



ANNUAL REPORT

2016/17



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



Health and Welfare Sector
Education and Training Authority

HWSETA



Dr Bonginkosi
Emmanuel "Blade"
Nzimande

**MINISTER OF HIGHER
EDUCATION AND TRAINING**



Mr Mduduzi Manana

**DEPUTY MINISTER OF HIGHER
EDUCATION AND TRAINING**

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PART A

GENERAL INFORMATION



The NSDSIII has brought about a new era in skills development - one loaded with promise and impact. It was most evident over time that partnerships are the most effective way to deliver high impact skills development in our country. The HWSETA has grown in leaps and bounds in establishing partnerships with our employers, including the public sector, TVET colleges, Universities and Training Providers.



Mrs Elaine Brass
Acting Chief Executive Officer



Entity Details

Registered Name of Entity:

Health and Welfare Sector Education and Training Authority

Registration Number:

11/HWSETA/01/04/05

Registered Office Address:

17 Bradford Road, Bedfordview, Johannesburg

Postal Address:

Private Bag X15, Gardenview, 2047

External Auditors Information

The Auditor-General SA,
Lefika House,
Pretoria

Bankers Information

Standard Bank

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

RMB

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

Nedbank

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

Corporation for Public Deposits (CPD)

PO Box 427, Pretoria, 0001

Stanlib

17 Melrose Boulevard
Melrose Arch, 2196

List of Abbreviations/Acronyms

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

Foreword

by the Chairperson



Dr E.T. Confidence Moloko

Chairperson of the Board

Presentation of the Annual Report

I hereby, on behalf of the Accounting Authority, the Board of the Health and Welfare Sector Education and Training Authority (HWSETA) and in my capacity as the Chairperson of the Board, table the 2016/17 HWSETA Annual Report in line with relevant laws. This Annual Report is an account of the performance of the HWSETA towards the achievements of goals and targets stated in its Annual Performance Plan.

The Board is satisfied with the HWSETA's fourth clean audit in a row, as it is a true reflection of the work of the Board, the administration and staff of this sector education and training authority.

Mandate of the HWSETA

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

Taking forward Excellence

The HWSETA lost its Chief Executive Officer towards the end of the financial year in review. The Board and the management team under the leadership

of the Acting Chief Executive Officer, Mrs Elaine Brass, maintained the unity and focus of the HWSETA thereby enabling the organisation to take forward its excellent work of previous years.

The HWSETA maintained its good management, continued to improve its governance and delivered on its mandate.

The Office of the Auditor General continued to be one of the best partners of the HWSETA providing the necessary support for the organisation to deliver services.

Mandate and Performance of the Board

The HWSETA Board ensured that it provided leadership to the organisation throughout the 2016/17 financial year. It succeeded to maintain the environment which promoted productivity and excellence. It continued to deliver in line with its mandate, particularly to attain its goals and targets of the NSDS III.

The HWSETA Standing Committees of the Board excelled in their performance. The Audit and Risk Committee served the HWSETA with distinction. The HWSETA received excellent service from its Internal Auditors. HWSETA stakeholders were serviced well and the Board, with the involvement of the Executive, maintained good relations with these important role players.

“

The HWSETA Board ensured that it provided leadership to the organisation throughout the 2016/17 financial year. It succeeded to maintain the environment which promoted productivity and excellence.

”

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

Performance of the Administration

The HWSETA achieved most of the targets, as set out in the Annual Performance Plan and stretched targets. It executed its plans as stipulated in the Service Level Agreement entered into with the Department of Higher Education and Training.

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

I hereby, on behalf of the Board of the HWSETA thank all stakeholders and partners who are our very worthy partners. Our special word of thanks goes to the Honourable Minister and

Deputy Minister of Higher Education and Training who were always available as our pillar of support.

Sincere thanks to all officials of the Department of Higher Education and Training, especially the Director General, the Deputy Director General and Chief Director and their staffs.

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

Sincere thanks to Team-HWSETA made up of my fellow Board members and I, the Chief Executive Officer, Executives and all members of staff.

Our collective effort and support made it possible for the HWSETA to perform consistently throughout the year.

Chairpersons of Standing Committees of the Board of the HWSETA receive special thanks from the Office of the Chairperson. Their sacrifices and hard work made it easy and worthwhile for all of us to serve the masses of our people through this sector education and training authority. The Office of the Auditor General has been most helpful, as always.

Conclusion

Once more, and as mentioned above, team work is the secret that made it possible for the HWSETA to excel once again in the 2016-2017 financial year.

Thank you.



Seen here from left to right at the award of the clean audit trophy to the HWSETA for the fourth consecutive year are:
Dr Confidence Moloko, Chairperson of the HWSETA Board, Mrs Elaine Brass, Acting CEO for the HWSETA, Mr Godfrey Diale, Senior Manager at the Auditor-General South Africa, and Mrs Daphne Theaker, Acting Chief Financial Officer for the HWSETA.

Chief Executive Officer's Report



Mrs Elaine Brass

Acting Chief Executive Officer

This has been another good year for the HWSETA during which a great performance resulted in a clean audit for the fourth year in a row, and an achievement of 95% of our targets on performance.

Whilst we have had a good year, it has been eventful with the start of the year seeing the HWSETA with a newly appointed Accounting Authority. The HWSETA retained four of its previous Board members, as well as its Chairperson, Dr Moloko. This allowed for a smooth transition from the previous Board to the new one. The Board was inducted in July 2016 and hit the road running.

Our Strategic and Annual Performance Plans, with accompanying budgets, were approved by the Minister of Higher Education and Training. The HWSETA met all of its statutory obligations and complied with laws and regulations.

Making our services readily available to and interacting with our stakeholders is an important aspect of our operations. With this in mind, we officially opened our provincial office in Kimberley, Northern Cape on 22 July 2016 and then on 8 December 2016, we officially opened a provincial office in Mahikeng, North West. We used the official opening of the Mahikeng office as an opportunity to interact with our stakeholders from the province at a stakeholder interaction session before the official office opening.

In January 2017 the HWETA secured office space in Bloemfontein and subsequent to the end of the financial year, we officially opened our Free State provincial office on 1 June 2017. The HWSETA has also opened its final office in Nelspruit, which means that we now have a presence in all nine provinces in South Africa.

The HWSETA was one of the first SETA to successfully implement, manage and co-ordinate the External Integrated Summative Assessment (EISA) examinations for the Health Promotion Officer Qualification (Community Health worker) as part of its duties as Assessment Quality Partner (AQP) for the QCTO.

During 2016-2017 year, the HWSETA developed and registered 14 new qualifications. This significantly exceeded our target of 5. During the same period, the HWSETA embarked on an RPL Training project for Skills Development Practitioners (SDP's), and in turn these Practitioners successfully RPL'd 241 learners on a variety of skills programmes and qualifications. A further RPL project saw 110 Artisans successfully getting their qualifications.

Our research has an overarching effect on our strategy. The HWSETA has a strong Research Division, and in the period under review, nine research papers were completed, as well as research into the Sector needs (Sector Skills Plan). These assist the HWSETA to identify good performing projects, and where the efforts and funding of the HWSETA should be channelled. They also provide us with valuable information to improve our projects.

The HWSETA decided to implement an ERP System to fully integrate all its operations. The WSP Module went live last financial year. Phase 1 of the

development was not completed by year end. Phase I and II will be completed in the next financial year, which will see the automation of ETQA and Skills Development processes. We thank our stakeholders for their patience in this process of development.

The HWSETA closed its year with R725 million in commitments to the Sector of Health and Social Development. Actual payments during the year to discretionary grant funding was R313 million, a 16% increase from the prior year. Participation by Employers remains on the low side, with R61 million being paid in mandatory grants over the year. The support from our Departments of Health and Social Development nationally and provincially was a significant improvement from the prior year. Each year the HWSETA reports an underspending on Administration,

resulting in more funds being available for Discretionary grant funding for the Sectors. The HWSETA heeds the call for cost containment, and has maintained a strong internal control environment.

The NSDSIII has brought about a new era in skills development - one loaded with promise and impact. It was most evident over time that partnerships are the most effective way to deliver high impact skills development in our country. The HWSETA has grown in leaps and bounds in establishing partnerships with our employers, including the public sector, TVET colleges, Universities and Training Providers. The HWSETA received an award from the National Skills Authority (NSA) at the National Skills Conference held in March 2017 for its prior year's clean audits.

The Minister of Higher Education and Training announced in December 2016 that the SETA's licenses have been extended to March 2020, with the extension of NSDS III. At the National Skills Conference of March 2017, the NSDSIII and skills development for an integrated and differentiated post-school education and training system was discussed and debated over the two days. What comes from this conference will certainly pave our way to 2020.

The HWSETA cannot maintain a clean administration without strong and effective Governance in place. The Management of the HWSETA has worked well with the Governance structures of the Board and the Accounting Authority over the year to achieve once again.

Statement of Responsibility and Confirmation of Accuracy for the Annual Report

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

- All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General.
- The Annual Report is complete, accurate and is free from any omissions.
- The Annual Report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the required accounting (GRAP) standards applicable to the public entity.
- The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.
- The Accounting Authority is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.
- The external auditors are engaged to express an independent opinion on the Annual Financial Statements.
- In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2017.

Yours faithfully ,



Mrs Elaine Brass

Acting Chief Executive Officer
Date: 28 July 2017



Dr E.T. Confidence Moloko

Chairperson of the HWSETA
Date: 28 July 2017



Strategic Overview



OUR VISION

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



OUR MISSION

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



OUR VALUES

- Integrity
- Transparency
- Transformation
- Service Excellence

Legislative and Other Mandates

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



CONSTITUTIONAL MANDATES

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



LEGISLATIVE MANDATES

The HWSETA derives its mandate from:

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



POLICY MANDATES

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

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

Organisational Structure

HWSETA Board Comprising 15 Members

(REFER PART C: GOVERNANCE FOR MORE DETAILED INFORMATION)



Acting Chief Executive
Officer

MRS ELAINE BRASS

Executive
Manager
Corporate
Services
Division

MR BOB PARDESI



Acting Chief
Financial
Officer

**MRS DAPHNE
THEAKER**



Executive
Manager
RIME Division

**MR SIKHUMBUZO
GCABASHE**



Executive
Manager
SDP Division

**MR PATRICK
SAMUELS**



Executive
Manager
ETQA Division

**MS BAAKEDI
MOTUBATSE**



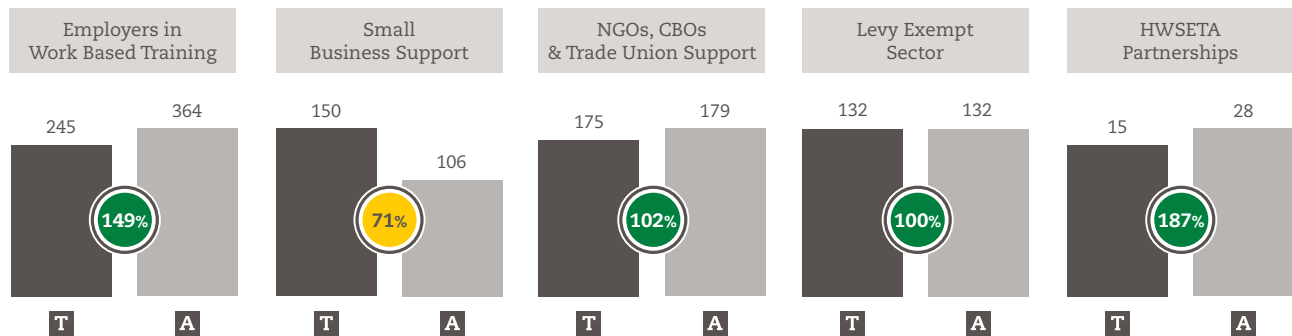


2016/17 Annual Dashboard

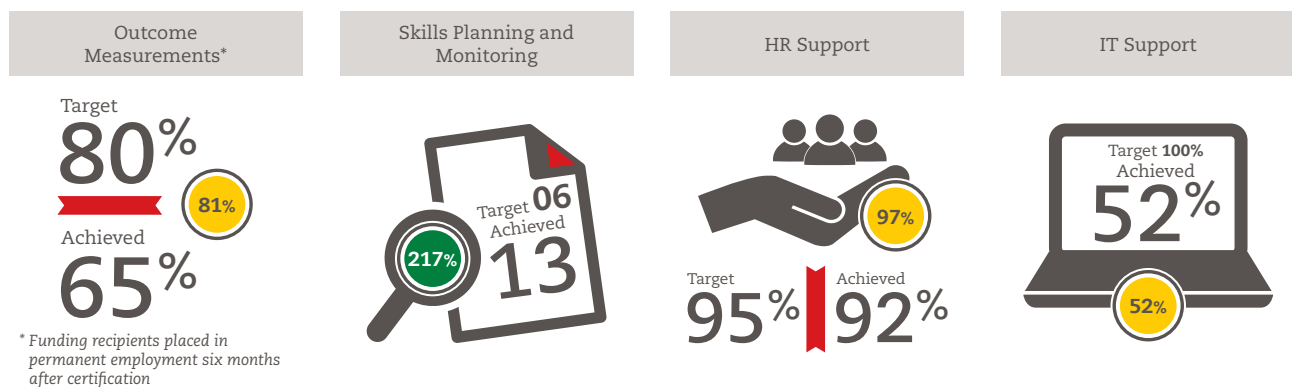
% Achievement against APP annual targets

