

# ANNUAL REPORT 2016 /2017

*CHIETA: The catalyst for enhanced skills, economic growth and employability*



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

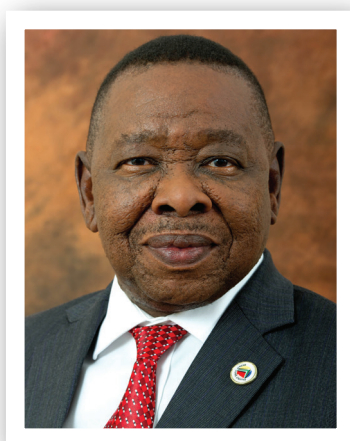


#### **Vision**

World-class education and training for the Chemical Sector.

#### **Mission**

CHIETA contributes to sustainable development through facilitating the provision of skills for growth in the Chemical Sector.



**Blade Nzimande**

Minister of Higher Education and Training

*“Together let us move South Africa forward,  
through the provision of quality and affordable  
post-school education and training”*

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## Part A: General Information



## 1. PUBLIC ENTITY'S GENERAL INFORMATION

Registered name of the public entity	Chemical Industries Sector Education and Training Authority
Registration numbers and/or other relevant numbers	03/CHIETA/1/4/11
Registered office address	2 Clamart Road, Richmond, Johannesburg
Postal address	PO Box 961, Auckland Park, 2006
Contact telephone numbers	011 628 7000
Email address	info@chieta.org.za
Website	www.chieta.org.za
External auditor's information	Auditor-General South Africa, 300 Middel Street, Brooklyn, Pretoria, 0001
Banker's information	Nedbank Ltd, 100 Main Street, PO Box 1144, Johannesburg 0001
Company secretary	Governance and Risk (Executive Manager)

## 2. SKILLS DEVELOPMENT RELATED ACRONYMS

ABET	Adult Basic Education and Training
AIDS	Acquired Immune Deficiency Syndrome
AQP	Assessment Quality Partner
ATR	Annual Training Report
ATU	Apprentice Training Unit
ARPL	Artisan Recognition Prior Learning
BBBEE	Broad-Based Black Economic Empowerment
CEPPWAWU	Chemical Energy Paper Printing Wood Allied Workers Union
CBO	Community-Based Organisation
CBC	Community Based Committee
CHE	Council for Higher Education
CHIETA	Chemical Industries Education and Training Authority
Cobit 5	Control objectives for information and related technologies
CPUT	Cape Peninsula University of Technology
DG	Director-General
DG	Discretionary Grants
DHET	Department of Higher Education and Training
DoL	Department of Labour
DMU	Data Management Unit
DPSA	Department of Public Service and Administration
DQP	Development Quality Partner
DSAP	Dual System Artisan Project
DST	Department of Science and Technology
dti	Department of Trade and Industry
DTTC	Decentralised Trade Test Centre
DUT	Durban University of Technology
EEA	Employment Equity Act
ETDQA	Education Training and Development Quality Assurance
ETQA	Education and Training Quality Assurance
TVET	Further Education and Training
GIWUSA	General Industries Worker's Union of South Africa
GMET	Generic Manufacturing Engineering and Technology
GRAP	Generally Recognised Accounting Practice
GSC	Governance and Strategy Committee
HDSA	Historically Disadvantaged South African
HET	Higher Education and Training
HIV	Human Immunodeficiency Virus
HRD	Human Resource Development
HR	Human Resources
HSRC	Human Sciences Research Council
ICAS	Independent Complaints Advocacy Service
ISOE	Institute for Sectoral and Occupational Excellence
LM	Local Municipality
LMIP	Labour Market Intelligence Project
LPDI	Learning Programme Development and Implementation
MG	Mandatory grants
MoA	Memorandum of Agreement

MoU	Memorandum of Understanding
MUT	Mangosuthu University of Technology
NAMB	National Artisan Moderating Body
NCV	National Certificate Vocational
NDP	National Development Plan
NGO	Non-Governmental Organisation
NQF	National Qualification Framework
NLPES	National Legislative Programme Evaluation Society
NMMU	Nelson Mandela Metropolitan University
NSDS	National Skills-Development Strategy
NSF	National Skills Fund
OFO	Organising Framework for Occupations
P1	Practical 1
P2	Practical 2
PIVOTAL	Professional, Vocational, Occupational, Technical and Academic Learning
PSDF	Provincial Skills-Development Forum
PFMA	Public Finance Management Act
QA	Quality Assurance
QALA	Quality Assurance of Learner Achievements
QAP	Quality Assurance Partner
QCTO	Quality Council for Trades and Occupations
OHS	Occupational Health and Safety
RSA	Regional Skills Advisor
RSF	Regional Skills Forum
RPL	Recognition of Prior Learning
SACWU	South African Chemical Workers Union
SAGDA	South African Graduates Development Association
SAOGA	South African Oil and Gas Alliance
SAPC	South African Pharmacy Council
SAPIA	South African Petroleum Industry Association
SAQA	South African Qualification Authority
SDA	Skills Development Act
SDLA	Skills-Development Levies Act
SDC	Skills-Development Committee
SDF	Skills-Development Facilitator
SEDA	Small Enterprise Development Agency
SETA	Sector Education and Training Authority
SLA	Service-Level Agreement
SME	Subject Matter Expert
SMME	Small, Medium and Micro Enterprises
SQMR	SETA Quarterly Monitoring Report
SSP	Sector Skills Plan
TTC	Trade test Centre
UASA	United Association of South Africa
UoT	University of Technology
WIL	Workplace Integrated Learning
WSP	Workplace Skills Plan
WSU	Walter Sisulu University

### 3. CHAIRMAN'S FOREWORD

It gives me great pleasure to present to you the 6<sup>th</sup> Annual Report of CHIETA published since this Board was constituted in 2011. This year has been another astoundingly successful year for CHIETA in its quest to further optimize its governance and performance environment, to enable the delivery of high quality skills and competencies to the chemical and manufacturing industry.

For the 3<sup>rd</sup> year in a row, CHIETA has obtained an unqualified and clean audit opinion from the Auditor General of South Africa. I must add that since its 1<sup>st</sup> audit in 2001, CHIETA has obtained unqualified audit outcomes for every year of its existence as a SETA. We are proud of this achievement by our organisation, especially under the leadership of ACEO Ms Ayesha Itzkin.

This track record is a testimony to the **strong monitoring** and oversight processes of the CHIETA management and the members of the Accounting Authority. It also attests to the fact that our stakeholders have supported us fully when it comes to doing things right first time also *inter alia*, with funding related processes and compliance requirements. The need now is to sustain the good work and to maintain consistency in this regard

CHIETA, whilst focusing on the chemical industry with its highly specialized skills needs for engineers, scientists, mathematicians and other experts, also allocates a large chunk of its grant funding, approximately R358 million to the training of artisans such as fitters, welders boilermakers, electricians, pipe fitters, instrument mechanics, riggers, and others, and for the training of human resources for the pharmaceutical industry, the full range of energy related occupations including its petroleum, gas, nuclear energy, and base chemicals sub-sectors, the glass industry, speciality chemicals and surface coatings, explosives and fertilizers, and more.

The SSP, with its high credibility as a **skills planning platform**, has afforded CHIETA the ability to plan optimally for skills development, based on the real scarce skills needs of industry, and to use the skills levy funding contributed by industry to ensure that industry is well supported with relevant skills by way of preparing the South African youth for the formal economy or for running their own businesses.

Our Stakeholders and Industry Partners have worked closely with the CHIETA to conduct training using CHIETA grant funding and co-funded training projects. Furthermore, **tripartite partnerships** have also been formed between CHIETA, industry and public institutions such as TVET Colleges and Higher Education Institutions to enhance the training benchmarked to industry standards.

Chemical's manufacturing has the potential to lead **economic transformation** globally with the phenomenal advances of technological development being made globally. In this regard CHIETA is looking at what the skills of the future will look like, and how to prepare for this new reality. Due to the specialised and highly technical nature of this industry, the need for scientists and other professionals with high level skills and competencies is a priority need. Planning for skills for the next 30 years therefore must, of necessity, take into account this transformation.

CHIETA research for its Sector Skills Plan (SSP) shows that in 2016 the chemicals industry contributed **3.3% of the South African gross domestic product (GDP)** and **24% of total manufacturing gross value added (GVA)**. As a result of its capital intensive nature the chemicals industry accounted for 6.2% of the gross fixed capital formation and contributed 1.1% of total employment in the country, mainly of high level and artisanal skills. Research is also showing that the chemical industry growth will outgrow the GDP of South Africa until at least 2025.



Nolitha Fakude  
Chairperson

CHIETA has an increasingly important role to play in leading skills development, in **alignment with national development strategies** such as the HRDS-SA, the NDP, and others. Aligned to the objectives of IPAP 3, the following is recognized namely,

- Diversifying the economy and providing strong support for value-added manufacturing. In this regard CHIETA views **beneficiation** of South Africa's many raw materials as critical to success and to address the reality that the African chemicals market has captured a tiny fraction of the global market.
- Developmental model focused on radical economic transformation and social inclusion – CHIETA understands inter alia, the important role that **small enterprises** play to address this objective.
- Building regional investment, trade and industrial development integration – For this CHIETA views **collaboration with countries on the African continent** as important - This is the future focus of CHIETA.
- Working with the private sector to prepare for and adapt to the challenges in digitised production and logistics associated with the “4th Industrial Revolution” - For this objective, CHIETA is focussing on understanding what changes are imminent and what to expect in the medium to longer term, also as it relates to **jobs of the future**.

Much work lies ahead. In the last 2 years, CHIETA has started planning for the longer term by embarking on a number of scenario planning exercises, initially to plan for the next 10 years, and now moving to a longer term perspective to **understand where the chemicals and manufacturing industry is headed by 2030**. Industry has welcomed these strategic planning initiatives, for which CHIETA has obtained their participation, since it also assists industry to understand these matters. In this regard the importance of Research and Development is clear to provide CHIETA and other role-players with the information needed for appropriate planning interventions.

Over the last 16 years of its existence, it is clear that CHIETA has grown in confidence and stature and that as an authority on skills development, CHIETA is ready to work together with industry and guide the South African chemicals/manufacturing industry and indeed the regional industry too. We fully understand the great importance of adding value to South Africa's raw materials, and the importance of planning ahead for skills development in this regard. It is clear that much important work lies ahead for CHIETA and its Stakeholders.

I would like to conclude by thanking the Honourable Minister of Higher Education and Training for his leadership, and also to thank all of CHIETA's stakeholders and the Accounting Authority members for their valued support in developing a skilled and capable workforce for South Africa where we have both great need and huge potential.

I would also like to thank the Audit Committee and all the other Board Committees for diligently performing their oversight roles and for their support to CHIETA and myself. The role of the Auditor General of South Africa and CHIETA's internal audit service provider is also gratefully acknowledged.

On behalf of my fellow Board members, I wish to express my gratitude to Ms Ayesha Itzkin, CHIETA's acting CEO, the Management Team and the CHIETA staff for their dedication and hard work that has once again culminated in another successful year for CHIETA.



**NOLITHA FAKUDE**  
Chairperson  
28 July 2017

## 4. CHIEF EXECUTIVE OFFICER'S REPORT

### Growing Excellence Further

The CHIETA has once again, for the 3<sup>rd</sup> year in a row, achieved an unqualified and clean audit outcome from the Auditor General of South Africa. This bears testimony to CHIETA's unwavering sustained high quality financial and performance track record. We acknowledge the support from the CHIETA member companies and other stakeholders that have worked so well with us to ensure high quality and compliant delivery, and usage of allocated grant funding for training and development. The CHIETA's Accounting Authority members and CHIETA staff members worked very hard to assist the SETA with attaining this high accolade. All the targets in the CHIETA Service Level Agreement signed with the Honourable Dr Blade Nzimande, Minister of Higher Education and Training have been achieved or exceeded, as reported in this Annual Report for 1 April 2016 to 31 March 2017.



Ayesha Itzkin  
Acting CEO

### Developments in the sector

The chemicals and related manufacturing industry has grown by approx. 3399 working people as reported by industry on CHIETA's highly credible workplace skills plans (WSP) that member companies submit through CHIETA's electronic skills planning platform. This platform makes it possible to obtain and analyse all the required worker information needed for efficient skills planning for the 165,782 working people whose information CHIETA has collected in 2016/17.

This rich source of information relates to each person's biographical details, the current qualifications, the job being done, the skills gaps identified, etc. This level of detail assists CHIETA to support its member companies effectively with grant funding in an economical way to assist with gap-training or full qualifications, as per the needs identified. WSP submissions have also increased year on year from 518 WSPs received in 2011 to 865 received in 2016. This is testimony to the fact that CHIETA is fast becoming recognized by industry as an important partner to work with and to guide industry for skills planning and skills development.

### Stakeholder Relations

Once again in 2016/17 CHIETA stakeholders have cooperated excellently with us, and attended CHIETA's quarterly regional stakeholder forum meetings in growing numbers. They participated actively on CHIETA's five chambers representing all 9 industry sub-sectors. There is excellent cooperation on accreditation matters, enrolment of learners for trades and learnerships, and other training, qualification development, and workplace approvals. They also provided their workplaces for experiential training opportunities for the youth.

### Servicing the Needs of Industry

This Annual Report confirms that CHIETA achieved in excess of 100% of its set targets. This was possible since some of the member companies embarked on co-funding partnership projects with CHIETA, which allowed us to train even more people than we had initially budgeted for. These partnerships bear testimony to the fact that industry has grown to trust CHIETA and see it as a valuable business partner.

The Discretionary Grant Regulations of 2012 require that by the end of each financial year, SETAs must spend or commit a minimum of 95% of their discretionary grant reserves.

I am pleased to report that at 31 March 2017, CHIETA's discretionary grant reserve was fully committed in contractual obligations for discretionary grants and strategic projects.

From 01 April 2016 to 31 March 2017, a total of R293,573,633.54 was disbursed for discretionary grants and R 64,144,767.06 for strategic projects. As at 31 March 2017, the total CHIETA commitment based on contractual obligations was R227,018,718.73 for discretionary grants and R 18,422,340.10 for strategic projects. These are commitments which will straddle up to a period of three years, depending on the nature of the programme or project.

The achievement of strategic objectives and pre-determined performance targets would not have been possible without the availability of a comprehensive organisational performance-monitoring and evaluation framework. To this end, CHIETA implemented and sustained cross-functional monitoring and evaluation systems and procedures to ensure optimal delivery to our stakeholders that enabled timeous grants disbursements and accurate and reliable performance reporting. CHIETA's regular visits to member company training sites in order to monitor delivery, has assisted CHIETA to succeed in the support of grant-funding recipients so as to achieve their training projects.

### CHIETA's Research Agenda

For the MTEF period 2017-2020, CHIETA is conducting / has commissioned research and Studies on a number of important areas to understand and sharpen its planning till 2030. Some of the research areas cover the following:

- Understanding opportunities for fit-for-purpose value chain participation by SMMEs in the chemicals sector
- A Study on sustainable economic development projects in the chemical industry for rural communities
- Strategic scenario planning for the skills needs of the chemicals and manufacturing industry in the medium to long term
- Technologies of the future and new skills needs
- Evaluating the current chemical sector demarcation

The chemical industry demarcation Study was commissioned to understand which other industries "belong" to chemicals manufacturing. The early days of skills development system development in the 1990s, some sub-sectors could have been demarcated to economic sectors that are not the most appropriate for them. Correct demarcation is important to service the technical and training needs of all those that fall within specified economic sectors, including the chemical and manufacturing industry.

### Risk Management

CHIETA has implemented an integrated enterprise-wide risk management system that mitigates strategic and operational risks which can potentially prevent CHIETA from achieving its strategic objectives and deliverables as contracted between the CHIETA Accounting Authority and Executive Authority. Risk management forms an integral part of CHIETA's organisational culture and it is functional on all collective organisational levels with clear accountability, monitoring and reporting levels implemented.

Ethics leadership is inherent to CHIETA's DNA where the correct tone at the top is set clearly by the Accounting Authority to drive the correct ethical behaviour in dispersing CHIETA's mandate. An Ethics Policy framework and a Corporate Ethics Risks Register with functional controls, clearly defines the standards that CHIETA expects in all dealings with and within CHIETA.

### Looking Ahead

In 2016/17 CHIETA's focus on understanding macro level economic issues rose to a higher level, to inform the future of the chemicals and manufacturing industry nationally, Africa-wide and globally. It is becoming clear that the potential of the chemicals and related manufacturing industry is huge and that this can benefit the South African economy and its people enormously if well understood and planned for. To do this successfully, it is essential to understand the current and future technological changes and skills needs of the economy,

to learn about what the jobs of the future will look like, and which jobs/skill areas could possibly become obsolete. Preparing for future skills for the 4<sup>th</sup> industrial revolution and for the radical economic transformation are important drivers of change.

Although not specifically relevant to the 2016/17 financial year but an important point to mention is the current nomination process underway to appoint new SETA Boards from 01 April 2018 to 31 March 2020. One of the key reasons for our success is the highly effective committee-driven governance structures of CHIETA, put in place under the oversight of the Minister of HET, and the Boards which has provided exceptional oversight on CHIETA's activities. The correct balance between continuity and sustainability is important for CHIETA to maintain its organisational momentum, while also benefitting from new governance thoughts and perspectives. This could take CHIETA to even greater heights and achievements as a true value-adding partner to Government and the chemical and manufacturing industry.

### **Acknowledgements**

A special word of thanks to the Internal Auditor and the AGSA for their roles in terms of compliance related matters.

The work done by the Audit Committee and all of CHIETA's constitutional committees that were set up by the Accounting Authority is gratefully acknowledged for having executed their mandates and playing their oversight role with due care. Your guidance was invaluable and is greatly appreciated.

Finally, I would like to thank members of CHIETA's Accounting Authority, under the able chairmanship of Ms Nolitha Fakude, for your strategic leadership and support. In addition, on behalf of the chemical industry and myself, I gratefully acknowledge CHIETA's Executive Management, middle management and all staff members for your dedication, support and hard work.

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

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

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General.
- The Annual Report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements 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.

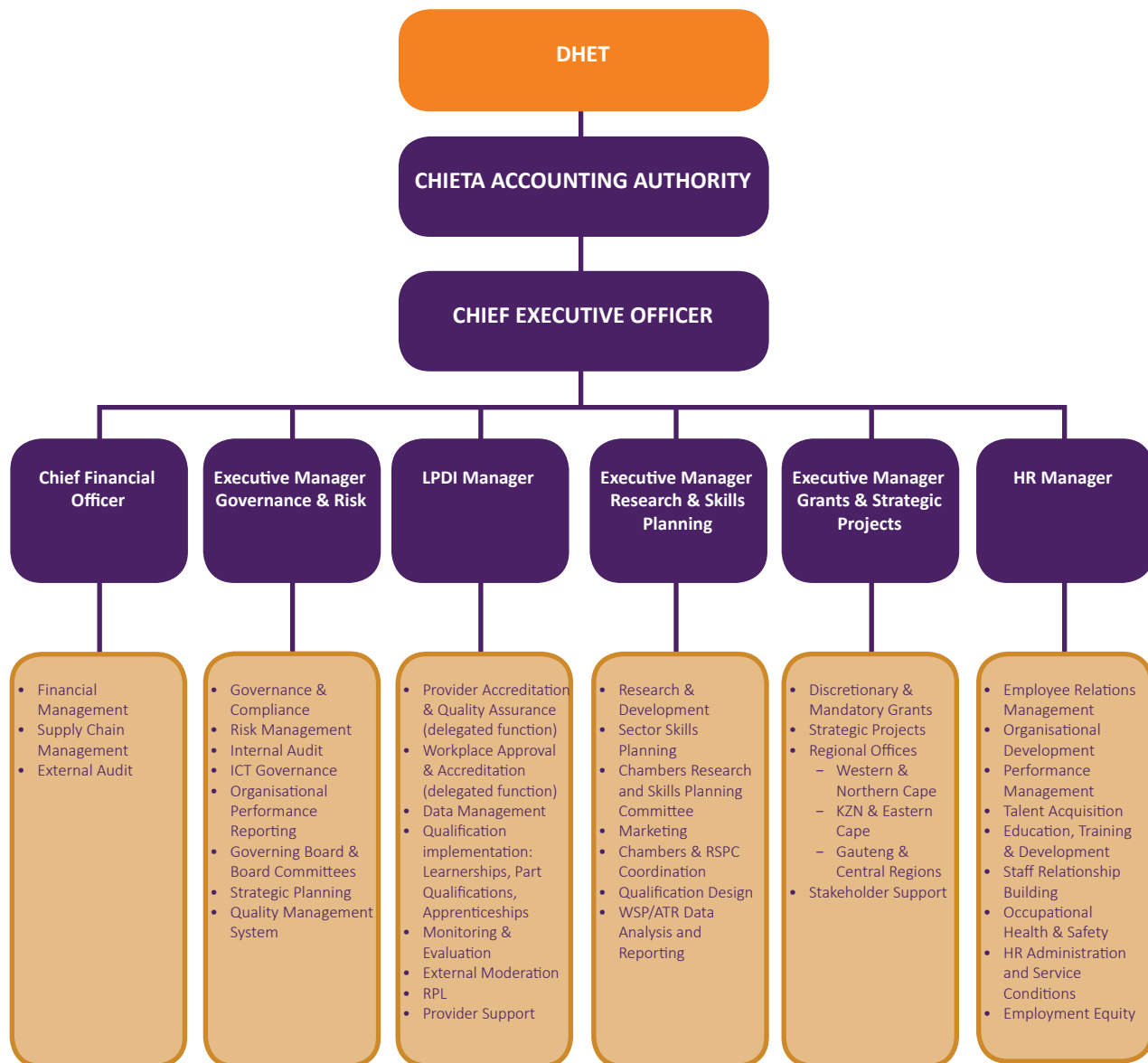
## Part A: General Information

- 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 2017.



**AYESHA ITZKIN**  
Acting Chief Executive Officer  
28 July 2017

## 5. ORGANISATIONAL STRUCTURE



## OUR BOARD



Nolitha Fakude  
Chairperson



Manene Samela



Bertie van Baalen



Jan Smit



Salathia Phetla



Brian Muir



Jacqui Klaasen



Mandla Nkabinde



Dr Tshenge Demana



Mosehla Mampho



Dan Nkotsoe



Ingrid Dimo



Ronnie Muruven



Daniel Ndou



Gerhard Ceronie

## MEET OUR EXECUTIVES



Ayesha Itzkin  
Acting CEO



Kedibone Moroane  
Executive: Research and Skills Planning



Raakshani Sing  
Executive: Grants and Strategic Projects



Trevor Channing  
Executive: Governance and Risk



Farhad Motala  
Chief Financial Officer

## MEET OUR MANAGERS



Ashvir Isseri  
Grants Manager



Glory Nyathi  
Stakeholder Relations Manager



Tshidi Magonare  
Regional Manager: Gauteng and Central  
Regions



Princess Moumakoe  
Projects and WIL Manager



Roger Adriaanse  
Regional Manager: Western and Northern Cape  
Regions



Stuurman Aphane  
Learning Programs Implementation Manager



Munya Makota  
Finance Manager



Adele Delport  
Human Resources Manager



Rajen Naidoo  
Regional Manager: KwaZulu-Natal  
and Eastern Cape Regions



Ronnie Naidoo  
Monitoring and Evaluation Manager  
CHIETA ANNUAL REPORT 2016/17

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## Part B: Performance Information



## 1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The AGSA report, which includes its report on CHIETA's predetermined objectives, is on page 101.

## 2. SITUATIONAL ANALYSIS OF THE CHEMICAL INDUSTRY

### INTRODUCTION

The Chemical Industries Sector Education and Training Authority (CHIETA) prepares the Sector Skills Plan (SSP) update annually in accordance with the requirements of the Department of Higher Education and Training (DHET). Among other things, this plan assists in providing the situational context and sector profile. The policy context for skills planning for the chemical sector includes the National Skills Development Strategy (NSDS) III, the National Skills Accord, the National Youth Employment Accord (NYEA), the White Paper for Post-School Education and Training, the Quality Council for Trades and Occupations (QCTO) policies, and various regulations such as the Grant Regulations (released 03 December 2012, Gazette 35940).

Government policies and plans have been developed over the last ten years by various organs of state, many of them overlapping and some being absorbed by others. The two goals that all of the policies and plans have in common, are the stimulation of the South African economy and job creation.

The National Development Plan (NDP) provides the overall vision and framework for most of the other policies and plans, however, the Industrial Policy Action Plan (IPAP), the projects steered by the DTI, the national infrastructure plan and the Strategic Integrated Projects (SIPs) have a direct bearing on the Chemical Sector.

The National Development Plan (NDP) emphasises the importance of science and technology as the key to development, innovation being the most important driver of the kind of technology-based growth associated with higher living standards. The Chemical Sector is at the forefront of the drive towards an 'innovation economy', the improvement of the skills of our workforce being imperative for its achievement.

The information presented in this SSP and as part of the Annual Report, has been drawn from a number of sources. CHIETA has used the information from Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs) to obtain data on the workplaces in the sector, the format used exceeding the minimum legislated requirements. As from the 2012/13 mandatory grants cycle, employers have been submitting individual employee records against the Organising Framework for Occupations (OFO) codes (referred to as source data). CHIETA decided to adopt the source data approach as the information contained in the WSPs and ATRs is critical in providing detailed baseline statistical information on the sector. The WSPs and ATRs represent more than 80% of employees in the sector, the detailed data submitted enabling CHIETA to undertake a more detailed and accurate analysis of the sector.

This source data was supplemented with other sector-specific and national data, such as that from Quantec 2016 and from the quarterly labour force surveys. Other national data sources used include employment equity reports published by the Department of Labour, the Higher Education Management Information System (HEMIS) and the Technical Vocational Education and Training (TVET) institutions maintained by the DHET.

In addition to the quantitative data sources outlined above, CHIETA has also undertaken a range of research projects contributing to the overall understanding of the Chemical Sector. This research is augmented by that conducted by government departments, national research institutions and industry bodies.

More qualitative information used in the SSP update was obtained through consultation with sector stakeholders. CHIETA has five chambers consisting of employers, trade unions, government departments and critical interest groups. These chambers meet quarterly and play a central role in updating the SSP, skills planning being a core constitutional function of these chambers and forms part of the agenda for regional skills forums. The regional skills forums meet quarterly in Gauteng (for Gauteng and the inland provinces),

KwaZulu-Natal, the Eastern Cape and the Western Cape (including the Northern Cape). These regional skills forums are attended by employers, trade unions, private and public education and training providers, critical interest groups and CHIETA staff.

An annual strategic planning workshop of the governing authority provides valuable input into the updating of the SSP, skills planning in general and the strategic plan.

Specific skills needs, developed through CHIETA's involvement with government departments, have been factored into the SSP. These include skills needed to support the DTI, IPAP projects on pharmaceuticals and cosmetics and the scarce and critical skills needs of the Department of Energy related to the Chemical Sector.

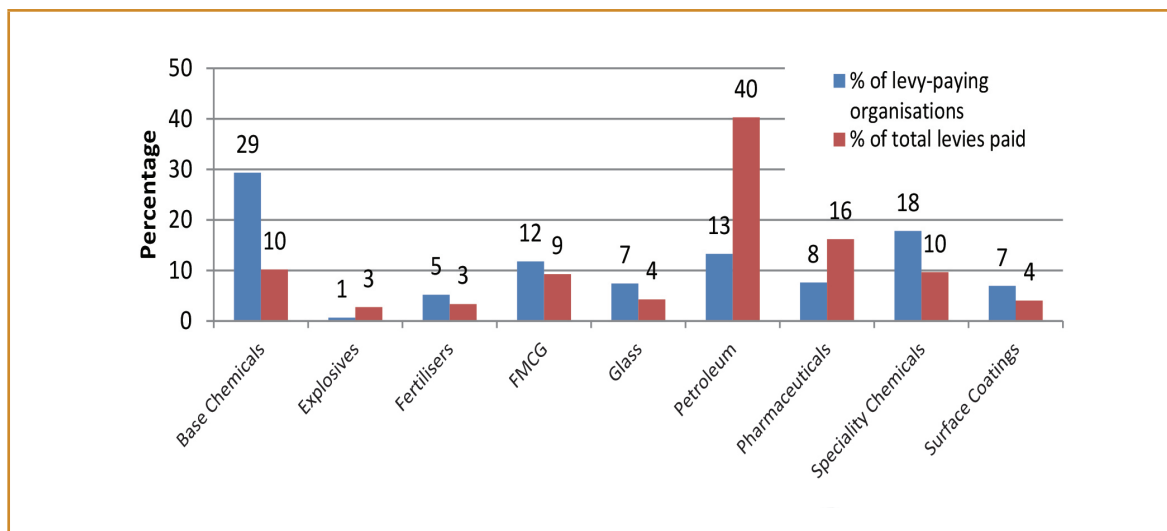
## PROFILE OF THE INDUSTRY

### Industrial Coverage, Subsectors and Chambers of the Chemical Industry

SIC Code	Scope of Coverage/Description	Subsector	Chamber
33410	Manufacture of basic chemicals, except fertilisers and nitrogen compounds	Base Chemicals	Petroleum and Base Chemicals
33430	Manufacture of plastics in primary form and synthetic rubber		
34000	Manufacture of other non-metallic mineral products		
41210	Manufacture of industrial gases in compressed, liquefied or solid forms		
33100	Manufacture of coke oven products	Petroleum	
33200	Petroleum refineries/synthesisers		
61410	Wholesale trade in solid, liquid and gaseous fuels and related products		
87140	Industrial research, e.g. fuel		
33501	Chemically-based general household and personal care products	Fast Moving Consumer Goods	Fast Moving Consumer Goods and Pharmaceuticals
33541	Manufacture of soap and other cleaning compounds		
33543	Manufacture of beauty products		
33530	Manufacture of pharmaceuticals, medicinal chemicals and botanical products	Pharmaceuticals	
33592	Manufacture of explosives and pyrotechnic products	Explosives	Explosives and Fertilisers
11600	Production of organic fertiliser	Fertilisers	
33420	Manufacture of fertilisers and nitrogen compounds		
33421	Manufacture of raw materials and chemical compounds used in agriculture		
33502	Manufacture, sale and/or distribution of diversified speciality chemicals for industrial use	Speciality Chemicals	Speciality Chemicals and Surface Coatings
36400	Manufacture of accumulators, primary cells and primary batteries		
33520	Manufacture of paints, varnishes and similar coatings, printing ink and mastics	Surface Coatings	
39005	Powder coating		
34110	Manufacture of glass and glass products	Glass	Glass
34112	Manufacture of glass containers, glass kitchenware and tableware, scientific and laboratory glassware, clock and watch glasses and other glass products		

In the 2016/17 financial year a total of 2 318 companies paid skills development levies to CHIETA. This is an increase of 138 compared to the previous financial year. This increase can be attributed mainly to very small companies who began paying the SDL, probably due to their payrolls exceeding the levy threshold

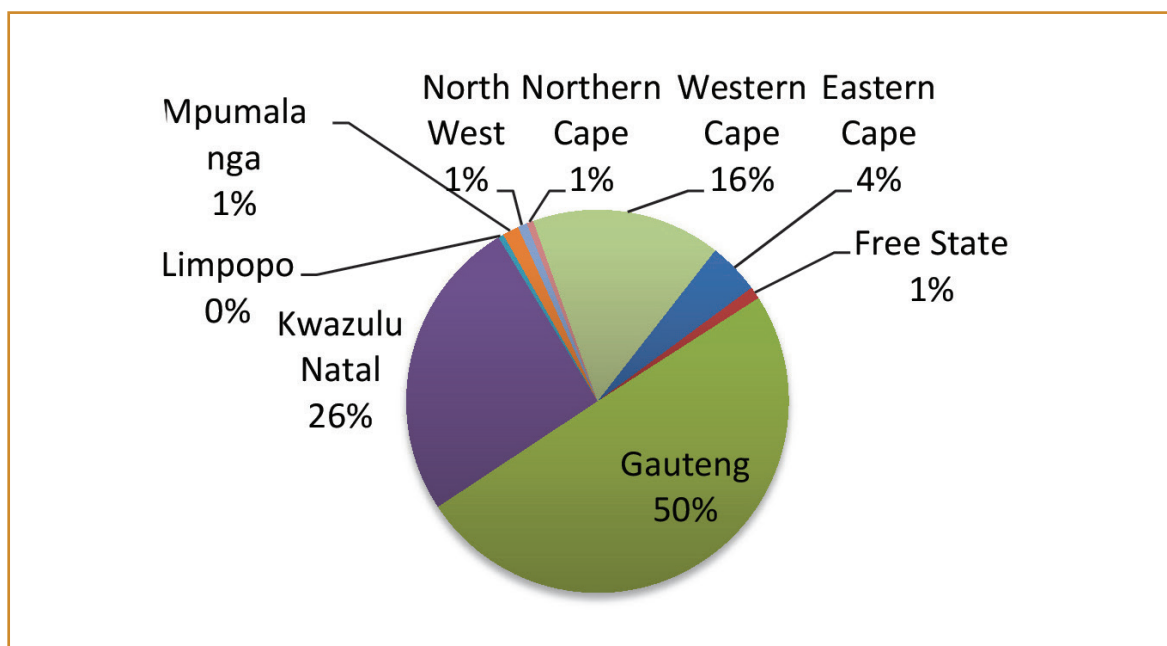
of R500 000 per year, and companies transferring to CHIETA from other SETAs. The Petroleum Subsector contributed 40% of the levies paid in 2016/2017 although this subsector only comprised 13% of the total number of levy-paying companies in the Chemical Industry (Figure 1.1). This was due to the presence of a few very large companies in this subsector.



