

# *Annual Report 2013/2014*

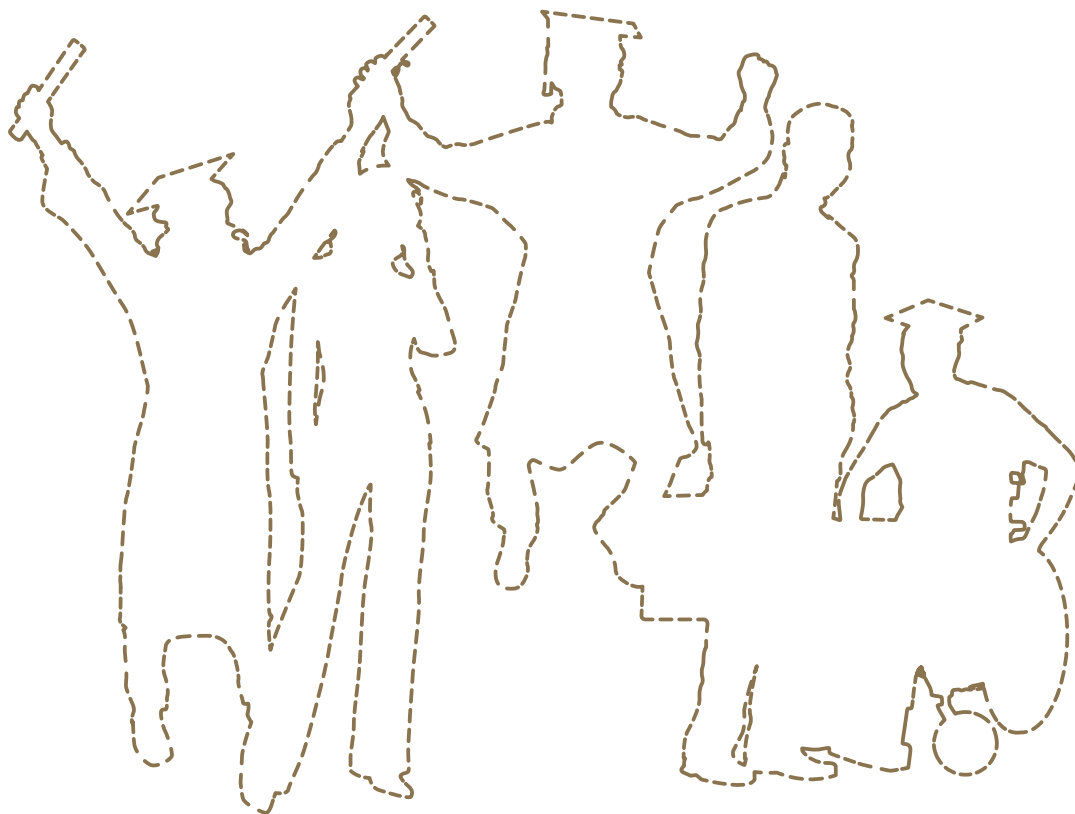
**HIGH VALUE, REAL IMPACT**



**inseta**

INSURANCE SECTOR EDUCATION  
AND TRAINING AUTHORITY

*Golden thread of  
quality*



# INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY (INSETA)

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



**inseta**  
INSURANCE SECTOR EDUCATION  
AND TRAINING AUTHORITY





**Dr. BE Nzimande**

Minister of Higher Education and Training



**Sandra Dunn**

INSETA Chief Executive Officer

## *Honourable Minister*

*Honourable Minister, it is with pleasure that we present to you, the Annual Report of the Insurance Sector Education and Training Authority for the period 1 April 2013 to 31 March 2014.*

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# PART A

## *General Information*

*"Quality is the result of a carefully constructed cultural environment.  
It has to be the fabric of the organisation, not part of the fabric."*

*Philip Crosby 1926 - 2001*

## 1 ORGANISATIONAL INFORMATION

**REGISTERED NAME:** INSURANCE SECTOR EDUCATION  
AND TRAINING AUTHORITY

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Johannesburg

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**EXTERNAL AUDITORS:** Auditor General South Africa

**BANKERS:** Nedbank

## 2 LIST OF ABBREVIATIONS/ACRONYMS

**ABET** Adult Based Education and Training  
**ASISA** Association for Savings and Investments  
of South Africa  
**ATR** Annual Training Report  
**BEE** Black Economic Empowerment  
**B-BBEE** Broad-Based Black Economic Empowerment  
**CEO** Chief Executive Officer  
**CFO** Chief Financial Officer  
**COO** Chief Operations Officer  
**DHET** Department of Higher Education and Training  
**ESG** Environmental, Social and Governance  
**ETQA** Education and Training Quality Assurance  
**FAIS** The Financial Advisory and Intermediary Services Act  
**FET** Technical and Vocational Education and Training  
**FSB** Financial Services Board  
**GRAP** Standards of Generally Recognised Accounting Practice  
**HET** Higher Education and Training  
**IISA** Insurance Institute of South Africa  
**INSETA** Insurance Sector Education and Training Authority  
**ISOE** Institute of Sectoral and Occupational Excellence  
**IT** Information Technology