Support for Employers and Employer Participation

T Target A Achieved



Research and Organisational Support

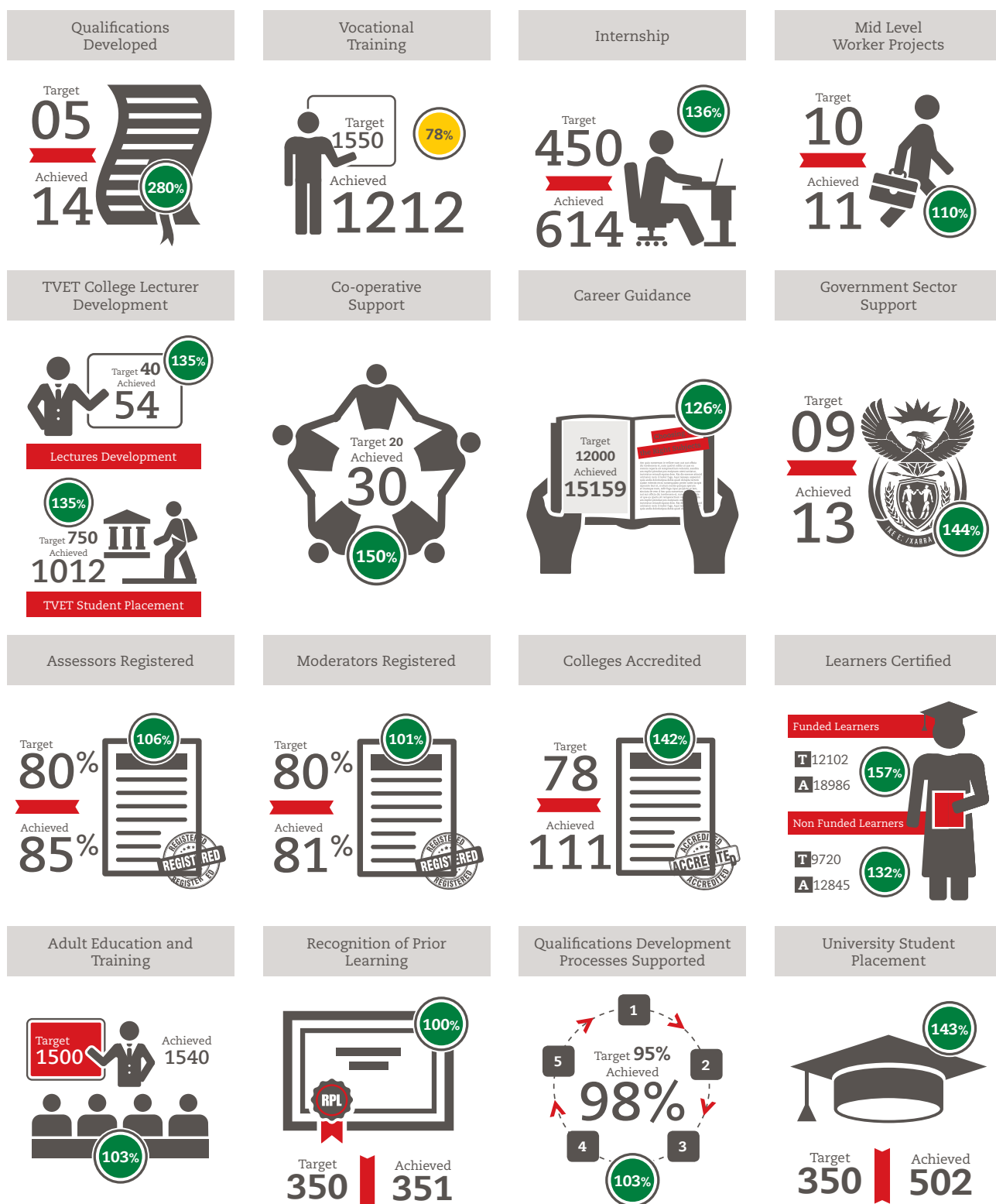


Support for the Employed and Unemployed

T Target A Achieved



Sector Projects



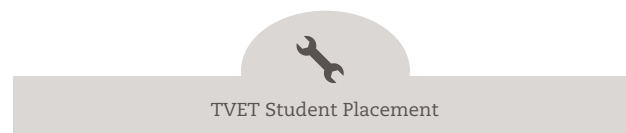
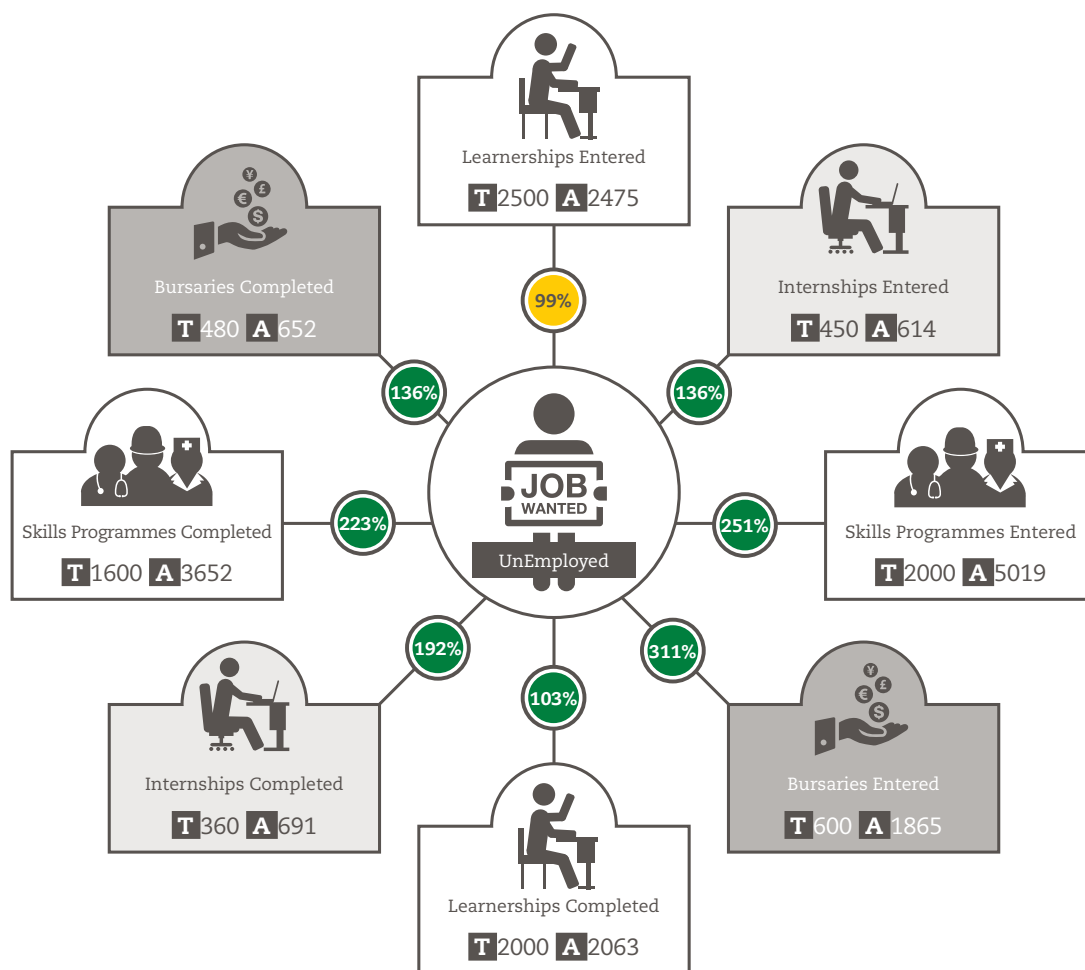


2016/17 Annual Dashboard

% Achievement against SLA annual targets

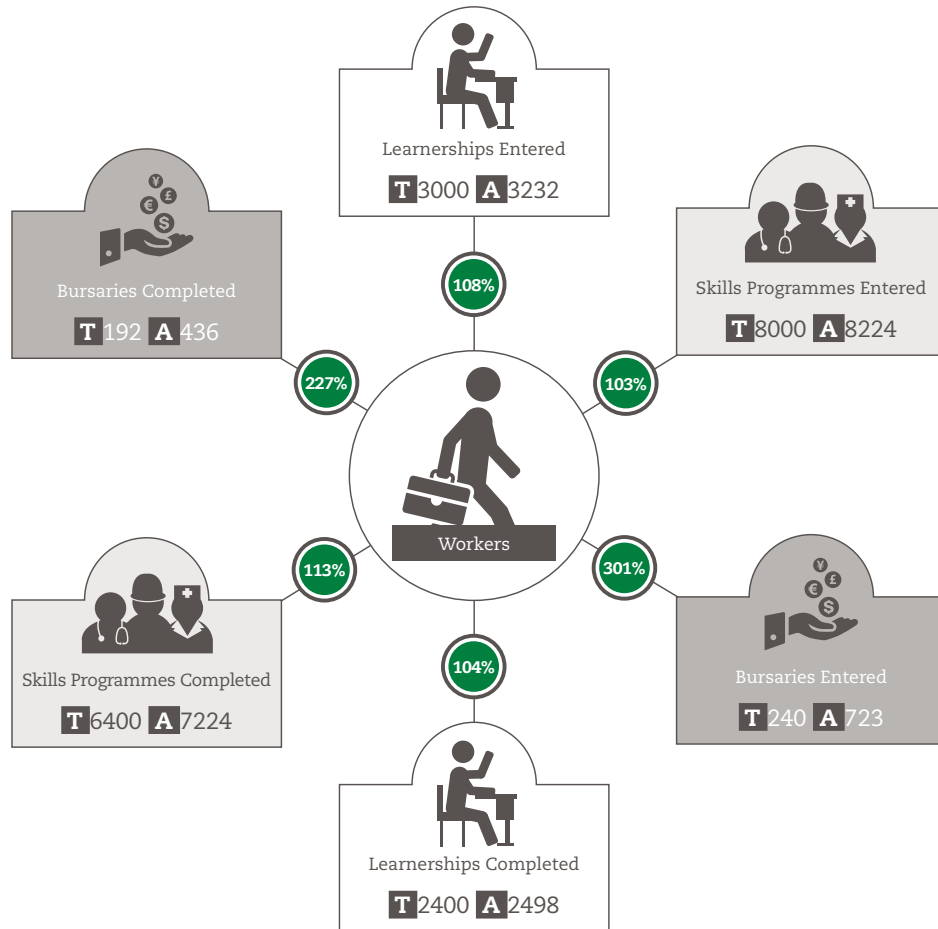
Support for the Unemployed

T Target **A** Achieved



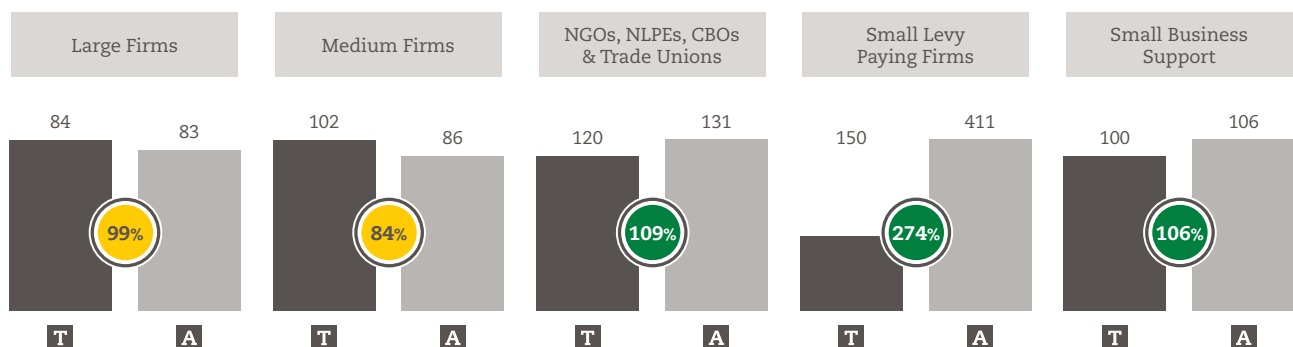
Support for the Employed

T Target **A** Achieved



Support for Employers and Employer Participation

T Target **A** Achieved



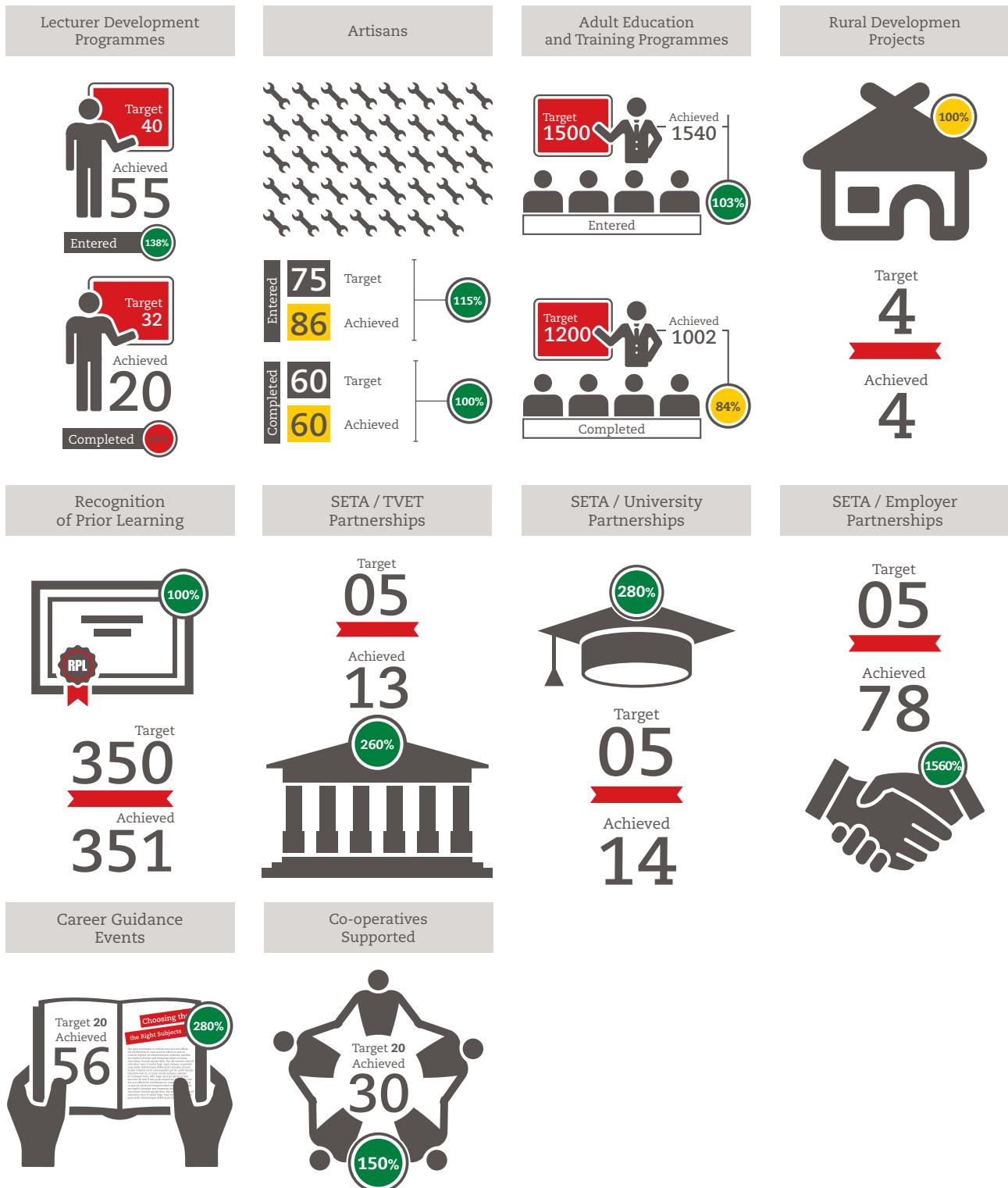


2016/17 Annual Dashboard

% Achievement against SLA annual targets

Sector Projects

T Target **A** Achieved



Driving Skills Development in the Animal Health Sector



Ms Yvonne Mbane, Former Chief Executive Officer of the HWSETA, is seen here with Chief Jongilanga Sicgau at the launch of the partnership between ANDA and the HWSETA

RURAL COMMUNITY IN EASTERN CAPE BENEFITS FROM HWSETA FUNDING

During the year under review, the HWSETA entered into a partnership with the Alfred Nzo Development Agency (ANDA) that would see the training of 400 individuals, cooperatives and small businesses in various animal health skills programmes. Of this number 200 received funding for entrepreneurial skills workshops.

Whilst 400 people will benefit directly, the funding will be far reaching as the skills and knowledge gained will benefit the community at large through improved animal healthcare in the area.

The partnership was celebrated at a function held at the Royal Residence of Chief Sigcau in Ntabankulu on 26 May 2016.

HWSETA FUNDING PREVENTS CLOSURE OF KEY TRAINING FACILITY FOR VETERINARY STUDENTS

Professor Darrell Abernethy, Dean for the Faculty of Veterinary Science at the University of Pretoria, describes the Hans Hoheisen Wildlife Research Platform as: “One of the most valuable field visits for our students as it exposes them to rural communities, smallhold farmers, poverty

alleviation, state veterinary work and local schools.”

Surveys of students and graduates show that they found the time spent in the area life changing and an essential preparation for their move after graduation into Compulsory Community Service.

The research platform and clinic had been targeted for closure due to financial constraints, however funding received from the HWSETA prevented this and the project was able to remain accessible as a valuable training facility for students.



Seen in these photographs are fifth year veterinary students in action at the training facility.







PART B

PERFORMANCE INFORMATION



The overall performance of the HWSETA in the year under review can be summed up as trend setting in that 95.5% of its targets were either achieved or overachieved. Of the targets that were not achieved, the lowest target had 70.6% of the work done.

Mr Sikhumbuzo Gcabashe
Executive Manager, RIME Division





Performance Against Predetermined Objectives

Auditor's Report: Predetermined Objectives

Refer report by Auditor-General on Pages 58 - 60 of this Annual Report.

Performance against Predetermined Objectives

SERVICE DELIVERY ENVIRONMENT

In the implementation of its Strategic Plan and Annual Performance Plan in the year under review, the HWSETA noted the difficult context within which it had to operate. This context included market forces, working conditions, remuneration and career advancement opportunities that contribute to the serious human resource and labour market challenges in the sector.

In addition to the above, poor health outcomes in the public sector are attributable to multiple and complex factors such as skills shortages, critical skills gaps, mal-distribution of professionals between urban and rural areas, poor productivity and poor management of the workforce. Further, some statutory councils have introduced changes to the scopes of practice, new specialisations, qualifications and training requirements. These changes have specific implications for training platforms that the HWSETA uses to achieve its targets.

The overall performance of the HWSETA in the year under review can be summed up as trend setting in that 95.5% of its targets were either achieved or overachieved. Of the targets that were not achieved, the lowest target had 70.6% of the work done. The targets were weighted during the approval of the Annual Performance Plan in the 2015/2016 year. Key outputs were in the support given to unemployed persons

where funding for occupationally directed programmes reached 11133 unemployed persons. In the area of encouraging better use of workplace-based skills programmes, the HWSETA reached 14125 workers in various programmes. In supporting unemployed persons, bursaries, internships, university and TVET college student placements were used extensively. In supporting workers, learnerships, skills programmes and bursaries were used extensively. The completion rate of artisans exceeded expectations so was their absorption into employment. The completion was for the first cohort of artisans that the HWSETA supported in the accelerated artisan programme.

During the year under review, the HWSETA encountered problems relating mostly to employers not meeting the conditions of funding, uneven participation across provinces and areas within provinces. Further, the HWSETA introduced a new system for submitting workplace skills plans and annual training reports, which some employers took time to adapt to. In dealing with these problems, the HWSETA contacted employers directly, identified key stakeholders in non-participating provinces and areas for partnerships. These partnerships yielded unique projects aimed at uplifting the youth of the local area and the province.

In the implementation of the Strategic Plan and Annual Performance Plan in the year under review, the HWSETA encountered developments in the sector that impacted negatively on the services it offers. In addition to statutory council's developments in qualifications and practice mentioned above, the HWSETA noticed that limitations of basic education were influencing the success of funded students in higher education. Further, the depressed economic conditions and outlook impacted on the demand for students in learnerships, and the absorption into employment post training of unemployed students.

ORGANISATIONAL ENVIRONMENT

The organisational environment in the year under review was characterised by the appointment of the new Board by the Minister of Higher Education and Training. This meant induction of the new Board and delay in approving projects as Board committees took time to be established. Measures adopted to address delays included special induction, training and special meetings. In addition to the new Board, there were resignations of three key managers during the year. Measures taken to address the gap was the appointment of acting managers that ensured that projects assigned to them continued unabated. At the end of the third quarter, the Chief Executive Officer (CEO) of the HWSETA resigned which meant reorganisation of top management.