**Figure 1.1: Sub-sectoral distribution of levy-paying organisations and levy amounts paid: 2016/17**

Note: Due to rounding, percentages do not necessarily add up to 100.

Source: CHIETA's data system, extracted July 2017.



**Figure 1.2: Provincial distribution of levy-paying organisations: 2016/17**

Note: Due to rounding, percentages do not necessarily add up to 100.

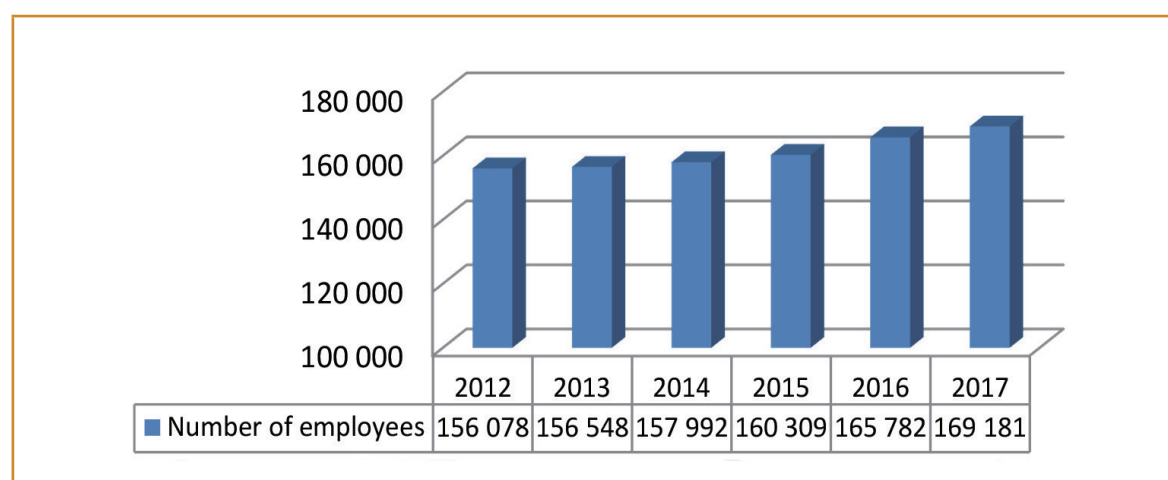
Source: CHIETA data system, extracted June 2017.

Figure 1.2 shows that 50% of companies that paid levies to CHIETA in 2016/2017 were located in Gauteng, followed by 26% in KwaZulu-Natal, 16% in the Western Cape and 4% in the Eastern Cape. The balance were located in the remaining provinces. Most companies in the Chemical Industry are located in urban areas.

## LABOUR MARKET PROFILE

### Employment in the Sector

Estimates of total employment in the Chemical Industry between 2012 and 2017 are depicted in Figure 1.3. The employment figures include all employees i.e. those with permanent appointments as well as those on term contracts. Employment in 2012 was estimated at 156,078 and 156,548 in 2013. In 2014 employment increased slightly to 157 992, to 160,309 in 2015 and 165,782 in 2016. In 2017 it increased at a lower rate to 169,181 giving an 8.4% growth in employment in this sector over the total period.



**Figure 1.3: Estimate of total employment in the Chemical Industry: 2012 - 2017**

Source: CHIETA source-data system, June 2017.

In 2017 the Petroleum Subsector employed 39,000 workers, the largest contingent in the Chemical Industry representing 23% of the total workforce. The Base Chemicals Subsector employed 16%, Pharmaceuticals 16%, Speciality Chemicals 13%, the FMCG Subsector 10% and the Glass Subsector 8% of the workers. The other subsectors each employed 6% or fewer of the workers in the sector.

**Table 1.4: Provincial distribution of employees: 2012 - 2017**

Province	2012	2013	2014	2015	2016	2017
Eastern Cape	8	7	7	7	6	8
Free State	6	6	7	6	6	5
Gauteng	45	42	41	41	44	41
KwaZulu-Natal	19	16	17	19	17	18
Limpopo	1	1	1	1	1	1
Mpumalanga	9	13	13	12	11	13
North West	1	2	2	2	2	3
Northern Cape	0	0	0	0	0	0
Western Cape	11	12	12	12	12	11
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: CHIETA source-data system, June 2017.

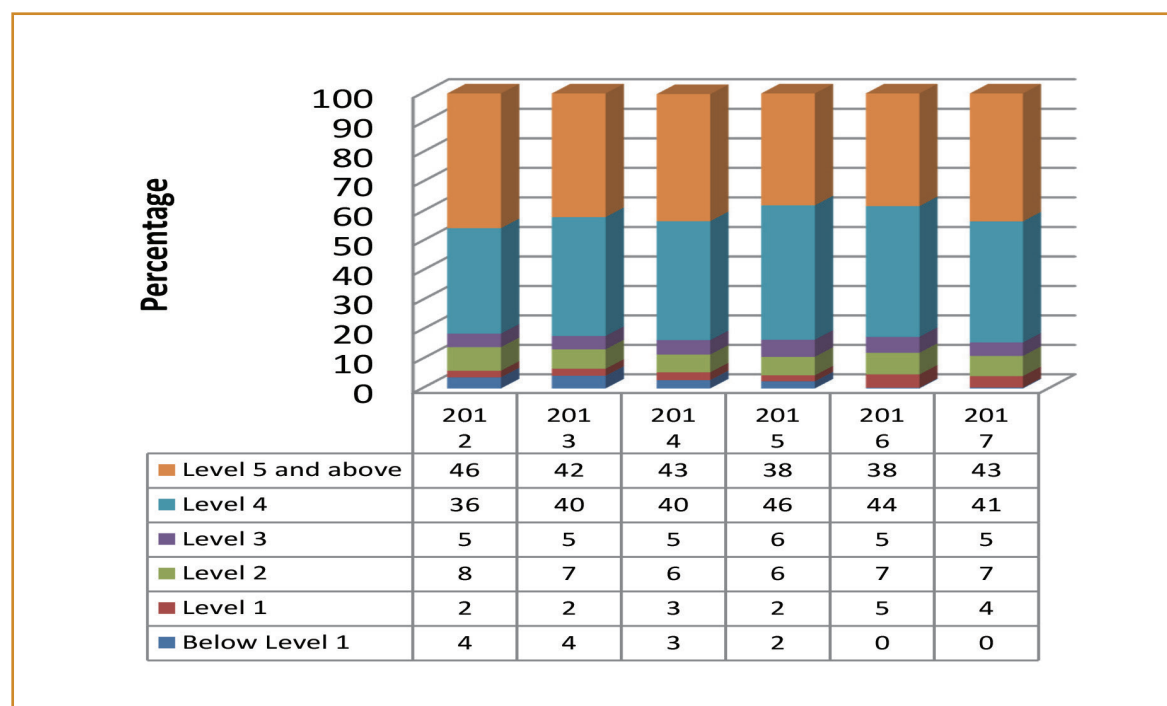
Note: Due to rounding, percentages do not necessary add up to 100.

### Provincial Distribution of Employees

The provincial distribution of employees during the period 2012 to 2017 is shown in Table 1.4. In the six years, Gauteng was the province with the largest number of employees, 45% in 2012, 42% in 2013, 41% in both 2014 and 2015, 44% in 2016, and 41% in 2017. This was followed by KwaZulu-Natal, Mpumalanga and the Western Cape.

### Educational Qualifications of Employees

The qualifications of employees in the Chemical Industry are shown in Figure 1.5. In 2017 more than 40% of the employees in the sector had post-matric qualifications (NQF levels 5 and above) while 41% held qualifications at NQF Level 4. People with educational levels below NQF level 1 formed only 4% of the workforce in 2012 and 2013. This figure dropped to 3% in 2014, to 2% in 2015 and to nearly 0% in 2016 and 2017.



**Figure 1.5: Educational qualifications of employees: 2012 - 2017**

Source: CHIETA data system, June 2017.

### Occupational Distribution of Employees

Table 1.6 shows that the occupational distribution of employees remained more or less the same over the six-year period from 2012 to 2017. In 2012, a fifth of employees in the Chemical Industry worked as plant and machine operators and assemblers with another fifth working as technicians and associate professionals. In the first year of the review 14% worked as professionals, this figure increasing to 15% in the following year, remaining at 15% in 2014 before declining to 13% in 2015. In 2016 this figure again rose to 14% before decreasing to 13% in 2017. The proportion of managers remained more or less the same i.e. 13% in 2012 and 2015, 12% in 2013, 2014 and 2016 before decreasing to 11% in 2017. In 2012, 2% of workers were categorised as learners and 1% categorised in 2013. This increased to 2% in 2014 before decreasing to 1% in 2015 and remaining at this level in 2016 and 2017.

**Table 1.6: Occupational composition of the Chemical Industry: 2012 - 2017**

OFO Occupational group	2012		2013		2014		2015		2016		2017	
	N	%	N	%	N	%	N	%	N	%	N	%
Managers	20 625	13	18 481	12	18 339	12	20 689	13	20 599	12	19 190	11
Professionals	21 172	14	23 381	15	23 238	15	21 144	13	22 537	14	22 416	13
Technicians and associate professionals	30 196	19	32 395	21	31 743	20	31 421	20	30 697	19	29 633	18

OFO Occupational group	2012		2013		2014		2015		2016		2017	
Clerical support workers	15 718	10	15 327	10	16 861	11	15 740	10	16 705	10	19 381	11
Service and sales workers	3 460	2	3 852	2	3 849	2	6 013	4	5 226	3	6 795	4
Skilled and related trades workers	10 172	7	9 037	6	10 262	7	12 626	8	10 893	7	12 243	7
Plant and machine operators and assemblers	31 710	20	28 684	18	28 828	18	25 915	16	33 932	20	33 140	20
Elementary occupations	20 237	13	23 852	15	21 670	14	23 631	15	23 894	14	25 289	15
Learners	2 346	2	1 540	1	3 023	2	891	1	1 174	1	1 089	1
Unknown	441	0					2 240	1	126	0	4	0
<b>Total</b>	<b>156 078</b>	<b>100</b>	<b>156 548</b>	<b>100</b>	<b>157 812</b>	<b>100</b>	<b>160 309</b>	<b>100</b>	<b>165 782</b>	<b>100</b>	<b>169 181</b>	<b>100</b>

Source: CHIETA source-data system June 2017.

Note: Due to rounding percentages may not add up to 100.

#### Age, Population Group and Gender Distribution of Employees

Table 1.7 depicts the age distribution of workers in the Chemical Industry. In 2012, 34% of all workers were below 35 years of age. In the following year this figure increased to 37% and remained at this level in 2014 and 2015. Before increasing to 39% in 2016 and 2017. The workers between the ages of 36 and 54 constituted 52% of the workforce in 2012 and decreasing to 48% in the following years. In 2012, 8% of employees were close to retirement i.e. between 55 and 59 compared to 7% in 2013. This remained at 8% between 2014 and 2016, then decreased to 7% in 2017. In 2012, 6% of workers were over 60 years of age compared to 5% per cent in the following five years. The average age of workers in 2012 was 41 dropping to 40 in 2013 and remaining at that level during the subsequent four years.

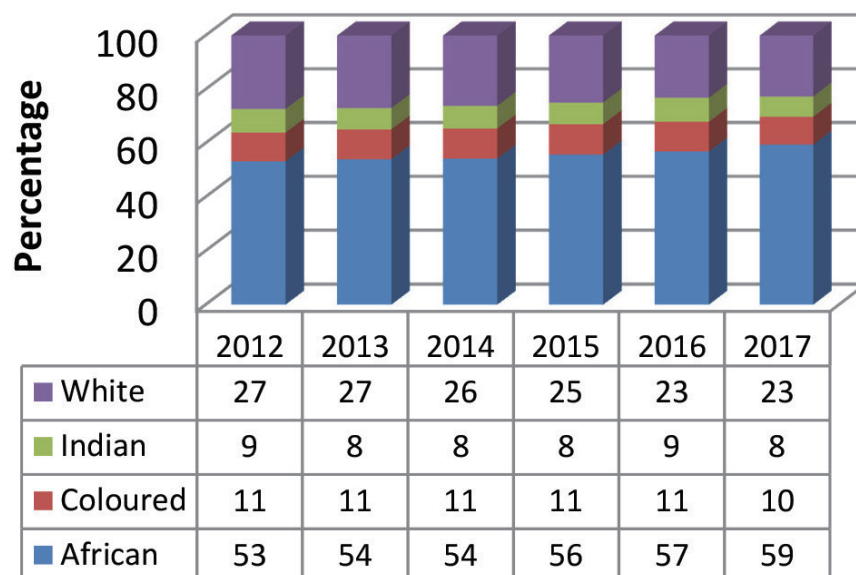
**Table 1.7: Age distribution of workers in the Chemical Industry: 2012 - 2017**

Age	2012		2013		2014		2015		2016		2017	
	N	%	N	%	N	%	N	%	N	%	%	N
< 35	52 724	34	58 055	37	59 215	37	59 917	37	64 298	39	66 521	39
36-54	81 664	52	79 758	51	79 089	50	80 182	50	80 321	48	81 541	48
55-59	12 954	8	11 523	7	12 065	8	12 178	8	12 769	8	12 409	7
60+	8 737	6	7 212	5	7 623	5	8 033	5	8 395	5	8 710	5
<b>Total</b>	<b>156 078</b>	<b>100</b>	<b>156 548</b>	<b>100</b>	<b>157 992</b>	<b>100</b>	<b>160 309</b>	<b>100</b>	<b>165 782</b>	<b>100</b>	<b>169 181</b>	<b>100</b>

Source: CHIETA source-data system June 2017

Note: Due to rounding percentages may not add up to 100.

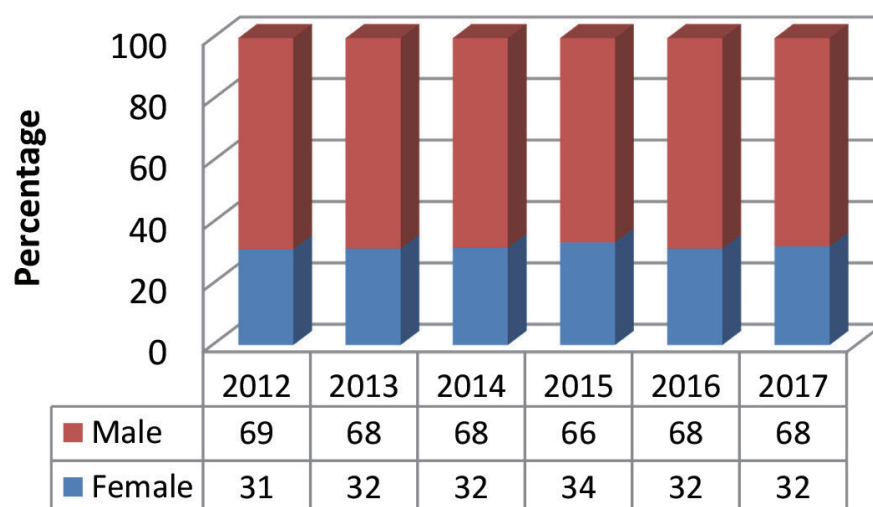
The monitoring of the population group and gender distribution of employees in the Chemical Industry is important in order to keep track of the transformation taking place in employment in the sector.



**Figure 1.8: Population group composition of employees in the Chemical Industry: 2012 – 2017**

Source: CHIETA data system June 2017.

The composition of the total employment of each population group is shown in Figure 1.8, clearly indicating that the population group composition of the Chemical Industry has gradually changed between 2012 and 2017. The percentage of whites has decreased from 27% in 2012 to 23% in 2017 while the African share in employment increased from 53% in 2012 to 59% in 2017. The percentage of Indian and Coloured employees remained more or less the same over this period.



**Figure 1.9: Gender composition of employees in the Chemical Industry: 2012 - 2017**

Source: CHIETA source-data system June 2017.

Figure 1.9 illustrates the gender distribution of employees in the Chemical Industry. In 2012 the sector employed 48,953 (31%) women increasing to 49,329 (32%) in 2013, 50,228 (32%) in 2014 and 53,838 (34%) in 2015. In 2016 and 2017, there were 52,236 and 54,635 women in the sector respectively forming 32% of the total workforce,.

### People with Disabilities

Table 1.10 contains a profile of disabled workers according to population group, gender and age. In 2012 and 2013, a total 0.7% of workers were listed as disabled, 0.6% in 2015 and 0.8% in 2014, 2016 and 2017., In 2012, 51% of disabled workers were African, increasing to 56% in 2013 and to 59% in 2014. In 2015, this fell to 46% and rose to 48% and 52% respectively in 2016 and 2017. In 2012, 69% of disabled workers were male compared to 59% in 2013, 61% in 2014, 56% in 2015, 62% in 2016 and 57% in 2017.

In 2012, half of the disabled workers were between the ages of 35 and 54 compared to 47% in the next two years and 45% in 2015. This increased to 51% in 2016 and then decreased to 44% in 2017. In 2012 and 2013, the group between the ages of 15 and 34 increased from 23% to 34% respectively. This figure dropped to 31% in 2014 and remained constant in 2015 but in 2016, it dropped again to 25% and then increased to 33% in 2017.

**Table 1.10: Disabled workers according to population group, gender and age: 2012 - 2017**

Disabled workers		2012		2013		2014		2015		2016		2017	
		N	%	N	%	N	%	N	%	N	%	N	%
Population group	African	531	51	655	56	729	59	448	46	601	48	751	52
	Coloured	167	16	120	10	138	11	138	14	172	14	250	17
	Indian	69	7	77	7	76	6	83	8	177	14	99	7
	White	277	27	317	27	302	24	304	31	306	24	338	24
	Total	1 044	100	1 169	100	1 245	100	972	100	1 256	100	1 437	100
Gender	Female	324	31	485	41	480	39	426	44	474	38	613	43
	Male	720	69	684	59	764	61	546	56	782	62	824	57
	Total	1 044	100	1 169	100	1 245	100	972	100	1 256	100	1 437	100
Age	15-34	243	23	396	34	391	31	305	31	320	25	476	33
	35-54	520	50	553	47	587	47	437	45	647	51	638	44
	55-59	160	15	131	11	162	13	118	12	178	14	167	12
	60+	120	11	89	7	104	8	111	11	112	9	157	11
	Total	1 044	100	1 169	100	1 245	100	972	100	1 256	100	1 437	1
Percentage of total employment			0.7		0.7		0.8		0.6		0.8		0.8

Source: CHIETA data system June 2017.

Note: Percentage figures have been rounded to total 100%.

### ECONOMIC PERFORMANCE OF THE INDUSTRY

In 2016<sup>1</sup> the Chemical Industry contributed 3.3% to the South African Gross Domestic Product (GDP), 24% to total manufacturing Gross Value Added (GVA), 8.9% of the country's imports and 9.9% of its exports. The subsector Coke and Refined Petroleum Products contributed 1.2% of GDP and 0.2% of imports, whereas the subsector Other Chemicals and Man-made Fibres contributed 0.9% of GDP and 4.1% of imports.

The Chemical Industry is capital intensive and in 2016 accounted for 6.2% of the gross fixed capital formation while contributing only 1.1% of total employment in the country mainly of high level and artisanal skills.

1 The base year for the national accounts estimates at constant prices has been changed from 2005 to 2010 consequently growth rates in total GDP and other aggregates in the time series data are affected.

**Table 1.11: The Chemical Industry's contribution to the South African economy: 2016**

Subsector	Gross Value Added	Imports	Exports	Gross Fixed Capital Formation	Employment
Coke & refined petroleum products	1.2%	0.2%	1.3%	3.0%	0.1%
Basic chemicals	0.5%	2.8%	3.8%	1.9%	0.1%
Other chemicals & man-made fibres	0.9%	5.1%	3.9%	0.9%	0.4%
Non-metallic minerals	0.5%	0.6%	0.6%	0.4%	0.4%
Glass & glass products	0.1%	0.2%	0.2%	0.1%	0.1%
<b>Total petroleum, chemicals &amp; glass</b>	<b>3.3%</b>	<b>8.9%</b>	<b>9.9%</b>	<b>6.2%</b>	<b>1.1%</b>

Source: Quantec

The economic performance of the industry is affected by many factors which do not necessarily have the same impact on the respective subsectors. Some of the most pertinent are:

- The regulatory environment.
- The availability and cost of raw materials.
- International trends in chemical production.
- Global economic growth.
- The performance of other sectors in the economy.
- Consumer markets and spending.
- Administration, logistics and compliance costs.

#### THE DEMAND FOR SKILLS IN THE INDUSTRY

The skills requirement of the Chemical Industry have changed gradually over the last few decades. While the demand for semi-skilled and unskilled workers declined, the need for skilled and highly skilled workers has increased.

The Chemical Sector employs people in 798 different occupations.

At the end of March 2017, the Chemical Industry employed 12,243 people in 119 designated trades. The largest group of artisans was mechanical fitters (1,683), followed by millwrights (1,286) and fitters and turners (1,136). At the same time, there were 14,075 employees in the Chemical Industry working in occupations identified on the OFO 2015 as 'green'. The largest occupational group was Sales Representatives (Medical and Pharmaceutical Products) employing 3,117 followed by Production / Operations Manager (Manufacturing), employing 2,140 personnel.

In 2015 and 2016, CHIETA embarked on projects to identify and analyse "green" occupations in the Surface Coatings Subsector and the Petroleum and Base Chemicals Subsector respectively. The Surface Coatings study identified three "occupational families" in which green skills were crucial namely safety, health, environment and quality related occupations, technical and laboratory related occupations (research & development and technicians) and painters (Jenkin, 2016). This study clearly demonstrated that green skills are crucial elements of the demand side of the sectoral labour market.

#### THE SUPPLY OF SKILLS TO THE INDUSTRY

The supply of skills is split into two categories namely new and current. New supply emanates from the output of basic education (TVET colleges and HET institutions) whereas current supply is sourced from the development of skills among those that are already employed within the chemical sector as well as the pool of unemployed but available to work in the industry.

In respect of the new supply to the industry, there has been substantial growth in the numbers of new graduates from universities and universities of technology in certain engineering fields. The growth in the average annual output for national diplomas is reported to be 7% for diplomas in chemical engineering and technology and 6% for first degrees in the same field.

Despite these positive growth trends, increases are still insufficient to meet the needs of the national economy in general, and the chemical industry in particular. In order to ensure future growth, it will be necessary to support higher education institutions through a variety of initiatives such as:

- Bridging programmes to promote access and success.
- Increased physical and teaching resources to engineering departments.
- Programmes that promote workplace training opportunities for students from the universities of technology.

The output from the school system in terms of quantity and quality remains a concern specifically with regard to school leavers with mathematics and physical science passes, becoming engineers, technologists and technicians (at HET level) and artisans (at TVET level). Education levels of the general workforce who enter the chemical sector without previous training, are also inadequate. The supply of newly-skilled workers from TVET colleges into the chemical industry has traditionally been very limited, however government's recent focus on increasing both the quality and quantity of output from these colleges may result in these institutions playing a more significant role in the supply of skills to the industry.

Current supply includes people who are currently employed in addition to those who are unemployed, but are available for work. The training and development of the current workforce forms a critical aspect of skills supply and in the Annual Training Reports (ATR) submitted to CHIETA in respect of 2015, employers reported that approximately half of the employees in the Chemical Industry had received training in that year.

Since its inception, CHIETA has developed many interventions and mechanisms to address the skills needs of the industry and to overcome skills shortages. The skills development priorities and plans for the coming five years build on work carried out in previous years. CHIETA interventions span the whole skills development pipeline and include:

- interventions at school level, particularly in respect of mathematics and science teaching,
- support for TVET colleges,
- support for and co-operation with, higher education and training institutions,
- artisan development,
- qualification development,
- quality assurance,
- institutes or centres for training excellence,
- HIV/AIDS interventions,
- chamber- specific responses to skills needs,
- partnerships with government departments,
- provincial engagements,
- support for rural learners,
- support for small and micro enterprises,
- recognition of prior learning and PIVOTAL programmes to address critical skills needs.

CHIETA has also made good progress in the development of a credible mechanism for skills planning. The skills planning processes in the industry include:

- various research projects,
- the collection of WSP/ATR data according to individual employee records using CHIETA's source data platform. The in-depth analysis of this data has yielded excellent time series data that is giving CHIETA an opportunity to analyse trends and impacts,
- a partnerships conference with the aim of expanding and deepening partnerships for the continued impactful skills development interventions for the chemical industry.

### THE SKILLS NEEDS OF THE INDUSTRY

It is important for CHIETA to monitor mismatches in the sectoral labour market on a continuous basis by communicating with employers about their experiences with recruitment and finding the skills that they require. The annual mandatory grant applications (WSPs) provide SETA with the opportunity to obtain this kind of information from employers across the whole sector in a systematic and consistent manner. For this reason, the grant applications include a table regarding scarce skills that employers need to complete. The methodology used in compiling the scarce skills list is described in the research methodology section at the beginning of this SSP.

As part of their WSP submissions, employers report on occupations for which they have difficulties finding suitable candidates and the number of vacancies that they find hard to fill. In the WSPs submitted in March 2017, 24% of employers reported that they experienced occupational shortages in that they could not find suitable people to fill positions in their organisations. The total number of vacancies reported was 2,718 equating to 1.6% of the total number of positions in the industry.

The total number of “hard-to-fill” vacancies reported in the period 2012 to 2017 can be seen in Table 1-12. The total number of vacancies, as shown on the left side of the table, dropped by more than two hundred between 2016 and 2017. The number of professional vacancies dropped sharply in 2015, increased in 2016, and dropped slightly in 2017. The number of vacancies for skilled craft and related trades workers also declined in 2015 but increased in both 2016 and 2017. While there was an increase in 2015 in the number of vacancies for technicians and associated professionals, clerical support workers and plant and machine operators and assemblers, this number decreased in 2016 and remained relatively constant in 2017.

On the right-hand side of the table the “hard-to-fill” vacancies are expressed as a percentage of the total number of positions in the occupational group. The percentage vacancies for managers increased from 0.7% in 2015 to 1.4% in 2016 and decreased to 1.2% in 2017. The vacancies for professionals increased from 1.3% in 2015 to 2.6% in 2016 but dropped marginally to 2.5% in 2017. The vacancy rate for skilled craft and related trades workers (mostly artisans) remained relatively high at 5.4% in 2015 and 8.1% in both 2016 and 2017.

**Table 1.12: “Hard-to-fill” vacancies reported by employers: 2012 - 2017**

Occupational Category	Number of Vacancies						Vacancies as % of Positions*					
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017
Managers	166	251	491	148	296	225	0.8	1.3	2.6	0.7	1.4	1.2
Professionals	699	691	868	280	601	565	3.2	2.9	3.6	1.3	2.6	2.5
Technicians and associate professionals	182	412	380	557	305	313	0.6	1.3	1.2	1.7	1.0	1.0
Clerical support workers	76	52	103	381	97	77	0.5	0.3	0.6	2.4	0.6	0.4
Service and sales workers	17	37	30	84	160	46	0.5	1.0	0.8	1.4	3.0	0.7
Skilled craft and related trades workers	358	441	1 000	723	964	1076	3.4	4.7	8.9	5.4	8.1	8.1
Plant and machine operators and assemblers	99	149	182	697	326	263	0.3	0.5	0.6	2.6	1.0	0.8
Elementary occupations	61	16	77	47	238	153	0.3	0.1	0.4	0.2	1.0	0.6
<b>Total</b>	<b>1 658</b>	<b>2 049</b>	<b>3 131</b>	<b>2 917</b>	<b>2 987</b>	<b>2 718</b>	<b>1.1</b>	<b>1.3</b>	<b>1.9</b>	<b>1.8</b>	<b>1.1</b>	<b>1.6</b>

*Note: The total number of positions is determined by the total employment plus the number of “hard-to-fill” vacancies reported.*

*Source: CHIETA data system, June 2017*

Although employers identified a total of 210 occupations in which they experienced scarcity, the Chemical Industry is currently not experiencing major occupational shortages. Occupational shortages are however, experienced at the specialisation level within key occupations. The majority of these occupations were identified by only a few employers and many of these had quite low vacancy rates. In order to prioritise the skills that are in short supply in the industry, a shortened list of “hard-to-fill” vacancies was developed. This list can be seen in CHIETA’s SSP document and includes 39 occupations.

Skills gaps are sometimes linked to a critical element of an occupation. The Glass Subsector for example, reported that a number of glaziers also needed to be qualified scaffolders as they work extensively on scaffolding and need to take responsibility for their own safety and for that of their co-workers (CHIETA Chamber Meeting, April 2016).

Skills shortages were reported across all occupational categories, with subsectors common skills needs being:

- Managers in production, sales and marketing.
- Professionals in chemistry, engineering, and sales of industrial and pharmaceutical products.
- Technicians that can work at the level of chemical plant coordinators.
- Various artisans.

The industry has to compete for some of these skills with other manufacturing sectors and is also affected by national skills shortages.

Apart from skills shortages other skills need to be addressed, including a number of cross-cutting and general skills (critical skills), many of which involve large portions of the existing workforce. These skills include:

- Core chemical skills including specialist/contextual knowledge, artisan and management development particularly in relation to historically disadvantaged individuals (HDIs).
- Professional skills.
- Environmental skills.
- Health and safety.Foundational learning.
- Recognition of Prior Learning.
- New and emerging skills.

It is important that CHIETA and industry work together in solving the skills challenges of the industry.

CHIETA will support the development of artisanal and other skills relative to the occupations identified for SIPS.

### 3. CHIETA’S STRATEGIC PLANNING FRAMEWORK 2016/17

Following an analysis of the sector profile and skills supply and demand within the sector, CHIETA has determined strategic objectives supported by strategic outcomes and programmes to meet and exceed industry needs. In the development of these outcomes and programmes, various national government imperatives were taken into consideration as also outlined in CHIETA’s Strategic Plan and Annual Performance Plan (APP) 2016/17.

CHIETA has identified six strategic objectives, namely:

- Positioning CHIETA as a sustainable and value adding business partner to its stakeholders.
- Moving beyond numbers and demonstrating the impact of CHIETA’s skills development interventions towards addressing the socio-economic imperatives of South Africa.
- Partnerships on a public and private basis, becoming a primary delivery arm for skills development interventions.
- Maintaining and continuously improving a culture of good governance within CHIETA.
- Sustained and continuous improvement of performance and service delivery to CHIETA stakeholders.
- Alignment of CHIETA focal areas towards delivery of NSDS III and CHIETA SSP.

