



**inseta**

INSURANCE SECTOR EDUCATION  
AND TRAINING AUTHORITY

**2016**  
**2017**

# ANNUAL REPORT

Working together for a skilled tomorrow



**Dr B E Nzimande**  
Minister of Higher Education and Training



**Sandra Dunn**  
INSETA Chief Executive Officer

# HONOURABLE MINISTER

It is with pleasure that we present to you the annual report of the Insurance Sector Education and Training Authority (INSETA) for the period 1 April 2016 to 31 March 2017.

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higher education  
& training

Department:  
Higher Education and Training  
REPUBLIC OF SOUTH AFRICA



**inseta**

INSURANCE SECTOR EDUCATION  
AND TRAINING AUTHORITY

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# PART A







# General Information

# General Information

<b>REGISTERED NAME:</b>	Insurance Sector Education and Training Authority
<b>PHYSICAL ADDRESS:</b>	Ground Floor, 37 Empire Road, Parktown, Johannesburg
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<b>WEBSITE ADDRESS:</b>	<a href="http://www.inseta.org.za">www.inseta.org.za</a>
<b>EXTERNAL AUDITORS:</b>	Auditor General South Africa
<b>INTERNAL AUDITORS:</b>	PricewaterhouseCoopers (PWC)
<b>BANKERS:</b>	Nedbank

## Abbreviations and Acronyms

AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
B-BBEE	Broad-based Black Economic Empowerment
CBO	Community-based organisation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DHET	Department of Higher Education and Training
ETQA	Education and Training Quality Assurance
FAIS	Financial, Advisory and Intermediary Services
FSB	Financial Services Board
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HEI	Higher education institution
HR	Human Resources
HRDSA	Human Resource Development Strategy for South Africa
INSETA	Insurance Sector Education and Training Authority
ICT	Information and Communication Technology
IT	Information Technology
MBA	Master in Business Administration

MoA	Memorandum of Agreement
MTSF	Medium-term Strategic Framework
NDP	National Development Plan
NGO	Non-governmental organisation
NGP	New Growth Path
NQF	National Qualifications Framework
NSA	National Skills Accord
NSDS	National Skills Development Strategy
OFO	Organising Framework for Occupations
PFMA	Public Finance Management Act
PIVOTAL	Professional, vocational, technical and academic learning
QCTO	Quality Council for Trades and Occupations
RE	Regulatory Examination
RPL	Recognition of prior learning
SAICA	South African Institute of Chartered Accountants
SARS	South African Revenue Service
SAQA	South African Qualifications Authority
SCM	Supply Chain Management
SDA	Skills Development Act
SDLA	Skills Development Levies Act
SETA	Sector Education and Training Authority
SLA	Service Level Agreement
SME	Small and micro enterprise
SMME	Small, medium and micro enterprise
SSP	Sector Skills Plan
TVET	Technical and vocational education and training
UASA	The Union
WIL	Work-integrated learning
WSP	Workplace Skills Plan



## 2. Strategic Overview

### Purpose

INSETA's purpose is to grow the pool and quality of scarce and critical skills in the insurance sector, enhancing the sector and supporting the country's transformation.

### Vision

A skilled and capable insurance and related services workforce

### Values

#### Partner to enable others

- Form strategic partnerships
- Be an employer of choice
- Consult and collaborate with stakeholders

#### Lead with vision

- Develop contemporary solutions to guide the industry
- Listen, learn, influence and shape

#### Deliver quality

- Results for real impact
- Value for investment

#### Touch lives

- Make a difference
- Leave an enduring legacy

#### Inspire trust

- Transparent
- Reliable and consistent
- Accountable

## 3. Strategic Outcome-Oriented Goals

INSETA set the following strategic goals for 2016/17:

- **Strategic Goal 1:** A credible institutional mechanism for skills planning in the sector
- **Strategic Goal 2:** Increased access to occupationally directed programmes
- **Strategic Goal 3:** Encouraging better use of workplace-based skills development
- **Strategic Goal 4:** Encouraging and supporting cooperatives, small enterprises, worker-initiated, non-governmental organisation (NGO) and community training initiatives
- **Strategic Goal 5:** Building career and vocational guidance
- **Strategic Goal 6:** Promoting the growth of a public technical and vocational education and training (TVET) sector college system that is responsive to sector, local, regional and national skills needs and priorities

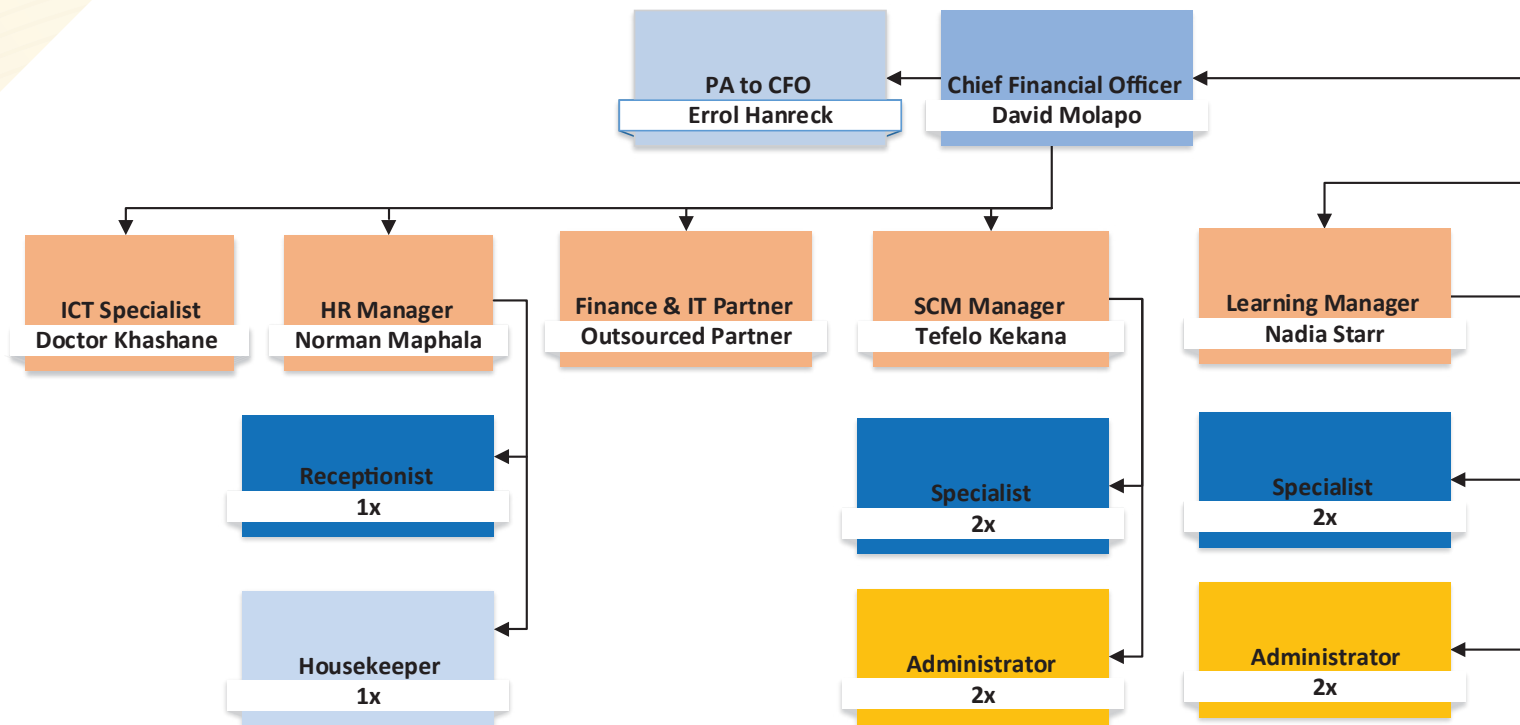
## 4. Legislative and other Mandates

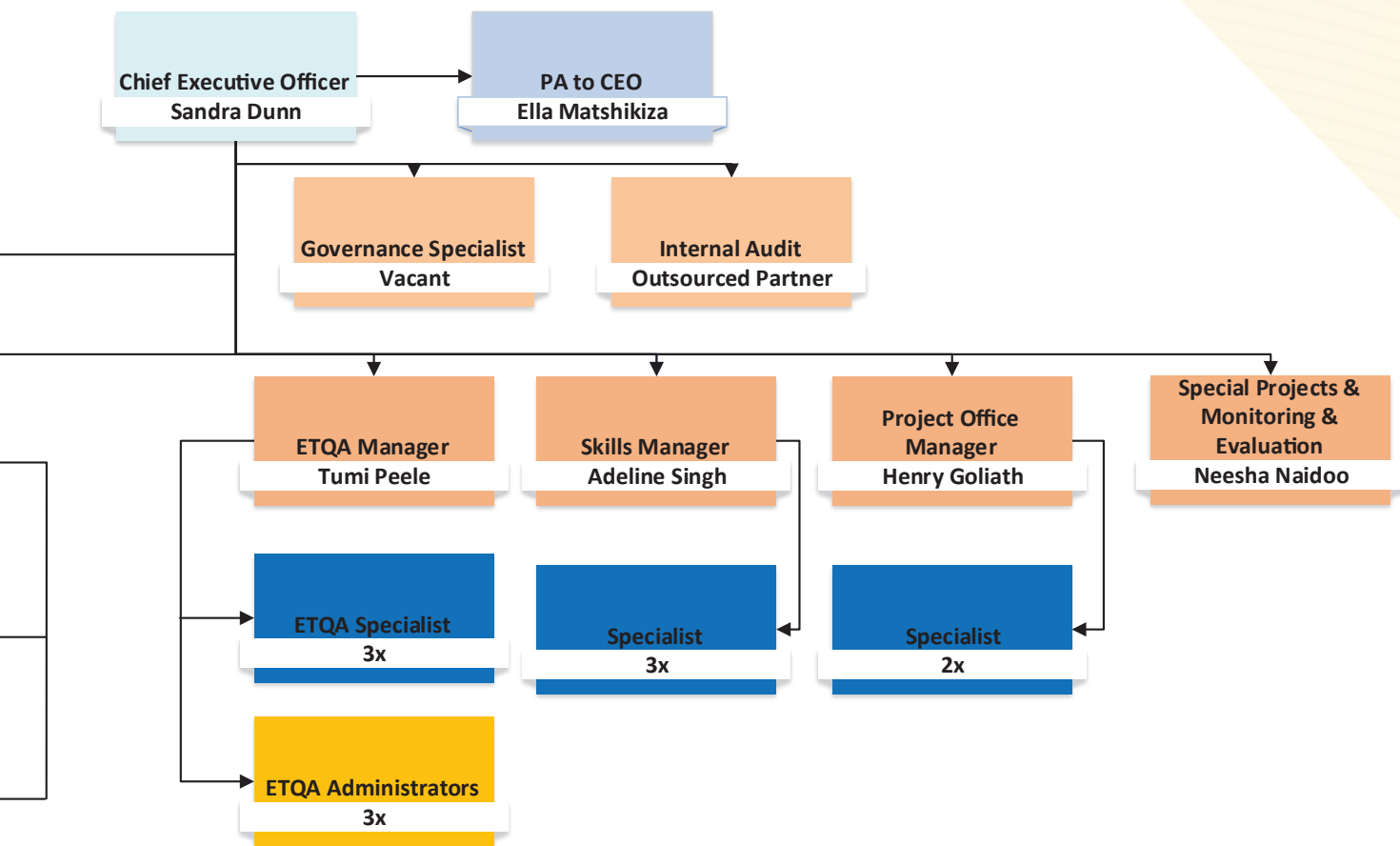
INSETA is a Schedule 3A public entity in terms of the Public Finance Management Act (PFMA) and must execute its mandate in accordance with the Skills Development Act (SDA), the Skills Development Levies Act (SDLA), the PFMA, the INSETA Constitution and any other legislation that relates to the governance of sector education and training authorities (SETAs).

The table below represents the Acts and other mandate documents that predominantly direct and influence INSETA in skills development.

ACT/OTHER MANDATE DOCUMENTS	PURPOSE OF THE ACT/OTHER MANDATES
INSETA Constitution	Provides an institutional framework for INSETA to develop and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce.
SDA of 1998 (as amended)	Provides an institutional framework to develop and implement national, sector and workplace strategies to improve the skills of the South African workplace.
PFMA of 1999 (as amended)	Seeks to regulate financial management and corporate governance in the national government and provincial governments.
SDLA of 1999	Provides for the imposition of the skills development levy and related matters.
The Financial Advisory and Intermediary Services (FAIS) Act of 2002	Sets out the fit and proper requirements for financial services providers. New requirements include compulsory regulatory examinations (REs) with strict timeframes laid down by the Financial Services Board (FSB).
National Qualifications Framework (NQF) Act of 2009	Provides for the NQF.
National Skills Development Strategy III (NSDS III)	Creates a skilled and capable workforce that shares in, and contributes to, the benefits and opportunities of economic expansion and an inclusive growth path.
National Skills Accord (NSA)	Provides defined commitments that are in line with the strategic objective of the New Growth Path (NGP) to create five million new jobs by 2020.
National Treasury Regulations	Provides the framework for the implementation of the PFMA
Sector Skills Plan (SSP)	An SSP is the research document produced by the SETA in each economic sector; using inputs from constituent employers. The SSP outlines key skills shortages and specifically, the sector's top scarce and critical skills
Seta Grant Regulations	Provides the framework for SETA grant disbursements
Annual Performance Plan (APP)	Contains INSETA's performance commitments and measurement framework.
Service Level Agreement (SLA)	Sets out the agreement between the Department of Higher Education and Training (DHET) and INSETA

# Organisational Structure







**Mzimkulu Msiwa**

*Independent Chairperson  
of the INSETA Board*



# Foreword

## by the Chairperson

*My reflections on the year under review are mindful of the fact that we serve government as our shareholder, the National Skills Authority as custodians of monitoring the implementation of the NSDS III, and business and labour in our sector. Our sector comprises insurance and pension funds, long-term insurance, collective investment schemes, short-term insurance, reinsurance, healthcare benefits and administration, the funeral subsector, risk management and insurance intermediaries.*

### Strategic framework context

Central to our strategy is our vision of “a skilled and capable insurance and related services workforce”. In developing INSETA’s Strategic Plan, consideration was given to establishing and maintaining a direct line of sight to the National Development Plan (NDP) 2030, whose goals are to deal with the triple challenge of unemployment, poverty and inequality. The work we do in skills development is pivotal to addressing these challenges. We also ensured alignment to the 2014-2019 Medium-term Strategic Framework (MTSF), other national strategic policies and sector legislation, which are central to our activities as a SETA.

### New benchmark

Our APP is our annual implementation plan of the strategy. I am very pleased to report that INSETA has achieved a 96% performance against the predetermined objectives in its APP, thus setting a new benchmark. We could not have achieved this without the support of our employers, who are our primary implementation partners, service providers and, not least, the beneficiaries of our programmes.

### Governance

INSETA has robust governance structures and processes in place. The Board and Board committees take their oversight role very seriously. In its assessment of governance the DHET scored INSETA 100%.

### Clean audit

While INSETA has enjoyed an unqualified audit since its inception, I am delighted that we have obtained our second clean audit in successive years. This is a measure of the Board and its committees’ rigorous role in maintaining an effective control environment, as well as benefiting from maturing enterprise risk management practices. To this extent, the Board appreciates the efforts of management in ensuring that the internal controls have been effectively implemented.

### Future focus

The NSDS III has been extended to 31 March 2020. In line with this extension, INSETA was re-established to 2020. However, the term of the current board comes to an end on 31 March 2018. Nonetheless, we will continue to engage on the NSDS III landscape changes as they evolve. In particular, we will focus on providing beneficial suggestions



on mismatches as they pertain to demand, supply and occupations or jobs. This board will also prepare a handover report for the incoming board in 2018.

## Acknowledgements

On 7 June 2017, our work as INSETA was presented at Parliament to the Portfolio on Higher Education and Training, which responded positively to the work that we are doing.

I wish to acknowledge the cooperation and collaboration with our executive authority, Minister Blade Nzimande, the NSA, other SETAs through the Chairpersons' and CEO's forums and our sector.

## Appreciation

I thank the Board and Board committees for their dedication and passion. Without you, we could not have achieved what we did in the year under review and in the previous year. Finally, acknowledgement is given to the CEO and management for their sterling performance in the year under review.



**Mzimkulu Msiwa**

Independent Chairperson of the INSETA Board

31 July 2017

A portrait of Sandra Dunn, a woman with short, dark hair, smiling. She is wearing a black blazer over a white top with a pink and purple patterned scarf. The background is a blue square with a large, stylized yellow and orange swoosh. The overall image has a geometric, abstract design with blue, yellow, and orange shapes.