To mitigate against any negative effects the Board appointed an Acting CEO to carry out the full functions of the CEO. As a result, an Acting CFO was appointed in terms of applicable policy.

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

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

- On 15 December 2016, the Minister of Higher Education and Training issued two Notices in the Government Gazettes, which:
 - re-establish SETA Landscape until 31 March 2020 and
 - extended the National Skills Development Strategy (NSDS) III until 31 March 2020.
- Promulgation of the SETA Governance Charter whereby SETAs are required to report on a quarterly basis
- Delegation of functions relating to the quality assurance of qualifications and part qualifications registered on the national qualifications framework (NQF) to the education and training quality assurance bodies (ETQAs)
- Promulgation of Policy on Delegation of Qualification Assessment to Assessment Quality Partners (AQPs)
- Policy on the registration of accredited Skills Development Providers as Private TVET Colleges in terms of the Private Further Education and Training Act, as amended



Strategic Outcome Oriented Goals

Goal 1:

Improvement of organisational administration and management capacity in the HWSETA

Although the HWSETA experienced resignations of key staff during the year under review policies in the organisation ensured that there were no major disruptions in operations. As a result, 92% of positions were filled by 31 March 2017. Further, to strengthen the organisation the Board approved an additional 19 positions during the year. The ERP project initiated in the past financial year is behind schedule with 80% key processes having been automated. Automation of key processes is one of the pillars of organisational improvement in the HWSETA.

Goal 2:

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

The HWSETA updated its sectors skills plan with information obtained from key sources of information such as HR planning managers and operations managers. Information gathered from these sources ensures that the programmes funded by the HWSETA are a direct response to the needs of the sector. Further, a number of evaluation reports from implemented projects and programmes fed into the sector skills plan and provided valuable lessons for the implementing divisions. To strengthen the system of skills development at firm level, the HWSETA awarded mandatory grants to 83 large firms, 86 medium firms and 411 small levy-paying firms. 106 small and emerging businesses were supported with grants. In addition to the provision

of grants and promoting work-based learning, 364 employers were evaluated and participating in work-based training. These employers provided a platform for learnerships, internships and work experience placement for both TVET college students and university students.

Goal 3:

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

The HWSETA's progress towards this goal is measured through funding of learnerships, bursaries and skills programmes. In the year under review, 5707 students were funded through learnership funding of which 3232 were workers. The learnerships implemented were demand and employer-led and has high potential to lead to employment for the unemployed and increased productivity and open up promotion opportunities for the employed. A total of 1237 students were funded for bursaries in occupationally directed programmes, of which 193 are for masters and doctoral studies. Students funded for bursaries are carefully selected and study programmes that are in need as identified by research and the sector skills plan. Funding for skills programmes reached 13035 students of which 63% are workers. During the year under review, the HWSETA implemented a recognition of prior learning project to recognise those workers who have been practising but without certification. The project reached 351 workers whose practical prior learning was assessed.

Goal 4:

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

Towards the promotion of the growth of the public TVET college system, the HWSETA negotiated and entered into 13 partnership agreements with various TVET colleges to implement health and social development related programmes. These partnerships ensured that 54 TVET college lecturers receive work experience in the health and social development employers and 1212 students funded for a vocational course in areas demanded by employers. Although the number of students in vocational courses did not reach the desired target due to a multiplicity of funding levers available to these students, inroads are being made to ensure that technical courses leading to technical qualifications needed in the sector are funded.

Goal 5:

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

The country, and particularly the sector, is facing a seriously low level of youth and adult language and numeracy skills which provides a barrier for additional training. To respond to this, the HWSETA funded 1540 students in Adult Education and Training initiatives. These initiatives included sign language, English reading and writing for employed adults. Community colleges are a delivery vehicle for some of these initiatives.

Goal 6:

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

Work-based skills development in the health and social development sector has proved to be a precursor to employment for new graduates. Amongst the programmes implemented, were internships where 614 students were funded, TVET student placement of which 1012 students were funded and 502 university students were placed with employers in the sector as part of the conditions for their qualifications. These students were placed with employers who were evaluated to determine if they have the capacity, mentors and resources for effective implementation of these programmes. These are some of the conditions of funding imposed on employers to ensure a high rate of success.

Goal 7:

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

The HWSETA implemented various projects to support cooperatives and small businesses in the sector. These projects addressed the skills development needs of 30 cooperatives in the Eastern Cape and North-West province and 106 small and emerging businesses across the country. Skills development funding was also extended to 131 Non-Government Organisations (NGOs), Non-levy Paying Employers (NLPEs), Community Based Organisations (CBOs) and Trade Unions.

Goal 8:

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

Part of the vision of South Africa as outlined in the National Development Plan 2030 states that "...what we contribute in our taxes, we get back through the high quality of our public services, good clinics and hospitals with well trained, caring doctors, administrators, nurses who rush to our aid with empathy and expertise.... affordable, effective medicines, because they were made for all of us....good schools with well educated, trained and caring teachers....a clinic with nurses who love caring for people" The HWSETA concurs in that South Africa can realise this vision by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society. To this end, the HWSETA collaborated with various Government Departments as employers to implement projects aimed at capacitating the state. Through public sector education and training, 78 partnerships were entered into with both the public and private sectors aimed at building a capable state and a further 11 projects were implemented specifically to develop and address mid-level skills in both the public and the private sectors.

Goal 9:

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

Through career guidance in various provinces, the HWSETA reached 15159 students in various grades of schooling

and this was done through 56 events. The events were either in collaboration with the Department of Higher Education and Training or HWSETA initiated the project. It is important to note that the HWSETA targeted career guidance projects are aimed at influencing learners that are in grades 8 and 9 as it is the stage where students select subjects that are aligned to their career choices. While the number of learners reached is commendable, a lot of work and innovative thinking needs to be done in this area looking at its importance and significance in the lives of young learners.

Goal 10:

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

Quality assurance of skills development providers and qualification development is a delegated function from the Quality Council for Trades and Occupations (QCTO). During the year under review, the HWSETA accredited 111 training providers with 85% and 81% assessors and moderators registered respectively. During the year under review, the system of skills development in the sector was strengthened with the development of 14 demand-led qualifications. In addition, 98% processes to develop qualifications in collaboration with other partners were supported. In the achievement of this goal, the HWSETA as a delegated Education and Training Quality Assurance (ETQA) body certificated 12845 students in private colleges who were self-funded and 18986 students who were either HWSETA funded or industry funded.



Performance Information

by Programme/Objectives

CLASSIFICATION OF PERFORMANCE

Description of classification	Progress in %	Colour code
Annual target has been achieved or exceeded before or by 31 March 2017	100	
Annual target was almost achieved based on substantial progress made by 31 March 2017	70 – 99	
Annual target has not been achieved and strides made have yielded moderate success. The non-achievement may be attributed to external factors that impacted negatively on the indicator	40 – 69	
Annual target has not been achieved and strides made have yielded low success. The non-achievement may be attributed to external factors that impacted negatively on the indicator	0 – 39	
Unemployed : U Employed : E		

PROGRAMME I: ADMINISTRATION

SUB-PROGRAMME: RESEARCH, INFORMATION, MONITORING AND EVALUATION

Programme 1: Indicator 5

Strategic Objective: 80% of HWSETA funded work-ready graduates finding employment in their trades and occupations in the health and welfare sector¹ in the strategic period

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Planned Target	Actual Achievement	Comment on deviations	Spend
The percentage of qualified artisans and unemployed learners previously funded ² by the HWSETA finding employment ³ within 6 months of completing the learning programmes ⁴ in the reporting period	Percentage of qualified artisans and unemployed learners previously funded by the HWSETA finding employment in the reporting period	52% (446)	80% (4900)	65% (530/817)	Students funded for learnerships (health and social related), internships (health related) and artisanship were quickly absorbed into employment with a rate of 74%. Students funded for social work internships had a lower absorption rate, which brought down the overall rate of absorption. In future, the HWSETA needs to revise the funding of social work internships.	Admin Budget

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

Programme 1: Indicator 12

Strategic objective: Evidence-based research to inform planning⁵ in the sector for the strategic period

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Planned Target	Actual Achievement	Comment on deviations	Spend
The Number of research reports based on sound analysis of Health and Social Development sector confirmed by stakeholders and impact of training assessed in the reporting period	Number of applied research ⁶ reports completed and confirmed by stakeholders that inform planning and impact of training assessed in the reporting period ⁷	8	6	13	The over-achievement of this target is due to unplanned research needs identified during the financial year.	Actual: R1.028 million Budget: R754 000

5. Sector planning refers to sector skills planning, strategic planning and business planning including operational planning

6. Applied research is a form of systematic inquiry involving the practical application of science. It accesses and uses some part of the research communities' (the academia's) accumulated theories, knowledge, methods, and techniques, for a specific, often state, business, or client-driven purpose. Applied research is compared to pure research (basic research) in discussion about research ideals, methodologies, programs, and projects

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

Programme 1: Indicator 13

Strategic objective: Research within the health and social development fields of study promoted in the strategic period

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of researchers in the sector is increased through targeted funding ⁸ in the reporting period	Number of new postgraduate research students ⁹ funded ¹⁰ for research in the health and welfare field in the reporting period	57	E	60	103	The bursary call was oversubscribed and a number of students requested amounts that were less than the budget. As a result, more students were allocated, hence the over-achievement.	Actual: R5.742 million Budget: R6.755 million
		23	U	40	90		

8. Targeted funding refers to ring fenced funding aimed at increasing the pool of Masters and Doctoral candidates in the sector graduating and contributing to the sector

9. New post graduate research students refer to registered students in higher education institutions for higher degrees that have a research component in the curriculum and have registered for the first time

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



SUB-PROGRAMME: CORPORATE SERVICES

Programme 1: Indicator 15

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

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of school and post-school youth ¹¹ reached through career development awareness programmes in the reporting period	Number of learners reached ¹² through HWSETA career development awareness programmes in the reporting period	15093	12000 (20 Events)	15159 (56 Events)	The HWSETA has been able to participate in numerous career guidance events in the country as thus the achievement against the target has been exceeded.	Actual: R525 400 Budget: R1 million

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

12. Reached in this context refers to learners recorded in the register of career fairs or career exhibitions

Programme 1: Indicator 18

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

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Planned Target	Actual Achievement	Comment on deviations	Spend
The percentage of filled ¹³ positions in the HWSETA approved organogram to ensure optimum capacity and delivery of services in the reporting period	Percentage of filled positions in the HWSETA approved organogram in the reporting period	94%	95% (106)	92% (102/111)	Some positions are vacant due to changes in operational requirements and resignations in the latter part of the financial year.	Actual: R634 000 Budget: R267 000

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

Programme 1: Indicator 20

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

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Planned Target	Actual Achievement	Comment on deviations	Spend
The percentage of processes automated and integrated to ensure effectiveness and efficiency ¹⁴ of operations in the reporting period	Percentage of processes automated and integrated ¹⁵ in the reporting period	70%	100%	52% (average) (Development 65%) (Deployment 38%)	Overall project progress needs to take base tasks (data migration, environment creation, project initiation, and other tasks) into account. These tasks were completed and progress is reported as 100% as per the project plan. Inclusion of these project elements, along with deployment and development, brings the overall project status to the reported 80%.	Actual: R756 000 Budget: R2 million

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

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

PROGRAMME 2: SKILLS DEVELOPMENT PROGRAMME IMPLEMENTATION AND PROJECTS

SUB-PROGRAMME: PROJECTS

Programme 2: Indicator 2

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

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of employers evaluated and participating in work-based training within the reporting period.	Number of employers evaluated and participating ¹⁷ in work-based training within the reporting period	221	245	364	The bulk of projects implemented are workplace based. The approval of these employers was within available funds	Included in learnerships budget and actuals

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

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

Programme 2: Indicator 4

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

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of employed and unemployed persons funded as apprentices to become artisans for the Health and Social Development sector ¹⁸ in the reporting period .	Number of employed and unemployed apprentice funded ¹⁹ and enrolled ²⁰ to become artisans through HWSETA funding in the reporting period	337	E	50	110	The target has been over-achieved because the students who had their prior learning recognised were funded through an ad-hoc project, which had to address the needs of the employers.	Actual: R21.114 million
		47	U	25	86	Learners from 2014-2015 and 2015-2016 funding years enabled the HWSETA to achieve this target	Budget: R6.389 million

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



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

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



Programme 2: Indicator 6²¹

Strategic objective: Increase the number of students in higher education in identified scarce and critical skills enabling them to enter the labour market²² in the strategic period

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of students funded through bursaries for training in higher education institutions ²³ in the reporting period	Number of students funded ²⁴ through bursaries for training in higher education institutions in the reporting period	256	E	240	382 	The HWSETA implemented the Bursaries employed grant to fund employees of organisations registered with the HWSETA. Some organisations were able to fund more than the approved number of learners within the approved budget based on the actual cost of the courses enrolled for. Furthermore, the HWSETA also implemented ad-hoc projects with Walter Sisulu University and the Department of Health Western Cape which then increased the number of employed workers	Actual: R27.947 million Budget: R45.878
		508	U	600	655 	The overall achievement of the projects is based on additional approvals for Adhoc projects as well as the submission of learner information by NSFAS	

21. The HWSETA noticed a wording error in the 2016/17 annual performance plan. The wording error is on the precise definition of the Technical Indicator Descriptor (TID) 6: number of students funded through bursaries for training in higher education institutions in the reporting period. The word "graduate" in the TID is misplaced and not consistent with how the indicator was implemented and reported. It implies that students are counted when they graduate whereas they are counted when they are awarded bursaries and the necessary documents are in place. The indicator, however, is correctly described in the footnotes on both the strategic plan and the annual performance plan.




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

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

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

Programme 2: Indicator 7

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


Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of unemployed TVET college students and other unemployed graduates of middle-level qualifications enrolled in workplace experience through Workplace Experience Grant in the reporting period	Number of unemployed TVET college students enrolled ²⁵ for work experience and experiential learning programmes ²⁶ funded by the HWSETA in the reporting period	2770	Internships	450	614 	Due to the differences in time/implementation period and approval by the HWSETA, there is an overlap between two financial years (learners approved in 2015-2016 sometimes commence their programme in the 2016-2017 financial year) hence the over achievement.	Actual: R102.819 million Budget: R46.5 million
			TVET student placement	750	1012 		
			University student placement	350	502 		

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

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

Programme 2: Indicator 9

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


Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of cooperatives in the health and social development sector whose skills training is funded ²⁷ by the HWSETA in the reporting period	Number of cooperatives in the health and social development sector whose skills needs are funded by the HWSETA in the reporting period ²⁸	20	20	30 	The HWSETA entered into a partnership with the Small Enterprise Development Agency (SEDA) for the funding of Cooperatives. SEDA was able to fund more cooperatives within the approved budget.	Actual: R1.187 million Budget: R1.062 million

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

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

Programme 2: Indicator 10

Strategic objective: Fund small and emerging businesses²⁹ for skills development in the sector in the strategic period


Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of small and emerging businesses funded in both health and social development sectors through HWSETA skills development funds in the reporting period	Number of small and emerging businesses funded ³⁰ through HWSETA skills development funds in the reporting period	98	150	106 	In spite of all the efforts made to recruit SMEs to participate in this project most of them were not interested as they felt the funding of R20 000 per organisation was insufficient.	Actual: R1.569 million Budget: R2.07 million

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

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

Programme 2: Indicator 11


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

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of participants in skills development projects funded by the HWSETA to support NGOs, CBOs and trade unions in the reporting period	Number of participants in skills development projects funded by the HWSETA to support NGOs, CBOs, and trade unions in the reporting period	206	175	179 	The HWSETA on an annual basis funds NGOs and CBOs through the levy exempt grant project. NGOs are awarded funding based on identified training interventions in the Workplace Skills Plans. Based on funding approved NGOs were able to train more employees within the approved grant.	Actual: R890 000 Budget: R5.018 million



Programme 2: Indicator 17


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

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of learners in TVET college partners funded ³¹ for vocational training in the reporting period	Number of learners in TVET colleges and other public colleges ³² (and the number of associated learners) enrolled ³³ for vocational training courses funded ³⁴ by the HWSETA in the reporting period	806	U	1550	1212 	Four colleges were awarded funding during the financial year however only three were able to submit the required documentation, as a result, the targeted number of learners is less.	Actual: R0 Budget: R14.815 million

31. Funded refers to issuing of funding approval letter and signing of Memorandum of Agreement and where applicable release of tranche payments as per the Memorandum of Agreement
32. Public colleges include public nursing colleges and
33. Enrolled refers to registration with both the training institution and HWSETA Seta Management System
34. Funded refers to issuing of funding approval letter and signing of Memorandum of Agreement and where applicable release of tranche payments as per the Memorandum of Agreement

Programme 2: Indicator 14

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


Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of projects of projects funded aimed at addressing the skills development priorities of the Departments of Health and Social Development in the reporting period	Number of projects funded ³⁵ through discretionary grants aimed at public sector education and training in the reporting period	7	9	13 	The HWSETA was able to fund 13 employers on skills that are directly a priority of the Departments of Health and Social Development. The overachievement is also attributed to the Adhoc applications received from employers contributing to this target.	Actual: R9.698 million Budget: R9.558 million

