

2015/16

ANNUAL REPORT



higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



Health and Welfare Sector
Education and Training Authority

HWSETA



Dr Bonginkosi
Emmanuel "Blade"
Nzimande

**MINISTER OF HIGHER
EDUCATION AND TRAINING**



Mr Mduduzi Manana

**DEPUTY MINISTER OF HIGHER
EDUCATION AND TRAINING**

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Gardenview, 2047

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Animal health has been an area of focus for the HWSETA in the year under review. Key partnerships have been entered into with the University of Pretoria's Faculty of Veterinary Science; as well as the Tsolo Agricultural and Rural Development Institute, and Alfred Nzo Development Agency in the Eastern Cape.

Ms Yvonne Mbane,
Chief Executive Officer





 PART A

GENERAL
INFORMATION



Entity Details

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:

The Auditor-General SA,
Lefika House,
Pretoria

Bankers Information:

Standard Bank

2nd Floor Bedford Gardens Shopping Centre,
Leicester Road, Bedfordview, 2008
P O Box 62325, Marshalltown, Gauteng, 2107

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

AET	Adult Education and Training	MIS	Management Information Systems - National Skills Development Strategy
AFS	Annual Financial Statements	MOU	Memorandum of Understanding
APP	Annual Performance Plan 2015/16	NQF	National Qualifications Framework
ATRs	Annual Training Reports	NSF	National Skills Fund
CS	Corporate Services	OFO	Organising Framework for Occupations
DoL	Department of Labour	PFMA	Public Finance Management Act
DoH	Department of Health	QCTO	Quality Council for Trades and Occupations
DHET	Department of Higher Education and Training	RIME	Research, Information, Monitoring and Evaluation
DSD	Department of Social Development	RPL	Recognition of Prior Learning
EDP	Executive Development Programme	SAQA	South African Qualifications Authority
ETQA	Educations and Training Quality Assurance	SDFs	Skills Development Facilitators
ETD	Education, Training and Development (Practitioners)	SDL	Skills Development Levy
EXCO	Executive Committee	SDP	Skills Development Planning
FU	Finance Unit	SETA	Sector Education and Training Authority
GDS	Growth and Development Summit	SGB	Standards Generating Body
HASA	Hospital Association of South Africa	SLA	Service Level Agreement
HDSA	Historically Disadvantaged South Africans	SMMEs	Small, Micro, Medium Enterprises
HR	Human Resources	SSACI	Swiss-South African Cooperation Initiative
HSRC	Human Science Research Council	SSP	Sector Skills Plan
H&S	Health and Safety	SWOT	Strengths, Weaknesses, Opportunities and Threats
ISO	International Standards Organisation	TVET	Technical and Vocational Education and Training
IT	Information Technology	WSPs	Workplace Skills Plans
MERP	Monitoring, Evaluation and Reporting Plan		



“ Extensive progress has been made in strengthening the quality assurance system for qualifications development

Baakedi Motubatse,
Executive Manager ETQA

”

Foreword

by the Chairperson



Dr E.T. Confidence Moloko,
Chairperson of the Board

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 2015/16 Annual Report in line with relevant laws. This report is an honest account of the performance of the HWSETA towards the achievements of goals and targets stated in the related Annual Performance Plan.

Mandate of the HWSETA

The HWSETA has continued to deliver on its mandate effectively, as directed by the Skills Development Act and relevant laws. It continues to implement directives of the Honourable Minister of Higher Education and Training issued in his capacity as the Executive Authority. It ensured that delivery is in accordance with the National Skills Development Strategy (NSDS) III. It also ensured that HWSETA plans were always aligned to country plans, especially the Medium Term Strategic Framework and the National Development Plan 2030.

Taking forward excellence: building on the good performance of previous years

The entire organisation worked as a team to take forward its excellent work of previous years, where the HWSETA maintained good financial management, achieved unqualified and clean audits, improved its governance and increased its capacity to deliver on its mandate.

The HWSETA improved on cooperation with partners such as the Office of the Auditor General that resulted in the organisation succeeding in its quest to maintain continuity of good governance and effective service delivery.

These are some of the factors that served as key motivating factors for the entire HWSETA family. This is the environment that made acts of serving the nation and delivering on the HWSETA mandate exciting and rewarding for members of the Board, the administration and staff.

Mandate and performance of the Board

Throughout the 2015/16 financial year, the authority maintained good focus to ensure that the HWSETA continues to deliver and attain goals and targets of the NSDS III. The HWSETA Board ensured that it provided leadership to the entire organisation to maintain the environment which promoted productivity and excellence.

Standing Committees of the Board were functional and effective. The HWSETA vacancy rate was maintained at optimal levels, always ensuring that the HWSETA has sufficient human resources. The Audit and Risk Committee served the HWSETA with distinction, and the HWSETA continued to get excellent service from its Internal Auditors. The Board continued to strengthen the capacity of the HWSETA to develop, implement, monitor and evaluate its policies. The Board, with the involvement of the Executive, maintained good relations with most of its stakeholders.



The HWSETA Board ensured that it provided leadership to the entire organisation to maintain the environment which promoted productivity and excellence.

Dr E.T. Confidence Moloko, Chairperson of the Board



Performance of the administration

The HWSETA continued to work towards the conclusion of programmes that will ensure the attainment of key deliverables of the NSDS III on time and on target. The HWSETA achieved most of the targets set out in the Annual Performance Plan and stretched targets as stipulated in the Service Level Agreement entered into with the Department of Higher Education and Training.

The HWSETA was able to get a clean audit. Most of the targets have been achieved, and a few were still work in progress at the end of the reporting period.

The HWSETA also improved its reporting, monitoring and evaluation systems. It strengthened the culture of project management and risk management.

The HWSETA demonstrated good performance in the light of increased commitments of discretionary grant funding in full compliance with grant regulations. This was coupled with an improved performance towards meeting the objectives of the HWSETA as stated in its Strategic Plan, Annual Performance Plan and Sector Skills Plan. The HWSETA maintained good internal controls during the reporting period.

Accelerated service delivery

In the execution of its mandate, the HWSETA continued to implement its programmes in the context of education and health being top priorities of government and the country. Its work in the veterinary health sector continued to be advanced and has grown in

leaps and bounds, as evidenced by programmes such as those which are being implemented in collaboration with the Veterinary Faculty of the University of Pretoria.

The HWSETA continued to prioritise health and social development as directed by Cabinet; and put greater focus on programmes aimed at promoting rural development. Plans and programmes focusing on the college sector.

The HWSETA responded positively to directives related to student funding in the higher education and training sector, especially contributions towards the National Students Financial Assistance Scheme (NSFAS).

Sincere gratitude to the Minister, Board Members, Standing Committees, staff and the office of the Auditor General

I wish to take this opportunity to thank all stakeholders and partners who created an enabling environment for the HWSETA to be able to discharge its mandate, especially the Honourable Minister of Higher Education and Training and his office plus relevant sections in the Department of Higher Education and Training.

Our sincere thanks go to all critical role players such as organised labour in the sector, provincial and national departments of Social Development and Health, employers in the private sector, non-governmental organisation (NGO), institutions of higher learning and the college sector.

Sincere thanks to Team-HWSETA made up of my fellow Board members and I, the Chief Executive Officer, Executives and all members of staff. Our collective effort and support made it possible for the HWSETA to perform consistently as it did throughout the year.

A special word of thanks goes to the CEO and the team that worked hard to produce this Annual Report. The support of all Standing Committees of the Board of the HWSETA, especially the leadership provided by Chairpersons of the said committees, and the Office of the Auditor General made it possible for the HWSETA to remain the ideal employer and institution of delivery to our people.

Conclusion

Once more, during the 2015/16 financial year, all components of the HWSETA made it possible to reach greater heights; and to work towards a state where this is an institution of excellent repute in the greater SETA family.

The health and welfare sector, public and private, and stakeholders in the education and training sector should take comfort in the knowledge that the HWSETA is doing its best to deliver on its mandate.

Thank you.

Chief Executive Officer's Report



Ms Yvonne Mbane

Chief Executive Officer

Taking Forward Excellence

The HWSETA has for a third consecutive year achieved an unqualified, clean audit. This is a demonstration of its commitment to clean governance and administration. A word of gratitude is conveyed to all staff and board members who worked tirelessly in ensuring that the HWSETA complied with prescripts and at the same time delivered on its mandate as expected. This can only be done in an atmosphere which encourages good work ethos in a conducive and supportive work environment.

For the year under review, the HWSETA has built on the good performance of previous years. This is due to strong leadership in terms of governance and administration as well as the commitment and diligence of team HWSETA.

Stakeholder Relations

During the year under review the HWSETA held consultation sessions on the new SETA landscape. Sessions were held in Gauteng, KZN and the Western Cape to solicit input and get views from critical role players in the sector. Input received was consolidated and a report was sent to the National Skills Authority for consideration. This demonstrated the active participation of the role players in the sector and having a voice in their future. This was indeed a festival of ideas.

We hope that the best idea will win and carry the skills development aspirations of the sector forward.

Developments in the Sector

The Board and its Committees did a sterling job by providing strategic direction and oversight during the year under review. Since it was the last year of the NSDS III, the HWSETA was re-established for two years until March 2018, whereby the NSDS III was extended for another two years.

The HWSETA constitution was also approved by the Minister of Higher Education and Training, Dr Blade Nzimande. A process of appointing a new board commenced during the period and in the coming financial year, the HWSETA will be under the stewardship of a new board. Membership of the board is drawn from both private and public service employers, organised labour, the levy exempt sector and professional councils.

During the year under review, the HWSETA embarked on an Enterprise Resource Planning (ERP) system. The services of a provider, SMART ICT were solicited. The project has been set up to run in three phases. During the year under review, Phase one was implemented and this is work in progress. The intention is to have the HWSETA processes automated and the SETA being able to control and manage its information for timeous decision making and improve on the turn-around times to the clients. This will ensure that the HWSETA is able to live up to the standards set in its Service Delivery Charter.

The Workplace Skills Plan part of the Module was done on time, with the aim of obtaining baseline information and compliance to the regulated time-frame for submission.

“

For the year under review, the HWSETA has built on the good performance of previous years. This is due to strong leadership in terms of governance and administration, as well as the commitment and diligence of team HWSETA

Ms Yvonne Mbane, Chief Executive Officer

”

Accelerated Service Delivery

The HWSETA has achieved 98% of its set target. This is an improvement from the 96% of last year. The 2% outstanding is due to factors beyond the control of the HWSETA.

This was possible because of the dedication of staff and cooperation of stakeholders. This includes private employers, organised labour, government departments, NGOs, the College sector and the universities amongst others. The

culture of risk assessment and mitigation, as well as reporting has been inculcated in the HWSETA in the past three years. The bar has been set high.

An amount of R 677 million in terms of discretionary funding has been committed during the period under review. These are commitments which will straddle up to a period of three years, depending on the nature of the programme or project. An amount of R 269 million has been disbursed. This is a vast improvement as compared to the R 145 million disbursed last year.

There was a concerted effort to monitor and guide stakeholders to ensure accelerated delivery with the provision of the HWSETA policies.

Gratitude

Special gratitude to the Internal Auditor, the AGSA and the Audit Committee who provided valuable input for the HWSETA to be able to overcome its weaknesses and close the identified gaps. The HWSETA administration is committed to continuous improvement.

Statement of Responsibility and Confirmation of Accuracy for the Annual Report

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

- All information and amounts disclosed in the annual report 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 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 2016.

Yours faithfully ,



Ms Yvonne Mbane

Chief Executive Officer
Date: 28 July 2016



Dr E.T. Confidence Moloko

Chairperson of the HWSETA
Date: 28 July 2016



Strategic Overview

OUR VISION

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

OUR MISSION

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

- Integrity
- Transparency
- Transformation
- Service Excellence

Legislative and Other Mandates

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

CONSTITUTIONAL MANDATES

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.

LEGISLATIVE MANDATES

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.

POLICY MANDATES

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.

Organisational Structure

HWSETA Board Comprising 15 Members
 (REFER PART C: GOVERNANCE FOR MORE DETAILED INFORMATION)



Chief Executive
 Officer
MS YVONNE MBANE



Executive
 Manager
 Corporate
 Services
 Division

MR BOB PARDESI



Chief
 Financial
 Officer

MRS ELAINE BRASS



Executive
 Manager
 RIME Division

**MR SIKHUMBUZO
 GCABASHE**



Executive
 Manager
 SDP Division

**MR PATRICK
 SAMUELS**



Executive
 Manager
 ETQA Division

**MS BAAKEDI
 MOTUBATSE**

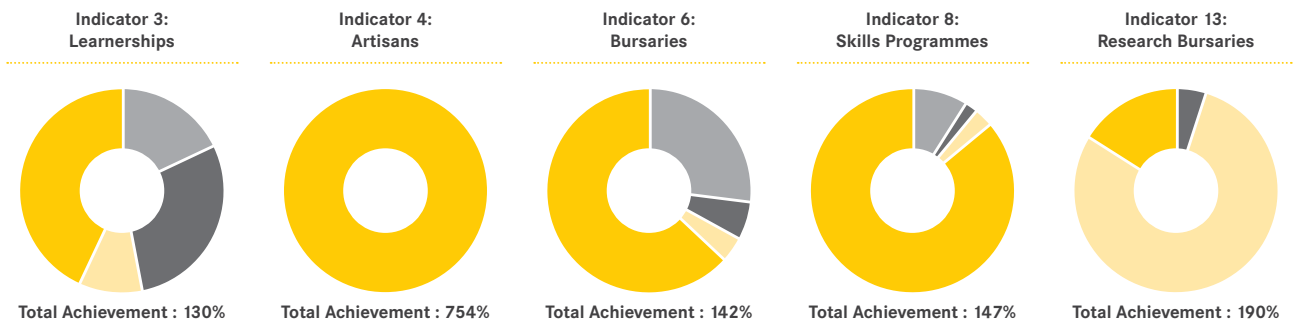




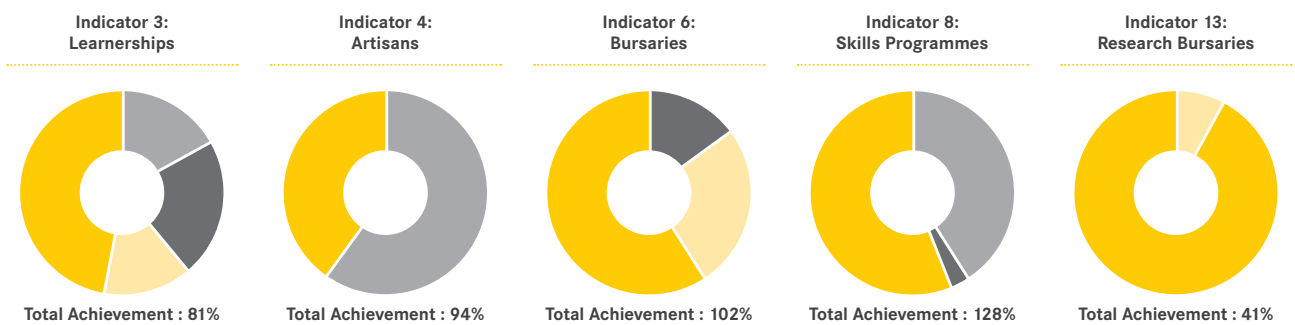
2015/16 Annual Dashboard

% Achievement against APP annual targets

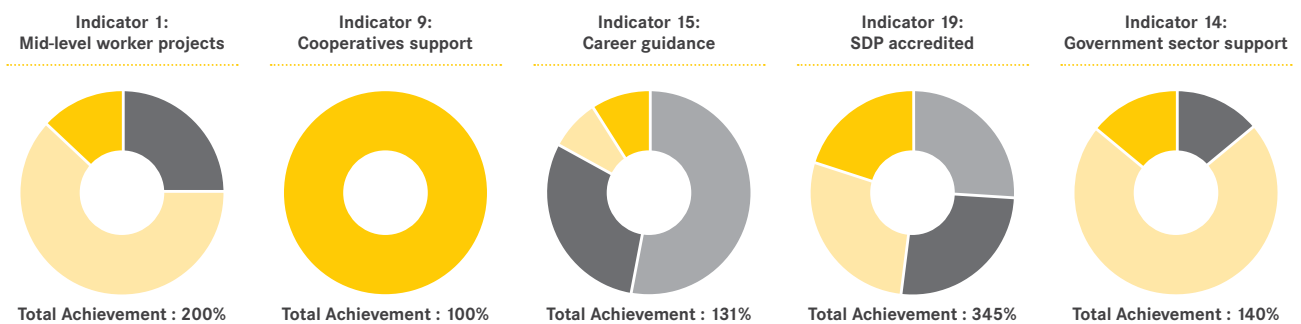
Support for the Employed – Average Achievement : 267%