**Sandra Dunn**

Chief Executive Office  
INSETA

# Chief Executive Officer's Review

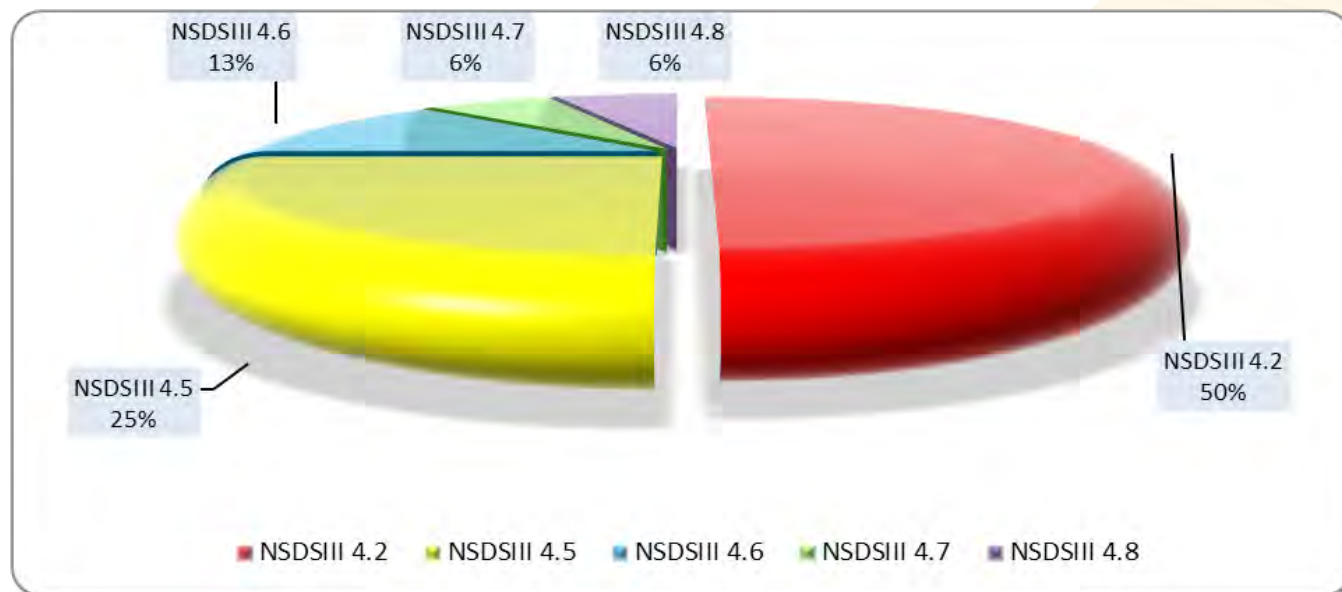
*During the period under review, INSETA was proud to maintain its high level of service delivery in terms of conceptualising and implementing the best skills solutions for the sector and its employees. This annual report, which covers activities for 2016/17, reflects another successful period of achievement towards INSETA's vision, in partnership with its committed sector stakeholders.*

## National Skills Development III performance

INSETA has identified six key strategic focus areas that aim to deliver on its mandate in terms of the NSDS III goals. The table below represents a high-level summary of the programmes, including discretionary project funding allocations that align with INSETA's strategy and support the NSDS III strategic goals for the 2016/17 financial year.

Nsds Strategic Outcome-Oriented Goal	NSDS III Indicator	Inseta Programme	Funding Allocated and number of active projects
A credible institutional mechanism for skills planning	4.1	Research and Benchmarking	R0
Effective established career and vocational guidance channels	4.8	Youth Education and Development	R199 753 702
Increased access to occupationally directed programmes	4.2		(9 active projects)
Better use of workplace-based skills development	4.5	Scarce and Critical Skills	R65 385 671
			(4 active projects)
Training and support provided to sector cooperatives, small enterprises and NGOs	4.6	Small and Micro Enterprise Development	R15 876 027
			(2 active projects)
Increasing public sector capacity for improved service delivery and supporting the building of a developmental state	4.7	Promotion of TVET Colleges	R13 975 000
			(1 active project)

Discretionary grant projects that were active in the 2016/17 financial year were distributed across the various programmes according to the following percentages:



## Projects

In the 2016/17 financial year, INSETA had 16 projects in various stages of implementation. A selection of these projects includes the following:

- Skills for green jobs (plumbing installer training):** This project was scoped in partnership with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. INSETA contributed to the upskilling in the short-term insurance sector of 44 plumbing installers in Gauteng and 19 in Cape Town.
- Support for small businesses and burial societies:** Various skills programmes were launched to support small and micro enterprises (SMEs) and burial societies. Burial society members benefitted from short programmes in short-term insurance and information technology (IT). Small business workers received learning support through bursaries and short skills programmes.

- Management and leadership:** Development in management and leadership has been identified as a key skill need in the sector. Following the successful rollout of INSETA's Management and Leadership Development Programme in 2015/16, it commenced with a new programme in 2016/17. This programme will develop leadership skills at intermediate and senior levels, leading to NQF qualifications in management at Level 6 and Level 8. With these programmes, INSETA hopes to develop a transformed leadership corps to respond to rapid and complex changes in the industry with agility and a positive, innovative and visionary mindset.

## Skills planning

The following table gives a breakdown of Workplace Skills Plan (WSP) submissions received by eligible levy-paying organisations. This does not, however, reflect the full cohort of employers in the sector. INSETA annually supports more than 1 000 small businesses on various discretionary grant interventions.

Company size	Number of levy-paying organisations	Target for WSP submission	Total WSPs submitted 2016/17
Large levy-paying employers (150+ employees)	76	61	67
Medium levy-paying employers (50 to 149 employees)	116	58	102
Small levy-paying employers (1 to 49 employees)	1 572	393	448
<b>Total</b>	<b>1764</b>	<b>512</b>	<b>617</b>

## Sector Skills Plan

INSETA's SSP for 2016/17 underpins the strategies of the industry where they exist, and serves as a driving force to improve skills planning and productivity in the sector. It also underpins government's agenda of reducing unemployment, combatting inequality and alleviating poverty.

Sector skills research from 2006 to 2016 has shown how the insurance and related services sector has transformed over the years, not only in terms of racial composition, but also in its increasing commitment to skills development initiatives. The SSP research for 2017 to 2020 will provide valuable insights towards making education, training and development more relevant and responsive to the human capital needs of the sector, and will contribute to meeting the priorities of NSDS III.

As a statutory body charged with driving skills development in the insurance and related services sector, INSETA is uniquely positioned as a mechanism to improve the sector's skills base.

## Learning programmes

During the period under review, INSETA embarked on a compliance campaign that included conducting workshops and one-on-one sessions with employers to ensure understanding and compliance with policy. Employers were informed that funding would be withdrawn if submission dates were not strictly adhered to and they responded positively. INSETA notes with appreciation the improved compliance of employers who submitted timeously or communicated challenges

if they were unable to submit. This enabled accurate reporting and much improved project management.

INSETA is pleased to note that, through its partnerships, it has met all the targets set for learnerships, internships, unemployed skills programmes and worker bursaries, even meeting the target for small business bursaries, which was so elusive in the past.

Even more pleasing was the achievement of its targets for the completion of programmes in all areas. This was a very difficult target to meet in the past, but with all parties working together with commitment, completion targets were achieved. The money spent on registering learners and students has certainly been well spent.

INSETA also engaged with public TVET colleges and initiated skills programmes for youth that it would like to expand with the support of industry. This would mean a better regional footprint and certainly a much wider distribution of training in all regions.

INSETA supported 364 (946:2015/16) learners from 18 public TVET colleges in eight provinces on internship programmes that started at various stages in the financial year. Some 80% of these interns are hosted by companies in the insurance sector. Funding allocated to the 18 applicant TVET colleges towards the TVET college interns' stipends was R15 288 000.

INSETA funded bursaries for 820 students across 16 universities, five TVET colleges and three universities of technology. All the students that were supported were studying towards qualifications that support the insurance sector.

## Quality assurance

A number of highlights were recorded during the period under review.

INSETA has forged partnerships with employers and professional bodies in the insurance industry, together with the Ekurhuleni West TVET College. The aims of this partnership are to mentor lecturers to develop a curriculum that is aligned to a registered insurance qualification that will be offered to learners, and to offer training to TVET college learners for this qualification. This will be implemented as a pilot project through one public TVET college first, and then replicated to other interested colleges. This project will promote INSETA's value to "partner to enable others" through strategic partnerships.

The insurance claims administrator (claims assessor) occupational qualification was successfully registered with the South African Qualifications Authority (SAQA) in February 2017. INSETA is currently working with subject matter experts in the insurance sector to realign nine current unit standard-based qualifications into four occupational qualifications and 12 part qualifications. Stakeholders in the insurance sector nominated INSETA as the assessment quality partner for all these qualifications.

INSETA will also, in partnership with the insurance sector implement the underwriter occupational qualification for the first time. Learners admitted to this training include 17 from short-term insurance, 15 from long-term insurance and two from medical insurance. The Quality Council for Trades and Occupations (QCTO) accredited five skills development providers to offer training on the new underwriter occupational qualification. INSETA funded the development of learning material for both the underwriter and claims assessor occupational qualifications. These will be made available to the QCTO-accredited skills development providers who will offer these qualifications.

As delegated by the QCTO, the Education Training Quality Assurance (ETQA) division continued to execute its core functions of accrediting skills development providers for legacy qualifications, the

registration of assessors and moderators, the verification of learning, and awarding learners' certificates during the period under review.

Challenges experienced related to the poor response from the public TVET colleges regarding the application of extension of their scope to offer insurance qualifications. This resulted in INSETA not achieving its goal in this area. The reason cited by the colleges was a lack of insurance expertise at the colleges. To address this challenge, INSETA has entered into partnerships with professional bodies, the TVET college allocated to INSETA and representatives from companies in the insurance sector to look into how this can be resolved.

## Appreciation

My appreciation goes to the Board for maintaining its strategic oversight over our activities during the period under review, and keeping us grounded and focused at all times. To my wonderful team of managers and staff, you have done yourselves proud yet again, and have ensured that INSETA can take pride in its achievements in the field of skills development, and its positioning as a key role player in the South African insurance and related services sector.



**Sandra Dunn**

Chief Executive Officer

Date: 31 July 2017



# PART B





# Performance Information

## **I. STATEMENT OF RESPONSIBILITY OF PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2017**

The Chief Executive Officer (CEO) is responsible for the preparation of, reporting on and judgments against INSETA's performance information.

The CEO is responsible for establishing and implementing a system of internal controls that can provide reasonable assurance as to the integrity and reliability of INSETA's performance information.

In my opinion, the information reported on INSETA's performance fairly reflects the actual achievements against planned objectives, indicators and targets, as per the Strategic Plan and Annual Performance Plan of the public entity for the financial year ended 31 March 2017.

The INSETA performance information for the year ended 31 March 2017 has been examined by the Auditor-General of South Africa (AGSA), and its report is presented on page 71.

The performance information of the entity as set out on page 20 to page 39 was approved by the Board.



**Sandra Dunn**

Chief Executive Officer

## **2. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES**

The AGSA performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. This is reported under "Report of the audit of the annual performance report".

Refer to page 71 of the Report of the Auditors, which is published as Part E: Financial information.

### 3. SITUATIONAL ANALYSIS

#### 3.1 Service delivery environment

As a statutory body charged with driving skills development in the insurance and related services sector, INSETA is uniquely positioned as a partner to improve the sector's skills base. The following skills needs have been identified within the insurance and related services sector:

- Scarce and critical skills as identified through sector skills research and published in the SSP
- Brokers being taught new skills so that they can be accommodated in an alternative broker model
- Professional, vocational, technical and academic learning (PIVOTAL) programme qualifications
- Consumer education, particularly in the area of regulatory knowledge, for small, medium and micro enterprises (SMMEs)
- Knowledge and skills acquisition towards competence in relation to the FAIS Act
- User-friendly FAIS learning material to make it easier for learners to pass their regulatory examinations
- Learners that are competent in an increased number of intermediate and high-level qualifications (the learners must be matched to the specific demographic and transformational imperatives)
- More complex and sophisticated career and vocational guidance within the insurance sector
- Unemployed youth (18–35) who are equipped with the means for meaningful employment and a brighter future
- An increase in the number of insurance-related sector programmes in the curriculum of public TVET colleges

These skills needs were identified and isolated by studying all the relevant policies and frameworks. These include the NDP, the NGP and its associated National Youth Accord, the Human Resource Development Strategy for South Africa (HRDSA) 2010–2030 and NSDS III. These skills needs were also derived from chief executive officers, managers and other stakeholders through mutually interactive participatory sessions.

#### Key drivers of change in the sector

A significant change driver is the proliferation of legislation, including the newly promulgated Financial Sector Regulation Bill passed on 22 June 2017. These regulatory efforts are part of a process to make the sector more effective and efficient in its quest to support national, social and economic goals.

The “green”/environmental and sustainability agendas, and social media also have a major impact on the insurance industry.

Advances in technology have brought noticeable challenges, such as the fact that international trends in online insurance sales appear to be driving change. This affects the need for certain skills. Training interventions must therefore strive to improve skills to keep up with advances in IT and information and communication technology (ICT).

The SSP research for 2017 to 2020 will provide valuable insights towards making education, training and development more relevant and responsive to the human capital needs of the sector; and will contribute to the priorities of NSDS III.

#### 3.2 Organisational environment

INSETA's Board comprises 15 members, including an independent chairperson appointed by the Minister of Higher Education and Training. During the period under review, there were three Board vacancies. The process of filling these vacancies is underway.

The INSETA Board provides strategic direction to management and fulfils an oversight role. INSETA has a staff complement of 36, including one position that was vacant at the end of the financial year.

The core divisions within INSETA are skills planning and research, learning and quality assurance. Support divisions comprise the Office of the CFO, Supply Chain Management, Human Resources (HR), Project Management, and Monitoring and Evaluation.

INSETA's revenue is obtained primarily from skills development levies.

### **3.3 Key policy developments and legislative changes**

There have not been any changes to the legislative environment for SETAs. The NSDS III has been extended to 2020. In addition to the ongoing implementation of the NSDS, INSETA will also focus on the implementation of the policy requirements of the White Paper for Post-school Education and Training.

The aim of the White Paper for Post-school Education and Training for SETAs is to:

- focus on engaging with stakeholders in the workplace, establishing their needs and agreeing on the best way of addressing them;

- facilitating access to relevant programmes;
- support efforts to implement workplace learning that complements formal education and training; and
- ensure that skills development providers have the capacity to deliver programmes that have a genuine impact.

### **3.5 Strategic outcome-oriented goals**

INSETA has identified six key strategic programmes that aim to deliver on the strategic outcome-oriented goals.

INSETA is pleased with its 96% target achievement rate, which reflects a 16% improvement from 80% in 2015/16. Under each goal is a short narrative on INSETA's achievements.

Strategic Goal	Number of indicators	Number of indicators achieved	Comment
A credible institutional mechanism for skills planning (NSDS III Indicator 4.1)	5	4	The reason for underachievement is that the target was set high based on the 2014/15 financial year achievement. Despite additional engagements, the achievement still fell short of the target.
Increased access to occupationally directed programmes (NSDS III Indicator 4.2)	12	12	Achieved
Better use of workplace-based skills development (NSDS III Indicator 4.5)	13	13	Achieved
Training and support provided to sector cooperatives, small enterprises and NGOs (NSDS Indicator 4.6)	13	13	Achieved
Building career and vocational guidance (NSDS III Indicator 4.8)	3	3	Achieved
Promoting the growth of the public TVET sector college system that is responsive to the sector, local, regional and national skills needs and priorities (NSDS III Indicator 4.3)	4	3	The required number of programme approvals awarded to TVET colleges was not met because this target depends on the desire of TVET colleges to collaborate and apply for programme approval. None of the TVET colleges expressed an interest in offering insurance qualifications.
<b>Total</b>	<b>50</b>	<b>48</b>	<b>96%</b>

### 3.6 Strategy to overcome areas of underperformance

The areas of underperformance relate to the submission of WSPs and programme approvals granted for insurance-related programmes to TVET colleges. INSETA will undertake a campaign for WSPs targeting non-participating small and new employers in the insurance sector.

With regards to the insurance-related programme approvals to TVET colleges through the skills programmes for youth, TVET colleges will be capacitated to deliver our skills programmes.