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

SUB-PROGRAMME: LEARNING PROGRAMMES

Programme 2: Indicator 1

Strategic objective: Identification, development of strategies and funding³⁶ of priority mid-level skills in the sector³⁷ in the strategic period

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of health and social development projects ³⁸ addressing mid-level skills funded ³⁹ in the reporting period	Number of projects funded through grants to develop and address mid-level skills within the reporting period	8	10		The over-achievement can be attributed to the number of ad-hoc applications received from stakeholders and funded based on available funds.	Actual: R683 000 Budget: R2 million

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



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

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

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

Programme 2: Indicator 3

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



Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of employed and unemployed learners funded and registered through learnerships in the reporting period	Number of employed and unemployed learners registered ⁴⁰ in learnership training programmes and funded ⁴¹ by the HWSETA in the reporting period	2653	E	3000		Employers were requested to fast-track the submission of learnership agreements for more students to be registered.	Actual: R112.559 million
		1613	U	2500		Some organisations approved for employed students could not meet the requirements to place learners in the workplace after being conditionally approved.	Budget: R129.5

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

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

Programme 2: Indicator 8

Strategic objective: Improve sector level productivity and economic growth through funding of identified skills programmes in the strategic period⁴²

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of unemployed and employed workers funded and registered for skills programmes in the reporting period	Number of employed and unemployed learners registered in skills programmes funded by HWSETA in the reporting period	6650	E	8000		The HWSETA created skills programmes bundles, which were well received by stakeholders. The scope of skills programme bundle was also broadened to cover the finance sector.	Actual: R8.901 million
		2044	U	2000		Due to the higher number of unemployed persons who may also be volunteers in the sector, it was easy to attract students who could benefit from skills programmes	Budget: R35 million

42. This support includes employed workers and unemployed learners



Programme 2: Indicator 21

Strategic objective: Support adult education and promote lifelong learning in the sector⁴³

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Spend
Number of Learners registered ⁴⁴ for AET programmes over the strategic period.	Number of learners registered ⁴⁵ for AET programmes funded by HWSETA in the reporting period	1530	U	1500	1540	The HWSETA entered into agreements with multiple partners for the achievement of this target.	Actual: R1.041 million Budget: R6.372 million

43. This support includes employed workers and unemployed learners

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

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

Programme 2: Indicator 16

Strategic objective: Support partnerships to facilitate quality training and skills development in the sector in the strategic period⁴⁶

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Socio economic status	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of TVET College lecturers trained to offer qualifications in the health and social development sector in the reporting period	Number of TVET College lecturers placed ⁴⁷ in work experience with employers in the reporting period	34	E	200 ⁴⁸	54	Due to unavailability of Health and Social related qualifications at TVET colleges, the HWSETA has funded lecturers lecturing Early Childhood Development (ECD) qualifications. The HWSETA has, and continues to fund, TVET colleges to train learners studying towards ECD qualifications. The targeted number of learners as per the expression of interest was higher based on available funds	Actual: R124 000 Budget: R900 000

46. This support includes employed workers and unemployed learners

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

48. The target of 200 was agreed based on anticipated implementation of new qualifications from QCTO. Since this has delayed, the default position of 40 TVET lecturers will be maintained in line with prior years.

Programme 2: Indicator 22


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

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of levy-exempt organisations funded by the HWSETA in the reporting period	The number of levy-exempt organisations funded by the HWSETA in the reporting period	116	132	132	This target has been achieved and there are no deviations to explain.	Actual: R2.253 million Budget: R5.890 million

PROGRAMME 3: QUALITY ASSURANCE AND QUALIFICATION DEVELOPMENT

Programme 3: Indicator 23

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






Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of partnership ⁴⁹ agreements signed outlining areas of collaboration in the reporting period	Number of partnerships signed through Memoranda of Understanding with the HWSETA in the reporting period ⁵⁰	32	15	28 	The HWSETA received a higher number of ad-hoc applications from the sector hence the over achievement. Additional funds from surplus and de-commitments attribute to the over achievement.	Actual: R0 Budget: R7.965 million

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

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

Programme 3: Indicator 19

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

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Planned Target	Actual Achievement	Comment on deviations	Spend
The number of skills development training providers ⁵¹ accredited to offer full qualifications in the reporting period	Number of skills development training providers ⁵² accredited ⁵³ in the reporting period	138	78	111 	The achievement is based on received, processed and approved applications from Providers. The HWSETA has no control over the number of applications that are received.	Actual: R791 000 Budget: admin budget
	Sub-indicator 1: Percentage of assessors registered per year	588	80%	85%  (529/620)	620 applications were received during the 2016/17 financial year, 529 (85%) of these applicants were registered as assessors, 68 (11%) of the applications were declined, and 23 (4%) were still in the process of evaluation. The over-achievement is due to the number of qualifying applicants. The achievement would have been affected negatively should more applicants not have qualified for registration.	
	Sub-indicator 2: Percentage of moderators registered per year	168	80%	181%  (197/243)	243 applications were received during the 2016/17 financial year, 197 (81%) of these applicants were registered as moderators, 19 (8%) of the application were declined, and 27 (11%) are still in the process of evaluation. The over-achievement is due to the number of qualifying applicants. The achievement would have been affected negatively should more applicants not have qualified for registration.	
	Sub-indicator 3: Number of learners certificated per year	23929 (Funded)	12102	18986 	The over-achievement is due to the number of certifications reported during the financial year. The following were the number of certification reported by programme: Learnerships unemployed 2063; learnerships employed 2498; skills programmes unemployed 3652; skills programmes employed 7224; Artisans 60; bursaries unemployed 454; bursaries employed 41; internships 691; TVET college student placement 712; university student placement 550; TVET college lecturer development 20; AET 1021.	
		11120 (Non funded)	9720	12845 	6872 students were certificated for full qualifications and 5973 students were certificated for skills programmes. The over-achievement is due to the high number of learners trained by private colleges accredited by the HWSETA.	

51. This indicator includes all processes associated with the supply pipeline of HWSETA quality assured qualifications such as the registration of assessors, moderators and certification of learners (learning programmes evaluated – 137; workplaces validated – 40; registered assessors – 588; registered moderators – 168; verified learner achievements – 115; qualifications developed – 2 – process developed for function of assessment quality partner – 40%)



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

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



Programme 3: Indicator 24⁵⁵

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


Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Planned Target	Actual Achievement	Comment on deviations	Spend
Number of new demand led qualifications developed and registered through the registration bodies in the reporting period	Number of new demand led qualifications developed and registered through the registration bodies per year ⁵⁶	0	5	14 	During career pathing of qualifications, it was discovered that one qualification required the development of part qualifications. These part qualifications are developed as independent qualifications and are registered as single qualifications.	Actual: R2.640 million Budget: R8 million
	Sub-indicator 1: Percentage of processes supported to develop qualifications per year	0	95%	98%  (98/100)	Three qualifications that were under development had been completed by the end of the financial year. These qualifications will be ready for submission to the QCTO in the first quarter of the new financial year. In terms of the project plan for developing qualifications, nine milestones out of ten have been completed. The outstanding milestone involves submission of these qualifications. This milestone weighs 2% of the processes for developing these qualifications. The processes that have been completed therefore weigh 98%.	Actual: R683 000

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

56. The HWSETA noticed an error in the printed version of the 2016/17 annual performance plan. The error is on page 22 of the Annual Performance Plan where indicator 24 was erroneously printed in a confusing manner. The annual performance plan submitted to DHET in November 2015 did not have this error and is the one the HWSETA is using for reporting and auditing.

Programme 3: Indicator 25⁵⁷

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

Five Year Success Indicator	Performance Indicator	Actual achievement 2015/16	Planned Target	Actual Achievement	Comment on deviations	Spend
Number of students funded ⁵⁸ to obtain full or part qualification through Recognition of Prior Learning ⁵⁹ in the reporting period	Number of students funded ⁶⁰ to obtain full or part qualification through Recognition of Prior Learning ⁶¹ in the reporting period	0	350	351 	Two RPL projects contributed to the achievement of the target. These included the RPL of artisans and the RPL of practitioner capacity development.	Actual: R4.057 million Budget: R7 million

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

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

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

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

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



HWSETA Broadens its National Footprint

Since the HWSETA was established in 2001, it has changed and grown in line with legislation governing the operations of South Africa's 21 SETAs.

However, 2013 was an important year for the HWSETA as it was during this year that the Honourable Minister of Higher Education and Training, Dr Blade Nzimande called on South Africa's 21 SETAs to make their services more accessible to rural communities through partnerships with TVET colleges. In line with this call, the HWSETA has successfully established several satellite offices at TVET colleges across the country.

Also during 2013, the HWSETA Board made a decision to decentralise its

operations and establish fully-fledged Provincial Offices in several main centres across the country. Initially, offices were established in the Gauteng, Eastern Cape, Western Cape Limpopo and KZN provinces and each of these offices was quickly capacitated with the requisite staff. The KZN office would assume responsibility for the Free State, the Northern Cape was serviced from the Cape Town office, the Gauteng office covered North-West and Mpumalanga fell within the Limpopo's area of responsibility.

Whilst this enabled more effective stakeholder service than previously, the vast geographic distances that stakeholders from the Free State, North-West, Mpumalanga and Northern Cape needed to travel to access HWSETA services resulted in the HWSETA Board taking the decision to establish provincial offices in the remaining four provinces.

During the year under review, the HWSETA successfully increased its national footprint and hence its ability to make its services available to stakeholders across the country.

PARTNERSHIP WITH COASTAL KZN TVET COLLEGE

Coastal KZN TVET College's Appelsbosch campus situated in the Ozwatini Municipal District amidst miles and miles of sugar cane fields in KZN entered into a partnership with the HWSETA to enable the HWSETA to provide services to the surrounding communities in this very rural setting.



Seen at the partnership launch from left to right are: Mr L Gwala – Campus Manager - Coastal KZN TVET College Appelsbosch Campus; Mr S Ndlovu – Principal Coastal KZN TVET College; Ms Yvonne Mbane – Former CEO HWSETA



A launch function was held on 14 April 2016 and was followed in the afternoon by career guidance activities.

DR BLADE NZIMANDE OFFICIATES OPENING OF NORTHERN CAPE OFFICE

The Honourable Minister of Higher Education and Training, Dr Blade Nzimande, officially opened the new HWSETA Provincial Office in Kimberley on 22 July 2016.



He is seen here cutting the ribbon whilst Ms Yvonne Mbane, Former CEO for the HWSETA; Mr N Shushu, Northern Cape MEC for Agriculture, Land Reform and Rural Development; and Chairman of HWSETA Board, Dr Confidence Moloko look on.

MAHIKENG PROVINCIAL OFFICE OFFICIALLY OPENS IN DECEMBER 2016

The HWSETA's Provincial Office in Mahikeng was officially opened by the Chairperson of the HWSETA Board, Dr Confidence Moloko.



Dr Moloko is seen here cutting the ribbon, whilst the Former CEO of the HWSETA and various members of the HWSETA Board look on.



Strategies to Overcome Areas of Underperformance

The performance information by programme/objective above indicates that the following indicators were not fully achieved:

- Indicator 3 – number of unemployed learners registered in learnership training programmes [achieved 2475 against a target of 2500] – 99% achieved
- Indicator 5 – percentage of qualified artisans and unemployed finding employment [65% achieved against a target of 80%] – 81.3% achieved
- Indicator 10 – number of small and emerging businesses funded [achieved 106 against a target of 150] – 70.6% achieved
- Indicator 17 – number of learners in TVET colleges and other public colleges enrolled for vocational training courses [achieved 1212 against a target of 1550] – 78.2% achieved
- Indicator 18 – percentage of filled positions in the approved organogram [92% achieved against a target of 95%] – 96.8% achieved
- Indicator 20 – percentage of processes automated and integrated [80% achieved against a target of 100%] – 80% achieved

In order to address these areas of underachievement the HWSETA has adopted the following strategies:

- Forge partnerships with employers early in the year and target high impact learnerships and other programmes
- Identify small and emerging businesses in the sector and address them through workshops and Board engagement sessions
- Target TVET colleges that have an interest in offering HWSETA qualifications and offer support. Further fund programmes that form a basis for students to be accepted in technicians learning programmes
- Forge strategic partnerships with statutory councils in the sector and work with them to support the sector
- Review HR processes to ensure they are efficient and effective in responding to vacancies that arise

Change to planned targets

During the year under review there were no changes to targets, however, two errata were noted as follows:

- The HWSETA noticed an error in the published version of the 2016/17 Annual Performance Plan. The error is on page 22 of the Annual Performance Plan where indicator 24 was erroneously printed in a confusing manner. The Annual Performance Plan submitted to DHET in November 2015 did not have this error and is the one the HWSETA is using for reporting and auditing and included in this Annual Report .
- The HWSETA noticed a wording error in the 2016/17 annual performance plan. The wording error is on the precise definition of the Technical Indicator Descriptor (TID) 6: number of students funded through bursaries for training in higher education institutions in the reporting period. The word “graduate“ in the TID is misplaced and not consistent with how the indicator was implemented and reported. It implies that students are counted when they graduate whereas they are counted when they are awarded bursaries and the necessary documents are in place. The indicator, however, is correctly described in the footnotes on both the strategic plan and the Annual Performance Plan.

Revenue Collection

Sources of revenue (R million)

Skills Development Revenue

Estimate – 2016/17	Actual collection 2016/17	(Over)/under collection	Commentary	Estimate – 2015/16	Actual collection -2015/16	(Over)/under collection H11
R456	R400	R-56	12% lower than budgeted. contributions received from employers have not increased as expected.	R377,60	R410	R33

Investment Income – Interest

Estimate – 2016/17	Actual collection 2016/17	(Over)/under collection	Commentary	Estimate – 2015/16	Actual collection -2015/16	(Over)/under collection
R40	R52	R12	Higher than expected due to large cash balances held. There has been an improvement in the movement of cash.	R26,30	R37,40	R11

Government Levies

Estimate – 2016/17	Actual collection 2016/17	(Over)/under collection	Commentary	Estimate – 2015/16	Actual collection -2015/16	(Over)/under collection
R72	R117	R45	Actual collection is higher than expect as more government departments are complying with the Cabinet Circular of 2012.	R237	R86	R-151





PART C

GOVERNANCE



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





The HWSETA Board

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

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

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

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

Fiduciary Responsibility of Board Members

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

Statutory Meetings

Attendance of Board members at all statutory meetings is recorded in attendance registers which are audited annually by the Internal Auditors and

the Auditor-General South Africa. All meetings are formally noted, with an agenda and supporting meeting packs. Meeting protocol is formal, and all minutes and documents are formally tabled, considered, addressed, filed, and stored.

Meeting Attendance Fees for Board Members

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

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

Board Changes During Year Under Review:

The 3rd Board's tenure ended on 31 March 2016, but was extended until such time as a new Board was appointed. The 4th Board was appointed on 14 June 2016 and therefore the 3rd Board's tenure ended on 13 June 2016.

