 7               |                                  | 3 456  |  |                              | (2 765)                | 691                              |
| WEG for TVETS  | P 2, I 7               | 48 267                           | 36 000   | -1 485   | -15 775                      | (21 028)               | 45 979                           |
| Post Graduate WEG  | P 2, I 7               | 258                              |  |  |                              | -                      | 258                              |
| TVET Learner Bursary   | P 2, I 6               | 4 599                            |  |  |                              | (1 793)                | 2 806                            |
| Graduate learners FET  | P 2, I 16              | 144                              |  |  |                              | -                      | 144                              |
| FET Lecturers Work experience  | P 2, I 16              | 6                                |  |  |                              | -                      | 6                                |
| WEG for TVET lecturers   | P 2, I 16              | 67                               | 225  | -55  |                              | ( 104)                 | 133                              |
| Artisans Training  | P 2, I 4               | 76 967                           | 23 141   | -  | -                            | (25 931)               | 74 177                           |
| Work Experience for PWD project - Dietrich Voigt                       | <b>P 2, I 7</b>        | 630                              |  |  |                              | ( 210)                 | 420                              |
| Internships  | P 2, I 7               | 46 732                           | 46 800   | -6 120   | -2 183                       | (40 705)               | 44 524                           |
| Skills Programmes  | P 2, I 8               | 48 462                           | 40 251   | -4 689   | -4 061                       | (9 346)                | 70 617                           |
| Bursaries for employed and unemployed                                  | P 2, I 6               | 65 624                           | 75 970   | -2 598   | -12 850                      | (27 986)               | 98 161                           |
| Bursaries - Veterinary Students - 15/16 2                              | P 2, I 6               | 709                              |  |  |                              | ( 710)                 | ( 1)                             |
| Teaching aids for Veterinary -2015-16                                  | P 2, I 14              | -                                |  |  | 221                          | ( 221)                 | ( 0)                             |
| Teaching Aid for Veterinary 2017-18                                    | P 2, I 14              |                                  | 2 388  |  |                              | (2 387)                | 1                                |
| ICD 10 Coding - WC Dept of Health - projects                           | P 2, I 14              | 1 674                            |  |  |                              | ( 196)                 | 1 478                            |
| Cooperatives for teaching Aids - UP (adhoc)                            | P 2, I 14              | 131                              |  |  |                              | ( 178)                 | ( 47)                            |
| Adopt a school VET science- UP   | Ad Hoc                 | 520                              |  |  | -520                         | -                      | -                                |
| Partnership between Faculty of Agricultural Colleges Partnerships      | P 2, I 14              | 140                              |  |  | -140                         | -                      | -                                |
| AET 2015-2016  | P 2, I 21              | 873                              |  |  |                              | ( 69)                  | 804                              |
| Levy Exempt Funding  | P 2, I 22              | 7 668                            | 7 450  | -2 382   | -                            | (1 946)                | 10 790                           |
| NGO support Eerslerus  | P 2, I 11              | 240                              |  |  |                              | -                      | 240                              |
| NGO Support - SDF facilitator  | P 2, I 11              |                                  | 4 910  |  |                              | -                      | 4 910                            |
| Other NGO initiatives  | P 2, I 11              | 631                              |  |  |                              | -                      | 631                              |
| Curriculum and learning/Review of qualifications                       | P 3, I 24              | 1 321                            |  |  |                              | ( 420)                 | 902                              |
| PWD internships  | P 2, I 7               | 2 744                            |  |  |                              | -                      | 2 744                            |
| ECD - level 4  | P 2, I 3               | 3 852                            |  |  |                              | -                      | 3 852                            |
| Rural community project - ECD level 4 -                                | P 2, I 3               | 616                              |  |  |                              | -                      | 616                              |
| Early childhood NQF 4 and 5 adhoc                                      | P 2, I 3               |                                  | 8 485  |  |                              | -                      | 8 485                            |
| National certificate vocational  | P 2, I 17              | 972                              |  |  |                              | -                      | 972                              |
| TVET vocational 2017-18  | P 2, I 17              |                                  | 26 338   | -527   |                              | (7 502)                | 18 309                           |
| Research bursaries for post grad                                       | P 1, I 13              | 7 035                            | 6 755  | 133  | -                            | (2 776)                | 11 147                           |
| RPL project enrolled nursing   | P 2, I 3               | -137                             |  |  |                              | -                      | ( 137)                           |
| WEG for College Lecturers  | P 2, I 16              | 5                                |  |  | -4                           | -                      | 1                                |
| Durban U Tech Ad Hoc Cadavers  | Ad Hoc                 | -25                              |  |  |                              | -                      | ( 25)                            |
| NHLS - Internships Ad Hoc  | P 2, I 7               | 15 444                           |  |  | -15 444                      | -                      | -                                |
| WITS Drama Therapy - Ad Hoc -2016-17                                   | Ad Hoc                 | 258                              |  |  |                              | ( 305)                 | ( 47)                            |
| Dept of Rural Dev. - Animal Health Technicians                         | P 2, I 6               | 1 773                            |  |  |                              | (1 274)                | 499                              |
| Annexure to APP 2014-2015  | P 2, I 3               | 28 279                           |  |  | -802                         | (1 604)                | 25 873                           |
| Assessor/Moderator training  | P 3, I 19              | 1 452                            |  |  |                              | -                      | 1 452                            |
| ETQA - Training of SDP's on RPL  | P 3, I 25              | 1 739                            |  |  |                              | (1 739)                | ( 0)                             |
| ETQA - Training of CDP's on RPL 2017-18                                | P 3, I 25              |                                  | 5 905  |  |                              | -                      | 5 905                            |
| Public sector projects - Facilitation and Mentoring training for CDP's | P 2, I 14              | 1 317                            |  |  | -43                          | (1 274)                | ( 0)                             |
| NC Community Colledge AET  | P 2, I 14              | 3 445                            |  |  |                              | -                      | 3 445                            |
| Albertina Sisulu Univ of Pretoria                                      | Ad Hoc                 | 515                              |  |  |                              | ( 265)                 | 250                              |
| DEAFSA project -SAW learnerships                                       | P 2, I 3               | 787                              |  |  |                              | ( 348)                 | 440                              |
| Northern Cape Education Trust Fund                                     | Ad Hoc                 | 98                               |  |  | -98                          | -                      | ( 1)                             |
| Fort Cox College of Agriculture and Forestry (adhoc)                   | Ad Hoc                 | 3 410                            |  |  |                              | ( 893)                 | 2 517                            |
| ECD NQF LEVEL 4 - NORTHERN CAPE RURAL (adhoc)                          | P 2, I 3               | 2 486                            |  |  |                              | (1 165)                | 1 321                            |
| N LEVEL TVET BURSARIES   | P 2, I 6               | 6 426                            |  |  | -1 600                       | -                      | 4 826                            |
| AdHoc - Dept of Rural Dev. - Animal Health Technicians                 | P 2, I 14              | 8 650                            |  |  |                              | (1 853)                | 6 798                            |