Support for the Unemployed – Average Achievement : 91%

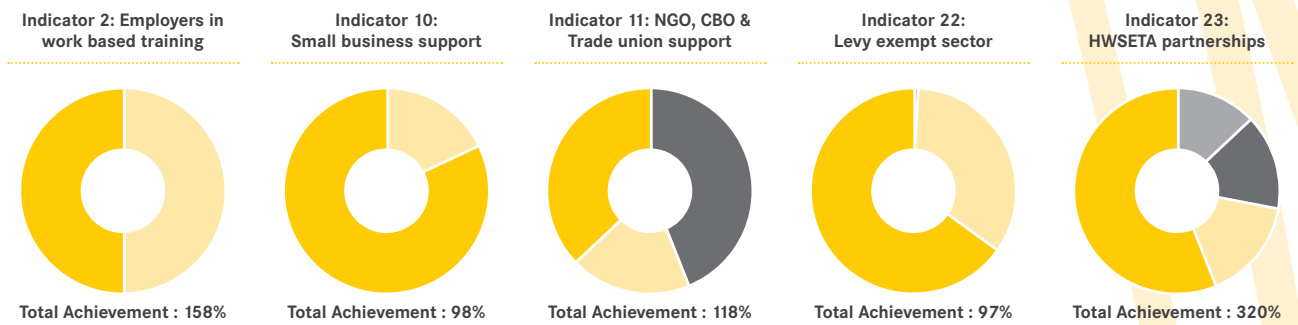


Sector Projects 1 – Average Achievement : 183%



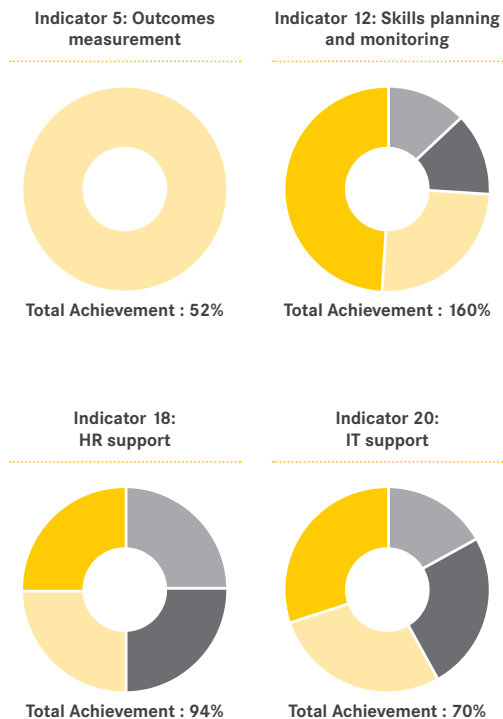
■ Q1 ■ Q2 ■ Q3 ■ Q4

Support for Employers and Employer Participation – Average Achievement : 158%



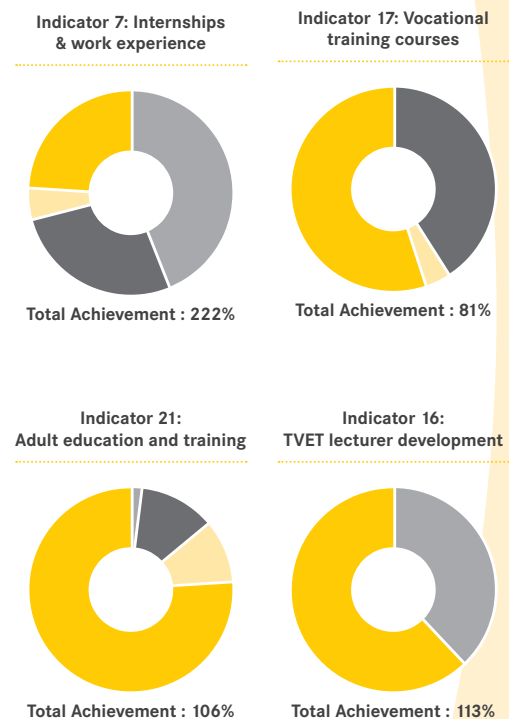
Research and organisational support

Average Achievement : 94%



Sector Projects 2

Average Achievement : 131%



■ Q1 ■ Q2 ■ Q3 ■ Q4

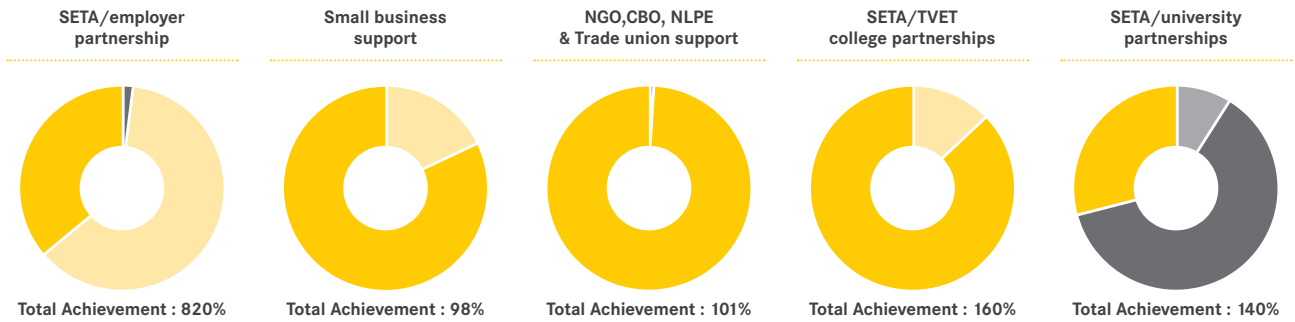


2015/16 Annual Dashboard

% Achievement against SLA annual targets

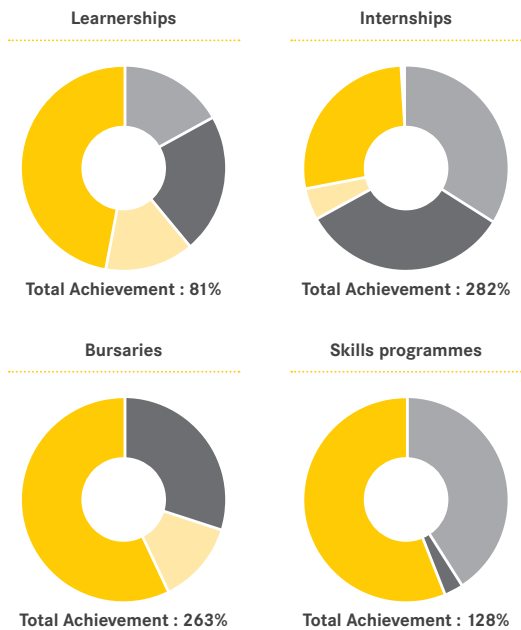
SME Community support, TVET college and University partnerships

Average Achievement : 264%



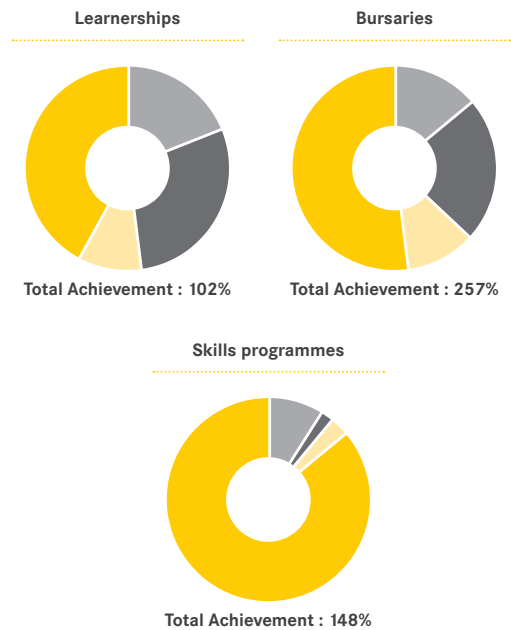
Increase access to occupationally directed programmes – unemployed

Average Achievement : 189%



Increase access to occupationally directed programmes – employed

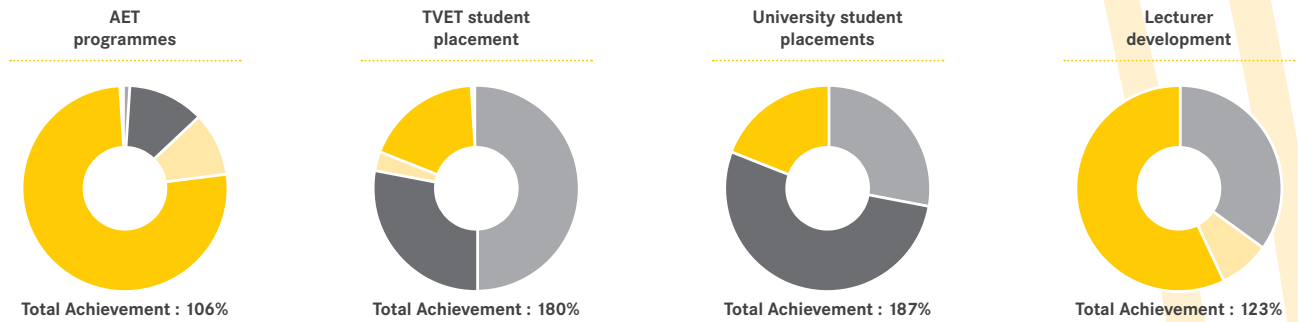
Average Achievement : 169%



■ Q1 ■ Q2 ■ Q3 ■ Q4

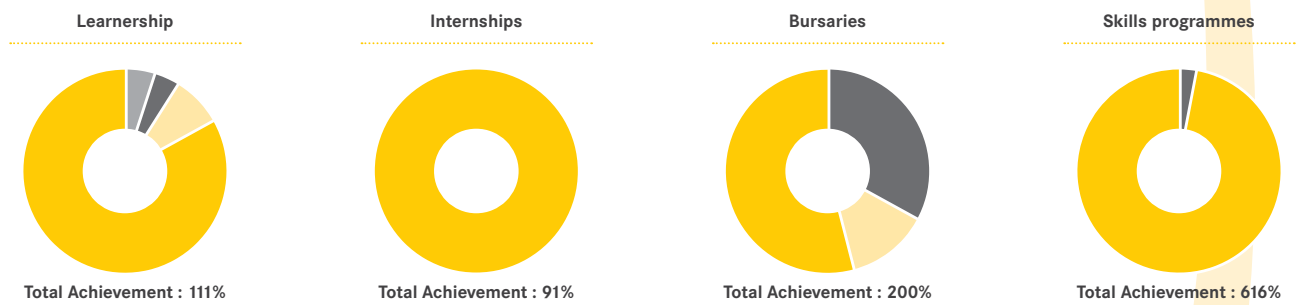
Increase access to AET, TVET College and University programmes

Average Achievement : 194%



Completed training towards occupationally directed programmes – unemployed

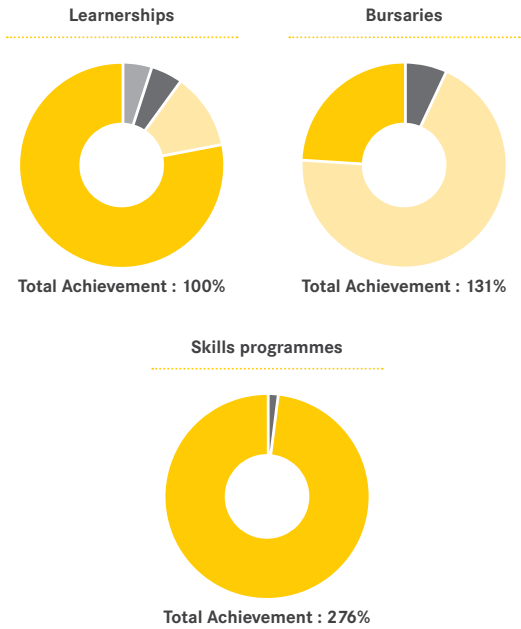
Average Achievement : 255%



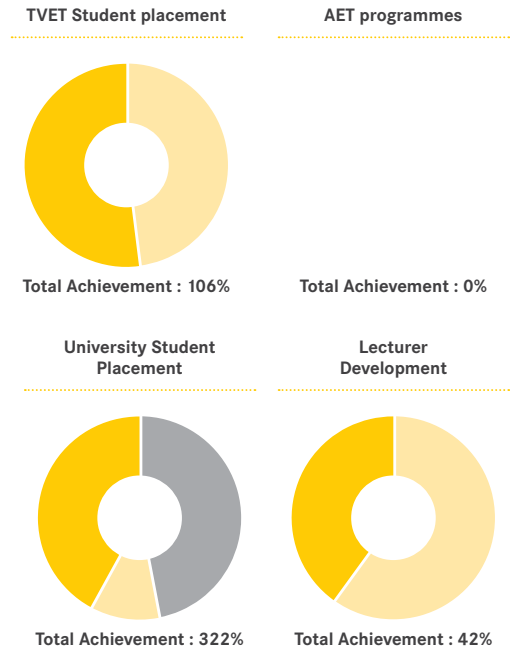
■ Q1 ■ Q2 ■ Q3 ■ Q4



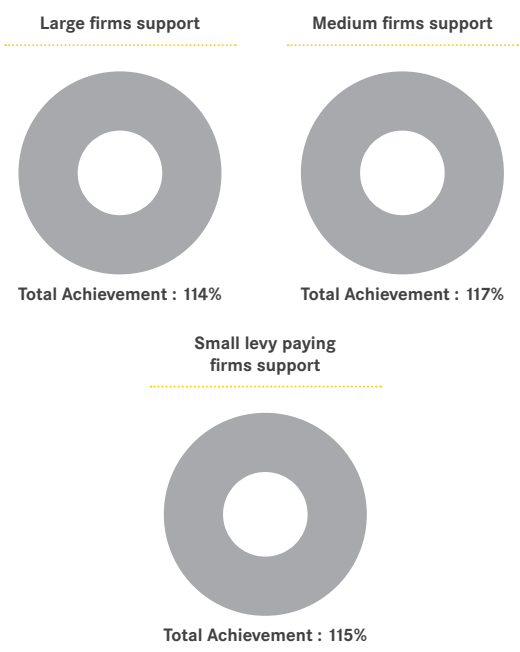
Completed training towards occupationally directed programmes – employed
Average Achievement : 169%



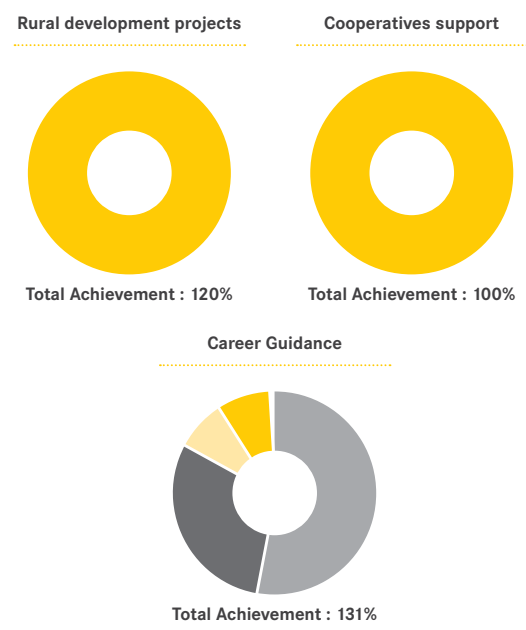
Completed training towards AET, TVET College and University training
Average Achievement : 118%



Establishing credible institutional mechanism for skills planning
Average Achievement : 115%



Sector projects
Average Achievement : 117%



■ Q1 ■ Q2 ■ Q3 ■ Q4

Driving Skills Development in the Animal Health Sector



Seen at the official partnership launch held in January 2016 are from left to right: Mr Mabuza Ngubane, Director: SETA Performance Management Directorate; Professor Darrell Abernethy, Dean: Faculty of Veterinary Science; Ms Ayanda Manqele – post graduate student and recipient of HWSETA funding; Ms Yvonne Mbane, CEO of the HWSETA; and Dr Confidence Moloko, Chairman of the HWSETA Board.

UP FACULTY OF VETERINARY SCIENCE BENEFITS FROM HWSETA FUNDING

During the period under review, the HWSETA committed R15 million in funding to the University of Pretoria's Faculty of Veterinary Science. The projects being funded by the HWSETA include bursaries for first year students; work integrated learning for final year students; undergraduate research bursaries; postgraduate student bursaries; skills laboratory models and equipment; training of 20 learners in manufacturing of teaching aids; adopt a school pilot project; and articulation with agricultural colleges.



HWSETA funding will be used to train 20 learners from local communities in the manufacture of teaching aids.



The models used in the skills lab are of exceptional quality and many of the models have almost a 'life-like' appearance



Dr Annett Annandale from UP's Faculty of Veterinary Science is seen here explaining the use of one of the models to Sikhumbuzo Gcabashe, HWSETA's Executive Manager for RIME



ABOVE Seen here with two learners at the launch are the MEC for Eastern Cape Rural Development and Agrarian Reform, Mr Mlibo Qoboshiyane; the Mayor of Mhlontlo Local Municipality, Counsellor M Giyose and the Honourable Deputy Minister of Higher Education and Training, Mr Mduduzi Manana.

LEFT Learners are seen here excitedly completing the Animal Health Technician learner registration forms.