**NLRD** National Learner Record Database  
**NQF** National Qualifications Framework  
**NSDS** National Skills Development Strategy  
**NSF** National Skills Fund  
**PIVOTAL** Professional, Vocational, Technical and  
Academic Learning  
**PFMA** Public Finance Management Act  
**PWC** Price Waterhouse Coopers  
**QCTO** Quality Council for Trade and Occupations  
**RE** Regulatory Examinations  
**SAADP** South African Actuaries Development Programme  
**SAQA** South African Qualifications Authority  
**SARS** South African Revenue Services  
**SCM** Supply Chain Management  
**SCOPA** Standing Committee on Public Accounts  
**SDF** Skills Development Facilitators  
**SETA** Sector Education and Training Authority  
**SLA** Service Level Agreement  
**SMME** Small, Medium and Micro Enterprises  
**SSP** Sector Skills Plan  
**WBE** Work-based Experience  
**WSP** Workplace Skills Plan



## 3 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

### STRATEGIC OUTCOME ORIENTED GOALS

INSETA set the following strategic goals for the period 2013/14.

#### STRATEGIC GOAL 1:

A credible institutional mechanism for skills planning

#### STRATEGIC GOAL 2:

Increased access to occupationally directed programmes

#### STRATEGIC GOAL 3:

Better use of workplace-based skills development

#### STRATEGIC GOAL 4:

Training and support provided to Sector Cooperatives, Small Enterprises and NGO's

#### STRATEGIC GOAL 5:

Effective established career and vocational guidance channels

#### STRATEGIC GOAL 6:

Promoting the growth of a public FET system that is responsive to sector, local regional and national skills priorities

#### STRATEGIC GOAL 7:

Organisational Effectiveness

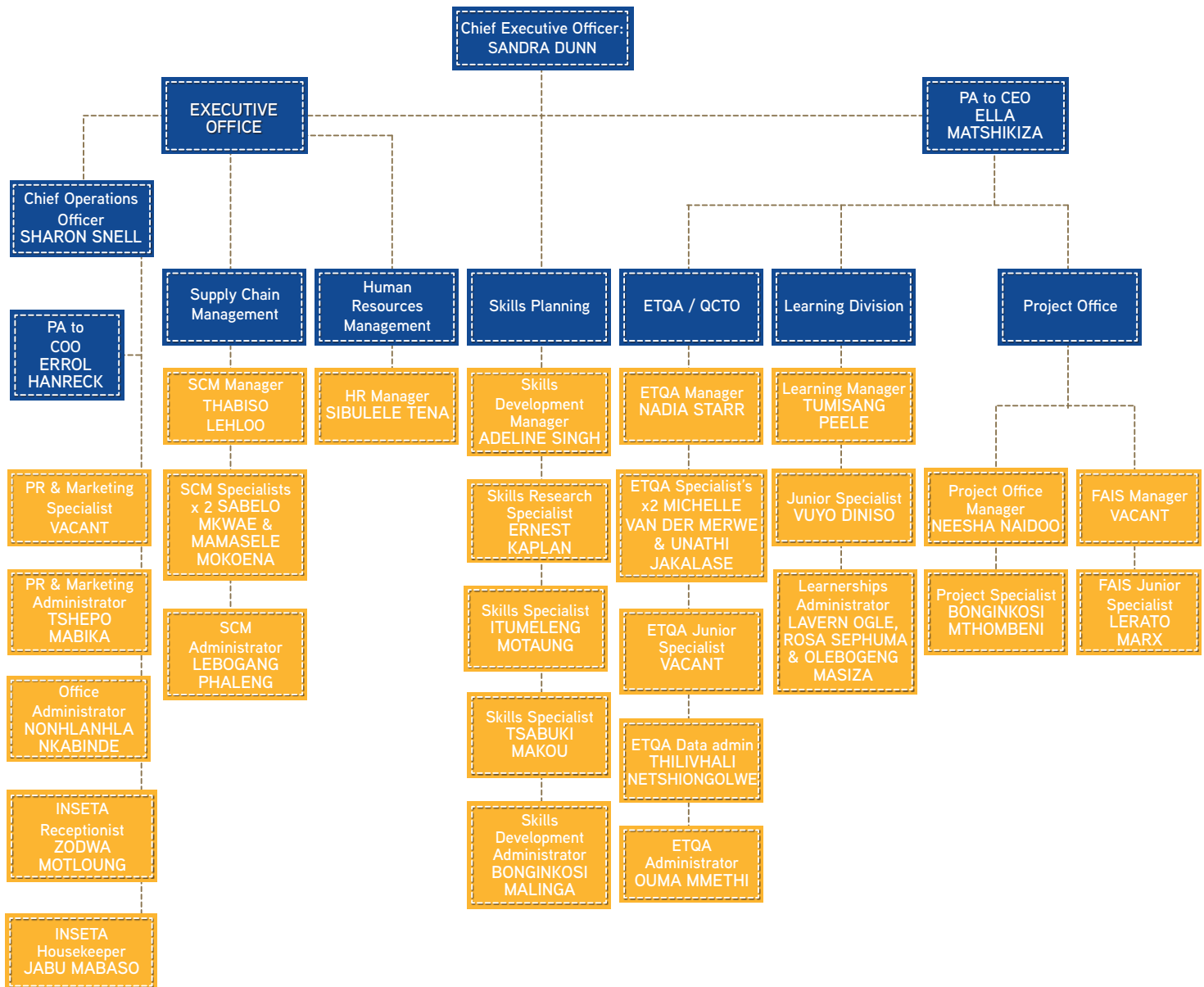
## LEGISLATIVE AND OTHER MANDATES OF INSETA