## 19.1 DISCRETIONARY RESERVES (CONTINUED)

|  | NSDS Objectives<br>and Is | Opening<br>Commitment<br>2016/17<br>R'000 | Approved by<br>Accounting<br>Authority and<br>committed<br>2017/18<br>R'000 | Current year<br>Commitments<br>released as no<br>MoU at<br>31 March 2018 | Commitments<br>released<br>2017-18 | Utilised-<br>2017/18<br>R'000 | Closing<br>Commitment<br>2017/18<br>R'000 |
|--|---------------------------|---|---|--|------------------------------------|-------------------------------|---|
| Rural Health Advocacy Project                                  | P 3, I 23                 | 450                                       |   |  |                                    | ( 360)                        | 90  |
| Partnership agreements - ECD level 4 and 5                     | P 3, I 23                 |   | 9 256   |  |                                    | -                             | 9 256                                     |
| Partnership agreement - Pietermaritzburg mental health         | P 3, I 23                 |   | 610   |  |                                    | ( 202)                        | 408                                       |
| Sefako Makgatho Health Sciences - Dentist chairs               | P 2, I 14                 | 3 815                                     |   |  |                                    | (3 815)                       | -   |
| Durban University of Technology ( adhoc)                       | P 2, I 14                 | 325                                       |   |  |                                    | ( 283)                        | 43  |
| Umfolozi TVET - ECD 5 Diploma                                  | P 2, I 21                 | 10 661                                    |   |  |                                    | (5 715)                       | 4 946                                     |
| University fo Fort Hare - Executive Leadership                 | P 2, I 14                 | 4 828                                     |   |  |                                    | (1 217)                       | 3 611                                     |
| OASA - PWD WE  | P 3, I 21                 | 903                                       |   |  |                                    | ( 812)                        | 91  |
| ETQA - RPL for SDPs  | P 3, I 25                 |   | 6 944   |  |                                    | -                             | 6 944                                     |
| Northlink TVET - WE for unemployed                             | P 3, I 23                 | 4 354                                     |   |  |                                    | (1 812)                       | 2 542                                     |
| Cape Mental Health Capacity building (adhoc)                   | Ad Hoc                    | 1 420                                     |   |  |                                    | (1 135)                       | 285                                       |
| Workers college  | P 2, I 11                 | 2 274                                     |   |  |                                    | (1 749)                       | 525                                       |
| Higher certificate in Disability practice - UCT                | P 2, I 6                  | 1 640                                     |   |  |                                    | (1 490)                       | 150                                       |
| Qualifications development                                     | P 3, I 24                 | 5 360                                     |   |  |                                    | ( 882)                        | 4 478                                     |
| Indigenous Knowledge Systems                                   | P 2, I 6                  | 1 000                                     |   |  |                                    | ( 375)                        | 625                                       |
| UWC Research grants  | P 1, I 13                 | 775                                       |   |  |                                    | ( 300)                        | 475                                       |
| Social Work Induction Standard                                 | Ad Hoc                    | 3 000                                     |   |  |                                    | -                             | 3 000                                     |
| BEE  | Ad Hoc                    |   | 45  |  |                                    | ( 45)                         | -   |
| Gauteng Health - Internships                                   | P 2, I 7                  | 240                                       |   |  |                                    | -                             | 240                                       |
| N- Level TVET colleges   | P 2, I 6                  | 7 871                                     |   |  |                                    | (1 700)                       | 6 172                                     |
| SEDA - Cooperatives  | P 2, I 9                  | 3 494                                     |   |  |                                    | -                             | 3 494                                     |
| WITS Drama for life Internships                                | P 2, I 7                  | 516                                       |   |  |                                    | ( 220)                        | 296                                       |
| Northern Cape Premiers Trust                                   | P 2, I 6                  | 5 893                                     | 9 758   |  |                                    | (5 751)                       | 9 900                                     |
| Pietermaritzburg Mental Health                                 | P 2, I 14                 | 270                                       |   |  |                                    | ( 267)                        | 3   |
| University of Cape Town  | P 2, I 14                 | 30  |   |  |                                    | -                             | 30  |
| North wet University - Training of Farmers                     | P 3, I 23                 |   | 1 842   |  |                                    | -                             | 1 842                                     |
| Doctors without Borders  | P 2, I 7                  |   | 360   |  |                                    | ( 80)                         | 280                                       |
| Assessor/Moderator training 2017-18                            | P 3, I 19                 |   | 773   |  |                                    | ( 773)                        | -   |
| Dept of Health - NC Emergency medical care                     | P 2, I 14                 |   | 4 520   |  |                                    | -                             | 4 520                                     |
| Learnerships - Dischem   | P 3, I 23                 |   | 10 519  |  |                                    | -                             | 10 519                                    |
| SAVC - Monitoring programme for animal health                  | P 3, I 23                 |   | 205   |  |                                    | -                             | 205                                       |
| Eastern Cape Department of Health                              | P 2, I 1                  | 1 752                                     |   |  |                                    | -                             | 1 752                                     |
| Placement of TVET graduates in workplace                       | P 2, I 17                 |   |   |  | 8 325                              | -                             | 8 325                                     |
| Bursaries for Employed persons                                 | P 2, I 6                  |   |   |  | 2 220                              | -                             | 2 220                                     |
| Bursaries for unemployed in Diploma in nursing                 | P 2, I 6                  |   |   |  | 4 879                              | -                             | 4 879                                     |
| Capacity building for NGOs                                     | P 2, I 22                 |   |   |  | 4 505                              | -                             | 4 505                                     |
| Porter development programme and stock management - Netcare    | P 2, I 21                 |   |   |  | 2 600                              | -                             | 2 600                                     |
| Artisan development programme - Netcare                        | P 2, I 4                  |   |   |  | 1 840                              | -                             | 1 840                                     |
| Clinical engineering technician - Netcare                      | P 2, I 4                  |   |   |  | 460                                | -                             | 460                                       |
| Post qualification bursaries - Bachelor of Nursing             | P 1, I 13                 |   |   |  | 1 600                              | -                             | 1 600                                     |
| Veterinary science undergraduate bursaries                     | P 2, I 6                  |   |   |  | 1 952                              | -                             | 1 952                                     |
| Internships - human resources                                  | P 2, I 7                  |   |   |  | 3 960                              | -                             | 3 960                                     |
| Learnerships - People with disabilities                        | P 2, I 3                  |   |   |  | 2 400                              | -                             | 2 400                                     |
| Post graduate bursaries - Persons with disabilities            | P 1, I 13                 |   |   |  | 1 840                              | -                             | 1 840                                     |
| Internships  | P 2, I 7                  |   |   |  | 3 000                              | -                             | 3 000                                     |
| Bursaries for employed - Healthcare quality and Patient safety | P 2, I 6                  |   |   |  | 8 880                              | -                             | 8 880                                     |
| University of Pretoria - Executive Leadership programme        | P 2, I 7                  |   |   |  | 4 587                              | -                             | 4 587                                     |
| Undergraduate university busaries                              | P 2, I 6                  |   |   |  | 3 710                              | -                             | 3 710                                     |
| Work integrated learning                                       | P 2, I 7                  |   |   |  | 5 195                              | -                             | 5 195                                     |
| Undergraduate university busaries                              | P 2, I 6                  |   |   |  | 18 263                             | -                             | 18 263                                    |
|  |                           | <b>725 066</b>                            | <b>513 985</b>  | <b>(50 537)</b>  | <b>(11 043)</b>                    | <b>(276 986)</b>              | <b>900 486</b>                            |



## 19.1 DISCRETIONARY RESERVES – CONTINUED

### Total Discretionary Grants Committed (Contracted only)

|  | 2017/18<br>R'000 | 2016/17<br>R'000 |
|--|------------------|------------------|
|  | 900 486          | 725 066          |
|  | 98%              | 95%              |

The HWSETA has committed 98% of reserves in 2017-2018, however, the funding of such commitments flows between 1 to 3 years, and hence the HWSETA has sufficient funds to make good on all of its commitments. The Grant Regulations requires SETAs to commit at least 95% of its reserves each financial year.