HWSETA FUNDS ANIMAL HEALTH STUDIES IN EASTERN CAPE

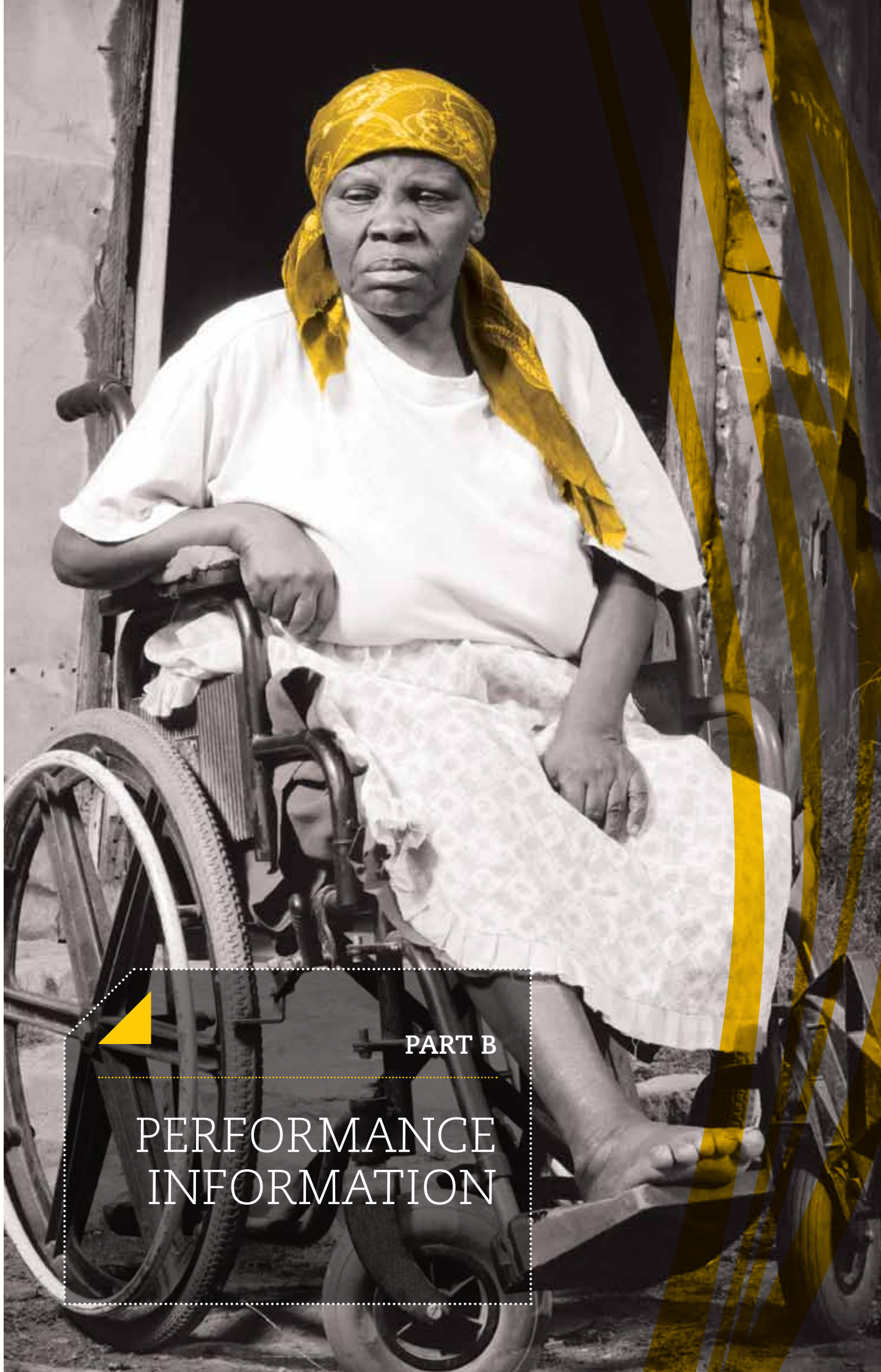
At a function held in Tsolo, Eastern Cape on 25 May 2015, the HWSETA awarded 50 learners with full bursaries to obtain a Diploma in Animal Health from the Tsolo Agricultural and Rural Development Institute.



Research conducted during the period under review has revealed that 60% of learners placed in HWSETA learnerships are appointed by the host employers on a full time basis – with many of these learners being snapped up before the learnership is even finished. We attribute this success rate to the ‘work readiness’ of our learners who are exposed to learnerships that combine 30% theory and 70% practical



Sikhumbuzo Gcabashe,
Executive Manager RIME Division



PART B

PERFORMANCE
INFORMATION



Performance Against Predetermined Objectives

Auditor's Report: predetermined objectives

Refer report by Auditor-General on Pages 56–57 of this Annual Report.

Legislative and Other Mandates



SERVICE DELIVERY ENVIRONMENT

Through evidence based research it has been found that skills in the health and welfare sector are needed at all levels and occupations: from high-level specialist skills to mid-level skills and to lower level skills. The greatest demand for skills exists in four of the main occupational groups: managers; professionals; technicians and associate professionals; and services and sales workers.

The HWSETA through its partners introduced interventions to address the considerable gaps in the management of public health operations, its employees and technology, as well as its capital and financial resources.

In the social development sector apart from the need to train more social workers, the current skills base needed strengthening through occupational-specific and technical training, and work-readiness training. There is a pressing need for supervision training of social workers and improved monitoring of practical workplace training of undergraduates. NGOs require skills to improve governance and organisational management.

The State veterinary services are under huge pressure due to prolonged skills shortages and vacancies. Skills shortages compromise critical public health measures required to control and reduce the risk of animal diseases, and thus also impact food security.

During the year under review the HWSETA achieved an overall achievement

of 98% of its targets. The targets have been weighted according to the weights established during the approval of the Annual Performance Plan in 2014/2015. A number of targets were overachieved and that is related to amongst others, the following factors:

- Increase of staff compliment in the provincial offices of the HWSETA to monitor projects
- Strategy of funding accelerated artisan programmes where learners had the basics of the trade already
- Better systems of collecting and verification of performance information data

Key outputs that were achieved include learnerships, research bursaries, artisan training, workplace experience and experiential learning. It was noted that employers recruited more learners than anticipated and opened up their workplaces for training purposes. The training of artisans also exceeded expectations due to reasons mentioned above. The HWSETA encountered challenges in the absorption of unemployed learners into employment as budget cuts and austerity measures hits its largest employers.

The HWSETA noted with concern an analysis in the South African Medical Journal that in the year under review there was a skewed employment growth between administrators and clinicians in the public health care sector in the country. Further, the statistic illustrates a rapid growing administrative cadre at

the expense of critical clinicians in this sector. This explains the lower than usual absorption rate of graduates.

ORGANISATIONAL ENVIRONMENT

The HWSETA delivery model and strategy are heavily influenced by various strategic partners. These include from the demand side private sector employers, public sector employers and nonprofit organisations offering health and welfare services. On the supply side public and private technical and vocational education and training institutions and higher education institutions, and statutory councils.

One of the key organisational successes of the HWSETA in the year under review is the 94% key positions being filled. This includes the five provincial offices servicing nine provinces across the country. For easy access by communities, these offices are being augmented by offices at the Technical and Vocational Education and Training Colleges. Further, stability at both senior and junior management levels also ensured that the delivery of services is optimised. There was only one resignation at management level in the year under review.

There were no major organisational challenges that impacted negatively on HWSETAs ability to deliver on its mandate.

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The key policy developments that have and may affect the HWSETA in the future financial years include:

- Clarification by the DHET on the issue of surpluses – This was communicated to SETAs during the period under review as a clarification and not new policy;
- Extension of the SETA life span – The life span of the HWSETA was extended by two years through a Government Gazette by the Minister of Higher Education and Training;
- Changing SETA landscape and areas for NSDS IV – The future outlook of the SETA environment was gazetted by the Minister for public comment;
- Promulgation of the White Paper on Post School Education and Training – This White Paper seeks to set out a vision for the type of post-school education and training system we aim to achieve by 2030;
- Promulgation of the White paper on National Health Insurance – The National Health Insurance White Paper represents a substantial policy shift that will necessitate a massive reorganisation of the current health care system, both public and private and also derives its mandate from the National Development Plan (NDP) of the country.



STRATEGIC OUTCOME ORIENTED GOALS

The HWSETA has made progress towards the achievement of its strategic outcome oriented goals:

Goal 1:

Improvement of organisational administration and management capability in the HWSETA:

The HWSETA filled 94% of key vacancies in its organisational structure. In its ERP project 70% of processes were automated. The progress made towards the achievement of the ERP project are major milestones achieved during the year under review.

Goal 2:

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

The HWSETA updated its sector skills plan and conducted several interviews with key stakeholders to identify skills needs pertinent to this sector. The rich information obtained enabled informed decisions taken at various levels to address the skills shortages and mismatches. Further, a total of 80 research bursaries were awarded to students whose research will contribute to new knowledge in the sector. Within this goal, 96 larger firms were supported, 119 medium firms were supported and 524 small levy paying firms were supported.

Goal 3:

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

In this goal the HWSETA supported 764 students through bursaries, 2770 through internships and workplace experience and 4266 through learnerships in the year under review. The focus was on those programmes that have a substantial work based component.

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:

HWSETA entered into 32 partnerships with TVET Colleges and 34 TVET college lecturers were supported for workplace experience with employers. In addition to this 806 learners were funded in TVET Colleges to undertake vocational courses.

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:

The HWSETA supported 1530 learners during the year under review to undertake Adult Education and Training courses. The majority of the learners were based in Community Colleges as part of the Post School Education System in the country.

Goal 6:

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

During the year under review HWSETA initiated 8 workplace based projects aimed at addressing middle level skills in the country. This was augmented by the approval of 221 employers to host learners as part of the encouragement to implement work based learning .

“

The HWSETA, through its partners, introduced interventions to address the considerable gaps in the management of public health operations, its employees and technology, as well as its capital and financial resources

”

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 supported 20 cooperatives during the year under review. A total of 206 NGOs, CBOs and trade unions were supported. Further to this a total of 116 levy exempt organisations were supported for skills development.

Goal 8:

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

In order to support Goal 3 of the NDP the HWSETA through its partnerships with Government Departments implemented 7 projects aimed at education and skills development within the public sector.

Goal 9:

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

The HWSETA through own initiatives and in partnership with DHET and various SETAs and community organisations reached 15093 learners in its career development initiatives. These were well spread across the country.

Goal 10:

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

During the year under review the HWSETA processed and approved 138 applications for accreditation from its constituent skills development providers. The accreditations were for full qualifications. This number was based on applications received of which the HWSETA has no control of. In addition to this TVET colleges were capacitated to offer HWSETA related qualifications.



Performance Information

by Programme/Objective

CLASSIFICATION OF PERFORMANCE

Description of classification	Progress in %	Colour code
Annual target has been achieved or exceeded before or by 31 March 2016	100	
Annual target was almost achieved based on substantial progress made by 31 March 2016	70 – 99	
Annual target has not been achieved and strides made have yielded moderate success. 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. The non-achievement may be attributed to external factors that impacted negatively on the indicator	0 – 39	
Unemployed : U Employed : E		

PROGRAMME I: ADMINISTRATION

SUB-PROGRAMME: RESEARCH, INFORMATION, MONITORING AND EVALUATION

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 sector¹ in the strategic period

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Planned Target	Actual Achievement	Comment on deviations	Actual Spend																																										
The percentage of qualified artisans and unemployed learners previously funded ² by the HWSETA finding employment ³ within 6 months of completing the learning programmes ⁴ in the reporting period	Percentage of qualified artisans and unemployed learners previously funded by the HWSETA finding employment in the reporting period	47% (860)	80% (1380)	52% (446)	<p>This indicator measures the outcome/employability of learners who participated in training funded by the HWSETA. The study tracked and traced learners, and was able reach 852 learners who completed their studies in 2014/15. 52% (446) of these learners reported to be employed after completing their studies. This achievement (446) needs to be considered in light of the current economic conditions of the country as it is a major contributing factor to the current employment rate. These conditions force organisations and government departments to make budget cuts. The SA Medical Journal reports that the Department of Health, in five provinces (NW, EC, FS, KZN, and MPL), has frozen posts due to a severely constrained economic climate, (South African Medical Journal 2016, 106(4):321.</p> <p>At output level the following was recorded for completions during the year under review:</p> <p>Training output (completions) – Funded learners</p> <table border="1"> <thead> <tr> <th>Programme</th> <th>Socio-Economic Status</th> <th>Annual Achievement</th> <th>Programme</th> <th>Annual Achievement</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Learnerships</td> <td>Employed</td> <td>2068</td> <td>Internships</td> <td>302</td> </tr> <tr> <td>Unemployed</td> <td>1769</td> <td>Pre-apprenticeships</td> <td>284</td> </tr> <tr> <td rowspan="2">Skills programmes</td> <td>Employed</td> <td>9934</td> <td>Apprenticeships</td> <td>64</td> </tr> <tr> <td>Unemployed</td> <td>7889</td> <td>TVET college work experience</td> <td>621</td> </tr> <tr> <td rowspan="2">Bursaries</td> <td>Employed</td> <td>188</td> <td>TVET College lecturers</td> <td>10</td> </tr> <tr> <td>Unemployed</td> <td>800</td> <td>AET</td> <td>0</td> </tr> <tr> <td colspan="5">Training output (completions) – Non-funded learners</td> </tr> <tr> <td colspan="2">Certification of Learners</td> <td colspan="3">11120</td> </tr> </tbody> </table>	Programme	Socio-Economic Status	Annual Achievement	Programme	Annual Achievement	Learnerships	Employed	2068	Internships	302	Unemployed	1769	Pre-apprenticeships	284	Skills programmes	Employed	9934	Apprenticeships	64	Unemployed	7889	TVET college work experience	621	Bursaries	Employed	188	TVET College lecturers	10	Unemployed	800	AET	0	Training output (completions) – Non-funded learners					Certification of Learners		11120			Internally executed – No financial implications
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- 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 HWSETA need to be considered
- 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
- Finding employment refers to signing an employment contract as defined in the Basic Conditions of employment Act, as amended
- 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 planning⁵ in the sector for the strategic period

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The Number of research reports based on sound analysis of Health and Social Development sector confirmed by stakeholders and impact of training assessed in the reporting period	Number of applied research ⁶ reports completed and confirmed by stakeholders that inform planning and impact of training assessed in the reporting period ⁷	14	5	8	The over-achievement of this target is due to ad hoc research needs identified during the financial year	Internally executed – No financial implications

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, programs, and projects

7. Evaluation of training includes research reports on areas such as dropout rate and analysis and impact analysis

Programme 1: Indicator 13

Strategic objective: Evidence based research to inform planning in the sector for the strategic period

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The number of researchers in the sector is increased through targeted funding ⁸ in the reporting period	Number of new post graduate research students ⁹ funded ¹⁰ for research in the health and welfare field in the reporting period	52	E	30	57	An overwhelming response from universities and students ensured the over-achievement of the target. At post graduate level there are more employed students than unemployed especially at PhD level, this results in a mismatch in the achievement of the targets aligned to the socio-economic statuses. Three of the employed learners reported were funded with the 2014/15 committed funds.	R3.898m
		41	U	45	23		

8. 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

9. 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


10. 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



SUB-PROGRAMME: CORPORATE SERVICES

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


Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The number of school and post school youth ¹¹ reached through career development awareness programmes in the reporting period	Number of number of learners reach ¹² through HWSETA career development awareness programmes in the reporting period	13084	11500	15093 	The over-achievement is due to the fact that in all the HWSETA provincial offices, there was a strong focus on career guidance.	R115000

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

12. Reached in this context refers to learners recorded in the register of 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

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The percentage of filled ¹³ positions in the HWSETA approved organogram to ensure optimum capacity and delivery of services in the reporting period	Percentage of filled positions in the HWSETA approved organogram in the reporting period	91% (102)	94% (81)	94% 	HWSETA has an approved staff compliment of 111 permanent positions. By 31 March 2016 the HWSETA had 99 permanent staff employed and 12 vacant positions due to recent resignations and terminations. This accounted for 89% of the total staff. The annual achievement, however considers an average of the achievements from quarters 1 to 4. The annual achievement therefore is 94%.	R397000

13. 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

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The percentage of processes automated and integrated ¹⁵ to ensure effectiveness and efficiency of operations ¹⁴ in the reporting period	Percentage of processes automated and integrated ¹⁵ in the reporting period	0	70%	70% 	The project of automating and integrating HWSETA systems will be completed by November 2016.	R2.529 million

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

15. 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**

SUB-PROGRAMME: PROJECTS

Programme 2: Indicator 2

Strategic objective: Employers in the sector open up their workplaces as places of learning¹⁶ in the strategic period

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The number of employers evaluated and participates in work-based training within the reporting period.	Number of employers evaluated and participating ¹⁷ in work-based training within the reporting period	223	140	221	Employers who qualified to be funded exceeded the number that was anticipated. This resulted in the over-achievement of the target	Included in the learnership actual spend

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

17. 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

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

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The number of employed and unemployed persons funded as apprentices to become artisans for the Health and Social Development sector ¹⁸ in the reporting period	Number of employed and unemployed apprentice funded ¹⁹ and enrolled ²⁰ to become artisans through HWSETA funding in the reporting period	0	E	50	337	The response to the Expression of Interest issued in July 2015 was much higher than expected. Since the funding of artisans is a high priority of the HWSETA all qualifying students were approved, resulting in a large number of students being funded.	R23.496 million (employed & unemployed)
		40	U	50	47	Learners from False bay and Northlink TVET Colleges who were funded as apprenticeships by the HWSETA delayed to complete the Complementary-Based Modular Training so that they could register as apprentice. This resulted in a short fall to meet the annual target for this unemployed socio-economic group. However, the total target of the indicator has been overachieved due to the over-achievement in the funding of the employed socio-economic group. All unemployed learners reported were funded with 2014/15 committed funds.	