## Part B: Performance Information

No	Research Agenda Theme	Objective	Research Title
1	Sustainability and Socio-economic development	To investigate sustainable economic development projects in the chemical sector that communities can benefit from, for the update and revision of the CHIETA rural and community development strategy	Rural and community development
2	Relevant technical and innovation research to advance the chemical sector	To identify New growth areas for the chemical sector and the skills implications. A study that takes a futurist look into the chemical sector to identify opportunities.	Growth opportunities in the chemical sector
3	Impact Assessment	Development of a CHIETA Impact Assessment model and assessment of CHIETA interventions at two TVET colleges (Flagship projects)	Impact evaluation framework and application to the CHIETA pilot flagship projects
4	Core Labour Market	A study to investigate the proper / most appropriate demarcation of the chemical sector	Chemical Sector demarcation
5	Sustainability and Socio-economic development	The purpose of the study is to establish where markets exist for the products already being produced, to determine markets for SMMEs in the sector	Study on Product fit opportunities for value chain participation by SMMEs in the Chemical Sector
6	Sustainability and Socio Economic Development (Strengthen the Human Resources and Skills Base)	To aim of the project is to improve student understanding on research methods, consolidate their understanding on the ability to perform scientific fact-findings, upon completion of project, students can independently perform research proposal, methodology, and interpret data and discuss results	Production of Bio-Oil from the Pyrolysis of sewage sludge and low rank coal materials
7	Sustainability and Socio-economic development	The objective of this study is to respond to the global and national green agenda, the drive towards sustainability, and to the need to strengthen SA's green skills planning systems.	Green Skills in the South African Petroleum and Base Chemicals subsectors
8	Sustainability and Socio Economic Development (Strengthen the Human Resources and Skills Base)	The overall objective of the project is to provide students with knowledge in the field of Toxicological Sciences and Health Risk Assessment, and advance the field's research capacity nationally.	Development of research capacity in Toxicology and Health Risks Assessments in South Africa
9	Relevant technical and innovation research to advance the chemical sector	Reverse –engineering of ARV API chemical synthesis processes, based on published patents	Project Ketlaphela

Part B: Performance Information

No	Research Agenda Theme	Objective	Research Title
10	Sustainability and Socio Economic Development (Strengthen the Human Resources and Skills Base)	To deliver knowledgeable graduates at MSc level in Oil and Gas engineering who can be involved in the Karoo shale gas development, contribute to the development of PetroSa offshore, and also to the Oil and Gas sector of the southern region.	Development of research capacity in the Oil and Gas sector in South Africa

## 4. ORGANISATIONAL PERFORMANCE REPORT FOR THE 2016/17 FINANCIAL YEAR

### 1. BACKGROUND

CHIETA's Governing Board mandated the adoption of CHIETA's Strategic Plan and 2016/17 Annual Performance Plan with clear performance targets defined in ten specific strategic programmes. In terms of governance and organisational performance management principles, CHIETA's management reports quarterly to CHIETA's Governing Board on actual organisational performance against pre-determined targets in order to assist the Governing Board in discharging their oversight function in a responsible and pro-active manner.

CHIETA has performed well in the 2016/17 financial year leading to an era of fully implementing the Strategic Plan and Annual Performance Plan (APP). In the year under review we have recorded positive numbers in all areas of our APP, the most important factor being the attainment of a 130% CHIETA Baseline Achievement.

During the 2016/17 financial year, CHIETA management put in place an Integrated Risk Register following the identification and assessment of strategic and operational risks across all business units. The endorsement of the QMS Steering Committee made a significant contribution to the maturity of risk management across these business units. This process was supported by the functions of the Audit Committee who, in addition, continually assessed the governance of CHIETA in terms of applicable legislation and King Code of Governance principles and was found to be substantively compliant for the year under review.

As a Sector Education and Training Authority (SETA), CHIETA prides itself on its achievements and impact and as a value-adding business partner to the Chemical Industry in South Africa. Through sustained partnerships with our stakeholders, skills development interventions contributed to continuously capacitating the various occupational groups within the sector and ensured that supply was adequate to contribute to the sustainability and competitiveness of the sector on a nationally and global level.

CHIETA's Accounting Authority (Governing Board), as representatives of the industry, participated in strategic planning sessions to deliberate on and finalise their strategic focal areas and pre-determined organisational targets for 2016/17. These strategic planning processes culminated in clear performance areas, indicators and measurable targets linked to set time frames and budget allocations, that linked directly to the current and future critical and scarce skills needs of industry. This was further supported by clear accountability frameworks for the respective CHIETA Business Units and individual staff members. This ensured an integrated monitoring and evaluation framework for CHIETA, supported by a strong oversight function from CHIETA's governance structures.

The alignment of CHIETA's Strategic Plan and Annual Performance Plan to CHIETA's Sector Skills Plan formed a credible basis and guiding framework for CHIETA's conceptualisation of performance targets, funding allocation and monitoring and reporting on skills development within the Chemical Industries Sector.

### 2. ORGANISATIONAL PERFORMANCE REPORT




The Performance Report is structured in direct correlation with the approved Strategic Plan and Annual Performance Plan (APP) 2016/17. The report reflects each of the ten (10) strategic programmes and relevant performance indicators and performance targets within each programme. CHIETA reports on the actual performance of fifty eight (58) performance indicators/targets.

The performance dashboard indicates the status of each indicator and programme in direct correlation to the quarterly targets set and in relation to the total annual target set for 2016/17.

The intention is to provide the governance structures a clear indication whether a programme is on track as per its quarterly targets set.

## Part B: Performance Information

The annual performance dashboard 2016/17 attached to this narrative indicates actual performance against pre - determined targets on a three colour (robot) dashboard system namely:

- 2.1  Red indicates that actual performance is nil and below the annual target.
- 2.2  Amber indicates movement on actual performance but still below the annual target.
- 2.3  Green indicates actual achievement or performance exceeding the annual target.

Explanatory comments are also provided in the performance dashboard against each reported performance indicator to provide further context to the reported performance.

Of the ten (10) strategic programmes, all 10 (ten) programmes are in green baseline status. Of the 58 Performance Indicators reported all 58 (100%) are reported in a green status.

Two (2) of the ten (10) strategic programmes baseline targets were achieved and eight (8) were exceeded. Of the 58 performance targets 40 (69%) were exceeded and the remaining 18 (31%) targets were met.









One target on the candidacy programme completed was not reportable for 2016/17 but was kept on the APP for completeness and line of sight.




### CHIETA STRATEGIC PROGRAMME CONSOLIDATED AND BASELINE PERFORMANCE DASHBORD

The table below reflects the status of the CHIETA's 10 (Ten) Strategic Programmes over the 2016/17 financial year and the percentage of achievement per Strategic Programme.

**The total average baseline achievement is 130%.**

### CHIETA STRATEGIC PROGRAMMES BASELINE PERFORMANCE DASHBOARD

PROGRAMME NUMBER	STRATEGIC PROGRAMME	2016/17 Target	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Actual Total	Variance	Status 2016/17	% Achieved
1	ADMINISTRATION	30	9	7	9	9	34	4		113%
2	RESEARCH AND SKILLS PLANNING	51	0	1	21	71	93	42		182%
3	OCCUPATIONALLY DIRECTED PROGRAMME	18 881	2 696	5 799	5 465	10 386	24 346	5 465		129%
4	TVET / FET COLLEGE PROGRAMME	1 241	36	137	383	1 241	1 797	556		145%
5	LOW LEVEL YOUTH AND ADULT LANGUAGE AND NUMERACY SKILLS	640	73	80	270	430	853	213		133%
6	WORK PLACE BASED SKILLS DEVELOPMENT	694	0	0	0	859	859	165		124%
7	CO-OPS, SMALL ENTERPRISES, NGO's, CBO's, CBC's AND WORKER INITIATED	166	0	10	82	154	246	80		148%
8	ADMINISTRATION AND PUBLIC SECTOR CAPACITY	1	0	0	0	1	1	0		100%

PROGRAMME NUMBER	STRATEGIC PROGRAMME	2016/17 Target	Actual Q1	Actual Q2	Actual Q3	Actual Q4	Actual Total	Variance	Status 2016/17	% Achieved
9	CAREER AND VOCATIONAL GUIDANCE	19	0	6	1	14	21	2		111%
10	MEDIUM TERM STRATEGIC PRIORITIES	10	0	0	0	10	10	0		100%
<b>CHIETA STRATEGIC PROGRAMMES BASELINE PERFORMANCE DASHBOARD</b>		<b>21 718</b>	<b>2 814</b>	<b>6 040</b>	<b>6 231</b>	<b>13 175</b>	<b>28 260</b>	<b>6 542</b>		<b>130%</b>

### 3. DETAILED STRATEGIC PROGRAMME PERSPECTIVE

#### 3.1 Programme 1: Administration

This programme focuses on sound governance and financial administration in support of accountable skill development interventions to CHIETA stakeholders and refers to the effective functioning of CHIETA's governance structures and financial management indicators.

**This programme is of green baseline status with an achievement of 113%.**

#### 3.2 Programme 2: Research and Skills Planning

This programme reports on performance indicators relating to research and skills planning interventions in support of the CHIETA SSP, i.e. a track and trace system for graduates and undergraduates, 10 research reports implementing the board approved CHIETA research agenda, post graduate support and industry/university partnerships. The purpose of this programme is to ensure that CHIETA, among other important imperatives, meets the National Skills Development Strategy objective of a credible mechanism for skills planning and continues to be an authoritative voice on skills in the chemicals industries sector. The body of knowledge generated from the programme identifies sector skills needs and informs decision-making for the prioritisation of interventions for the benefit of and value to the sector. The research topics implemented in the 2016/17 financial year helped develop a better understanding of the variables which affect the performance of the Chemical Sector and provide information with which to advise CHIETA on the direction that should be taken in seeking to engender change that will ultimately accrue benefits to the sector.

The Research and Skills Planning Unit seeks to ensure that the environment and focus of Skills Development is properly understood, and that circumstances are properly communicated so that plans can be set in place to maintain responsive programmes of Skills Development in all sub-sectors. The Research programme seeks to ensure that Skills Development makes a measurable contribution to the performance and productivity of member organisations and the sector as a whole.

The annual targets on post graduate support towards Master's, PHD's and Post-Doc's has been exceeded which inter alia is also in direct support of the Minister of Higher Education and Training Service Level Agreement with the President of South Africa.

**This programme is of green baseline status with an achievement of 182%.**

The breakdown of some of the Research Projects undertaken in 2016/17 is outlined on p31 of this report.

### 3.3 Programme 3: Occupationally Directed Programmes

This programme is the core of the skills development programmes within CHIETA that provides our learners with learning opportunities that translate these opportunities into social and economic development that will accrue to people empowered with these skills. The main purpose of this programme is to shape the foundation for skills development in our organisations and to stimulate meaningful participation in the skills development process. At the core of the programme is the creation of more opportunities for Skills Development in the Chemical Sector that enhances the efficiencies, performance and productivity of the sector as a whole. This programme is the fundamental programme of CHIETA's Strategic Plan that brings people onto the ladder of growth and personal fulfilment through education and skills development. Our Learnerships connect people with the reality of workplaces and boost their relevance and productivity. Our skills development committees give voice to the voiceless in planning and delivering training. Our RPL programme seeks to recognise that many of our talented and capable citizens who may not have certification are in fact eligible through this programme and can be legitimately further prepared for the workplace. Our artisan programme provides a pipeline of key skills for South Africa's infrastructure projects and our bursary and internship programme provides a sustainable platform for employment opportunities within the Chemical Industries sector.

The Occupationally Directed Programmes are the core programmes of CHIETA, whose primary role is to facilitate and enable a programme of sustained delivery to stakeholders who seek to align and maximise the services of CHIETA to the unique needs of each sub-sector within the Chemical Industry Sector.

This programme reflects primarily the DHET SQMR targets that CHIETA reports on quarterly to the Department. The performance targets are categorised for employed and unemployed learners entered and certified in the following indicators:

- Learnerships
- Bursaries
- Internships
- Skills Programmes
- Artisans
- Candidacy Programmes
- RPL Programmes

**This programme is of green status with a baseline achievement of 129%.**

Significant delivery has transpired with all 22 indicators as indicated in this programme.

### 3.4 Programme 4: TVET College Programme

This programme focused specifically on workplace experiential learners, partnerships with TVET's and TVET lecturer capacity building.

TVET college partnerships have been concluded with the following TVET Colleges:

- Coastal
- Esayidi
- Port Elizabeth
- Umfolozi
- Central Johannesburg
- Majuba
- Boland
- West Coast
- College of Cape Town
- False Bay

- Flavius Mareka
- South West Gauteng
- Central Johannesburg
- Westcol
- Lephalale
- Goldfields
- Tshwane
- Ekurhuleni East
- Ehlanzeni Nelspruit

**The programme is of green baseline status with an achievement of 145%.**

### **3.5 Programme 5: Youth and Adult Language numeracy skills.**

The intention of this programme is to bring people onto the ladder of growth and personal fulfilment through adult education.

This programme refers to learners participating in Adult Education Training Programmes and Maths and Science bridging programmes. Maths and Science projects were implemented in partnership with the following stakeholders:

- Boland TVET College
- Nkungumathe Youth Development Forum
- University of the Western Cape
- Media Works

**The programme is of green baseline status with an achievement of 133%.**

### **3.6 Programme 6: Workplace Based Skills Development.**

This programme deals with mandatory grants payments to support large, medium and small companies. The process of developing a Workplace Skills Plan requires broad understanding and participation and, for proper implementation of these plans, appropriate systems, comprehensive policies and transparent and accountable collaborative processes between business and labour. Mandatory Grants seek to mobilise Workplace Skills Plans and encourage organisations to benefit from their levy payment.

**This programme is of green baseline status with an achievement of 124%** in terms of payments made against the annual targets of large, medium and small companies.

### **3.7 Programme 7: Support to Co-ops, Small Enterprises, NGO's, CBC's and, CBO's.**

This programme deals with support towards Co-ops, small business, NGO's / CBO's, CBC and worker initiated training. There are many communities both rural and urban that are severely stressed by a variety of social and economic hardships. CHIETA's Strategic Projects business unit works in these communities to render a variety of skills development services and support. This programme seeks to relieve the stresses in these communities and build support structures to enhance their welfare.

**This programme is of green baseline status with an achievement of 148%.**

### 3.8 Programme 8: Public Sector Capacity

This programme focuses on value-adding partnerships with the public sector in terms of skills development. Projects were concluded with the Free State Education Trust and the Department of Energy with bursary support.

**This programme is of green baseline status with an achievement of 100%.**

### 3.9 Programme 9: Career and Vocational Guidance

This programme focuses on the provision of career guides, learners receiving career guidance and partnerships with professional bodies on career and vocational guidance.

Career exhibitions were held at SCI-Bono Discovery Centre, Imbizo at Matlatsana in the North West, eThekweni municipality in KZN and False Bay FET College in the Western Cape. CHIETA also supported the “Learner Focus Week” Expo’s and implemented a strategic career exhibition on “The Decade of The Artisan” at the Majuba TVET College also in KZN. Career exhibitions were also carried out in partnership with Ugu Career Expo, Nkunzi Organisation for Disabled People, the Department of Labour and Mangosuthu University of Technology Careers Day 2016 exhibitions.

The main aim and goal of CHIETA’s Career Guidance Programme is to provide information and advice to learners so that they are in a position to make informed and intelligent career choices. To make such choices, learners need to have a good understanding of their own strengths, likes, dislikes and preferences in respect of the kind of work they might want to pursue after school. CHIETA is there to provide information as to what opportunities suit their personal profiles so that they can match their possible career preferences with the available opportunities.

**This programme is of green baseline status with an achievement of 111%.**

### 3.10 Programme 10: Medium Term Government Strategic Priorities

This programme focused on projects that CHIETA embarked upon in partnership with stakeholders, to address Medium Term Government priorities. The focus is on contributing to the building of cohesive, caring and sustainable communities. The focus of activity is on the effort undertaken to reach out and to serve the marginalised and under-represented groups.

Some of the projects that have been implemented through this programme are as follows:






- The implementation of the Coded Welding Skills Programme to support the SIPs programmes in Lephalale. This is in support of the Presidential Strategic Infrastructure Projects in SA.
- The scope has also been increased for SMME and NGO/Co-ops support through the CHIETA Voucher Scheme. This is in support of “unlocking the potential of SMMEs, co-operatives and township and rural enterprises” as articulated by Government.
- The focused SIPs programme for Chemical / Civil / Electrical / Industrial and Mechanical Engineers and CHIETA’s Artisan Trades such as Electricians, Millwrights, Boilermakers, Welders and Riggers is creating a sustainable pipeline for the South African National Infrastructure Plan.
- CHIETA and the South African Oil and Gas Alliance partnership for employment creation where artisan trainees and interns are placed in industry for workplace learning. CHIETA- funded Recognition of Prior Learning provides a second chance for artisan development for unemployed learners who missed out on training opportunities in the past.
- Funding of unemployed youth development programmes, rural cooperatives and support to learners living with disabilities.

**This programme is of green baseline status with an achievement of 100%.**





#### 4. Conclusion







In conclusion, CHIETA has as an excellent delivery record and has met or exceeded all targets in all 10 programmes of the Strategic Plan and Annual Performance Plan 2016/17 as well as in terms of the 2016/17 Service Level Agreement between the Governing Board and the Minister of DHET. CHIETA's CEO, Executive (CHIETA MANCO) and staff want to place on record their sincere appreciation of CHIETA's Governing Board, Board Committees (with special reference to the Governance and Strategy Committee), Employers and Stakeholders for their assistance, leadership and support during the 2016/17 financial year.

**The overall baseline is of green status with an achievement of 130%.**




PROGRAMME 1 ADMINISTRATION - Strategic Objective: D disciplined and transparent functioning of CHIETA business financial and governance frameworks							
Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status	Comments
1.1.1	Unqualified Audit Opinion	1	1	1	0		Unqualified Audit opinion with clean audit outcomes.
1.1.2	Effective functioning of CHIETA Governance and Constitutional structures	24	28	31	4		Target exceeded as per scheduled Governance meetings and engagements.
1.1.3	CHIETA annual budget balance 10% threshold	1	1	1	0		Target achieved and subject to final AGSA confirmation via final audit on financial statements.
1.1.4	Timeous payment of 0.5% to QCTO	4	4	4	0		Target achieved. Payments made quarterly to QCTO.
1.1.5	<b>Baseline</b>	<b>30</b>	<b>34</b>	<b>37</b>	<b>4</b>		<b>Baseline target exceeded.</b>




**PROGRAMME 2: RESEARCH AND SKILLS PLANNING - Strategic Objective: Implementing a total number of 51 interventions in support of a high quality SSP**

Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status	Comments
2.1.1	Annual WSP and ATR data analysis and reporting	1	1	1	0		The analysis commissioned through the WSPs & ATRs provides a profile of the Chemical Sector on Skills Development initiatives within industry
2.1.2	Number of research reports inclusive of Research Partnerships	10	10	10	0		Research Reports were achieved as a result of the Research Agenda commissioned by the Research and Skills Planning Unit
2.1.3	Number of Subsector Chamber Skills Plans	9	9	9	0		This was achieved through several chamber meetings where skills priorities were identified and conceptualised into subsector skills plans.
2.1.4	Track and Trace System for graduates (including all learning programmes) in sector	1	1	1	0		This was achieved as a result of the methodology used to populate learner data through strategic relationships with institutions and the active usage by SDFs of CHIETA companies. Thus the data management of the Supply-Side involves several key role players, HET and TVET institutions (providers) and active CHIETA company participants in recruiting and placing suitable learners.




PROGRAMME 2: RESEARCH AND SKILLS PLANNING - Strategic Objective: Implementing a total number of 51 interventions in support of a high quality SSP							
Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status	Comments
2.1.5	Updated and well researched SSP	1	1	1	0		This was achieved through the ongoing collaborations with CHIETA Stakeholders on submission of Board approved Sector Skills Plan to DHET.
2.1.6	Funding Support to 20 Master Graduates(in support of the Ministers target)	20	52	18	32		This was exceeded through strategic partnerships with industry through CHIETA Discretionary Grants Funding Windows.
2.1.7	Funding support to 3 Doctorates Graduates (in support of the Ministers target)	3	11	4	8		This was exceeded through strategic partnerships with industry through CHIETA Discretionary Grants Funding Windows.
2.1.8	Funding Support to 3 Post Doctorates (in support of the Ministers target)	3	3	4	0		This was achieved through strategic partnerships with industry through CHIETA Discretionary Grants Funding Windows.
2.1.9	Funding support to Industry and University partnerships	3	5	4	2		This was exceeded through industry and university partnerships through the CHIETA Discretionary Grants Funding Windows.
2.1.10	Baseline	51	93	52	42		Baseline target exceeded.




**PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Ensuring 18 881 learners are participating in Occupationally Directed Programmes**

Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status	Comments
3.1.1	Employed learnerships entered (Non Artisan)	1800	1848	1895	48		Target exceeded. This indicator was exceeded through the Discretionary Grants Funding Model. Member companies responded very favourably to this Funding Programme in enhancing productivity and performance within the Workplaces of the Chemical Industry.
3.1.2	Employed bursaries entered	270	340	309	70		Target exceeded. This was a direct result of the Discretionary Grant Programme that encouraged companies to provide bursaries to their employees.
3.1.3	Employed internships entered	110	110	110	0		Target achieved. This was a direct result of the Discretionary Grant Programme that encouraged companies to provide bursaries to their employees.




PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Ensuring 18 881 learners are participating in Occupationally Directed Programmes							
Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status	Comments
3.1.4	Employed Skills Programme entered	3400	3622	3933	222		Target exceeded. A strategic focus driven by the CHIETA within the Chemical Sector assisted in achieving and exceeding this indicator in providing specific work related and skills programmes for workers that could progress on the NQF and provide for upward mobility of positions within their workplaces. The impact of the recent DG cycle also assisted with the acceleration towards exceeding this target.
3.1.5	Employed learnerships are certificated (Non Artisan)	900	1006	1097	106		Target exceeded. This indicator was exceeded through the efforts of CHIETA Providers and the Learnerships Unit to accelerate the issue of certification of Learnerships.
3.1.6	Employed bursaries certificated	135	229	135	94		Target exceeded. This was a direct result of the Discretionary Grant Programme that encouraged companies to provide bursaries to their employees.





**PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Ensuring 18 881 learners are participating in Occupationally Directed Programmes**

Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status	Comments
3.1.7	Employed internship certificated	55	55	55	0		Target exceeded. This was a direct result of the Discretionary Grant Programme that encouraged companies to provide bursaries to their employees.
3.1.8	Employed Skills Programme certificated	1700	1968	2299	268		Target exceeded. This was exceeded through the Regional Strategy in terms of the Implementation timeframes. Member companies were encouraged to complete their implementation of their skills programmes and this resulted in a significant increase in certification of learners.
3.1.9	Unemployed learnerships entered (Non Artisan)	2300	2956	3916	656		Target exceeded. This indicator was exceeded through the Discretionary Grants Funding Model. Member companies responded very favourably to this Funding Programme in enhancing productivity and performance within the workplaces of the Chemical Industry.






PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Ensuring 18 881 learners are participating in Occupationally Directed Programmes						
Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status
3.1.10	Unemployed bursaries entered	450	842	1058	392	 Target exceeded. This was a direct result of the Discretionary Grant Programme that encouraged companies to provide bursaries for unemployed learners.
3.1.11	Unemployed internships / Workplace Experience entered	550	824	617	274	 This indicator was exceeded through the Discretionary Grants Funding Model where member companies responded favourably to provide internship programmes for the unemployed learners.
3.1.12	Unemployed skills programme entered	1500	2165	2859	665	 Target exceeded. A strategic focus driven by the CHIETA within the Chemical Sector assisted in exceeding this indicator in providing specific work related and skills programmes for unemployed learners that could progress on the NQF and provide for mobility into employment. The impact of the recent DG cycle also assisted with the acceleration toward exceeding this target.







**PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Ensuring 18 881 learners are participating in Occupationally Directed Programmes**

Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status	Comments
3.1.13	Unemployed learnerships certified (Non Artisan)	1150	2181	1416	1031		Target exceeded. This indicator was exceeded through the efforts of CHIETA Providers and the Learnerships Unit to accelerate the issue of certification of Learnerships.
3.1.14	Ensuring 225 Unemployed bursaries certified	225	623	249	398		Target exceeded. A strategic project set up by CHIETA encouraging unemployed young learners pursuing chemical related courses / careers within the Chemical Sector. In the recent engagements with DHET, the SETAs were requested to further strengthen investment in this area given their affordability frameworks
3.1.15	Unemployed internships / Workplace Experience certified	275	541	276	266		Target exceeded. CHIETA Employers were encouraged to meet the implementation timeframes for completion and certification for their unemployed learners.






PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Ensuring 18 881 learners are participating in Occupationally Directed Programmes							
Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status	Comments
3.1.16	Unemployed skills programmes certified	750	1013	1918	263		Target exceeded. The positive response from member company’s implementation and project management within the time frames of various skills programme projects resulted in positive completion and certification.
3.1.17	Artisan entered	1800	1824	1864	24		Target exceeded. The Discretionary Grants Funding Model prioritised this programme. The prioritised SIPs Programmes also contributed to exceeding this indicator.
3.1.18	Artisan are certified	461	905	792	444		Target exceeded. The support from the National Artisan Moderating Body (NAMB) assisted CHIETA in exceeding this target.
3.1.19	Work Integrated (HET) entered	150	193	232	43		Target exceeded. The Discretionary Grants Funding Model prioritised this programme. The prioritised SIPs Programmes also contributed to exceeding this indicator.




**PROGRAMME 3: OCCUPATIONALLY DIRECTED PROGRAMME - Ensuring 18 881 learners are participating in Occupationally Directed Programmes**

Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status	Comments
3.1.20	Integrated Learning (HET) are completed	75	147	142	72		Target exceeded. The Discretionary Grants Funding Model prioritised this programme. The prioritised SIPs Programmes also contributed to exceeding this indicator.
3.1.21	Candidacy Programmes entered	25	30	31	5		Target exceeded. The Discretionary Grants Funding Model prioritised this programme. The prioritised SIPs Programmes also contributed to exceeding this indicator.
3.1.22	Candidacy Programme Completed (3 year programme)	N/A	N/A	N/A	N/A		This is a 3 year programme. Certifications will only be reported in 2019.
3.1.23	Recognition of Prior Learners	800	924	1362	124		Target exceeded. The Discretionary Grants Funding Model prioritised this programme. The prioritised SIPs Programmes also contributed to exceeding this indicator.
3.1.24	Baseline	18 881	24 346	26 565	5 465		Baseline target exceeded.



PROGRAMME 4: TVET COLLEGE PROGRAMME - Providing support to 1241 learners from TVET/CHIETA collaboration with learner and lecturer beneficiaries							
Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status	Comments
4.1.1	TVET Graduate Workplace Experience entered	750	770	937	20		Target exceeded. This indicator was exceeded through the Regional Partnership Agreements through the Discretionary Grants Funding Model.
4.1.2	TVET Graduate Workplace Experience learners completed	375	891	423	516		Target exceeded. This target also was exceeded through the TVET's implementation Plan for completion of placements.
4.1.3	TVET College partnerships	18	19	20	1		Target exceeded. CHIETA responded to a Discretionary Grant application in partnership with Public TVET Colleges.
4.1.4	TVET lecturers for Management Capacity Building entered	65	69	175	4		Target Exceeded. TVET responded Colleges responded to the Discretionary Grant Funding Model to enhance capacity building of lecturers
4.1.5	TVET lecturers Capacity Building completed	33	48	171	15		Target Exceeded. TVET Colleges responded to the Discretionary Grant Funding Model to enhance capacity building of lecturers
4.1.6	Baseline	1241	1797	1726	556		Baseline target exceeded.






**PROGRAMME 5: LOW LEVEL YOUTH AND ADULT LANGUAGE AND NUMERACY SKILLS - Strategic Objective:  
Providing support to 640 learners participating in AET, ABET and bridging programmes**

Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status	Comments
5.1.1	Number of learners in ABET/AET entered	250	431	427	181		Target exceeded. This was a focus area in CHIETA's Discretionary Grants Funding Model and CHIETA's Strategic Plan that resulted in positive participation and achievement from CHIETA stakeholders.
5.1.2	Number of learners in ABET/AET programmes certified	125	157	282	32		Target exceeded. This was a focus area in CHIETA's Discretionary Grants Funding Model and CHIETA's Strategic Plan that resulted in positive participation and achievement from CHIETA stakeholders.
5.1.3	Provide funding support to 200 learners in Science and / or Maths Bridging Programmes (Second chance /NEET)	200	200	210	0		Target achieved. This was a focus area in CHIETA's Strategic Funding Model that resulted in positive participation and achievement from the partnership with FET Colleges and Universities.
5.1.4	Number of learners assisted with matric to obtain university entrance	65	65	70	0		Target achieved. This was a focus area in CHIETA's Strategic Funding Model that resulted in positive participation and achievement from the partnership with FET Colleges/ Universities and member companies.
5.1.5	Baseline	640	853	989	213		Baseline target exceeded.

PROGRAMME 6: WORK PLACE BASED SKILLS DEVELOPMENT - Strategic Objective: Provide Mandatory Grants to 694 firms in workplace training and levy paying companies							
Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status	Comments
6.1.1	Mandatory Grants paid to 114 large firms	114	136	131	22		CHIETA embarked on extensive Regional Skills Forums, road shows and national interventions to encourage member companies to participate. The online process of the submission of WSPs and ATRs encouraged member companies to participate and yielded positive results.
6.1.2	Mandatory Grants paid to 150 medium firms	150	182	163	32		CHIETA embarked on extensive Regional Skills Forums, road shows and national interventions to encourage member companies to participate. The online process of the submission of WSPs and ATRs encouraged member companies to participate and yielded positive results.
6.1.3	Mandatory Grants paid to 300 small firms	300	407	367	107		CHIETA embarked on extensive Regional Skills Forums, road shows and national interventions to encourage member companies to participate. The online process of the submission of WSPs and ATRs encouraged member companies to participate and yielded positive results.




**PROGRAMME 6: WORK PLACE BASED SKILLS DEVELOPMENT - Strategic Objective: Provide Mandatory Grants to 694 firms in workplace training and levy paying companies**

Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status	Comments
6.1.4	Provide funding support to 130 SETA/Employer participation	130	134	130	4		Target exceeded. This indicator was exceeded through the Discretionary Grants Funding Model. Member companies responded very favourably to this Funding Programme in enhancing productivity and performance within the Workplaces of the Chemical Industry.
6.1.4	Baseline	694	859	791	165		Baseline target exceeded.

PROGRAMME 7: SUPPORT TO CO-OPS, SMALL ENTERPRISES, NGO's, CBO's, CBC's AND WORKER INITIATED / COMMUNITY TRAINING INITIATIVES - Strategic Objective: Provide funding support to 166 Coops, NGOs, CBOs, small businesses and worker initiated training initiatives							
Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status	Comments
7.1.1	Number of 30 Co-ops supported	30	72	73	42		Target exceeded. This was a prioritised Rural funding model that encouraged co-ops to participate through CHIETA's Strategic Projects. This programme was also implemented within the framework of the actual outcomes of one of the NSDS III strategic goals.
7.1.2	Number of small business supported	95	111	98	16		Target exceeded. The Discretionary Grants Funding Model encouraged especially small businesses to participate and this resulted in exceeding the target.
7.1.3	Number of NGO/ CBO's/ CBC's supported	36	58	34	22		Target exceeded. This was a prioritised Rural funding model that encouraged co-ops to participate through CHIETA's Strategic Projects in particular through the Training Voucher Scheme.
7.1.4	Number of worker initiated training interventions supported	5	5	5	0		Target achieved. Target achieved through the Regional Outreach Strategy for Skills Development Committee support.
7.1.5	Baseline	166	246	210	80		Baseline target exceeded.

**PROGRAMME 8: ADMINISTRATION AND PUBLIC SECTOR CAPACITY - Strategic Objective: One intervention planned to build public sector capacity**


Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status	Comments
8.1.1	Number of one public sector partnership	1	1	2	0		Target Achieved
8.1.2	Baseline	1	1	2	0		Baseline target achieved.

PROGRAM 9: CAREER AND VOCATIONAL GUIDANCE -Strategic Objective: Ensure a total of 19 career guidance interventions / events are planned and implemented						
Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status
9.1.1	Number of career guides inclusive of Maths and Science guide	1	1	1	0	 Target achieved through the development of the Scarce and Critical Skills Guide.
9.1.2	Number of career guidance events	6	7	10	1	 Target exceeded due to the National call by DHET to participate in Career Guidance Expos and workshops. This was also one of the prioritised funding areas within the Discretionary Grants Funding Programme and specific attention was given to Maths and Science Career Guidance Programmes with positive uptake and feedback from stakeholders.
9.1.3	Provide funding support to Rural Development Projects planned and implemented projects	9	10	11	1	 Target exceeded. This indicator was exceeded through the Strategic Funding Model. Member companies responded very favourably to this Funding Programme in enhancing productivity and performance within the Workplaces of the Chemical Industry.