## 19.2 OPERATING COMMITMENTS

|   | 2017/18<br>R'000 | 2016/17<br>R'000 |
|---|------------------|------------------|
| <b>Approved and contracted:</b>                       |                  |                  |
| Procurement of advertising, printing and stationery   |                  | 514              |
| Procurement of Furniture and fittings                 | 313              | 1 072            |
| Procurement of IT equipment                           | -                | 56               |
| Development of IT software - ERP development          | 6 124            | 6 751            |
|   | 6 437            | 8 393            |
| <b>Total Commitments: Discretionary and Operating</b> | <b>906 923</b>   | <b>733 460</b>   |

## 20 OPERATING LEASES

|  | 2017/18<br>R'000 | 2016/17<br>R'000 |
|--|------------------|------------------|
| At the balance sheet date, HWSETA has outstanding commitments under non-cancellable operating lease which fall due as follows: |                  |                  |
| Not later than one year  | 1 554            | 9 084            |
| Later than one year but not later than five years  | 1 729            | 574              |
| Later than five years  | -                | -                |
|  | 3 283            | 9 658            |

Refer to note 26



## 20 OPERATING LEASES (CONTINUED)

The operating leases relate to the following rental contracts entered into by the HWSETA:

| Office                     | Effective date  | Termination date | Escalation rate |
|----------------------------|-----------------|------------------|-----------------|
| Head Office - JHB          | 01 April 2018   | 31 March 2020    | 7%              |
| Northern Cape - Kimberley  | 01 April 2018   | 31 March 2020    | 8%              |
| KZN - Durban               | 01 April 2018   | 31 March 2020    | 8%              |
| Eastern Cape - East London | 01 April 2018   | 31 March 2020    | 8%              |
| Western Cape - Cape Town   | 01 April 2018   | 31 March 2020    | 8%              |
| Gauteng - Midrand          | 01 April 2018   | 31 March 2020    | 8%              |
| North West - Mafikeng      | 01 April 2018   | 31 March 2020    | 10%             |
| Mpumalanga - Nelspruit     | 03 January 2017 | 31 March 2020    | 8%              |
| Free State - Bloemfontein  | 01 April 2018   | 31 March 2020    | 8%              |
| Limpopo - Polokwane        | 01 April 2018   | 31 March 2020    | 8%              |

## 21 MATERIAL LOSSES THROUGH CRIMINAL CONDUCT, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

The following material losses through criminal conduct, irregular, fruitless and wasteful expenditure were incurred during the 2017/18 year.

|  | 2017/18<br>R'000 | 2016/17<br>R'000 |
|--|------------------|------------------|
| <b>Fruitless expenditure</b>   | 2                | -                |
| 1. Interest charges on late payment of rental invoices<br>The interest is mainly levied by Telkom. Due to the Post Office strikes the HWSETA did not receive invoices on time. This was beyond the control of the HWSETA.  | 2                | -                |
| <b>Losses through criminal conduct</b>   | 54               | 99               |
| 2. Payment made for the purchase of microsoft licenses. The supplier failed to provide the licenses. This expense was a result of non-delivery by the supplier and intentional misrepresentation by the supplier. A criminal case has been opened with the SAPS. | 99               | 149              |
| Less Recovery  | -45              | (50)             |
| <b>Total</b>   | <b>56</b>        | <b>99</b>        |

## 22 EVENTS AFTER REPORTING DATE

The Minister for Higher Education and Training appointed a new Accounting Authority for the HWSETA in line with the Gazetted notice. The new Accounting Authority will serve from 1 April 2018 to 31 March 2020. The National Skills Development Plan beyond 2020 is currently being finalised over the next two years by the National Department of Higher Education and Training with National Skills Authority.

## 23 GOING CONCERN

The HWSETA is currently established until 31 March 2020. The Minister is currently consulting stakeholders on the SETA landscape beyond 31 March 2020. There are no known instances that would indicate doubt on the HWSETA's ability to continue as a going concern for the next two financial years.



## 24 FINANCIAL INSTRUMENTS

In the course of the HWSETA's operations it is exposed to interest rate, credit, liquidity and market risk. The HWSETA 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. Financial instruments have not been discounted as they will all be settled or recovered within 3 months. The effect of discounting was found and considered not to be material.

### Interest rate risk

The HWSETA manages its interest risk by effectively investing surplus funds in term deposits and call accounts with different accredited financial institutions according to the HWSETA investment policy. Any movement in interest rates will affect interest income. Interest income is utilised for additional discretionary grants and therefore will not affect the operations of the HWSETA adversely. The HWSETA'S exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date are as follows:

|                                 | Amount<br>R'000 | Floating rate<br>Effective<br>interest rate | Non-interest<br>bearing<br>Amount<br>R'000 | Total<br>Amount<br>R'000 |
|---------------------------------|-----------------|---|--|--------------------------|
| <b>Year ended 31 March 2018</b> |                 |   |  |                          |
| Total financial assets          |                 |   |  |                          |
| Cash                            | 996 675         | 6,00%                                       | -  | 996 675                  |
| Accounts receivable             |                 |   | 4 952                                      | 4 952                    |
| Total financial liabilities     |                 |   | (10 642)                                   | (10 642)                 |
|                                 | 996 675         |   | (5 690)                                    | 990 985                  |
| <b>Year ended 31 March 2017</b> |                 |   |  |                          |
| Total financial assets          |                 |   |  |                          |
| Cash                            | 797 771         | 6.44%                                       | -  | 797 771                  |
| Accounts receivable             |                 |   | 4 013                                      | 4 013                    |
| Total financial liabilities     |                 |   | (6 439)                                    | (6 439)                  |
|                                 | 797 771         |   | (2 426)                                    | 795 345                  |

Financial instruments consist of receivables, cash and cash equivalents and payables. All financial assets are categorised as receivables at amortised cost, and all financial liabilities as financial liabilities at amortised cost. The total carrying values of the various categories of financial assets and financial liabilities at the reporting date is as follows:

|  | 2017/18<br>R'000 | 2016/17<br>R'000 |
|--|------------------|------------------|
| <b>Financial assets at amortised cost</b>      | <b>1 001 627</b> | <b>801 784</b>   |
| Cash and cash equivalents                      | 996 675          | 797 771          |
| Receivables from exchange transactions         | 4 952            | 4 013            |
| <b>Financial liabilities at amortised cost</b> | <b>10 642</b>    | <b>6 440</b>     |
| Payables from exchange transactions            | 10 642           | 6 440            |

### Credit risk

Financial assets, which potentially subject the HWSETA 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 and accounts receivable.