Board members in place and whose term ended as at 13 June 2016:

Ministerial Appointees

- Dr E.T Confidence Moloko, Independent Chairperson
- Ms Thembi Ngcobo

Representing Employer Representatives

- Vacant, Department of Health
- Mr Rudie van Loggerenberg, Department of Social Development
- Ms Elsette Strachan, Dementia South Africa
- Mr Derek Shardlow, NPG

Representing Organised Labour

- Ms Fazeela Fayers, HOSPERSA
- Mr Hitler Sekhitla, NEHAWU
- Mr Patrick Motubatse, NEHAWU
- Ms Emma Zondo, PSA
- Vacant, NPSWU

Representing the Levy Exempt Sector

- Ms Iveda Smith

Representing People with Disabilities

- Mr Ari Seirlis

Board Resignations During the Year Under Review:

- Mr Hennie Groenewald, Department of Health, resigned on 1 April 2016
- Mr Patrick Kekana, NPSWU, resigned on 11 January 2016

4th Board commencement on 14 June 2016

Dr E.T Confidence Moloko, Independent Chairperson

Representing Employer

- Dr Andrew Crichton, Department of Health
- Dr Wiseman Magasela, Department of Social Development
- Dr Dumisani Bomela, HASA
- Dr Nceba Ndzwayiba, Netcare Limited
- Mr Dumisani Ndebele, NPG
- Ms Teleni Ntabeni, SASSA

Representing Organised Labour

- Ms Mosidi Nkambule, DENOSA
- Ms Fazeela Fayers, HOSPERSA
- Mr Pat Motubatse, NEHAWU
- Mr Hitler Sekhitla, NEHAWU
- Mr Mbongiseni Khanyeza, NPSWU
- Mr Kagiso Mokaila, NUPSAW

Representing the Levy Exempt Sector

- Mr Ari Seirlis, QASA

Representing Professional Councils

- Dr Charlotte Nkuna, SA Veterinary Council

1 independent member, who is a Ministerial appointee: the Chairperson of the Board

6 members representing organised labour

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

1 member representing Professional Councils

1 member representing the Levy Exempt Sector

HWSETA Board Comprising 15 Members

Executive Committee of the Board

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

Standing Committees

The Board has five Standing Committees, namely:

- Finance, Remuneration & Tender Standing Committee
- Skills Development & RIME Standing Committee
- ETQA Standing Committee
- Corporate Services Standing Committee
- Audit, Risk and Governance Committee

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

Audit, Risk and Governance Committee

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

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

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

Ms Mashamaite Ramutsheli, Independent Aucom member appointed 1 July 2016

Mr Siphele Madikizela, Independent Aucom member resigned on 20 December 2016



HWSETA Board Members Meeting Attendance

Meeting Attendance 3rd Board 1 April 2016 to 13 June 2016	Date Appointed	Board and Special Board Meetings	AGM, workshops, conferences and training	EXCO Meetings	Finance Standing Committee	Tender Standing Committee	Skills Development Standing Committee	ETQA Standing Committee	Corporate Services Standing Committee	Audit and Risk Committee
Number of Meetings Convened		2	0	3	1		1	2	2	2
Dr Confidence Moloko Independent Chairperson	7-Oct 2014	2		3						
Ms Thembi Ngcobo Ministerial Appointee	1-Apr 2011	2					1	2		
Ms Emma Zondo Labour	1-Apr 2011	1						1		
Ms Fazeela Fayers Labour	1-Apr 2011	2		3			1			
Mr Hitler Sekhitla Labour	1-Apr 2011	2		3	1		1	2		
Mr Pat Motubatse Labour	1-Apr 2011	2			1					2
Mr Rudie van Loggerenberg Employer	1-Apr 2011	2		1			1			
Ms Elsette Strachan Employer	1-Apr 2011	2					1	2		
Mr Derek Shardlow Employer	1-Apr 2011	1		2	1			1		1
Ms Iveda Smith Levy-exempt Sector	1-Apr 2011	2			1					
Mr Ari Seirlis People with Disabilities	1-Apr 2011	2					1	1		



Meeting Attendance 4th Board 14 June 2016 to 31 March 2017 All appointed on 14 June 2016	Board and Special Board Meetings	AGM, workshops, conferences and training	EXCO Meetings	Finance, Remuneration & Tender Standing Committee	Skills Development / RIME Standing Committee	ETOA Standing Committee	Corporate Services Standing Committee	Audit and Risk Committee
Number of Meetings Convened	8	6	11	8	3	2	2	3
Dr Confidence Moloko Independent Chairperson	8	5	11					1
Ms Teleni Ntabeni Employer	7	5			3		2	
Dr Nceba Ndzwayiba Employer	5	5			2	2		
Mr Dumisani Ndebele Employer	7	4		6				2
Dr Wiseman Magasela Employer	4	3	4	6	3			
Dr Andrew Crichton Employer	2	1						
Dr Dumisani Bomela Employer	6	2	10	6			2	
Ms Mosidi Nkambule Labour	8	6				2	2	
Ms Fazeela Fayers Labour	7	4	11		1		2	
Mr Hitler Sekhitla Labour	5	4	10	3		2		
Mr Pat Motubatse Labour	8	6		8	3		2	3
Mr Mbongiseni Khanyeza Labour	8	6		7		2		
Mr Kagiso Mokaila Labour	7	6						
Dr Charlotte Nkuna Professional Councils	6	4		4	2	2		
Mr Ari Seirlis People with Disabilities	2	3			3		2	

HWSETA Board (picture page 42)

Back row left to right:

Dr Nceba Ndzwayiba, Dr Charlotte Nkuna, Mr Hitler Sekhitla,
Mr Kagiso Mokaila, Ms Mosidi Nkambule,
Dr Wiseman Magasela, Mr Dumisani Ndebele,
Mr Mbongiseni Khanyeza

Front row left to right:

Mr Patrick Motubatse, Mrs Elaine Brass (Acting CEO),
Dr Confidence Moloko (Chairperson), Ms Teleni Ntabeni

Not available for group photograph (see right):

Dr Dumisani Bomela, Mr Ari Seirlis and Ms Fazeela Fayers
Dr Andrew Crichton (Photograph unavailable)



DR DUMISANI BOMELE



MR ARI SEIRLIS



MS FAZEELA FAYERS



Executive Authority DHET

The HWSETA reports to the DHET on the following basis:

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

Internal Control Unit

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

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

Internal Audit and Audit Committees

THE EFFECTIVENESS OF INTERNAL CONTROL

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

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

An updated annual formal risk assessment was undertaken by Health and Welfare SETA for the year ending 2016/17. Consequently, Internal Audit used this data to prepare the 3 year rolling strategic plan and the annual operating audit plan. The Committee monitored the significant risks faced by the Health and Welfare SETA and is satisfied that these risks were managed to an acceptable level. The Health and Welfare SETA implemented a risk management strategy which includes a fraud prevention plan. We acknowledge that the findings raised by the Auditor-General South Africa for the last financial year end have been satisfactorily resolved.

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

INTERNAL AUDIT

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

AUDIT COMMITTEE RESPONSIBILITY

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

Key activities and objectives of the Audit and Risk Committee

The Audit Committee has:

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

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

The following internal audits were conducted by the internal auditors during the 2016/17 financial year:

- Human resource management and payroll review
- ETQA review
- Discretionary grant and commitment audit
- Procurement and contract management audit
- Performance information audit
- RIME process efficiency and SSP process review
- ERP governance audit review
- ERP project assurance follow-up review
- ERP security penetration review

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

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

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

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

The table below discloses relevant information on the audit committee members

Name	Qualifications	Internal or external	If internal, position in the public entity	No. of Meetings attended
Mr Rayhaan Adam (Chairperson)	CA (SA)	External	n/a	5
Ms Mashamaite Ramutsheli	MPhil Internal Auditing	External	n/a	2
Mr Siphele Madikizela	CA (SA)	External	n/a	4
Mr Pat Motubatse		Internal	Board Member	5
Mr Derek Shardlow*		Internal	Board Member	1
Mr D Ndebele**		Internal	Board Member	3

*Old Board Member

**New Board Member

Ms Mashamaite Ramutsheli, Independent Aucom member appointed 1 July 2016

Mr Siphele Madikizela, Independent Aucom member resigned on 20 December 2016



COMPLIANCE WITH LAWS AND REGULATIONS

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

HWSETA LICENSE

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

On 15 December 2016, the Minister of Higher Education and Training announced a further extension of the SETA licences to 31 March 2020.

FRAUD AND CORRUPTION

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

ALLEGATIONS OF MISCONDUCT

There have been charges of misconduct by some staff members of the HWSETA during the year. In terms of the disciplinary policy appropriate actions were taken, and one employee was dismissed.

A total of 15 tip-offs were received between 1 April 2016 and 31 March 2017. These tip-offs were reported through the tip-offs hot line and went

directly to the Internal Auditors to ensure confidentiality. All 15 related to external service providers and not the internal affairs of the HWSETA. All tip-offs were investigated. Twelve were resolved and the resolution of three were in progress at the end of the financial period.

MINIMISING CONFLICT OF INTEREST

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

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

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

CODE OF CONDUCT

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

The primary purpose of the Code

is to promote exemplary conduct.

Notwithstanding this, an employee shall be guilty of misconduct and shall be dealt with in accordance with the relevant HWSETA policies, if she / he contravenes any provision of the Code or fails to comply with any provision thereof.

A record of all declaration of interests and gifts is maintained.

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The health and safety of all employees is of paramount importance at the HWSETA.

Regular meetings of the HWSETA OHS Committee are held in order to discuss safety issues, identify potential safety risks and address these accordingly.

Members of the Committee are trained in OHSA and conduct regular inspections.

A safe working environment contributes to staff morale and productivity.

Employees are encouraged to do e-filing and minimise paper printing where possible. Paper and waste recycling are encouraged.

SOCIAL RESPONSIBILITY

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

- Hygiene
- School Uniforms
- Bursaries
- Early Childhood Development

Participation in Key Events

NATIONAL SKILLS CONFERENCE 2017

Collaboration between numerous public and government entities, educational institutions, training providers, as well as private organisations is important to the success of South Africa's skills development mandate.

The buy-in to this thinking was clearly demonstrated at the National Skills Conference held from 23 to 24 March 2017 at the Saint Georges Hotel in Pretoria.

The event, hosted and organised by the National Skills Authority (NSA) in conjunction with the Department of



From left: Lerato Monyatsi, Moheen Roode – Life Heath Care; Happiness Zwane and Mmasetena Makhafola – SASSA.

Higher Education and Training (DHET) provided the ideal opportunity for all the relevant stakeholders to discuss and debate skills development in the country.



From left: Busisiwe Madisha, Helia Aucamp – AMPATH; Thilivhali Netshingolwe – HWSETA; Anneke Naude – Netcare and Lebogang Moono – HWSETA

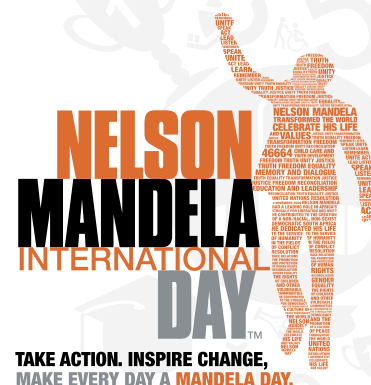
The HWSETA participated actively in both the conference and exhibition. Several stakeholders participated on the HWSETA stand at the exhibition.

MANDELA DAY 2016

In 2016, the HWSETA celebrated the life of this great man with a variety of activities. The HWSETA participated in the Department of Higher Education and Training's annual Mandela Day career guidance event. In 2016 the event took place at the Gert Sibande TVET College in Ermelo.

Mpumalanga. 4000 learners from the surrounding communities attended the event.

The HWSETA donated motorised wheelchairs to two young students at the University of Fort Hare's Alice Campus in the Eastern Cape.



Learners from the SC Kgobokoe High School, situated in Tsetse Village just outside Mahikeng in the North West Province received dignity packs from the HWSETA comprising some basic toiletry items.



Seen at the handover of the two wheelchairs are: Ms Yvonne Mbane, Former CEO for the HWSETA; Miss Mhle Nogaxa, wheelchair recipient; Mr Mduduzi Manana, Deputy Minister of Higher Education and Training; Mr Mava Ngcinigane, wheelchair recipient; Professor Michael Somniso, University of Fort Hare and Dr Mvuyo Tom, Vice-Chancellor at University of Fort Hare.



Audit Committee Report

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

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

THE EFFECTIVENESS OF INTERNAL CONTROL

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the HWSETA revealed certain weaknesses, which were then raised with the HWSETA, however these were not significant weaknesses identified in internal control. The following internal audit work was completed during the year under review:

- Human resource management and payroll review
- ETQA review
- Discretionary grant and commitment audit
- Procurement and contract management audit
- Performance information audit
- RIME process efficiency and SSP process review
- ERP governance audit review
- ERP project assurance follow-up review
- ERP security penetration review

The Committee monitored the significant risks faced by the Health and Welfare SETA and is satisfied that these risks were managed to an acceptable level. The Health and Welfare SETA implemented a risk management strategy which includes a fraud prevention plan. We acknowledge that the findings raised by the Auditor-General South Africa for the last financial year end have been satisfactorily resolved.

Management is committed to addressing the issues raised by the Internal Auditors and external auditors and this follow up report is reviewed by the Committee during its meetings.

Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

INTERNAL AUDIT

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

IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORT

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

EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the

Auditor-General South Africa and the Accounting Authority;

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

AUDITOR'S REPORT

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

CONCLUSION

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

APPRECIATION

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

Mr R Adam

Chairman of the Audit and Risk Committee



HWSETA Continues to Achieve Excellence

HWSETA ESTABLISHES EISA BENCHMARK

During the period under review, the HWSETA successfully registered the Health Promotion Officer Qualification (Community Health Worker) on the National Qualifications Framework (NQF). The HWSETA was also appointed the Assessment Quality Partner (AQP)

by the Quality Council for Trades and Occupations (QCTO) for this same qualification.

As an AQP, primary responsibilities include: the management of External Integrated Summative Assessments

(EISA), recommending assessment centres, coordinating the national examination processes and marking the assessment papers before forwarding the results to QCTO for external moderation, endorsement and certification.



On 1 September 2016, 555 students out of the 900 registered course participants sat for the first EISA exams at nine assessment centres across the country.

“ The hard work and laying of foundations in previous years has seen the HWSETA ETQA taking great strides in terms of performance. The implementation of Recognition of Prior Learning (RPL) capacity building for the HWSETA accredited and approved SDPs successfully resulted in the capacitation of 222 delegates who assessed more than 300 candidates through RPL on the HWSETA quality assured programmes. The project's two-phased approach, that comprised the training on two unit standards and on-site support for actual assessments of candidates was greatly appreciated by the beneficiaries. The HWSETA is the first SETA ETQA to implement the (QCTO) External Integrated Summative Assessment(EISA). In September 2016, of the 555 learners who undertook the assessment 391 were found competent for EISA. Thirteen occupational qualifications that met the relevant QCTO requirements were also introduced during this period.

Baakedi Motubatse, Executive Manager ETQA Division

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PART D

HUMAN RESOURCE MANAGEMENT



The HWSETA's Corporate Services Division worked hard during the period under review to enable the successful opening of the Kimberley and Mahikeng Provincial Offices. During this same period, extensive preparation was done to facilitate the opening of the Bloemfontein and Nelspruit Offices within the first six months of the new financial period. Once completed, the HWSETA will have representation in all nine of South Africa's provinces.

Bob Pardesi,
Executive Manager,
Corporate Services Division





Human Resources

Introduction

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

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

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

Human Resources Oversight Statistics

PERSONNEL COST BY PROGRAMME/ACTIVITY/OBJECTIVE

Programme/activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Administration (Finance, Corporate Services, RIME and CEO's Office)	83 922	45 207	54	125	362
Skills Development Planning	7 044	6 856	97	21	326
Education, Training and Quality Assurance	9 024	8 545	95	21	407

PERSONNEL COST BY SALARY BAND

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top (CEO) Management	1 923	3	1	1 923
Senior (EXEC) Management	7 494	12	5	1 498
Professional qualified (MNGRS)	14 321	24	21	681
Skilled	21 479	35	49	431
Semi-skilled	13 377	22	49	273
Unskilled	2 014	3	42	48
TOTAL	60 608	99	167*	442

*This figure is the actual number of employees employed over the year and not at year end as reflected in note 7.1 of the annual financial statements.

PERFORMANCE REWARDS

Programme/activity/objective	Performance rewards (R'000)	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top (CEO) Management	157	1 923	8
Senior (EXEC) Management	544	7 494	7
Professional qualified (MNGRS)	1 039	14 321	7
Skilled	918	21 479	4
Semi-skilled	619	13 377	5
Unskilled	0	2 014	0
TOTAL	32 77	60 608	

TRAINING COSTS

Programme/activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of individual training interventions undertaken	Avg training cost per employee
Administration (Finance, Corporate Services, RIME and CEO's Office)	45 207	151 813	30	31	4897
Skills Development Planning	6 856	18 998	36	2	9499
Education, Training and Quality Assurance	8 545	4 599	53	1	4599
TOTAL	60 608	175 411		34	5159

EMPLOYMENT AND VACANCIES

Programme/activity/objective	2016/2017 No. of Employees	2016/2017 Approved Posts	2016/2017 Vacancies	% of vacancies
Top Management	0	1	1	100%
Senior Management	5	5	0	0%
Professionals - Managers, Supervisors, Officers	63	85	22	26%
Skilled	43	45	2	4%
Semi-skilled	0	0	0	0%
Unskilled	0	0	0	0%
TOTAL	111	136	25	18%

The statistics above are as at 31 March 2017 and is not reflective of the turnover rate during the financial year under review.



EMPLOYMENT CHANGES

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top (CEO) Management	1	0	1	0
Senior (EXEC) Management	5	0	0	5
Professional qualified (MNGRS)	56	13	8	61
Skilled	33	11	4	40
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	95	24	13	106

REASONS FOR TERMINATION

	Number	% of total no. of staff leaving
Death	0	0%
Resignation	12	10.7%
Dismissal	1	0.89
Retirement	0	0%
Ill health	0	0%
Expiry of contract	0	0%
Other	0	0%
TOTAL	13	12.5%

The main reasons for staff leaving includes better job offers

LABOUR RELATIONS : MISCONDUCT AND DISCIPLINARY ACTION

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	9
Final Written warning	1
Dismissal	1
TOTAL	11

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



EMPLOYMENT EQUITY STATUS : MALE

Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	1	0	0	0	2	2	0	0
Professional qualified	0	1	1	0	2	1	1	1
Skilled	2	2	2	2	3	4	1	0
Semi-skilled	0	0	0	4	0	1	0	0
Unskilled	3	3	3	0	0	0	0	0
TOTAL	27	33	3	6	7	8	2	1

EMPLOYMENT EQUITY STATUS : FEMALE

Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	0	0	0	0	0	0
Senior Management	1	1	0	0	0	0	1	1
Professional qualified	8	8	0	1	2	2	3	2
Skilled	34	19	6	5	5	3	2	2
Semi-skilled	16	24	5	7	0	2	0	3
Unskilled	0	0	0	0	0	0	0	0
TOTAL	59	53	11	13	7	5	6	8

EMPLOYMENT EQUITY STATUS : MALE AND FEMALE DISABLED

Levels	Male		female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	1	0	0
Skilled	0	0	1	1
Semi-skilled	2	2	2	2
Unskilled	0	0	0	0
TOTAL	2	3	3	3





PART E

FINANCIAL INFORMATION



The HWSETA has maintained its clean audit status for the fourth year. Furthermore, the commitment of discretionary grant funding has improved during this period with 95% of available funding having been committed to our sectors. During the year, the HWSETA has disbursed R313 million of its opening committed funds. Once again, the HWSETA has realised savings in its administration and ended the year with a surplus on administration of R29 million. These funds are carried over to 2017/18 to be utilised for Discretionary grant funding.