**PROGRAM 9: CAREER AND VOCATIONAL GUIDANCE -Strategic Objective: Ensure a total of 19 career guidance interventions / events are planned and implemented**

Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status	Comments
9.1.4	Maintain the annual partnership support to 3 annual professional bodies in vocational and career guidance	3	3	3	0		Target achieved through the focal areas of the CHIETA Research and Skills Planning agenda.
9.1.5	Baseline	19	21	25	2		Baseline target exceeded.

**PROGRAMME 10: MEDIUM TERM STRATEGIC PRIORITIES - Strategic Objective: To construct and deliver on quality and strategic projects in support of Macro Government Priorities**

Performance Indicator		Planned Target 2016/17	Actual Achievement 2016/17	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2016/2017	Status	Comments
10.1.1	Number of projects in support of Governments medium term strategic priorities	10	10	11	0		Target achieved
10.1.2	Baseline	10	10	11	0		Baseline target achieved.

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## Part C: Research and Skills Planning



## 1. INTRODUCTION

In 2011, the introduction of the National Skills Development Strategy (NSDS) III placed greater emphasis on research and analysis and mandated SETAs to become authoritative voices on skills planning in the respective industrial sectors. In response and alignment to this strategic guidance document and recognising the importance of sound research in guiding decision making, CHIETA formally established and capacitated the Research and Skills Planning unit.

Research within both CHIETA and the industry plays a critical role in skills planning, stakeholder's engagement and consultation, needs identification and priority setting.

Goal number 1 of the NSDS III focuses on establishing a credible institutional mechanism for skills planning. Central to the realisation of this goal is the need for quality and timely data and information from the industry. This data can be analysed and supplemented by credible research alluding to skills needs and priorities and a strategic direction for the sector.

Research within CHIETA is guided by its Research Policy Framework and Strategic Research Agenda approved by the Accounting Authority. The purpose of this policy framework and research agenda is to guide the implementation of research in areas of strategic importance.

Those areas, as approved by the Accounting Authority, are themed in research agenda covering core labour market research, Technical Vocational Education and Training (TVET), Work Integrated Learning (WIL), Impact Assessments and Sustainability and Socio-Economic Development.

## 2. THE ROLE OF GOVERNANCE STRUCTURES IN SKILLS PLANNING

CHIETA's governance structures, inclusive of stakeholder constituencies, are central to skills planning as well as the development and finalisation of the SSP Update, Strategic Plan and Annual Performance Plan.

The Accounting Authority sets the strategic direction for CHIETA and provides effective leadership in order to ensure that CHIETA implements the goals of the NSDS and its Performance Agreement with the Minister, whilst the Accounting Authority's Governance and Strategy Committee (GSC) oversees the skills planning and reporting processes.

Their responsibilities include:

- overseeing CHIETA's Sector Skills Planning process and research agenda,
- informing and guiding CHIETA on relevant scarce, critical and priority skills for the chemical industry,
- overseeing CHIETA's strategic planning process in terms of its strategic focal areas in support of the SSP, also based on industry needs,
- overseeing organisational performance and monitoring of deliverables against the SSP, Strategic Plan and Annual Performance Plan.

The Chairperson of the Governance and Strategy Committee has been delegated by the Accounting Authority to approve CHIETA's SSP which is then ratified at the next Governing Board meeting. The unfolding of these processes is reported to the Governing Board at each of its meetings on an on-going basis, bearing in mind that the Board approves the SSP development and progress in all of its meetings.

The functional work of the GSC is carried out by the Research and Skills Planning Committee (RSPC). This is a GSC subcommittee set up for this purpose comprising of five chairpersons of the CHIETA chambers. The core mandate of the Research and Skills Planning Committee is skills planning. The chambers represent all nine economic subsectors in the chemical sector.

The functions of the Research and Skills Planning Committee are as follows:

- To advise and recommend CHIETA's research agenda and oversee relevant research projects undertaken by CHIETA in respect of the CHIETA SSP'
- To receive and discuss reports from the Chambers on skills needs and priorities within the sector'
- To advise CHIETA on scarce occupations/skills and critical skills for the chemical sector'
- To support and advise CHIETA on the Qualifications Framework/Matrix by identifying priority areas for learning programme development'
- To monitor the implementation of the Sector Skills Plan'
- To review and make recommendations on the SSP process to the Governance and Strategy Committee and seek Board mandates on the SSP through the Governance and Strategy Committee.

The five Chambers have played a central role in skills planning in line with their constitutional mandate. These chambers are made up of nine sectors namely, Petroleum and Base Chemicals, Fast-Moving Consumer Goods and Pharmaceuticals, Explosives and Fertilisers, Speciality Chemicals and Surface Coatings and Glass. The chambers consist of employers, trade unions, government departments (DTI and Department of Energy) and critical interest groups and meet at least quarterly to carry out their mandate.

The role of the Chambers is:

- To consult with the nine sub-sectors of the Chemical Industry in areas of skills development and planning. The objective of such consultation is to compile the SSP for the sector taking into consideration areas of skills demand, skills supply and scarce and critical skills that inform the strategic plan,
- To facilitate and participate in the development of the SSP reflecting the skills requirements of industry by sector and sub sector,
- To submit a Chamber Skills Plan, advise on the Qualifications Framework/Matrix aligned to the OFO and contribute to a critical/scarce skills list for the relevant sub-sector(s),
- To monitor the implementation of the Chamber Skills Plan in support of SSP,
- To identify and assist with, where possible, relevant research projects undertaken by CHIETA in support of the SSP,
- To review the SSP process and make recommendations to Governance structures via the Research and Skills Planning Committee to the GSC.

### 3. THE SECTOR SKILLS PLAN UPDATE 2016/17

In 2016/17 CHIETA again achieved its mandate and developed and submitted to the Department of Higher Education and Training (DHET), the Sector Skills Plan (SSP) Update for the Chemical Sector for the period 2018 to 2023.

The Sector Skills Plan Update, endorsed by CHIETA's Board, was prepared in accordance with the National Skills Development Strategy (NSDS) III for the period 2011 to 2016, and guided by the DHET's SSP Framework and Requirements (2011 to 2016). In the third year of its implementation, this policy guiding document is assisting in achievement of the standardisation of SSPs developed by the SETAs and aims to enhance the accessibility of these strategic documents by all stakeholders within the sectors. Relevant legislation, strategies and debates around skills development have been considered in the update of the SSP. This included sector-specific and broader national imperatives related to the growth and development of the economy, including the Grant Regulations.

The purpose of the SSP Update is to guide and inform skills-development initiatives in the Chemical Industry annually. The report is the result of not only a well-researched process, but also extensive stakeholder consultation particularly via CHIETA's chambers. CHIETA stakeholders took ownership of this plan and committed themselves to working with CHIETA in the next five years to address skills-development priorities in the Chemical Sector and to achieve the goals and objectives set out in the SSP. As the plans become operational, annual revisions and updates were undertaken to ensure alignment with sector relevant government policies and growth plans.

As part of its skills-development planning function CHIETA, on an annual basis collects data from employers on occupations that they consider to be scarce. The information on scarce skills was obtained by analysing the results set out in the Scarce-Skills Table of the WSPs-ATRs submitted for the year 2016-2017, and in discussion within the chambers. At the end of March 2017, the Chemical Industry employed 12,243 people in 119 designated trades. The largest group of artisans was mechanical fitters (1,683), followed by millwrights (1,286) and fitters and turners (1,136). At the same time, there were 14,075 employees in the Chemical Industry working in occupations identified on the OFO 2015 as 'green'. The largest occupational group was Sales Representatives (Medical and Pharmaceutical Products) employing 3,117 followed by Production / Operations Manager (Manufacturing), employing 2,140 personnel.

Following the analysis of reported skills shortages, it is imperative that stakeholders are consulted in order to nuance the reported information and to better understand it. This is an important aspect of skills planning within CHIETA as numbers and lists have to have context. Based on the scarce skills and incorporating relevant factors and variables, CHIETA has developed a pivotal/priority skills list that, once endorsed by the Accounting Authority, is submitted to the DHET.

#### 4. RESEARCH PROJECTS FOR 2016/17

To supplement the SSP update processes and to implement CHIETA's Research Agenda, the following research projects were commissioned in 2016/17:

No	Research Agenda Theme	Objective	Research Title
1	Sustainability and Socio-economic development	To investigate sustainable economic development projects in the chemical sector that communities can benefit from, for the update and revision of CHIETA's rural and community development strategy.	Rural and community development
2	Relevant technical and innovation research to advance the chemical sector	To identify new growth areas for the chemical sector and the skills implications. A study that takes a futurist look into the chemical sector to identify opportunities.	Growth opportunities in the chemical sector
3	Impact Assessment	Development of a CHIETA Impact Assessment model and assessment of CHIETA interventions at two TVET colleges (Flagship projects).	Impact evaluation framework and application to CHIETA's pilot flagship projects
4	Core Labour Market	A study to investigate the proper / most appropriate demarcation of the chemical sector.	Chemical Sector demarcation
5	Sustainability and Socio-economic development	The purpose of the study is to establish where markets exist for the products already being produced and to determine markets for SMMEs in the sector.	Study on Product-fit opportunities for value chain participation by SMMEs in the Chemical Sector
6	Sustainability and Socio-Economic Development (Strengthen the Human Resources and Skills Base)	The aim of the project is to improve student understanding on research methods and consolidate their understanding on the ability to perform scientific fact-findings. Upon completion of the project, students can independently perform a research proposal, methodology, and interpret data and discuss results.	Production of Bio-Oil from the pyrolysis of sewage sludge and low rank coal materials

No	Research Agenda Theme	Objective	Research Title
7	Sustainability and Socio-economic development	The object of this study is to respond to the global and national green agenda, to the drive towards sustainability and to the need to strengthen SA's green skills planning systems.	Green Skills in the South African Petroleum and Base Chemicals subsectors
8	Sustainability and Socio-Economic Development (Strengthen the Human Resources and Skills Base)	The overall objective of the project is to provide students with knowledge in the field of Toxicological Sciences and Health Risk Assessment, and advance the field's research capacity nationally.	Development of research capacity in Toxicology and Health Risk Assessments in South Africa
9	Relevant technical and innovation research to advance the Chemical Sector	Reverse engineering of ARV API chemical synthesis processes based on published patents.	Project Ketlaphela
10	Sustainability and Socio-Economic Development (Strengthen the Human Resources and Skills Base)	To deliver knowledgeable graduates at MSc level in Oil and Gas engineering who can be involved in the Karoo shale gas development, contribute to the development of PetroSa offshore and to the Oil and Gas sector of the southern region.	Development of research capacity in the Oil and Gas sector in South Africa

CHIETA's latest career guide is informed by CHIETA's comprehensive Occupational Handbook and its qualifications matrix. The handbook and the qualification matrix are updated bi-annually and will be updated in 2017. CHIETA continues to support companies to improve the accuracy and quality of data for the next WSP-ATR and PIVOTAL report cycle.

In order to report impact holistically and across interventions, CHIETA has developed the Skills Supply and Demand Database (SSDD) to match the supply and demand in the chemical sector. This user-friendly web-based platform has three objectives, namely:

- To assist our member companies in the Chemical Sector to match their needs with appropriately qualified graduates.
- To create a platform for students and graduates in order to assist them in seeking work and gaining experience in the Chemical Industry in occupations that match their qualifications and interest.
- To evaluate and measure the impact through tracking and tracing the placement of students and graduates in the Chemical Industry.

The SSDD has been well received in the sector and the database, as well as participation from both the supply and demand sides of the chemical sector, is growing.

## 5. BUILDING PARTNERSHIPS

A partnership can be defined as an arrangement where parties, in the SETA's case, stakeholders, agree to cooperate to advance their mutual interests. The NSDS III suggests that SETAs should improve the linkages between themselves and universities, colleges and employers. This includes promoting training to meet the needs of both public and private industry employers and increased university research collaboration with industry. Partnerships should also be extended to building international links as well as supporting the role of communities in planning and delivering local employment and skills support services.

CHIETA has fully embraced this partnership approach and has seen the value in the implementation of skills development projects and interventions utilising this partnership approach. The success of CHIETA can be largely contributed to the functioning and successful partnerships across the skills development value chain.<sup>1</sup>

<sup>1</sup> CHIETA includes signed Memorandum of Agreements with 38 TVETs, UoTs and Universities.

Traditionally, partnerships have been viewed mainly as comprising funding from the SETAs however, in recent years, CHIETA has adopted a far more collaborative approach and has engaged stakeholders in various ways.

### THE CHIETA PARTNERSHIP MODEL

CHIETA utilises a structured approach that provides a way to leverage the unique skills and expertise of each stakeholder. Stakeholders with shared interests and mutual benefits are brought together to achieve alignment while CHIETA acts as the coordinator, funder, and facilitator in the process. The advantage of the model is that it leads to the correct identification of supply-side and demand-side needs and to fit-for-purpose projects and project outcomes. The role played by CHIETA's constitutional structures and stakeholders in the skills planning process and "hard-to-fill" vacancies identification, forms part of the successful partnership model for skills planning. CHIETA's governance structures including stakeholder constituencies, are central to skills planning, including the development and finalisation of the SSP Updates, Strategic Plans and Annual Performance Plans.

### EXISTING PARTNERSHIPS

CHIETA has partnerships with stakeholders across the skills development value chain. A few successful projects implemented utilising this approach are singled out for purposes of this chapter. Partnerships that depict linkages with other SETAs, programme delivery partnerships, and industry / institution partnerships are reported on. For the 2015/16 skills development year the SETA had existing Memorandums of Agreement for skills development interventions and implementations with 11 Universities in the Eastern Cape, Free State, Gauteng, Limpopo, Northern Cape and the Western Cape.

Support at university level is mainly in research, graduate and post-graduate funding. CHIETA is also establishing relationships with new universities in the Northern Cape and Gauteng while partnerships currently exist with 5 Universities of Technology (UoTs) in Gauteng, Kwa-Zulu Natal and the Western Cape. The support offered includes undergraduate and graduate support, customised capacity building of existing industry employees and stakeholders and work integrated learning. CHIETA has a presence in all 9 provinces in South Africa and partners with 28 TVET colleges. TVETs in provinces with the most employment in the industry, are accredited as trade test centres and offer CHIETA approved learning programmes.

#### Industry Institution Partnerships

The Industry / Institution model is the most prominent within CHIETA. Industry / Institution occurs at various levels, and at the conceptual phase, should exhibit mutual benefits for involved stakeholders. The partnership can be for curriculum design and development, training and skills development, research, technology development and transfer.

The Chemical Industry, through research and stakeholder engagement, highlighted their skills development needs and associated challenges faced. Some of the supply-side challenges were the quality of education at school level, the capacity of TVET colleges to deliver technical courses, and the shortage of learners with good maths and science grades to undertake a Chemical Industry qualification at tertiary institutions.

Within CHIETA, the industry /institution model found prominence largely due to the commitment and participation of role players to find solutions to problems and challenges in skills development. As previously stated, the model leverages on the unique skill-sets and expertise of the different stakeholders for mutual benefit.

The model had been tested with key flagship projects that saw CHIETA responding to industry specified skills needs, starting with the SIPs 1 project in Lephalale that trained coded welders in 2014 and the CHIETA – SASOL – Flavius Mareka TVET intervention in the Free State in 2015. The model has been extended to other projects and is the main delivery model for CHIETA projects.

In 2016/17 CHIETA had three new industry institution partnerships:

- Wits University - Oil and Gas Industry in delivering knowledgeable, MSC level Post Graduates in Oil and Gas Engineering who will be involved in Shale Gas Fracking.
- Pelchem – University of Pretoria – Pharmaceutical Industry in carrying out laboratory research on the improvements in the synthesis of DTG and TAF as per the patents routes of GSK/Pfizer and Gilead.
- University of Pretoria – Toxicology South Africa - Pharmaceutical and FMCG Industry in providing postgraduate students with knowledge in the fields of toxicology and health risk assessment.

### Linkages with other SETAs

CHIETA has been participating in the Operation Phakisa Ocean's Economy leg since 2015. This leg focuses on four key areas, namely, Aquaculture, Oil and Gas Exploration, Marine Transport and Manufacturing and Marine Protection and Governance.

CHIETA is part of the DHET's and the South African International Maritime Institute's (SAIMI) multi-stakeholder Skills Initiative Working Groups established to ensure an effective response to skills development needs in order to grow the ocean economy. The mandate of the Skills Initiative Working Groups is to co-ordinate the implementation of the maritime skills development initiatives in the 3-year plans of each of Operation Phakisa Oceans Economy delivery units.

CHIETA is actively involved in the Oil and Gas Exploration and the Manufacturing Skills Initiative Working Groups. The working groups were tasked with developing the skills strategy roadmaps for industry and governance based activities related to the project life cycle. The skills strategy roadmaps were to include the mechanism for knowledge generation and human capacity building, which, among other things, could be achieved through the establishment of university research chairs. The Oil and Gas Exploration working group identified the need for the establishment of such a Research Chair to drive knowledge generation, human capacity building and transformation within the Oil and Gas industry.

CHIETA, in collaboration with SAIMI, the Energy and Water Sector Education and Training Authority (EWSETA) and the Transport Education and Training Authority (TETA) are co-funding and supporting the establishment of the Oil and Gas Research chair in line with South African Research Chairs Initiatives (SARChI) protocols. The objectives of the Research Chair are to:

- Promote an integrated system of research, research training, information and documentation in the Oil and Gas field,
- Develop human capital for research and innovation,
- Develop and strengthen research and innovation platforms / programmes,
- Facilitate research and research related collaboration / partnerships between international researchers and the teaching staff of the university in the specific faculty and furthermore, facilitate collaboration for local technical skills development,
- Drive related oil and gas knowledge generation through research and development,
- Develop a collaborative maritime R&D strategy in collaboration with the local and international oil and gas industry,
- Facilitate the localisation and transfer of new technology for DST/the DTI application in the South African and regional oil and gas industry,
- Create research career pathways for young and mid-career researchers, with a strong research, innovation and human capital development output trajectory.

CHIETA's partnerships with the University of the Witwatersrand School of Education's Centre for Researching Education and Labour (REAL) and MerSETA drew to a close in March 2017. This strategic SETA-university research partnership project was to implement a new masters, doctoral and post-doctoral programme under the title of Sectors, Skills and Economic Evolution in South Africa. This cross-sectoral collaboration was aimed at promoting partnerships for both sectoral and national interests. The REAL post-graduate education and training programme is developing a number of highly skilled people with skills in formulating industrial policy and defining skills development strategies for key industries in the economy. The project prioritises the following sectors:

- Advanced manufacturing for nuclear, advanced materials and aerospace.
- The green economy, renewable energy and bio-fuels.
- Mining and technology innovation.
- Agriculture and agro-processing.
- Chemicals and the fluoro-chemical sub-sector, plastics and pharmaceuticals.
- Metals fabrication, capital and transport equipment sectors and ‘fleet<sup>2</sup>’ procurement.
- Automotive products and components, and medium and heavy commercial vehicles.
- Clothing, textiles, footwear and leather.
- Forestry, paper, pulp and furniture as chemical processes.
- Cultural industries.

The project aims to develop:

- Expertise in priority sectors in the national economy.
- Planning skills and skills in drafting medium to long-term growth strategies for key sectors of the economy.
- Understanding the importance of ‘partnerships’ between education and training institutions and industry players in the development of the economy.

A total of up to 8 sectoral dissertations produced over a period of two to three years will provide an important source of strategic intelligence for the SETAs and nationally for the skills planning community, contributing to future Sector Skills Plans. In addition, the chemical-related sectoral studies will provide valuable TVET information on “firm-level learning”.

### Outputs of the partnerships

CHIETA prides itself on its achievements and impact as a sector education and training authority and as a value adding business partner to the Chemical Industry in South Africa. Through sustained partnerships with our stakeholders, skills development interventions contributed to continuously capacitating the various occupational groups within the sector. This ensured that the supply was sufficient to contribute to the sustainability and competitiveness of the industry on a nationally and global level.

CHIETA’s performance in 2016/2017 reflects the great success of CHIETA partnerships across the skills development value chain. However, areas of improvement in the existing partnerships with institutions were highlighted by stakeholders and identified through research, such as the need for more synergy between companies and institutions.

The role of industry in partnerships is critical and more involvement and commitment by employers is needed and is being encouraged and supported. Leaders in industry must take the initiative in addressing the perceived shortcomings of institutions’ skills development. The quality of delivery at institutions is of particular interest to the stakeholders and the understanding of the industry is critical. One of the ways to improve this is to bring lecturers to workplaces during school holidays in order to gain practical work experience and to understand the dynamics and pressures of a live workplace. Such interventions are important for the effective functioning of institutions and improving quality.

### Partnerships with new Universities and TVET Colleges

CHIETA is deepening and expanding the established partnerships with Sol Plaatje University and the Northern Cape Rural TVET College for the training of artisans in the Northern Cape Province and with Sefako Makhatho and the University of Mpumalanga in the North West and Mpumalanga Provinces. CHIETA is continuing to mobilise potential host companies who will provide workplace training for artisans in this project.

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2 A number of vehicles or aircraft operating together or under the same ownership

### Provincial and local government partnerships

Partnerships are in progress to forge collaboration with provinces and local government on institutional delivery models such as the West Coast Corridor Development that includes skills development support for the Saldanha Bay IDZ and the Coega IDZ. For the 2016/2017 financial year, CHIETA focused its attention on local municipality support from the Mogale City, Ditsobotla, Beaufort West, and Oudshoorn municipalities.

### Operation Phakisa

Support for Operation Phakisa Ocean's Economy is in progress with CHIETA being part of the Oil and Gas Exploration and Manufacturing Skills Working Groups. The oil and gas working group has finalised the skills roadmap, charting out skills needed for growing the oceans economy. Support for Operation Phakisa will focus on undersea explorations, on providing artisanal skills for the maintenance of equipment, on the training of engineers and on occupation health and safety related interventions. CHIETA is already contributing to the skills gaps needed for offshore oil and gas exploration.

### Partnership with the Department of Energy and NECSA

A partnership is currently in progress with the Department of Energy and NECSA for the development of skills related to the Nuclear Build Programme, including the '*nuclearisation*' of existing skills to meet future skills needs requirements. The focus is on nuclear application and not power generation, which is the responsibility of Eskom. High level meetings have been held where the skills-needs for the programme were presented and possible areas of support and collaboration were identified. There is also ongoing communication with the leadership of NECSA and the DoE.

## NEW PARTNERSHIPS

In 2011, one of CHIETA's main strategic objectives was the strengthening and expansion of partnerships, this in response to the goals of NSDS 3. Over the last few years, CHIETA has enjoyed great success in this regard and has prioritised new partnerships that innovatively advance the skills development mandate, take forward the objectives of the national skills development strategy and enrich the post-school education and training sector. Industry/institutional partnerships are of great importance.

### Gert Sibande TVET College and CHIETA Partnership

CHIETA sponsored R700,000 towards the Decade of the Artisan Programme. This event was hosted in March 2017 at Gert Sibande TVET College. The target audience for this event was school learners from grade 9 to 12, teachers and TVET students.

A workshop was held at the college, where Local Community Development Workers, Life Orientation Educators and Student Support Services were capacitated to become Artisan Development Ambassadors. Assisting members of their communities to become artisans has been identified as a priority for skills development and these Artisan Development Ambassadors were awarded Letters of Recognition.

The Decade of the Artisan came into existence as a result of the lack of qualified artisans in the country in order to sustain industries and support economic growth, prompting the DHET ministry to identify it as a priority area for skills development. It is a continuation of the 2013 year of the artisan programme and has and will be rolled out from 2014 to 2024. The programme aims to create awareness of artisan trades amongst learners in grades 9-12 as part of DHET's career guidance programme.

In addition, CHIETA has engaged employers to ensure that more workplaces are made available for artisan learners and to support their local colleges. The National Development Plan indicates that by 2030 the country should be producing 30,000 Artisans per year.

**Objectives of Decade of Artisan are:**

- to promote artisanship as a career of choice among the upcoming youth,
- to further professionalise artisanship by skilling existing artisans,
- to give cognisance to the Recognition of Prior Learning (RPL) for artisans.

**Free State Education Trust**

CHIETA partnered with The Free State Department to honour the top 100 matriculants from the top performing Secondary Schools in the Free State province.

The categories of awards for the top performers are as follows:

- Top achievers on merit.
- Top achievers from previously disadvantaged communities.
- Top achievers in home language.

This partnership has been in existence for the last three years and includes Bursary funding for top performers to undertake scarce and pivotal skills.

CHIETA is focusing on expanding and deepening existing and new projects and continues to refine CHIETA partnerships and delivery models as part of the process.

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## Part D: ETQA



## 1. BACKGROUND TO QUALITY ASSURANCE ON NQF RELATED TRAINING IN THE OCCUPATIONAL SETTING

The Skills Development Amendment Act of 2008 established the 3rd Quality Council, the QCTO (Quality Council for Trades and Occupations) as a juristic person. Thereafter, on 30 September 2012, SAQA Education and Training Quality Assurance (ETQA regulations No. 1127) came to an end. On 01 October 2012, the QCTO delegated its Quality Assurance functions, in accordance with section 26I of the Skills Development Act 1998 as amended, to SETAs and various professional bodies. These quality assurance bodies (ETQAs) are now called Quality Assurance Partners (QAPs) and are responsible inter alia for ensuring the quality of delivery of legacy qualifications.

NB: Legacy qualifications are those occupational qualifications registered on the NQF by SAQA prior to June 2012. The QCTO remains responsible for ensuring that occupational standards and assessment integrity are upheld.

SAQA's role has therefore changed and it is now no longer providing quality assurance for occupational standards and assessments..

## 2. THE ROLE OF THE QUALITY ASSURANCE PARTNER (QAP)

The QCTO requested SAQA to re-register occupational related qualification of the various QAPs for a period of 3 years followed by a 2 year 'teach out' period. In this regard the QCTO also approved that the then SAQA accredited ETQAs would be authorised to continue to perform a number of the quality assurance functions contained in the ETQA regulation, as determined and guided by the QCTO. These interventions by the QCTO have facilitated the maintenance of the current quality assurance system until such time that the legacy qualifications expire and the QCTO processes are ready to be implemented. CHIETA's QAPs subsequently proceeded to oversee the implementation of learnerships within the chemical sector.

The following table provides enrolment of learners who embarked on a Learnership and Artisan programme for the year 2016-2017.

### Learner Enrolment Related Achievements

Indicator	Target	Achieved	Variance	% Achievement
Artisan Entered	1 800	1 824	24	101%
Learnerships Unemployed Entered	2 300	2 956	656	129%
Learnerships Employed Entered	1 800	1 848	48	103%

CHIETA's ETQA performed its QAP functions and provided support and evaluated providers and workplaces so that they can provide education and training to the existing workforce of the chemical industry or pre employed workers.

### Accreditation Related Achievements

Skills-development and training providers were audited for accreditation, surpassing the annual target and below is the accreditation breakdowns:

Indicator	Target	CHIETA NQF Accreditations	NAMB Accreditations	Variance
Total Accreditations Achieved	60	43	38	21
		81		

Trade Test Centres Endorsed	Provider Site Visits
15	40

#### Workplace Approval Related Achievements

Indicator	Target	Approved Workplaces	Workplace Endorsed	Variance
Total Workplaces Approved/Endorsed	80	102	32	54
		134		

The better than expected delivery is as a result of the vast amount of experience gained by CHIETA staff and its technical team of experts consultants who are trade people (called the Stakeholder Support Team) over the years and improved delivery processes and mechanisms.

#### Quality Assurance of Learners Achievements (QALA)

CHIETA uses the umbrella term **Quality Assurance of learner Achievements (QALA)** to describe the importance of this set of functions. In this respect, CHIETA conducted a total of 147 QALA audits of its accredited/approved skills development providers. Checking the quality of learner achievements is thus a key function of the CHIETA to verify the quality of the processes, systems and resources involved in education, training and assessment of the learner, and externally moderate assessment results by way of the QALA exercises.

#### Learner Certification Related Achievements

Indicator	Target	Achieved	Variance	% Achievement
Learnerships Unemployed Certificated	1 150	2 181	1 031	190%
Learnerships Employed Certificated	900	1 006	106	112%
Artisans Certificated	461	905	444	196%
Skills Programmes Unemployed Certificated	750	1 013	263	135%
Skills Programmes Employed Certificated	1 700	1 968	268	116%

Positive variances have resulted from greater efficiencies at CHIETA.

#### CHIETA Constituent Assessor and Moderator Registrations

Indicator	Total
Assessors Certificates	222
Moderators Certificates	131
Assessors and Moderators Statement of Results	23

### 3. QUALIFICATION DEVELOPMENT

#### OCCUPATIONAL QUALIFICATIONS DEVELOPMENT IN CONJUNCTION WITH THE QCTO

CHIETA has been approved by the Quality Council for Trades and Occupations (QCTO) and has aligned itself as a Development Quality Partner (DQP) with its responsibility for promoting the National Qualifications Framework (NQF). CHIETA will, in collaboration with other SETAs, Public Institutions and companies, develop national occupational qualifications. It has through this process, registered a number of PIVOTAL programmes on the NQF that address the priority of scarce and critical skills needs as identified in the sector skills plan.

CHIETA has continued to use the QCTO methodology for occupational qualification and curriculum design and development.

#### 3.1 Qualifications registered or in process of registration by QCTO during the period under review

Qualification Title	OFO Code	NLRD	Status
Welder	651202	94100	Registered – currently incorporating new developments from QCTO since registered namely:  a. Increased credits from 375 to 540 as this occupation is a trade. b. Identified three-part qualifications for Welder.  To be processed and the changes re-captured and re-submitted to QCTO in the next financial year.
Boilermaker	651302	93626	Registered – currently incorporating new developments from QCTO since registered namely:  a. Increased credits from 375 to 540 as this occupation is a trade. b. Identified part qualification for Boilermaker if applicable.  Changes to be re-captured and re-submitted to QCTO in the next financial year.
Chemist: Surface Coating Technologist	211301	96367	Registered – engage stakeholders in the surface coatings sub-sector to address their request to develop part qualifications.
Chemical Laboratory Analyst	311101		Submitted to the QCTO for evaluation – circulated for public comments for registration in the next financial year.
Maintenance Planner	312202		Submitted to the QCTO for evaluation – additional documents were re-submitted to the QCTO for evaluation and registration in the next financial year.
Chemical Plant Operator	313302		Submitted to the QCTO for evaluation - additional documents were re-submitted to the QCTO for evaluation and registration in the next financial year.
Gas Practitioner	642603		Occupational qualification document, curriculum and external assessment document completed – one stakeholder meeting already held for gas associations to review the qualification format. The qualification will be restructured through further stakeholder engagements and will be captured and submitted to QCTO for evaluation in the next financial year.

**3.2 The following qualifications were planned for development in the 2016/2017 financial year and progress thereof is provided:**

- Gas or Petroleum Controller - Project plans were reviewed and now the process is underway for development in the next financial year.
- Painter- Project plans were reviewed and now the process is underway for development in the next financial year.
- Pharmacy Assistant – Through stakeholder engagements, the Health and Welfare SETA confirmed that this occupation is within their scope for development.
- Pharmacy – Through stakeholder engagements, the Health and Welfare SETA confirmed that this occupation is within their scope for development.

**3.3 The following historical/legacy qualifications will be re-aligned into Occupational Qualifications, based on the QCTO model:**

- Mobile Explosives Manufacturing Units Operations.
- Glass Forming.
- Molten Glass Production.
- Pharmaceutical Sales Representation.
- Chemical Manufacturing.

Project Plans for the above were reviewed and processes are underway for qualification re-alignment and development in the next financial year.

**3.4 The revised scope of occupations to be developed during 2017/2018**

During the year under review, CHIETA re-organised its business processes and activities to strengthen the chamber's mandate in the area of confirming occupations for qualifications development. This led to the function of qualifications design being moved to the Research and Skills Planning Business Unit (R&SPU) in January 2017. This re-organisation was carried out to best take advantage of existing stakeholder participation and engagement channels of chambers. In addition, it was meant to separate qualification design from qualification implementation at the ETQA Unit, in line with best practice.