The HWSETA limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury. Credit risk in respect of SARS is limited, as it is a government entity of sound reputation. Staff debts are recovered through the payroll.

Credit risk with respect to levy paying employers is limited due to the nature of the income received. The HWSETA does not have any material exposure to any individual or counter-party. The HWSETA's concentration of credit risk is limited to the industry in which it operates. No events occurred in the health and social development sector during the year that may have an impact on the accounts receivable that has not been adequately provided for. Accounts receivable are presented net of allowance for doubtful debts.





## 24 FINANCIAL INSTRUMENTS (CONTINUED)

### Credit ratings of HWSETA bankers:

| Financial institution           | Fitch ratings |
|---------------------------------|---------------|
| First Rand Bank Ltd.            | BB+           |
| Nedbank Ltd.                    | BB+           |
| Standard Bank                   | BB+           |
| Corporation for public deposits | N/a           |

### Short term ratings:

F3 - Obligations supported by adequate capacity for timely repayment relative to other obligors in the same country. Such capacity is more susceptible to adverse changes in business, economic or financial conditions than for obligations in higher categories.

### Long term ratings:

BB+ - Obligations for which capacity for timely repayment of principal and interest is adequate relative to other obligors in the same country. However adverse changes in business, economic or financial conditions are more likely to affect the capacity for timely repayment than for obligations in higher rated categories.

### The ageing of receivables from exchange transactions:

| Not past due                                      | 2017/18 |            | 2016/17 |            |
|---|---------|------------|---------|------------|
|   | Gross   | Impairment | Gross   | Impairment |
| 0-30 days   | 2 588   | -          | 1 907   | -          |
| 31-120 days                                       | -       | -          | -       | -          |
| 120-365 days                                      | -       | -          | -       | -          |
| Over a year (Rental deposits and Staff bursaries) | 2 364   | -          | 2 106   | -          |
| Carrying amount                                   | 4 952   | -          | 4 013   | -          |

### Liquidity risk

The HWSETA manages liquidity risk through proper management of working capital, capital expenditure and actual vs. forecasted cash flows. Adequate reserves and liquid resources are also maintained.

### The ageing of payables from exchange transactions:

|                 | 2017/18 |            | 2016/17 |            |
|-----------------|---------|------------|---------|------------|
|                 | Gross   | Impairment | Gross   | Impairment |
| Not past due    |         |            |         |            |
| 0-30 days       | 10 033  | -          | 5 830   | -          |
| 31-120 days     | 138     | -          | 138     | -          |
| 120-365 days    | 471     | -          | 471     | -          |
| Over a year     | -       | -          | -       | -          |
| Carrying amount | 10 642  | -          | 6 439   | -          |

### Fair values

The HWSETA's financial instruments consist mainly of cash and cash equivalents, account and other receivables, and account and other payables. No financial instruments were carried at an amount in excess of its fair value. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

#### Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets.

#### Accounts receivable

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



## 25 RELATED PARTY TRANSACTIONS

All balances and transactions below are at arms length and in the normal course of business. The disclosure is purely for information purposes only.

All transactions with Government will be related parties to the HWSETA.

The Executive Authority of the HWSETA is the Department of Higher Education and Training (DHET). There were no transactions with the DHET.

Transactions with other SETAs, who are entities under common control. The HWSETA is a National Public Entity controlled by the DHET, it is considered to be related to other SETAs, the OCTO and NSF. The transactions are consistent with normal operating relationships between entities and are undertaken on terms and conditions that are normal for such transactions.

Interest transactions and balances arise due to the movement of employers from one SETA to another. No other transaction occurred during the year with other SETAs.

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

| Related party      | 2017/18<br>R'000                      |                                 | 2016/17<br>R'000                      |                                 |
|--------------------|---------------------------------------|---------------------------------|---------------------------------------|---------------------------------|
|                    | Transfers in/(out)<br>during the year | Amount receivable/<br>(payable) | Transfers in/(out)<br>during the year | Amount receivable/<br>(payable) |
| <b>Receivables</b> | <b>44</b>                             | <b>18</b>                       | <b>1</b>                              | <b>18</b>                       |
| Bank SETA          | -                                     | -                               | 1                                     | 18                              |
|                    | -                                     | 18                              |                                       |                                 |
| <b>Payables</b>    | <b>44</b>                             | <b>(24)</b>                     | <b>( 10)</b>                          | <b>( 24)</b>                    |
| Merseta            | ( 5)                                  | ( 9)                            | -                                     | ( 9)                            |
| FMP Seta           | -                                     | ( 5)                            | ( 5)                                  | ( 5)                            |
| Inseta             | ( 28)                                 | ( 1)                            | ( 1)                                  | ( 1)                            |
| ETDP Seta          | -                                     | ( 1)                            | ( 1)                                  | ( 1)                            |
| CHIETA             | -                                     | ( 3)                            | ( 3)                                  | ( 3)                            |
| W&R Seta           | -                                     | -                               | -                                     | -                               |
| CETA               | -                                     | ( 5)                            | -                                     | ( 5)                            |
| <b>Total</b>       | <b>11</b>                             | <b>( 6)</b>                     | <b>(9)</b>                            | <b>(6)</b>                      |