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

19. 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

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



Programme 2: Indicator 6

Strategic objective: Increase the number of students in higher education in identified scarce and critical skills enabling them enter the labour market²¹ in the strategic period

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The number of students funded through bursaries for training in higher education institutions ²² in the reporting period	Number of students funded ²³ through bursaries for training in higher education institutions in the reporting period	261	E	180	256	This achievement results from employers who were able to recruit more learners than initially planned and the HWSETA was able to fund all learners within the budget. Also ad hoc projects boosted the number of learners funded. 82 of the learners reported were funded with the 2014/15 committed funds.	R1.163 m
		434	U	500	508	This achievement is as a result of a number of ad hoc projects which facilitated funding of more learners than initially planned. 76 of the learners reported were funded with the 2014/15 committed funds.	R35.085 m

21. Enrolled refers to registration with both the training institution and HWSETA Seta Management System Training and those defined as such by relevant Councils

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

23. 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 7

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

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The number of unemployed TVET college students and other unemployed graduates of middle level qualifications enrolled in workplace experience through Workplace Experience Grant in the reporting period	Number of unemployed TVET college students enrolled ²⁴ for work-experience and experiential learning programmes ²⁵ funded by the HWSETA in the reporting period	181	U	1250	2770	145 University students (WIL); 205 TVET college students; and 324 University graduates (Internships) were funded for work experience. The over-achievement is due to the increased need from employers. As thus, the HWSETA made more funding available to ensure that all employers get the number of learners they required. 2292 of the learners reported were funded with the 2014/15 committed funds.	R89.111 m

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

25. Workplace experience and experiential learning refers 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 program 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-job experiences 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 purposes of NDS the target includes internships and TVET graduate placement

Programme 2: Indicator 9

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

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The number of cooperatives in the health and social development sector whose skills training is funded ²⁶ 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 in the reporting period	18	20	20	The HWSETA entered into a partnership with the Department of Social Development Free state for the training of the member of cooperatives in the province. 20 cooperatives have been entered and identified for the training.	Nil

26. 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

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

Programme 2: Indicator 10

Strategic objective: Fund small and emerging businesses²⁸ for skills development in the sector in the strategic period

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The number of small and emerging businesses funded in both health and social development sectors through HWSETA skills development funds in the reporting period	Number of small and emerging businesses funded ²⁹ through HWSETA skills development funds in the reporting period	80	100	98	In spite of all the efforts made to recruit SMEs to participate in this project most of them were not interested and some wanted funding for Pivotal learning programmes which are not funded through this project.	R737000

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

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

Programme 2: Indicator 11

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

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Planned Target	Actual Achievement	Comment on deviations	Actual 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 in the reporting period	193	175	206	Two projects were implemented for this indicator. These included the SDF training and the training of NGO employees. The NGOs submitted a high number of employees to be trained and fortunately the training of all these employees was within budget. 130 of the learners reported were funded with the 2014/15 committed funds.	R2.744 million



Programme 2: Indicator 17

Strategic objective: Support public TVET Colleges and associated students in vocational training in the strategic period

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The number of learners in TVET college partners funded ³⁰ for vocational training in the reporting period	Number of learners in TVET colleges and other public colleges ³¹ (and the number of associated learners) enrolled ³² for vocational training courses funded ³³ by the HWSETA in the reporting period	382	U	1000	806	Due to the lack of participation and interest by TVET colleges on initiated programmes there was a delay in implementing the project. The HWSETA therefore only entered into MOA's with TVET college who showed interest. A majority of the learners will be reported in the first quarter of 2016–2017. 441 of the learners reported were funded with the 2014/15 committed funds.	R298000

30. 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

31. Public colleges include public nursing colleges and

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

33. 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

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

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The number of projects 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 ³⁴ through discretionary grant aimed at the public sector education and training in the reporting period	8	5	7	The over-achievement is due to the drive made by the HWSETA to encourage National Government Departments to get Provincial Departments involved in these skills development initiatives.	R3.545 m

34. 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

SUB-PROGRAMME: LEARNING PROGRAMMES

Programme 2: Indicator 1

Strategic objective: Identification, development of strategies and funding³⁵ of priority Middle level skills in the sector³⁶ in the strategic period

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The number of health and social development projects ³⁷ addressing mid-level skills funded ³⁸ in the reporting period	Number of projects funded through grants to develop and address middle level skills within the reporting period	11	4	8	The over-achievement is due to the drive made by the HWSETA to encourage National Government Departments to get Provincial Departments involved in these skills development initiatives.	R13.844 m

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

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

37. 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

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

Programme 2: Indicator 3

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

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The number of employed and unemployed learners funded and registered through learnerships in the reporting period	Number of employed and unemployed learners registered ³⁹ in learnership training programmes and funded ⁴⁰ by the HWSETA in the reporting period	2736	E	2580	2653	The annual target for the unemployed was not achieved due to permission given employers to register funded learners until 30 June 2016. This was to accommodate the intake dates of training providers. These learners will be reported in quarter one of 2016/17. 1627 employed and 782 unemployed learners reported were funded with the 2014/15 committed funds.	R86.299 m (employed & unemployed)
		2546	U	2000	1613		

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

40. Funded refers to issuing learner, employer and training provider details captured in the Seta Management System

Programme 2: Indicator 8

Strategic objective: Improve sector level productivity and economic growth through funding of identified skills programmes in the strategic period⁴¹

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Actual 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 in the reporting period	12109	E	4500	6650	Placing the 31st of March 2016 as a deadline for the implementation of the 2015/16 EOI ensured early registration of learners by all employers. This enabled the HWSETA to exceed the annual target. 741 employed and 888 unemployed learners reported were funded with the 2014/15 committed funds.	R6.247 m (employed & unemployed) R75.638 m (mandatory Grants)
		2073	U	1600	2044		

41. This support includes employed workers and unemployed learners



Programme 2: Indicator 21

Strategic objective: Support adult education and promote lifelong learning in the sector⁴²

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
Number of Learners registered ⁴³ for AET programmes over the strategic period.	Number of learners registered ⁴⁴ for AET programmes funded by HWSETA in the reporting period	0	U	1440	1530 	The overachievement is due to the extensive efforts made by the HWSETA to draw interest in skills development. 799 of the learners reported were funded with the 2014/15 committed funds.	R652000

42. This support includes employed workers and unemployed learners

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

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

Programme 2: Indicator 16

Strategic objective: Support partnerships to facilitate quality training and skills development in the sector in the strategic period⁴⁵

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Actual 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 lectures placed ⁴⁶ in work experience with employers in the reporting period	6	E	30	34 	The shortage of HWSETA related qualifications at TVET colleges resulted in the funding lecturers from health related programmes of Agricultural Colleges as an interim measure whilst TVET Colleges are being encouraged to offer HWSETA related qualifications. Agricultural Colleges have been so responsive that the target was over-achieved. 13 of the learners reported were funded with the 2014/15 committed funds.	R38000

45. This support includes employed workers and unemployed learners

46. Placement refers to temporal visitation to employer premises to gain work related experience in the aspect of work that relates to the training programme the lecturer is engaged in

Programme 2: Indicator 22

Strategic objective: Support levy-exempt organisations skills development initiatives in the strategic period

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The number of levy-exempt organisations funded by the HWSETA in the reporting period	The number of levy-exempt organisations funded by the HWSETA in the reporting period	120	120	116 	Levy Exempt Organisations were offered funding for training including SDF training, and a project launched in Eesterust for NGO's. Pending is a project with the Global Aids Village where names of 10 participating NGO's are outstanding, with these the total would be 126.	R1.326 m

PROGRAMME 3: QUALITY ASSURANCE AND QUALIFICATION DEVELOPMENT

Programme 3: Indicator 23

Strategic objective: Support partnerships to facilitate quality training and skills development in the sector in the strategic period

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The number of partnership ⁴⁷ agreements signed outlining areas of collaboration in the reporting period	Number of partnerships signed through Memoranda of Understanding with the HWSETA in the reporting period ⁴⁸	11	10	32	The over-achievement results of the drive to support TVET Colleges. This has yielded a higher number of partnerships than targeted.	Nil

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

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

Programme 3: Indicator 19

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

Five Year Success Indicator	Performance Indicator	Actual Achievement 2014/15	Planned Target	Actual Achievement	Comment on deviations	Actual Spend
The number of skills development training providers ⁴⁹ accredited to offer full qualifications in the reporting period	Number of skills development training providers ⁵⁰ accredited ⁵¹ in the reporting period	71	40	138	The over-achievement is based on received, processed and approved applications received from Skills Development Providers. The HWSETA has no control over the number of applications received.	Internally executed – No financial implications

49. 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 (learning programmes evaluated – 137; workplaces validated – 40; registered assessors – 588; registered moderators – 168; verified learner achievements – 115; qualifications developed – 2 – process developed for function of assessment quality partner – 40%)

50. Skills Development Training Providers refers those as defined by the SAQA Act and the HWSETA policy

51. Accreditation refers to meeting the criteria as set in the SAQA Act and the QCTO Act and policies/regulations and the HWSETA accreditation policies



Strategies to Overcome

Areas of Underperformance:

From the performance information above it was noted that in the following indicators, the annual target was almost achieved based on substantial progress made by 31 March 2016:

- Indicator 13: Unemployed: Number of new post graduate research students funded for research in the health and welfare field in the reporting period
- Indicator 10: Number of small and emerging businesses funded through HWSETA skills development funds in the reporting period
- Indicator 17: Number of learners in TVET colleges and other public colleges (and the number of associated learners) enrolled for vocational training courses funded by the HWSETA in the reporting period
- Indicator 3: Number of employed and unemployed learners registered in learnership training programmes and funded by the HWSETA in the reporting period
- Indicator 22: The number of levy-exempt organisations funded by the HWSETA in the reporting period

The following strategies will be implemented in future to address these areas:

- Forge partnerships with universities and target students in health and social sciences faculties
- Identify small and emerging businesses in the sector and address them through workshops and Board engagement sessions
- Target TVET colleges that have an interest in offering HWSETA qualifications and offer support
- Forge strategic partnerships with statutory councils in the sector and work with them to support the sector

Performance Information by Programme/Activity/Objective

Programme/activity/objective	2015/16			2014/2015		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Programme 1: Administration	10 730	6 939	3 791	8 103	2 671	5 432
Programme 2: Skills Development Programme	341 387	344 118	2 731	188 140	524 467	336 327
Programme 3: Quality Assurance and Qualification Development	13 300	nil	13 300	6 284	nil	6 284

Revenue Collection

Sources of revenue (R million)

Skills development revenue

Estimate – 2015/16	Actual collection 2015/16	(Over)/under collection	Commentary	Estimate – 2014/15	Actual collection –2014/16	(Over)/under collection
R377.6	R410	(R33)	9% higher than budgeted mainly due to a further 758 new contribution employers in 2015/16	R332	R343	(R11)

Investment Income – interest

Estimate – 2015/16	Actual collection 2015/16	(Over)/under collection	Commentary	Estimate – 2014/15	Actual collection –2014/16	(Over)/under collection
R26.3	R37.4	(R11)	Higher than expected due to large cash balances held. HWSETA has improved significantly in moving cash and will continue to do so in 2016-2017	R25	R40	(R15)

Government levies

Estimate – 2015/16	Actual collection 2015/16	(Over)/under collection	Commentary	Estimate – 2014/15	Actual collection –2014/16	(Over)/under collection
R237	R86	R151	The actual collection is significantly lower than expectation due to the non-compliance by Government Departments to the Cabinet Circular of 2012. Departments are on average only contributing 10% of their training budget as opposed to the mandatory 30%.	R213	R72	R141



Facilitating the implementation of relevant discretionary grant projects is a core objective for the HWSETA to enable our youth to become employed as suitably skilled persons. This in turn contributes to our economic growth as a nation and benefits these individuals, their families and the broader community.



Mr Patrick Samuels,
Executive Manager, SDP Division



PART C

GOVERNANCE



The HWSETA Board

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.

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

- Three ministerial appointees
- 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

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

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

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:

Ms Kidi Maluleke, Employer Representative resigned on 17 July 2015

Mr Patrick Kekane, Labour Representative, appointed on 1 August 2015 and resigned on 11 January 2016

3 independent members, who are Ministerial appointees of which one is the Chairperson of the Board

5 members representing organised labour

5 members representing organised employers, of which two are representatives of government constituencies

1 member representing People with Disabilities

1 member representing the Levy Exempt Sector

HWSETA Board Comprising 15 Members

Executive Committee of the Board

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

Standing Committees

The Board has 6 Standing Committees, namely:

- Finance Standing Committee
- Tender Standing Committee
- Skills Development Standing Committee
- ETQA Standing Committee
- Corporate Services Standing Committee
- Tender 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.

Mr Viren Magan, Independent Aucom member resigned on 1 October 2015



HWSETA Board Members Meeting Attendance



Dr Confidence Moloko
Independent Chairperson



Ms Emma Zondo
Constituency: Labour



Mr Hitler Sekhitla
Constituency: Labour



Mr Rudie v Loggerenberg
Constituency: Employer



Ms Thembi Ngcobo
Ministerial Appointee



Ms Fazeela Fayers
Constituency: Labour



Mr Pat Motubatse
Constituency: Labour

Board and Special Board Meetings	9	9	7	9	7	6	6
AGM, Workshops, Conferences & Training	4	4	3	3	3	3	3
EXCO Meetings	11		3	9	8		6
Finance Standing Committee				3	5		
Tender Standing Committee		5			5	5	
Skills Development Standing Committee		4		3	2		4
ETQA Standing Committee		3	1		3		1
Corporate Services Standing Committee						5	
Appeals Committee				2	1		
Audit Risk Committee						5	

Notes: Ms Kidi Maluleke resigned on 17 July 2015, Mr Patrick Kekake appointed on 1 August 2015, Mr Patrick Kekane resigned on 11 January 2016



Mr Derek Shardlow
Constituency: Employer



Mr Hennie Groenewald
Constituency: Employer



Mr Aristides Seirlis
Constituency: People with Disabilities



Ms Elsette Strachan
Constituency: Employer



Ms Kidi Maluleke
Constituency: Employer



Ms Iveda Smith
Constituency: Levy-exempt sector

9

7

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4

Vacant positions and periods: Ministerial Appointee since 14 October 2014, Employer Representative since 18 July 2015, Labour Representative since 11 January 2016



Executive Authority DHET

The HWSETA reports to the DHET on the following basis:

- Quarterly reporting of both financial and non-financial information
- The Annual Sector Skills Plan
- The annual budget and strategic plan
- The Annual performance plan for the following financial year

Internal Control Unit

The HWSETA's internal audit function is outsourced to an independent firm. The internal audit function 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 a 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, eight internal audits were performed, which allowed the HWSETA to strengthen internal controls.

Internal Audit and Audit Committees

THE EFFECTIVENESS OF INTERNAL CONTROL

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 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 formal risk assessment was undertaken by Health and Welfare SETA for the year ending 31 March 2013. 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 Health and Welfare SETA and is satisfied that these risks were managed to an acceptable level. 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

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 COMMITTEE RESPONSIBILITY

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

The Audit 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.

The Audit 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 2015/16 financial year:

- Corporate Governance – high level review
- ETQA follow-up review
- Discretionary Grant audit
- Procurement Audit – including procedures set by the Auditor-General of SA
- Commitments audit – including procedures set by the Auditor-General of SA
- ERP development Governance review
- Performance Information
- RIME audit

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:

- a. the effectiveness of the internal control systems;
- b. the effectiveness of internal audit;
- c. the risk areas of the entity's operations to be covered in the scope of internal and external audits;
- d. the adequacy, reliability and accuracy of financial information provided to management and other users of such information;
- e. any accounting and auditing concerns identified as a result of internal and external audits;
- f. the entity's compliance with legal and regulatory provisions;
- g. the activities of the internal audit function, including its annual work programme, coordination
- h. with the external auditors, the reports of significant investigations and the responses of management to specific recommendations; and
- i. where relevant, the independence and objectivity of the external auditors.

The table below discloses relevant information on the audit committee members

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Mr Rayhaan Adam (Chairman)	CA(SA)	External	n/a			5
Mr Viren Magan *	CA(SA)	External	n/a			Nil
Ms Mashamaite Ramutsheli**	***	External	n/a			Nil
Mr Siphelele Madikizela	CA(SA)	External	n/a			5
Mr Pat Motubatse		Internal	Board member			5
Mr Derek Shardlow		Internal	Board member			4

* resigned 1 October 2015

** Appointed 1 July 2016

*** MPhil Internal Auditing



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 has 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. Our current license expired on 31 March 2016, but has been extended for a further two years to 31 March 2018. The proposed SETA landscape beyond 2018, is currently being consulted on with various stakeholders by the HWSETA, DHET and NSA.

HWSETA CONSTITUTION

The HWSETA has recently revised its Constitution which has been approved by the Minister in April 2016.

NATIONAL TREASURY INSTRUCTION NOTE 3 OF 2015/16

This instruction note issued was signed on 12 August 2015, and is effective 1 September 2015. The instruction makes it clear regarding the process of an application to retain surplus funds in line with section 53(3) of the PFMA, and required the application to be submitted directly to the National Treasury and inform the DHET.

Public Entities may not under section 53(3) of the PFMA retain cash surpluses of the previous financial year without obtaining prior written approval from the National Treasury. See Contingent Liabilities note 18.1 to the annual financial statements.

In the 2016-2017 financial year, the following new laws and regulations will be effected and will have an impact on the HWSETA:

- Cost containment measures of the National Treasury for Government
- Amendments to the PFMA and National Treasury Regulations
- The BUSA Judgement was passed in August 2015 where the Court ruled that from 1 April 2016, the SETA's will revert back to the Old Grant Regulations. The DHET indicated that the judgement will be appealed. In January 2016 the Minister issued a re-promulgation of Grant Regulation 4(4) on 7 January 2016, confirming that after consultation with the NSA, he is satisfied that mandatory grants will remain at 20% and discretionary grants will have an allocation of 49.5% of the skills development levy.

FRAUD AND CORRUPTION

The HWSETA has a fraud prevention plan in place which 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. In terms of the disciplinary policy appropriate actions were taken, and two employees were dismissed.

A total of twenty four tip-offs were received between April 2015 and 31 March 2016 for year under review. These tip-offs were reported through the tip-offs hot line and went directly to the Internal Auditors to ensure confidentiality. All 24 relate to training providers of the HWSETA and not internal affairs of the HWSETA, and all have been investigated and resolved.

MINIMISING CONFLICT OF INTEREST

The HWSETA abides by the HWSETA Related Party policy which is annually reviewed. Declarations of interest are made and recorded at each Board, sub-committee meeting of the HWSETA, and in the tender committee meetings for specification, evaluation 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 interests it is the policy of the HWSETA that all employees must refrain from the acceptance of gifts from employers, suppliers and other outside parties.