### 3.7 Changes to planned targets

There were no changes to planned targets.

#### Strategic outcome-oriented goals

The following table represents a summary of the programmes, strategic objective titles and performance indicators that support the strategic outcome-oriented goals that are aligned with NSDS III.



## Strategic Outcome-oriented Goal I:

### A credible institutional mechanism for skills planning in the sector (NSDS III Indicator 4.1)

Programme	Strategic Objective Title	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation From Planned Targets	Reasons For Deviations
Skills Planning	Develop sector skills plan	Number of WSPs received from employers reflects the current supply and demand for skills statistics in the sector	933	1 300	1 250	-50	The target was set high based on the 2014/15 financial year achievement. Despite additional engagements, the achievement still fell short of the target.
		Number of scarce and critical skills identified	10 scarce and critical skills identified	10	10	0	This target has been achieved.
		Board approval and number of sector endorsements received for the SSP	SSP approved by the Board  Four professional body endorsements	3	4	+1	In order to meet the target, additional approvals were sought.
		Number of SSPs distributed to stakeholders	1 500 SSPs have been distributed to stakeholders	1 500	1 573	+73	The requests from stakeholders for SSPs was higher than anticipated this year, hence the over-achievement in this area.

Programme	Strategic Objective Title	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation From Planned Targets	Reasons For Deviations
		Number of employers that endorse the sector-approved organising framework for occupations (OFO) codes	164	130	617	+122	Endorsements from small, medium and large companies through the use of the OFO codes appropriately increased this year due to additional employer awareness. In the past, only medium and large companies were counted, thus the high variance from target to achievement.

## Strategic Outcome-oriented Goal 2

### Increased access to occupationally directed programmes (NSDS III Indicator 4.2)

Programme	Strategic Objective Title	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation From Planned Targets	Reasons For Deviations
Occupationally Directed Programmes	Number of youth entering learning programmes	Number of youth receiving bursaries	806	800	820	+20	Based on the need identified by universities and additional funds approved by the Board, additional bursaries were approved.
		Number of youth entered in learnerships	1 577	1 300	1 338	+38	Where the demand exceeds the target and in the context of high youth unemployment, INSETA approved additional applications to host unemployed youth.

Programme	Strategic Objective Title	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation From Planned Targets	Reasons For Deviations
Occupationally Directed Programmes	Number of youth entering learning programmes	Number of youth entered in skills programmes	1 010	1 200	1 214	+14	Where the demand exceeds the target and in the context of high youth unemployment, INSETA approved additional applications to host unemployed youth.
	Number of youth completing learning programmes	Number of youth completing bursary-funded programmes	489	700	741	+41	The achievement is consistent with the higher numbers entered in the previous financial year.
		Number of youth completing learnership programmes	1 238	910	1 156	+246	The achievement is consistent with the higher numbers entered in the previous financial year.
		Number of youth completing skills programmes	803	840	869	+29	The achievement is due to TVET college learners who were able to complete before expected and thus counted in this financial year.
	Number of youth receiving full or part qualifications	Number of youth receiving full or part qualifications through bursaries	489	397	556	+159	The achievement is consistent with the number of learners entered in the previous financial year.

Programme	Strategic Objective Title	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation From Planned Targets	Reasons For Deviations
Occupationally Directed Programmes	Number of youth receiving full or part qualifications	Number of youth receiving full or part qualifications through learnerships	582	637	924	+287	The achievement is consistent with the higher numbers entered in the previous financial year and completed in this financial year. Cross-sectoral certificates have also been recorded.
		Number of youth receiving full or part qualifications through skills programmes	977	588	797	+199	The achievement is consistent with the numbers entered in the previous financial year.
	Number of youth supported with workplace experience through internship programmes	Number of youth entering internship programmes	1 277	800	1 003	+203	Where the demand exceeds the target and in the context of high youth unemployment, INSETA approved additional applications to host unemployed youth.
	Number of youth completing internship programmes	Number of youth completing internship programmes	684	560	611	+51	The achievement is consistent with the high numbers entered in the previous financial year.
	Number of youth accepted into employment after completion of internship programmes	Number of youth accepted into employment after completion of internship programmes	444	392	409	+17	Exceeded target due to extensive follow-ups and cautions to employers that new allocations would be withdrawn if records pertaining to previous funded projects were not produced.

## Strategic Outcome-oriented Goal 3:

### Encouraging better use of workplace-based skills development (NSDS III Indicator 4.5)

Programme	Strategic Objective Title	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation From Planned Targets	Reasons For Deviations
Workplace-based Skills Development	Workers entering learning programmes through bursaries, skills programmes and learnerships	Number of workers receiving bursaries	1 545	1 000	1 074	+74	The demand from the sector exceeded the target set.
		Number of workers entering learnerships	1 093	1 000	1 090	+90	The demand from the sector exceeded the target set.
		Number of workers entering skills programmes	2 000	2 400	2 419	+19	The demand from the sector exceeded the target set.
	Workers completing learning programmes	Number of workers completing bursaries	1 247	700	856	+156	The achievement is consistent with the numbers entered in the previous financial year.
		Number of workers completing learnerships	372	700	797	+97	Exceeded target due to extensive follow-ups and cautions to employers that new allocations would be withdrawn if records pertaining to previous funded projects were not produced.
		Number of workers completing skills programmes	2 176	1 680	2 616	+936	Target exceeded due to cash grant format and work distribution that resulted in better stakeholder support.

Programme	Strategic Objective Title	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation From Planned Targets	Reasons For Deviations
Workplace-based Skills	Workers achieving full or part qualifications	Number of workers receiving full or part qualifications through bursaries	1 184	490	606	+116	The achievement is consistent with the numbers entered in the previous financial year and completed in this financial year.
Workplace-based Skills	Workers achieving full or part qualifications	Number of workers receiving full or part qualifications through learnerships	441	490	595	+105	The achievement is consistent with the higher numbers entered in the previous financial year and completed in this financial year. Cross-sectoral certificates have also been recorded.
		Number of workers receiving full or part qualifications through skills programmes	2 176	1 182	2 172	+990	Target exceeded due to cash grant format and work distribution that resulted in better stakeholder support.
		Workers certificated through recognition of prior learning (RPL) interventions	123	100	485	+385	RPL works on an application basis. In this financial year, a higher number of learners in need of RPL was recruited by the sector.



Programme	Strategic Objective Title	Performance Indicator	Actual Achieve- Ment 2015/16	Planned Target 2016/17	Actual Achieve- Ment 2016/17	Deviation From Planned Targets	Reasons For Deviations
Workplace-based Skills	Mandatory grant paid to large firms	Mandatory grant paid to large firms	134% (87)	80%	109%	+29%	The mandatory grant payment is calculated based on the number of WSPs received (67 in this financial year) that have met the regulated compliance requirements. Based on all WSP submissions received, INSETA managed to pay out grants accordingly, hence the variance. INSETA will always aim to ensure that all employers are paid out timeously, given that there are issues on employer EMP201 forms and that this may prevent payments to employers if the matter remains unresolved.
	Mandatory grant paid to medium-sized firms	Mandatory grant paid to medium-sized firms	108% (81)	50%	176%	+126%	The mandatory grant payment is calculated based on the number of WSPs received (102 in this financial year) that have met the regulated compliance requirements. Based on all WSP submissions received, INSETA managed to pay out grants accordingly, hence the variance. INSETA will always aim to ensure that all employers are paid out timeously, given that there are issues on employer EMP201 forms and this may prevent payments to employers if the matter remains unresolved.

Programme	Strategic Objective Title	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation From Planned Targets	Reasons For Deviations
Workplace-based Skills	Mandatory grant paid to small firms	Mandatory grant paid to small firms	187% (411)	25%	114%	+89%	The mandatory grant payment is calculated based on the number of WSPs received (448 in this financial year) that have met the regulated compliance requirements. Based on all WSP submissions received, INSETA managed to pay out grants accordingly, hence the variance. INSETA will always aim to ensure that all employers are paid out timeously, given that there are issues on employer EMP201 forms and this may prevent payments to employers if the matter remains unresolved.

## Strategic Outcome-oriented Goal 4:

**Encouraging and supporting cooperatives, small enterprises, worker-initiated, NGO and community training initiatives (NSDS III Indicator 4.6)**

Programme	Strategic Objective Title	Performance Indicator	Actual Achieve- Ment 2015/16	Planned Target 2016/17	Actual Achieve- Ment 2016/17	Deviation From Planned Targets	Reasons For Deviations
Cooperatives, SMEs, NGOs and community-based organisations (CBOs)	Support SMEs and cooperatives through entering learning programmes	Number of small business workers entering skills programmes	363	1 000	1 031	+31	Target exceeded due to cash grant format combined with the appointment of a training provider through Supply Chain Management (SCM) to better support SMEs.
		Number of small business workers entering bursaries	234	150	162	+12	Target exceeded due to additional windows opened, as well as approval for SMMEs to register for selected qualifications at private higher education institutions (HEIs).
		Number of cooperative members (burial societies) entering skills programmes	1 102	700	817	+117	Target exceeded due to the appointment of a training provider through SCM to better support burial societies.
	Support SMEs and cooperatives completing learning	Number of small business workers completed skill programmes	193	700	959	+259	Target exceeded due to cash grant format combined with the appointment of a training provider through SCM to better support SMEs.

Programme	Strategic Objective Title	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation From Planned Targets	Reasons For Deviations
Cooperatives, SMEs, NGOs and community-based organisations (CBOs)	Support SMEs and cooperatives completing learning programmes	Number of small business workers completed bursary-funded programmes	141	105	131	+26	The achievement is consistent with the numbers entered in the previous financial year.
		Number of cooperative members (burial societies) completed skills programmes	999	490	889	+399	Target exceeded due to the appointment of a training provider through SCM to better support burial societies.
	Support SMEs and cooperatives to achieve full or part qualifications	Number of small business workers receiving full or part qualifications through skills programmes	193	490	1 538	+1 048	Target exceeded due to cash grant format combined with the appointment of a training provider through SCM to better support SMEs.
		Number of small business workers receiving full or part qualifications through bursaries	136	75	96	+21	The achievement is consistent with the numbers entered in the previous financial year and completed in this financial year.
		Number of cooperative members (burial societies) receiving full or part qualifications through skills programmes	999	342	625	+283	Target exceeded due to the appointment of a training provider through SCM to better support burial societies.

Programme	Strategic Objective Title	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation From Planned Targets	Reasons For Deviations
Cooperatives, SMEs, NGOs and community-based organisations (CBOs)	Develop, maintain and increase the number of brokers on the database of national brokers and intermediaries	Develop and maintain database	Database maintained	Database maintained	Database maintained	0	This target has been achieved.
		Number of brokers on the database increased to target	23	1 570	1 570	0	This target has been achieved.
	Provide support to SMEs and cooperatives through various initiatives such as information sharing workshops, learnerships, bursaries, skills programmes and non-accredited but relevant industry-related interventions to meet consumer and regulatory requirements	Number of SMEs supported through learning programmes	1 011	1 000	1 004	+4	WSP support and stakeholder engagement to ensure that this achievement is consistent with the support provided in the previous financial year.
		Number of cooperatives, including burial societies, supported through learning programmes	136	100	112	+12	This target has been exceeded due to greater interest from burial societies, which increased over this financial year due to the INSETA countrywide support workshops held.

## Strategic Outcome-oriented Goal 5:

### Building career and vocational guidance (NSDS III Indicator 4.8)

Programme	Strategic Objective Title	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation From Planned Targets	Reasons For Deviations
Career and Vocational Guidance	Develop a career guide	Review and update career guide	0	1	1	0	This target has been achieved.
	Review and update career guide (include revised occupational codes)	Provide career guidance and development to youth both within the sector and new entrants to the sector for the next five years	Nine provinces, including rural and remote areas (24)	18	26	+8	INSETA participation is requested throughout the year and accepted based on budget. In some cases, unplanned departmental requests are honoured.
	Provide career guidance development to youth both within the sector and new entrants to the sector for the next five years	Partner with TVET Colleges for career guidance	10 colleges 1 industry body (23)	18	26	+8	Because the Memoranda of Agreement (MoAs) signed with the TVET colleges for work-integrated learning (WIL) include career guidance, this target is overachieved.

## Strategic Outcome-oriented Goal 6:

**Promoting the growth of a public TVET sector college system that is responsive to sector, local, regional and national skills needs and priorities (NSDS III Indicator 4.3)**

Programme	Strategic Objective Title	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation From Planned Targets	Reasons For Deviations
TVET College System	TVET colleges awarded programme approval as INSETA training providers	Number of TVET lecturers developed to support the implementation of INSETA programmes	8 lecturers 2 colleges	8	8	0	This target has been achieved.
		Number of programme approvals awarded to TVET colleges	0	4	0	-4	This target is dependent on the desire of TVET colleges to collaborate and apply for programme approval. No TVET college has currently expressed an interest in offering insurance qualifications.
	TVET graduates supported to access workplace experience through internships and/or learnership programmes	Number of TVET graduates supported to access workplace experience through internship programmes	946	250	364	+114	This target achievement was as a result of a request for additional learners received from the West Coast and Umgungundlovu TVET colleges for internships.

Programme	Strategic Objective Title	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation From Planned Targets	Reasons For Deviations
	TVET graduates completing workplace experience through internship programmes	Number of TVET graduates completing workplace experience through internship programmes	463	298	605	+307	This target has been exceeded due to a number of TVET college internships that started late in the previous financial year, as well as some internships that started and completed within this financial year, resulting in the targeted number of completions being exceeded.

## 6. Summary of Financial Information

### 6.1 Revenue collection

	2016/17			2015/16		
Sources of revenue	Estimate	Actual amount collected	(Over)/ under collection	Estimate	Actual amount collected	(Over)/ under collected
	R'000	R'000	R'000	R'000	R'000	R'000
Skills levies	R432 548	R431 422	(R1 126)	R400 507	R417 006	R16 499
Levies: penalties and interest	R0	R12 373	R12 373	R0	R14 975	R14 975
Investment and other income	R13 100	R25 934	R12 834	R13 254	R20 028	R6 928
<b>Total</b>	<b>R445 648</b>	<b>R469 729</b>	<b>R24 081</b>	<b>R413 761</b>	<b>R452 075</b>	<b>R38 314</b>



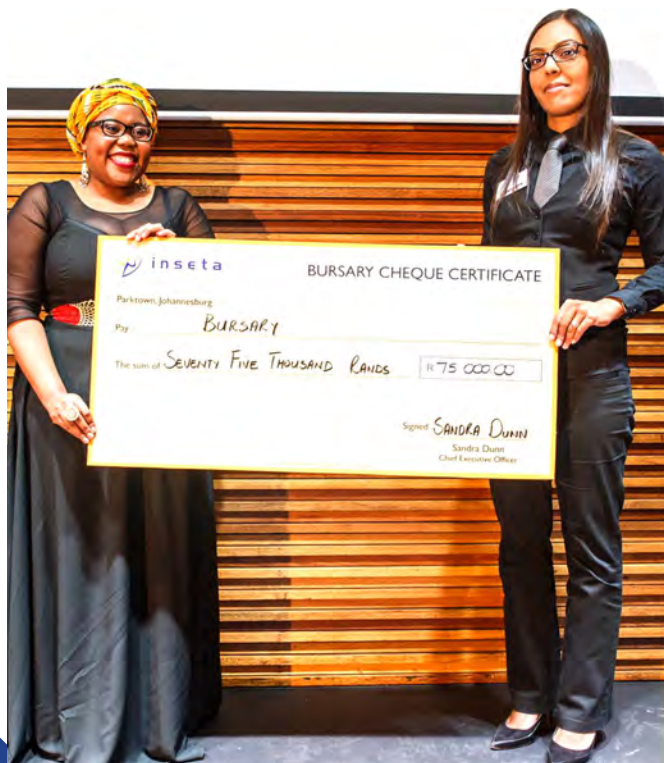
## 4.2 Highlights

### Promoting the growth of public TVET Colleges

Of 526 Learners from 16 TVET Colleges doing their workplace component hosted by Insurance companies in Gauteng, Kwa-Zulu Natal, Western Cape, Eastern Cape, Mpumalanga and Limpopo; 513 successfully completed.

### Insurance Apprentice

Kabelo Paile, originally from Mpumalanga studied economics at the University of Pretoria was then selected for an INSETA Internship hosted at Santam in 2009. Kabelo remained at Santam, first as a business consultant in specialist business/ niche markets now as a Relationship Manager in Broker Services.



Kabelo has since completed her Masters in Finance from the University of Witwatersrand.