## 25 RELATED PARTY TRANSACTIONS (CONTINUED)

|                       | 2017/18                               |                                       | 2016/17                                |                                       | 2017/18                            | 2016/17                            |
|-----------------------|---------------------------------------|---------------------------------------|--|---------------------------------------|------------------------------------|------------------------------------|
|                       | Total contributions received<br>R'000 | Total contributions expected<br>R'000 | Admin. Contributions received<br>R'000 | Total Contributions expected<br>R'000 | Discretionary Grants Paid<br>R'000 | Discretionary Grants Paid<br>R'000 |
| <b>National</b>       |                                       |                                       |  |                                       |                                    |                                    |
| Health                | 2 252                                 | 6 664                                 | 2 808                                  | 6 664                                 | 400                                | -                                  |
| Social Development    | 1 358                                 | 1 308                                 | 1 308                                  | 1 308                                 | 1 274                              | -                                  |
| <b>Provincial</b>     |                                       |                                       |  |                                       |                                    |                                    |
| <b>Western Cape</b>   |                                       |                                       |  |                                       |                                    |                                    |
| Health                | 5 128                                 | 5 128                                 | 4 790                                  | 14 370                                | 267                                | 2 025                              |
| Social Development    | 2 145                                 | 2 145                                 | 2 044                                  | 2 044                                 | 1 245                              | -                                  |
| <b>Eastern Cape</b>   |                                       |                                       |  |                                       |                                    |                                    |
| Health                | 11 013                                | 24 438                                | 7 739                                  | 24 438                                | 7 224                              | 15 280                             |
| Social Development    | 2 778                                 | 2 861                                 | 2 861                                  | 2 861                                 | 2 113                              | -                                  |
| <b>Gauteng</b>        |                                       |                                       |  |                                       |                                    |                                    |
| Health                | 19 812                                | 56 464                                | 18 869                                 | 56 607                                | 5 842                              | 12 943                             |
| Social Development    | 3 941                                 | 3 814                                 | 3 814                                  | 3 814                                 | 700                                | -                                  |
| <b>Free State</b>     |                                       |                                       |  |                                       |                                    |                                    |
| Health                | 18 187                                | 18 187                                | 17 638                                 | 17 638                                | 2 545                              | 947                                |
| Social Development    | 1 799                                 | 1 577                                 | 1 577                                  | 1 589                                 | 24                                 | -                                  |
| <b>Northern Cape</b>  |                                       |                                       |  |                                       |                                    |                                    |
| Health                | -                                     | 3 928                                 | 6 819                                  | 6 819                                 | 366                                | 342                                |
| Social Development    | 966                                   | -                                     | 983                                    | 983                                   | 880                                | -                                  |
| <b>Mpumalanga</b>     |                                       |                                       |  |                                       |                                    |                                    |
| Health                | 6 785                                 | 21 330                                | -                                      | 17 708                                | 1 284                              | -                                  |
| Social Development    | -                                     | 1 477                                 | -                                      | 1 477                                 | 2 840                              | -                                  |
| <b>Limpopo</b>        |                                       |                                       |  |                                       |                                    |                                    |
| Health                | 2 000                                 | 31 211                                | -                                      | 31 211                                | 749                                | 1 179                              |
| Social Development    | 1 329                                 | 1 886                                 | 1 886                                  | 1 886                                 | 17 664                             | -                                  |
| <b>Kwa-Zulu Natal</b> |                                       |                                       |  |                                       |                                    |                                    |
| Health                | 18 850                                | 56 550                                | 19 842                                 | 59 526                                | 2 629                              | 6 179                              |
| Social Development    | 3 930                                 | 3 511                                 | 3 511                                  | 3 511                                 | 1 211                              | -                                  |
| <b>North West</b>     |                                       |                                       |  |                                       |                                    |                                    |
| Health                | 18 891                                | 18 891                                | 16 762                                 | 16 762                                | 3 824                              | 2 065                              |
| Social Development    | 2 341                                 | 2 341                                 | 2 200                                  | 2 200                                 | 660                                | -                                  |
| <b>PSETA REFUND</b>   | -                                     | -                                     | 1 273                                  | -                                     |                                    |                                    |
|                       | <b>123 505</b>                        | <b>263 711</b>                        | <b>116 724</b>                         | <b>273 415</b>                        | <b>53 741</b>                      | <b>40 960</b>                      |

Government Departments contribution of levies to the HWSETA is at 30%, since 1 April 2013, of their 1% training budget in line with a Cabinet Circular effective 1 April 2013. One third of the 30% received is allocated for the administration of the HWSETA, the remaining 20% is allocated for discretionary grant funding. In the 2017-2018 year, there were Departments that still failed to contribute the full 30% as required. Certain government departments have not yet submitted the annual payroll figures thus the expected value is not complete.

The departments **highlighted** above have paid less than the 30% required by the Cabinet Circular.



## 26 OPERATING LEASE COMMITMENT

The leasing of the office premises was smoothed over the lease term to equalise the future escalations in the lease payments. The smoothing for the year was as follows:

|   | 2017/18<br>R'000 | 2016/17<br>R'000 |
|---|------------------|------------------|
| <b>Opening balance</b>                                    | 460              | 19               |
| Release of accruals during termination of lease contracts | (460)            | (19)             |
| Current year smoothing                                    | 20               | 460              |
| <b>Closing balance</b>                                    | 20               | 460              |

Refer also to note 20

## 27 RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO NET SURPLUS (DEFICIT)

|   | 2017/18<br>R'000 | 2016/17<br>R'000 |
|---|------------------|------------------|
| Net surplus/(deficit) as per Statement of Financial Performance | 163 197          | 98 840           |
| <b>Adjusted for non-cash items:</b>                             |                  |                  |
| Profit on Disposal  | -                | (8)              |
| Depreciation  | 1 771            | 1 896            |
| Impairment loss   | -                | -                |
| Amortisation  | 377              | 461              |
| Investment income   | (56 493)         | (51 791)         |
| <b>Adjusted for working capital changes:</b>                    | <b>37 631</b>    | <b>(3 323)</b>   |
| (Increase)/decrease in inventory                                | (188)            | (264)            |
| (Increase)/decrease in receivables                              | 1 564            | (311)            |
| Decrease in smoothing lease                                     | (440)            | 441              |
| Increase/(decrease) in payables                                 | 36 695           | (3 189)          |
| <b>Cash generated from operations</b>                           | <b>146 483</b>   | <b>46 075</b>    |

## 28 CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of HWSETA's accounting policy, management is required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised of the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

### Key sources estimation uncertainty

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



## 1. Property, Plant and Equipment

The HWSETA reviews the estimated useful lives of property, plant and Equipment at the annual reporting period, refer to note 8 for the carrying values of property, plant and equipment.

|                               |                |
|-------------------------------|----------------|
| Computer Equipment            | 2 to 6 years   |
| Computer Software             | 2 to 6 years   |
| Office furniture and fittings | 10 to 20 years |
| Office equipment              | 10 to 15 years |
| Motor vehicles                | 5 to 8 years   |

The HWSETA has reviewed the residual values used for the purpose of the depreciation calculation in light of the amended definition of residual value. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior periods. Residual values are reviewed annually.

## 2. Levy Exempt Payables

The HWSETA recognises a payable in respect of SDL levy refunds due to Levy exempt employers. This payable is a provision based on levies received from possible levy exempt entities. Refer to note 16

# 29 NEW ACCOUNTING PRONOUNCEMENTS

The HWSETA has not applied the following standards and interpretations, as the effective dates have not yet been gazetted by the Minister:

| Standard/ Interpretation:   | Effective date:   | Impact  |
|---|-------------------|---|
| GRAP 20: Related party disclosures  | Not yet effective | The standard provides guidance on related party disclosures to ensure that 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.   |
| GRAP 32: Service concession arrangements: Grantor   | Not yet effective | The purpose is to prescribe the accounting for service concession arrangements by the Grantor. This standard will not affect the HWSETA's transactions.   |
| GRAP 109: Accounting by Principals and Agents   | Not yet effective | GRAP 109 outlines principles to assess whether an entity is party to a principal-agent arrangement. The standard does not have an effect on the HWSETA due to the nature of the mandate of the HWSETA.  |
| GRAP108: Statutory Receivables  | Not yet effective | The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. Statutory receivables can arise from both exchange and non-exchange transactions. Where these receivables arise from exchange and non-exchange revenue transactions, an entity shall apply the recognition and initial measurement requirements of the Standards of GRAP on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions (Taxes and Transfers), as well as the requirements of this Standard. The effect on the HWSETA is that statutory receivables are now an impairment loss as opposed to a provision if there is a write-down of this asset. |
| IGRAP 17: Service concession arrangements: where a Grantor controls a significant residual interest in an asset | Not yet effective | The purpose is to prescribe the accounting for service concession arrangements by the Grantor. This standard will have no effect on the HWSETA.   |





## 30 SEGMENT REPORTING

“The HWSETA has identified the core operations of the HWSETA as reportable segments based on services rendered. The Skills Development Division (SDP) co-ordinates and manages the discretionary grant and mandatory grant funding of the HWSETA, in order to facilitate the development of scarce and critical occupations. The ETQA Division acts as Education and Training Quality Assurance Bodies within various economic sectors to ensure quality education and training. The Research Information Monitoring and Evaluation (RIME) Division plays a pivotal role in managing knowledge generation, as well as packaging and presenting it in a way that influences policy and projects in the HWSETA. The HWSETA has centralised services offered in the provinces in South Africa, and these have been shown as a core segment.