If any conflict arises, the affected employee will immediately refrain from participation in any supply chain management process or decision making process. 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. 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 record 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 OHS and conduct regular inspections. A safe working environment contributes to staff morale and productivity. Employees are encouraged to do e-filing and minimize 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
- School Uniforms
- Bursaries
- Early Childhood Development

For the third year in a row, the HWSETA has been successful at achieving a clean audit. Seen here at the function hosted by the Auditor-General on 5 August 2016 to award public entities that have received a clean audit are: Mr Londolozza Songwevu, Manager National F for the Auditor-General; Ms Meisie Nkau, Business Executive for National F at the Auditor-General; Mr Patrick Samuels, Executive Manager for SDP at the HWSETA; Mr Fanie Kok, Senior Manager for National F at the Auditor-General; and Mrs Elaine Brass, CFO for the HWSETA.





Audit Committee Report

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

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from Section 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:

- Corporate Governance – high level review
- ETQA follow-up review
- Discretionary Grant audit
- Procurement Audit – including procedures set by the Auditor-General of SA
- Commitments audit – including procedures set by the Auditor-General of SA
- ERP development Governance report
- Performance Information
- RIME audit

The Committee monitored the significant risks faced by Health and Welfare SETA

and is satisfied that these risks were managed to an acceptable level. 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 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.

AUDITOR'S REPORT

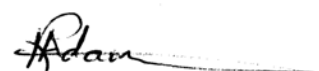
We have reviewed the HWSETA's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved, except for matters that can only be fully resolved on implementation of an automated ERP system.

CONCLUSION

The Audit 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 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

Chairman of the Audit and Risk Committee

Training Receives Boost During Period Under Review

The revival of artisan training is one of the stated priorities of the Department of Higher Education and Training and it is for this reason that artisan development has become a key performance area for South Africa's 21 Sector Education and Training Authorities (SETAs), with each SETA having committed to a target figure of trained artisans. During the period under review, the HWSETA made headway with its artisan training targets.



Nevina Smith, Project Manager for SSACI, is seen here with some of the graduating artisans

HWSETA AND SSACI PARTNERSHIP YIELDS FIRST GROUP OF TRAINED ARTISANS

In 2013 the HWSETA partnered with the Swiss South African Cooperation Initiative (SSACI) to train 100 out-of-school unemployed young South Africans with skills in demand by employers and institutions in the health and social development sectors. The successful completion of trade tests by 68 of this group was celebrated at a function hosted in Johannesburg on 5 March 2016.



Mr Ken Duncan, CEO for SSACI, stands proudly next to Sandiso Luzipo from the Western Cape.



Siphenati Majobela and Thandeka Mthabela addressed guests on behalf of the graduating artisans



HWSETA JOINS FORCES WITH TSHWANE NORTH TVET COLLEGE TO TRAIN ARTISANS



During the year under review, the HWSETA entered into an agreement with Tshwane North TVET College to train 100 young unemployed learners as artisans. A partnership launch was held on 20 August 2015 in Pretoria and the event was attended by the Honourable Deputy Minister of Higher Education and Training, Mr Mduzuzi Manana.

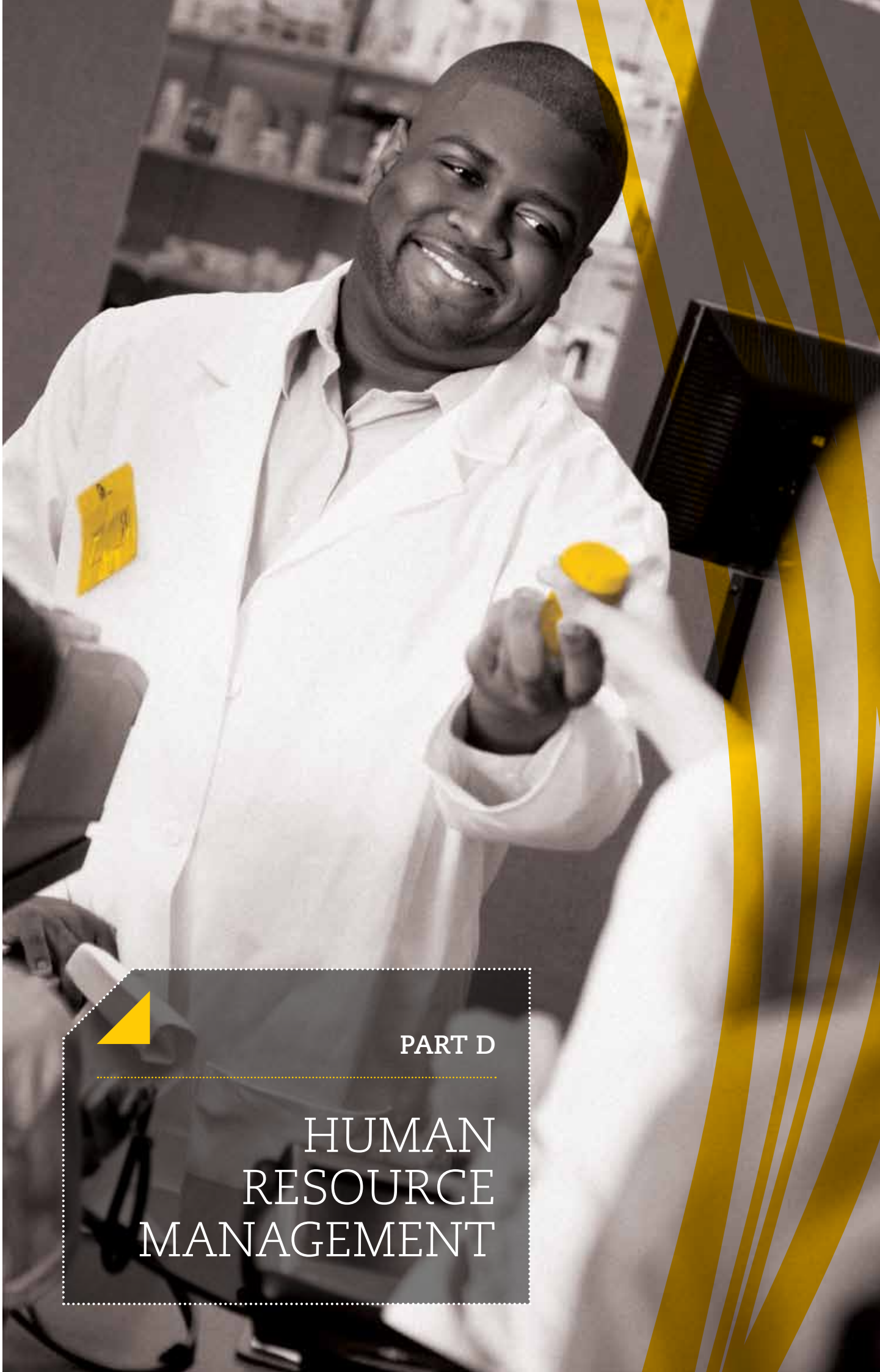
Mr Manana is seen here surrounded by dignitaries at the event and some of the 100 artisans in training.



During the period under review, the HWSETA was successful at filling 94% of key vacancies in its organisational structure. This meant that the organisation was well resourced to deliver on its mandate to supply the requisite services to stakeholders.



Mr Bob Pardesi,
Executive Manager Corporate Services



 PART D

HUMAN
RESOURCE
MANAGEMENT



Human Resources

Introduction

The Human Resources division's objective is to create a work environment that is conducive to staff performance and ultimately service delivery which is key to the success of the HWSETA service delivery. The HR priorities for the year under review focussed on recruitment to ensure that Head Office, Provincial

Offices and satellite offices in TVET Colleges were staffed and capacitated. A strong training focus ensured that HWSETA Staff were skilled and trained in various disciplines. All staff have entered into performance agreements with the HWSETA which is used as a basis to measure performance and developmental

needs. Policies were developed and reviewed to ensure compliance to legislation as well as to meet the needs of the organisation. Challenges included sourcing appropriate skills and qualified staff that are in line with the HWSETA mandate.

Human Resources Oversight Statistics

PERSONNEL COST BY PROGRAMME/ACTIVITY/OBJECTIVE

Programme/activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Administration (Finance, Corporate Services, Rime and CEO's Office)	75 059	37 714	50%	69	547
Skills Development Planning	352 413	6 783	2%	13	521
Education, Training and Quality Assurance	10 968	7 316	67%	17	430

* Difference in employee cost relates to temporary staff and internships.
The cost of employment for the 2015 - 2016 financial year is R 1 870 000.00

PERSONNEL COST BY SALARY BAND

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top (CEO) Management	1 903	4%	1	1 903
Senior (EXEC) Management	6 727	13%	5	1 345
Professional qualified (MNGRS)	12 895	25%	18	716
Skilled	30 288	58%	75	404
TOTAL	51 813	100%	99	523

PERFORMANCE REWARDS

Programme/activity/objective	Performance rewards (000)	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top (CEO) Management	143	1 903	8%
Senior (EXEC) Management	455	6 727	7%
Professional qualified (MNGRS)	1 052	12 895	8%
Skilled	1 084	30 288	4%
TOTAL	2 734	51 813	5%

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 (Finance, Corporate Services, Rime and CEO's Office)	37 714	550	2%	124	4 437
Skills Development Planning	6 783	30	0%	5	5 957
Education, Training and Quality Assurance	7 316	228	3%	51	4 466
TOTAL	51 813	808	2%	180*	4 488

* 68 employees participated

EMPLOYMENT AND VACANCIES

	2015/16 Approved Posts	2015/16 No. of Employees	2015/16 Vacancies	% of vacancies
Top Management	1	1	0	0%
Senior Management	5	5	0	0%
Professionals - Managers, Supervisors, Officers	62	57	5	8.7%
Skilled - Administrators/ Clerical	43		7	16.2%
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	111	99	12	10.8%

The stats above are as at 31 March 2016 and is not reflective of the turnover rate during the financial year under review.
The turnover rate measured during the course of the year is 6.8%.

EMPLOYMENT AND VACANCIES

	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	1	0	0	1
Senior Management	5	0	0	5
Professionals - Managers, Supervisors, Officers	20	6	7	19
Skilled - Administrators/ Clerical	80	0	6	74
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	106	6	13	99



REASONS FOR TERMINATION

	Number	% of total no. of staff leaving
Death	0	-
Resignation	11	9.90%
Dismissal	2	1.80%
Retirement	0	-
Ill health	0	-
Other	0	-
TOTAL	13	11.7%

The main reasons for staff leaving includes better job offers and relocation.

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	2
Final Written warning	6
Dismissal	2

Disciplinary action taken is informed by the HWSETA Disciplinary Code and Policy. Progressive discipline is followed where the transgression warrants such.

EMPLOYMENT EQUITY STATUS : MALE AND FEMALE

Levels	African		Coloured		Indian		White	
	Male	Female	Male	Female	Male	Female	Male	Female
Top Management	0	1	0	0	0	0	0	0
Senior Management	1	1	0	0	2	0	0	1
Professional qualified	12	25	0	1	1	2	1	4
Skilled	6	18	4	8	4	6	0	1
Semi-skilled	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	19	45	4	9	7	8	1	6

EMPLOYMENT EQUITY STATUS : MALE AND FEMALE DISABLED

	Male	Female
Top Management	0	0
Senior Management	0	0
Professional qualified	0	0
Skilled	2	3
Semi-skilled	0	0
Unskilled	0	0
TOTAL	2	3



MANDELA DAY CAREER FESTIVAL 2015

The Umfolozi TVET College and the University of Zululand in the uThungulu District of Kwa-Zulu Natal played host to the 6th annual Mandela Day Career Festival from 15 – 18 July 2015. The HWSETA used this opportunity to provide career guidance services to youth from the area.

REACHING OUT

The HWSETA was approached by Rebone Mathibela, the Project Founder of 23 Givers Community Project that operates in the Middleburg Area of Mpumalanga, to assist with the supply of basic, yet much needed school supplies for a primary school in the area. The HWSETA was eager to become involved and in November 2015, 61 learners aged 6 to 13 from Mhluzi Primary School in Middelburg, each received a pair of school shoes, school socks, a school bag and basic stationery items.



SOSHANGUVE YOUTH CAREER EXPO

HWSETA staff who attended the Youth Career Expo hosted by the Deputy President on 3 October 2015 in Soshanguve, Gauteng, were delighted when the Ministerial entourage stopped at the HWSETA stand to discuss details around the HWSETA's skills development activities.

Seen here at the stand are Councillor Rosemary Ngobeni; Ms Eulanda Mabusela, MMC City of Tshwane; the Honourable Deputy Minister of Higher Education and Training, Mr Mduzuzi Manana; the Honourable Minister of Telecommunications and Postal Services, Mr Siyabonga Cwele; the Honourable Deputy President of the Republic of SA, Mr Cyril Ramaphosa; and Thilivali Netshiongolwe, HWSETA Provincial Officer for Gauteng.



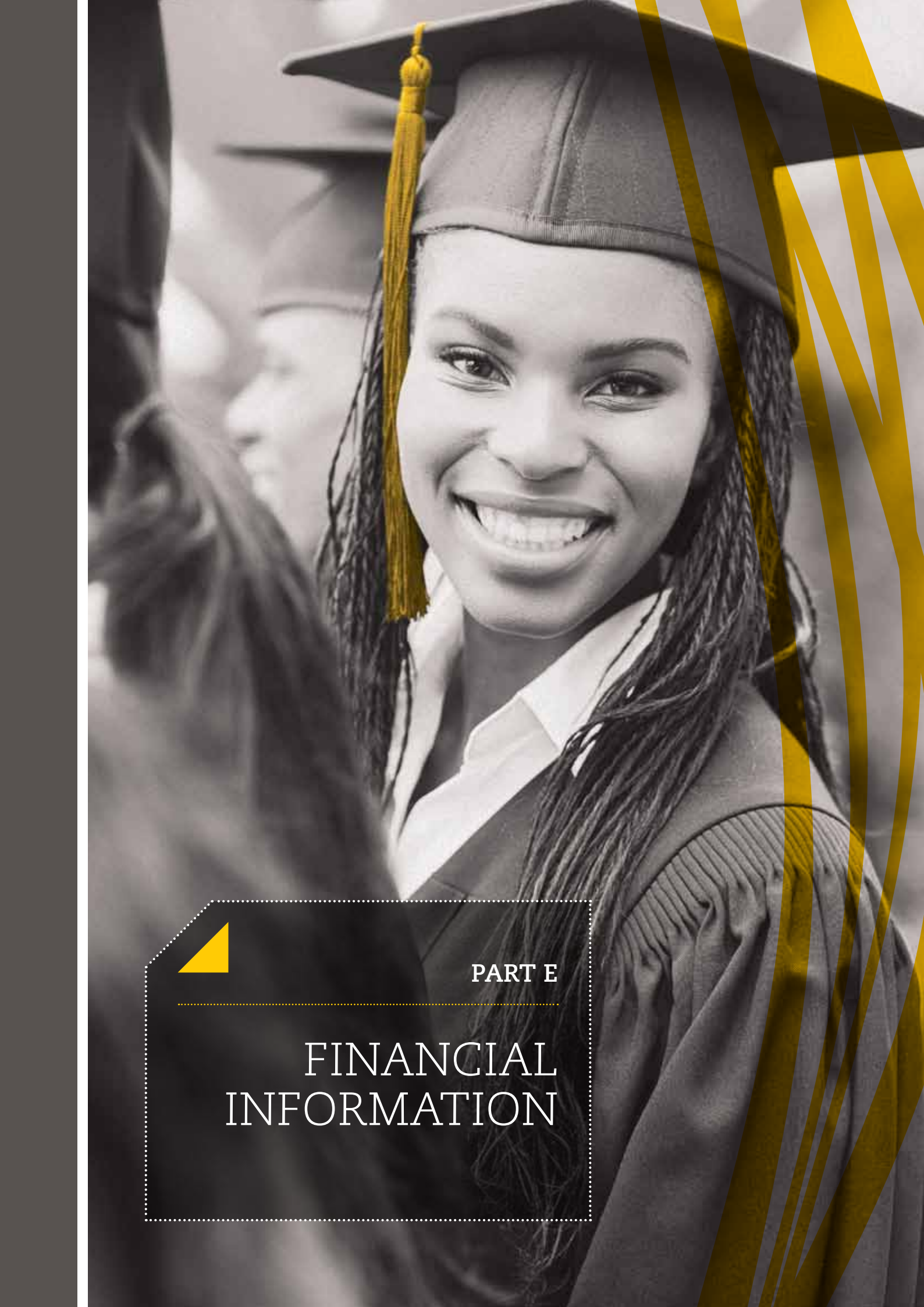


Teamwork within the HWSETA has once again resulted in exceptional achievement for the HWSETA. For the third consecutive year the HWSETA has been successful at securing a clean audit. The Projects and Finance Divisions worked hard during the period under review to process R269 million in discretionary grant payments.

Furthermore, as at 31 March 2016, R677 million in funds had been committed to the sectors represented by the HWSETA



Elaine Brass,
Chief Financial Officer



PART E

FINANCIAL
INFORMATION



Report of the auditor-general to parliament on the Health and Welfare Sector Education and Training Authority for the year ended 31 March 2016

Report on the financial statements

Introduction

1. We have audited the financial statements of the Health and Welfare Sector Education and Training Authority set out on pages 58 to 96, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

The accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Public Finance Management Act of South Africa , 1999 Act no. 1 of 1999) (PFMA) and the Skills Development Act, 1998 (Act no.97 of 1998) (SDA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. 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 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standard of GRAP and the requirements of the PFMA and SDA.