It should be noted that the Quality Council for Trades and Occupations (QCTO) is the custodian of the national policy in that it is responsible for the requirements and related processes for the development and registration of the occupational qualifications, which is a multi-step stakeholder driven process. However, legislation allows for QCTO to delegate some of its functions to SETAs as quality partners, hence CHIETA is the development quality partner (DQP) for the development of occupational qualifications within the chemical sector, although all applications must be approved by QCTO prior to the development of occupational qualifications.

The R&SPU, through chamber working groups has identified 33 areas that require the development of occupations into qualifications. However, through Chamber engagements, only 10 areas of development were confirmed as an annual target for the qualification development during the next financial year.

These areas, of which three will require QCTO approval prior to development, include:

1. Gas or Petroleum Controller
2. Painter
3. Mobile Explosives Manufacturing Units Operations
4. Glass Forming
5. Molten Glass Production
6. Pharmaceutical Sales Representation
7. Chemical Manufacturing
8. Industrial Pharmacist
9. Quality Controller
10. Chemistry Technician
11. Chemist: Surface Coating Technologist- Part Qualifications
12. Gas Practitioner.

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## Part E: Grants, Strategic Projects and Regions



## 1. INTRODUCTION

The discretionary and mandatory grants are overseen by the Executive Manager for Grants & Strategic Projects.

This division is made up of five units:

Unit	Manager	Areas of Responsibility
Grants Management	Grant Manager – Ashvir Isseri	<ul style="list-style-type: none"> <li>Quality assurance unit overseeing the processing of applications and payment for both discretionary and mandatory grants.</li> <li>Quality assuring the SQMR evidence.</li> <li>Ensuring alignment between SQMR and learners supported.</li> <li>Management of CHIETA's DG and MG electronic platform.</li> <li>Management of all audit requirements related to DGs, Learning Project commitments and MGs.</li> </ul>
Strategic Projects	Strategic Projects and Work Integrated Learning (WIL) Manager – Princess Moumakoe	<ul style="list-style-type: none"> <li>Quality assurance unit overseeing the processing of payment for Strategic Projects.</li> <li>Contract management for strategic projects.</li> <li>Focus on opening up workspaces for WIL.</li> <li>Management of the CHIETA Strategic Project electronic platform.</li> <li>Management of all audit requirements related to Strategic Project commitments and Strategic Projects.</li> </ul>
KwaZulu-Natal Regional Office	Regional Manager – Rajen Naidoo	<ul style="list-style-type: none"> <li>Contract management, monitoring and evaluation of discretionary grants.</li> <li>Stakeholder support for both mandatory and discretionary grants for KwaZulu-Natal and the Eastern Cape.</li> <li>Processing of all DG and MG applications, i.e. conducting due diligence and recommendations.</li> <li>Implementation of CHIETA's regional and provincial strategy.</li> </ul>
Western Cape Regional Office	Regional Manager – Roger Adriaanse	<ul style="list-style-type: none"> <li>Contract management, monitoring and evaluation of discretionary grants.</li> <li>Stakeholder support for both mandatory and discretionary grants for Western Cape and Northern Cape.</li> <li>Processing of all DG and MG applications, i.e. conducting due diligence and recommendations.</li> <li>Implementation of CHIETA's regional and provincial strategy.</li> </ul>
Gauteng and Central Regional Offices	Regional Manager – Thulani Shabalala	<ul style="list-style-type: none"> <li>Contract management, monitoring and evaluation of discretionary grants.</li> <li>Stakeholder support for both mandatory and discretionary grants for Gauteng, Free State, Mpumalanga, Limpopo and North West.</li> <li>Processing of all DG and MG applications, i.e. conducting due diligence and recommendations.</li> <li>Implementation of the CHIETA regional and provincial strategy.</li> </ul>

## 2. MANAGEMENT OF GRANTS FOR 2016/17

From 01 April 2016 to 31 March 2017, a total of R293,573,633.54 was disbursed for discretionary grants and R 64,144,767.06 for strategic projects. As at 31 March 2017, the total CHIETA commitment based on contractual obligations was R227,018,718.73 for discretionary grants and R 18,422,340.10 for strategic projects.

For the year under review, the discretionary grants policy, framework, internal controls, processes, procedures, funding guidelines and models of the discretionary grant allocation were reviewed in line with relevant legislation. Significant improvements have been made in streamlining all processes and enhancing internal controls. CHIETA has implemented a complete electronic system to manage all discretionary and strategic grants allocated. The system was implemented on 01 April 2015 and has proven to be an asset to the unit, creating efficiencies in the allocation and disbursement of grants. A number of improvements to the system were made in the 2016/2017 financial year including linking each payment to learner ID numbers.

CHIETA discretionary grants funding policy was revised to address some of the critical areas within the strategic framework of business and national imperatives, and to address some of the critical areas of the third National Skills Development Strategy (NSDS III). The discretionary funding windows (among other critical focus areas) addresses and emphasises strong partnerships between employers, public education institutions (TVET Colleges, universities, universities of technology) and private training providers, towards the promotion of Work Integrated Learning (WIL).

The key functional areas directly involved with the organisational performance management are CHIETA's regional offices situated in Gauteng, KwaZulu-Natal, the Western Cape and the Eastern Cape. Through these offices CHIETA ensured, increased stakeholder support, increased monitoring and verification and the roll-out of an integrated project management framework with all the business units at head office.

## 3. DG LEARNING AND STRATEGIC PROJECT SUPPORT SUMMARY FOR THE 2016/17 FINANCIAL YEAR:

### Learning Projects

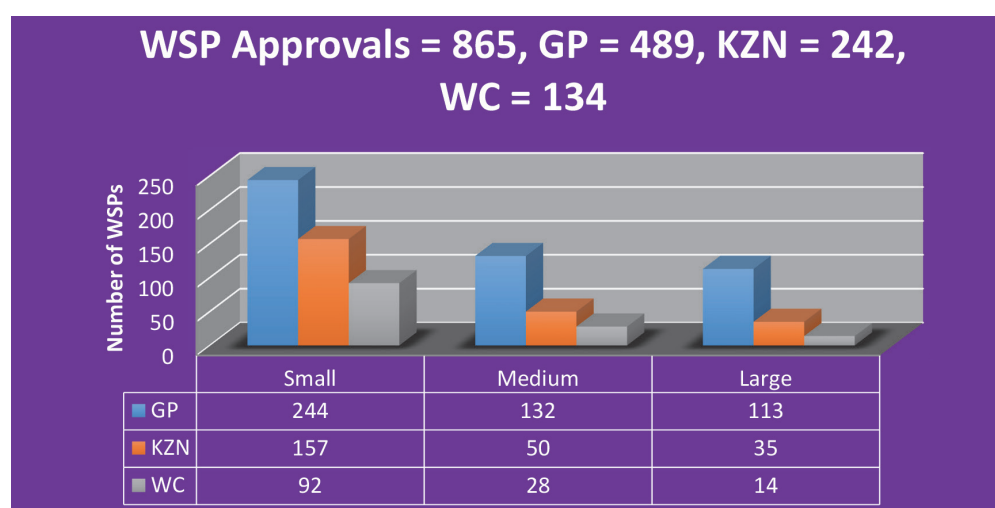
Programmes	Total Learners Supported	Total Amount Approved (R)
ABET	461	2,450,580
Artisans	1 165	57,971,750
Bursaries	1 598	67,587,669
FET	84	2,115,830
Graduate Development	3	63,000
Learnerships	5 272	169,178,333
Other Occupationally Directed Programs	25	582,500
RPL	1 753	31,056,000
Skills Programmes	7 553	26,004,279
Work Placement / Employment Creation	727	15,738,450
Workplace Experience / WIL	1 375	18,900,900
<b>Total</b>	<b>20 016</b>	<b>391,649,291</b>

## Strategic Projects Budget

Projects	Programme	Total Budget 2016/2017
Chemical Industry Stakeholder Support (SST and M/E)	10	R 13,145,909.02
Work Skills Competition	10	R 500,000.00
Regional Stakeholder Support	10	R 1,235,530.44
Apprenticeship/Artisan Development	10	R 10,000,000.00
Public Sector Capacity	8	R 2,588,000.00
Small Business Support (PIVOTAL)	7	R 2,483,500.00
Small Business Support (NON-PIVOTAL)	7	R 259,000.00
Bursary Project	10	R 6,242,365.06
Career and Vocational Guidance Integrated Marketing and Relationship Management	9	R 2,625,000.00
SMME Strategy/Voucher Project	10	R 3,500,000.00
Maths and Science, Career Guidance Projects	10	R 6,542,276.67
Rural and Cooperative Development	10	R 1,985,500.00
AET Learning Programmes and Learners with Disabilities	5	R 6,663,627.00
Skills Programmes and Research Projects	10	R 2,006,799.60
Institutional and Industry Partnership	10	R 4,662,550.00
ISOEs including infrastructure	10	R 2,079,023.00
Strategic Infrastructure Projects (SIPs)	10	R 2,414,220.00
Renewable Energy Skills Development - Green Skills	10	R 450,000.00
Trade Union Learning Practitioner Program	10	R 1,500,000.00
Programme 2 Research and Skills Planning (PIVOTAL)	2	R 4,251,810.74
Programme 2 Research and Skills Planning (NON-PIVOTAL)	2	R 10,950,654.26
TVET and WIL	4	R 10,134,000.00
Qualification Development	5	R 20,000.00
<b>Total</b>		<b>R 96,239,765.99</b>

#### 4. MANDATORY GRANTS FOR 2016/17

For the year under review CHIETA has received 865 WSPs which were approved. This is a significant increase from 769 in the previous year. The mandatory grant participant levels have increased substantially as a result of CHIETA's online platform and support provided by CHIETA regional staff.



## 5. CHIETA DELIVERS ON ITS GRANT MANDATE

CHIETA has delivered on its mandate to its stakeholders and has met its strategic and grant-related objectives and targets during the period under review. This was achieved using a highly credible electronic skills planning platform from which company information was sourced and analysed in order to plan for skills. In the 2016/2017 period, CHIETA met or exceeded all of its ten baseline targets which is 100% of its 58 pre-determined organisational targets. This achievement was made possible thanks to the exceptional oversight of the CHIETA Grants Committee and the Governing Board of the discretionary and mandatory grants processes.

## 6. STRATEGIC PROJECTS OVERVIEW

It was a positive year for Strategic Projects. Strategic Projects are flagship organisational interventions that yield a significant and sustainable impact on all the delivery areas of CHIETA.

Strategic Projects are funded through discretionary grant funding and continuously monitored in terms of project and financial performance, and reported on quarterly to the Accounting Authority. Strategic Projects covered a range of functional areas with project owners across the CHIETA business units assuming accountability for the deliverables on budget, on time and in line with the pre-determined defined performance standards.

Of further significance was the linkage of each strategic project to the various goals, outcomes and outputs as defined in the NSDS III to ensure resource and organisational focus and relevance to the skills development challenges and opportunities in the strategic framework. Key industry partnerships were established through Strategic Projects where all stakeholders, especially the beneficiaries have benefited and are benefiting immensely.

Strategic Projects have also been set up in rural areas. Two critical partnerships were set up with the National Student Financial Aid Scheme and the Free State Education Trust and it is through these partnerships that CHIETA is prioritising bursaries and sought to address the “Fees Must Fall” campaign.

CHIETA has also increased the number of projects funded to support learners with disabilities, especially in the rural areas.

## 7. PROJECTS

### Regional Stakeholder Support

In terms of project deliverables in the 2016/17 year, three regional skills forums were held across four() provinces. These served to update stakeholders on the new artisan development, administration and grants disbursement policy and on the progress of the CHIETA chamber mandate process and the SSP.

### Capacity-Building Programme (Trade Unions)

To support the national skills accord imperative and to ensure increased stakeholder participation in skills development, the Grants Committee of CHIETA approved a budget of R1,500,000 in the 2016/2017 financial year towards the trade union capacity building programme. This pilot programme was specifically designed by the University of Johannesburg for CHIETA. The project, which was implemented in 2015/2016 has now been adopted by the Certificate in Education, Training and Development (NQF level 4) qualification. Forty (40) learners across four unions have been registered by the University of Johannesburg for this qualification.

### CHIETA Voucher Scheme

There was good participation from accredited providers from all sectors, institutions and companies in the CHIETA Voucher Scheme. Small and micro companies were encouraged to take this opportunity to participate in the scheme.

Training programmes covered under the CHIETA Voucher Scheme include but were not limited to:

- SMME development related Skills Programmes.
- BBBEE Training.
- Employment Equity Training - training of coaches and mentors.
- Training of Skills Development Facilitators, Assessors, Moderators, Facilitators and any other Occupationally Directed Education, Training and Development Practices (ODETDP) related unit standards-based training programmes.

A total of R3,064,099.25 was utilised for voucher projects supporting 712 learners and reaching 34 companies.

### Institutes of Sectoral Occupational Excellence (ISOE) Projects

For the year under review, CHIETA has supported two institutes of sectoral occupational excellence (ISOE) projects in the glass and speciality sub-sector. Funding awarded for these projects amounted to R850,000.00.

### CHIETA Offices in Public TVET Colleges

CHIETA has offices at two TVET colleges:

- Port Elizabeth TVET College.
- Ehlanzeni TVET College.

CHIETA staff in these offices have assist with skills development initiatives, not only for CHIETA stakeholders in the area but also for college learners and staff, the community and local government.

CHIETA is the coordinating SETA for P.E. College and is currently part of the JET/DHET Pilot Project.

### TVET College Projects

CHIETA had a committed total of R 89,280,824.84 for the TVET College sector. This was in support of Nineteen new TVET College Partnership programmes funded in this financial year to a value of R 48,903,830.00 and a commitment of R 40,376, 994.84 from the previous financial year.

Programme	Total Funded
Artisans	R 6,750,000.00
Bursaries	R 24,630,000.00
TVET	R 465,830.00
Learnerships Grant - Artisan Related	R 8,272,000.00
Other Occupationally Directed Programmes	R 582,500.00
RPL	R 2,080,000.00
Skills Programmes	R 535,000.00
Work Placement / Employment Creation	R 1,242,000.00
Workplace Experience / WIL	R 4,346,500.00
<b>Total</b>	<b>R 48,903,830.00</b>

### Strategic Projects

Three TVET colleges were supported with strategic project funding of R7,128,000

### Strategic Infrastructure Projects (SIPs)

Strategic Infrastructure Projects were supported, amounting to a value of R459 500.00. These projects were implemented in Gauteng and Northern Cape.

### Bursary Projects

#### DG Funded Bursaries

Goals/Outcome/Outputs	Number of Learners Supported
Bursaries 18.2 Entered	842
Bursaries 18.2 Completed	623
Bursaries 18.1 Entered	340
Bursaries 18.1 Completed	229

#### SP Funded

#### CHIETA Bursary

Twenty-two “continuing learners” were awarded bursaries through the CHIETA Internal Bursary Project and in 2016/2017 an amount of R673,823.46 was allocated to this project.

#### NSFAS

NSFAS and CHIETA have entered into an agreement for funding bursaries in the 2017 academic year to a value of R4,488,750.00 including administration costs. A total of 95 students across 9 institutions are benefiting from this project.

### Learning Projects

#### Rural Projects

Goals/Outcome/Outputs	Total
Rural Development Projects	10

#### Small Business Support

Goals/Outcome/Outputs	Total
4.6.2 Small Business Support	111

## Part E: Grants, Strategic Projects and Regions

### Strategic Projects

#### Rural Projects

Goals/Outcome/Outputs	Total
Rural Development Projects	9

#### Small Business Support

Goals/Outcome/Outputs	Total
4.6.2 Small Business Support	77

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## Part F: Governance



## 1. INTRODUCTION

Corporate governance embodies the processes and systems by which CHIETA is directed and held accountable as a public institution. The corporate governance system of CHIETA is strongly informed by the organisation's legislative environment and best practice governance frameworks as articulated in the King Codes on corporate governance.

CHIETA's mandate is derived from the Skills Development Act, 1998 (Act No. 97 of 1998) and its responsibilities include the following:

1. Developing a Sector Skills Plan (SSP) within the framework of the National Skills Development Strategy (NSDS III) and the SDA amendment Act of 2008.
2. Establishing and promoting learnerships and learning programmes through,
  - identifying the need for a learnership;
  - developing and registering learnerships;
  - identifying workplaces for practical work experience;
  - supporting the development of learning materials;
  - improving the facilitation of learning;
  - assisting in the conclusion and registration of learnership agreements.
3. Collecting and disbursing the skills development levies in its sector, approving workplace skills plans and allocating grants in the prescribed manner to employers, education and training providers and workers.
4. Fulfilling the functions of an ETQA as delegated by the QCTO.
5. Monitoring education and training in the sector.

The legislative and policy framework which directs and guides CHIETA functions is as follows:

1. National Skills Development Strategy (NSDS III).
2. Skills Development Act, 1998 (Act No. 97 of 1998).
3. Skills Development Amendment Act, 2003 (Act No. 31 of 2003).
4. Skills Development Amendment Act, 2008 (Act No. 3 of 2008).
5. Skills Development Act, 1998 (Act No. 97 of 1998).
6. Service Level Agreement Regulations under regulation No. R716 of 18 July 2005.
7. Skills Development Levies Act, 1999 (Act No. 9 of 1999).
8. Regulations regarding the establishment of Sector Education and Training Authorities under Notice R106 of 04 February 2005, (SETA Establishment Regulations).
9. Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended) (PFMA).
10. Treasury Regulations issued in terms of the PFMA (Treasury Regulations) of 2005.
11. Public Audit Act, 2004 (Act No. 25 of 2004).
12. Directive: Public Finance Management Act under GN647 of 27 May 2007.
13. Government Notice 1570 and 1571 dated 15 December 2017 on the re-establishment of SETA and the extension of NSDS III to 31 March 2020.
14. Constitution for the Chemical Industries Education and Training Authority (CHIETA).
15. Promotion of Access to Information Act, 2000 (Act No. 2 of 2000).
16. Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000).
17. Employment Equity Act, Labour Relations Act, Basic Conditions of Employment Act and Occupational Health and Safety Act.
18. Tax laws.
19. Sector Education and Training Authorities (SETAs) grant regulations regarding monies received by a SETA and related matters (Government Notice R990) in terms of the Skills Development Act, 1998 (Act No. 97 of 1998) dated 03 December 2012.
20. Protection of Personal Information Act, 2013 (Act No. 4 of 2013).
21. Cobit 5 framework for the governance and management of enterprise ICT.
22. DPSA Public Services Corporate Governance ICT Framework.

CHIETA takes all the above into consideration when carrying out its mandate.

The CHIETA Strategic Plan, its Annual Performance Targets 2016/2017 and financial disbursement model is strongly aligned to achieving the intent and objectives of the December 2012 grant regulations, namely to,

- regulate the proportion of funds available for skills development that is spent on administration;
- provide for Sector Education and Training Authorities (SETAs) to contribute to the cost of the work of the quality Council for Trade and Occupations (QCTO);
- discourage the accumulation of surpluses and the carry-over of unspent funds at the end of each financial year;
- improve the quantity and quality of labour market information received by CHIETA in the form of workplace skills plans, annual training reports and PIVOTAL training reports, to inform planning;
- promote the National Qualifications Framework (NQF) and quality assured PIVOTAL programmes that address priority scarce and critical skills needs identified in sector skills plans;
- create a framework within which expanded use is made of public education and training providers for the provision of skills development programmes.

## 2. PORTFOLIO COMMITTEES

Parliament exercises its role through evaluating the performance of CHIETA by interrogating CHIETA's financial statements, organisational performance reports and other relevant documents which have to be tabled from time to time.

The Standing Committee on Public Accounts (SCOPA) reviews the annual financial statements and audit reports of the Auditor-General of South Africa.

The Portfolio Committee on Higher Education and Training exercises oversight over the service delivery and performance of CHIETA. It primarily reviews the non-financial information contained in CHIETA's annual report and is concerned with service delivery and impact in support of the enhancement of socio-economic growth.

## 3. EXECUTIVE AUTHORITY

The Minister of Higher Education and Training is the Executive Authority of CHIETA and exercises oversight on the prescripts of the PFMA and relevant skills development legislation.

The Executive Authority also appoints the CHIETA Board (Accounting Authority) in accordance with the approved CHIETA constitution and ensures that an appropriate mix of competency, skills and experience exists within the Board in order to disperse its fiduciary duties in an efficient, transparent and value-adding manner.

## 4. ACCOUNTING AUTHORITY

The Board appointed by the Minister of Higher Education and Training, has oversight of CHIETA's activities to ensure the implementation of its mandate in a performance and accountability driven framework, taking cognisance of sound corporate governance principles required in legislation and best practice.

The Board is representative of government and stakeholders in all nine sub-sectors of the chemical industry ensuring a sound and clear strategic direction for CHIETA.

The duties of the CHIETA Board as defined in the CHIETA Constitution is as follows:

### Duties of Accounting Authority

The Accounting Authority must,

- a. govern and manage CHIETA in accordance with the PFMA, skills development legislation and any other applicable legislation;
- b. ensure that CHIETA achieves the objectives contemplated in the approved CHIETA constitution;
- c. provide effective leadership and ensure that CHIETA implements the goals of the NSDS III and the performance agreement with the Minister as defined in the CHIETA strategic plan and predetermined performance targets;
- d. provide strategic direction for CHIETA;
- e. liaise with stakeholders;
- f. ensure that CHIETA complies with all relevant statutory and CHIETA constitutional requirements;
- g. manage institutional risk;
- h. monitor and support the organisational performance of CHIETA;
- i. ensure that Board members and the members of the committees, stakeholders and employees comply with CHIETA's code of conduct and ethical framework.

### Composition of the Accounting Authority

The CHIETA Accounting Authority comprises members representing the following constituencies and stakeholders within the chemical industry:

- Organised labour.
- Organised employers.
- Relevant government departments.
- Relevant professional bodies recognised by the Minister of Higher Education and Training.

### Board Committees

In terms of the approved CHIETA constitution and relevant Accounting Authority mandate, five Board Committees with specific terms of reference are functional in assisting the Accounting Authority with oversight. These are:

- Exco.
- Grants Committee.
- Governance and Strategy Committee.
- Finance and Remuneration Committee.
- Audit Committee.

## 5. RISK MANAGEMENT

Refer to paragraph 12.2 in Accounting Authority report.

## 6. INTERNAL CONTROL

Refer to paragraph 12.2 in Accounting Authority report.

## 7. INTERNAL AUDIT/AUDIT COMMITTEE

Refer to the Audit Committee report on page 98 of the annual report.

## 8. COMPLIANCE WITH LAWS AND REGULATIONS

As part of responsible corporate governance, CHIETA maintains a detailed legal compliance register in order to plan with a legal risk register, to implement and monitor compliance on a continual basis while implementing its mandate in a transparent and accountable manner.

## 9. FRAUD AND CORRUPTION

CHIETA has adopted a zero tolerance level towards any fraudulent activities. To this extent a fraud hotline is operational and fraud hotline reports are provided on a continual basis to the CHIETA Audit Committee by an external service provider. Substantial investment in fraud awareness via CHIETA's fraud prevention policy was concluded with CHIETA staff and CHIETA stakeholders. CHIETA has also implemented a Fraud Risk Register with mitigating controls that is monitored and reported on to CHIETA Governance Structures.

No fraudulent activities were reported during the period under review.

## 10. MINIMISING CONFLICT OF INTEREST

CHIETA maintains a Conflict of Interest Policy framework which defines the required organisational behaviour towards CHIETA values and ethical framework. Governance structures and CHIETA staff are required to provide an detailed annual declaration of interest or at any stage during the year when a potential conflict of interest arises. At any Board, Board Committee, Board approved stakeholder structure and management meetings, these must be supported by a declaration of private and personal interest pertaining to any agenda items being discussed.

## 11. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

In terms of the required business processes within the chemical industry, a strong focus is evident pertaining to health and safety standards as part of an integrated training and development model and is implemented as a priority training intervention.

Research is ongoing in terms of environmental issues relating to chemical production processes informing skills development interventions and providing and assisting with integrated solutions on skills growth and environmental matters. This knowledge is captured and combined into the CHIETA skills planning processes which ultimately culminate in the CHIETA sector skills plan and annual predetermined organisational performance targets.

## 12. COMPANY SECRETARY

Company secretary duties are performed in-house through the Governance and Risk business unit of CHIETA.

### 13. SOCIAL RESPONSIBILITY

By virtue of the mandate and core functions of CHIETA, social responsibility forms an integral part of the skills development and organisational processes of CHIETA.

In terms of impact, a substantial number of unemployed rural learners are supported and linked to appropriate workplaces in line with chemical industry defined scarce and critical skills requirements. Social responsibility interventions are linked to current and envisaged economic growth areas to ensure that the complete value chain of skills development is achieved, contributing towards gainful and sustainable employment.

Of specific importance is CHIETA's support of small enterprises, cooperatives, NGOs and CBOs in terms of new venture creation and business management skills, supporting socio-economic challenges within rural and marginalised communities.

### 14. AUDIT COMMITTEE REPORT

Refer to the Audit Committee report.

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## Part G: Human Resource Management



## 1. INTRODUCTION

CHIETA regards its people as its most important asset. HR assist in creating a work environment that is supportive and conducive to performance and delivery against the strategic objectives of CHIETA.

The HR Unit within CHIETA plays a vital role in terms of developing, implementing and overseeing an integrated HR strategy where all HR functions work together in a cohesive manner to create a positive work environment characterised by performance, cross functional teamwork and accountability.

The HR priorities for CHIETA was clearly defined and the main focus was on effective organisational architecture management, people resourcing, people performance, people utilisation and people retention or conservation.

Workforce planning was an important area of HR management to ensure we maintain and attract the best possible talent to further strengthen the already highly competent and experienced business unit teams. Special care and attention was placed on effective recruitment and selection processes, career pathing and succession planning initiatives to ensure staff capacity is optimised, competent and provided value for money.

CHIETA prides itself on our performance driven management culture within the organisation. The CHIETA Strategic Plan and Annual Organisational Performance targets is clearly linked and aligned to business unit targets which then culminated into individual performance agreements with staff. This framework provided the assurance that all activities performed by CHIETA Business Unit or staff member's adds direct value and contribution to the agreed delivery areas between the CHIETA Accounting Authority and Executive Authority.

The health and well-being of CHIETA employees is paramount. All CHIETA employees have continuous access to a comprehensive wellness program financed by CHIETA. The programme is based on a holistic approach and supports various aspects of life such as physical, social, emotional, and financial well-being. Throughout the year CHIETA encouraged and supported healthy lifestyles by promoting various health and wellness activities. The following were arranged for CHIETA staff and managers in 2016/17:

- Wellness Day which included :
  - Cholesterol Tests
  - Blood Pressure Tests
  - Specialist advice by a dietician
  - HIV testing
  - Virgin Active Boot Camp
  - Psychological Assessment
- Awareness Days
  - World Aids Day
  - Breast Cancer Awareness Day
  - Mandela Day
  - Womens month
  - Heritage day
  - 16 day activism campaign against violence and abuse against women and children

HR Policy development is a continuous process of improvement and is annually assessed based on specific business needs. This transpires under the executive management team with oversight from the CHIETA Finance and Remuneration Accounting Authority Committee and CHIETA Accounting Authority itself.

Some of the highlights for the year included:

- Participatory staff engagements through various staff workshop to ensure awareness and capacity building on various organisational themes and where staff had the opportunity to participate and influence strategic and operational focal areas of CHIETA.

- Positive Performance profile of CHIETA Staff which culminated into effective Business Unit delivery and ultimately CHIETA meeting and exceeding all fifty eight (58) organisational performance targets agreed with DHET.
- CHIETA being a true South African organisation where diversity is celebrated and regarded as one of our key business assets. Representation of designated groups is far advanced and opportunities to enhance diversity were continuously capitalised upon.
- Various successful employee wellness engagements with staff where we also support staff on a physical and emotional that had a direct impact on staff delivery and performance.
- CHIETA staff actively participated in various relevant training and development provided by CHIETA on a collective and cross functional level but on an individualised level as informed by the CHIETA staff performance management system.
- Staff turnover and vacancy rates are within reasonable and acceptable benchmarks to strengthen organisational stability and business continuity. This is primarily due to our positive work environment, service condition and retention management framework of the CHIETA.

CHIETA does not only invest in the Chemical Industry Skills Development, but also understands that training and development has an important and positive impact on CHIETA staff. CHIETA aims to strengthen its learning culture within the organisation by exposing all employees to various capacity building initiatives and interventions. Personal Development Plans are actively managed for all staff within CHIETA.

For the year in review (2016/17) the following corporate or cross cutting capacity building training initiatives were attended by CHIETA staff:

- Ethics training with specific reference to awareness and capacity training on the CHIETA Conflict of Interest Policy and Fraud Prevention Policy and Fraud Hotline reporting
- Diversity Training

In addition to providing capacity building opportunities, CHIETA assists its staff to further their tertiary qualifications by offering study assistance. Some of the CHIETA funded courses are listed below namely:

- Master's Degree in Public Development
- PHD Strategic Management
- Master's Degree in Business Administration
- Honours in Project Management
- Advanced Programme in SCM
- National Diploma in HRM
- Advanced Programme in Project Management
- B.Com in Business Administration
- B.Com in Public Administration
- B.com in Marketing

CHIETA believes in regular and effective staff engagement and understands the need to share information on a regular basis. This ensures improved stakeholder delivery and informs all staff of CHIETA's achievements and their involvement in its success.

The following details are some of the topics that were shared and communicated with CHIETA staff:

- CHIETA's mandate and role
- The future CHIETA Landscape
- Auditing processes, the why, what and how
- Organisational Performance 2016/17
- Strategic Planning for 2017/18
- Cost Saving Measures
- Risk Management Policy and Management framework
- Conflict of Interest Policy

One of the major challenges HR faces is around the formalisation of the new Skills Development landscape and how that is going to impact on continued employment and workforce planning. This uncertainty also affects recruitment processes due to shorter term contracts being offered.

## 2. HUMAN RESOURCE OVERSIGHT STATISTICS

The organisational profile below represents CHIETA as at 31 March 2017

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	57 506	33 028	57.43%	61	541
Projects	482 745	19 600	4.06%	27	725
<b>TOTAL</b>	<b>540 251</b>	<b>52 628</b>	<b>10.27%</b>	<b>88</b>	<b>598</b>

Personnel cost by salary band for Administration Programme

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 Management	9 142	17.36%	5	1 828
Line Management	12 216	23.21%	9	1 357
Professional qualified	16 557	31.46%	29	570
Skilled	9 080	17.25%	24	378
Semi-skilled	5 277	10.02%	18	293
Unskilled	356	0.67%	3	118
<b>TOTAL</b>	<b>52 628</b>	<b>100%</b>	<b>88</b>	<b>598</b>

Performance Rewards for Administration Programme

Programme/activity/objective	Performance rewards (R'000)	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	1 240	9 141	13.56%
Line Management	907	12 217	7.42%
Professional qualified	2 334	16 557	14.09%
Skilled	388	9 080	4.27%
Semi-skilled	276	5 277	5.23%
Unskilled	14	356	3.93%
<b>TOTAL</b>	<b>5 159</b>	<b>52 628</b>	<b>9.80%</b>

#### Staff Establishment and Staff Compliment for Administration Programme

Programme/activity/objective	2016/2017 No. of Employees (Admin)	2016/2017 No. of Employees (Projects)	2016/2017 Approved Posts	2016/2017 Vacancies
Top Management	5	0	6	1
Senior Management	7	2	10	1
Professional qualified	21	8	31	2
Skilled	10	14	26	2
Semi-skilled	15	3	20	2
Unskilled	3	0	3	0
<b>TOTAL</b>	<b>61</b>	<b>27</b>	<b>96</b>	<b>8</b>

The total CHIETA post establishment is 96 and the staff establishment was 88 staff members. The vacancy rate was low and within acceptable benchmarks and did not disturb any business continuity and CHIETA organisational deliverables.

The twenty seven (27) project staff members worked on dedicated CHIETA projects which was funded from the CHIETA Internship budget and the CHIETA Project Administration and Management budget.