It is difficult to attribute revenue to each of the above divisions, and hence only identifiable revenue relating to discretionary and mandatory grants expenditure has been shown under the segment SDP. The balance of revenue collected by the HWSETA is used collectively for the other three segments as well as support divisions, and hence is not disclosed. Total revenue is disclosed in the Statement of Financial Performance. Not all the administration expenses of the HWSETA are identifiable per these four segments disclosed, and hence only identifiable material expenses are disclosed in the segments. The balance of expenses is disclosed in note 7 to the annual financial statements.

The HWSETA assets and liabilities cannot be separated into the segments disclosed, and hence is not disclosed in the segment reporting. There is no reported surplus or deficit per segment as the operations of the HWSETA are not reported internally this way.

The HWSETA has not disclosed geographical areas in segment reporting as this is not used for decision-making purposes and is also not reported internally.

| Segment Reporting                | Skills Development Planning | Education, Training And Quality Assurance | Research, Information, Monitoring & Evaluation | Provincial Services | Total   |
|----------------------------------|-----------------------------|---|--|---------------------|---------|
| <b>SEGMENT REVENUE</b>           |                             |   |  |                     |         |
| Skill development levy income    | 387 917                     | -   | -  | -                   | 387 917 |
| Government levy income           | 49 610                      | -   | -  | -                   | 49 610  |
|                                  | 437 527                     | -   | -  | -                   | 437 527 |
| <b>SEGMENT EXPENSE</b>           |                             |   |  |                     |         |
| Salaries and wages               | 7 608                       | 8 914                                     | 7 046  | 14 241              | 37 809  |
| Mandatory grant expenditure      | 68 809                      | -   | -  | -                   | 68 809  |
| Discretionary grant expenditure  | 276 986                     | -   | -  | -                   | 276 986 |
| QCTO contribution                | -                           | 2 226                                     | -  | -                   | 2 226   |
| Other expenses                   | 206                         | 1 239                                     | 476  | 3 181               | 5 102   |
|                                  | 353 609                     | 12 379                                    | 7 522  | 17 422              | 390 932 |
| Surplus/(deficit) for the period | 83 918                      | (12 379)                                  | (7 522)  | (17 422)            | 46 595  |

### Reconciliation to the statement of financial performance

|                                 | Segmental reporting | Administrative / support services | Total          | Note reference |
|---------------------------------|---------------------|-----------------------------------|----------------|----------------|
|                                 | R'000               | R'000                             | R'000          |                |
| <b>Revenue</b>                  | 437 527             | 131 436                           | 568 963        | note 3         |
| Interest income                 | -                   | 56 493                            | 56 493         | note 4         |
| Other income                    | -                   | 402                               | 402            | note 4         |
| <b>Expenses</b>                 | <b>390 932</b>      | <b>71 729</b>                     | <b>462 546</b> |                |
| Salaries and wages              | 37 809              | 33 175                            | 70 984         | note 7         |
| Mandatory grant expenditure     | 68 809              | -                                 | 68 809         | note 6         |
| Discretionary grant expenditure | 276 986             | -                                 | 276 986        | note 6         |
| Other expenses                  | 5 102               | 38 554                            | 43 656         | note 7         |
| QCTO expenses                   | 2 226               | -                                 | 2 226          | note 7         |
|                                 | 46 595              | 116 602                           | 163 197        |                |



## 31 BOARD REMUNERATION

| Financial year 2017/18 |                   |                  | Allowances                 | Travel and Subsistence Allowances |               |
|------------------------|-------------------|------------------|----------------------------|-----------------------------------|---------------|
| Names                  | Designation       | Total            | Meeting & Preparation fees | Reimbursement                     | Cell Phone    |
|                        |                   | R                | R                          | R                                 | R             |
| Dr E.T. Moloko         | Chairperson       | 279 486          | 263 858                    | 2 428                             | 13 200        |
| Ms F. Fayers           | Board/Exco Member | 194 831          | 177 023                    | 11 208                            | 6 600         |
| Mr H. Sekhitla         | Board/Exco Member | 120 351          | 110 957                    | 5 544                             | 3 850         |
| Mr P. Motubatse        | Board Member      | 283 880          | 183 498                    | 97 632                            | 2 750         |
| Mr A. Seirlis          | Board Member      | 70 984           | 64 384                     | 6 600                             | -             |
| Ms TE Ntabeni          | Board Member      | 121 912          | 111 394                    | 10 518                            | -             |
| Mr N Ndzwayiba         | Board Member      | 112 914          | 108 120                    | 4 794                             | -             |
| Dr CC Nkuna            | Board Member      | 120 670          | 113 975                    | 6 695                             | -             |
| Mr DM Ndebele          | Board Member      | 115 640          | 113 042                    | 2 598                             | -             |
| Dr DS Bomela           | Board Member      | 123 704          | 117 104                    | -                                 | 6 600         |
| Ms M Nkambule          | Board Member      | 84 083           | 61 756                     | 22 327                            | -             |
| Mr KI Mokaila          | Board Member      | 101 641          | 75 769                     | 25 872                            | -             |
| Mr M Khanyeza          | Board Member      | 180 514          | 167 847                    | 12 667                            | -             |
| Mr AM Crichton         | Board Member      | 1 228            | -                          | 1 228                             | -             |
| Mr A Kyreh             | Board Member      | 97 693           | 76 707                     | 20 986                            | -             |
| Mr WK Magasela         | Board Member      | 2 520            | -                          | 2 520                             | -             |
| <b>Total</b>           |                   | <b>2 012 051</b> | <b>1 745 434</b>           | <b>233 617</b>                    | <b>33 000</b> |

### Independent Audit Committee Member Remuneration

| Financial year 2017/18 |                      |                |                    |                                   |
|------------------------|----------------------|----------------|--------------------|-----------------------------------|
| Names                  | Designation          | Total          | Meeting Attendance | Travel and Subsistence Allowances |
|                        |                      | R              | R                  | R                                 |
| Mr R Adam              | Independent Chairman | 98 228         | 76 147             | 22 081                            |
| Mrs M Ramutsheli       | Independent member   | 60 075         | 57 710             | 2 365                             |
| Mr P Motubatse         | Board member         | 15 273         | 12 731             | 2 542                             |
| Mr CG Higgins          | Independent member   | 65 562         | 65 562             | -                                 |
| Mr D Ndebele           | Board member         | 12 246         | 12 246             | -                                 |
| Mr A Kyreh             | Independent member   | 36 305         | 36 305             | -                                 |
| <b>Total</b>           |                      | <b>287 689</b> | <b>260 701</b>     | <b>26 988</b>                     |