Report on other legal and regulatory requirements

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

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2016
- **Programme 2:** Skills Development Programme planning and projects on pages 27 to 32
9. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
10. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPi).
11. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
12. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programme
- **Programme 2:** Skills Development Programme planning and projects

Additional matter

Achievement of planned targets

13. Refer to the annual performance report on pages 20 to 35 for information on the achievement of the planned targets for the year.

Compliance with legislation

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

Internal control

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

Auditor-General

Pretoria
31 July 2016





Statement of Financial Performance

for the year ended 31 March 2016

	Note	2015/16 R'000	2014/15 R'000
REVENUE			
Non - Exchange Revenue	3	496 529	415 342
Skills Development Levy: income		487 892	409 826
Skills Development Levy: penalties and interest		8 637	5 516
Exchange Revenue		37 772	43 045
Interest income	4	37 400	40 116
Other income	5	372	2 929
Total revenue		534 301	458 387
EXPENSES			
Total expenses		438 440	604 748
Employer grant and project expenses	6	345 024	201 569
National Skills Fund - Grant Regulations Transfer	6.1	-	323 742
Administration expenses	7	93 416	79 437
Net surplus/(deficit) for the year	2	95 861	(146 361)

Statement of Financial Position

as at 31 March 2016

	Note	2015/16 R'000	2014/15 R'000
ASSETS			
Current assets		711 821	802 035
Accounts receivable: Non-exchange transactions	10.1	3 793	25 115
Accounts receivable: Exchange transactions	10.2	3 822	3 222
Prepayments and advances	9	1 192	852
Inventories	12	389	696
Cash and cash equivalents	13	702 625	772 150
Non-current assets		11 619	8 119
Property, plant and equipment	8.1	8 140	7 725
Intangible assets	8.2	3 479	394
TOTAL ASSETS		723 440	810 154
FUNDS AND LIABILITIES			
Current liabilities		49 614	232 189
Grants and transfers payable - Non exchange transactions	14	39 606	223 571
Trade and other payables - Exchange transactions	15	8 073	7 751
Levy exempt provision	16	1 915	795
NSF Funds received in Advance	17.1	1	1
Operating lease commitment	25	19	71
Funds and reserves		673 826	577 965
Administration reserve		11 619	8 119
Employer grant reserve		-	-
Discretionary reserve		662 207	569 846
TOTAL LIABILITIES AND FUNDS		723 440	810 154



Statement of Changes in Net Assets

for the year ended 31 March 2016

	Administration reserve	Employer grant reserve	Discretionary reserve	Unappropriated surplus	Total
	R'000	R'000	R'000	R'000	R'000
Balance at 31 March 2014	5 162	-	719 164	-	724 326
Net deficit	2			(146 361)	(146 361)
Allocation of unappropriated surplus	26 988	29 825	(203 174)	146 361	
Transfer from Employer reserves		(29 825)	29 825		
Transfer to Discretionary reserves	(24 031)		24 031		
Balance at 31 March 2015	8 119	-	569 846	-	577 965
Net surplus	2			95 861	95 861
Allocation of unappropriated surplus	27 166	35 358	33 337	(95 861)	
Transfer from Employer reserves		(35 358)	35 358		
Transfer to Discretionary reserves	(23 666)		23 666		
Balance at 31 March 2016	11 619	-	662 207	-	673 826

Cash Flow Statement

for the year ended 31 March 2016

	Note	2015/16 R'000	2014/15 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating activities			
Cash receipts from stakeholders		496 901	418 271
Levies, and penalties received		496 529	415 342
Other cash receipts from stakeholders		372	2 929
Cash paid to stakeholders, suppliers and employees		(597 976)	(462 616)
Grants and project payments		(338 861)	(328 968)
Transfer to the National Skills Fund		-	-
Compensation of employees		(53 683)	(46 659)
Payments to suppliers and other		(205 432)	(86 989)
Cash generated from operations	27	(101 075)	(44 345)
Interest income	4	37 400	40 116
Net cash (outflow)/inflow from operating activities		(63 675)	(4 229)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8.1	(2 505)	(4 336)
Purchase of intangible assets	8.2	(3 396)	(350)
Disposal of property, plant and equipment		51	40
Net cash (outflow) from investing activities		(5 850)	(4 646)
Net decrease in cash and cash equivalents		(69 525)	(8 875)
Cash and cash equivalents at the beginning of the year		772 150	781 025
Cash and cash equivalents at the end of the year	13	702 625	772 150



Statement of Comparison Between Budget and Actual Expenditure for the year ended 31 March 2016

	Reference to explanations	R'000 Actual	R'000 Approved Budget	% Variance
Total Levy Income 80%		410 404	377 604	9%
Levy - Mandatory		110 996	91 321	22%
Levy - Discretionary		238 217	239 436	-1%
Levy - Administration		52 553	46 847	12%
Levy - Interest & Penalties		8 638	-	0%
Total Income - Government Dept	A	86 125	63 749	35%
Total Investment Income	B	37 400	26 358	42%
		533 929	467 711	14%
Skills Development Levies Grant refund		172	-	
Sundry income		200	-	
Admin Expenditure		93 416	100 521	-7%
Accommodation and Travelling		4 924	5 000	-2%
Advertising and Promotions		1 100	1 300	-15%
Audit - External		2 356	1 886	25%
Audit - Internal		1 696	2 144	-21%
Forensic and special investigations		-	150	-100%
Bank charges		70	67	4%
Branding		695	500	39%
Catering and Refreshments		267	231	16%
Cleaning		521	467	12%
Contracting fees		231	280	-18%
Consulting Fees		140	160	-13%
Courier & Postage		338	300	13%
Depreciation	C	2 227	1 900	17%
Audit Committee costs		125	127	-2%
Governance Costs	D	2 130	1 687	26%
Insurance Premiums		355	367	-3%
Impairment loss		125	-	
General expenses		-	6	-100%
Groceries		72	163	-56%
Lease charges		96	100	-4%
Legal fees		593	623	-5%
Loss on disposal of asset		-	-	0%
Memberships & Subscriptions		132	165	-20%
Motor Vehicle expenses		52	97	-46%
Office move		-	-	0%
Printing and Stationery		1 552	2 000	-22%
Programme evaluations		305	400	-24%
Quality Council for Trades and Occupations		1 214	1 214	0%
Research costs		635	710	-11%
Recruitment costs		397	400	-1%
Rent Paid and storage		9 026	9 100	-1%

Statement of Comparison Between Budget and Actual Expenditure for the year ended 31 March 2016

	Reference to explanations	R'000 Actual	R'000 Approved Budget	% Variance
Provincial and satellite offices	E	86	729	-88%
Repairs and Maintenance		115	108	6%
Salaries		53 683	55 204	-3%
Rationalisation salaries	F	-	4 877	-100%
SDF Contractor Fees		-	-	0%
Security		189	200	-6%
Social responsibility		49	100	-51%
Software licences and support		2 077	1 900	9%
Staff, Board Training and bursaries		860	950	-9%
Staff welfare and EAP		295	333	-11%
Telephone and faxes		1 127	1 039	8%
Management of fraud hotline		34	34	0%
Water and Electricity, rates and taxes		1 484	1 547	-4%
Web maintenance		-	1	-100%
Other consumables		513	455	13%
Workshops		1 530	1 500	2%
Mandatory Grants		75 638	64 838	17%
Project Expenditure - Discretionary Funds		269 386	292 277	-8%
Total grants		345 024	357 115	
Surplus before capital expenditure		95 861	10 075	
CAPEX	G	5 901	10 075	-41%
Surplus		89 960	-	

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

- A Collection of government levy income is thirty five percent above budget. Significant levies are still outstanding relating to the 20% discretionary portion. The reasons for non-payment varies.
- B Investment Income - Interest income exceeded budget substantially during the year as the assumptions on the budget was that less cash would be available for investments, which had its basis in the provisions of the Grant Regulations.
- C Depreciation - Depreciation for the year has exceeded the budgeted cost due to the useful life of a substantial amount of CAPEX being 1 year, which has increased the depreciation in the same year.
- D Governance costs - These costs are dependent on the number of meetings held, which were more than budgeted for. The meeting fee structure also changed in the current year.
- E Provincial and Satellite Offices - Offices in Kimberley were secured only in January 2016. There was a delay in procuring offices, and hence the under spending in the budget
- F Rationalisation - The rationalised HWSETA structure was only approved by the Board in March 2016 and therefore the budget for this was not utilised.
- G CAPEX - Capex was underspent compared to budget due to certain delays in the development of the ERP system.



Notes to Financial Statements

for the year ended 31 March 2016

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 as 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 is recognised as 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 the 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 issued 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 12month 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

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 have 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

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 is 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.

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

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 is 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. Amortization 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. Amortization of such costs will be amortized 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 holds 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 unamortized 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:

	2015/16	2014/15
	%	%
Administration cost of the HWSETA	10.5	10
Employer grant fund levy	20	50
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 utilized 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 2015 to 31 March 2016 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 period.

Non-exchange receivable

The calculation in respect of the impairment of non-exchange transactions is based on an assessment of the extent to which receivables 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 affected by prior scheme year levy reversals that occurred in the current year.



2 Allocation of net surplus for the year to reserves 2015/16

	Total per Statement of Financial Performance R'000	Administration Reserve R'000	Employer Grant Reserve R'000	Discretionary Grant Reserve R'000
Total revenue	534 301	120 582	110 996	302 723
Skills development levy: income				
Admin levy income (10.5%)	52 553	52 553	-	-
Grant levy income (69.5%)	349 213	-	110 996	238 217
Government levy income	86 125	67 657	-	18 468
Skills development levy: penalties and interest	8 638	-	-	8 638
Investment income	37 400	-	-	37 400
Other income	372	372	-	-
Total expenses	(438 440)	(93 416)	(75 638)	(269 386)
Administration expenses	(93 416)	(93 416)	-	-
National Skills Fund - Grant Regulations Transfer	-	-	-	-
Employer grants and project expenses	(345 024)	-	(75 638)	(269 386)
Net surplus per the Statement of Financial Performance allocated	95 861	27 166	35 358	33 337

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 deficit for the year to reserves 2014/15

	Total per Statement of Financial Performance R'000	Administration Reserve R'000	Employer Grant Reserve R'000	Discretionary Grant Reserve R'000
Total revenue	458 387	106 425	86 152	265 810
Skills development levy: income	-			
Admin levy income (10.5%)	44 195	44 195	-	-
Grant levy income (69.5%)	292 943	-	86 152	206 791
Government levy income	72 688	59 301	-	13 387
Skills development levy: penalties and interest	5 516	-	-	5 516
Investment income	40 116	-	-	40 116
Other income	2 929	2 929	-	-
Total expenses	(604 748)	(79 437)	(56 327)	(468 984)
Administration expenses	(79 437)	(79 437)	-	-
National Skills Fund - Grant Regulations Transfer	(323 742)	-	-	(323 742)
Employer grants and project expenses	(201 569)	-	(56 327)	(145 242)
Net deficit per the Statement of Financial Performance allocated	(146 361)	26 988	29 825	(203 174)

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

	2015/16 R'000	2014/15 R'000
Levy income: Administration	120 210	103 496
Levies received	120 210	103 496
Levies received from SARS	52 746	44 235
Government levies received	67 657	59 301
Interseta transfers in	-	1
Interseta transfers out	(193)	(41)
Levy income: Employer Grants	110 996	86 152
Levies received	110 996	86 152
Levies received from SARS	111 365	86 222
Interseta transfers in	-	2
Interseta transfers out	(369)	(72)
Levy income: Discretionary Grants	265 323	225 694
Levies received	265 323	225 694
Levies received from SARS	239 126	206 831
Government levies received	18 468	13 387
Transfer from Levy Exempt	-	142
Interest	3 128	2 500
Penalties	5 510	3 016
Interseta transfers in	17	4
Interseta transfers out	(926)	(186)
Total Skills Development Levy Income	496 529	415 342

4 Interest Income

	2015/16 R'000	2014/15 R'000
Interest income from banking institutions	37 400	40 116
	37 400	40 116

5 Other Income

	2015/16 R'000	2014/15 R'000
Other income comprises:		
Mandatory grants received from Services SETA	172	41
Refund received on office renovation costs	-	67
TVET infrastructure grant - decrease in estimation	-	1 477
Profit on insurance loss on computer equipment	14	-
Profit on disposal of motor vehicle	-	187
Other	186	1 157
	372	2 929



6 Employer Grant and Project Expenses

	Note	2015/16 R'000	2014/15 R'000
Mandatory grants		75 638	56 327
Movement in provision		6 163	4 095
Disbursed		69 475	52 232
Discretionary grants		269 386	145 242
Disbursed		269 386	145 242
		345 024	201 569

6.1 National Skills Fund

	Note	2015/16 R'000	2014/15 R'000
National Skills Fund transfer for 2013-2014		-	131 494
National Skills Fund transfer for 2013-2014	14.1	-	192 248
Total Transfer		-	323 742

The transfer to the National Skills Fund in terms of the Grant Regulation was calculated and finalised in 2014/15 financial year. There is no transfer of surplus funds in 2014/15 and 2015/16.

7 Administration Expenses

	Note	2015/16 R'000	2014/15 R'000
Depreciation	8.1	1 916	1 456
Amortization of Intangible assets	8.2	311	232
Operating lease		9 193	8 170
Buildings		9 097	8 072
Plant, machinery and equipment		96	98
Maintenance, repairs and running costs		115	103
Property and buildings		33	42
Machinery and equipment		82	61
Quality Council for Trades and Occupations (OCTO)		1 214	897
Research costs		635	742
Advertising, marketing and promotions, communication		1 100	1 173
Consultancy and service provider fees		371	215
Legal fees		593	181
Cost of employment	7.1	53 683	46 659
Travel and subsistence and accommodation		4 924	4 157
Staff training and development		808	773
Remuneration to members of the accounting authority		2 130	1 452
Remuneration to members of the audit committee		125	119
External auditor's remuneration		2 356	1 509
Audit fees		2 356	1 509
Other		13 942	11 599
Workshops		1 530	1 408
Internal audit fees - Audit fees		1 696	1 006
Forensic audit fees		-	4
Special assignments		-	-
Courier and postage		338	251
Telephone		1 127	825
Programme evaluations - ETQA		305	339
Doubtful debts provision		-	-
Web maintainance		-	24
Management of Fraud hotline		34	34
Printing and stationery		1 553	2 254
Staff welfare		295	178
Office cleaning		521	380
Impairment loss		125	-
Insurance		355	318
Motor vehicle expenses		52	86
Social responsibility		49	-
Software support		2 077	1 385
Storage		14	40
Subscriptions		132	150
Staff bursaries		52	145
Security		189	22
Water and electricity, rates and taxes		1 484	1 197
Recruitment costs		397	585
Bank charges		70	64
Branding		695	482
Other consumables		513	147
Office move		-	-
Catering and refreshments		267	221
Loss on disposal of asset		-	1
Groceries		72	53
		93 416	79 437



7.1 Cost of Employment

Note	2015/16 R'000	2014/15 R'000
Salaries and wages	46 412	40 756
Basic salaries	41 793	36 391
Severance pay	251	
Performance awards	2 734	1 732
Temporary staff	1 870	1 638
Leave expense	(128)	995
Social contributions	7 271	5 903
Medical aid allowance	584	428
Provident fund - additional benefits	1 036	532
Provident fund contributions: defined contribution plan	4 739	4 138
SDL Levies	452	402
UIF	200	182
Other salary related costs - cell phone allowances	260	221
	53 683	46 659
Number of permanent employees at period end		
Permanent	99	106
Temp	2	7
Internships	19	15

Refer to note 31 for disclosure concerning the emoluments of members of the Accounting Authority, the Chief Executive Officer, the Chief Financial Officer and Executive Management

8.1 Property Plant and Equipment

Year ended 31 March 2016	Cost R'000	Accumulated depreciation/ impairment R'000	Closing carrying amount R'000
Computer equipment	4 466	(2 230)	2 237
Office furniture and fittings	4 530	(2 186)	2 343
Office equipment	4 422	(1 493)	2 929
Motor vehicles	892	(261)	631
Balance at end of period	14 310	(6 170)	8 140
Made up as follows:			
- Owned assets	14 310	(6 170)	8 140
Year ended 31 March 2015	Cost R'000	Accumulated depreciation/ impairment R'000	Closing carrying amount R'000
Computer equipment	3 342	(1 421)	1 921
Office furniture and fittings	4 137	(1 566)	2 571
Office equipment	3 516	(995)	2 521
Motor vehicles	882	(170)	712
Balance at end of period	11 877	(4 152)	7 725
Made up as follows:			
- Owned assets	11 877	(4 152)	7 725

Movement Summary 2016

	Carrying amount 2015 R'000	Additions R'000	* Disposals R'000	Depreciation Charge/ Impairment Loss R'000	Carrying amount 2016 R'000
Computer equipment	1 921	1 194	(49)	(829)	2 237
Office furniture and fittings	2 571	395	-	(623)	2 343
Office equipment	2 521	906	-	(498)	2 929
Motor vehicles	712	10	-	(91)	631
Balance at end of year	7 725	2 505	(49)	(2 041)	8 140

* Disposal: Computer equipment with a cost of R548 869 and zero carrying value has been identified for disposal in early 2016/17 financial year. In addition, office equipment with a cost of R23 125 that has reached the end of their useful life have also been identified for disposal. During the year items of computer equipment with a carrying value of R49 000 was lost through theft. R63 000 was recovered from the insurers.