Mrs Daphne Theaker
Acting Chief Financial Officer



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

for the year ended 31 March 2017

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Health and Welfare Sector Education and Training Authority (HWSETA) set out on pages 62 – 98, which comprise the statement of the financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, the statement of cash flows and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Health and Welfare Sector Education and Training Authority as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Management Finance Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and the Skills Development Act, 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

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Management Finance Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and the Skills Development Act, 1998 (Act No 97 of 1998) (SDA) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the Health and Welfare Sector Education and Training Authority's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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 the 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:

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 identify any material findings on the usefulness and reliability of the reported performance information for the following programmes :
- Programme 1 – Administration
 - Programme 2 – Skills Development Programme Implementation and Projects
 - Programme 3 – Quality Assurance and Qualification Development

Other matter

Achievement of planned targets

15. Refer to the annual performance report on pages 24 to 34 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets.

Programmes	Pages in the annual performance report
Programme 1: Administration	24 – 26
Programme 2: Skills Development Programme Implementation and Projects	27 – 32
Programme 3: Quality Assurance and Qualification Development	33 – 34



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 compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
17. I did not identify instances of material non-compliance with selected specific requirements of applicable, as set out in the general notice issued in terms of the PAA legislation.

Other information

18. The HWSETA 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 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





Annexure – Auditor-General's responsibility for the audit

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

FINANCIAL STATEMENTS

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

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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



Statement of Financial Performance

for the year ended 31 March 2017

		2016/17	2015/16
	Note	R'000	R'000
REVENUE			
Non - Exchange Revenue	3	516 954	496 529
Skills Development Levy: income		509 518	487 892
Skills Development Levy: penalties and interest		7 436	8 637
Exchange Revenue		55 033	37 772
Interest income	4	51 791	37 400
Other income	5	3 242	372
Total revenue		571 987	534 301
EXPENSES			
Total expenses		473 147	438 440
Employer grant and project expenses	6	373 157	345 024
Administration expenses	7	99 990	93 416
Net surplus for the year	2	98 840	95 861

Statement of Financial Position

as at 31 March 2017

		2016/17	2015/16
	Note	R'000	R'000
ASSETS			
Current assets		807 542	711 821
Accounts receivable: Non-exchange transactions	10.1	3 967	3 793
Accounts receivable: Exchange transactions	10.2	4 013	3 822
Prepayments and advances	9	1 138	1 192
Inventories	12	653	389
Cash and cash equivalents	13	797 771	702 625
Non-current assets		11 992	11 619
Property, plant and equipment	8.1	7 721	8 140
Intangible assets	8.2	4 271	3 479
TOTAL ASSETS		819 534	723 440
FUNDS AND LIABILITIES			
Current liabilities		46 867	49 614
Grants and transfers payable - Non exchange transactions	14.1	35 350	39 606
Trade and other payables - Exchange transactions	15	6 440	8 073
Levy exempt provision	16	4 616	1 915
NSF Funds received in Advance	17	1	1
Operating lease commitment	26	460	19
Funds and reserves		772 667	673 826
Administration reserve		11 992	11 619
Employer grant reserve		-	-
Discretionary reserve		760 675	662 207
TOTAL FUNDS AND LIABILITIES		819 534	723 440



Statement of Changes in Net Assets

for the year ended 31 March 2017

		Administration reserve	Employer grant reserve	Discretionary reserve	Unappropriated surplus	Total
		R'000	R'000	R'000	R'000	R'000
Balance at 31 March 2015		8 119	-	569 846	-	577 965
Net surplus	2				95 861	95 861
Allocation of unappropriated surplus		27 166	35 358	33 337	(95 861)	
Transfer from Employer reserves			(35 358)	35 358		
Transfer to Discretionary reserves		(23 666)		23 666		
Balance at 31 March 2016		11 619	-	662 207	-	673 826
Net surplus	2				98 840	98 840
Allocation of unappropriated surplus		29 125	37 432	32 283	(98 840)	
Transfer from Employer reserves			(37 432)	37 432		
Transfer to Discretionary reserves		(28 752)		28 752		
Balance at 31 March 2017		11 992	-	760 675	-	772 667

Cash Flow Statement

for the year ended 31 March 2017

		2016/17	2015/16
	Note	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating activities			
Cash receipts from stakeholders		520 196	496 901
Levies, and penalties received		516 954	496 529
Other cash receipts from stakeholders		3 242	372
Cash paid to stakeholders, suppliers and employees		(474 121)	(597 976)
Grants and project payments		(375 658)	(338 861)
Transfer to the National Skills Fund		-	-
Compensation of employees		(60 608)	(53 683)
Payments to suppliers and other		(37 855)	(205 432)
Cash generated from operations	27	46 075	(101 075)
Interest income	4	51 791	37 400
Net cash inflow / (outflow) from operating activities		97 866	(63 675)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8.1	(1 511)	(2 505)
Purchase of intangible assets	8.2	(1 253)	(3 396)
Disposal of property, plant and equipment		42	51
Net cash (outflow) from investing activities		(2 722)	(5 850)
Net increase / (decrease) in cash and cash equivalents		95 144	(69 525)
Cash and cash equivalents at the beginning of the year		702 625	772 150
Cash and cash equivalents at the end of the year	13	797 771	702 625



Statement of Comparison Between Budget and Actual Expenditure for the year ended 31 March 2017

2016/17					2015/16
Reference to explanations	R'000	R'000	% Variance	R'000	R'000
	Actual	Approved budget			Actual
Total Levy Income 80%	A	400 230	455 667	-12%	410 404
Levy - Mandatory		98 066	117 878	-17%	110 996
Levy - Discretionary		243 156	281 773	-14%	238 217
Levy - Administration		51 572	56 016	-8%	52 553
Levy - Interest & Penalties		7 436	-	100%	8 638
Total Income - Government Dept	B	116 724	71 852	62%	86 125
Total Investment Income	C	51 791	39 644	31%	37 400
		568 745	567 163	0%	533 929
Skills Development Levies Grant refund		103			172
Sundry income	D	3 139			200
Admin Expenditure		99 990	116 361	-14%	93 416
Accommodation and Travelling		5 170	5 229	-1%	4 924
Advertising and Promotions		1 119	1 381	-19%	1 100
Audit - External		2 103	2 592	-19%	2 356
Audit - Internal		1 625	2 668	-39%	1 696
Forensic and special investigations		30	159	-81%	-
Bank charges		75	71	6%	70
Branding		461	531	-13%	695
Catering and Refreshments		258	284	-9%	267
Cleaning		643	721	-11%	521
Contracting fees		228	-	0%	231
Consulting Fees		10	393	-97%	140
Courier & Postage		294	359	-18%	338
Depreciation		2 357	2 500	-6%	2 227
Audit Committee costs		192	236	-19%	125
Governance Costs	E	2 595	2 162	20%	2 130
Insurance Premiums		440	404	9%	356
Impairment		-	6	-100%	125
Groceries		62	113	-45%	72
Lease charges		50	162	-69%	96
Legal fees	F	776	630	23%	593
Memberships & Subscriptions		268	145	85%	132
Motor Vehicle expenses		41	103	-60%	52
Office move		-	100	-100%	-
Printing and Stationery		1 446	2 000	-28%	1 552
Programme evaluations		402	425	-5%	305
Quality Council for Trades and Occupations		2 036	2 036	0%	1 214
Research costs	G	1 028	754	36%	635
Recruitment costs	H	634	424	50%	397
Rent Paid and storage		8 717	11 077	-21%	9 111

Statement of Comparison Between Budget and Actual Expenditure for the year ended 31 March 2017

2016/17				2015/16
Reference to explanations	R'000 Actual	R'000 Approved budget	% Variance	R'000 Actual
Repairs and Maintenance	26	115	-77%	115
Salaries	60 608	69 809	-13%	53 683
Security	164	200	-18%	189
Social responsibility	87	100	-13%	49
Software licences and support	1 971	2 202	-10%	2 077
Staff, Board Training and bursaries	444	1 009	-56%	860
Staff welfare and EAP	87	212	-59%	295
Telephone and faxes I	1 302	1 000	30%	1 127
Management of fraud hotline	34	36	-6%	34
International benchmarking and research	-	500	0%	
Water and Electricity, rates and taxes	1 336	1 670	-20%	1 484
Other consumables	231	250	-8%	513
Workshops	640	1 593	-60%	1 530
Mandatory Grants K	60 634	83 693	-28%	75 638
Project Expenditure - Discretionary Funds	312 523	362 609	-14%	269 386
Total grants	373 157	446 302		345 024
Surplus before capital expenditure	98 840	4 500		95 861
CAPEX J	2 764	4 500	-39%	5 901
Surplus	96 076	-		89 960

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

- A Levy Income is under budget in the current year. The collection of levy income is not predictable. In the formulation of budget, a proposed collection is estimated based on factors available at the time of budgeting.*
- B Collection of government levy income above budget for the year. This is mainly due to the increased collection from Departments in the current year.*
- C Investment Income - Interest income significantly exceeds budget as the assumptions on the budget was that less cash would be available for investments, which had its basis in the provisions of the Grant Regulations.*
- D Sundry Income - The HWSETA has written off R 1 957 254 of old accruals as they have now prescribed. Furthermore, the HWSETA had received R 1 080 030 in respect of refunds from discretionary projects that were paid in previous financial years (Impact Study of NSDS 2 : R 1 064 000)*
- E Governance cost - This cost has exceeded budget due to the increased number of governance meetings in the year, as well as a change to the structure of the fees to the Accounting Authority.*
- F Legal Fees - This cost is over budget due to the Thuto-Bophelo training & skills academy legal matter.*
- G Research - This cost is above budget due to unplanned research costs for Organising Frame for Occupations (OFO) and larger samples used for the tracer studies.*
- H Recruitment cost - This cost is over budget due to staff turnover during the year.*
- I Telephone costs - This cost is over budget due to the setting up of new satellite offices.*
- J CAPEX - Capex is underspent in the current year due to the slow progress on the ERP Development.*
- K Mandatory Grant expenditure - The budget provision was based on a 71% participation (actual participation is 62% in 2016-2017), and estimated SDL levy revenue (actual was lower than budgeted). This resulted in the actual expense being significantly below budget.*



Notes to Financial Statements

for the year ended 31 March 2017

1. Accounting policies to the Annual Financial Statements

Basis of preparation

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

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board, and the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999), and on the going concern basis. The HWSETA is a Public Entity listed in schedule 3A to the PFMA. The HWSETA obtains its mandate from the Skills Development Act and provides this service to its sectors of Health and Social Development in South Africa.

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

Going Concern assumption

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

New Accounting Pronouncements

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

GRAP 20 – Related Party Disclosures

GRAP 32 – Service session arrangements: Grantor

GRAP 108 – Statutory Receivables

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

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

1.1 Currency

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

1.2 Revenue recognition

Exchange revenue

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

Non-exchange transactions

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

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

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

1.2.1 Levy income

In terms of section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No. 9 of 1999), registered member companies of the HWSETA pay a skills development levy of 1% of the total payroll cost to the South African Revenue Services (SARS) who collects the levies on behalf of the Department of Higher Education and Training. Companies with an annual payroll cost of less than R500 000 are exempted in accordance with section 4(b) of the Levies Act as amended, effective 1 August 2005.

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

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

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

Revenue is adjusted for inter-SETA transfers due to employers changing SETAs. Such adjustments are separately disclosed as Inter-SETA transfers. The amount of the inter-SETA adjustment is calculated according to the Standard Operating Procedure issued by the Department of Higher Education and Training issued June 2001.

Exempted employers

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

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

Interest and penalties

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

Investment income

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

1.2.2 Government levy income

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

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

1.2.3 Government grants and other donor income

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

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

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

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

1.2.4 Levy exempt income.

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



1.3 Grants and project expenditure

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

Mandatory grants

The grant payable and the related expenditure are recognised when the employer has submitted an application for a grant in the prescribed form within the agreed upon cut-off period and the application has been approved as the payment then becomes probable. The grant is equivalent to 20% of the total levies paid by the employer during the corresponding financial period for the skills planning grant and skills implementation grant.

Discretionary grants and project expenditure

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

Project expenditure comprises:

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

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

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

Grant payments and projects

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

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

1.4 Employee benefits

Salaries and wages

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

Leave

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

Performance bonuses

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

Post- retirement benefits

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

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

1.5 Commitments

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

1.6 Irregular and fruitless and wasteful expenditure

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

- The PFMA of 1999,
- The Skills Development Act of 1998,

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

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

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

1.7 Property, plant and equipment

Property, plant and equipment (owned and leased) are initially recognised at cost and subsequently at cost less accumulated depreciation and adjusted for any impairments. Depreciation is calculated on the straight-line method to write off the cost of each asset to estimated residual value over its estimated useful life as follows:

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

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

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

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

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

1.8 Intangible assets

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

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

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

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

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

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

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



1.9 Inventories

Inventories are initially measured at cost.

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

1.10 Leasing

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

The HWSETA as a lessee

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

1.11 Contingent liabilities

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

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

1.12 Impairment of assets

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

Property, plant and equipment and Intangible assets

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

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

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

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

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

1.13 Provisions

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

1.14 Financial instruments

Initial Recognition

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

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

Initial Measurement

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

Financial Assets

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

Accounts and other receivables

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

Cash and cash equivalents

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

Financial liabilities

The HWSETA principle financial liabilities are accounts and other payables.

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

Derecognition

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

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

Fair value considerations

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

Offsetting

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

1.15 Reserves

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

Administration reserve

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

Employer grant reserve

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

Discretionary grant reserve

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

Accumulated surplus / deficit

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

This sub-classification is made based on the restrictions placed on the distribution of monies received in accordance with the Regulations issued in terms of the Skills Development Act, 1998(Act No97 of 1998). Accrual basis of accounting is used to calculate the reserves and thus reserves are not an indication of the cash used or available at the end of the year.

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

	2016/17	2015/16
	%	%
Administration cost of the HWSETA	10.5	10
Employer grant fund levy	20	50
Discretionary grant and projects	49.5	49.5
Received by the HWSETA	80	80
Contribution to the National Skills Fund	20	20
	100	100

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

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

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



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

Surplus funds are moved to the discretionary fund reserve from the administration reserve on the HWSETA's board approval (after prior written approval from National Treasury) and from the mandatory grant on fulfilment of the HWSETA's payment obligations.

1.16 Taxation

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

1.17 Comparative amounts

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

1.18 Presentation of Budget Information in the Financial Statements

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

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

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

The budget covers the period 1 April 2016 to 31 March 2017 and has been prepared on the accrual basis of accounting.