#### CHIETA Training Costs

Programme/activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	Number of employees trained	Avg training cost per employee Rands
Administration	33 028	607	1.84%	61	9,951
Projects	19 600	318	1.62%	27	11,778
<b>TOTAL</b>	<b>52 628</b>	<b>925</b>	<b>1.76%</b>	<b>88</b>	<b>10 511</b>

All Staff irrespective of being funded from the administration, project administration management and internship budgets underwent cross functional and/or Individualised training as per their respective Personal Development Plans.

#### Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	3	42.85 %
Dismissal	3	42.85. %
Retirement	0	0%
Ill health	0	0%
Expiry of contract	1	14.3%
Other	0	0%
<b>TOTAL</b>	<b>7</b>	<b>100%</b>

Reasons for staff exiting services of CHIETA was mainly due to resignations and dismissals.

**Employment changes**

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	5	0	0	5
Senior Management	10	0	1	9
Professional qualified	30	2	3	29
Skilled	22	2	0	24
Semi-skilled	11	10	3	18
Unskilled	2	1	0	3
<b>TOTAL</b>	<b>80</b>	<b>15</b>	<b>7</b>	<b>88</b>

**Labour Relations: Misconduct and disciplinary action**

Nature of disciplinary Action	Number
Verbal Warning	2
Written Warning	2
Final Written warning	2
Dismissal	3

**Total CHIETA Employment Equity Status**

CHIETA is far advanced in representivity of designated groups as defined within Employment Equity Legislation. CHIETA capitalises on opportunities presented in terms of positive appointment patterns of designated groups in support of its Employment Equity Policy and Plan.

For the purposes of Employment Equity reporting both the administrative and project administration and management/internship staff are included within the under mentioned Employment Equity profile of CHIETA.

Also note that disabled staff are not included in the total column since they are already accounted for within the male/female and different race groupings as per undermentioned table.

Occupational Level	Female				Male				Disability		
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	Total
Top Management - Executive Manager	1	0	2	0	0	0	1	1	0	1	5
Senior Management	3	0	0	1	1	1	3	0	0	0	9
Professionals - Specialist and Practitioners	9	2	2	1	12	2	1	0	0	0	29
Skilled - Administrators and Assistant Administrators	14	1	0	0	9	0	0	0	0	0	24
Semi-Skilled - Administrative Intern	10	0	0	0	8	0	0	0	0	0	18
Unskilled - Office Attendants and (Cleaner)	3	0	0	0	0	0	0	0	0	0	3
<b>TOTAL</b>	<b>40</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>30</b>	<b>3</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>88</b>

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## Part H: Financial Information

## FINANCE OVERVIEW FOR THE YEAR ENDED 31 MARCH 2017

### Unqualified audit opinion with clean audit outcomes

The CHIETA obtained an unqualified audit opinion with clean audit outcomes for the financial year ended 31 March 2017. This achievement confirms the high levels of integrity and commitment to sound financial management practices and accountability within the organisation. An unqualified audit opinion indicates that the financial statements submitted for audit were presented fairly, in all material respects, the financial position of CHIETA at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practices (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA). A clean audit outcome also provides assurance that the CHIETA Accounting Authority maintained adequate, efficient and effective internal controls to enable the preparation of financial statements that are free from material misstatement and no significant deficiencies in internal controls were identified by internal and external auditors, that no material findings were raised on the usefulness and reliability of the performance information audited and that no material non-compliance with applicable laws and regulations were identified during the audit.

### Revenue:

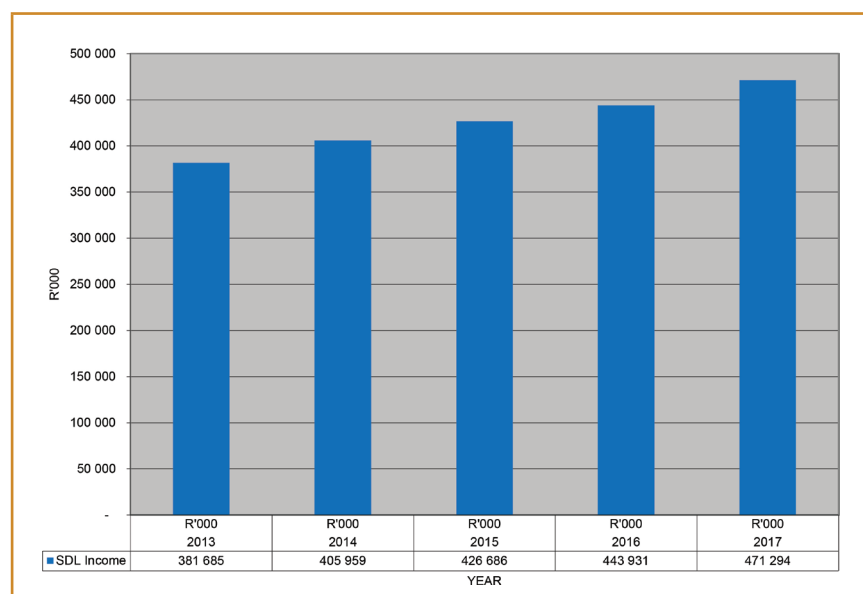
Skills development levy (SDL) income increased by 6.2%, from R443.9 million for the year ended 31 March 2016, to R471.2 million for the year ended 31 March 2017. Total revenue earned increased by 6.1%, from R484.7 million in the prior period, to R514.3 million in the current financial year.

The contribution of the return on invested funds to total revenue was R23.8 million, representing approximately 4.6% of total revenue.

- Trends in skills development levy income

Figure 1 illustrates the trend in SDL income over the last five financial years. SDL income for the year ended 31 March 2017 has increased by over 23% in comparison with SDL income received for the year ended 31 March 2013. The average annual equivalent increase in SDL income was 7.4% per annum over the five year period from 2013 to 2017. For the entire period since inception in 2000 to date, SDL income has escalated by an annual equivalent average of approximately 20% per annum, materially exceeding both inflation and estimated annual salary increment in the chemical sector during this period.

**Figure 1: SDL income**



**Expenditure:**

Administration expenses remained well within the legislated 10.5% maximum legislated amount allowed by the skills development regulations. The CHIETA realised savings of over R4.4 million in administration expenses for the financial year ended 31 March 2017. This amount, together with the total investment return of R23.8 million and unclaimed mandatory grants to the value of R10.4 million were transferred to the discretionary reserve at year end, to be utilised for discretionary grants and approved strategic projects for sector skills priorities.

The CHIETA expensed over R482.7 million in employer grants and project expenses representing 118% of grant levy income of R409.4 million for the financial year ended 31 March 2017.

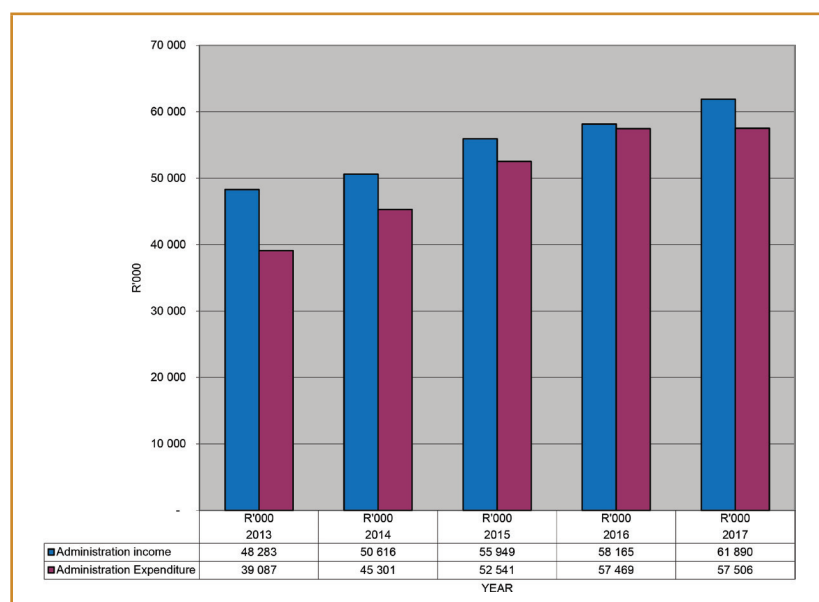
A total amount of R293 million was earned as discretionary grant and project levy income and an amount of R377 million representing 128% of discretionary grant funds received was expensed in discretionary grants and projects during the 2016-17 financial year.

Expenses on mandatory grants amounted to R105 million represented 91% of the skills development levy income received for the purposes of mandatory grants.

- Financial Viability and going concern

Figure 2 shows administration income received against administration expenditure for the financial years ended 31 March 2013 to 31 March 2017. The CHIETA has sustained its level of operations within the 10.5% legislated administration provision in each year since inception without compromising the achievement of its service level agreement and performance targets. Savings in administration funds during the five year period from 2013 to 2017 of R23 million was reallocated to discretionary reserves and utilised in discretionary grants and strategic projects for chemical sector skills priorities. These savings were attributed to continuous development of expenditure control and procurement practices, reduction in the use of consultants, numerous cost containment initiatives implemented within the CHIETA and streamlined, effective and efficient human resource capacity.

**Figure 2: Administration income vs expenditure**

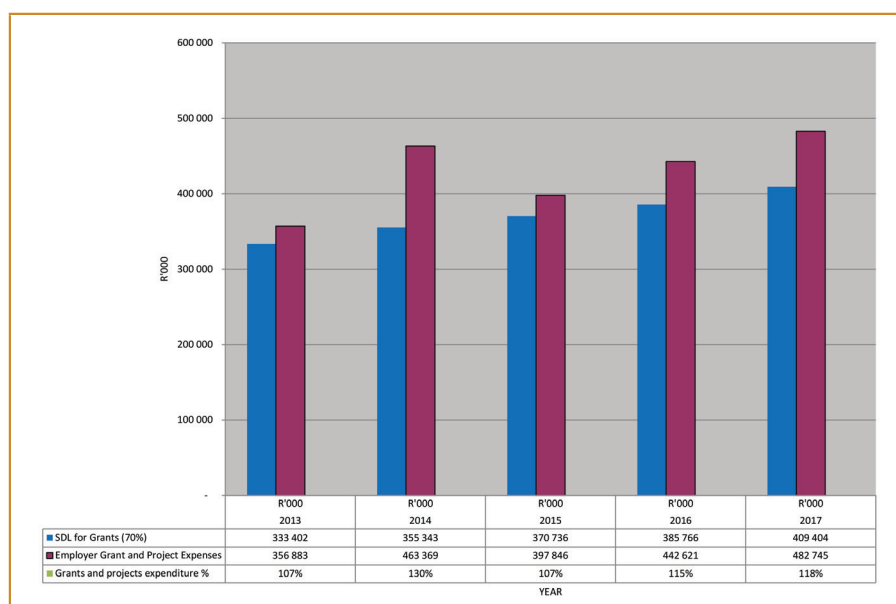


- Levy Grant Disbursement as per NSDS targets exceeded over entire period since inception

The CHIETA has exceeded its NSDS targets for grant disbursement for each year since inception.

Figure 3 shows the total SDL income received for employer grants and project expenses in each financial year from 2013 to 2017 compared to the total employer grants and project expenses during the same period. During the financial year ended 31 March 2017, the CHIETA expended over 118% of the SDL income received for the purpose of discretionary grants. The CHIETA has achieved an annual average disbursement rate of over 115% of SDL income received during the five year period from 2013 to 2017.

**Figure 3: SDL income vs employers grants and project expenses**



#### Net Deficit, Reserves and Commitments:

The total amount available in the discretionary grant reserve at 31 March 2017 decreased by the net deficit of R25.9 million for the financial year from R271.1 million at 31 March 2016 to R245.2 million at 31 March 2017. This was largely attributable to a substantial increase in employer grant and project expenses of over 9.1% (R40.1 million) in comparison with the prior financial year. The CHIETA Accounting Authority and management view the net deficit as a positive outcome as the increase in employer grant and project expenses contribute materially to the achievement and exceeding of key service level agreement (SLA) targets and reduce discretionary reserves capitalised in prior financial periods. It is therefore crucial to establish an optimal break-even point in the value of funds available in the discretionary reserve to fund key certification deliverables in future financial periods and learning programs that extend over multiple financial periods. Savings in administration (R4.4 million), unclaimed mandatory grants (R10.4 million), investment income (R23.8 million) and SDL: penalties and interest received (R19.1 million) contributed a further R57.8 million to the discretionary reserve during the financial year ended 31 March 2017.

The CHIETA cash and cash equivalents balance also decreased by 15.3% (R54.8 million) from R358.2 million at the end of March 2016 to R303.4 million as at 31 March 2017 due to the accelerated disbursement in grants and project payments over the financial period. As at 31 March 2017 CHIETA discretionary grant reserves were fully (100%) committed to contractual obligations in discretionary grants and strategic sector projects as outlined in note 15 to the Annual Financial Statements.

## AUDIT COMMITTEE REPORT 2016/17

The report of the Audit Committee has been prepared in accordance with the Treasury Regulations for Public Entities 3.1; 27.1 issued in terms of the Public Finance Management, (Act No. 1 of 1999) (PFMA) as amended by Act 29 of 1999.

We are pleased to present our report for the financial year ended 31 March 2017.

### AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee consists of the members listed hereunder and is required to meet a minimum of four times per annum as per its approved terms of reference. During the current year, five (5) meetings were held.

Summary of meetings attended per Audit Committee member:

Name	19 May 2016	22 July 2016	17 Aug 2016	21 Oct 2016	22 Mar 2017
Chandu Kashiram	✓	✓	✓	✓	✓
Mokgadi Olgar Morata	✗	✓	✓	✓	✓
Safeea Rahiman	✓	✗	✓	✓	✓
Brian Muir	✓	✓	✓	✓	✓
Bertie van Baalen	✗	✓	✓	✓	✓

✓ Attended meeting

✗ Apology

### AUDIT COMMITTEE RESPONSIBILITIES

The Audit Committee reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter as well as the recommendations of the King III code of corporate governance, and has discharged all its responsibilities as contained therein.

### EFFECTIVENESS OF INTERNAL CONTROL

The system of control within the CHIETA is designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital are properly managed in line with the PFMA as well as the protocol on corporate governance for public entities. This is achieved by means of the risk management process which includes the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the Management Letter of the Auditor General, we concluded that the existing control environment during the year under review was adequate and effective and provides reasonable assurance that the organization's goals and objectives are being achieved. We are also pleased to report that the CHIETA has received an unqualified audit opinion with clean audit outcomes from the Auditor General for the 2016/17 financial year.

### EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee has

- Reviewed and discussed the Audited Financial Statements to be included in the Annual Report with the Auditor General and the Accounting Authority;
- Reviewed the Auditor General's Management Report and management's response thereto;
- Reviewed adjustments resulting from the audit;
- Reviewed monthly and quarterly reports submitted by management.

The Audit Committee concurs with and accepts the Auditor General's conclusion on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be adopted.



**CHANDU KASHIRAM**  
Chairperson of the Audit Committee  
Date: 28 July 2017

## Report of the auditor-general to Parliament on the Chemical Industries Education and Training Authority

### Opinion

1. I have audited the financial statements of the Chemical Industries Education and Training Authority (Chieta) set out on pages 105 to 147, which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of Chieta as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practices (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA).

### Basis for opinion

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

### Responsibilities of the accounting authority for the financial statements

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

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

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

## Report on the audit of the annual performance report

### Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 2 – research and skills planning	41-42
Programme 3 – occupationally directed programmes	43-49
Programme 4 – TVET college programmes	50
Programme 6 – Workplace-based skills development	52-53

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:
  - Programme 2: research and skills planning
  - Programme 3: occupationally directed programmes
  - Programme 4: TVET college programmes
  - Programme 6: Workplace-based skills development.

### Other matter

15. I draw attention to the matters below.

#### Achievement of planned targets

Refer to the annual performance report on pages 41-42; 43-49; 50, 52-53 for information on the achievement of planned targets for the year and explanations provided for the over achievement of a number of targets.

## Report on audit of compliance with legislation

### Introduction and scope

16. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
17. I did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

### Other information

18. Chieta's accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the accounting authority's report, chief executive officer's report and the audit committee's report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
19. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
20. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### Internal control deficiencies

21. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

*Auditor-General*

Pretoria  
31 July 2017



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure A – Auditor-general's responsibility for the audit

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

### Financial statements

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

### Communication with those charged with governance

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

Part H: Financial Information - ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017

The Annual financial statements for the year ended 31 March 2017, set out on pages 105 to 147, have been approved by the Accounting Authority in terms of section 51(1)(f) of the Public Finance Management Act, 1999 (Act No 1. of 1999) (PFMA) as amended, on 28 July 2017, and are signed on their behalf by:



**Ayesha Itzkin**  
Acting Chief Executive Officer  
28 July 2017



**Nolitha Fakude**  
Chairperson of the Accounting Authority  
28 July 2017

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## REPORT OF THE ACCOUNTING AUTHORITY FOR THE YEAR ENDED 31 MARCH 2017

Report by the Accounting Authority to the Executive Authority and Parliament of the Republic of South Africa.

### 1. General review of the state of affairs

The Chemical Industries Education and Training Authority (CHIETA) takes pleasure in presenting its report for the year ended 31 March 2017 to the executive authority, provincial legislature and parliament of the Republic of South Africa. The 2016/17 financial year has been successful in building on prior year achievements and has again exceeded all key requirements of the Sector Education and Training Authorities Grant Regulations relating to SETA finances, financial management and discretionary grants. This is complemented by the achievement and exceeding of all expanded CHIETA Service Level Agreement (SLA) targets as agreed with our executive authority for the financial year ended 31 March 2017.

The SETA's Grant Regulations resulted in a number of positive changes in the overall strategy and fostered an accelerated delivery model designed by the CHIETA to ensure that we achieve and exceed financial management and performance targets outlined in the grant regulations and the National Skills Development Strategy III (NSDS III). A summary of the key requirements in the area of SETA finances, financial management, discretionary and mandatory grants are, *inter alia*:

- A SETA is required to allocate a minimum of 80% of its available discretionary grants within a financial year to PIVOTAL programmes.
- A SETA may allocate a maximum of 20% to funding of programmes, other than PIVOTAL programmes, to develop the sector in accordance with the priorities outlined in the Sector Skills Plan (SSP).
- At the end of each financial year it is expected that a SETA must have spent or committed (through actual contractual obligations) at least 95% of discretionary funds available to it by the 31 March of each year. A maximum of 5% of uncommitted funds may be carried over to the next financial year.
- The remaining surplus of discretionary funds must be paid by the SETA by 1 October of each year into the National Skills Fund (NSF).
- SETAs are required each year to set out the amount of discretionary funds available for the ensuing financial year in the Annual Performance Plan (APP) and indicate the programmes (PIVOTAL and NON PIVOTAL) that will be funded through discretionary grants and sector projects, as well as indicate the impact of these interventions and how this will be measured.
- A SETA must, on an annual basis, and in accordance with any guidelines issued by the Department of Higher Education and Training (DHET), approve a discretionary grants policy, specifying how the SETA discretionary funds will be allocated to meet sector needs as set out in the Sector Skills Plan (SSP).
- In order to obtain discretionary grant funding for PIVOTAL programmes from a SETA, a legal person employing more than 50 employees must complete and submit a PIVOTAL training plan and report.
- An application for a mandatory grant must be submitted by 30 April of each year.
- The mandatory grant payable by a SETA to qualifying employers was reduced to 20%.

#### 1.1 Revenue

During the period under review the CHIETA received R471.2 million in Skills Development Levy (SDL) income and realised a 6.2% increase in comparison to the levy income earned for the year ended 31<sup>st</sup> March 2016. In respect of SDL income, penalties and interest increased by 1.7% from R18.7 million in 2015/16 to R19.1 million for the current period. Return on invested funds of R23.8 million represented 4.6% of total revenue. Total revenue increased by 6.1% from R484.7 million in the prior financial year to R514.3 million for the year ended 31 March 2017. SDL income also exceeded the approved budget by 1.2%, while total revenue exceeded the approved budget by two percent.

## 1.2 Expenses

### 1.2.1 Administration Expenses:

The CHIETA administration expenditure remained within the 10.5% limit prescribed by skills development legislation, and administration savings of over R4.4 million, representing 7.1% of the total administration income earned, was transferred to the discretionary reserve at financial year end for utilisation in prioritised skills development initiatives.

### 1.2.2 Employer Grants and Project Expenses:

The CHIETA expended over R482.7 million in employer grants and project expenses representing 118 % of grant levy income received of R409.4 million for the financial year ended 31 March 2017. Employer grant and project expenses exceeded the prior year achievement by R40.1 million, which equates to a 9.1% increase in disbursement rates in comparison with the prior financial year.

### 1.2.3 Discretionary grants and commitments:

The CHIETA expended over R377.3 million in discretionary grants for the 2016/17 financial year representing 128% of the SDL income received for discretionary grants. During the financial year under review, the CHIETA continued its drive to optimise service delivery by expanding and further integrating platforms, systems and processes, thus allowing for a greater focus on monitoring and evaluation, strategic review and analyses of performance targets and related grant disbursement targets. A strong focus was also placed on expanding existing partnerships and promoting new partnerships with stakeholders to achieve the highest return on investments and to deliver the substantially expanded SLA targets with DHET. This approach has once again reduced the overall cost and the unit cost of training in the various projects and programmes without compromising the achievement and exceeding of all our SLA targets for the 2016-17 financial year, which are outlined in the report on predetermined objectives on pages 40 to 57 of the annual report for the year ended 31 March 2017.

The objective was also to ensure optimal service delivery and disbursement of discretionary grants during the financial year. Discretionary grant allocations and funding priorities were interrogated, ranked and aligned against the priorities of the NSDS iii and the SSP. The CHIETA expended R331.5 million (93%) of its discretionary grant and project expenditure in PIVOTAL programmes and R26.2 million (7%) in Non pivotal programmes as outlined in note 15 of the annual financial statements for the year ended 31 March 2017. The CHIETA committed fully, the total funds available on the discretionary grant reserve as at 31 March 2017.

During the year under review, applications for discretionary grants and projects were once again oversubscribed. After evaluation according to the established criteria, awards of over R391.6 million were approved for discretionary grant learning programmes and a further amount of R64.3 million was approved and allocated for strategic sector projects during the financial year. The nature of initiatives supported included:

- Programmes supporting learners on registered learnerships and workplace experience.
- Supporting of scarce and critical skills as identified in the SSP.
- Honouring apprenticeship and artisan training commitments and prioritising new apprenticeship programmes.
- Supporting partnerships and training initiatives in Further Education and Training, Higher Education and Training in partnership with the chemical industry.
- Providing incentives for workplace experience and employment creation.
- Assisting graduates in entering the workplace and enhancing employability through further graduate development programmes and Work Integrated Learning (WIL).
- Promoting Recognition of Prior Learning (RPL) and facilitation of strategic research programmes.

It is the opinion of the Accounting Authority that the expenditure incurred during the year under review has been properly accounted for and that the projects and programmes undertaken have considerably benefited the chemical industries sector as a whole, as well as providing support and funding towards national priorities and the achievement of national skills development imperatives.

#### **1.2.4 Mandatory grants**

Mandatory grant participation on the electronic online submission platform continued to increase and exceeded anticipated projections during the financial period. The mandatory grant expense increased by 6.9% from R98.7 million in 2016 to R105.4 million for the financial year ended 31 March 2017. The mandatory grant disbursement represented 91% of mandatory grant levy income received for the financial year ended 31 March 2017. Unclaimed mandatory grants of R10.4 million was transferred to the discretionary reserve and allocated to prioritised discretionary grants and projects as per the requirements of the SETA grant regulations.

#### **1.3 Net deficit for the year**

The CHIETA incurred a net deficit of R25.9 million for the year ended 31 March 2017. The current year deficit exceeded the prior year deficit by R10.5 million. The incurring of a deficit in the SETA environment is seen as a positive outcome in respect of sound financial management since the impact is a reduction of funds available in the discretionary grant reserve, which was capitalised by savings in prior years. While the CHIETA reserves are fully committed at year end, the CHIETA Accounting Authority promotes the strategy of reducing discretionary grant reserves to a minimum level that will allow us to deliver annually on our mandate and agreed SLA targets. The deficit also results in a reduction of the CHIETA cash balance, thereby allowing us to sustain operations at an optimal level without continuously increasing cash balances.

### **2. Services rendered by the public entity and tariff policy**

The CHIETA is a schedule 3A public entity enacted by the Minister of Higher Education and Training in terms of the Skills Development Act and governed by the Public Finance Management Act (Act No.1 of 1999), as amended PFMA. The CHIETA facilitates skills development in the chemicals' industries sector. No tariff is charged for services rendered. The CHIETA is funded through skills development levies contributed in terms of the Skills Development Levies Act by employers in the chemicals' industries sector.

### **3. Capacity constraints**

While we experienced minor capacity constraints for the year under review, these did not impact on the CHIETA's service delivery to its stakeholders, nor was the achievement of the CHIETA's strategic objectives or SLA targets compromised.

### **4. Utilisation of donor funds**

No donor funds were received or expended by the CHIETA for the year under review.

### **5. Business address**

2 Clamart Road  
Richmond  
Johannesburg  
2193

### **6. Controlled entities and public entities**

The CHIETA does not exercise control over any other entities, agencies, organisations or public entities.

**7. Other organisations to whom transfer payments have been made**

No transfer payments were made by the CHIETA to any other party during the period under review.

**8. Public private partnerships (PPP)**

No public private partnerships were entered into during the period under review.

**9. Discontinued activities/activities to be discontinued**

No discontinued activities or closure of any major part of the business have occurred during the financial period. No activities are planned to be discontinued for the remaining license period of the CHIETA.

**10. New/proposed activities**

No new activities have been proposed.

**11. Re-licensing**

The CHIETA was re-established by the Minister of Higher Education and Training for a further two year period until 31 March 2020.

**12. Corporate Governance**

**12.1 Corporate governance and compliance with PFMA**

The CHIETA continuously updates and implements recommendations emanating from of the PFMA and Treasury Regulations. The CHIETA audit committee met regularly during the financial year in order to provide oversight and governance, *inter alia* in the following areas:

- The activities of the internal audit function, its annual work programme, coordination with external auditors Auditor-General and the responses of management to specific recommendations.
- The CHIETA interim and annual financial statements and quarterly management accounts.
- Fraud and Information Technology (IT) risks as they relate to financial reporting.
- IT governance and management of IT risks.
- Annual independent review and update of policies, procedures and PFMA compliance by the internal and external audit functions.
- Risk management policy and plans.
- Adequacy and effectiveness of internal controls and management of risks, including financial reporting and fraud related risks.
- Combined assurance required to address significant risks facing the CHIETA.
- Review of ethics and compliance risk assessment.

**12.2 Financial risk management and systems of control**

Section 51(a) of the PFMA requires the Accounting Authority of a public entity to implement and maintain effective, efficient and transparent systems of financial, risk management and internal controls. The CHIETA has developed detailed financial policies and procedures, and a quality management system to guide internal processes. The CHIETA has implemented various measures to ensure that public funds are managed as required by the PFMA, Treasury regulations other applicable Acts and regulations. Internal and external auditors conduct regular compliance reviews.

The CHIETA governing board committed the CHIETA to a process of sustained risk management that is aligned to the principles of good corporate governance, relevant legislation and leading practice.

Accountability is strongly vested at the Accounting Authority and managerial level on strategic and operational risk management, respectively.

The CHIETA has over the last few years embarked on a comprehensive organisation wide risk management process that was done in a structured, consistent and integrated manner, aligning strategy, processes, people, technology and knowledge towards mitigating risks within acceptable levels. The CHIETA risk management framework covers the full spectrum of risks taken in pursuit of the CHIETA's objectives and are categorised into strategic and operational risks per the respective functional areas and business processes of the organisation.

Management and monitoring of the CHIETA risk management framework is facilitated through regular risk assessments and reporting by management to the governance structures of the CHIETA in terms of relevance, progress and status of risks treatments as per committed deadlines and implementation frameworks.

#### 12.3 Expenditure control and procurement framework

The CHIETA has developed a robust framework for expenditure control, governed by policies, procedures, delegations and systems, which are updated on a regular basis. A supply chain management policy framework is fully implemented in line with the Preferential Procurement Policy Framework Act (PPPFA) and supply chain management regulations. These policies and procedures are reviewed regularly by the CHIETA management, staff, internal and external auditors and adjusted to ensure that current updates in procurement practices are adhered to by the entity.

#### 12.4 The CHIETA infrastructure and security over assets and income

The CHIETA's net asset base was approximately R251.3 million at 31 March 2017. Total net assets decreased by the net deficit of R25.9 million as at the financial year ended 31 March 2017 in comparison with the prior financial year.

#### 12.5 Accounting Authority and constitutional committee meetings

The Accounting Authority and all the CHIETA constitutional committees attend quarterly meetings to discuss strategic matters focusing on delivery of the CHIETA mandate.

#### 12.6 Promotion of accountability and transparency

##### 12.6.1 Audit committee

The audit committee functions in terms of section 51(a)(ii) of the PFMA read in conjunction with Treasury regulations 76 and 77 and performs a critical governance function. As with the board, its constitutional structure and operation have been considered in relation to best practice recommendations and the protocols on corporate governance.

##### 12.6.2 Management committee

Through involvement with day-to-day business activities, the CHIETA CEO and the management team are responsible for ensuring that decisions, strategies and views of the board are implemented and that operations are managed effectively, efficiently and economically.

##### 12.6.3 Employees

The human resources strategy is founded on human capital development. It also addresses issues that create the conditions and opportunities for previously disadvantaged individuals to be employed at all levels within the organisation.

Part H: Financial Information - **REPORT OF THE ACCOUNTING AUTHORITY**  
FOR THE YEAR ENDED 31 MARCH 2017

12.6.4 *Employment equity*

There is continual monitoring and enforcement of employment equity practices.

**13. Remuneration to members of the Accounting Authority, audit committee and executive management:**

13.1 Remuneration to members of the Accounting Authority 1 April 2016 to 31 March 2017

	<b>Name</b>	<b>Constituency</b>	<b>Appointment Date</b>	<b>Governing Board Meeting Fee</b>	<b>Committee and other Meeting Fee</b>	<b>Total</b>
1.	Ms N Fakude	Chairperson and ministerial appointment	08/04/2011	R 7 758	R 9 972	<b>R 17 730</b>
2.	Mr M Samela	Ministerial appointee	08/04/2011	R 68 516	R 70 152	<b>R 138 668</b>
3.	Mr B Van Baalen	Business representative for base chemicals	08/04/2011	R 61 874	R 66 670	<b>R 128 544</b>
4.	Mr J Smit	Business representative for specialty chemicals, surface coatings, pharmaceuticals and fast moving consumer goods	08/04/2011	R 62 064	R 83 749	<b>R 145 813</b>
5.	Ms J Klaasen	Business representative for explosives and fertiliser	08/04/2011	-	-	-
6.	Mr B Muir	Labour representative United Association of South Africa (UASA)	08/04/2011	R 62 064	R 40 321	<b>R 102 385</b>
7.	Mr G Ceronie	Labour representative - Solidarity	08/04/2011	R 54 306	R 93 465	<b>R 147 771</b>
8.	Mr M Mampho	Labour representative - South African Chemical workers Union (SACWU)	08/04/2011	R 62 064	R 199 065	<b>R 261 129</b>
9.	Mr D Nkotsoe	Labour representative - General Industries Workers Union of south Africa (GIWUSA)	08/04/2011	R 62 064	R 51 170	<b>R 113 234</b>
10.	Mr T Demana	Government representative - Department of Trade and Industry	08/04/2011	-	-	-
11.	Ms I Dimo	Ministerial appointment	08/04/2011	R 62 064	R 15 516	<b>R 77 580</b>
12.	Mr S Phetla	Business representative for glass	08/04/2011	R 62 064	R 11 637	<b>R73 701</b>
13.	Mr R Muruven	Business representative for petroleum	08/04/2011	R 61 874	R 43 616	<b>R105 490</b>
14.	Mr D Ndou	Government representative - Department of Energy	30/03/2016	-	-	-
15.	Mr M Nkabinde	Labour representative Chemical, Energy, Paper, Printing, Wood and Allied Workers Union (CEPPWAWU)	30/03/2016	R 54 306	R 11 637	<b>R 65 943</b>
<b>TOTAL</b>				<b>R 681 018</b>	<b>R 696 970</b>	<b>R 1 377 988</b>

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FOR THE YEAR ENDED 31 MARCH 2017**

**13.2 Remuneration to independent members of the audit committee 1 April 2016 to 31 March 2017**

	<b>Name</b>	<b>Constituency</b>	<b>Audit Committee and Board Meeting Fee</b>
1.	Mr C Kashiram	Chairperson and Independent member	R 477 636
2.	Ms M Morata	Independent member	R 146 338
3.	Ms S Rahiman	Independent member	R 109 434
<b>TOTAL</b>			<b>R 733 408</b>

- Explanatory notes to Accounting Authority remuneration (13.1) and independent audit committee remuneration (13.2):
1. Some members of the Accounting Authority have elected not to receive any remuneration for their services based on the policy directives of their respective constituency.
  2. The remuneration level of the Accounting Authority members is subject to the legislative and policy frameworks of government, affordability and a dedicated budget. This is based on the annual remuneration framework of the Accounting Authority members as approved by the Minister of Finance and the Minister of Higher Education and Training.
  3. The Accounting Authority meeting fee and committee meeting fee are paid in accordance with the approved rate as per the Treasury conversion key.
  4. Audit committee members are remunerated based on the approved SAICA rates as per the CHIETA's approved remuneration policy for Accounting Authority and committee fees.
  5. Fees for Accounting Authority members who sit on the audit committee are included in the remuneration schedule for members of the Accounting Authority in 13.1 above.