Movement Summary 2015

	Carrying amount 2014 R'000	Additions R'000	* Disposals R'000	Depreciation Charge R'000	Carrying amount 2015 R'000
Computer equipment	1 131	1 439	-	(649)	1 921
Office furniture and fittings	1 727	1 296	(6)	(446)	2 571
Office equipment	1 837	940	-	(256)	2 521
Motor vehicles	189	661	(33)	(105)	712
Balance at end of year	4 884	4 336	(39)	(1 456)	7 725

* Disposal: A motor vehicle with a carrying value of R186 982 was disposed as trade-in towards the purchase of a new vehicle. Proceeds received was R220 000. Profit on disposal is recognised in income. In addition an item of furniture became damaged. The cost of this asset was R6 000 and was recovered from the insurers. At the end of the current year computer equipment with an original cost of R100 000 was identified for disposal as these assets have reached the end of their useful life.

8.2 Intangible Assets

	Cost R'000	Accumulated amortization/ impairment R'000	Closing carrying amount R'000
Year ended 31 March 2016			
Computer software	1 752	(802)	950
Computer software - Work in progress - ERP Development	2 529	-	2 529
Balance at end of year	4 281	(802)	3 479
Made up as follows:			
Owned assets	4 281	(802)	3 479
Year ended 31 March 2015			
Computer software	885	(491)	394
Balance at end of year	885	(491)	394
Made up as follows:			
Owned assets	885	(491)	394



Movement Summary 2016

	Carrying amount 2015 R'000	Additions R'000	Disposals R'000	Amortization Charge R'000	Carrying amount 2016 R'000
Computer software - Purchased	394	867	-	(311)	950
Computer software - Work in progress - ERP Development	-	2 529	-	-	2 529
Balance at end of period	394	3 396	-	(311)	3 479

Computer software costing R236 702 was identified for disposable due to obsolescence

Movement Summary 2015

	Carrying amount 2014 R'000	Additions R'000	* Disposals R'000	Amortization Charge R'000	Carrying amount 2015 R'000
Computer software	278	350	-	(234)	394
Balance at end of period	278	350	-	(234)	394

8.3 Change in Useful life and Residual values

The residual values and the useful lives of fixed asset were reviewed at the end of the financial year in accordance with GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors. Based on disposal patterns of property, plant and equipment in recent years and the physical condition of fixed assets at balance sheet date, management's estimates of useful life and residual value have not changed compared to the prior year, except for some items of furniture and fittings. The useful life of certain items of furniture and fittings was revised from 15 years to 20 years.

Effect of change:	R
Depreciation at 15 years	62,945
Depreciation at 20 years	52,546
Effect of change in the current year	10,399

9 Prepayments and Advances

	2015/16 R'000	2014/15 R'000
Insurance	265	204
Office rental in advance	656	606
Subscriptions and other supplier deposits	271	42
Closing balance	1 192	852

10.1 Account Receivables: Non Exchange Transactions

	Note	2015/16 R'000	2014/15 R'000
Interseta debtors	25	17	-
Government Departmental levy income		2 329	13 600
SARS levy reversals - Employer mandatory grant overpaid	11	2 473	12 113
Provision for doubtful debts		(1 026)	(598)
		3 793	25 115

10.2 Account Receivables: Exchange Transactions

Note	2015/16 R'000	2014/15 R'000
Interest receivable on cash balances	1 301	1 587
Net Receivables	443	27
Other receivables	592	176
Less: Provision for bad debts	(149)	(149)
Staff receivables - salary advances	143	68
Office rental deposits	1 040	1 002
Staff study assistance/bursaries	895	538
	3 822	3 222

11 Employer Overpaid

Included in Skills Development Levy debtors is:	2015/16 R'000	2014/15 R'000
SARS receivable/(payable)		
Opening carrying amount	12 113	10 477
Net effect of SARS Adjustments on levies for the current year	(9 640)	1 636
Closing carrying amount	2 473	12 113

12 Inventories

	2015/16 R'000	2014/15 R'000
Consumables	389	696

There are no consumables held at current replacement cost

13 Cash and Cash Equivalents

	2015/16 R'000	2014/15 R'000
Cash - Bank deposits	140 537	61 178
Cash - Corporation for Public Deposits	366 234	343 806
Cash - Investments in term deposits	195 839	367 161
Cash on hand	15	5
Cash and cash equivalents at end of year	702 625	772 150

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	2015/16 R'000	2014/15 R'000
Grants payable		36 591	26 336
Payable to PSETA		-	520
Transfer to NSF for surplus funds 2013-2014	6.1	-	192 248
SARS levy reversals - Employer mandatory grants underpaid		3 001	3 898
Intersecta Payables	25	14	570
		39 606	223 572

14.2 TVET Infrastructure Liability

	2015/16 R'000	2014/15 R'000
Present value on due date	-	33 225
Change in estimation	-	(1 249)
Settlement	-	(31 976)
Interest cost for the year	-	-
Fair value at 31 March	-	-

15 Trade and Other Payables: Exchange Transactions

	2015/16 R'000	2014/15 R'000
Trade creditors	6 485	4 764
Staff leave accrual	1 476	1 815
SARS - PAYE/UIF and third party payables	112	1 172
	8 073	7 751

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

	2015/16 R'000	2014/15 R'000
Opening balance	795	375
Transferred to discretionary income	-	(142)
Additional provision created	1 120	562
Closing balance	1 915	795

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

	2015/16 R'000	2014/15 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 has been obtained from the National Treasury to retain the surplus funds of 2015/16. The application for approval for surplus funds of 2015/16 was sent to the National Treasury at 31 May 2016.
- 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. Total possible further cost amounts to R200 000.
- 18.3 There are currently criminal cases pending against training providers for conducting training outside their scope of their accreditation, while others have conducted training without the necessary accreditation. The cases were opened in 2013 and 2014 years. There is one case against a service provider - see note 21
- 18.4 Currently there is one case in the CCMA relating to an ex-employee. This case is being defended and the prospects of success are probable.

19 Commitments

19.1 Discretionary Reserve

	NSDS Objectives and Indicators	Opening Commitment 2015/16	Approved by Accounting Authority and committed 2015/16	Current year Commitments released (and re-committed where approved) as no MoU at 31 March 2016	Prior year Commitments released and re-committed where approved 2015-16	Utilised- 2015/16 R'000	Closing Commitment 2015/16 R'000
Learnerships	P 2, 1 3	209 623	122 941	(8 349)	(7 659)	(72 787)	243 769
SME Training support	P 2, 1 10	2 484	5 360	(2 928)	(1 335)	(737)	2 844
Co-operatives Funding	P 2, 1 9	8 580		6 072	(8 580)	-	6 072
Pre-apprenticeship training	P 2, 1 4	6 609			(1 733)	(1 321)	3 555
WEG for TVET Graduates	P 2, 1 7	8 041		2 664	(5 576)	(5 129)	0
WIL University of Tech 14-15	P 2, 1 7	8 843			(2 792)	(4 599)	1 453
WIL University Students	P 2, 1 7		4 620	3 045	(5 122)	(354)	2 190
WIL University Students	P 2, 1 7			8 198			8 198
WEG for TVET 2014-2015	P 2, 1 7	38 360	33 750		2 939	(22 638)	52 411
Post Graduate WEG	P 2, 1 7	258				-	258
Graduate learners TVET	P 2, 1 16	144				-	144
TVET Lecturers Work experience	P 2, 1 16		110	(47)		-	63
Limpopo Dept of SD - Social Work Graduates	P 2, 1 3	1 103			(1 103)	-	0
Artisan Training	P 2, 1 4	55 348	10 143	31 313		(22 175)	74 629
RPL Artisans 2014-2015	P 2, 1 4	1 139			(1 139)	-	0
Work Experience for Persons With Disability project	P 2, 1 7	3 509			(3 019)	(490)	0
NDS for CDP's	NSDS111	2 008			(2 008)	-	0
NDS - Skills Facilitator prog.	NSDS111	25			(25)	-	0
NDS - Unemployed youth on TVET qual.	NSDS111	7 500		(2 664)	(4 836)	-	0
Internships 2014-2015 - Utech	P 2, 1 7	59 540			1 095	(33 890)	26 745
WEG for Mid level graduates -Internships	P 2, 1 7	14 435			(3 075)	(8 060)	3 300
Internships - DOSD Limpopo	P 2, 1 7					-	0
Internships for university Grad	P 2, 1 7		25 800	7 750		(5 180)	28 370
WIL - Batchelor of Vet Science	P 2, 1 7		3 375			(1 013)	2 363
Skills Programmes	P 2, 1 8	28 151	23 680	(5 248)	(6 762)	(6 247)	33 574
Bursaries	P 2, 1 6	41 750	40 500	(2 500)	(1 602)	(31 518)	46 630
Teaching aids for Veterinary	P 2, 1 14		4 470			(3 355)	1 115
Cape Mental Health - NGO support	P 2, 1 11		1 321			(528)	793
ICD 10 Coding - WC Dept of Health - projects	P 2, 1 14		1 842			-	1 842
Cooperatives for teaching Aids - UP	P 2, 1 14		492			(96)	396
Adopt a school VET science- UP	Ad Hoc		520			-	520
Partnership between Faculty of Agrocultural Colleges Partnerships	P 2, 1 14		234			(94)	140
ABET	P 2, 1 21	1 386	3 840	(377)	(900)	(652)	3 297
Levy Exempt	P 2, 1 22	8 828	5 042	(2 776)	(6 289)	(1 326)	3 479
NGO support Eerslerus	P 2, 1 11			240		-	240
International AIDS Conference	P 2, 1 11			500		(400)	100
Other NGO initiatives	P 2, 1 11			631		-	631
Special Funding	P 2, 1 3	1 373		2 059	(80)	(2 339)	1 013
Curriculum and learning/Review of qualifications	P 2, 1 1	471	4 400			(2 867)	2 004
PWD internships	P 2, 1 7	2 744				-	2 744
ECD - level 4	P 2, 1 3	14 453			(48)	(6 934)	7 471
Rural community project - ECD level 4 -	P 2, 1 3	1 188			163	(735)	616
ECD - level 5	P 2, 1 3	3 231			(384)	(2 247)	600
SDF for NGO's	P 2, 1 11	63			(40)	(19)	4
Social Work Induction Standard - SACSSP	Ad Hoc	3 000			(3 000)	-	0
National certificate vocational	P 2, 1 17	1 270				(298)	972
SDF Training for Labour	P 2, 1 11	1 875				(1 797)	78
Pre entrepreneurs training King Hintsa	P 2, 1 4	90			(90)	-	0
Research bursaries for post grad	Research P 1	5 151	4 770		(923)	(3 898)	5 100
RPL project enrolled nursing	P 2, 1 3	49				(186)	-137
WEG for College Lecturers	P 2, 1 16	48				(38)	11
Durban U Tech Ad Hoc Cadavers	Ad Hoc	-25				-	-25
NHLS - Internships Ad Hoc	P 2, 1 7	38 632			(112)	(7 230)	31 290
WITS Drama Therapy - Ad Hoc	P 2, 1 7	680			112	(528)	264
Dept of Rural Dev. - Animal Health Technicians	P 2, 1 6	8 983				(4 659)	4 324
Ampath Motor Cycle Blood sample couriers	P 2, 1 6	174				(71)	103
Annexure to APP 2014-2015	P 2, 1 1 & 3	53 228			(3 600)	(11 924)	37 704
Assessor/Moderator training	ETQA	0	2 400	(1 247)		(410)	743
ETQA - Training of SDP's on RPL	ETQA	0	1 576	(1 576)		-	0
Public sector projects - Facilitation and Mentoring training for CDP's	P 2, 1 14	0	2 297			-	2 297
NC Community College AET	P 2, 1 14	0			3 598	-	3 598
Albertina Sis sulu Univ of Pretoria	Ad Hoc	0	3 249			-	3 249
DEAFSA project -SAW learnerships	P 2, 1 3	0	2 033			(621)	1 412
Northern Cape Education Trust Fund	Ad Hoc	0	7 930	(5 200)			2 730
Fort Cox College of Agriculture and Forestry	Ad Hoc	0	2 354				2 354
ECD NQF LEVEL 4 - NOTHERN CAPE RURAL	P 2, 1 3	0	10 314				10 314
N LEVEL TVET BURSARIES	P 2, 1 6	0	8 283	(877)			7 406
Social Work Exchange project	Ad Hoc	600		(600)		-	0
		644 942	337 646	28 083	(63 925)	(269 387)	677 359

19.1 Discretionary Reserves – continued

Approved but not yet contracted:

		2015/16 R'000	2014/15 R'000
Learnerships	NSDS111	-	198
Skills Development Facilitator skills programme	NSDS111	-	468
Work experience for PWD project - QASA	NSDS111	-	86
Rural Community project - ECD Level 4	NSDS111	-	240
Levy Exempt 2013-2014	NSDS111	-	105
Levy Exempt 2012-2013	NSDS111	-	61
Special Funding	NSDS111	-	259
SMME support Grant	NSDS111	-	20
Social Work Induction Standard - SACSSP	NSDS111	3000	-
Post Graduate bursaries		923	-
WEG for mid level graduates	NSDS111	-	25
		3 923	1 462

Total Discretionary Grants Committed (Contracted only)

	2015/16 R'000	2014/15 R'000
	677 359	644 942
	102%	113%

The HWSETA has committed 102% of reserves in 2015/16, 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 Regulation requires SETA's to commit at least 95% of its reserves each financial year.

19.2 Operating Commitments

	2015/16 R'000	2014/15 R'000
Approved and contracted:		
Procurement of advertising, printing and stationery	44	67
Procurement of Furniture and fittings	131	-
Procurement of IT equipment	11	847
Development of IT software - ERP development	7 507	0
	7 693	914
Total Commitments: Discretionary and Operating	685 052	645 856

20 Operating Leases

	2015/16 R'000	2014/15 R'000
HWSETA as lessee:		
At the balance sheet date, HWSETA has outstanding commitments under non-cancellable operating lease which fall due as follows:		
Not later than one year	7 843	7 968
Later than one year but not later than five years	8 403	-
Later than five years	-	-
	16 246	7 968



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

Office	Effective date	Termination date	Escalation rate
JHB	1 April 2016	31 March 2018	10%
Kimberley	1 January 2016	31 March 2018	8%
Durban	1 November 2015	31 March 2018	8%
East London	1 April 2016	31 March 2018	7%
Cape Town	1 April 2016	31 March 2018	6%
Gauteng	1 April 2016	31 March 2018	9%
Polokwane	1 April 2016	31 March 2018	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 year ended 31 March 2016

	2015/16 R'000	2014/15 R'000
Fruitless and wasteful expenditure	3	7
1. Interest charges on late payment of rental invoices	3	7
Losses through criminal conduct	149	149
2. Payment made for the purchase of microsoft licenses. The supplier failed to provide the licenses. This expenses was a result non-delivery by the supplier and intentional misrepresentation by the supplier. A criminal case has been opened with the SAPS.	149	149
Total	152	156

A criminal case has been opening with the SAPS. However there is no progress to date, and the amounts have not been recovered from the supplier. A summons has been issued for recovery of this amount.

22 Events After Reporting Date

The Minister of Higher Education and Training and HWSETA was served with a notice of review application on 29 September 2011. HWSETA and current Board members are cited as second respondents. In terms of the Labour Court rules, the respondents filed the notice of opposition within the prescribed 10 days. The application was for the review and setting aside of the Minister's decision to appoint the HWSETA Board and approve the HWSETA constitution. In 2013/14, this case has been awarded to the plaintiffs against the Minister, and confirmed through appeal. All costs will be borne by the DHET. The Minister had until 8 July 2016 to appoint a new Board for the HWSETA. The Minister duly appointed a new Board to the HWSETA on 20 June 2016. All decisions of the previous Board of the HWSETA are valid. The governance and operations of the HWSETA have not been affected. **This is a non-adjusting event.**

23 Going Concern

The HWSETA is currently established until 31 March 2018. The Minister is currently consulting stakeholders on the SETA landscape beyond 31 March 2018. 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 R'000	Floating rate Effective interest rate	Non-interest bearing Amount R'000	Total Amount R'000
Year ended 31 March 2016				
Total financial assets				
Cash	702 625	5.20%	-	702 625
Accounts receivable		-	3 822	3 822
Total financial liabilities		-	(8 073)	(8 073)
	<u>702 625</u>	-	<u>(4 251)</u>	<u>698 374</u>
Year ended 31 March 2015				
Total financial assets				
Cash	772 150	5.19%	-	772 150
Accounts receivable			3 222	3 222
Total financial liabilities			(7 751)	(7 751)
	<u>772 150</u>		<u>(4 529)</u>	<u>767 621</u>

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:

	2015/16 R'000	2014/15 R'000
Financial assets at amortised cost	706 447	775 372
Cash and cash equivalents	702 625	772 150
Receivables from exchange transactions	3 822	3 222
Financial liabilities at amortised cost	8 073	7 751
Payables from exchange transactions	8 073	7 751

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.



Credit ratings of HWSETA bankers:

Financial institution	(Fitch ratings) Short term	(Fitch ratings) Long Term
First Rand Bank Ltd.	F3	BBB-
Nedbank Ltd.	F3	BBB-
Standard Bank Corporation for public deposits	F3	BBB-
	N/a	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:

BBB - 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:

	2015/16		2014/15	
	Gross	Impairment	Gross	Impairment
0-30 days	1 870	-	1 682	-
31-120 days	-	-	-	-
120-365 days	-	-	-	-
Over a year (Rental deposits and Staff bursaries)	1 952	-	1 540	-
Carrying amount	3 822	-	3 222	-

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:

	2015/16		2014/15	
	Gross	Impairment	Gross	Impairment
Not past due				-
0-30 days	8 073	-	7 751	-
31-120 days	-	-	-	-
120-365 days	-	-	-	-
Over a year	-	-	-	-
Carrying amount	8 073	-	7 751	-

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.