1.19 Related parties

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

1.20 Key accounting judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future period.

Non-exchange receivable

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

Property, plant and equipment and Intangible assets

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

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

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

Levy exempt employers

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

2 Allocation of net surplus for the year to reserves 2016/17

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

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

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

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

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

3 Skills Development Levy Income, Penalties and Interest

	2016/17 R'000	2015/16 R'000
Levy income: Administration	126 953	120 210
Levies received	126 953	120 210
Levies received from SARS	51 572	52 746
Government levies received	75 381	67 657
Intersecta transfers in	-	-
Intersecta transfers out	-	(193)
Levy income: Employer Grants	98 066	110 996
Levies received	98 066	110 996
Levies received from SARS	98 066	111 365
Intersecta transfers in	-	-
Intersecta transfers out	-	(369)
Levy income: Discretionary Grants	291 935	265 323
Levies received	291 935	265 323
Levies received from SARS	243 165	239 126
Government levies received	41 343	18 468
Transfer from Levy Exempt	-	-
Interest	3 053	3 128
Penalties	4 383	5 510
Intersecta transfers in	1	17
Intersecta transfers out	(10)	(926)
Total Skills Development Levy Income	516 954	496 529

4 Interest Income

	2016/17 R'000	2015/16 R'000
Interest income from banking institutions	51 791	37 400
	51 791	37 400

5 Other Income

	2016/17 R'000	2015/16 R'000
Other income comprises:		
Mandatory grants received from Services SETA	103	172
Release of prescribed payables	1 980	14
Discretionary grants refunds	1 080	-
Recovery from Legal claims	50	-
Other	1	-
Insurance proceeds	28	186
	3 242	372

6 Employer Grant and Project Expenses

	2016/17 R'000	2015/16 R'000
Mandatory grants	60 634	75 638
Movement in provision	(2 501)	6 163
Disbursed	63 135	69 475
Discretionary grants	312 523	269 386
Disbursed	312 523	269 386
	373 157	345 024

7 Administration Expenses

	Note	2016/17 R'000	2015/16 R'000
Depreciation	8.1	1 896	1 916
Amortisation of Intangible assets	8.2	461	311
Operating lease		8 745	9 193
Buildings		8 695	9 097
Plant, machinery and equipment		50	96
Maintenance, repairs and running costs		26	115
Property and buildings		13	33
Machinery and equipment		13	82
Quality Council for Trades and Occupations (QCTO)		2 036	1 214
Research costs		1 028	635
Advertising, marketing and promotions, communication		1 119	1 100
Consultancy and service provider fees		238	371
Legal fees		776	593
Cost of employment	7.1	60 608	53 683
Travel and subsistence and accommodation		5 170	4 924
Staff training and development		238	808
Remuneration to members of the accounting authority		2 595	2 130
Remuneration to members of the audit committee		192	125
External auditor's remuneration		2 103	2 356
Other		12 759	13 942
Workshops		640	1 530
Internal audit fees		1 625	1 696
Forensic audit fees		30	-
Special assignments			-
Courier and postage		294	338
Telephone		1 302	1 127
Programme evaluations - ETQA		402	305
Doubtful debts provision		-	-
Management of Fraud hotline		34	34
Printing and stationery		1 446	1 553
Staff welfare		87	295
Office cleaning		643	521
Impairment loss		-	125
Insurance		440	355
Motor vehicle expenses		41	52
Social responsibility		87	49
Software support		1 971	2 077
Storage		22	14
Subscriptions		268	132
Staff bursaries		206	52
Security		164	189
Water and electricity, rates and taxes		1 336	1 484
Recruitment costs		634	397
Bank charges		75	70
Branding		461	695
Other consumables		231	513
Office move		-	-
Catering and refreshments		258	267
Loss on disposal of asset		-	-
Groceries		62	72
		99 990	93 416



7.1 Cost of Employment

	Note	2016/17 R'000	2015/16 R'000
Salaries and wages		52 308	46 412
Basic salaries		46 444	41 793
Severance pay		-	251
Performance awards		3 277	2 734
Temporary staff and interns		1 985	1 870
Leave expense		602	(128)
Social contributions		8 299	7 271
Medical aid allowance		1 210	584
Provident fund - additional benefits		1 129	1 036
Provident fund contributions: defined contribution plan		4 973	4 739
SDL Levies		538	452
UIF		199	200
Other salary related costs - cell phone allowances		250	260
		60 608	53 683
Number of permanent employees at period end			
Permanent		111	99
Temporary		1	2
Internships		23	19

8.1 Property Plant and Equipment

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

	Cost R'000	Accumulated depreciation/ impairment R'000	Closing carrying amount R'000
Year ended 31 March 2016			
Computer equipment	4 466	(2 230)	2 237
Office furniture and fittings	4 530	(2 186)	2 343
Office equipment	4 422	(1 493)	2 929
Motor vehicles	892	(261)	631
Balance at end of period	14 310	(6 170)	8 140
Made up as follows:			
- Owned assets	14 310	(6 170)	8 140

8.1 Property Plant and Equipment (continued)

Movement Summary 31 March 2017

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

* Disposal: Computer equipment with a cost of R549 798 and zero carrying value has been identified for disposal in early 2017/18 financial year. In addition, furniture and fittings with a cost of R625 109 that has reached the end of their useful life have also been identified for disposal. During the year items of computer equipment with a carrying value of R33 250 was lost through theft. R41 767 was recovered from the insurers.

Movement Summary 31 March 2016

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

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

8.2 Intangible Assets

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

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



8.2 Intangible Assets (continued)

Movement Summary March 2017

	Carrying amount 2016 R'000	Additions R'000	Disposals R'000	Amortization Charge R'000	Carrying amount 2017 R'000
Computer software - Purchased	950	496	-		1 446
Computer software - Work in progress - ERP Development	2 529	757	-	(461)	2 825
Balance at end of year	3 479	1 253	-	(461)	4 271

Movement Summary March 2016

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

9 Prepayments and Advances

	2016/17 R'000	2015/16 R'000
Insurance	297	265
Office rental in advance	718	656
Subscriptions and other supplier deposits	123	271
Closing balance	1 138	1 192

10.1 Account Receivables: Non Exchange Transactions

	Note	2016/17 R'000	2015/16 R'000
Interseta debtors	25	18	17
Government Departmental levy income		-	2 329
SARS levy reversals - Employer mandatory grant overpaid	11	4 431	2 473
Provision for doubtful debts		(482)	(1 026)
		3 967	3 793

10.2 Account Receivables: Exchange Transactions

	2016/17 R'000	2015/16 R'000
Interest receivable on cash balances	1 760	1 301
Net Receivables	41	443
Other receivables	140	592
Less: Provision for bad debts	(99)	(149)
Staff receivables - salary advances	106	143
Office rental deposits	1 159	1 040
Staff study assistance/bursaries	947	895
	4 013	3 822

11 Employer Overpaid

	2016/17 R'000	2015/16 R'000
Included in Skills Development Levy debtors is:		
SARS receivable/(payable)		
Opening carrying amount	2 473	12 113
Net effect of SARS Adjustments on levies for the current year	1 958	(9 640)
Closing carrying amount	4 431	2 473

12 Inventories

	2016/17 R'000	2015/16 R'000
Consumables	653	389

There are no consumables held at current replacement cost

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

13 Cash and Cash Equivalents

	2016/17 R'000	2015/16 R'000
Cash - Bank deposits	196 342	140 537
Cash - Corporation for Public Deposits	394 114	366 234
Cash - Investments in term deposits	207 301	195 839
Cash on hand	14	15
Cash and cash equivalents at end of year	797 771	702 625

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

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

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

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



14 Account Payables

14.1 Grants and Transfers Payable Non Exchange Transactions

	Note	2016/17 R'000	2015/16 R'000
Grants payable		35 077	36 591
SARS levy reversals - Employer mandatory grants underpaid		249	3 001
Intersecta Payables	25	24	14
		35 350	39 606

15 Trade and Other Payables: Exchange Transactions

	2016/17 R'000	2015/16 R'000
Trade creditors	4 532	6 485
Staff leave accrual	1 775	1 476
SARS - PAYE/UIF and third party payables	132	112
	6 439	8 073

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

16 Levy Exempt Provision

	2016/17 R'000	2015/16 R'000
Opening balance	1 915	795
Transferred to discretionary income	-	-
Additional provision created	2 701	1 120
Closing balance	4 616	1 915

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

17 Deferred Government Grants and Donor Funding

17.1 National Skills Fund (NSF) Advance Receipts

	2016/17 R'000	2015/16 R'000
Opening balance	(1)	(1)
Received during the year/ (paid during the year)	-	-
Deposits current (NSF)	-	-
	(1)	(1)
Less Utilised and recognised as income or against accrual as conditions met	-	-
Learners allowance	-	-
Training provider	-	-
Learners uniform	-	-
Net payable/(receivable)	(1)	(1)
Made up as follows:	(1)	(1)
Receivable	-	-
Payable	(1)	(1)

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

18 Contingencies

- 18.1 In terms of the PFMA, all surplus funds as at year-end may be forfeited to National Treasury. Formal approval was obtained from the National Treasury to retain the surplus funds of 2015/16 on 14 July 2016. Formal approval was sent to the National Treasury on 31 May 2017 to apply to retain surplus funds for 2016/17, National Treasury approved this application on 26 July 2017.
- 18.2 A letter of demand was received from attorneys after year end 2008-09, acting on behalf of a consulting firm demanding R823 267 from the HWSETA. This was for a contract that was not awarded to them. There is no indication that this demand will succeed in favour of the plaintiff. The plaintiff, Le-Rong has on two occasions removed the matter from the court roll after being set down for trial. Currently the matter is pending. Total possible further cost amounts to R250 000.
- 18.3 There are currently criminal cases pending against training providers for conducting training outside their scope of accreditation, while others have conducted training without the necessary accreditation. The cases were opened in 2013 and 2014 years. There is one case against a service provider - see note 21.
- 18.4 Currently there are two cases in the CCMA relating to an employee and an ex-employee. These cases are being defended and the prospects of success are probable.



19 Commitments

19.1 Discretionary Reserves

	NSDS Objectives and Indicators	Opening Commitment 2016/17 R'000	Approved by Accounting Authority and committed 2016/17 R'000	Current year Commitments released as no MoU at 31 March 2017	Commitments released 2016-17	Utilised- 2016/17 R'000	Closing Commitment 2016/17 R'000
Adopt a school VET science- UP	Ad Hoc	520				-	520
Durban U Tech Ad Hoc Cadavers	Ad Hoc	-25				-	-25
Albertina Sisulu Univ of Pretoria	Ad Hoc	3 249				-2 734	515
Northern Cape Education Trust Fund	Ad Hoc	2 730				-2 633	98
Fort Cox College of Agriculture and Forestry	Ad Hoc	2 354			4 197	-3 141	3 410
Social Work Induction Standard	Ad Hoc	-	3 000			-	3 000
Umfolozi TVET - ECD 5 Diploma	Ad Hoc	-	10 661			-	10 661
QASA - PWD WE	Ad Hoc	-	903			-	903
Rural Health Advocacy Project	Ad Hoc	-	450			-	450
Northlink TVET - WE for unemployed	Ad Hoc	-	4 354			-	4 354
Special Funding	NSDS111	1 013			-1 013	-	0
Northern Cape Premiers Trust	P 2, I 1	-			5 893	-	5 893
Eastern Cape Department of Health	P 2, I 1	-			1 752	-	1 752
SME Funding	P 2, I 10	2 844	5 640			-1 569	6 915
Cape Mental Health - NGO support	P 2, I 11	793			-3	-790	0
NGO support Eerslerus	P 2, I 11	240				-	240
International AIDS Conference	P 2, I 11	100				-100	-
Other NGO initiatives	P 2, I 11	631				-	631
SDF for NGO's	P 2, I 11	4			-4	-	0
SDF Training for Labour	P 2, I 11	78			-78	-	-0
Workers college	P 2, I 11	-	2 274			-	2 274
Teaching aids for Veterinary	P 2, I 14	1 115			-221	-894	0
ICD 10 Coding - WC Dept of Health - projects	P 2, I 14	1 842				-168	1 674
Cooperatives for teaching Aids - UP	P 2, I 14	396				-265	131
NDH - Ad hoc short learning prog for health managers	P 2, I 14	-	5 000	-5 000		-	-
Partnership between Faculty of Agrocltural Colleges Partnerships	P 2, I 14	140				-	140
Public sector projects - Facilitation and Mentoring training for CDP's	P 2, I 14	2 297				-980	1 317
NC Community Colledge AET	P 2, I 14	3 598				-153	3 445
AdHoc - Dept of Rural Dev. - Animal Health Technicians	P 2, I 14	-	15 888			-7 238	8 650
Sefako Makgatho Health Sciences - Dentist chairs	P 2, I 14	-	3 815			-	3 815
Durban University of Technology	P 2, I 14	-	325			-	325
University fo Fort Hare - Executive Leadership	P 2, I 14	-	4 828			-	4 828
Cape Mental Health Capacity building	P 2, I 14	-	1 420			-	1 420
Pietermaritzburg Mental Health	P 2, I 14	-			270	-	270
University of Cape Town	P 2, I 14	-			29	-	29
TVET Lecturers Work experience	P 2, I 16	63			-12	-45	6
WEG for TVET lecturers	P 2, I 16	11	150	-10	-1	-79	72
N- Level TVET colleges	P 2, I 17	-			7 871	-	7 871
National certificate vocational	P 2, I 17	972				-	972
Learnerships	P 2, I 3	243 769	129 684	-12 335	-26 393	-91 287	243 438
Rural community project - ECD level 4 -	P 2, I 3	616				-	616
ECD - level 5	P 2, I 3	600			-330	-270	-
RPL project enrolled nursing	P 2, I 3	-137				-	-137
DEAFSA project -SAW learnerships	P 2, I 3	1 412				-624	787
ECD NQF LEVEL 4 - NOTHERN CAPE RURAL	P 2, I 3	10 314				-7 828	2 486
ECD - level 4	P 2, I 3	7 471			-493	-3 126	3 852
Pre-apprenticeship training 14-15	P 2, I 4	3 555			-3 535	-20	0
Artisan Training	P 2, I 4	27 050			-1 249	-11 421	14 381
Artisan RPL - Ad Hoc funding	P 2, I 4	6 919			-3 540	-982	2 397
Artisan Training 2015-2016 - SACCI	P 2, I 4	30 517				-8 499	22 018

19.1 Discretionary Reserves (continued)

	NSDS Objectives and Indicators	Opening Commitment 2016/17 R'000	Approved by Accounting Authority and committed 2016/17 R'000	Current year Commitments released as no MoU at 31 March 2017	Commitments released 2016-17	Utilised- 2016/17 R'000	Closing Commitment 2016/17 R'000
Artisan Training 2015-2016 - NW Department of Health	P 2, I 4	10 143				-193	9 951
Artisan , SASCI	P 2, I 4	-			21 738	-	21 738
Artisans RPL DOH Limpopo	P 2, I 4	-			3 997	-	3 997
Artisans RPL Life Healthcare	P 2, I 4	-			1 860	-	1 860
Artisans RPL Netcare	P 2, I 4	-			625	-	625
TVET Learner Bursary	P 2, I 6	144			4 907	-308	4 743
Bursaries - NSFAS, Bcur, Pop Studies	P 2, I 6	4 333			-4 333	-	-0
Bursaries - NGOs TVET learners	P 2, I 6	1 292			-960	-187	145
Bursary funding 14-15 - NSFAS	P 2, I 6	2 532			-2 532	-	-0
Bursary funding 14-15	P 2, I 6	1 636				-344	1 292
Higher certificate in Disability practice - UCT	P 2, I 6	-	1 640			-	1 640
Indigenous Knowledge Systems	P 2, I 6	-	1 000			-	1 000
Bursaries-employed	P 2, I 6	4 237	7 646	-369	-357	-2 566	8 591
Bursaries-unemployed	P 2, I 6	30 000	44 730			-19 133	55 597
Bursaries - Veterinary Students	P 2, I 6	1 300	1 349		-98	-1 842	710
VET Research bursaries	P 2, I 6	1 300			-1 300	-	-
Dept of Rural Dev. - Animal Health Technicians	P 2, I 6	4 324				-2 551	1 773
Ampath Motor Cycle Blood sample couriers	P 2, I 6	103			-67	-37	-0
N LEVEL TVET BURSARIES	P 2, I 6	7 406				-980	6 426
WIL University of Tech	P 2, I 7	1 453			-1 131	-322	-1
WIL University Students	P 2, I 7	10 388	15 740	-1 246	-8	-9 119	15 754
WEG for TVET 2014-2015	P 2, I 7	52 411	34 875	-1 630	-6 885	-30 505	48 267
Post Graduate WEG	P 2, I 7	258				-	258
Work Experience for PWD project - Dietrich Voigt	P 2, I 7	-	630			-	630
Internships/WEG Utech and mid level graduates	P 2, I 7	30 045			-6 642	-21 220	2 183
Internships for university Grad	P 2, I 7	28 370	28 500	-660		-23 181	33 029
WIL - Batchelor of Vet Science	P 2, I 7	2 363				-2 363	-
Department of Social Development - Limpopo - Internships	P 2, I 7	-			11 520	-	11 520
Gauteng Health - Internships	P 2, I 7	-			240	-	240
WITS Drama for life Internships	P 2, I 7	-			516	-	516
PWD internships	P 2, I 7	2 744				-	2 744
NHLS - Internships Ad Hoc	P 2, I 7	31 290				-15 846	15 444
WITS Drama Therapy - Ad Hoc	P 2, I 7	264	258			-264	258
Skills Programmes	P 2, I 8	33 574	34 419	-10 630		-8 901	48 462
Co-Operative Funding - Alfred Nzo DA	P 2, I 9	2 472				-1 187	1 285
Co-operative Funding 15-16 -FSSD	P 2, I 9	3 600			-3 600	-	-
SEDA - Cooperatives	P 2, I 9	-			3 494	-	3 494
Annexure to APP 2014-2015	P 2, I 1 and 3	37 704				-9 425	28 279
AET	P 2, I 21	2 298			-384	-1 041	872
Levy Exempt	P 2, I 22	4 478	5 018		424	-2 253	7 667
Assessor/Moderator training	P 3, I 19	743	1 500			-791	1 452
Curriculum and learning/Review of qualifications	P 3, I 24	2 004				-683	1 321
Qualifications development	P 3, I 24	-	8 000			-2 640	5 360
ETQA - Training of SDP's on RPL	P 3, I 25	-	5 796			-4 057	1 739
Research bursaries for post grad	Research - P 1	5 100				-2 022	3 078
Research bursaries for post grad - employed -16-17	Research - P 1	-	4 053			-	4 053
Research bursaries for post grad - unemployed-16-17	Research - P 1	-	3 625			-3 721	-96
UWC Research grants	Research - P 1	-	775			-	775
		677 359	387 946	-31 880	4 164	-312 523	725 066



19.1 Discretionary Reserves – continued

Approved but not yet contracted:

		2016/17 R'000	2015/16 R'000
Social Work Induction Standard - SACSSP	NSDS111	-	3000
Post Graduate bursaries		-	923
		-	3 923

Total Discretionary Grants Committed (Contracted only)

	2016/17 R'000	2015/16 R'000
	725 066	677 359
	95,32%	102%

The HWSETA has committed 96% of reserves in 2016-2017, however, the funding of such commitments flows between 1 to 3 years, and hence the HWSETA has sufficient funds to make good on all of its commitments. The Grant Regulations requires SETA's to commit at least 95% of its reserves each financial year.