INSETA is a schedule 3A Public Entity in terms of the PFMA. The INSETA must perform in accordance with the Skills Development Act (SDA), the Skills Development Levies Act (SDLA), the Public Finance Management Act (PFMA), any other relevant legislation and the INSETA Constitution.

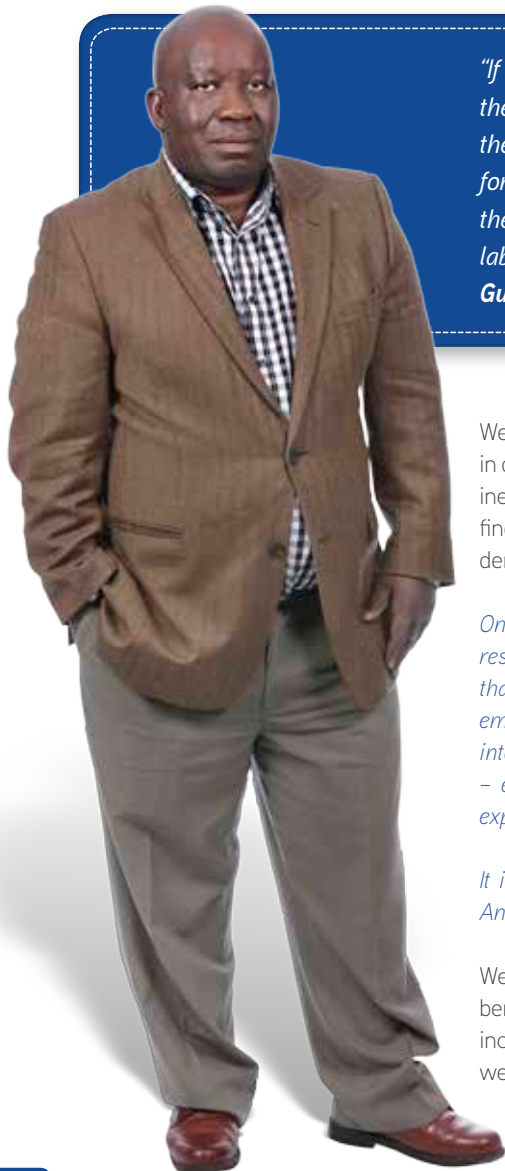
The table represents the Acts/other mandate documents that predominantly direct and influences INSETA with respect to skills development.

ACT/OTHER MANDATE DOCUMENTS	PURPOSE OF THE ACT/OTHER MANDATES
Insurance Sector Education and Training Authority Constitution	This Constitution provides an institutional framework for the SETA to develop and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce.
The Skills Development Act, (SDA)1998 (as amended)	Provides an Institutional Framework to develop and implement national sector and workplace strategies to improve the skills of the SA workplace.
The Public Finance Management Act, (PFMA) 1999 (as amended)	The PFMA seeks to regulate financial management in the national government and provincial governments
Skills Development Levies Act, (SDLA)1999	Provides for the imposition of the skills development levy and matters related thereto.
The Financial Advisory and Intermediary Services (FAIS) Act, 2002	Sets out the Fit and Proper requirements for financial services providers. New requirements include compulsory Regulatory Examinations with strict timeframes as laid down by the Financial Services Board (FSB).
National Qualifications Framework Act, (NQF) 2009	To provide for the National Qualifications Framework.
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 National Growth Path strategy objective to create five million new jobs by 2020.
Sector Skills Plan (SSP)	Sets key priorities which guides discretionary grant spend and INSETA targets.
Annual Performance Plan (APP)	The annual performance plan contains INSETA's performance commitments and measurement framework.
Service Level Agreement (SLA)	The SLA sets out the agreement between DHET and INSETA