When Insurance Apprentice applications opened for the 2017 competition, Kabelo was not intending on applying, but she was motivated by the Head of Broker Services for the Gauteng Region to give it a try and she ended up walking away with the title of Insurance Apprentice 2017. She will be heading to Lloyds of London in October this year and has already been booked to speak at a number of industry conferences and career exhibition events.

Kabelo is certainly a notable example of INSETA funding that has been utilised in the best possible way, by a remarkable young lady who is sure to make a huge impact in this industry through her future career.



## Winner of INSETA Impact Assessment Survey Giveaway

Akhona Wotshela (INSETA Learnership Specialist) handing over the prize (iPad and branded clothing) for participating in the INSETA Impact Assessment to Azraa Hendricks who successfully completed her FETC Wealth Management NQF 4 Learnership with Old Mutual in 2016.

## Santam - 2016 Learnership Graduation.

In total, 131 learners were recruited nationally and 123 graduated successfully with FETC Short Term NQF 4. Highlights included 3 learners being offered permanent positions before the end of the learnership (although they were required to complete their learnership contract first), with a high number being placed after graduation.



# PART C







# Governance

# MEMBERS OF THE BOARD



**Mzimkulu Msiwa**  
Chairman



**Margaret Naidoo**



**Shanta Padayachee**



**Vanita Harrypersadh**



**William Seya**



**Barry Scott**





Moses Machai



Anne-Marie D'Alton



Jeanine Poggiolini



Jayduth Ramsunder



Bryan McKay



Gizelle Conradie

# Report of the Accounting Authority

The Board takes responsibility for the preparation of the annual financial statements. The Board is of the opinion that, based on INSETA's assurance model, these financial statements fairly present its financial position as at 31 March 2017.

## Corporate governance

The Board of INSETA operated in accordance with section 51 of the PFMA. It ensured that INSETA maintained effective and transparent systems of risk management and internal controls by having a strong audit committee that is supported by effective internal audit and skilled executive management. During the financial year, management prepared and submitted policies for the Board's approval. The Board is supported in its functions and duties by the Audit and Risk Committee, the Finance, IT and Administration Committee, and the HR/Remuneration Committee, all of which have been functional since the establishment of INSETA.

To ensure that the Board members remain relevant in discharging their duties, INSETA organised relevant corporate governance training for Board members and members of the Audit and Risk Committee.

## General review of the state of affairs

INSETA promotes and represents the training and development interests of the insurance sector of the economy in terms of the skills development legislation. INSETA's mission is "to promote and enable quality skills development through funding education and training in South Africa to meet the national skills agenda and contribute to transformation in the sector".

The insurance sector is a rapidly evolving, growing and developing major player in the South African economy. Approximately 2 364 employers within the insurance sector have registered with the South African Revenue Service (SARS), with 1 764 being classified as levy contributors. INSETA represents a sector with a diverse range of employers, ranging from very small to very large. The majority of the workforce represents skilled and highly skilled employees. The

sector employs over 120 000 people, excluding people employed in micro-enterprises and informal businesses.

The Board, comprising representatives from business and labour, as well as ministerial appointments, governs the affairs of INSETA. INSETA had a permanent staff complement of 36 as at 31 March 2017.

INSETA has adopted a learning strategy, which is aimed at all levels of employment in the sector and is aligned to the NSDS III.

INSETA's 80% income from levies indicated a marginal increase of R14 million from R417 million in the 2015/16 financial year to R431 million for the 2016/17 financial year. The administration surplus of R239 000 for the 2016/17 financial year, as compared to R6.4 million in 2015/16, supports the notion of the marginal increase in the levies for the current year. It also supports the notion that the levies were lower than budgeted for. The actual administration expenditure for the current financial year was R56 million (2015/16: R48 million), as a result of the significant increase in personnel costs. Total project and grant expenditure for the current financial year amounted to R409 million (2015/16: R362 million).

## Allowances paid to Board members and Board sub-committee members

Board and Board sub-committee members or their employers are remunerated for their attendance of Board and Board sub-committee meetings. Disclosure of the allowances paid is in accordance with Treasury Regulation 28.1.2 and is as follows:

Designation	Meeting/preparation fee per day
Chairperson	R4 986
Ordinary member	R3 879

Name of Board/ committee member	Name of committee that member serves on	Number of scheduled meetings	Number of meetings attended	Meeting fees accrued during the period under review
Ms A. D'Alton	Board	4	4	R30 652
	HR Committee	5	5	R38 220
	Special meeting or engagement		6	R22 799
	Back pay			R1 419
Mr B. McKay	Board	4	4	R30 652
	Audit Committee	6	6	R45 978
	Special meeting or engagement		7	R23 982
	Joint Audit and Finance Committee	1	1	R7 568
	Back pay			R1 637
Mr B. Scott	Board	4	4	R30 652
	Finance, IT and Administration Committee	7	7	R46 168
	Joint Audit and Finance Committee	1	1	R7 568
	Special meeting or engagement		2	R7 568
	Back pay			R1 135
Ms G. Conradie	Board	4	3	R23 084
	Executive Committee	8	4	R30 462
	Special meeting or engagement		2	R7 568
	Back pay			R946



Name of Board/ committee member	Name of committee that member serves on	Number of scheduled meetings	Number of meetings attended	Meeting fees accrued during the period under review
Dr G. Sandrock <sup>1</sup>	Audit Committee	6	6	R55 305
	Special meeting or engagement		5	R55 639
	Joint Audit and Finance Committee meeting	1	1	R10 800
Ms J. Poggiolini <sup>2</sup>	Audit Committee(Chairperson)	6	6	R106 200
	Board (ex-officio capacity as Chairperson of Audit Committee)	4	2	R13 500
	Joint Audit and Finance Committee meeting	1	1	R21 600
	Special meeting or engagement		4	R36 900
Mr J. Ramsunder	Board	4	4	R30 652
	Audit Committee	6	6	R45 978
	Joint Audit and Finance Committee	1	1	R7 568
	Special meeting or engagement		6	R20 198
	Back pay			R1 543
Dr M. Machai	Board	4	3	R22 894
	Executive Committee	8	7	R49 762
	HR Committee	5	4	R34 436
	Special meeting or engagement		3	R11 352
	Back pay			R1 797
Mr M. Msiwa	Board (Chairperson)	4	4	R39 400
	Executive Committee (Chairperson)	8	8	R78 800
	Special meeting or engagement		10	R58 978
	Back pay			R2 310

<sup>1</sup>. Dr. G Sandrock is remunerated at SAICA rates for the meetings attended.

<sup>2</sup>. Ms. J Poggiolini is remunerated at SAICA rates for the meetings attended.

Name of Board/ committee member	Name of committee that member serves on	Number of scheduled meetings	Number of meetings attended	Meeting fees accrued during the period under review
Ms M. Naidoo	Board	4	4	R30 652
	Executive Committee	8	8	R57 520
	Finance, IT and Administration Committee	7	7	R42 384
	HR Committee (Chairperson)	5	5	R44 264
	Joint Audit and Finance Committee	1	1	R7 568
	Special meeting or engagement		10	R39 190
	Back pay			R2 860
Ms S. Padayachee	Board	4	4	R30 652
	Executive Committee	8	7	R53 736
	Finance Committee (Chairperson)	7	7	R64 208
	Joint Audit and Finance Committee	1	1	R9 728
	Special meeting or engagement		7	R21 580
	Back pay			R2 276
Mr T. Gool	Board	4	4	R30 652
	Finance Committee	7	7	R49 952
	Joint Audit and Finance Committee	1	1	R7 568
	Special meeting or engagement			R3 784
	Back pay			R1 135
Ms V. Harrypersadh	Board	4	4	R30 652
	HR Committee	5	5	R38 220
	Special meeting or engagement		6	R22 799
	Back pay			R1 419

Name of Board/ committee member	Name of committee that member serves on	Number of scheduled meetings	Number of meetings attended	Meeting fees accrued during the period under review
Mr W. Seya	Board	4	4	R30 652
	Finance Committee	7	7	R49 952
	Joint Audit and Finance Committee	1	1	R7 568
	Special meeting or engagement		5	R18 920
	Back pay			R1 513
Mr N. Mhlongo <sup>3</sup>	Audit Committee	6	4	R54 000
	Special meeting or engagement		1	R3 600
	Joint Audit and Finance Committee	1	1	R16 200
Mr J. van Greuning <sup>4</sup>	Finance, IT and Administration Committee	7	1	R7 568
	Back pay			R189
<b>Total</b>				<b>R1 846 633</b>

*Note: The payments indicated above are paid to the member or nominating organisation.*

<sup>3.</sup> Mr N. Mhlongo is remunerated at SAICA rates for the meetings attended.

<sup>4.</sup> Mr J. van Greuning was an expert member of the Finance, IT and Administration Committee. He resigned on 20 October 2016.

## Remuneration of key management

As required by Treasury Regulation 28.1.2 of the PFMA, the remuneration of management during the period under review consisted of the following components:

### CEO: Sandra Dunn

	2016/17	2015/16
Cost of employment	R1 847 655	R1 732 299
Bonuses	R267 521	R349 612
Total	R2 115 176	R2 081 911

### CFO: David Molapo

	2016/17	2015/16
Cost of employment	R1 502 160	R77 527
Bonuses	R8 333	R0
Total	R1 510 493	R77 527

## Business address

The Insurance Sector Education and Training Authority is situated at 37 Empire Road, Parktown, Johannesburg. The postal address is PO Box 32035, Braamfontein, 2017.



Mzimkulu Msiwa  
Chairperson, INSETA



Sandra Dunn  
Chief Executive Officer, INSETA

# Corporate Governance

Corporate governance at INSETA is applied through the rules of the PFMA. INSETA's Accounting Authority is ultimately responsible for corporate governance.

## Parliamentary Portfolio Committees

During the period under review, INSETA was not invited to attend any Higher Education and Training Parliamentary Portfolio Committee meetings.

## Executive Authority

INSETA submitted both financial and performance reports to the DHET quarterly in accordance with the PFMA precepts. The DHET conducted quarterly verification visits at INSETA. The SLAs and budgets were also submitted in accordance with the statutory requirements.

## Compliance With Laws And Regulations

INSETA has complied with all laws and regulations that are binding on the entity.

## Minimising Conflict of Interest

INSETA has a number of strategies in place to minimise conflict of interest in supply chain management (SCM). All practitioners signed the INSETA code of conduct for SCM officials, which provides for disclosures. A record is kept of all disclosures and all bid/tender committees have disclosure processes. There is adequate segregation of duties to avoid potential conflict of interest in the various SCM and payment roles. INSETA also maintains a gift register where all gifts received by officials are recorded.

## Code of Conduct

All employees sign a code of conduct/ethical conduct when they commence their employment at INSETA. Suppliers who contract with INSETA have to sign a code of conduct for service providers. This raises awareness that a certain standard of behaviour and ethical conduct is required when transacting with INSETA. Where there is a

breach of the relevant code, INSETA is entitled to pursue a remedy, either by disciplinary or by other rights granted by the contract. There were three reported breaches during the period under review. These were employer grant-related matters.

The first was where INSETA had contracted with an employer in a previous financial year for 300 interns. By October 2015, most of the interns had been dismissed and the employer was requested to provide a refund to INSETA in line with the reported terminated interns and the refund requirements. During engagement, the employer denied being in breach of contract and believed the matter should be referred to arbitration. INSETA has handed the matter over to its attorneys.

The second matter was where INSETA had contracted with a service provider to provide learnerships. After commencing, the employer subsequently prevented the learners from completing the workplace component of the learnerships and was requested to refund INSETA. INSETA is pursuing a criminal case against the employer.

The third matter related to INSETA contracting with an employer who was required to refund INSETA due to the termination of the learnerships. A letter of demand was sent to the employer by INSETA's attorneys, followed by a summons. A settlement was subsequently offered by the opposing attorneys. The settlement included a counterclaim, which INSETA disputed. The matter was subsequently settled on more reasonable terms and the employer has since refunded INSETA the agreed amount.

## Fraud and Corruption

The 2015/16 investigation into the alleged corruption between a former employee of INSETA and a service provider was concluded by the forensic investigators. Allegations of fraud and/or corruption have been registered with the Hawks. The implicated employers are being interviewed to establish and document their involvement in the possible fraud.

## Health, Safety and Environmental Issues

INSETA has mechanisms in place to address environmental, health and safety issues.

## Audit and Risk Committee Report to the Inseta Board for the Year Ended 31 March 2017

INSETA is pleased to present its report for the financial year ended 31 March 2017.

### Audit and Risk Committee members and attendance for the year

The INSETA Audit and Risk Committee consists of the members listed below. In accordance with its charter, the committee is required to meet at least four times a year. For the year under review, meetings and attendance are as shown in the table below:

Name of member	Number of scheduled meetings	Number of meetings attended
Ms J. Poggiolini		
Chairperson, independent non-executive	7	7
Dr G. Sandroock		
Independent non-executive	7	7
Mr N. Mhlongo		
Independent non-executive	7	5
Mr J. Ramsunder		
Board member representing employers	7	7
Mr B. McKay		
Board member representing labour	7	7

### Audit and Risk Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(l)(a)(ii) and section 76(4)(d) of the PFMA and Treasury Regulation 27.

The Audit and Risk Committee has adopted appropriate, formal terms of reference as its charter, which are reviewed on an annual basis. For the year under review, the Board requested that the oversight of risk management be included in the scope of the Audit Committee's responsibilities, and the decision was made to rename the committee the Audit and Risk Committee.

The committee has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal controls

The Audit and Risk Committee has reviewed, among others:

- The effectiveness of INSETA's strategic risk management

framework

- The effectiveness of the risk management process and internal control systems
- The effectiveness of the internal audit function in terms of its annual work plan, and coordination with the external audit function
- The effectiveness of reports issued by internal auditors and the response of management to specific recommendations
- The risk areas of the entity's operations covered in the scope of internal and external audits
- The adequacy, reliability and accuracy of financial information as provided by management and users of such information
- Accounting and auditing concerns identified as a result of internal and external audits
- Compliance with legal and regulatory provisions
- The independence and objectivity of both internal and external auditors.

The INSETA Audit and Risk Committee is of the opinion, based on information supplied, audit findings and discussions with INSETA's management, the internal auditor and the independent external auditor, that the systems of internal control for the period under review are efficient and effective

### **Risk management**

Strategic risks have been identified by the Board, and have been rated, and tolerance levels set. Management identifies operational risks on an ongoing basis. Both strategic and operational risks are regularly reviewed by management and reported to the Board. The risk management framework, along with the implementation plan, fraud prevention plan and combined assurance plan, are undergoing a review, which will be completed in the next year.

### **Governance**

The governance of INSETA is regulated primarily by the PFMA and Treasury Regulations. INSETA also considers codes of best practice when designing its governance and oversight arrangements. A review of the existing arrangements will be undertaken in the new financial year as a result of the latest publication of the King Committee's report on corporate governance.

### **Evaluation of financial statements**

The Audit and Risk Committee has:

- reviewed and discussed the audited financial statements included in the annual report with the Accounting Authority and the AGSA;
- reviewed the AGSA's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed compliance with legal and regulatory provisions; and
- reviewed adjustments resulting from the audit.

The Audit and Risk Committee concurs with and accepts the AGSA's report on the financial statements and is of the opinion that the audited financial statements should be accepted and read together with the report of the AGSA.

### **Internal audit**

The internal audit activity is undertaken in terms of its approved charter. A three-year internal audit plan has been developed, based on the key risks facing the organisation. The Audit and Risk Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

No significant issues were raised by the internal audit during the year under review.

### **Auditor-General of South Africa**

The Audit Committee has met with the AGSA to ensure that there are no unresolved issues.



Ms Jeanine Poggiolini

Chairperson of the Audit Committee

31 July 2017





# PART D



# Human Resource Management



# PART D: Human Resource Management

*“You can have the best strategy and the best building in the world, but if you don’t have the hearts and minds of the people who work with you, none of it comes to life.”*

– Renee West, Luxor and Excalibur Hotel

## Introduction

INSETA maintained stability in the workforce during the period under review, starting from a base of 33 employees at the end of the previous financial year. The total staff in employment at the end of the year was 35 with one vacancy. There were two terminations during the period, one employee resigned and a second left as the result of disciplinary action.

INSETA welcomed Norman Maphala, the newly appointed HR Manager, Dr Khashane, IT Specialist, and Linda Nxumalo, Projects Specialist.

INSETA demonstrated its appreciation of the efforts of all staff members in a number of ways, but worth mentioning is the training spend for the year. A total of R991 000 was spent on the training of 48 staff members, including interns and fixed-term employees at an average of R20 000 per staff member.