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, i.e. as the HWSETA is a National Public Entity controlled by the DHET it is considered related to other SETAs, the QCTO 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	2015/16		2014/15	
	Transfers in/(out) during the year	Amount receivable/ (payable)	Transfers in/(out) during the year	Amount receivable/ (payable)
Receivables	17	17	7	-
W&R SETA	-	-	7	-
Bank SETA	17	17	-	-
Payables	(1 488)	(14)	(299)	(570)
Merseta	(9)	(9)	-	(2)
Inseta	-	-	-	(22)
W&R Seta	(1 474)	-	(299)	(307)
MICT	-	-	-	(52)
Agri Seta	-	-	-	(67)
CATHSETA	-	-	-	(2)
CETA	(5)	(5)	-	-
CHIETA	-	-	-	(116)
MOA	-	-	-	(2)
Total	(1 471)	3	(299)	(570)
Other Payables relating to SETA's				
PSETA	-	-	(1 917)	(1 917)

25 Related Party Transactions (continued)

	2015/16		2014/15		2015/16	2015/15
	Total contributions received	Total contributions expected	Admin. Contributions received	Total Contributions expected	Discretionary Grants Paid	Discretionary Grants Paid
	R'000	R'000	R'000	R'000	R'000	R'000
National						
Health	2 438	6 228	1 277	1 702	-	-
Social Development	1 149	1 150	1 072	1 072	3 240	-
Provincial						
Western Cape						
Health	4 578	13 734	4 126	12 379	3 282	3 614
Social Development	1 797	1 797	1 633	1 633	404	-
Eastern Cape						
Health	8 835	8 835	8 816	26 448	10 427	1 295
Social Development	2 419	2 419	1 831	1 831	4 379	-
Gauteng						
Health	17 023	51 069	16 275	48 823	13 463	4 422
Social Development	3 627	3 627	3 157	3 157	-	-
Free State						
Health	772	10 603	6 903	10 603	240	860
Social Development	386	1 545	1 586	1 586	756	939
Northern Cape						
Health	6 018	6 018	-	5 565	105	-
Social Development	883	883	817	817	-	-
Mpumalanga						
Health	-	17 709	-	5 663	-	-
Social Development	-	1 380	460	1 380	894	2 485
Limpopo						
Health	558	29 169	-	29 169	1 398	-
Social Development	1 766	2 171	2 107	2 107	9 852	15 333
KwaZulu						
Health	18 863	56 589	14 980	44 940	2 504	-
Social Development	3 350	3 350	1 039	3 117	2 109	-
North West						
Health	9 697	16 628	4 848	14 546	694	-
Social Development	1 966	2 002	1 760	1 760	2 440	-
	86 125	236 906	72 687	218 298	56 187	28 948

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 2015/16 year, there were Departments that still failed to contribute the full 30% as required (difference between R236 906 and R86 125).

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

26 Operating Lease Commitment

The lease 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:

	2015/16 R'000	2014/15 R'000
Opening balance	71	161
Release of accruals during to termination of lease contracts	(52)	(90)
Closing balance	19	71

27 Reconciliation of Net Cash Flow from Operating Activities to Net Surplus (Deficit)

	2015/16 R'000	2014/15 R'000
Net surplus/(deficit) as per Statement of Financial Performance	95 861	(146 361)
Adjusted for non-cash items:		
Depreciation	1 916	1 456
Impairment loss	125	
Amortisation	311	232
Investment income	(37 400)	(40 116)
Adjusted for working capital changes:	(161 888)	140 443
(Increase)/decrease in inventory	307	(245)
(Increase)/decrease in receivables	20 379	(15 041)
Decrease in smoothing lease	(52)	(90)
Increase/(decrease) in payables	(182 522)	155 819
Cash generated from operations	(101 075)	(44 346)

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 following rates are used for depreciation of Property, Plants 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 have reviewed the residual values used for the purpose of depreciation calculation in the 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 decentralised 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 are 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
SEGMENT REVENUE				
Skill development levy income	357 848	-	-	-
Government levy income	18 468	-	-	-
	376 316	-	-	-
SEGMENT EXPENSE				
Salaries and wages	7 009	7 531	4 802	10 272
Mandatory grant expenditure	75 638	-	-	-
Discretionary grant expenditure	269 386	-	-	-
QCTO contribution	-	1 214	-	-
Other expenses	380	2 223	967	2 392
	352 413	10 968	5 769	12 664
SURPLUS/(DEFICIT) FOR THE PERIOD	23 903	(10 968)	(5 769)	(12 664)

Reconciliation to the statement of financial performance

	Segmental reporting R'000	Administrative / support services R'000	Total R'000	Note reference
Revenue	376 316	120 213	496 529	note 3
Interest income		37 400	37 400	note 4
Other income		372	372	note 4
Expenses	381 813	56 627	438 440	
Salaries and wages	29 614	24 069	53 683	note 7
Mandatory grant expenditure	75 638	-	75 638	note 6
Discretionary grant expenditure	269 386	-	269 386	note 6
Other expenses	5 962	32 557	38 519	note 7
QCTO expenses	1 214	-	1 214	note 7
	(5 497)	63 586	95 861	

31 Board remuneration

Financial year 2015/16		Total	Allowances	S & T Allowances	
Names	Designation		Meeting & Preparation fees	Reimbursement	Cell Phone
Dr E.T. Moloko	Chairperson	348 789	330 129	5 460	13 200
Ms F. Fayers	Board/Exco Member	195 592	180 605	8 387	6 600
Mr R. Van Loggerenberg	Board/Exco Member	12 643	-	6 043	6 600
Mr D. Shardlow	Board/Exco Member	184 074	168 024	9 450	6 600
Mr H. Sekhitle	Board/Exco Member	200 710	185 822	8 288	6 600
Mr P. Motubatse	Board Member	145 807	110 568	35 239	-
Mr C G Higgins	Board Member	20 974	20 127	847	-
Mr A. Seirlis	Board Member	104 686	91 791	12 895	-
Ms E. Zondo	Board Member	19 107	17 615	1 492	-
Ms E. Strachan	Board Member	164 460	157 283	7 177	-
Ms I. Smith	Board Member	79 261	76 938	2 323	-
Ms T. Ngcobo	Board Member	158 047	139 522	18 525	-
Ms K. Maluleke	Board Member	31 463	30 881	582	-
Mr A Naude	External	11 941	11 009	932	-
Total		1 677 554	1 520 314	117 640	39 600

NB: The above amounts are before taxation

Independent Audit Committee Member Remuneration

Financial year 2015/16		Total	Meeting Attendance	Travel and Subsistence Allowances
Names	Designation			
Mrs E Strachan		4 932	4 932	-
Mr D Shadlow		17 825	15 265	2 560
MR P Motubatse		29 295	25 768	3 527
Mr S Madikizela	Member	54 482	50 317	4 165
Mr R Adam	Chairman	65 644	63 879	1 765
Total		172 178	160 161	12 017

Senior Management Remuneration

Financial year 2015/16		Total	Basic	Travel	Cell Phone	Bonus
Names	Designation					
Ms YD Mbane	Chief Executive Office	1 902 687	1 626 486	120 000	13 541	142 660
Mrs E Brass	Chief Financial Officer	1 538 688	1 294 894	120 000	7 406	116 388
Mr AK Pardesi	Executive - CS	1 356 372	1 294 273	-	8 119	53 980
Mr P Samuels	Executive - SDP	1 311 914	1 134 306	72 000	7 332	98 276
Mr SB Gcabashe	Executive - RIME	1 331 367	1 113 091	120 000	-	98 276
Ms BJ Motubatse	Executive - ETQA	1 188 482	973 465	120 000	6 660	88 357
Total		8 629 510	7 436 515	552 000	43 058	597 937

Financial year 2014/15			Allowances		S & T Allowances	
Names	Designation	Total	Board fee	Meeting Attendance	Reimbursement	Cell Phone
Ms N. January-Bardill	Chairman	12 372	-	6 589	282	5 500
Ms F. Fayers	Board/Exco Member	136 011	60 122	58 248	11 591	6 050
Mr R. Van Loggerenberg	Board/Exco Member	12 896	-	-	6 846	6 050
Mr D. Shardlow	Board/Exco Member	154 933	52 269	77 099	19 515	6 050
Mr H. Sekhitla	Board/Exco Member	140 132	57 021	69 916	7 144	6 050
Mr P. Motubatse	Board Member	173 102	62 995	56 677	53 430	-
Mr W. Montjane	Board Member	51 481	21 505	27 823	2 152	-
Mr A. Seirlis	Board Member	91 578	43 522	34 975	13 082	-
Ms E. Zondo	Board Member	4 174	-	2 120	2 054	-
Ms E. Strachan	Board Member	155 743	59 980	80 937	14 826	-
Ms I. Smith	Board Member	80 802	46 082	29 668	5 052	-
Ms T. Ngcobo	Board Member	166 779	63 081	72 547	30 903	248
Ms K. Maluleke	Board Member	61 489	43 682	14 380	3 427	-
Dr E.T. Moloko	Board Member	196 651	81 941	105 487	3 723	5 500
Mr H.J.P. Groenewald	Board Member	-	-	-	-	-
Total		1 438 144	592 200	636 468	174 028	35 448

NB: The above amounts are before taxation

Independent Audit Committee Member Remuneration

Financial year 2014/15				
Names	Designation	Total	Meeting Attendance	Travel and Subsistence Allowances
Mr V Magan	Member	20 410	19 824	586
Mr S Madikizela	Member	30 469	30 046	424
Mr R Adam	Member	86 043	86 043	-
Total		136 922	135 913	1 010

Senior Management Remuneration

Financial year 2014/15						
Names	Designation	Total	Basic	Travel	Cell Phone	Bonus
Ms YD Mbane	Chief Executive Office	1 739 172	1 471 510	120 000	13 960	133 702
Mrs E Brass	Chief Financial Officer	1 416 117	1 179 605	120 000	7 737	108 774
Mr AK Pardesi	Executive - CS	1 234 356	1 141 054	-	4 991	88 310
Mr P Samuels	Executive - SDP	1 196 590	1 026 353	72 000	6 390	91 847
Mr SB Gcabashe	Executive - RIME	1 190 200	978 353	120 000	-	91 847
Ms BJ Motubatse	Executive - ETQA	994 004	938 142	50 000	5 862	-
Total		7 770 438	6 735 018	482 000	38 941	514 479

32 Presentation of Budget Information

Reconciliation of budget surplus with the surplus in the statement of financial performance - 2015/16

	R'000
Net surplus per the statement of financial performance	95 861
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	-
	95 861
Participation on mandatory grants	10 800
Utilisation of reserves for discretionary grants	(22 891)
Underspending on administration expenses	(7 229)
	(19 320)
Exceeded budget collection of revenue	(66 466)
Net surplus per approved budget before capital expenditure	10 075

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. Actual receipts however comprise mainly of SDL levy income.
2. Government levies are higher than expectation despite a few outstanding levies from the Departments. This is due to higher salaries costs borne by the departments.
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 all along. This has resulted in savings in administration expenditure which are used to increase capacity in the short-term as and when required.

Financial year 2015/16	Original approved budget at start of year 2015-16	Final Approved Budget 2015-16	Difference
	R'000	R'000	R'000
Levy income	348 370	377 604	29 234
Government levy contributions	56 734	63 749	7 015
Investment income - interest	26 358	26 358	-
Levy income penalties	1 000	-	(1 000)
Other income	-	-	-
Total Income	432 462	467 711	35 249
Total Expenditure	301 357	457 636	156 279
Administration expenditure	99 107	100 521	1 414
Mandatory grants expenditure	61 836	64 838	3 002
Discretionary grant expenditure	140 414	292 277	151 863
Surplus for the period	131 105	10 075	(121 030)
Less capital expenditure	3 295	10 075	(6 780)
Surplus after capital expenditure	127 810	-	(127 810)

The adjustments to the originally approved budget of 2015/16 (approved in August 2015), were made due to information available six months into the 2015-16 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 personnel costs and capex costs due the HWSETA rationalisation plan;
3. Increases in revenue projections based on increased collections of 2014-15 by 6.26%; and
4. Increases in budgeted discretionary and mandatory grant spend based on increased revenue collections.

Reconciliation of budget surplus with the surplus in the statement of financial performance - 2014/15

	R'000
Net deficit per the statement of financial performance	(146 361)
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	-
	(146 361)
Transfer to National Skills Fund	323 742
Participation on mandatory grants	(2 341)
Utilisation of reserves for discretionary grants	10 417
Underspending on administration expenses	(13 248)
	318 570
Exceeded budget collection of revenue	(47 651)
Net surplus per approved budget before capital expenditure	124 558

Factor 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. Actual receipts however comprise mainly of SDL levy income.
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.
3. Interest income is higher than budget due to the high cash reserves being held at banking institutions.
4. Travel and accommodation costs are below expected costs to date. Travel and accommodation costs incurred in respect of workshops carried out by ETQA and SDP- R450 000 have been funded from the workshops budget. Lower costs in the current year are influenced by factors such as level of activity being lower than expected, as well as decentralisation of functions to Provinces. In addition, ETQA activities to address verification backlogs in the prior year resulted in higher costs in the prior year compared to the current year. ETQA visits have declined significantly in the current year.
5. IT system costs are lower than expected. This underspending is due to delays experienced in the procurement of IT infrastructure and costs expected in the current year are now expected in the next financial year.
6. Programme evaluation costs are lower than expected (largely unpredictable), and as a result, related courier costs are also lower.
7. Savings are mainly due to the filling of positions on the organogram not being complete early in the year. This has had an effect on the resources aligned to staffing such as travel and accommodation, training, staff welfare, stationery, capital expenditure, staff welfare, and recruitment.

In addition the HWSETA had heeded the call for austerity measures all along. This has resulted in savings in administration expenditure which are used to embellish capacity in the short-term as and when required.



Financial year 2014/15	Original approved budget at start of year 2014-15 R'000	Final Approved Budget 2014-15 R'000	Difference R'000
Levy income	330 523	330 523	-
Government levy contributions	53 827	53 827	-
Investment income - interest	25 007	25 007	-
Levy income penalties	1 000	1 000	-
Other income	-	-	-
Total Income	410 357	410 357	-
Total Expenditure	286 379	285 799	(580)
Administration expenditure	92 886	92 306	(580)
Mandatory grants expenditure	58 668	58 668	-
Discretionary grant expenditure	134 825	134 825	-
Surplus for the period	123 978	124 558	580
Less capital expenditure	4 321	4 900	(579)
Surplus after capital expenditure	119 657	119 658	1

The adjustments to the originally approved budget of 2014/15 (approved in August 2014), were made due to information available six months into the 2014/15 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. A re-allocation between administrative budget items were the only changes made to the original budget. Due to the National Treasury Ceilings imposed on SETA's, no adjustment was made to revenue or total expenditure.

The difference of R580 000 is due to the increased contribution to the QCTO.

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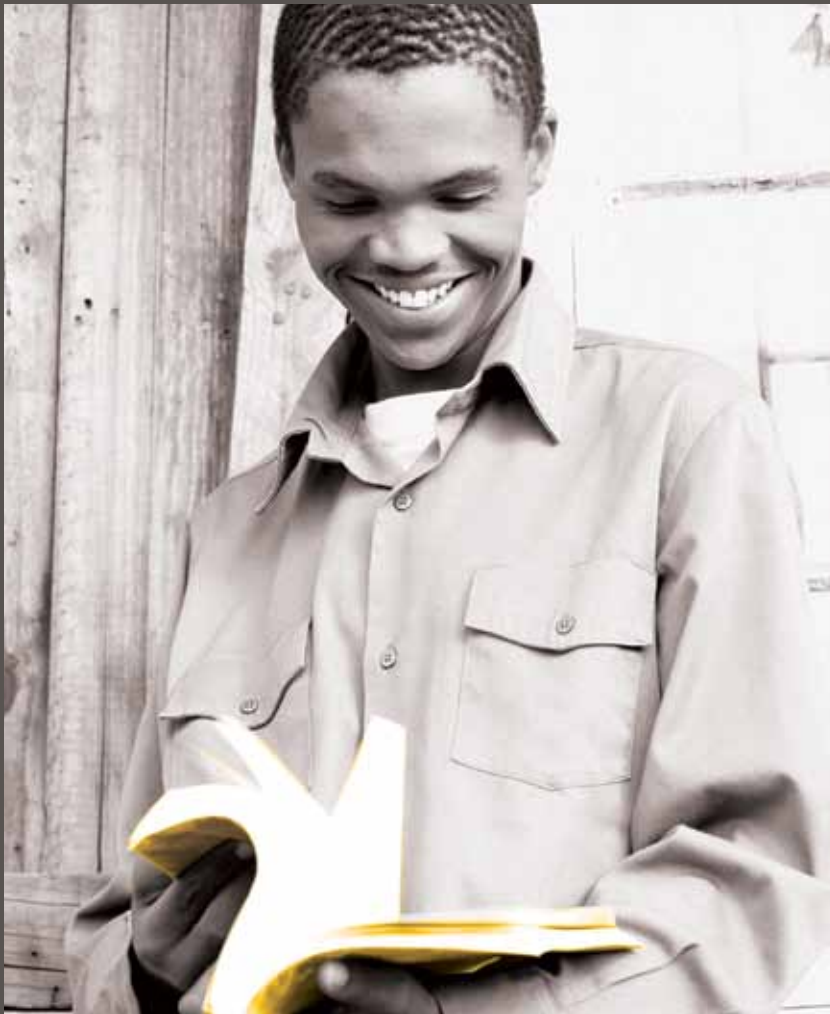
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Education is the most powerful
weapon you can use to change the
world.

”

”

Nelson Mandela



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Health and Welfare Sector
Education and Training Authority

HWSETA