# 5 ORGANISATIONAL STRUCTURE



## 6 FOREWORD BY THE CHAIRPERSON



*"If no action is taken, youth around the world will not be able to get a place in the labour market, nor to develop their economic potential or ultimately that of their families. Next to being a tragedy in itself, this clearly has repercussions for our economies and means that our societies will not be able to incorporate the dynamism and the innovation that young women and men bring to the labour markets that is vital for growth and sustainable development"*

**Guy Ryder - International Labour Organization (ILO) 2014**

We require an unconditional and genuine commitment to improve education and training in order to address our country's challenges of poverty, youth unemployment and growing inequalities. Our country has a large number of young people who experience difficulties finding employment because of a mismatch between their education and training and the demands of the labour market.

*One of INSETA's five core values is to 'deliver quality'. For us this means that we deliver results which have a real impact and that there is value received for the investment that is made. In order to deliver quality, we need to have insight into the needs of our employer companies, labour and higher education providers, to reconcile any divergent interest allowing for collaborative and sustainable solutions to our country's complex socio – economic barriers to skills development. Quality then is about meeting the needs and expectations of all our stakeholders.*

*It is for this reason that we will focus on "high value, real impact" as the theme for this Annual Report.*

We set ourselves ambitious targets for the year under review, in order to advantage more beneficiaries receiving quality interventions from INSETA funding. I am satisfied with our increased footprint which is evidenced by our performance numbers and pleased that we are considered a trusted partner by all our stakeholders.

## INSETA STRATEGY

Our Sector Skills Plan has been enhanced by improved stakeholder participation in the annual review. INSETA entrenched its reputation as the authority on labour market analysis in the insurance sector. We conducted broad consultation including focussed consultations with a dedicated steering committee, made up of key sector representatives. The outcome is an agreed sector strategy to address the skills needs within the insurance sector. This plan focussed on the collective needs of levy and non-levy paying institutions, SMME's and Burial Societies.

The INSETA strategy is aligned with government strategic objectives adopted in 2009 as the Medium- term Strategic Framework (MTSF) with emphasis on the fourth strategic priority, namely to strengthen the skills and human resource base. INSETA has also aligned its strategy to Department of Higher Education (DHET) goals and NSDS III. The goal underpins the strategy to achieve the fundamental transformation imperatives of class, race, gender, age, geography, disability and HIV and AIDS pandemic in society. With the aforementioned in mind, we are pleased to report that INSETA has made a significant contribution in achieving our targets during the year under review.

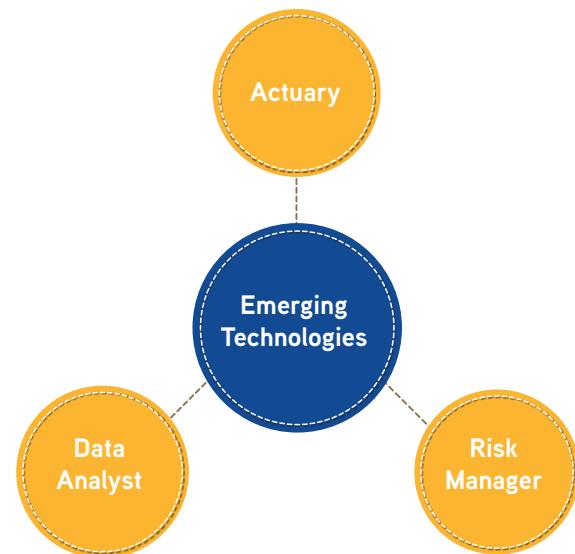
## KEY RISK AFFECTING SUSTAINABILITY OF THE INSURANCE SECTOR

According to the PWC Banana Skins Survey, the burden of regulation was the insurance industry's number one risk in 2013. Insurers will need to keep their systems and processes current to meet regulatory obligations contributing to the rising cost of compliance. This favoured large companies and INSETA has noted a trend whereby small brokerages are closing and brokers are seeking employment with large companies. Consequently, there is a reduction in the number of workplaces to host learners

on INSETA programmes especially outside of Gauteng, Western Cape and Kwa-Zulu Natal, which are the main insurance hubs.

## THE GROWING GAP FOR HIGH-SKILL WORKERS

The insurance sector is knowledge-intensive and insurers are using emerging technologies to address key challenges in the industry such as risk, regulatory compliance, customer retention and new product development. Telematics, Big Data, predictive modelling and cloud computing are some of the IT solutions that are deployed by insurers to give them the competitive edge. These changes are fuelling the growth for high- skill jobs in the insurance sector. Our research has identified that high-skill professionals like actuaries, risk managers and data and systems analysts are needed to deal with emerging technologies.