Staff members are to be congratulated on their efforts, which culminated in INSETA achieving 96% of its APP targets and a clean audit for the period under review.

## Organisational Structure and Workforce Size

INSETA’s organogram reflects a racial spread that is more in line with the South African demographics; in particular in its key management and management, where incumbents are all previously disadvantaged individuals.

## Personnel Expenditure

The table below illustrates personnel expenditure (excluding performance awards) for the financial period April 2016 to March 2017

Level	Guaranteed cost of employment	Percentage of personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee
Key management	R3 376 000	17%	2	R1 680 000
Management	R6 834 000	34%	8	R854 250
Skilled	R7 037 000	35%	14	R502 643
Semi-skilled	R2 371 000	12%	9	R263 444
Unskilled	R320 000	2%	2	R160 000
Total	R19 938 000		35	

## Performance Rewards

The table below illustrates employee performance bonuses, including a special bonus paid in the financial year April 2016 to March 2017, as per the financial statements.

Level	Performance rewards	Guaranteed cost of employment	Percentage of performance rewards to total personnel cost
Key management	R276 000	R3 376 000	8%
Management	R577 000	R6 834 000	9%
Skilled	R663 000	R7 037 000	9%
Semi-skilled	R357 000	R2 371 000	15%
Unskilled	R86 000	R320 000	27%
Fixed-term contractors (special bonus)	R260 000		
Total	R2 219 000	R19 938 000	11%

## Recruitment and Talent Management

INSETA strengthened the management team by filling the vacant HR Manager position and appointing an IT Specialist, which is a new role.

## Employment and Vacancies

There was only one vacancy at INSETA, a Corporate Governance Specialist in the skills category. INSETA did not lose any staff for reasons of possible uncertainty about the future of SETAs as a whole.

The table below illustrates the employment and vacancies for the 2016/17 financial year.

Programme	Number of employees at 31 March 2017	Approved posts at 31 March 2017	Approved posts vacant at 31 March 2017	Percentage of vacancies
Key management	2	2	-	-
Management	8	8	-	-
Skilled	14	15	1	7%
Semi-skilled	9	9	-	-
Unskilled	2	2	-	-
Total	35	36	1	3%

## Internal Employment Mobility

There were two terminations during the period under review, as illustrated in the table below. The turnover for the period was 5.7%.

Salary band	Employment at the beginning of the period 1 April 2016	Appointments	Terminations	Employment at the specified period 31 March 2017
Key management	2	-	-	2
Management	7	2	1	8
Skilled	13	2	1	14
Semi-skilled	9	-	-	9
Unskilled	2	-	-	2
Total	33	4	2	35

## Terminations

Reasons for staff leaving

Reason	Number
Resignation	1
Dismissal	1
Total	2

## Investment in People

Employees were granted bursaries for undergraduate and postgraduate studies.

One manager graduated with a Master in Business Administration (MBA) and two others are still being financed for MBA studies.

## Training Costs

Using performance management indicators and individual employees preferences for personal growth and development, INSETA spent around R991 000 on training and development. This expenditure represents 5% of total salaries.

Directorate/ business unit	Personnel expenditure (R'000) 2016/17 excluding project salaries and leave pay	Training expen- diture (R'000)	Training expendi- ture as a percent- age of personnel cost	Number of employees trained	Average training cost per employ- ee R'000
All	R19 938	R991	5%	48 employees, including interns and fixed-term employees	R20

## Labour Relations: Misconduct and Disciplinary Action

One senior manager faced disciplinary action for poor work performance and was dismissed after a period of 12 months, during which time remedial action proved unsuccessful.

Nature of disciplinary action	Number
Dismissal	1
Total	1

## Improvement of Organisational Efficiency

The organisational performance target is a standing agenda item on the monthly staff meetings where staff members are kept abreast of INSETA's performance targets.

## Employee Wellness

INSETA's Employee Wellness Programme received value-added attention with the appointment of the new HR Manager, Norman Maphala.

INSETA held an Open Day on 31 March, 2017, which was attended by 43 employees, including interns and fixed-term employees. The following services were offered:

- Weight management by a registered dietician
- Stress management techniques
- Eye tests by a registered optician
- Testing for sugar (diabetes), cholesterol, HIV/AIDS and hypertension
- The flu vaccine was administered

The Employee Wellness Programme offers aid to employees, ranging from work-related stress to harassment throughout the year.



## Employment Equity

The Employment Equity Forum is an active body that addresses matters ranging from bursary allocations to the Employment Equity Framework Report.

INSETA aspires to replicate the demographics of the country's economically active population in line with broad-based black economic empowerment (B-BBEE) legislation.

### Employment Equity Report as at 31 March 2017

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Key management	1	0	0	0	0	0	0	0
Management	2	0	1	0	0	0	0	0
Skilled	2	0	0	0	0	0	2 <sup>5</sup>	0
Semi-skilled	1	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	6	0	1	0	0	0	2	0

<sup>5</sup> One white male is also recorded as disabled.

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Key management	0	0	1	0	0	0	0	0
Management	2	0	2	0	1	0	0	0
Skilled	7	0	0	0	2	0	1	0
Semi-skilled	7	0	1	0	0	0	0	0
Unskilled	2	0	0	0	0	0	0	0
Total	18	0	4	0	3	0	1	0

## Other Human Resource Matters

### Union negotiations

INSETA and The Union (UASA) have a healthy and professional relationship. Regular meetings are held between INSETA's management and union officials. The Union and INSETA settled on a 7% cost-of-living increase for the bargaining unit.

### Performance Management

Changes to the bonus structure implemented in 2014 has borne fruit in the achievement of 80% of the targets in 2015/16 and 96% of the targets in 2016/17, as well as a clean audit for the second time in successive years.

Employees are far more aware that their efforts are pooled together with the efforts of all staff to achieve the organisational goals.

### The Future

INSETA will continue to strive to be the best employer by maintaining the care, training and development, and remuneration equity to provide the best service to all INSETA stakeholders.



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Ms Margi Naidoo

HR Committee Chairperson

# STAFF



Sandra Dunn



David Molapo



Norman Maphala



Neesha Naidoo



Doctor Khashane



Ella Matshikiza



Errol Hanreck



Lebogang Mabusela



Tefelo Kekana



Mamasele Mokeona



Nonhlanhla Nkabinde



Zodwa Motloung



Bellina Lupuwana



Henry Goliath



Linda Nxumalo



Allie Sebola



Ngwako Mpebe



Tasmin Davids



Raveena Govender



Adeline Singh



Bonginkosi Malinga



Ernest Kaplan



Nerisa Sheopershad



Tumi Peele



Nasreen Ravat



Unathi Jakalase



Miranda Mthethwa



Merriam Mashiane



Mathoto Mokasane



Esethu Roro



Nadia Starr



Tshepo Mabika



Rosa Sephuma



Kgothatso Modise



Athi Nomavila



Phumelele Sithole



Martin Kolele



Akhona Wotshela



Thabang Mawelawela



Katlego Siko



Sipiwe Yende



# PART E



The background of the slide features a faint, golden-yellow image of a compass rose and a line graph with an upward-trending arrow. The compass rose is partially visible in the lower-left quadrant, while the line graph with a prominent upward arrow is centered. The entire image is overlaid with large, diagonal geometric shapes in dark blue and orange. The text 'Financial Information' is positioned in the upper-right orange triangle.

# Financial Information



# Insurance Sector Education and Training Authority

(Registration number 13/INSETA/01/04/11)

Financial Statements for the year ended 31 March 2017

## Index

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The reports and statements set out below comprise the financial statements:

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# Insurance Sector Education and Training Authority

(Registration number 13/INSETA/01/04/11)

Financial Statements for the year ended 31 March 2017

## Statement of Responsibility

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The Accounting Authority is responsible for the preparation of the INSETA's 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 designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements.

In our opinion, the financial statements fairly reflect the operations of INSETA for the year ended 31 March 2017.

The external auditors are engaged to express an independent opinion on the financial statements of INSETA. The INSETA annual financial statements for the year ended 31 March 2017 have been audited by the external auditors and their report is presented on page 71.

The annual financial statements of the INSETA set out on page 80 to page 117 have been approved by the Board on 27 July 2017.



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**Sandra Dunn**

Chief Executive Officer, INSETA

27 July 2017



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**Mzimkulu Msiwa**

Board Chairperson, INSETA

27 July 2017

# Report of the auditor-general to Parliament on Insurance Sector Education and Training Authority

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Insurance Sector Education and Training Authority (INSETA) set out on pages 71 to 122 , which comprises the statement of financial position as at 31 March 2017, statement of financial performance, statement of changes in net assets, cash flow statement and 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 INSETA as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of General Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of 1999, the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA).

### Basis for opinion

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

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

6. The accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA and 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 INSETA'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 there is an intention either to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

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

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 strategic goals 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 strategic goals presented in the annual performance report of the public entity for the year ended 31 March 2017:

Strategic goals	Pages in the annual performance report
Strategic outcome orientated goal 2: Increased access to occupationally directed programmes	27 – 29
Strategic outcome orientated goal 3: Encouraging better use of workplace-based skills development	30 – 33
Strategic outcome orientated goal 4: Encouraging and supporting cooperatives, small enterprises, worker-initiated, NGO and community training initiatives	34 – 36
Strategic outcome orientated goal 6: Promoting the growth of a public TVET sector college system that is responsive to sector, local, regional and national skills needs and priorities (NSDS III 4.3)	38 – 39

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 strategic objective:
- Strategic outcome orientated goal 2: Increased access to occupationally directed programmes
  - Strategic outcome orientated goal 3: Encouraging Better Use of Workplace-Based Skills Development
  - Strategic outcome orientated goal 4: Encouraging and supporting cooperatives, small enterprises, worker-initiated, NGO and community training initiatives
  - Strategic outcome orientated goal 6: Promoting the growth of a public TVET sector college system that is responsive to sector, local, regional and national skills needs and priorities (NSDSI I 4.3)

#### Other matters

15. I draw attention to the matters below:

#### Achievement of planned targets

Refer to the annual performance report on page(s) 20 to 25; 26 to 39 for information on the achievement of planned targets for the year and explanations provided for the overachievement of a number of targets.

#### Adjustment of material misstatements

I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of strategic outcome orientated goal 3: Encouraging better use of workplace-based skills development. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

### 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 any instances of material non-compliance with selected specific requirements of applicable legislation.

## Other information

18. The INSETA accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the foreword by the chairperson of the board, chief executive officer's overview, the strategic overview, the report of the accounting authority and the audit committee's report. The other information does not include the financial statements, the auditor's report thereon and those selected strategic goals 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 strategic goals 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. The matters reported below are limited to the significant internal control deficiencies that resulted in, the findings on the annual performance report and the findings on compliance with legislation included in this report. I did not identify any significant deficiencies in internal control.

## Other reports

22. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

### Investigation

23. An independent consultant investigated an allegation of corruption at the request of the accounting authority, which covered the period 1 April 2014 to 31 March 2016. The investigation concluded in October 2016 and resulted in the lodging of an inquiry into allegations of fraud and corruption with the Hawks.

*Auditor-General*

Pretoria

31 July 2017



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## 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

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

25. 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.
26. 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.



## Auditor-general's responsibility for the audit of the reported performance information

1. As part of my engagement conducted in accordance with ISAE 3000, I exercise professional judgement and maintain professional scepticism throughout my reasonable assurance engagement on reported performance information for selected strategic goals.
27. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with 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.

### Quality control relating to assurance engagements

28. In accordance with the International Standard on Quality Control I, the Auditor-General of South Africa maintains a comprehensive system of quality control that includes documented policies and procedures on compliance with ethical requirements and professional standards.

### Reported performance information

29. In addition to my responsibility for the assurance engagement on reported performance information as described in the auditor's report, I also:
  - identify and assess risks of material misstatement of the reported performance information, 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. In making those risk assessments, I consider internal control relevant to the management and reporting of performance information per selected strategic goal in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
  - evaluate the documentation maintained by the entity that supports the generation, collation, aggregation, monitoring and reporting of performance indicators/measures and their related targets for the selected strategic goals.
  - evaluate and test the usefulness of planned and reported performance information, including presentation in the annual performance report, its consistency with the approved performance planning documents of the entity and whether the indicators and related targets were measurable and relevant.
  - evaluate and test the reliability of information on performance achievement to determine whether it is valid, accurate and complete. Communication with those charged with governance.

30. 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.
31. 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 bear on my independence and, where applicable, related safeguards.

# Insurance Sector Education and Training Authority

(Registration number 13/INSETA/01/04/11)

Financial Statements for the year ended 31 March 2017

## Statement of Financial Position as at 31 March 2017

	Note(s)	2017 R '000	2016 R '000
<b>Assets</b>			
<b>Current Assets</b>			
Consumables		71	39
Account receivables from exchange transactions	3	1 055	2 113
Account receivables from non-exchange transactions	4	5 517	2 053
Cash and cash equivalents	5	375 606	373 583
		<b>382 249</b>	<b>377 788</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	989	1 430
Intangible assets	7	22	23
<b>Total Non-Current Assets</b>		<b>1 011</b>	<b>1 453</b>
<b>Total Assets</b>		<b>383 260</b>	<b>379 241</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from non-exchange transactions	8	21 550	35 961
Trade and other payables from exchange transactions	9	35 005	21 953
Provisions	10	4 643	4 072
<b>Total Current Liabilities</b>		<b>61 198</b>	<b>61 986</b>
<b>Total Liabilities</b>		<b>61 198</b>	<b>61 986</b>
<b>Net Assets</b>		<b>322 062</b>	<b>317 255</b>
Reserves			
Administration reserve		1 011	1 453
Discretionary reserve		320 809	315 620
Employer grant reserve		242	182
<b>Total Reserves</b>		<b>322 062</b>	<b>317 255</b>

# Insurance Sector Education and Training Authority

(Registration number 13/INSETA/01/04/11)

Financial Statements for the year ended 31 March 2017

## Statement of Financial Performance for the year ended 31 March 2017

	Note(s)	2017 R '000	2016 R '000
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
Skills Development Levy: Income		431 422	417 006
Skills Development Levy: penalties and interest		12 373	14 975
<b>Total revenue from non-exchange transactions</b>		<b>443 795</b>	<b>431 981</b>
<b>Revenue from exchange transactions</b>			
Other income from exchange transactions	11	34	66
Investment income from exchange transactions	12	25 900	20 028
<b>Total revenue from exchange transactions</b>		<b>25 934</b>	<b>20 094</b>
<b>Total revenue</b>	13	<b>469 729</b>	<b>452 075</b>
<b>Expenditure</b>			
Employer grant and project expenses	14	(409 317)	(362 564)
Administration expenses	15	(55 605)	(48 328)
<b>Total expenditure</b>		<b>(464 922)</b>	<b>(410 892)</b>
<b>Surplus for the year</b>		<b>4 807</b>	<b>41 183</b>

# Insurance Sector Education and Training Authority

(Registration number 13/INSETA/01/04/11)

Financial Statements for the year ended 31 March 2017

## Statement of Changes in Net Assets

	Administration reserve	Employer grant reserve	Discretionary reserve	Total reserves	Unappropriated surplus	Total net assets
	R '000	R '000	R '000	R '000	R '000	R '000
<b>Balance at 01 April 2015</b>	<b>1 378</b>	<b>220</b>	<b>274 474</b>	<b>276 072</b>	<b>-</b>	<b>276 072</b>
Changes in net assets						
Surplus Statement of Financial Performance	-	-	-	-	41 183	41 183
Allocation of unappropriated surplus	6 414	13 567	21 202	41 183	(41 183)	-
Excess reserves transferred to Discretionary reserve	(6 339)	(13 605)	19 944	-	-	-
Balance at 31 March 2016	1 453	182	315 620	317 255	-	317 255
<b>Balance at 01 April 2016</b>	<b>1 453</b>	<b>182</b>	<b>315 620</b>	<b>317 255</b>	<b>-</b>	<b>317 255</b>
Changes in net assets						
Surplus per Statement of Financial Performance	-	-	-	-	4 807	4 807
Allocation of unappropriated surplus	544	14 727	(10 464)	4 807	(4 807)	-
Excess reserve transferred to discretionary reserve	(986)	(14 667)	15 653	-	-	-
<b>Balance at 31 March 2017</b>	<b>1 011</b>	<b>242</b>	<b>320 809</b>	<b>322 062</b>	<b>-</b>	<b>322 062</b>
Note(s)	16					

# Insurance Sector Education and Training Authority

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Financial Statements for the year ended 31 March 2017