**13.3 Remuneration to members of executive management 1 April 2016 to 31 March 2017**

<b>Name</b>	<b>Designation</b>	<b>Basic</b>	<b>Allowances</b>	<b>Provident fund</b>	<b>Performance bonus</b>	<b>Total</b>
Ms A Itzkin	Acting Chief Executive Officer	R 1 191 954	R 567 743	R 211 777	R 367 483	R 2 338 956
Mr F Motala	Chief Financial Officer	R 1 310 784	R 194 250	R 264 016	R 262 881	R 2 031 931
Mr T Channing	Governance and Risk Executive	R 1 148 491	R 387 195	-	R 223 903	R 1 759 589
Ms K Moroane	Research and Skills Planning Executive	R 1 298 351	R 14 250	-	R 189 540	R 1 502 141
Mr R Sing	Grants and Strategic Projects Executive	R 1 226 351	R 86 250	-	R 196 890	R 1 509 491
<b>TOTAL</b>		<b>R 6 175 931</b>	<b>R 1 249 687</b>	<b>R 475 793</b>	<b>R 1 240 697</b>	<b>R 9 142 108</b>



**Chairperson of the CHIETA Accounting Authority  
28 July 2017**

Part H: Financial Information - ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2016/17 R'000	2015/16 R'000
<b>NON EXCHANGE REVENUE</b>			
Skills development levy: income	2	471 294	443 931
Skills development levy: penalties and interest		19 108	18 789
Profit on disposal of assets		38	55
<b>EXCHANGE REVENUE</b>			
Investment income	3	23 873	21 960
<b>Total Revenue</b>	<b>1a</b>	<b>514 313</b>	<b>484 735</b>
<b>EXPENSES</b>			
Employer grant and project expenses	4	(482 745)	(442 621)
Administration expenses	5	(57 506)	(57 469)
<b>Total expenses</b>		<b>(540 251)</b>	<b>(500 090)</b>
<b>NET DEFICIT FOR THE YEAR</b>	<b>1a</b>	<b>(25 938)</b>	<b>(15 355)</b>

## STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2017

	Note	2016/17 R'000	2015/16 R'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	303 462	358 283
Prepayments and advances (exchange)	8	254	-
Accounts receivable	9	1 777	496
- Non exchange		842	21
- Exchange		935	475
Inventories	19	19	63
		<b>305 512</b>	<b>358 842</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	1 778	989
Other intangible assets	7	48	65
		<b>1 826</b>	<b>1 054</b>
<b>TOTAL ASSETS</b>		<b>307 338</b>	<b>359 896</b>
<b>Less: Current liabilities</b>			
Accounts payable	11	55 120	81 781
- Non exchange		47 725	68 700
- Exchange		7 395	13 081
Provisions	12	887	846
		<b>56 007</b>	<b>82 627</b>
<b>TOTAL NET ASSETS</b>		<b>251 331</b>	<b>277 269</b>
<b>FUNDS CONTRIBUTED BY:</b>			
<b>Funds and reserves</b>			
Administration reserve		6 094	6 094
Discretionary reserve		245 237	271 175
<b>TOTAL NET FUNDS</b>		<b>251 331</b>	<b>277 269</b>

Part H: Financial Information - ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2017

	Administration reserve	Employer grant reserve	Discretionary reserve	Net accumulated surplus	Total
	R'000	R'000	R'000	R'000	R'000
<b>Balance at 31 March 2015</b>	<b>6 094</b>	<b>-</b>	<b>286 530</b>	<b>-</b>	<b>292 624</b>
Net deficit per statement of financial performance	-	-	-	(15 355)	(15 355)
Allocation of net accumulated deficit	750	14 842	(30 948)	15 355	-
Excess reserves transferred to discretionary reserve	(750)	(14 842)	15 592	-	-
<b>Balance at 31 March 2016</b>	<b>6 094</b>	<b>-</b>	<b>271 175</b>	<b>-</b>	<b>277 269</b>
Net deficit per statement of financial performance	-	-	-	(25 938)	(25 938)
Allocation of net accumulated deficit	4 422	10 435	(40 795)	25 938	-
Excess reserves transferred to discretionary reserve	(4 422)	(10 435)	14 857	-	-
<b>Balance at 31 March 2017</b>	<b>6 094</b>	<b>-</b>	<b>245 237</b>	<b>-</b>	<b>251 331</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	Note	2016/17 R'000	2015/16 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Operating activities</b>			
Cash receipts from stakeholders		489 121	463 165
Levies, interest and penalties received		489 121	463 165
Cash paid to stakeholders, suppliers and employees		(566 602)	(483 150)
Grants and project payments		(503 720)	(431 678)
Compensation of employees		(37 656)	(30 735)
Payments to suppliers and other		(25 226)	(20 737)
Cash utilised in operations	13	(77 481)	(19 985)
Investment income	3	23 873	21 960
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(53 608)</b>	<b>1 975</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6	(1 255)	( 481)
Proceeds from disposal of property, plant and equipment		41	67
<b>Net cash outflow from investing activities</b>		<b>(1 214)</b>	<b>(414)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(54 822)</b>	<b>1 561</b>
<b>Cash and cash equivalents at beginning of year</b>	10	<b>358 283</b>	<b>356 723</b>
<b>Cash and cash equivalents at end of year</b>	10	<b>303 462</b>	<b>358 283</b>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

	Note	Approved budget 2016/17 R'000	Actual 2016/17 R'000	Favourable (unfavourable) variance 2016/17 R'000	Approved budget 2015/16 R'000	Actual 2015/16 R'000	Favourable (unfavourable) variance 2015/16 R'000
<b>NON EXCHANGE REVENUE</b>							
Skills development levy: income	20.1	465 765	471 294	5 529	466 587	443 931	(22 656)
Skills development levy: penalties and interest	20.2	16 850	19 108	2 258	1 284	18 789	17 505
Profit on disposal of assets	20.6	-	38	38	-	55	55
<b>EXCHANGE REVENUE</b>							
Investment income	20.3	21 680	23 873	2 193	12 291	21 960	9 669
<b>Total revenue</b>		<b>504 295</b>	<b>514 313</b>	<b>10 018</b>	<b>480 162</b>	<b>484 735</b>	<b>4 573</b>
<b>EXPENSES</b>							
Employer grant and project expenses	20.4	443 163	482 745	(39 582)	417 449	442 621	(25 172)
Administration expenses	20.5	61 132	57 506	3 626	62 713	57 469	5 244
<b>Total expenses</b>		<b>504 295</b>	<b>540 251</b>	<b>(35 956)</b>	<b>480 162</b>	<b>500 090</b>	<b>(19 928)</b>
<b>NET DEFICIT FOR THE YEAR</b>		<b>-</b>	<b>(25 938)</b>	<b>(25 938)</b>	<b>-</b>	<b>(15 355)</b>	<b>(15 355)</b>

## 1. Accounting policy

### 1.1 Basis of preparation

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.

1.2 The cash flow statement has been prepared in accordance with the direct method.

1.3 Specific information such as:

- (a) receivables from non exchange transactions, including taxes and transfers;
- (b) taxes and transfers payable;
- (c) trade and other payables from non exchange transactions;

is presented separately on the statement of financial position.

1.4 The amount and nature of any restrictions on cash balances is required to be disclosed.

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 stated.

1.5 The financial statements have been prepared on the historical cost basis, except where adjusted for present / fair values as required by the relevant accounting standard.

### 1.6 New accounting pronouncements

#### 1.6.1 Standards effective and adopted in the prior year

The entity has applied the following standard which has been published and is effective for the entities accounting periods beginning on or after 1 April 2015.

Segment Reporting	GRAP 18	Effective date, years beginning on or after 1 April 2015
-------------------	---------	--

This standard describes the disclosure requirements to present more specific and detailed information about major activities undertaken by an entity during a particular period along with the resources allocated to those activities. The adoption of this standard has not had a material impact but has resulted in more disclosures than presented in the prior period annual financial statements. The additional disclosure is set out in note 22 to the annual financial statements.

#### 1.6.2 Standards issued and relevant but not yet effective

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

		Effective date
Related parties	GRAP 20	Not yet determined
Statutory receivables	GRAP 108	Not yet determined
Accounting by principals and agents	GRAP 109	Not yet determined

## Part H: Financial Information - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2017

An entity shall apply Standards of GRAP for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the PFMA.

### GRAP 20 : Related party

This standard prescribes the disclosure of information relevant to draw attention to the possibility that the SETA financial position and surplus/deficit may have been affected by the existence of related parties. It is not expected that this standard will significantly impact future disclosures.

### GRAP 108: Statutory receivables

This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. It is not expected that this standard will significantly impact future disclosures.

### GRAP 109: Accounting by principals and agents

This standard outlines the principles used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. It is not expected that this standard will significantly impact future disclosures.

The entity has not applied the following Standards and Interpretations that have been issued and are mandatory for accounting periods beginning on or after 1 April 2015 as they are not relevant to the entity's operations

#### 1.6.3 Standards issued and effective but not relevant

Transfer of Functions between Entities under Common Control	GRAP 105	Effective date, years beginning on or after 31 March 2015
Transfer of Function between Entities not under Common Control	GRAP 106	Effective date, years beginning on or after 31 March 2015
Mergers	GRAP 107	Effective date, years beginning on or after 31 March 2015

The above standards have not had an impact on the financial statements as there has been no transfer of functions or mergers relating to the CHIETA.

#### 1.7 Going concern

The financial statements have been prepared on the going concern basis, as the CHIETA does not see any reason to significantly curtail its operations in the foreseeable future and the entity will continue to operate as a going concern for the next 36 months. The current licence period of the CHIETA expires on 31 March 2020 based on the recently gazetted extension of the NSDS 111 licence period of the SETAs. The future existence and landscape of the SETAs after the above date will be based on a proclamation by the Minister of Higher Education and Training based on the future national skills development strategy and landscape.

#### 1.8 Judgments and sources of estimation uncertainty

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

#### *Trade and other receivables*

The entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the entity makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

#### *Provisions*

Provisions are estimates raised by management using the information available to management.

#### *Property, plant and equipment*

The entity estimates the useful life of the property, plant and equipment annually. The estimated useful life of assets is limited to the remaining period of the licence issued to the CHIETA by the Minister of Higher Education and Training. For the current year the remaining period is 4 years (2016: 1 year). The useful life of assets is re-assessed at the end of each financial year.

#### *Intangible assets*

The estimated useful life of intangible assets is limited to the remaining period of the licence issued to the CHIETA by the Minister of Higher Education and Training. For the current year the remaining period is 4 years (2016: 2 years). The useful life of assets is re-assessed at the end of each financial year.

#### *Leave pay*

The cost of other employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date. Provisions included in the balance sheet are provisions for leave based on the current salary rates.

### **2.1 Currency**

These financial statements are presented in South African rand as this is the currency in which the entity's transactions are denominated. Figures have been rounded off to the nearest thousand (R'000).

### **3.1 Revenue recognition**

Skills Development Levy (SDL) transfers are recognised when it is probable that future economic benefit will flow to the SETA and these benefits can be measured reliably. This occurs when the Department of Higher Education and Training (DHET) makes either an allocation or a payment, whichever comes first, to the SETA, as required by section 8 of the Skills Development Levies Act, 1999 (Act No. 9 of 1999).

Skills development levies are recognised at the fair value of the consideration received.

### **3.2 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 SETA pay a skills development levy of 1% of the total payroll cost to the South African Revenue Service (SARS).

80% of skills development levies are paid to the SETA (net of the 20% contribution to the National Skills Fund).

Revenue is adjusted for inter-SETA transfers due to employers changing SETAs. Such adjustments are disclosed separately as inter-SETA transfers. The amount of the inter-SETA adjustment is calculated according to the standard operating procedures issued by the Department of Labour in June 2001.

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

### 3.3 Interest and penalties

Interest and penalties on the skills development levy are recognised when the Department of Higher Education and Training (DHET), makes either an allocation or a payment, whichever comes first, to the SETA, as required by section 8 of the Skills Development Levies Act, 1999 (Act No.9 of 1999).

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

Funds transferred by the National Skills Authority are accounted for in the financial statements of the SETA as a liability until the related eligible special project expense are incurred, when the liability is extinguished and revenue recognised.

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

### 3.5 Government grants and other donor income

Conditional government grants and other conditional donor funding received are recorded as deferred income when it becomes receivable and are then recognised as income on a systematic basis over the period necessary to match the grants with the related costs which it was intended to compensate. Unconditional grants received are recognised when the amounts have been received.

### 3.6 Investment income

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

### 4.1 Grants and project expenditure

A registered company may recover a maximum mandatory grant of 20% 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).

#### *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 by 30 April of every year. 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 implementation grant.

#### *Discretionary grants and project expenditure*

The funding for discretionary grants and projects comprise 49.5% of the total levies paid by the employers, levy grants that are not claimed by employers, the surplus of administration levies not utilised, investment income, and other income generated by the SETA.

A SETA may out of any surplus monies determine and allocate discretionary grants to employers, education and training providers and workers of the employers who have submitted an application for a discretionary grant in the prescribed form within the agreed on cut-off period.

Project expenditure comprises:

- costs that relate directly to the specific contract;
- 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.

A maximum of 7.5% of discretionary grant and project expenditure may be used for project management.

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

Project costs are recognised as expenses in the period in which they are incurred. 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.

#### 5.1 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. 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 income in the period in which it is incurred.

#### 6.1 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Depreciation is calculated on the straight-line method to write-off the cost of each asset over its estimated useful life.

- |                                 |         |
|---------------------------------|---------|
| - Computer equipment            | 50% p/a |
| - Office furniture and fittings | 10% p/a |
| - Office equipment              | 10% p/a |

The depreciation charge is to depreciate the book value over the the useful life of the asset to its assessed residual value. Depreciation is calculated and provided for on an annual basis. If the residual value of an asset is at least equal to its carrying amount, depreciation will cease.

The expected useful life of assets within each class differs, since all of the assets are expected to be in use over the life of the SETA. The depreciation of assets commences on the date that the asset is available for use, even if it is not yet in use.

The estimated useful life of the assets is limited to the remaining period of the licence issued to the CHIETA by the Minister of Higher Education and Training. For the current year the remaining period is 4 years (2016: 2 years). Useful life of assets are reassessed at the end of each financial year.

The following factors were considered to determine the useful life of the asset:

- Expected usage of the asset;
- Expected physical wear and tear of the asset;
- Technical obsolescence; and
- Legal or other limits on the use of the asset.

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

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

### *Intangible assets*

Intangible assets held for use are stated in the balance sheet at amortised cost being the initial cost price less any amortisation and impairment.

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives, using the straight-line method as following:

- Computer Software 50% p/a

The useful lives of intangible assets are reassessed at the end of each financial year.

#### **7.1 Operating lease agreements**

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement based on actual straight lined and accrued payments. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination take place.

#### **8.1 Retirement benefit costs**

The SETA provides for retirement benefits for all its permanent employees through a defined contribution scheme that is subject to the Pension Funds Act, 1956 (Act No. 24 of 1956) as amended. In terms of the Act, the fund is not required to be actuarially valued. Contributions are at a rate of 14.88% of pensionable emoluments.

The SETA's contribution to the defined contribution plans is charged to the income statement in the year to which they relate and no future liability exists for the CHIETA.

#### **9.1 Provisions**

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

#### **9.2 Provision for employee entitlements**

The cost of other employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date. Provisions included in the balance sheet are provisions for leave (based on the current salary rates), bonuses and termination benefits.

#### **9.3 Provision for grants**

A provision is recognised for grant payments once the specific criteria set out in the regulations to the Skills Development Act, 1998 (Act No. 97 of 1998) has been complied with by member companies and it is probable that the SETA 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.

### 10.1 Financial instruments

#### *Recognition*

Financial assets and financial liabilities are recognised on the SETA's balance sheet when the SETA becomes a party to the contractual provisions of the instrument.

#### *Measurement*

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

### 10.2 Financial assets

The SETA's principle financial assets are accounts and other receivable and cash and cash equivalents are categorised as follows:

#### *Cash and cash equivalents - held for trading*

Cash and cash equivalents are measured at fair value.

#### *Investments and loans*

The following categories of investments are measured at subsequent reporting dates at amortised cost by using the effective interest rate method if they have a fixed maturity, or at cost if there is no fixed maturity:

- Loans and receivables originated by the group;
- Held-to-maturity investments;
- An investment that does not have a quoted market price in an active market and whose fair value cannot be measured reliably.

Cost and amortised cost are inclusive of any impairment loss recognised to reflect irrecoverable amounts. The financial assets are subject to review for impairment at each balance sheet date.

Investments other than those listed above are classified as available-for-sale investments or investments held-for-trading and are measured at subsequent reporting dates at fair value without any deduction for transaction costs that may be incurred on sale or other disposal.

#### *Accounts and other receivables*

Accounts and other receivables are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

### 10.3 Financial liabilities

The SETA's principal financial liabilities are accounts and other payables.

All financial liabilities are measured at amortised cost, comprising original debts less principle payments and amortisations, except for financial liabilities held for trading and derivative liabilities, which are subsequently measured at fair value.

Gains and losses arising from a change in the fair value of financial instruments, other than available-for-sale financial assets, are included in net profit or loss in the period in which it arises. Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognised in equity, until the investment is disposed of or is determined to be impaired, at which time the net profit or loss is included in the net profit or loss for the period.

**Part H: Financial Information - ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 MARCH 2017**

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

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 have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values have been estimated using available market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the SETA could realise in the normal course of business. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair value due to the short-term trading cycle of these items.

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 offset exists.

### 11.1 Reserves

Equity is sub-classified in the balance sheet between the following funds and reserves:

- Administration reserve
- Employer grant reserve
- Discretionary reserve

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

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

	2016/17	2015/16
	%	%
Administration costs of the SETA	10.5	10.5
Employer grant fund levy	20	20
Mandatory workplace skills planning grant	20	20
Discretionary grants and projects	49.5	49.5
	80	80

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

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

The net surplus/deficit is allocated to the administration reserve, the mandatory grant reserve and the discretionary fund reserve based on the above table.

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

### 11.2 Related parties

CHIETA operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. All national departments of government and state-controlled entities are regarded as related parties in accordance with Circular 4 of 2005: Guidance on the term “state controlled entities” in context of IAS 24 (AC 126) - Related Parties, issued by the South African Institute of Chartered Accountants. Other related party transactions are also disclosed in terms of the requirements of the accounting standard.

### 11.3 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first in first out (FIFO)/weighted average formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

### 11.4 Commitments

Commitments comprise those future expenses that the CHIETA has committed itself to contractually, but for which a present obligation for the payment thereof does not exist at the reporting date. Accordingly these commitments are not recognised as liabilities but are disclosed in the notes to the annual financial statements. Please refer to note 15.

### 11.5 Segment reporting

Segments are identified by the way in which information is reported by management, both for purposes of assessing performance and making decisions about how future resources will be allocated to various activities undertaken by the CHIETA. The major classification of activities identified in budget information reflect the segments for which the CHIETA reports information.

Segment information is presented based on services provided. Service segments relate to distinguishable components within the CHIETA that provide specific outputs or achieve particular operating objectives that are aligned to the entity's overall mission. The CHIETA's service segments are mandatory, discretionary and administrative activities.

### 1a. Allocation of net deficit for the year to reserves for the year ended 31 March 2017

	Total per income statement R'000	Administration reserve R'000	Mandatory reserve		Discretionary reserve		
			Mandatory skills planning and implementation grant R'000	Total R'000	Discretionary grants R'000	CHIETA projects R'000	Total discretionary R'000
<b>Total revenue</b>	<b>514 313</b>	<b>57 506</b>	<b>105 426</b>	<b>105 426</b>	<b>287 236</b>	<b>64 145</b>	<b>351 381</b>
Skills development levy income:							
Admin levy income	61 890	61 890	-	-	-	-	-
Grant levy income	409 404	-	115 861	115 861	229 398	64 145	293 543
Skills development levy: penalties and interest	19 108	-	-	-	19 108	-	19 108
Investment income	23 873	-	-	-	23 873	-	23 873
Profit on disposal of assets	38	38	-	-	-	-	-
Transfer to discretionary reserve	-	(4 422)	(10 435)	(10 435)	14 857	-	14 857
<b>Total expenses</b>	<b>540 251</b>	<b>57 506</b>	<b>105 426</b>	<b>105 426</b>	<b>313 174</b>	<b>64 145</b>	<b>377 319</b>
Administration expenses	57 506	57 506	-	-	-	-	-
Employer grants and project expenses	482 745	-	105 426	105 426	313 174	64 145	377 319
<b>Net deficit per statement of financial performance allocated</b>	<b>(25 938)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(25 938)</b>	<b>-</b>	<b>(25 938)</b>

1a. Allocation of net deficit for the year to reserves for the year ended 31 March 2017

	Total per income statement R'000	Administration reserve R'000	Mandatory reserve		Discretionary reserve		
			Mandatory skills planning and implementation grant R'000	Total R'000	Discretionary grants R'000	CHIETA projects R'000	Total discretionary R'000
<b>Total revenue</b>	<b>484 735</b>	<b>57 469</b>	<b>98 785</b>	<b>98 785</b>	<b>273 902</b>	<b>54 580</b>	<b>328 482</b>
Skills development levy income:							
Admin levy income	58 165	58 165	-	-	-	-	-
Grant levy income	385 766	-	113 627	113 627	217 560	54 580	272 140
Skills development levy: penalties and interest	18 789	-	-	-	18 789	-	18 789
Investment income	21 960	-	-	-	21 960	-	21 960
Profit on disposal of assets	55	55	-	-	-	-	-
Transfer to discretionary reserve	-	(750)	(14 842)	(14 842)	15 592	-	15 592
<b>Total expenses</b>	<b>500 090</b>	<b>57 469</b>	<b>98 785</b>	<b>98 785</b>	<b>289 256</b>	<b>54 580</b>	<b>343 836</b>
Administration expenses	57 469	57 469	-	-	-	-	-
Employer grants and project expenses	442 621	-	98 785	98 785	289 256	54 580	343 836
<b>Net deficit per statement of financial performance allocated</b>	<b>(15 355)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15 355)</b>	<b>-</b>	<b>(15 355)</b>

Part H: Financial Information - **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2017

## 2. Skills development levy income

Note	2016/17 R'000	2015/16 R'000
The total levy income per the income statement is as follows:		
Levy income: Administration	61 890	58 165
Skills development levies transferred from Department of Higher Education and Training	61 833	58 092
Interseta transfers in	57	72
Levy income: Employer grants	115 861	113 627
Skills development levies transferred from Department of Higher Education and Training	115 753	113 489
Interseta transfers in	108	138
Levy income: Discretionary grants	293 543	272 139
Skills development levies transferred from Department of Higher Education and Training	293 273	271 798
Interseta transfers in	270	341
	<b>471 294</b>	<b>443 931</b>

Note: Other income in the prior year has been reclassified under levy income as it relates to voluntary levies received from the Department of Energy.

## 3. Investment income

Interest income - bank deposits	23 873	21 960
	<b>23 873</b>	<b>21 960</b>

## 4. Employer grant and project expenses

Mandatory grants		105 426	98 785
Disbursed		103 271	100 383
Movement in provisions and accruals		2 155	(1 598)
Discretionary grants	15.1	313 174	289 256
Disbursed		326 626	273 373
Movement in provisions and accruals		(13 453)	15 883
Project expenditure	15.2	64 145	54 580
Disbursed		74 488	38 572
Movement in provisions and accruals		(10 343)	16 009
		<b>482 745</b>	<b>442 621</b>

### 4.1 Discretionary grants expenditure consists of:

Direct discretionary grant project costs	293 574	272 160
Direct project administration expenses	19 600	17 096
	<b>313 174</b>	<b>289 256</b>

### 4.2 Project expenditure consist of:

Direct project costs	64 145	54 580
	<b>64 145</b>	<b>54 580</b>

## 5. Administration expenses

	Note	2016/17 R'000	2015/16 R'000
Depreciation		463	397
Amortisation of intangibles		16	37
Operating lease rentals (minimum lease payments) - buildings		3 217	3 103
Maintenance, repairs and running costs - property and buildings		65	335
Utilities		908	736
Advertising, marketing and promotions, communication		383	227
Consultancy and service provider fees		1 781	2 255
Legal fees		89	33
Cost of employment	5.1	33 028	34 441
Travel and subsistence		3 072	2 650
Training and development		925	434
Remuneration to members of the accounting authority		1 378	1 101
Remuneration to members of the audit committee		733	652
Internal auditor's remuneration		898	1 273
External auditor's remuneration - audit fees		2 611	2 672
IT maintenance and internet service (ISP)		666	1 129
Telephone and fax		421	867
Printing and stationery		1 125	996
Insurance costs		73	239
Workshop and meetings		1 397	709
Quality Council for Trades and Occupations (QCTO)		2 456	1 629
Other		1 800	1 552
		<b>57 506</b>	<b>57 469</b>

Refer to the report of the Accounting Authority for disclosure concerning the remuneration to the members of the Accounting Authority, Chief Executive Officer; Chief Financial Officer and senior managers.

### 5.1 Cost of employment

Salaries and wages		28 522	30 647
Basic salaries		23 576	21 523
Performance awards		3 359	3 081
Retention stay bonus		-	4 955
Temporary staff		744	277
Leave provision		843	811
Social contributions		4 506	3 794
Medical aid contributions		1 705	1 620
Provident fund contributions: defined contribution plans		2 497	1 906
UIF		304	268
		<b>33 028</b>	<b>34 441</b>
<b>Allocation of cost of employment</b>			
Administration expenses	5	<b>33 028</b>	<b>34 441</b>

**Average number of employees**

**61**

**56**

## 6. Property, plant and equipment

	Cost	Accumulated depreciation/ impairment	Closing carrying amount
Year ended 31 March 2017	R'000	R'000	R'000
Computer equipment	2 300	(1 410)	890
Office furniture and fittings	2 279	(1 877)	402
Office equipment	1 443	(957)	485
<b>Balance at end of period</b>	<b>6 022</b>	<b>(4 244)</b>	<b>1 778</b>
Made up as follows:			
Owned assets	6 022	(4 244)	1 778

### Year ended 31 March 2016

Computer equipment	1 871	(1 336)	536
Office furniture and fittings	2 138	(1 835)	303
Office equipment	1 285	(1 134)	151
<b>Balance at end of period</b>	<b>5 294</b>	<b>(4 305)</b>	<b>989</b>
Made up as follows:			
Owned assets	5 294	(4 305)	989

### Movement summary for the year ended 31 March 2017

	Carrying amount 2016	Additions	Disposals	Depreciation/ amortisation charge	Carrying amount 2017
	R'000	R'000	R'000	R'000	R'000
Computer equipment	535	584	(3)	(226)	890
Office furniture and fittings	303	180	-	(81)	402
Office equipment	151	491	-	(156)	486
<b>Balance at end of period</b>	<b>989</b>	<b>1 255</b>	<b>(3)</b>	<b>(463)</b>	<b>1 778</b>

### Movement summary for the Year ended 31 March 2016

	Carrying amount 2016	Additions	Disposals	Depreciation/ amortisation charge	Carrying amount 2016
	R'000	R'000	R'000	R'000	R'000
Computer equipment	411	410	(4)	(280)	535
Office furniture and fittings	289	26	(4)	(8)	303
Office equipment	218	46	(4)	(108)	151
<b>Balance at end of period</b>	<b>918</b>	<b>481</b>	<b>(13)</b>	<b>(397)</b>	<b>989</b>

During the reassessment of useful lives and residual values, it has become evident that certain items of property, plant and equipment have become obsolete. Consequently these were scrapped.

## 7. Intangible assets - computer software

	2016/17 R'000	2015/16 R'000
<b>Opening carrying value</b>	<b>65</b>	<b>101</b>
Cost/valuation	495	495
Accumulated amortisation	(430)	(393)
<b>Movements during the year</b>	<b>(16)</b>	<b>(37)</b>
Amortisation	(16)	(37)
<b>Closing carrying value</b>	<b>48</b>	<b>65</b>
Cost/valuation	495	495
Accumulated amortisation	(446)	(430)

During the reassessment of useful lives and residual values, it has become evident that certain computer software has become obsolete. Consequently these were scrapped.

### Change in accounting estimate

The main assumption for the reassessment is:

During the period the useful lives of property, plant and equipment as well as the useful lives of intangible assets were reassessed in line with the requirements of GRAP 17 and GRAP 31.

Following the reassessment the remaining useful lives of property, plant and equipment as well as the remaining useful lives of intangible assets were reassessed from 1 year to 4 years. This is attributable to additional/new information that became available during the year regarding the extension of licence of the various SETAs. CHIETA has a licence which will expire on 31 March 2020, therefore the assets are depreciated in accordance with the period of the license to continue operating.

The additional information that became available has resulted in a change in the useful lives of the assets of CHIETA, which constitutes a change in the accounting estimate in accordance with GRAP 3. The impact of the change in the accounting estimate is a reduction in the annual depreciation and amortisation expenses. It is expected that this trend may continue in future periods.

The depreciation and amortisation expenses have decreased as follows for the 2017 financial year:

	Before change in estimate R'000	After change in estimate R'000	Net increase/ (decrease) R'000
Amortisation: Computer software	65	16	(49)
Depreciation: Computer equipment	606	226	(380)
Depreciation: Furniture & fittings	305	81	(224)
Depreciation: Office equipment	534	156	(378)
	<b>1 510</b>	<b>479</b>	<b>(1 031)</b>

## 8. Prepayments and advances

Note

	2016/17 R'000	2015/16 R'000
--	------------------	------------------

### Prepayments and advances

Prepayments	254	-
<b>Closing balance</b>	<b>254</b>	<b>-</b>

## 9. Accounts receivable

Deposits	Exchange	183	143
Trade receivables	Exchange	535	322
Employee receivable	Exchange	217	10
Employer receivable	Non exchange	842	21
		<b>1 777</b>	<b>496</b>

## 10. Cash and cash equivalents

Cash at bank and on hand	303 462	358 283
Cash at bank	303 457	358 275
Cash on hand	5	8
<b>Cash and cash equivalents at end of year</b>	<b>303 462</b>	<b>358 283</b>

As required in Treasury Regulation 31.2, the National Treasury approved the banks where the CHIETA bank accounts are held. The weighted average interest rate on short term bank deposits was 6.8% (2016: 6%).

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 five months or less and that are subject to an insignificant risk of change in value.