## TRANSFORMATION IN THE SECTOR

The demographic profile of the insurance sector is steadily changing indicating that initiatives to transform the sector are progressing well according to INSETA's SSP research. Although the managerial and professional occupational categories have more White workers, we have seen a year on year increase of Black workers in these categories. There was an increase of 1 632 (28%) of Black managers and 5 946 (61%) of Black professionals. The sector employed 58% females and 42% males.

## GROWTH IN LEVY INCOME

Our levy income increased by approximately 15.39% to R342.1 million from the previous year. This was largely due to an increase in levies received due to inflationary increases in the salaries paid in the insurance sector and 149 new levy contributing companies joining INSETA in the current year.

It was positive to note that despite the sluggish economic performance of the South African economy in 2013, the insurance sector posted good results overall. Insurers are penetrating new markets in Africa, taking advantage of the existing low penetration rates and potential for high growth rates.

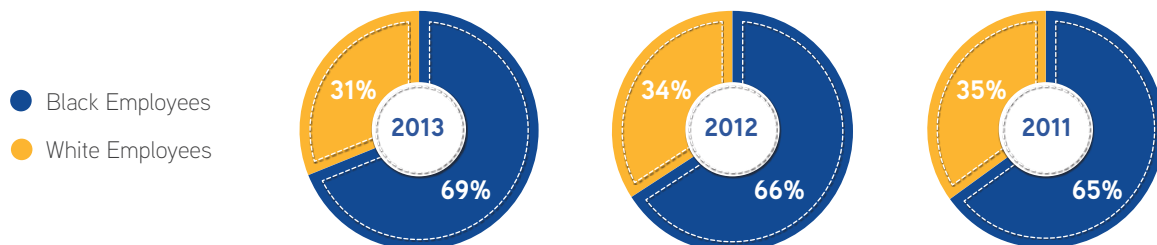
## PR AND COMMUNICATIONS

Our goal to position INSETA as a thought leader and enabler in the education and training environment was achieved. A total of 26 press releases and 3 research articles were issued. We increased our publication of our newsletter 'INSIDER' from quarterly to monthly and distributed this to stakeholders throughout the year. An active social media presence was maintained with a large following especially from the age category of 18 to 35 year olds. In addition, INSETA enjoyed increased positive print and online media coverage from the mainstream media and sector specific publications during the period under review with free coverage valued at R3.5 million.

## STRATEGIC PARTNERSHIPS WITH THE INSURANCE SECTOR

INSETA continued to participate in Short and Long-term insurance sub-sector committees which focus on the risk of talent shortages within the sector. The SAIA Human Capital committee and the ASISA Employment Equity and Education committee provide key inputs into INSETA's activities. INSETA also engaged with other stakeholders in the sector as part of our broad consultation. We have been mandated by industry

### RACIAL REPRESENTATION IN THE SECTOR AS PER INSETA SSP



to conduct in-depth research into transformation of the industry and skills needs of each sub-sector. Below is a list of key sector stakeholders with whom we engage on skills development:

CATEGORY	ENTITY	
Industry Associations	Associations of Savings and Investment of South Africa (ASISA)	South African Insurance Association (SAIA)
Intermediary sub-sector	Financial Intermediaries Association (FIA)	Association for Black Insurance Brokers (ABIB)
	Black Brokers Forum (BBF)	
Professional Bodies	Insurance Institute of South Africa Institute of Loss Adjusters	Financial Planning Institute (FPI) Principal Officers Association (POA)
	Actuarial Society of South Africa (ASSA)	Association for Black Actuaries (ASABA)
Risk Management	Institute of Risk Managers South Africa (IRMSA)	
Underwriting agency	South African Underwriting Managers Association (SAUMA)	Underwriters Managers Association (UMA)
Funeral sub-sector	Funeral Assistance Business (FAB)	Burial Societies of South Africa (BUSOSA)
	South African Federation of Burial Societies (SAFOBS)	
Health care benefits and administration	Board of Healthcare Funders	
Regulatory	Financial Services Board (FSB) Council for Medical Aid Schemes	National Treasury



## SCARCE AND CRITICAL SKILLS

INSETA partnered with FET Colleges and Universities and provided bursaries to unemployed learners in study fields relevant to the insurance sector. These include areas of scarce and critical skills such as B Com Financial Planning; Risk Management; Investment Management; and National Certificate Vocational (Financial Management). Bursaries in the amount of R 16.2 million were allocated to students in the public FET Colleges and Universities. Learners are selected based on performance, need and equity and we are pleased to report that our bursary recipients have a very high graduation rate.