## Cash Flow Statement

	Note(s)	2017 R '000	2016 R '000
<b>Cash flows from operating activities</b>			
<b>Cash receipts from stakeholders</b>			
Levies, interest and penalties received		441 389	433 375
Interest income		26 123	19 825
Other cash receipts from stakeholders		34	66
		467 546	453 266
<b>Cash paid to stakeholders, suppliers and employees</b>			
Grant and project payments		(414 670)	(371 035)
Compensation of employees		(22 891)	(17 839)
Payments to suppliers		(27 767)	(29 563)
		(465 328)	(418 437)
<b>Net cash flows from operating activities</b>	17	<b>2 218</b>	<b>34 829</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(149)	(537)
Purchase of other intangible assets	7	(46)	(37)
<b>Net cash flows from investing activities</b>		<b>(195)</b>	<b>(574)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2 023</b>	<b>34 255</b>
Cash and cash equivalents at the beginning of the year		373 583	339 328
<b>Cash and cash equivalents at the end of the year</b>	5	<b>375 606</b>	<b>373 583</b>

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from non - exchange transactions</b>						
Skills Development Levy: Income	432 548	-	<b>432 548</b>	431 422	<b>(1 126)</b>	25.1
Skills Development Levy: Penalties and Interest	-	-	-	12 373	<b>12 373</b>	25.2
<b>Total revenue from exchange transactions</b>	<b>432 548</b>	<b>-</b>	<b>432 548</b>	<b>443 795</b>	<b>11 247</b>	
<b>Revenue from exchange transactions</b>						
<b>Transfer revenue</b>						
Other income from exchange transactions	-	-	-	34	<b>34</b>	
Investment income from exchange transactions	13 100	-	<b>13 100</b>	25 900	<b>12 800</b>	25.4
<b>Total revenue from exchange transactions</b>	<b>13 100</b>	<b>-</b>	<b>13 100</b>	<b>25 934</b>	<b>12 834</b>	
<b>Total revenue</b>	<b>445 648</b>	<b>-</b>	<b>445 648</b>	<b>469 729</b>	<b>24 081</b>	
<b>Expenditure</b>						
Employer Grant and Project expenses	(388 876)	-	<b>(388 876)</b>	(409 317)	<b>(20 441)</b>	
Administration Expenses	(56 772)	-	<b>(56 772)</b>	(55 605)	<b>1 167</b>	
<b>Total expenditure</b>	<b>(445 648)</b>	<b>-</b>	<b>(445 648)</b>	<b>(464 922)</b>	<b>(19 274)</b>	
<b>Surplus for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 807</b>	<b>4 807</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 807</b>	<b>4 807</b>	

The approved budget was submitted to the Executive Authority in line with the Public Finance Management Act, 1999, Chapter 6 Public Entities, part 2 par 53. INSETA does not budget for a surplus.

For details regarding the difference between budget and actual amounts refer to Note 25.

# Insurance Sector Education and Training Authority

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Financial Statements for the year ended 31 March 2017

## Accounting Policies

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### **1. Presentation of financial statements**

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

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

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

#### **1.1 Presentation currency**

These financial statements are presented in South African Rand which is the functional currency of the entity.

#### **1.2 Revenue recognition**

##### **1.2.1 Revenue from non-exchange transactions**

Non-exchange revenue transactions result in resources being received by INSETA, usually in accordance with a binding arrangement. When INSETA 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 INSETA will receive economic benefits or service potential and it can make a reliable measurement of the resources transferred. Where the resources transferred to INSETA 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 revenue is recognised. The asset and the corresponding revenue are measured at fair value on initial recognition.

Non-exchange revenue transactions include the receipt of levy income from the Department of Higher Education and Training.

##### **Receivables from non-exchange transactions**

Receivables from exchange transactions classified as financial assets are measured at fair value on initial recognition and are categorised as financial assets at amortised cost.

##### **Levy income**

The accounting policy for the recognition and measurement of skills development levy income is based on the Skills Development Act, Act No 97 of 1998, as amended and the Skills Development Levies Act, Act No 9 of 1999, as amended.

In terms of section 3(1) and 3(4) of the Skills Development Levies Act (the Levies Act), 1999 (Act No. 9 of 1999) as amended, registered member companies of the INSETA 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. Companies with an annual payroll cost less than R500 000 are exempted in accordance with section 4(b) of the Levies Act as amended, effective 1 August 2005.

80% of Skills Development Levies are paid over to INSETA from SARS via DHET (net of the 20% contribution to the National Skills Fund (NSF)). Revenue is adjusted for transfers of employers between SETAs. Such adjustments are separately disclosed as inter-SETA transfers. The amount of the inter-SETA adjustment is calculated according to the most recent Standard Operating Procedure issued by the Department.



# Insurance Sector Education and Training Authority

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Financial Statements for the year ended 31 March 2017

## Accounting Policies

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### 1.2 Revenue recognition (continued)

Skills Development Levy (SDL) transfers are recognised on an accrual basis when it is probable that future economic benefits or service potential will flow to INSETA and these benefits can be measured reliably. This occurs when the Department makes an allocation to INSETA, as required by Section 8 of the Skills Development Levies Act, 1999 (Act No. 9 of 1999) as amended.

When a new employer is transferred to INSETA, 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 are levied by SARS in terms of the Skills Development Levies Act (the Levies Act), 1999 (Act No. 9 of 1999) as amended. Penalties and interest are recognised as revenue when an allocation is made by the South African Revenue Services.

#### 1.2.2 Revenue from exchange transactions

Revenue from exchange transactions is recognised when it is probable that future economic benefits or service potential will flow to INSETA and these benefits can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. The asset and the corresponding revenue are measured at fair value on initial recognition.

#### Receivables from exchange transactions

Receivables from exchange transactions classified as financial assets are measured at fair value on initial recognition.

At the end of the reporting period, the carrying amount of the receivables from exchange transactions is reviewed to determine whether there is objective evidence that an impairment loss has occurred. If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cashflows.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account, and the amount of the gain or loss is recognised in the Statement of Financial Performance.

#### Interest income

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

# Insurance Sector Education and Training Authority

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Financial Statements for the year ended 31 March 2017

## Accounting Policies

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### 1.3 Grants and project expenditure

A registered employer may recover a maximum of 20% of its total levy payment as a mandatory employer grant (excluding interest and penalties) by complying with the criteria in accordance with the Skills Development Act, 1998, as amended and the SETA Grant Regulations regarding monies received and related matters (the SETA Grant Regulations).

#### **Mandatory grants**

Grants are equivalent to 20% of the total levies contributed by employers during the corresponding financial period.

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

INSETA may out of any surplus monies and in accordance with criteria as defined in the SETA Grant Regulations allocate funds to employers, and other associations or organisations when the conditions have been met. The criteria for allocating funds are approved by the INSETA Board. Where necessary, interested employers, associations or organisations may be required to complete and submit a funding application for consideration and approval by the SETA.

#### **Project expenditure comprises:**

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

#### **Effect on revenue adjustments by SARS**

INSETA 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 INSETA 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.

### 1.4 Irregular expenditure

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

- The PFMA, as amended
- The Skills Development Act (the Act), 1998 (Act No. 97 of 1998) as amended

# Insurance Sector Education and Training Authority

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Financial Statements for the year ended 31 March 2017

## Accounting Policies

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### 1.4 Irregular expenditure (continued)

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 recognised against the respective class of expense in the period in which it is incurred.

### 1.5 Critical accounting judgements and key sources of estimation uncertainty

In the application of INSETA's accounting policies management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Key sources of estimation uncertainty

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

#### Useful lives of property, plant and equipment and intangible assets

INSETA reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period, refer note 6 and note 7 for the respective carrying values.

Management determined, consistent with the prior year, that the useful life of assets should not be limited by INSETA's establishment. Management's determination of useful life also impacts the determination of the residual value of assets. The INSETA's operating license was extended during the current year from an end date of 31 March 2018 to an end date of 31 March 2020. The license period has not been applied in the determination of useful lives as the past experience indicates that a further extension can be reasonably expected.

### 1.6 Property, plant and equipment

Property, plant and equipment is stated at cost less any subsequent accumulated depreciation and adjusted for any impairments. Depreciation is charged so as to write off the costs of assets over their useful lives, using the straight line method.

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

# Insurance Sector Education and Training Authority

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Financial Statements for the year ended 31 March 2017

## Accounting Policies

### 1.6 Property, plant and equipment (continued)

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

The gain or loss on disposal of property, plant and equipment is determined as the difference between sales proceeds and the carrying amount are taken into account in determining surplus or deficit for the year.

Costs relating to repairs and maintenance are recognised in surplus or deficit as incurred.

The usefulness of items of property, Plant and equipment have been assessed as follows:

Item	Average useful life
Computer Equipment	3 years
Office Furniture and Equipment	10 years
Office Equipment	5 years
Office fixtures	Over the lease term

### 1.7 Intangible assets

Intangible assets are stated at cost less any subsequent accumulated amortisation and adjusted for any impairments. Amortisation is charged so as to write off the cost of assets over their useful lives, using the straight-line method.

The estimated useful lives and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

The gain or loss on disposal of intangible assets is determined as the difference between the sale proceeds and the carrying amount and are taken into account in determining surplus or deficit for the year.

### 1.8 Consumables

Consumables are recognised as an asset at cost on the date of acquisition and are recognised in surplus or deficit as they are consumed. The balance is subsequently measured at the lower of the cost and current replacement cost.

### 1.9 Leasing

Payments made under operating leases are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

### 1.10 Provisions

Provisions are recognised when INSETA 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 19.

# Insurance Sector Education and Training Authority

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Financial Statements for the year ended 31 March 2017

## Accounting Policies

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### 1.11 Employee benefits

The cost of employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date. Provisions included in the Statement of Financial Position are provisions for bonuses.

Termination benefits are recognised when the benefits accrue.

Liabilities for annual leave are recognised as they accrue to employees. INSETA recognises the leave obligation during the vesting period based on the best available estimate of the accumulated leave expected to vest. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee. The leave liability is recognised as an accrual.

INSETA operates a defined contribution plan and recognises a liability for any contributions owing to the fund at the end of the reporting period. An expense is recognised for defined contribution plans equal to the amount of contributions that were paid or due to the plan during the reporting period.

### 1.12 Grants and projects liability

#### Mandatory and discretionary grant liability

A liability is recognised for grant payments once the specific criteria set out in the SETA Grant Regulations has been complied with by member companies and it is probable that INSETA will approve the grant application for payment. The liability is measured based on the expected future cash outflow as determined in accordance with the Act. The measurement of the liability is estimated using the value of the levies received.

#### Discretionary projects

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

### 1.13 Financial instruments

#### Recognition

Financial assets and financial liabilities are recognised on INSETA's Statement of Financial Position when the INSETA becomes a party to the contractual provisions of the instrument.

#### Financial assets

Financial assets are recognised and derecognised on trade date and are initially measured at fair value, net of transaction costs.

All financial assets of INSETA are categorised as financial instruments at amortised cost.

#### Financial Instruments at amortised cost

Financial instruments at amortised cost are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate except for short-term receivables where the recognition of interest would be immaterial.

# Insurance Sector Education and Training Authority

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Financial Statements for the year ended 31 March 2017

## Accounting Policies

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### 1.13 Financial instruments (continued)

#### Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables where the carrying amount is reduced through the use of an allowance account. When accounts receivable are uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account is recognised in the surplus or deficit.

#### Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs.

All financial liabilities of INSETA were classified as financial liabilities at amortised cost.

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### 1.14 Reserves

Net assets are classified 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 97 of 1998) as amended as follows:

- Administration reserve

# Insurance Sector Education and Training Authority

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Financial Statements for the year ended 31 March 2017

## Accounting Policies

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### 1.14 Reserves (continued)

- Employer grant reserve
- Discretionary reserve
- Unappropriated surplus/deficit

Surplus funds in the administration reserve and unallocated funds in the employer grant reserve are moved to the discretionary fund reserve. Provision is made in the mandatory grant reserve for newly registered companies, participating after the legislative cut-off date.

Employer levy payments are set aside in terms of the Skills Development Act as amended and the regulations issued in terms of the Act, for the purpose of:

- |   |       |
|---|-------|
| • Administration costs of INSETA            | 10.5% |
| • Employer grant fund levy                  | 20.0% |
| • Discretionary grants and projects         | 49.5% |
| • Contributions to the National Skills Fund | 20.0% |

In addition, contributions received from public service employers in the national or provincial spheres of government may be used to fund INSETA's administration costs.

Interest and penalties received from SARS as well as interest received on investments are utilised for discretionary grant projects.

### 1.15 Budget information

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 April 2016 to 31 March 2017.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### 1.17 Comparatives figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.



# Insurance Sector Education and Training Authority

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Financial Statements for the year ended 31 March 2017

## Accounting Policies

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### 1.18 Taxation

No provision has been made for taxation, as INSETA is exempt from income tax in terms of Section 10 of the Income Tax Act, 1962 (Act 58 of 1962).

### 1.19 Segment reporting

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

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of INSETA that provides specific outputs or achieves particular operating objectives that are in line with INSETA's overall mission. INSETA's service segments are mandatory, discretionary and administration activities. These segments are based on the Skills Development Levies Act, 1999 and the SETA Grant Regulations. Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

### 1.20 Impairment of non-cash-generating assets

Cash-generating assets are those assets held with the primary objective of generating a commercial return. When an asset is deployed in a manner that is consistent with that adopted by a profit-oriented entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs to sell are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

### Reversal of an impairment loss

INSETA assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the INSETA estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the

# Insurance Sector Education and Training Authority

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## Accounting Policies

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asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.21 Related parties

Parties are said to be related if one party's ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity or another entity are subject to common control.

Where such a situation exists the nature and type of transactions and relationships between parties are disclosed in the notes to the annual financial statements.

### 1.22 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);  
and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

INSETA will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

INSETA will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# Insurance Sector Education and Training Authority

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Financial Statements for the year ended 31 March 2017

## Notes to the Financial Statements

2017	2016
R '000	R '000

### 2. New standards and interpretations

#### Standards and interpretations issued, but not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related Parties	Not yet determined	The standard prescribes the disclosure of information relevant to draw attention to the possibility that the entity's financial statements may have been affected by the existence of related parties. The adoption of this standard is not expected to impact on the results of INSETA but may result in more disclosure than is currently provided in the annual financial statements.
• GRAP 108: Statutory Receivables	Not yet determined	This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. It is not expected that this standard will significantly impact the recognition, measurement and disclosures of these receivables.
• GRAP 109: Accounting by Principals and Agents	Not yet determined	This standard outlines the principles for entities to determine whether it is party to a principal-agent arrangement before applying the recognition and measurement principles of other Standards of GRAP. This standard may result in more disclosure than is currently provided in the annual financial statements.

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Financial Statements for the year ended 31 March 2017

## Notes to the Financial Statements

		2017 R '000	2016 R '000
<b>3. Account receivables from exchange transactions</b>			
PAYE receivable		-	323
Staff Debtors		1	5
Prepayments		257	432
Deposits		564	570
Interest receivable		169	357
Sundry receivables	3.1	-	178
Discretionary Receivables	3.2	64	248
		<b>1 055</b>	<b>2 113</b>

### 3.1 Sundry receivables

Sundry receivables	151	174
Allowance for doubtful sundry receivables	(151)	0
	0	174

Sundry receivables relate to debit orders from various service providers for phone contracts which INSETA is currently disputing. An amount of R151 000 was provided for as recoverability is uncertain.

### 3.2 Discretionary receivables

Discretionary Receivables	1 174	1 358
Allowance for doubtful discretionary receivables	(1 110)	(1 110)
	<b>64</b>	<b>248</b>

R1 174 000 (2016: R1 358 000) is recognised as a discretionary receivable relating to refunds owed by levy-paying employers, on current and previous discretionary projects. An amount of R1 110 000 (2016: R1 110 000) was provided for as a doubtful discretionary receivable as some of these receivables may not be fully recovered.

The effect of discounting, where applicable, was considered and found to be immaterial given the short term nature of these receivables. The carrying amount approximates the fair value for each class of receivables.

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Financial Statements for the year ended 31 March 2017

## Notes to the Financial Statements

		2017 R '000	2016 R '000
<b>4. Account receivables from non-exchange transactions</b>			
Mandatory Grant Receivables		-	17
Levy-Paying Employer receivables	4.1	5 469	2 036
Intersecta debtors		48	-
		<b>5 517</b>	<b>2 053</b>

### 4.1 Levy-paying employer receivables

Overpayments to employers		5 603	2 163
Allowance for doubtful debt		(134)	(127)
		<b>5 469</b>	<b>2 036</b>

R5 603 000 (2016: R2 163 000) was recognised as a receivable relating to grant overpayments to levy-paying employers in prior periods, as a result of levy income reversals done after grants have been paid. An amount of R134 000 (2016: R127 000 ) was provided for as doubtful debt. INSETA is confident that it will be able to recover the net balance. Also refer to Note 8 for grant amounts owed to levy-paying employers as a result of subsequent changes in levy information.