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

## 11. Accounts payable

		47 725	68 700
Skills development grants payable - mandatory	Non exchange	7 941	5 785
Skills development grants payable - discretionary	Non exchange	31 957	45 410
Project creditors	Non exchange	7 162	17 505
Employer payable	Non exchange	665	-
<b>Sundry payables</b>		<b>7 395</b>	<b>13 081</b>
Other accruals	Exchange	2 858	3 235
Employee leave and bonus pay accrual	Exchange	4 219	8 847
Service provider fees outstanding	Exchange	-	177
Trade payables	Exchange	318	823
		<b>55 120</b>	<b>81 781</b>

### 11.1 Leave provision and bonus pay accrual

	Employee leave provision	Employee performance bonus accrual	Employee retention/ stay bonus accrual	2016/17 R'000	2015/16 R'000
Open carrying amount	810	3 081	4 955	8 847	5 140
Amounts utilised	(810)	(3 081)	(4 955)	(8 847)	(5 140)
Change in estimate	860	3 359	-	4 219	8 847
<b>Closing carrying amount</b>	<b>860</b>	<b>3 359</b>	<b>-</b>	<b>4 219</b>	<b>8 847</b>
Current	860	3 359	-	4 219	
<b>Total</b>	<b>860</b>	<b>3 359</b>	<b>-</b>	<b>4 219</b>	

Employee entitlements relate to leave credits available to employees of the CHIETA. Leave balances of employees are multiplied by the daily rate of each employees salary and quantified to the amount of leave credits available.

Employee bonus relates to performance bonus and a once off retention/stay bonus payable to employees who meet the qualifying criteria. The performance bonus is paid annually to employees who exceed their job performance requirements. The retention bonus is a once off amount approved by the Accounting Authority payable to employees in key and critical positions as an incentive to remain within the employ of CHIETA in periods of uncertain lifespan and during uncertain licence periods of the SETA.

## 12. Provisions

### Reconciliation of provisions for the year ended 31 March 2017:

	Open carrying amount R'000	Additions R'000	Reversals R'000	Closing carrying amount R'000
Exempt employers provision	846	237	(196)	887

### Reconciliation of provisions for the year ended 31 March 2016:

Exempt employers provision	825	148	(127)	846
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An amount of R887 207 (2016 - R846 000) relates to skills development levies incorrectly contributed by employers to SARS and paid to DHET after being exempted from contributing skill development levies due to legislative changes which came into effect on 1 August 2005. Since SARS collects the skills development levies from employers on behalf of DHET, the responsibility to refund employers remains with SARS.

In terms of Skills Development Circular No. 09/2013 issued by DHET on 25 August 2013, SETA's are able to utilise exempted amounts contributed after the expiry date of five years as stipulated in terms of section 190(4) of the Tax Administration Act. These amounts are indicated as reversals and have been transferred to the discretionary reserve as per the requirements of the above circular.

### 13. Reconciliation of net cash flow from operating activities to net deficit

	2016/17 R'000	2015/16 R'000
Net deficit as per statement of financial performance	(25 938)	(15 355)
Adjusted for non-cash items:		
Depreciation	463	397
Amortisation	16	37
Relating to grants	41	21
Adjusted for items separately disclosed:		
Investment income	(23 873)	(21 960)
Net profit on disposal of assets	(38)	(55)
Adjusted for working capital changes:		
Increase/(decrease) in receivables	(1 237)	461
Increase/(decrease) in payables	(26 661)	16 456
(Increase)/decrease in prepayments and advances	(254)	13
<b>Cash utilised in operations</b>	<b>(77 481)</b>	<b>(19 985)</b>

### 14. Contingencies

In terms of the PFMA, all surplus/(deficit) funds as at year end require the approval of the National Treasury. The CHIETA requested the formal rollover of the cash surplus of R3,652 (R'000) to the National Treasury and has communicated this in writing as per National Treasury requirements.

### 15. Commitments

#### 15.1 Discretionary reserve

Of the balance of R245 237 (R'000) available in the discretionary reserve for the year ended 31 March 2017, R227 019 (R'000) has been approved and allocated for discretionary grants commitments as outlined below and substantial portions of contractual obligations have been met. A further amount of R18 422 (R'000) is committed to strategic sector projects. During the financial year an amount of R293 574 (R'000) was utilised on contractual deliverables in discretionary grant programmes and an amount of R64 145 (R'000) was utilised on strategic sector projects. Due to fact that contractual deliverables on discretionary programmes and strategic sector projects span over an average period of twelve to eighteen months, any marginal shortfall in funds available on the discretionary reserve is funded from levies received prior to submission of these financials.

## 15. Commitments (continued)

### 15.1 Discretionary reserve (continued)

Discretionary Grant Programmes	Opening balance 1 April 2015	Approved by Accounting Authority	Discretionary grant project management	Not yet contracted/ adjustments	Utilised discretionary grants project management	Closing balance 31 March 2016	Approved by Accounting Authority	Discretionary grant project management	Not yet contracted/ adjustments	Utilised discretionary grants project management	Closing balance 31 March 2017
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
NP Adult Basic Education and Training (ABET)	3 419	2 162	129	(1 895)	2 053	1 633	2 451	101	(1 084)	1 506	1 494
P Apprentice/artisan training and development	54 210	45 930	2 793	(18 840)	44 468	36 831	57 972	3 299	(14 886)	49 411	30 505
P Recognition of prior learning (RPL)	14 978	18 840	544	(8 255)	8 659	16 905	31 056	1 382	(6 150)	20 703	21 108
P Further education and training (FET)	4 894	1 790	204	(1 540)	3 254	1 890	2 116	110	(873)	1 643	1 489
P Graduate development	396	-	25	-	396	-	63	1	(18)	17	28
P Bursaries	24 812	54 171	2 501	(4 498)	39 809	34 676	67 588	3 313	(12 277)	49 621	40 365
P Internships	735	-	76	597	1 213	119	-	-	(119)	-	-
P National priorities	4 658	-	41	(4 002)	657	-	-	-	-	-	-
P Skills programmes	27 687	22 259	1 535	(10 630)	24 437	14 879	26 004	1 033	(8 499)	15 478	16 906
P Workplace experience/WIL	25 336	40 620	2 062	(5 669)	32 823	27 464	18 901	1 494	(10 670)	22 378	13 316

NP: Non Pivotal  
P: Pivotal

## 15. Commitments (continued)

### 15.1 Discretionary reserve (continued)

Discretionary Grant	Opening balance 1 April 2015	Approved by Accounting Authority	Discretionary grant project management	Not yet contracted/ adjustments	Utilised discretionary grants	Closing balance 31 March 2016	Approved by Accounting Authority	Discretionary grant project management	Not yet contracted/ adjustments	Utilised discretionary grants	Closing balance 31 March 2017
Programmes	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
P Work placement/ employment creation	39 080	22 914	1 799	(8 266)	28 632	25 097	15 738	1 121	(13 626)	16 785	10 424
P Learnerships	84 464	105 808	5 375	(19 701)	85 568	85 002	169 178	7 737	(42 277)	115 888	91 016
P Other occupationally directed programs	280	180	12	(50)	191	219	583	10	(290)	144	368
<b>Total</b>	<b>284 950</b>	<b>314 674</b>	<b>17 096</b>	<b>(82 749)</b>	<b>272 160</b>	<b>244 714</b>	<b>391 649</b>	<b>19 600</b>	<b>(115 771)</b>	<b>293 574</b>	<b>227 019</b>

NP: Non Pivotal

P: Pivotal

## 15. Commitments (continued)

### 15.2 Strategic Sector Projects

Strategic Sector Projects											
	Opening balance 1 April 2015 R'000	Approved by Accounting Authority R'000	Not yet contracted R'000	Utilised strategic projects R'000	Adjustments R'000	Opening balance 1 April 2016 R'000	Approved by Accounting Authority R'000	Adjustment to 2016/17 budget R'000	Not yet contracted R'000	Utilised strategic projects R'000	Adjustments R'000
NP											
Chemical stakeholder support (SST and M/E)	-	9 033	-	9 039	11	5 91	8 057	5 083	-	13 137	9
NP											
World skills competition	-	477	-	358	(118)	-	500	-	-	449	51
Regional stakeholder support	-	1 483	-	1 569	86	0	1 511	(275)	-	1 082	154
NP											
Apprenticeship/artisan development	-	5 250	-	4 098	(1 152)	-	10 000	-	6 913	3 087	-
P											
Public sector capacity	-	-	-	-	-	-	1 838	750	50	1 749	-
P											
Technical artisan competency (TAC) - Welding Trust	3 000	3 000	3 000	2 850	(150)	-	-	-	-	-	-
P											
Small business support	1 170	3 075	1 520	1 547	(35)	1 143	1 340	-	-	1 835	-
NP											
Small business support	-	770	280	231	-	259	-	-	-	235	-
P											
Bursary project (18.2 learners)	-	4 815	719	3 285	-	811	6 620	(1 188)	-	3 549	-
NP											
Career and vocational guidance/integrated marketing and relationship management	-	2 276	-	2 265	-	-	2 625	-	-	2 254	371
P											
SMME strategy/voucher project	338	5 000	450	4 888	-	-	5 500	(2 000)	436	3 064	-
P											
Maths and science	2 788	7 294	2 788	3 186	(1 275)	2 833	2 928	782	-	5 153	60
P											
Rural and cooperatives development	2 033	2 993	1 403	2 285	(203)	1 135	400	450	-	716	748
P											
AET programmes learners with disabilities	1 140	1 953	-	1 736	(258)	1 099	4 332	1 233	200	4 274	103
P											
Skills programmes	2 084	2 984	2 084	2 525	(20)	439	1 568	-	-	1 013	123
P											
Institutional and industry partnership	7 140	7 371	5 958	4 580	(516)	3 457	666	540	-	1 864	1 238
P											
ISOE's	-	3 073	-	1 844	-	1 229	850	-	-	1 514	-

NP: Non Pivotal  
P: Pivotal

## 15. Commitments (continued)

### 15.2 Strategic Sector Projects (continued)

Strategic Sector Projects		Opening balance 1 April 2015 R'000	Approved by Accounting Authority R'000	Not yet contracted R'000	Utilised strategic projects R'000	Adjustments R'000	Opening balance 1 April 2016 R'000	Approved by Accounting Authority R'000	Adjustment to 2016/17 budget R'000	Not yet contracted R'000	Utilised strategic projects R'000	Adjustments R'000	Closing balance 31 March 2017 R'000
P	Strategic infrastructure skills development projects (SIPs)	593	4 805	1 887	1 399	(157)	1 955	280	180	-	1 475	738	201
P	Renewable energy skills development - green skills	-	450	-	-	-	450	-	-	-	450	-	-
P	Trade union learning practitioner programme	909	1 300	909	1 288	(12)	-	1 500	-	-	218	-	1 282
P	Programme 2 - research and skills planning	-	2 335	-	824	(68)	1 444	2 808	-	380	1 954	69	1 849
NP	Programme 2 - research and skills planning	-	8 210	554	4 729	(256)	2 671	6 480	1 800	1 041	7 520	988	1 402
P	TVET and WIL	-	6 948	3 888	54	-	3 006	3 528	3 600	-	7 535	-	2 599
NP	Qualifications development	-	-	-	-	-	-	1 000	(980)	-	19	1	-
<b>Total</b>		<b>21 195</b>	<b>84 894</b>	<b>25 440</b>	<b>54 580</b>	<b>(4 121)</b>	<b>21 937</b>	<b>64 329</b>	<b>9 974</b>	<b>9 020</b>	<b>64 145</b>	<b>4 653</b>	<b>18 422</b>

NP: Non Pivotal

P: Pivotal

**Part H: Financial Information - NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**15.3 Operating leases**

	<b>2016/17</b>	<b>2015/16</b>
	<b>R'000</b>	<b>R'000</b>
Minimum lease payments under operating leases recognised as an expense in the year	<b>3 217</b>	<b>3 103</b>
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
Not later than one year	<b>3 336</b>	<b>3 079</b>
Later than one year and not later than five years	<b>-</b>	<b>3 312</b>
	<b>3 336</b>	<b>6 391</b>

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of two years and the lease period coincides with the licence period of the CHIETA. Rentals escalate on average by between 7-9% per annum. The monthly payments for property assessment rates and taxes and municipal charges are included as part of other operating expenditure in the statement of financial performance.

**16. Material losses through criminal conduct, irregular, fruitless and wasteful expenditure**

**Irregular, fruitless and wasteful expenditure**

To the best of our knowledge, no material losses through criminal conduct, or irregular, fruitless and wasteful expenditure were incurred during the year ended 31 March 2017 (2016 - Nil).

**17. Financial instruments**

In the course of the CHIETA operations it is exposed to interest rate, credit, liquidity and market risk. The CHIETA 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.

Part H: Financial Information - **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2017

### Interest rate risk

The SETA's exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date is as follows:

Year ended	Floating rate		Amount R'000	Fixed Rate		Non-interest bearing		TOTAL R'000
	Amount R'000	Effective interest rate		Weight- ed average effective interest rate %	Weighted average period for which the rate is fixed in years	Amount R'000	Weighted average period until maturity in years	
<b>31 March 2017</b>								
<b>Assets</b>								
Cash	279 589	6,8%	23 873	6,8%	0.08	-	-	303 462
Accounts receivable	-	-	-	-	-	1 777	0.08	1 777
	<b>279 589</b>	<b>6,8%</b>	<b>23 873</b>	<b>6,8%</b>	<b>0.08</b>	<b>1 777</b>	<b>0.08</b>	<b>305 239</b>
<b>Liabilities</b>								
Accounts payable	-	-	-	-	-	55 120	0.04	55 120
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55 120</b>	<b>0.04</b>	<b>55 120</b>

### Year ended 31 March 2016

Total financial assets	336 323	-	21 960	6%	0.08	496	-	358 779
Total financial liabilities	-	-	-	-	-	81 781	0.04	81 781
	<b>336 323</b>	<b>-</b>	<b>21 960</b>	<b>6%</b>	<b>0.08</b>	<b>82 277</b>	<b>0.04</b>	<b>440 560</b>

### Credit risk

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

The CHIETA management limits its treasury counter-party exposure by dealing only with well-established financial institutions approved by the National Treasury through the approval of their investment policy in terms of Treasury Regulations.

Credit risk with respect to levy paying employers is limited due to the nature of the income received. The CHIETA does not have any material exposure to any individual or counter-party. The CHIETA's concentration of credit risk is limited to the industry in which the CHIETA operates. No events occurred in the industry during the financial 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 debt. All payables and receivables were within 30 days with the exception of rental deposits.

### Liquidity risk

The CHIETA manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows.

#### **Market risk**

The CHIETA is exposed to fluctuations in the employment market, such as sudden increases in unemployment and changes in the wage rates. No significant events occurred during the year that the CHIETA is aware of.

#### **Fair values**

The CHIETA's financial instruments consist mainly of cash and cash equivalents, account receivables, and accounts 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.

#### **Accounts payable**

The carrying amount of accounts payables approximates fair value due to the relatively short-term maturity of these financial liabilities.

## 18. Related party transactions

### Transactions with other SETAs

Intersetra transactions and balances arise due to the movement of employers from one SETA to another. The following transactions occurred during the year with other SETAs.

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

	2016/17 R'000		2015/16 R'000	
	Transfers in/ (out) during the year	Amount receivable/ (payable)	Transfers in/ (out) during the year	Amount receivable/ (payable)
<b>Receivables</b>	<b>435</b>	<b>-</b>	<b>552</b>	<b>-</b>
Fasset	435	-	-	-
Services SETA	-	-	165	-
Health and Welfare SETA	-	-	117	-
AgriSETA	-	-	270	-
<b>Payables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>435</b>	<b>-</b>	<b>552</b>	<b>-</b>

Transactions with board member representative companies:

Constituency of board member	Transacting company	Transaction type	2016/17 R'000		2015/16 R'000	
			Amount of the transaction	Amount receivable/ (payable)	Amount of the transaction	Amount receivable/ (payable)
Payables						
Explosives and fertilisers	Omnia	Discretionary grant	11 086	(5 582)	10 691	(5 821)
Base chemicals and petroleum	Sasol Limited	Discretionary grant	16 100	(5 690)	12 521	(5 964)
Government department/ ministerial appointee	Department of Energy	Discretionary grant	316	(177)	1 790	(1 315)
Government department/ ministerial appointee	Department of Energy	Strategic project	600	(306)	-	-
Speciality chemicals and surface coatings	Novas	Strategic project	-	-	540	(540)
Total			28 103	(11 755)	25 542	(13 640)

The above transactions occurred under terms that were no more/less favourable than those available in similar arm's length dealings.

Refer to the report of the Accounting Authority for disclosure concerning the remuneration to the members of the Accounting Authority, Chief Executive Officer, Chief Financial Officer and executive managers.

## 19. Inventories

	2016/17 R'000	2015/16 R'000
Inventories consist of :		
Consumable stores		
Stationery	19	20
Marketing/promotional material	-	43
	<b>19</b>	<b>63</b>

## 20. Comparison of budget and actual amounts for the year ended 31 March 2017

### 20.1 Skills development levy: income

The favourable variance in skills development levy income is due to a higher than anticipated return of levies from member companies. The CHIETA budgeted for a 4% increase in revenue for the financial year, and realised a 6.1% increment. The increase in levy contributing member companies is also a contributing factor to the higher than anticipated SDL income.

### 20.2 Skills development levy: penalties and interest

Income from penalties and interest arise when employers fail to submit their returns as required by legislation. These amounts typically vary significantly year on year. The full balance is transferred to the discretionary reserve and made available for discretionary grants and projects.

### 20.3 Investment income

Investment income was 10.1% above budget due to higher competitive interest rates obtained on CHIETA's investments in 2016/17 and a higher than anticipated cash holding during the first two quarters of the financial year.

### 20.4 Employer grant and project expenses

The approved final budget only includes the estimated mandatory grant spending of the current financial year. There was an increase in mandatory grant expenditure due to the increase in levies received and the increase in work place skills plans submitted by the employers.

The approved final budget only includes the estimated project spending of the current financial year. The increased discretionary grant and project expenditure was funded from discretionary reserves. This over expenditure is acceptable practice within the SETA environment given the multi-year nature of many projects.

### 20.5 Administration expenses

Administration expenditure is limited to 10.5% of levies received. The legislation limit has not been exceeded and savings are transferred to the discretionary reserve and will be utilised to fund sector skills priorities, through various discretionary grants and projects.

### 20.6 Profit on disposal of assets

The profit on disposal was not budgeted for as it could not be anticipated at the time that certain property plant and equipment would be obsolete at year end. During the reassessment of useful lives and residual values, it has become evident that certain items of property, plant and equipment have become obsolete. Consequently these were scrapped and disposed of, resulting in a profit on the disposal during the financial period.

## 21. Contingent liabilities

The CHIETA is an applicant in the Labour Court and a respondent in the CCMA in two pending labour relations matters, the outcome of which is currently uncertain. It is likely that the CHIETA will be successful with the review in the Labour Court and the award will be set aside. Based on the merits of the pending CCMA hearing, the CHIETA is of the opinion that the employee will not be successful in the claim, but the risk exists that the CCMA may reach an alternate verdict. The estimated financial exposure of outcomes in favour of the two former employees, including legal fees, is R525 000, excluding VAT.

## 22. Segment information

Information about the deficit, assets and liabilities for the year ended 31 March 2017

	2016/17				
	Administration	Mandatory	Discretionary	Unallocated	Total
	R'000	R'000	R'000	R'000	R'000
<b>Revenue:</b>					
<b>Non exchange revenue</b>					
Skills development levy: income	61 890	115 861	293 543	-	471 294
Skills development levy: penalties and interest	-	-	19 108	-	19 108
Profit on disposal of assets	38	-	-	-	38
<b>Exchange revenue</b>					
Investment income	-	-	23 873	-	23 873
<b>Total segment revenue</b>	<b>61 928</b>	<b>115 861</b>	<b>336 524</b>	<b>-</b>	<b>514 313</b>
<b>Expenditure:</b>					
<b>Expenses</b>					
Discretionary grants and project expenditure	-	-	(377 319)	-	(377 319)
Mandatory and implementation grant	-	(105 426)	-	-	(105 426)
Employee compensation costs	(33 028)	-	-	-	(33 028)
Other administration expenses	(24 478)	-	-	-	(24 478)
<b>Total segment expenditure</b>	<b>(57 506)</b>	<b>(105 426)</b>	<b>(377 319)</b>	<b>-</b>	<b>(540 251)</b>
<b>Total surplus/(deficit)</b>	<b>4 422</b>	<b>10 435</b>	<b>(40 795)</b>	<b>-</b>	<b>(25 938)</b>

## 22. Segment information (continued)

Information about the deficit, assets and liabilities for the year ended 31 March 2017

	2016/17				
	Administration	Mandatory	Discretionary	Unallocated	Total
	R'000	R'000	R'000	R'000	R'000
<b>Assets:</b>					
Cash and cash equivalents	-	-	-	303 462	303 462
Accounts receivable - non exchange	935	-	842,01	-	1 777
Prepayments and advances - exchange	254	-	-	-	254
Inventories	19	-	-	-	19
Property, plant and equipment	1 778	-	-	-	1 778
Other intangible assets	48	-	-	-	48
<b>Total Assets</b>	<b>3 034</b>	<b>-</b>	<b>842</b>	<b>303 462</b>	<b>307 338</b>
<b>Liabilities:</b>					
<b>Accounts payable</b>					
Non exchange	-	7 941	39 119	-	47 060
Exchange	7 395	-	-	-	7 395
Provisions	116	222	549	-	887
	<b>7 511</b>	<b>8 163</b>	<b>39 668</b>	<b>-</b>	<b>55 341</b>

## 22. Segment information (continued)

Information about the deficit, assets and liabilities for the year ended 31 March 2016

	2015/16				
	Administration	Mandatory	Discretionary	Unallocated	Total
	R'000	R'000	R'000	R'000	R'000
<b>Revenue:</b>					
<b>Non exchange revenue</b>					
Skills development levy: income	58 165	113 627	272 139	-	443 931
Skills development levy: penalties and interest	-	-	18 789	-	18 789
Profit on disposal of assets	55	-	-	-	55
<b>Exchange revenue</b>					
Investment income	-	-	21 960	-	21 960
<b>Total segment revenue</b>	<b>58 220</b>	<b>113 627</b>	<b>312 888</b>	<b>-</b>	<b>484 735</b>
<b>Expenditure:</b>					
<b>Expenses</b>					
Discretionary grants and project expenditure	-	-	(343 836)	-	(343 836)
Mandatory and implementation grant	-	(98 785)	-	-	(98 785)
Employee compensation costs	(34 441)	-	-	-	(34 441)
Other administration expenses	(23 028)	-	-	-	(23 028)
<b>Total segment expenditure</b>	<b>(57 469)</b>	<b>(98 785)</b>	<b>(343 836)</b>	<b>-</b>	<b>(500 090)</b>
<b>Total surplus/(deficit)</b>	<b>750</b>	<b>14 842</b>	<b>(30 948)</b>	<b>-</b>	<b>(15 355)</b>

## 22. Segment information (continued)

Information about the deficit, assets and liabilities for the year ended 31 March 2016

	2015/16				
	Administration	Mandatory	Discretionary	Unallocated	Total
	R'000	R'000	R'000	R'000	R'000
<b>Assets:</b>					
Cash and cash equivalents	-	-	-	358 283	358 283
Accounts receivable - non exchange	475	-	21	-	496
Inventories	63	-	-	-	63
Property, plant and equipment	989	-	-	-	989
Other intangible assets	65	-	-	-	65
<b>Total Assets</b>	<b>1 592</b>	<b>-</b>	<b>21</b>	<b>358 283</b>	<b>359 896</b>
<b>Liabilities:</b>					
<b>Accounts payable</b>					
Non exchange	-	5 785	62 914	-	68 700
Exchange	13 081	-	-	-	13 081
Provisions	111	212	523	-	846
	<b>13 192</b>	<b>5 997</b>	<b>63 438</b>	<b>-</b>	<b>82 627</b>

Signed on behalf of the Accounting Authority by:



**Ayesha Itzkin**  
Acting Chief Executive Officer



**Nolitha Fakude**  
Chairperson of the Accounting Authority

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## 1. Objective

The policy is intended to determine material and significant events that warrant disclosure by the Accounting Authority to:

- The Executive Authority/legislature;
- The National Treasury;
- The Office of the Auditor-General.

Events of a similar nature that are therefore considered material and significant, but do not constitute material and significant, will be managed in-house by the Accounting Authority in terms of formal enquiries and disciplinary processes defined by Human Resources' policies and procedures.

## 2. Legal framework

In terms of Treasury Regulations, section 28.1.5, issued in terms of the Public Finance Management Act (Act No. 1 of 1999) (PFMA), the Accounting Authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant Executive Authority in consultation with the external auditors.

The specific sections of the PFMA that are relevant to materiality are:

- *Section 50(1)(c)* – “The Accounting Authority for a public entity must on request, disclose to the Executive Authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way influence the decision or actions of the Executive Authority or that legislature.”
- *Section 55(2)(b)(i)* – “The annual report and financial statements must include particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.”
- *Section 66(1)* – “An institution to which this Act applies may not borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that institution or the Revenue Fund to any future financial commitment, unless such borrowing, guarantee, indemnity, security, or other transaction –
  - Is authorised by this Act; and
  - In the case of public entities, is also authorised by other legislation not in conflict with this Act; and
  - In the case of loans by a province or a provincial government business enterprise under the ownership control of a provincial executive, is within the limits as set in terms of the Borrowing Powers of Provincial Governments Act, 1996 (Act No. 48 of 1996).”

The specific section of the PFMA that is relevant to materiality is:

- *Section 54(2)* – “Before a public entity concludes any of the following transactions, the Accounting Authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its Executive Authority for approval of the transaction –
  - Establishment or participation in the establishment of a company;
  - Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;
  - Acquisition or disposal of a significant asset;
  - Commencement or cessation of a significant business activity; and
  - A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.”

### 3. Factors considered in developing the framework

The following factors were considered in determining the framework:

- *Nature of the business*

Given the nature of the organisation's activities, i.e.

- The creation and registration of national standards and qualifications in the sector and sub-sectors;
- To curricula, assess, certify and manage performance in the sector to ensure targeted and generic service skills;
- To ensure that a quality learning provision is maintained throughout the sector;
- To create and maintain a database to target generic and specific skills development;
- To engage in learnerships and skills programme activities;
- To implement the sector skills plan;

a lower level of materiality is considered appropriate.

- *Statutory Requirements*

The organisation is a public entity, as contained in schedule 3A of the Public Finance Management Act, and as such is governed by legislation applicable to government entities. Such legislation is therefore prepared in terms of good corporate governance and is intended to govern finance, supply chain management, asset management, etc, within the organisation. The probability of a material or significant infringement is thus considered unlikely.

- *Governance Structure*

The Accounting Authority (Governing Board) is represented by its stakeholders, i.e. organised employer and employee representation from the sector. The Accounting Authority, in terms of legislation, is accountable for the performance and governance of the organisation to the Executive Authority (the Minister of Labour). In terms of governance, the organisation is directed by the audit committee (external members), the external auditors (the Auditor-General's office), and the internal auditors (external firm of auditors).

In view of the external participation in the operations of the organisation, it is considered appropriate to have a lower level of materiality.

- *Control and Inherent Risks*

The following factors were examined in determining the control and inherent risk in the organisation:

- Annual risk assessment;
- Three year internal audit plan;
- Fraud prevention plan;
- Appropriate procurement policy and modalities;
- The implementation and adoption of a quality management system;
- Technical competence, skills and experience of staff engaged in the decision making process;
- Structure of the audit committee with reference to the King Code of Corporate Governance.

In terms of the control and inherent risks, a lower level of materiality is considered appropriate.

- *Qualitative Factors*

Materiality is only related to the size and the elements of the financial statements. Misstatements that are large individually or in aggregate may affect a reasonable user's assessment. Misstatements may also be material on qualitative grounds. The organisation has considered the following qualitative factors:

- Unusual transactions entered into that are not of a repetitive nature and are disclosable due to the nature and the knowledge thereof affecting the decision making of the users of financial statements;
- Sizable increase in the stakeholder base, i.e. more member companies contributing SDL to the organisation;
- Fraudulent or dishonest behaviour of ALL officers or staff of the organisation. Any Rand value will warrant disclosure;
- Operations in regions that are economically unstable or the expansion into new locations;
- Operations exposed to volatile markets;
- Going concern and liquidity including loss of significant stakeholders;
- Constraints on the availability of capital and credit;
- Changes in the industry in which the entity operates;
- Developing or offering new products or services;
- Entities or business segments likely to be traded or lost;
- Complex alliances and joint ventures;
- Changes in key personnel, including departure of key executives;
- Changes in the IT environment;
- Pending litigation and contingent liabilities;
- Public accountability to stakeholders, Parliament, auditors and the community at large;
- The sensitivity of the organisation's financial information in making decisions;
- Inadequate policies and procedures to mislead users;
- Material infringement of legislation;
- The imposition of regularity restrictions that can impair operating capabilities;
- Any transaction entered into that could result in reputation risk; and
- Application of new or changes in accounting policy.

## 4. Materiality

### *Definition*

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus materiality provides a threshold or cut-off point, rather than being a primary qualitative characteristic that information must have if it is to be useful.

### *Materiality Level*

The level of a material loss is assessed at 1per cent of budgeted total revenue (NSF revenue and VAT excluded, includes levy income, interest and penalties and any other income).

Different levels of materiality can be used and the decision to use a conservative level of 1per cent, irrespective of whether the transaction/event relates to assets, liabilities, or reserves, is based on the fact that the total assets of the organisation are not considered to be an indicator of performance. This is because the organisation is not an asset intensive entity and the revenue component is selected as a basis for the materiality calculation as the level of activity (grant and discretionary disbursements) is dependent on the total revenue received.

## 5. Significant

### *Definition*

A transaction is significant if conducting the transaction is vitally important to fulfill the organisation's mandate and for it to operate effectively.

Significance is larger than materiality as significant transactions may impact the organisation as a whole. A transaction may be material but not significant whereas all significant transactions are material.

### *Significance level*

The organisation will promptly and in writing inform the National Treasury of the transaction and submit relevant particulars of the transaction to its Executive Authority for approval of the transaction. The following transactions will be regarded as significant and will require full disclosure:

- Establishment or participation in the establishment of a company;
- Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;
- Acquisition or disposal of a significant asset;
- Commencement or cessation of a significant business activity; and
- A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.

## 6. Reporting of the framework

The materiality and significance framework must be updated annually, preferably before the financial year commences, to ensure the identification of material and significant transactions. The framework will be developed further in consultation with the external auditors.

The framework will be included in the:

- Corporate/strategic plan, and
- Annual report.

The framework will be disclosed as contained in Annexure A attached.

## Annexure A

### TREASURY REGULATION 28.1.5

“For purposes of “material” [sections 50(1), 55(2) and 66(1) (c) of the Act] and “significant” [section 54(2) of the Act], the Accounting Authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority in consultation with the external auditors.”

MATERIAL		
Section 50 (1)	<p>(1) The Accounting Authority for a public entity must –</p> <p>(c) on request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all <b>material</b> facts, including those reasonably discoverable, which in any way influence the decision or actions of the Executive Authority or that legislature.</p>	<p>Quantitative – 1% of total revenue</p> <p>Qualitative – events as contained in the Materiality and Significance Framework Policy</p>
Section 55 (2)	<p>(2) The annual report and financial statements must</p> <p>(b) include particulars of –</p> <p>(i) any <b>material</b> losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.</p>	<p>Quantitative – 1% of total revenue</p> <p>Qualitative – events as contained in the Materiality and Significance Framework Policy</p>
Section 66 (1)	<p>(1) An institution to which this Act applies may not borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that institution or the Revenue Fund to any future financial commitment, unless such borrowing, guarantee, indemnity, security or other transaction –</p> <p>(a) is authorised by this Act; and</p> <p>(b) in the case of public entities, is also authorised by other legislation not in conflict with this Act; and</p> <p>(c) in the case of loans by a province or a provincial government business enterprise under the ownership control of a provincial executive, is within the limits as set in terms of the Borrowing Powers of Provincial Governments Act, 1996 (Act No 48 of 1996).</p>	<p>All events/transactions will require disclosure – 100% compliance</p>

## ANNEXURE A

SIGNIFICANT			
Section 54 (2)	(1)	<p>Before a public entity concludes any of the following transactions, the Accounting Authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction –</p> <ul style="list-style-type: none"> <li>(a) establishment or participation in the establishment of a company;</li> <li>(a) participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;</li> <li>(b) acquisition or disposal of a significant shareholding in a company;</li> <li>(c) acquisition or disposal of a significant asset;</li> <li>(d) commencement or cessation of a significant business activity; and</li> <li>(e) a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.</li> </ul>	All events / transactions will require disclosure – 100% compliance





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