INSETA funds the development of actuarial science graduates through a partnership with the South African Actuarial Development Programme. This is the fifth year of the partnership and, to date, we have provided bursaries to 301 learners and R 30.7 million was allocated to support this programme. The programme sources top matriculants from disadvantaged backgrounds, provides coaching and mentoring and other support structures. It also affords students the opportunity to work in the best financial and insurance related organisations in the country once they have completed their qualification.

## THE YEAR AHEAD

The targets adopted for 2014/15 with the DHET will see a further increase in the number of beneficiaries. In order to achieve these targets we will need to have the commitment of the sector to host learners and create new partnerships to find more workplaces to host the learners. Here we have to partner with additional

small and micro employers in order to encourage them to participate as host employers. In addition, we will be meeting large employers to open up their branch networks countrywide to host learners from the FET colleges for work experience. INSETA has opened offices in rural Eastern Cape where we are the lead SETA in two FET colleges. We face the on-going challenge of finding employers to partner with INSETA to host FET graduates.

We also look forward to the outcomes of the landmark sector wide research project that INSETA has commissioned. This research is expected to provide a meticulous profile of the state of skills in each sub sector of the insurance sector.

## APPRECIATION

I sincerely wish to express my gratitude to my fellow Board members for their commitment, support and guidance I experienced during the course of the year. To all INSETA stakeholders, thank you for your on-going support and cooperation. Appreciation must also be extended to the Executive Authority, the Department of Higher Education and Training and the South African Qualifications Authority. To Sandra Dunn and her team, thank you for all your hard work and dedication.



**MZIMKULU MSIWA**

Independent Chairperson of the INSETA Board  
31 July 2014

## 7 CHIEF EXECUTIVE OFFICER'S REPORT



*"Before you start some work, always ask yourself three questions - Why am I doing it, what the results might be and will I be successful. Only when you think deeply and find satisfactory answers to these questions, go ahead."*

**Chanakya 370-283 BCE**

### TOGETHER WE HAVE DONE MORE

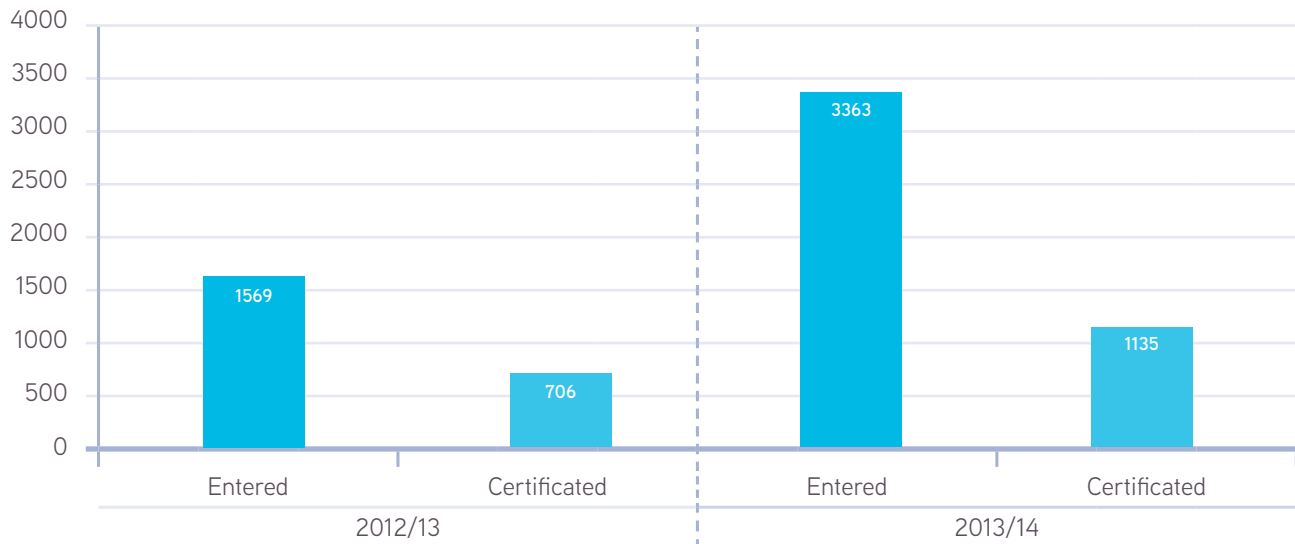
INSETA has always delivered quality solutions to our beneficiaries. However the challenge we encountered for the year under review was that Higher Education needed to increase the number of beneficiaries to deal with the growing youth unemployment crisis. We found ourselves rethinking and remodelling our existing business processes to accommodate increased participation.