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	2017 R '000	2016 R '000
<b>5. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Short term investments	349 258	324 550
Cash on hand	-	2
Cash at bank	26 348	49 031
	<b>375 606</b>	<b>373 583</b>

As required in Treasury Regulation 31.2, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short term bank deposits was 6.75 % (2016: 5.65%). Surplus funds were invested in line with an investment policy as required by Treasury Regulation 31.3.5 and all funds were invested with the Corporation for Public Deposits.

INSETA uses its cash and equivalents to settle its current liabilities and has committed in contracts R217 908 000 for future projects and skills priorities as set out in Annexure A.

## 6. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	1 463	(1 138)	325	1 748	(1 305)	443
Office equipment	253	(177)	76	532	(408)	124
Computer equipment	1 067	(744)	323	1 990	(1 656)	334
Office fixtures	1 933	(1 668)	265	1 933	(1 404)	529
<b>Total</b>	<b>4 716</b>	<b>(3 727)</b>	<b>989</b>	<b>6 203</b>	<b>(4 773)</b>	<b>1 430</b>

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## Notes to the Financial Statements

2017	2016
R '000	R '000

### 6. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Write-off	Reclassification	Depreciation	Total
Furniture and fixtures	443	4	(23)	3	(102)	325
Office equipment	124	14	(7)	(18)	(37)	76
Computer equipment	334	131	(15)	15	(142)	323
Office fixtures	529	-	-	-	(264)	265
	<b>1 430</b>	<b>149</b>	<b>(45)</b>	<b>-</b>	<b>(545)</b>	<b>989</b>

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	447	105	(109)	443
Office equipment	65	98	(39)	124
Computer equipment	80	328	(74)	334
Office Fixtures	786	6	(263)	529
	<b>1 378</b>	<b>537</b>	<b>(485)</b>	<b>1 430</b>



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	2017 R '000	2016 R '000
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### 7. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software, other	109	(87)	22	470	(447)	23

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Write-off	Amortisation	Total
Computer software, other	23	46	(2)	(45)	22

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	37	(14)	23

### 8. Trade and other payables from non-exchange transactions

Skills development grants payable	21 550	35 924
Intersecta payables	-	37
	<b>21 550</b>	<b>35 961</b>

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	2017 R '000	2016 R '000
<b>9. Trade and other payables from exchange transactions</b>		
Leave accrual	1 178	699
Other accrued expenses	2 339	1 294
Project creditors	27 830	16 763
Service provider fees outstanding	2 762	1 466
Trade creditors	896	1 731
	<b>35 005</b>	<b>21 953</b>

The effect of discounting, where applicable, was considered and found to be immaterial given the short term nature of these payables. The carrying amount approximates the fair value for each class of payables.

### 10. Provisions

#### Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in provision	Total
Employee bonus provision	1 531	1 892	(2 219)	-	688	1 892
Provision for incorrect receipts	2 541	629	-	(451)	32	2 751
	<b>4 072</b>	<b>2 521</b>	<b>(2 219)</b>	<b>(451)</b>	<b>720</b>	<b>4 643</b>

#### Reconciliation of provisions - 2016

Employee bonus provision	1 414	1 531	(1 086)	-	(328)	1 531
Provision for incorrect receipts	2 550	553	-	(582)	20	2 541
	<b>3 964</b>	<b>2 084</b>	<b>(1 086)</b>	<b>(582)</b>	<b>(308)</b>	<b>4 072</b>

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	2017 R '000	2016 R '000
<b>10. Provisions (continued)</b>		
<p>Bonus provision is calculated using the total cost of employment and is based on performance evaluations conducted by the CEO of INSETA and the HR and Remuneration committee as appropriate.</p> <p>An amount of R 2 751 000 (2016: R 2 541 000) relates to levies incorrectly contributed by levy-paying employers, and paid over by SARS and DHET, after being exempted from contributing (SDL) due to legislation changes which came into effect from 1 August 2005. As SARS collects the levies on behalf of DHET, the responsibility to refund the levies to the levy-paying employers remains with SARS.</p> <p>In terms of Skills Development circular No. 09/2013, issued by DHET on 25 August 2013, SETAs are able to utilise exempted amounts contributed after the expiry date of five years as stipulated in terms of section 190 (4) of the Tax Administration Act. These amounts have been transferred to the discretionary funds in line with the aforementioned circular.</p>		
<b>11. Other income from exchange transactions</b>		
Mandatory grant received	34	66
<b>12. Investment income from exchange transactions</b>		
Interest received	25 766	19 671
Interest accrued	134	357
	<b>25 900</b>	<b>20 028</b>
<b>13. Revenue</b>		
Skills Development Levy: Income	13.1 431 422	417 006
Skills Development Levy: Penalties and interest	12 373	14 975
Mandatory grant received	34	66
Interest Income	25 900	20 028
	<b>469 729</b>	<b>452 075</b>

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	2017 R '000	2016 R '000
<b>13.1 Skills development levy: Income</b>		
Administration levy income	56 149	54 742
Employer grants income	109 491	103 438
Discretionary grants income	265 782	258 826
	<b>431 422</b>	<b>417 006</b>

## 14. Employer grant and project expense

Mandatory grants		94 764	89 871
Project expenditure	14.1	314 553	272 693
		<b>409 317</b>	<b>362 564</b>

### 14.1 Project expenditure

Direct project costs		311 513	266 902
Project administration costs		3 040	5 791
		<b>314 553</b>	<b>272 693</b>

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	2017 R '000	2016 R '000
<b>15. Administration expenses</b>		
External auditor's remuneration	2 545	2 410
Interest paid *	-	1
Operating lease rentals	3 852	3 641
Consultancy and service provider fees	13 155	13 367
Entertainment expenses	274	104
Professional Indemnity Insurance	70	146
Advertising, marketing and promotions, communication	955	1 134
Postage & courier services	71	60
Stationery	413	197
Maintenance, repairs and running costs - Property and Buildings	682	590
Remuneration to members of the accounting authority and other sub-committees	1 366	1 197
Remuneration to members of the audit committee	481	463
Sundry expenses	723	402
Allowance for doubtful debts	6	10
Legal fees	92	197
Telephone costs	363	315
Staff training and development	991	950
Travel and subsistence	1 536	1 017
Loss on disposal of property, plant and equipment	47	-
Internal audit fees	571	1 130
Depreciation/ Amortisation	590	499
Governance related expenditure	968	987
Recruitment fees	16	247
Cost of employment	15.1 23 731	17 899
Quality Council for Trade and Occupations	2 107	1 365
	<b>55 605</b>	<b>48 328</b>

\* The interest charged in 2016 was due to the interest levied in the telephone account due to late payment, as INSETA received the invoices late.

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	2017 R '000	2016 R '000
<b>15.1 Employee related costs</b>		
Basic Salaries	19 938	15 780
Performance awards	2 579	1 274
UIF	96	80
SDL	281	222
Leave payments	608	226
Temporary staff	149	254
Employee Wellness	80	63
	<b>23 731</b>	<b>17 899</b>

Average number of employees 40 (2016: 37)

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	2017 R '000		2016 R '000		
<b>16. Accumulated surplus</b>					
Allocation of surplus to reserves					
<b>Current year 2017</b>	Administration reserve R'000	Employer grant reserve R'000	Discretionary reserve R'000	Projects R'000	Total discretionary R'000
Skills Development Levy: Admin Income	56 149	-	-	-	56 149
Skills Development Levy: Grant Income	-	109 491	-	265 782	375 273
Skills Development Levy: Penalties and Interest	-	-	-	12 373	12 373
Investment Income	-	-	-	25 900	25 900
Other Income	-	-	-	34	34
Subtotal	56 149	109 491	-	304 089	469 729
Administration Expenses	(55 605)	-	-	-	(55 605)
Employer grant and project expenses	-	(94 764)	-	(314 553)	(409 317)
<b>Total</b>	<b>544</b>	<b>14 727</b>	<b>-</b>	<b>(10 464)</b>	<b>4 807</b>
<b>Prior year - 2016</b>	Administration reserve R'000	Employer grant reserve R'000	Discretionary reserve R'000	Projects R'000	Total discretionary R'000
Skills Development Levy: Admin Income	54 742	-	-	-	54 742
Skills Development Levy: Grant Income	-	103 438	-	258 826	362 264
Skills Development Levy: Penalties and Interest	-	-	-	14 975	14 975
Investment Income	-	-	-	20 028	20 028
Other income	-	-	-	66	66
Subtotal	54 742	103 438	-	293 895	452 075
Administration Expenses	(48 3280)	-	-	-	(48 328)
Employer grant and project expenses	-	(89 871)	-	(272 693)	(362 564)
	<b>6 414</b>	<b>13 567</b>	<b>-</b>	<b>21 202</b>	<b>41 183</b>



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	2017 R '000	2016 R '000
<b>16. Accumulated surplus (continued)</b>		
The following balances will be left in Administration and Employer Grant reserves in the Statement of changes in net assets:		
<ul style="list-style-type: none"> <li>Administration Reserve: An amount of R1 011 000 (2016: R1 453 000) is retained in the administration reserve equal to the carrying value of property, plant and equipment and intangible assets.</li> <li>An amount of R242 000 (2016: R182 000) is disclosed in the employer grant reserve relating to levies received from newly registered member companies, participating after the legislative cut-off date and for who grant applications may be received and approved</li> </ul>		
<b>17. Cash generated from operations</b>		
Net surplus as per Statement of Financial Performance	4 807	41 183
<b>Adjustments for:</b>		
Depreciation and amortisation	590	499
Increase in provisions	571	108
Loss on disposal of property, plant and equipment	47	-
<b>Changes in working capital:</b>		
Increase in consumables	(32)	-
Decrease in account receivables from exchange transactions	1 058	956
(Increase)/Decrease in accounts receivables from non-exchange transactions	(3 464)	235
Increase/(Decrease) in payables from exchange transactions	13 052	(13 924)
(Decrease)/Increase in payables from non-exchange transactions	(14 411)	5 772
	<b>2 218</b>	<b>34 829</b>

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	2017 R '000	2016 R '000
<b>18. Commitments</b>		
<b>18.1 Operating lease - as lessee (expense)</b>		
<b>Minimum lease payment due</b>		
- within one year	3 776	3 394
- in second to fifth year inclusive	-	3 296
	<b>3 776</b>	<b>6 690</b>

The operating leases relate to building premises used for office accommodation, and leases for printers and plants. The lease agreement for the building was entered into effective 1 September 2013 and will be expiring on 31 March 2018. The lease agreements for the printers and plants expired on 31 March 2017.

### 18.2 Discretionary reserve

Of the balance of R320 809 000 (2016: R315 620 000) available in the Discretionary reserve at the end of March 2017, R217 908 000 (2016: R297 556 000) has been committed in future contracts. A request for the accumulation of these funds has been submitted to National Treasury via the Department of Higher Education and Training. At the time of compiling the financial statements, no reply had been received.

**Please refer to Annexure A for the detailed commitments schedule**

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## Notes to the Financial Statements

2017	2016
R '000	R '000

### 19. Contingencies

#### Contingent Liabilities

##### Surrender of uncommitted reserves to National Skills Fund

Regulations 3(11) and 3(12) of the 2012 Grant Regulation No 35940 state that “At the end of each financial year it is expected that the SETA must have spent or committed (through actual contractual obligations) at least 95% of discretionary funds available to it by the 31 March of each year and a maximum of 5% of uncommitted funds may be carried over to the next financial year; the remaining surplus of discretionary funds must be paid by SETA by 1 October of each year into the National Skills Fund”.

Regulation 4(4) states that “20% of the total levies paid by the employer in terms of section 3(1) as read with section 6 of the Skills Development Levies Act during each financial year will be paid to the employer who submits a WSP and ATR”.

BUSA challenged some aspects of the 2012 Grant Regulations and, the Labour Court declared Regulation 3(11) and 4(4) of the 2012 Grant Regulations to be invalid and set them aside effective 31 March 2016.

The DHET subsequently had regulation 4(4) - (mandatory grant) re-promulgated. The Court's order in relation to Regulation 3(11) – (sweeping of surplus uncommitted funds to NSF) has not been re-promulgated.

The implication of this is that if regulation 3(11) remains valid, INSETA is obliged to return the uncommitted funds to the National Skills Fund.

At the reporting date the discretionary reserves amounted to R320 809 000. Of these reserves R217 908 000 is committed. Notwithstanding the court order and in keeping with the regulation No. 35940 of 2012, INSETA has a contingent liability to the National Skills Fund of R86 861 000.

Within the spirit of Regulation 3 (13) of the 2012 Grant regulations, the INSETA has presented a business case to the Minister of Higher Education and Training to request approval to carry over the surplus funds and at the time of reporting, the response had not been received.

##### Surrender of surplus funds to National Treasury

In terms of section 53 (3) of the PFMA, public entities listed in Schedule 3A and 3C to the PFMA may not retain cash surpluses that were realized in the previous financial year without obtaining the prior written approval of National Treasury. National Treasury Instruction No. 6 of 2017/18 prescribes that the surplus realized is based on cash and cash equivalents plus receivables less current liabilities and commitments at the end of each financial year.

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## Notes to the Financial Statements

	2017 R '000	2016 R '000
<b>19. Contingencies (continued)</b>		
The surplus cash as at 31 March 2017 is as follows:		
Cash and cash equivalents at the end of the year	375 606	-
Add: Receivables	6 572	-
Less: Current liabilities	(61 198)	-
Less: Commitments	(217 908)	-
Surplus Funds	103 072	-
Surrender of uncommitted reserves to National Skills Fund	(86 861)	-
Total surrender of surplus funds to National Treasury	16 211	-

INSETA has represented a business case to National Treasury to request the approval to retain the surplus funds and, at the time of reporting, the response has not been received.

### First time employer registrations

The Skills Development legislation allows an employer, registering for the first time, 6 months to submit an application for a mandatory grant.

At the reporting date it is estimated that, as a result, additional mandatory grant expenditure of R242 000 (2016: R182 000) will be payable. The amount is contingent on the number of submissions received and approved.

### Contingent assets

1. During the 2015/16 financial year, INSETA contracted with an employer who applied for 300 interns for an amount of R20 million. By October 2015, most of the interns were dismissed and the employer was requested to refund INSETA R7 495 000 in line with the reported terminated interns and the refund requirements. The employer denies being in breach of contract and believes the matter should be referred to arbitration. INSETA has handed over the matter to their attorneys. The amount receivable is contingent on the outcome of the arbitration process.

2. INSETA contracted with an employer who is required to refund the INSETA an amount of R624 000 due to terminated learnerships. A letter of demand was sent to the employer by the lawyers, followed by a summons. A settlement was subsequently offered by the opposing attorneys. The settlement includes a counterclaim which INSETA is currently disputing.

3. INSETA contracted with a service provider to provide learnerships. After commencing, the service provider subsequently prevented the learners from completing the learnerships and was requested to refund INSETA R1 400 000. INSETA is pursuing a criminal case against the service provider.

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	2017 R '000	2016 R '000
<b>20. Related parties</b>		
Relationships		
Controlling entity		
Entities under common control		
	<p>Department of Higher Education and Training By virtue of the fact that INSETA is a National Public Entity controlled by the DHET it is considered related to other Setas, the QCTO and the NSF. The transactions are consistent with normal operating relationships between the entities and are undertaken on terms and conditions that are normal for such transactions. Where there were transactions and balances arising due to the movement of funds between entities under common control of the DHET, these amounts are disclosed below.</p>	
Members of key management		
	<p>S. Dunn (CEO) D. Molapo (CFO)</p>	
<b>Related party balances</b>		
<b>Interseta receivables</b>		
W&R SETA	48	-
<b>Interseta payables</b>		
Fasset	-	2
Other	-	35
<b>Related party transactions</b>		
<b>Transactions with SETAs and other entities under common control</b>		
Fasset	2	
W&R Seta	(48)	-
Health & Welfare SETA	-	(1 496)
Other	35	(16)
QCTO	2 107	1 365
Department of Higher Education and Training	-	150

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## Notes to the Financial Statements

	2017 R '000	2016 R '000
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### 20. Related parties (continued)

#### Remuneration of key management

The accounting authority consists of members appointed in terms of its constitution. The aggregate remuneration of members of the accounting authority and the number of members receiving remuneration within this category, are:

##### Accounting authority

Aggregate remuneration	1 366	1 197
Number of persons	13	15

The key management group consists of the chief executive officer and the chief financial officer. The aggregate remuneration of members of the key management group and the number of managers receiving remuneration within this category are:

##### Key management group

Aggregate remuneration	3 626	2 693
Number of persons	2	3

Refer to the report by the Accounting Authority for detailed disclosure concerning the emoluments of the chief executive officer and chief financial officer.