### Senior Management Remuneration

| Financial year 2017/18 |                                |                  |                  |                |               |                |
|------------------------|--------------------------------|------------------|------------------|----------------|---------------|----------------|
| Names                  | Designation                    | Total            | Basic            | Travel         | Cell Phone    | Bonus          |
|                        |                                | R                | R                | R              | R             | R              |
| Mrs E Brass            | Acting Chief Executive Officer | 2 057 734        | 1 791 068        | 120 000        | 9 464         | 137 202        |
| Mrs D Theaker          | Acting Chief Financial Officer | 1 508 139        | 1 307 934        | 96 000         | 7 764         | 96 441         |
| Mr AK Pardesi          | Executive - CS                 | 1 594 547        | 1 465 766        | -              | 8 400         | 120 380        |
| Mr P Samuels           | Executive - SDP                | 1 398 695        | 1 324 639        | 72 000         | 2 057         | -              |
| Mr SB Gcabashe         | Executive - RIME               | 1 532 494        | 1 290 605        | 120 000        | 6 039         | 115 850        |
| Ms BJ Motubatse        | Executive - ETQA               | 1 379 208        | 1 268 233        | -              | 6 818         | 104 157        |
| Ms B Plaatjie          | Acting Executive - RIME        | 496 542          | 466 926          | 27 500         | 2 116         | 106 207        |
| <b>Total</b>           |                                | <b>9 967 359</b> | <b>8 915 171</b> | <b>435 500</b> | <b>42 657</b> | <b>574 031</b> |



## Board Remuneration

| Financial year 2016/17 |                      |                  | Travel and Subsistence Allowances |                |
|------------------------|----------------------|------------------|-----------------------------------|----------------|
| Names                  | Designation          | Total            | Allowances                        | Reimbursement  |
|                        |                      |                  | Meeting & Preparation fees        | Cell Phone     |
|                        |                      | R                | R                                 | R              |
| Dr E.T. Moloko         | Chairperson          | 324 055          | 319 545                           | 4510           |
| Ms F. Fayers           | Board/Exco Member    | 197 866          | 176 671                           | 12 395         |
| Mr R. Van Loggerenberg | Board/Exco Member    | 7 348            | -                                 | 748            |
| Mr D. Shardlow         | Board/Exco Member    | 44 913           | 43 263                            | -              |
| Mr H. Sekhitla         | Board/Exco Member    | 211 852          | 201 441                           | 8 761          |
| Mr P. Motubatse        | Board Member         | 236 077          | 157 551                           | 74 126         |
| Mr C G Higgins         | Ind. co-opted member | 33 289           | 32 195                            | 1 094          |
| Mr A. Seirlis          | Board Member         | 76 559           | 69 094                            | 7 465          |
| Ms E. Zondo            | Board Member         | 6 937            | 6 259                             | 678            |
| Ms E. Strachan         | Board Member         | 40 531           | 39 603                            | 928            |
| Ms I. Smith            | Board Member         | 27 837           | 26 206                            | 1 631          |
| Ms T. Ngcobo           | Board Member         | 37 434           | 35 207                            | 2 227          |
| Mr S Madikizela        | Ind. Audit Comm      | 19 695           | 19 412                            | 283            |
| Mr A Naude             | Ind. co-opted member | 14 296           | 13 357                            | 939            |
| Ms TE Ntabeni          | Board Member         | 97 572           | 88 941                            | 8 631          |
| Dr N Ndzwayiba         | Board Member         | 91 587           | 87 391                            | 4 196          |
| Dr CC Nkuna            | Board Member         | 110 332          | 104 123                           | 6 209          |
| Mr DM Ndebele          | Board Member         | 97 466           | 94 978                            | 2 488          |
| Dr DS Bomela           | Board Member         | 133 679          | 132 170                           | 1 509          |
| Ms M Nkambule          | Board Member         | 111 028          | 70 298                            | 35 780         |
| Mr KI Mokaila          | Board Member         | 79 687           | 64 279                            | 15 408         |
| Mr M Khanyeza          | Board Member         | 145 015          | 137 275                           | 7 740          |
| Dr AM Crichton         | Board Member         | 734              | -                                 | 734            |
| <b>Total</b>           |                      | <b>2 216 000</b> | <b>1 919 259</b>                  | <b>198 480</b> |

## Independent Audit Committee Member Remuneration

| Financial year 2016/17 |                         |                | Travel and Subsistence Allowances |               |
|------------------------|-------------------------|----------------|-----------------------------------|---------------|
| Names                  | Designation             | Total          | Meeting Attendance                | Reimbursement |
|                        |                         |                | R                                 | R             |
| Ms M Ramutsheli        | Independent             | 25 519         | 24 686                            | 833           |
| Mr D Ndebele           | Employer Representative | 6 858          | 6 858                             | -             |
| Mr P Motubatse         | Labour Representative   | 32 608         | 20 136                            | 12 472        |
| Mr S Madikizela        | Independent (resigned)  | 12 001         | 11 790                            | 211           |
| Mr R Adam              | Independent Chairperson | 115 014        | 71 774                            | 43 240        |
| <b>Total</b>           |                         | <b>192 000</b> | <b>135 244</b>                    | <b>56 756</b> |

## Senior Management Remuneration

| Financial year 2016/17 |                                    |                  |                  |                |               |                |
|------------------------|------------------------------------|------------------|------------------|----------------|---------------|----------------|
| Names                  | Designation                        | Total            | Basic            | Travel         | Cell Phone    | Bonus          |
|                        |                                    |                  |                  |                |               |                |
| Ms YD Mbane (10 mths)  | Chief Executive Officer (resigned) | 1 888 488        | 1 621 113        | 100 000        | 10 700        | 156 675        |
| Mrs E Brass (2 mths)   | Acting Chief Executive Officer     | 295 769          | 274 491          | 20 000         | 1 278         | -              |
| Mrs E Brass (10 mths)  | Chief Financial Officer            | 1 402 382        | 1 170 388        | 100 000        | 6 213         | 125 781        |
| Mrs D Theaker (2 mths) | Acting Chief Financial Officer     | 187 967          | 171 233          | 16 000         | 734           | -              |
| Mr AK Pardesi          | Executive - CS                     | 1 456 321        | 1 337 561        | -              | 8 400         | 110 360        |
| Mr P Samuels           | Executive - SDP                    | 1 401 782        | 1 215 224        | 72 000         | 8 351         | 106 207        |
| Mr SB Gcabashe         | Executive - RIME                   | 1 395 079        | 1 167 224        | 120 000        | 1 648         | 106 207        |
| Ms BJ Motubatse        | Executive - ETQA                   | 1 258 422        | 1 047 305        | 110 000        | 5 630         | 95 487         |
| <b>Total</b>           |                                    | <b>9 286 210</b> | <b>8 004 539</b> | <b>538 000</b> | <b>42 954</b> | <b>700 717</b> |