I am pleased to present INSETA's Annual Report for 2013/14 containing an overview of key activities during the year, and achievements towards our vision. These results could only be achieved through the on-going commitment of our insurance sector partners who play an active role in skills development and transformation of the insurance sector.

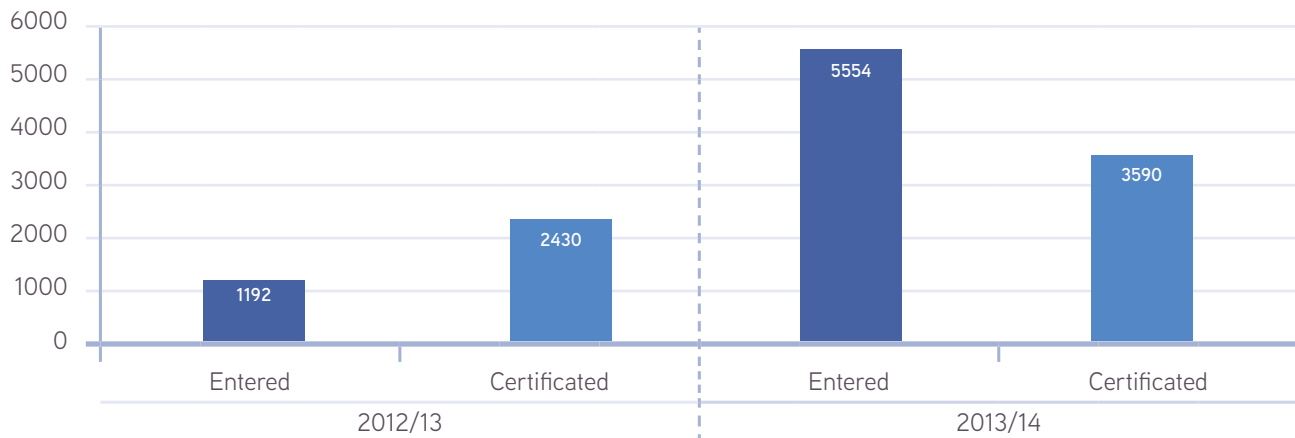
### PERFORMANCE TOWARDS ACHIEVING NSDS LLL INDICATORS

INSETA set significantly higher performance targets for 2013/14 compared to last year and made substantial progress towards achieving these in the year under review. We planned to support 3 250 (2012/13: 920) unemployed learners and 5 200 workers (2012/13: 1 000) workers through various learning programmes. At the aggregated level we supported 3 363 (2012/13: 1 569) unemployed learners and 5 554 (2012/13: 1 192) workers in bursaries, skills programmes and learnerships. Learning programmes are aligned to scarce and critical skills identified by the sector. In addition I would like to report that 1 135 (2012/13: 706) unemployed youth and 3 590 (2012/13: 2 430) workers were certificated in part or full qualifications in the year under review. 643 graduate interns were funded to obtain work experience for a period of 12 months in the sector.

## UNEMPLOYED LEARNING PROGRAMMES



## WORKERS LEARNING PROGRAMME



## SCARCE AND CRITICAL SKILLS

### DEVELOPING ACTUARIES

An amount of R 30.7 million has thus far been invested in the development of actuarial talent in the industry. INSETA has partnered with the SAADP programme for the past five years to support 301 unemployed learners. For the year ahead R 9.8 million has been allocated to bursaries for actuarial science study.

NO OF ACTUARIES SUPPORTED THROUGH BURSARIES 2011- 2014			
Calendar Year	Learners entered	Learners completed	Bursary Funding
2010	54	54	R 4,731, 238.19
2011	64	55	R 7,613,350.02
2012	61	51	R 3,149,458.10
2013	59	55	R 5,482,852.52
2014	63	*pending 14/15 year	R 9,806,959.48
<b>TOTAL</b>	<b>301</b>	<b>215* pending 2014 results</b>	<b>R 30,783,858.31</b>

### DEVELOPING UNDERWRITERS AND CLAIMS ASSESSORS

INSETA also provided 6 scholarship learners with an opportunity to study on the ASISA Academy programme in Life Insurance Underwriting and Claims Assessor which are scarce and critical skills professions. The scholarship recipients were provided with an opportunity to obtain valuable work based experience in insurance companies. The majority of professionals in these two occupation categories represented historical demographics and this opportunity contributed to the transformation of these professions.

One of the barriers into the professions has been the fact that there is no formal registered qualification for these occupations. INSETA has now registered the Underwriter qualification with SAQA as below:

Occupational Certificate: Insurance Agent: Insurance Underwriter	
SAQA QUAL ID	Qualification Title
91784	Occupational Certificate: Insurance Agent: Insurance Underwriter

We would like to thank the industry participants who volunteered their time and expertise to contribute to this qualification development which will now benefit the entire sector. Discussions are currently being held with the QCTO to provide clarity in respect of how to implement these new qualifications, and in respect of the registration of this qualification as a learnership.