INSETA is controlled by the DHET. The Department is controlled by the Minister of Higher Education and Training. There were transactions relating to revenue with the DHET - refer to note 13.1.

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2017	2016
R '000	R '000

### 21. Members' emoluments

Refer to the Accounting Authority report for details regarding the remuneration of key management.

### 22. Risk management

#### Liquidity risk

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

2017	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 2 years
Payables from exchange transactions	(33 827)	(33 827)	(33 827)	-	-

#### 2016

Payables from exchange transactions	(21 254)	(21 254)	(21 254)	-	-
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#### Credit risk

Financial assets, which potentially subject INSETA to the risk of non performance by counter parties and subject INSETA to credit concentrations of credit risk, consist mainly of cash and cash equivalents deposited with financial institutions and accounts receivable.

INSETA limits its treasury counter-party exposure by only dealing with the Corporation for Public Deposits as approved by National Treasury through the approval of an investment policy in terms of Treasury Regulation (TR 28). INSETA's exposure is continuously monitored by the executive committee.

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



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## Notes to the Financial Statements

	2017 R '000	2016 R '000
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### 22. Risk management (continued)

#### Credit risk

##### The ageing of receivables from exchange and non-exchange transactions:

	Gross	Impairment	2017: Total
Not past due	6 459	(134)	6 325

##### The ageing of receivables from exchange and non-exchange transactions

	Gross	Impairment	2016: Total
Not past due	3 269	(127)	3 142

#### Market risk

INSETA is exposed to fluctuations in the employment market, for example, sudden increases in unemployment and changes in the wage rates. No significant events occurred during the year in the market that INSETA is aware of. There are adequate procedures in place to address changes in the market when necessary.

#### Interest rate risk

INSETA manages its interest rate risk by effectively investing INSETA surplus cash in term deposits with the Corporation for Public Deposits according to INSETA's investment policy.

The exposure to cash flow interest rate risk and the effective interest rates on financial instruments at reporting date are as follows:

	Floating rate (R'000)	Non-interest bearing (R'000)	Total (R'000)
<b>Year ended 31 March 2017</b>			
Cash	375 606	-	375 606
Receivables from exchange and non- exchange transactions	-	6 459	6 459
	-	(34 675)	(34 675)
Payables from exchange and non- exchange transactions	<b>375 606</b>	<b>(28 216)</b>	<b>347 390</b>

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## Notes to the Financial Statements

	2017 R '000	2016 R '000	
<b>22. Risk management (continued)</b>			
<b>Year ended 31 March 2016</b>			
	Floating rate (R'000)	Non-interest bearing (R'000)	Total (R'000)
Cash	373 583	-	373 583
Receivables from exchange and non- exchange transactions	-	3 269	3 269
Payables from exchange and non- exchange transactions	-	(21 254)	(21 254)
	<b>373 583</b>	<b>(17 985)</b>	<b>355 598</b>

### Fair value interest rate risk

INSETA'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. Fair values could be reliably measured for all financial instruments. 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 approximates fair value due to the relatively short-term maturity of these financial assets. Accounts payable - The carrying amount of accounts payable approximates fair value due to the relatively short-term maturity of these financial liabilities.

### 23. Fruitless and wasteful expenditure

Opening balance	1	-
Add: Fruitless and wasteful expenditure incurred in the current year	-	1
Less: Amounts written off	(1)	-
	-	1

Fruitless and wasteful expenditure amounting to R1 460 was incurred in the prior year which related to interest levied on the telephone account due to late payment, as INSETA received the invoices late.

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## Notes to the Financial Statements

	2017 R '000	2016 R '000
<b>24. Irregular expenditure</b>		
Opening balance	3	1 110
Add: Irregular Expenditure - current year	-	12
Less: Amounts condoned	-	(1 110)
Less: Amounts recovered	(3)	(9)
	-	3

Irregular expenditure identified in the 2015/16 year is a result of non-compliance to the Guideline on Cost Containment Measures National Treasury Instruction 01 of 2013/14 in procuring domestic hotel accommodation that exceeded R1300 per night and hiring vehicles outside of Group B as prescribed by the practice note. The total value of the irregular accommodation expenditure amounted to R9 000 which was subsequently recovered from the liable parties. The irregular expenditure of the vehicle hire amounts to R3 000. This amount has been recovered in the current financial year.

## 25. Budget differences

### Notes to Statement of Comparison of Budget and Actual amounts

Legislation requires that INSETA annually submits a budget to the Minister for approval within at least six months before the start of the financial year. Any subsequent changes required to the initial budget are approved by the Accounting Authority.

#### 25.1 Non exchange revenue - levies

Levy receipts were higher than budget by 4% due to higher than anticipated salaries or industry growth in the insurance sector.

#### 25.2 Non exchange revenue - Interest and penalties

Income from penalties and interest arise when employers fail to submit their returns as required by legislation. These amounts typically vary significantly year on year. The full balance is made available for projects. INSETA does not budget for this line item.

#### 25.3 Prior year uncommitted discretionary reserves

In the current year, approval was obtained from National Treasury for INSETA to retain their 2014/15 uncommitted discretionary reserves. A re-budgeting exercise was subsequently performed and the additional income allocated to the discretionary expenditure budget to fund discretionary projects.

#### 25.4 Investment revenue

The investment income was 53% higher than budget due to higher average cash balances being held during the year and the timing of payments. The change in interest rates also had a positive effect on the funds invested.

# Insurance Sector Education and Training Authority

(Registration number 13/INSETA/01/04/11)

Financial Statements for the year ended 31 March 2017

## Notes to the Financial Statements

2017 R '000	2016 R '000
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### 25. Budget differences (continued)

#### 25.5 Employer grant and project expenses

The employer grant and project expenses exceeded the budget, as INSETA was able to apply the available surplus funds.

#### 25.6 Administration expenses

Administration expenditure (including QCTO, employee related costs, general expenses, rent and consultancy fees) is limited to 10.5% of levies received. The legislative limit has not been exceeded.

### 26. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Minister of Higher Education and Training extended the tenure for the Accounting Authorities for all Sector Education and Training Authorities up until 31 March 2020 in line with the extension of the National Skills Development Strategy III. Based on the cash reserves available as at 31 March 2017, and the ongoing receipt of monthly levies, there are no known instances that casts doubt on INSETA's ability to continue as a going concern.

### 27. Segment Reporting

INSETA reports to management on the basis of three functional segments namely; administration, mandatory and discretionary. Management uses these segments in determining strategic objectives and allocating resources.

The reporting of these segments is also appropriate for external reporting purposes.

Refer to Annexure B for the applicable disclosure of the segment reporting.

## Annexure A -

# Commitments

Included in the discretionary reserve R320 809 000 (2016: R315 620 000) are the below listed commitments for future projects of R217 908 000 (2016: R297 556 000). The expenditure of R311 498 357 in the table below does not include the project administration support whereas Note 14 is inclusive of the project administration costs.

The amounts in the table below should be read as follows:

Positive amounts in the contractual movements represent new or additional contracts entered into, whilst negative amounts represent reductions in contract values. The expenditure against contracts represent actual expenses incurred against signed contracts.

Project Number	Project Name	Commitments at 31 March 2016	Contractual movements in 2016/17	2016/17 Expenditure against contracts	Commitments at 31 March 2017
310.4900.047000	Learnership Year 2014	6 932 740,00	-3 603 652,00	-3 329 088,00	-
310.4900.048000	Internship Year 14	2 431 100,00	-2 431 100,00	-	-
310.4900.050000	Skills Programme for Workers in 2013/2014	294 344,00	-294 344,00	-	-
310.4900.051000	Skills Programmes for Small Businesses and Coops	3 718 821,76	-2 526 133,01	-1 192 688,75	-
310.4900.053000	Skills Programmes for Unemployed Youth	648 462,80	-648 462,80	-	-
INPROJ0000017	Skills Programmes for Workers 2015	1 746 949,69	450 550,31	-2 197 500,00	-
INPROJ0000022	Skills Programmes for Workers 2014/2015	1 261 855,26	-1 261 855,26	-	-
INPROJ0000032	Skills Programmes for Small Businesses and Coops 2016	2 478 229,53	-422 377,03	-2 055 852,50	-
INPROJ0000033	Skills Programmes for Workers 2015 / 2016	4 664 729,51	-1 983 262,51	-2 681 467,00	-
INPROJ0000005	Learnership Year 2015	98 383 311,40	5 242 363,13	-82 442 872,53	21 182 802,00
INPROJ0000034	Skills Programmes for Unemployed Youth 2015/2016	2 744 250,00	-	-2 668 550,00	75 700,00
INPROJ0000035	SAADP Year 2015	978,72	-978,72	-	-
INPROJ0000039	WIL Programmes for TVET and Uot 2014	878 722,00	-388 722,00	-490 000,00	-
INPROJ0000041	Internships for TVET College Learners	31 370 818,18	2 603 412,10	-30 005 230,28	3 969 000,00
INPROJ0000063	Mngungundlovu Skills Project	3 150 000,00	-168 700,00	-2 981 300,00	-
INPROJ0000007	Internship 2015	107 854 833,62	-59 306 534,00	-43 444 150,00	5 104 149,62
INPROJ000007.01	WIL Programmes for TVET and Uot 2015	2 310 000,00	-12 670,00	-2 297 330,00	-
INPROJ0000079	Skills Programmes for Workers 2016 / 17	1 732 500,00	8 514 472,41	-6 242 741,60	4 004 230,81
INPROJ0000008	Bursaries for Workers, SME, Coops 2015	24 949 835,95	-9 272 969,58	-14 827 413,19	849 453,18
INPROJ0000009	Management and Leadership development 2015	3 647,23	668 453,74	-672 100,97	-
INPROJ0000058	Internship for TVET College Learners	-	19 446 000,00	-12 325 159,77	7 120 840,23
INPROJ0000059	SAADP Year 2016/17	-	15 122 933,22	-14 797 933,22	325 000,00

Project Number	Project Name	Commitments at 31 March 2016	Contractual movements in 2016/17	2016/17 Expenditure against contracts	Commitments at 31 March 2017
INPROJ000076	Learnerships 16/17	-	92 844 000,00	-17 511 200,00	75 332 800,00
INPROJ000077	Skills Programme for Small Business and Cooperatives( Burial)	-	7 172 704,00	-3 559 949,90	3 612 754,10
INPROJ000060	Bursaries for Youth Year 2016/17	-	20 282 019,46	-20 282 019,46	-
INPROJ000078	Internships for Youth 16/17	-	43 342 500,00	-26 691 400,00	16 651 100,00
INPROJ000082	Artisan Development Concept (Skills for Green Eco)	-	1 609 129,00	-709 533,00	899 596,00
INPROJ000056	Development of New QCTO qualification	-	188 100,00	-169 290,00	18 810,00
INPROJ000057	QCTO qualification implementation pilot project	-	1 108 823,00	-443 529,20	665 293,80
INPROJ000073	Skills Programmes for Youth	-	3 888 930,00	-1 195 635,07	2 693 294,93
INPROJ000075	Bursaries for Workers Year 2016/17	-	24 666 721,40	-7 803 350,39	16 863 371,01
INPROJ000075.01	Bursaries for Workers Year 2016/17 (Small Business)	-	2 007 036,20	-857 849,00	1 149 187,20
INPROJ000076.03	Impact Study	-	1 545 230,34	-818 595,09	726 635,25
INPROJ000080	Management and Leadership development 2016	-	7 614 047,00	-4 568 428,20	3 045 618,80
INPROJ000003.01	Umgungundlovu Tvet College	-	1 995 000,00	-1 995 000,00	-
INPROJ000001.01	Internship Year 17	-	25 718 500,00	-256 200,00	25 462 300,00
INPROJ000091	Bursary Funding	-	9 266 244,62	-	9 266 244,62
INPROJ000093	Internships for TVET College Learners	-	14 742 000,00	-	14 742 000,00
INPROJ000099	Learnership Funding 2016/17	-	4 148 000,00	-	4 148 000,00
<b>Totals</b>		<b>297 556 130</b>	<b>231 865 409,02</b>	<b>-311 513 357</b>	<b>217 908 182</b>

## Annexure B

# Segment Reporting

Information about the the surplus, assets and liabilities reconciliations

2017

### REVENUE

#### Revenue from non-exchange transactions

Skills development levy: Income	56,149	109,491	265,782	-	<b>431,422</b>
Skills development levy: Penalties and interest	-	-	12,373	-	<b>12,373</b>

#### Revenue from exchange transactions

Other income	-	-	34	-	<b>34</b>
Investment income	-	-	25,900	-	<b>25,900</b>

#### Total segment revenue

<b>56,149</b>	<b>109,491</b>	<b>304,089</b>	<b>-</b>	<b>469,729</b>
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### EXPENSES

Employee cost	23,731	-	-	-	23,731
Depreciation and amortisation	590	-	-	-	590
Other administration expenses	31,284	-	-	-	31,284
Employer grant and project expenditure	-	94,764	314,553	-	409,317

#### Total segment expenditure

<b>55,605</b>	<b>94,764</b>	<b>314,553</b>	<b>-</b>	<b>464,922</b>
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#### Total surplus

<b>544</b>	<b>14,727</b>	<b>(10,464)</b>	<b>-</b>	<b>4,807</b>
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### ASSETS

Non-current assets	1,011	-	-	-	1,011
Consumables	71	-	-	-	71
Account receivables from exchange transactions	822	-	233	-	1,055
Account receivables from non-exchange transactions	-	5,517	-	-	5,517
Cash and cash equivalents *	-	-	-	375,606	375,606

#### Total assets

<b>1,904</b>	<b>5,517</b>	<b>233</b>	<b>375,606</b>	<b>383,260</b>
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## Segment Reporting (continued)

### Liabilities

Trade and other payables from non-exchange	-	21,550	-	-	21,550
Trade and other payables from exchange transactions	7,175	-	<b>27,830</b>	-	<b>35,005</b>
Provisions	2,245	1,097	1,301	-	4,643
<b>Total liabilities</b>	<b>9,420</b>	<b>22,647</b>	<b>29,131</b>	<b>-</b>	<b>61,198</b>

## 2016

### REVENUE

#### Revenue from non-exchange transactions

Skills development levy: Income	54,742	103,438	258,826	-	417,006
Skills development levy: Penalties and interest	-	-	14,975	-	14,975

#### Revenue from exchange transactions

Other income	-	-	66	-	66
Investment income	-	-	20,028	-	20,028

#### Total segment revenue

<b>54,742</b>	<b>103,438</b>	<b>293,895</b>	<b>-</b>	<b>452,075</b>
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### EXPENSES

Employee cost	17,874	-	-	-	17,874
Depreciation and amortisation	499	-	-	-	499
Other administration expenses	29,955	-	-	-	29,955
Employer grant expenses	-	89,871	272,693	-	362,564

#### Total segment expenditure

<b>48,328</b>	<b>89,871</b>	<b>272,693</b>	<b>-</b>	<b>410,892</b>
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#### Total surplus

<b>6,414</b>	<b>13,567</b>	<b>21,202</b>	<b>-</b>	<b>41,183</b>
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### ASSETS

Non-current assets	1,453	-	-	-	1,453
Consumables	39	-	-	-	39
Account receivables from exchange transactions	1,508	-	605	-	2,113
Account receivables from non-exchange transactions	-	2,053	-	-	2,053
Cash and cash equivalents *	-	-	-	373,583	373,583

#### Total assets

<b>3,000</b>	<b>2,053</b>	<b>605</b>	<b>373,583</b>	<b>379,241</b>
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## Segment Reporting (continued)

### Liabilities

Trade and other payables from non-exchange	5	35,933	23	-	35,961
Trade and other payables from exchange transactions	5,190	-	16,763	-	21,953
Provisions	1,858	1,030	1,184	-	4,072
<b>Total liabilities</b>	<b>7,053</b>	<b>36,963</b>	<b>17,970</b>	<b>-</b>	<b>61,986</b>

\* Cash and cash equivalents are disclosed as unallocated assets as the item cannot be attributed to either the administration, mandatory service or discretionary segments.



# inseta

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