## 32 PRESENTATION OF BUDGET INFORMATION

### Reconciliation of budget surplus with the surplus in the statement of financial performance - 2017/18

|  | R'000        |
|--|--------------|
| <b>Net surplus per the statement of financial performance</b>        | 163 197      |
| Adjusted for:  |              |
| Impairments recognised   | -            |
| Surplus on sale of assets  | -            |
| Loss on scrapping of assets  | -            |
| Increase/decrease in provisions                                      | -            |
| Effect of smoothing relating to operating leases                     | -            |
| Adjustments relating to Finance charges for finance leases on rental | -            |
|  | 163 197      |
| Participation on mandatory grants                                    | -4 856       |
| Utilisation of reserves for discretionary grants                     | -113 790     |
| Underspending on administration expenses                             | -6 671       |
|  | -125 317     |
| Exceeded budget collection of revenue                                | -31 880      |
| <b>Net surplus per approved budget before capital expenditure</b>    | <b>6 000</b> |

#### Factors resulting in major variances between actual costs and budgeted costs:

##### As per the Statement of Comparison between Budget and Actual costs:

1. The Grant levies budget for the current year is based on levy income percentages as per the new grant regulations and based on expected revenue. Actual receipts is however unpredictable.
2. Government levies are higher than expected despite a few outstanding levies from the Departments. This is due to higher salary costs borne by the departments and improved contribution to the HWSETA.
3. Interest income is higher than budget due to the high cash reserves being held at banking institutions.
4. Lower than expected payment of discretionary grants due to changes in the Nursing qualifications impacting learnerships. In addition, low participation by Government departments of Health.
5. Savings are mainly due to vacant positions in personnel.

In addition, the HWSETA had heeded the call for austerity measures. This has resulted in savings in administration expenditure.

| Financial year 2016/17                   | Original approved budget<br>at start of year 2017/18<br>R'000 | Final Approved Budget<br>2017/18<br>R'000 | Difference<br>R'000 |
|--|---|---|---------------------|
| Levy income                              | 461 344   | 415 586                                   | (45 758)            |
| Government levy contributions            | 96 770  | 123 494                                   | 26 724              |
| Investment income - interest             | 42 023  | 54 898                                    | 12 875              |
| Levy income penalties                    | -   | -   | -                   |
| Retention of prior year surplus          | -   | 98 840                                    | 98 840              |
| Other income                             | -   | -   | -                   |
| Total Income                             | 600 137   | 692 818                                   | 92 681              |
| Total Expenditure                        | 595 606   | 686 818                                   | 91 212              |
| Administration expenditure               | 124 100   | 123 537                                   | ( 563)              |
| Mandatory grants expenditure             | 88 547  | 73 665                                    | (14 882)            |
| Discretionary grant expenditure          | 382 959   | 489 616                                   | 106 657             |
| <b>Surplus for the period</b>            | <b>4 531</b>  | <b>6 000</b>                              | <b>1 469</b>        |
| Less capital expenditure                 | 4 531   | 6 000                                     | 1 469               |
| <b>Surplus after capital expenditure</b> | <b>-</b>  | <b>-</b>                                  | <b>-</b>            |

The adjustments to the originally approved budget of 2017/18 (approved in August 2017), were made due to information available six months into the 2017-18 financial year. Certain assumptions that were made in the original budget were then tested, and actual operational needs had changed in some instances relating to administrative expenditure, grant expenditure and revenue expectations. Changes to the approved budget included:

1. Increases in revenue projections based on increased collections in 2015/16.
2. Increases in the administration budget and capex budget due to actual spend 2015/2016, planned activities and contracts in place.
3. Increases in budgeted decretionary and mandatory grant spend based on increased revenue collections.



## Reconciliation of budget surplus with the surplus in the statement of financial performance - 2016/17

|  | R'000        |
|--|--------------|
| <b>Net surplus per the statement of financial performance</b>        | 98 840       |
| Adjusted for:  |              |
| Impairments recognised   | -            |
| Surplus on sale of assets  | -            |
| Loss on scrapping of assets  | -            |
| Increase/decrease in provisions                                      | -            |
| Effect of smoothing relating to operating leases                     | -            |
| Adjustments relating to Finance charges for finance leases on rental | -            |
|  | 98 840       |
| Participation on mandatory grants                                    | (23 059)     |
| Utilisation of reserves for discretionary grants                     | (50 086)     |
| Underspending on administration expenses                             | (16 371)     |
|  | (89 516)     |
| Exceeded budget collection of revenue                                | (4 824)      |
| <b>Net surplus per approved budget before capital expenditure</b>    | <b>4 500</b> |

### Factors resulting in major variances between actual costs and budgeted costs:

#### As per the Statement of Comparison between Budget and Actual costs:

1. The Grant levies budget for the current year is based on levy income percentages as per the new grant regulations and based on expected revenue. Actual receipts is however unpredictable.
2. Government levies are higher than expected despite a few outstanding levies from the Departments. This is due to higher salaries costs borne by the departments and improved contribution to the HWSETA.
3. Interest income is higher than budget due to the high cash reserves being held at banking institutions.
4. Rationalisation costs did not materialise as expected due to delays in establishing new offices in other provinces as planned.
5. Savings are mainly due to vacant positions in personnel.

In addition, the HWSETA had heeded the call for austerity measures. This has resulted in savings in administration expenditure.

| Financial year 2016/17                   | Original approved budget<br>at start of year 2016/17<br>R'000 | Final Approved Budget<br>2016/17<br>R'000 | Difference<br>R'000 |
|--|---|---|---------------------|
| Levy income                              | 401 015   | 455 667                                   | 54 652              |
| Government levy contributions            | 67 701  | 71 852                                    | 4 151               |
| Investment income - interest             | 27 755  | 39 644                                    | 11 889              |
| Levy income penalties                    | -   | -   | -                   |
| Other income                             | -   | -   | -                   |
| Total Income                             | 496 471   | 567 163                                   | 70 692              |
| Total Expenditure                        | 492 471   | 562 663                                   | 70 192              |
| Administration expenditure               | 113 452   | 116 361                                   | 2 909               |
| Mandatory grants expenditure             | 68 858  | 83 693                                    | 14 835              |
| Discretionary grant expenditure          | 310 161   | 362 609                                   | 52 448              |
| <b>Surplus for the period</b>            | <b>4 000</b>  | <b>4 500</b>                              | <b>500</b>          |
| Less capital expenditure                 | 4 000   | 4 500                                     | 500                 |
| <b>Surplus after capital expenditure</b> | <b>-</b>  | <b>-</b>                                  | <b>-</b>            |

The adjustments to the originally approved budget of 2016/17 (approved in August 2016), were made due to information available six months into the 2016/17 financial year. Certain assumptions that were made in the original budget were then tested, and actual operational needs had changed in some instances relating to administrative expenditure, grant expenditure and revenue expectations. Changes to the approved budget included:

1. Increases in the administration budget and capex budget due to planned establishment of four provincial offices and two satellite offices, and to fund the ERP System development of the HWSETA;
2. Increases in expected for personnel costs and capex costs due the HWSETA rationalisation plan.
3. Increases in revenue projections based on increased collections by 6.26%; and
4. Increases in budgeted discretionary and mandatory grant spend based on increased revenue collections.



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## Notes

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## Notes

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Health and Welfare Sector  
Education and Training Authority  
**HWSETA**



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