19.2 Operating Commitments

	2016/17 R'000	2015/16 R'000
Approved and contracted:		
Procurement of advertising, printing and stationery	514	44
Procurement of Furniture and fittings	1 072	131
Procurement of IT equipment	56	11
Development of IT software - ERP development	6 751	7 507
	8 393	7 693
Total Commitments: Discretionary and Operating	733 460	685 052

20 Operating Leases

	2016/17 R'000	2015/16 R'000
At the balance sheet date, HWSETA has outstanding commitments under non-cancellable operating lease which fall due as follows:		
Not later than one year	9 084	7 843
Later than one year but not later than five years	574	8 403
Later than five years	-	-
	9 658	16 246

Refer to note 26

20 Operating Leases (continued)

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

Office	Effective date	Termination date	Escalation rate
Head Office - JHB	01 April 2016	31 March 2018	7%
Northern Cape - Kimberley	01 January 2016	31 March 2018	8%
KZN - Durban	01 November 2015	31 March 2018	8%
Eastern Cape - East London	01 April 2016	31 March 2018	8%
Western Cape - Cape Town	01 April 2016	31 March 2018	8%
Gauteng - Midrand	01 April 2016	31 March 2018	8%
North West - Mafikeng	01 July 16	31 March 2018	10%
Mpumalanga - Nelspruit *	01 March 17	31 March 2020	8%
Free State - Bloemfontein *	01 January 17	31 March 2018	8%
Limpopo - Polokwane *	01 April 2016	31 March 2018	8%

* New contracts

21 Material Losses Through Criminal Conduct, Irregular, Fruitless and Wasteful Expenditure

The following material losses through criminal conduct, irregular, fruitless and wasteful expenditure were incurred during the year ended 31 March 2017

	2016/17 R'000	2015/16 R'000
Fruitless expenditure	-	3
1. Interest charges on late payment of rental invoices The interest is mainly levied by Telkom. Due to the Post Office strikes the HWSETA did not receive invoices on time. This was beyond the control of the HWSETA.	-	3
Losses through criminal conduct	99	149
2. Payment made for the purchase of microsoft licenses. The supplier failed to provide the licenses. This expense was a result of non-delivery by the supplier and intentional misrepresentation by the supplier. A criminal case has been opened with the SAPS.	149	149
Less Recovery	(50)	-
Total	99	152

22 Events After Reporting Date

No events after reporting period identified.

23 Going Concern

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



24 Financial Instruments

In the course of the HWSETA's operations it is exposed to interest rate, credit, liquidity and market risk. The HWSETA has developed a comprehensive risk strategy in terms of TR 28.1 in order to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below. Financial instruments have not been discounted as they will all be settled or recovered within 3 months. The effect of discounting was found and considered not to be material.

Interest rate risk

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

	Amount R'000	Floating rate Effective interest rate	Non-interest bearing Amount R'000	Total Amount R'000
Year ended 28 March 2017				
Total financial assets				
Cash	797 771	6.44%	-	797 771
Accounts receivable			4 013	4 013
Total financial liabilities			(6 439)	(6 439)
	<u>797 771</u>		<u>(2 426)</u>	<u>795 345</u>
Year ended 31 March 2016				
Total financial assets				
Cash	702 625	5.20%	-	702 625
Accounts receivable		-	3 822	3 822
Total financial liabilities		-	(8 073)	(8 073)
	<u>702 625</u>	<u>-</u>	<u>(4 251)</u>	<u>698 374</u>

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

	2016/17 R'000	2015/16 R'000
Financial assets at amortised cost	801 784	706 447
Cash and cash equivalents	797 771	702 625
Receivables from exchange transactions	4 013	3 822
Financial liabilities at amortised cost	6 439	8 073
Payables from exchange transactions	6 439	8 073

Credit risk

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

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

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

24 Financial Instruments (continued)

Credit ratings of HWSETA bankers:

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

Short term ratings:

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

Long term ratings:

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

The ageing of receivables from exchange transactions:

	2016/17		2015/16	
	Gross	Impairment	Gross	Impairment
0-30 days	1 907	-	1 870	-
31-120 days	-	-	-	-
120-365 days	-	-	-	-
Over a year (Rental deposits and Staff bursaries)	2 106	-	1 952	-
Carrying amount	4 013	-	3 822	-

Liquidity risk

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

The ageing of payables from exchange transactions:

	2016/17		2015/16	
	Gross	Impairment	Gross	Impairment
Not past due	-	-	-	-
0-30 days	5 830	-	8 073	-
31-120 days	138	-	-	-
120-365 days	471	-	-	-
Over a year	-	-	-	-
Carrying amount	6 439	-	8 073	-

Fair values

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

Cash and cash equivalents

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

Accounts receivable

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



25 Related Party Transactions

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

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

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

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

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

Related party	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)
Receivables	1	18	17	17
Bank SETA	1	18	17	17
Payables	(10)	(24)	(1 488)	(14)
Merseta	-	(9)	(9)	(9)
FP&M Seta	(5)	(5)	-	-
Inseta	(1)	(1)	-	-
ETDP Seta	(1)	(1)	-	-
CHIETA	(3)	(3)	-	-
W&R Seta	-	-	(1 474)	-
CETA	-	(5)	(5)	(5)
Total	(9)	(6)	(1 471)	3

25 Related Party Transactions (continued)

	2016/17		2015/16		2016/17	2015/16
	Total contributions received	Total contributions expected	Admin. Contributions received	Total Contributions expected	Discretionary Grants Paid	Discretionary Grants Paid
	R'000	R'000	R'000	R'000	R'000	R'000
National						
Health	2 808	6 664	2 438	6 228	-	-
Social Development	1 308	1 308	1 149	1 150	-	3 240
Provincial						
Western Cape						
Health	4 790	14 370	4 578	13 734	2 025	3 282
Social Development	2 044	2 044	1 797	1 797	-	404
Eastern Cape						
Health	7 739	24 438	8 835	8 835	15 280	10 427
Social Development	2 861	2 861	2 419	2 419	-	4 379
Gauteng						
Health	18 869	56 607	17 023	51 069	12 943	13 463
Social Development	3 814	3 814	3 627	3 627	-	-
Free State						
Health	17 638	17 638	772	10 603	947	240
Social Development	1 577	1 589	386	1 545	-	756
Northern Cape						
Health	6 819	6 819	6 018	6 018	342	105
Social Development	983	983	883	883	-	-
Mpumalanga						
Health	-	17 708	-	17 709	-	-
Social Development	-	1 477	-	1 380	-	894
Limpopo						
Health	-	31 211	558	29 169	1 179	1 398
Social Development	1 886	1 886	1 766	2 171	-	9 852
KwaZulu						
Health	19 842	59 526	18 863	56 589	6 179	2 504
Social Development	3 511	3 511	3 350	3 350	-	2 109
North West						
Health	16 762	16 762	9 697	16 628	2 065	694
Social Development	2 200	2 200	1 966	2 002	-	2 440
PSETA REFUND	1 273	-				
	116 724	273 415	86 125	236 906	40 960	56 187

Government Departments contribution of levies to the HWSETA is at 30%, since 1 April 2013, of their 1% training budget in line with a Cabinet Circular effective 1 April 2013. One third of the 30% received is allocated for the administration of the HWSETA, the remaining 20% is allocated for discretionary grant funding. In the 2016-2017 year, there were Departments that still failed to contribute the full 30% as required. Certain government departments have not yet submitted the annual payroll figures thus the expected value is not complete.

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



26 Operating Lease Commitment

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

	2016/17 R'000	2015/16 R'000
Opening balance	19	71
Release of accruals during termination of lease contracts	(19)	(52)
Current year smoothing	460	-
Closing balance	460	19

Refer also to note 20

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

	2016/17 R'000	2015/16 R'000
Net surplus/(deficit) as per Statement of Financial Performance	98 840	95 861
Adjusted for non-cash items:		
Profit on Disposal	(8)	-
Depreciation	1 896	1 916
Impairment loss	-	125
Amortisation	461	311
Investment income	(51 791)	(37 400)
Adjusted for working capital changes:	(3 323)	(161 888)
(Increase)/decrease in inventory	(264)	307
(Increase)/decrease in receivables	(311)	20 379
Decrease in smoothing lease	441	(52)
Increase/(decrease) in payables	(3 189)	(182 522)
Cash generated from operations	46 075	(101 075)

28 Critical Accounting Judgement and Key Sources of Estimation Uncertainty

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

Key sources estimation uncertainty

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

1. Property, Plant and Equipment

The HWSETA reviews the estimated useful lives of property, plant and Equipment at the annual reporting period, refer to note 8 for the carrying values of property, plant and equipment. The following rates are used for depreciation of Property, Plants and Equipment:

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

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

2. Levy Exempt Payables

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

29 New Accounting Pronouncements

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

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

30 Segment Reporting

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

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

The HWSETA assets and liabilities cannot be separated into the segments disclosed, and hence is not disclosed in the segment reporting. There is no reported surplus or deficit per segment as the operations of the HWSETA are not reported internally this way. The HWSETA has not disclosed geographical areas in segment reporting as this is not used for decision-making purposes and is also not reported internally.

Segment Reporting	Skills Development Planning	Education, Training And Quality Assurance	Research, Information, Monitoring & Evaluation	Provincial Services	Total
SEGMENT REVENUE					
Skill development levy income	348 303	-	-	-	348 303
Government levy income	41 343	-	-	-	41 343
	389 646	-	-	-	389 646
SEGMENT EXPENSE					
Salaries and wages	5 277	6 513	4 164	10 569	26 523
Mandatory grant expenditure	60 634	-	-	-	60 634
Discretionary grant expenditure	312 523	-	-	-	312 523
QCTO contribution	-	2 036	-	-	2 036
Other expenses	1 626	1 908	1 227	2 186	6 947
	380 060	10 457	5 391	12 755	408 663
Surplus/(deficit) for the period	9 586	(10 457)	(5 391)	(12 755)	(19 017)

Reconciliation to the statement of financial performance

	Segmental reporting R'000	Administrative / support services R'000	Total R'000	Note reference
Revenue	389 646	127 308	516 954	note 3
Interest income		51 791	51 791	note 4
Other income		3 242	3 242	note 4
Expenses	408 663	64 484	473 147	
Salaries and wages	26 523	34 085	60 608	note 7
Mandatory grant expenditure	60 634	-	60 634	note 6
Discretionary grant expenditure	312 523	-	312 523	note 6
Other expenses	6 947	30 399	37 346	note 7
QCTO expenses	2 036	-	2 036	note 7
	(19 017)	117 857	98 840	

31 Board remuneration

Financial year 2016/17			Allowances	Travel and Subsistence Allowances	
Names	Designation	Total	Meeting & Preparation fees	Reimbursement	Cell Phone
		R	R	R	R
Dr E.T. Moloko	Chairperson	324 055	319 545	4510	8 800
Ms F. Fayers	Board/Exco Member	197 866	176 671	12 395	6 600
Mr R. Van Loggerenberg	Board/Exco Member	7 348		748	1 650
Mr D. Shardlow	Board/Exco Member	44 913	43 263		1 650
Mr H. Sekhitla	Board/Exco Member	211 852	201 441	8 761	4 400
Mr P. Motubatse	Board Member	236 077	157 551	74 126	
Mr C G Higgins	Ind. co-opted member	33 289	32 195	1 094	
Mr A. Seirlis	Board Member	76 559	69 094	7 465	
Ms E. Zondo	Board Member	6 937	6 259	678	
Ms E. Strachan	Board Member	40 531	39 603	928	
Ms I. Smith	Board Member	27 837	26 206	1 631	
Ms T. Ngcobo	Board Member	37 434	35 207	2 227	
Mr S Madikizela	Ind. Audit Comm	19 695	19 412	283	
Mr A Naude	Ind. co-opted member	14 296	13 357	939	
Ms TE Ntabeni	Board Member	97 572	88 941	8 631	
Dr N Ndzwayiba	Board Member	91 587	87 391	4 196	
Dr CC Nkuna	Board Member	110 332	104 123	6 209	
Mr DM Ndebele	Board Member	97 466	94 978	2 488	
Dr DS Bomela	Board Member	133 679	132 170	1 509	4 950
Ms M Nkambule	Board Member	111 028	70 298	35 780	
Mr KI Mokaila	Board Member	79 687	64 279	15 408	
Mr M Khanyeza	Board Member	145 015	137 275	7 740	
Dr AM Crichton	Board Member	734		734	28 050
Total		2 216 000	1 919 259	198 480	39 600

Independent Audit Committee Member Remuneration

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

Senior Management Remuneration

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



Board Remuneration

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

NB: The above amounts are before taxation

Independent Audit Committee Member Remuneration

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

Senior Management Remuneration

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

32 Presentation of Budget Information

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

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

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

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

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

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

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

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

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



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

	R'000
Net surplus per the statement of financial performance	95 861
Adjusted for:	
Impairments recognised	-
Surplus on sale of assets	-
Loss on scrapping of assets	-
Increase/decrease in provisions	-
Effect of smoothing relating to operating leases	-
Adjustments relating to Finance charges for finance leases on rental	-
	95 861
Participation on mandatory grants	10 800
Utilisation of reserves for discretionary grants	(22 891)
Underspending on administration expenses	(7 229)
	(19 320)
Exceeded budget collection of revenue	(66 466)
Net surplus per approved budget before capital expenditure	10 075

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

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

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

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

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

The adjustments to the originally approved budget of 2015/16 (approved in August 2015), were made due to information available six months into the 2015-16 financial year. Certain assumptions that were made in the original budget were then tested, and actual operational needs had changed in some instances relating to administrative expenditure, grant expenditure and revenue expectations. Changes to the approved budget included:

1. Increases in the administration budget and capex budget due to planned establishment of four provincial offices and two satellite offices, and to fund the ERP System development of the HWSETA;
2. Increases in personnel costs and capex costs due the HWSETA rationalisation plan;
3. Increases in revenue projections based on increased collections of 2014-15 by 6.26%; and
4. Increases in budgeted discretionary and mandatory grant spend based on increased revenue collections.



Notes

HWSETA Annual Report 2016/17



Notes

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HWSETA Contact Information

Toll free number: 0800 864 478
hwseta@hwseta.org.za
www.hwseta.org.za

HEAD OFFICE

17 Bradford Road
Bedfordview
Johannesburg
011 607 6900

PROVINCIAL OFFICES

Gauteng

563 Old Pretoria Main Road
Midrand Business Park
Midrand
011 205 0200

Eastern Cape

Phase 2A Waverly Office Park
Phillip Frame Road
Chiselhurst
East London
043 726 9406/7

Kwa-Zulu Natal

Clifton Place Ground Floor
19 Hurst Grove
Musgrave
Durban
031 202 5972/3

Free State

47 Kellner Street
Bloemfontein
051 430 2134/78

Limpopo

4A Landross Mare
Polokwane
015 295 4302/3

Mpumalanga

The Outpost Centre
Cnr Van der Merwe & Ehmke Streets
Nelspruit
013 762 3027

Northern Cape

Royalyard Park, Unit 17
No. 9 Jacobus Sit Avenue
Royalglen
Kimberley
053 831 1338

North West

Suite No.3 Total Mafikeng Complex
Cnr Nelson Mandela Drive
and Shippard Street
Mafikeng
018 381 1192

Western Cape

Tijger Park Office Park
Ground Floor
Willie van Schoor Avenue
Bellville
Cape Town
021 914 1058

SATELLITE OFFICES

Eastern Cape

PE TVET College
139 Russell Road
Richmond Hill
041 509 6332

Free State

Flavius Mareka TVET College
Mphohadi campus
Corner Tang Street

KwaZulu Natal

Coastal KZN TVET College
1621 Hospital Road
Ozwathini
032 294 0013

Limpopo

Letaba TVET College
Bock C Industrial Road
Giyani
015 812 0265

Mpumalanga

Gert Sibande TVET College
11 Mel Mentz Street
Ermelo
2350
017 811 1752

North West

Taletso TVET College
Leah Mangope Highway
Lehurutshe
018 363 3017

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Checklist before you call

- ☐ Names of people involved
- ☐ How many people are involved?
- ☐ Date and time of incident or theft
- ☐ Do you have any proof?
- ☐ Does this happen regularly?
- ☐ Where did the incident take place?
- ☐ Is there money involved?
- ☐ Are there any witnesses?



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Health and Welfare Sector
Education and Training Authority
HWSETA