We have also procured the services of a specialist instructional design company to develop the learning material in support of the Underwriter qualification with subject matter experts from industry. The estimated completion date for the material is June 2014 after which it will be made available to all accredited or emerging providers free of charge to ensure that there are sufficient training providers who can deliver the new qualification.

### ARTICULATION OF THE WEALTH MANAGEMENT CAREER PATHWAY

In 2010 a partnership between INSETA, UWC and the Financial Planning Institute (FPI) pioneered an articulation initiative in South Africa. This resulted in a number of artificial barriers to entry being removed in the financial planning sector and provided opportunities for young people looking to carve out a career in the field. The programme offers a “seamless articulation” between Further Education and Training and Higher Education and Training institutes, and has been successful in increasing the number of qualified professional financial planners; thereby contributing to the transformation of the profession. INSETA continues to support the initiative by providing funding for learnership candidates to register with the FET colleges to complete their NQF level 5 Wealth Management Qualification.

On completion of their qualification learners can advance to university on a bursary funded by INSETA.

Further, we have procured learning materials for Wealth Management NQF 4 and NQF 5, Short Term NQF 4, Long Term NQF 4 and Retail NQF 4. The learning material will be available to all accredited or emerging providers, but will be subject to the normal learning programme approval process.

### PARTNERSHIPS WITH PUBLIC UNIVERSITIES AND COLLEGES TO PROVIDE BURSARIES IN SCARCE AND CRITICAL SKILLS

INSETA partnered with public universities and FET colleges to support unemployed learners studying towards full qualifications in areas of scarce and critical skills to the insurance sector. These include B Com Financial Management; Risk Management; Investment Management; Actuarial Science; NCV Financial Management and IT. In addition workers who were studying towards these programmes at the universities were included in the bursary funding programmes. A total of 616 learners received bursary funding through these partnerships and 83% successfully completed their studies.

INSETA was appointed by the DHET to be the lead SETA in three FET colleges. We launched our offices in the Eastern Cape at INGWE and IKHALA colleges. INSETA is expected to coordinate the activities of the other SETAs in the province around common services like career guidance. A challenge we experienced was in finding workplaces in the rural areas to place the FET learners who need to obtain valuable work experience to make them more employable. We expect to launch our offices at Ekurhuleni West College in the current year.

BURSARY FUNDING FOR SCARCE AND CRITICAL SKILLS (2013/14 FINANCIAL YEAR)				
No	Institution	Learners started	Learners completed	Bursary Funding
1	Stellenbosch University	13	11	R 798,965.53
2	University of Johannesburg	65	55	R 922,417.07
3	Nelson Mandela Metropolitan University	41	39	R 950,000.00
4	University of Free State	55	52	R 950,000.00
5	University of Western Cape	27	16	R 494,100.00
6	Rhodes University	41	41	R 3,038,771.00
7	North west University	12	12	R 648,825.00
8	Gert Sibande college	90	62	R 500,000.00
9	Ekurhuleni College	85	81	R 500,000.00
10	South West Gauteng College	99	52	R 500,000.00
11	Umfolozi College	75	73	R 500,000.00
12	ASISA Academy	6	6	R 439,488.00
13	SAADP 13/14 (various universities)	59	55	R 5,482,852.52
14	CIDA University	19	19	R 457,728.00
16	INGWE College	25	14	R 100,000.00
<b>TOTAL AMOUNT</b>		<b>712</b>	<b>588</b>	<b>R 16,283,147.12</b>

## LEVY PAYING EMPLOYER INFORMATION

A total of 1 825 Levy Payers registered with INSETA for the year under review. The table below illustrates the company size and number of registered levy paying employers as well as the number of Workplace Skills Plans and Annual Training Reports received in 2013.

SUBMISSION OF WSP/ATR		
Organisation size	No of registered levy paying employers	Submitted (2013)
Large (150+)	77	74
Medium (50–149)	108	88
Small (1–49)	1 640	598
<b>TOTAL</b>	<b>1 825</b>	<b>760</b>

The submission of Workplace Skills Plans (WSP) and Annual Training Reports (ATR) provides INSETA with valuable data for the Sector Skills Plan. Skills Audits for workplace skills plans/annual training reports submitted during 2013 have been on-going between November 2013 and February 2014 as required by the new grant regulations.

### QUALITY ASSURANCE OF LEARNING

During the financial year, our Quality Assurance division instituted a cycle of provider audits. Once completed; it will revert to a cycle of monitoring and capacity building. This will assist with the next audit cycle to ensure on-going compliance and self-reflection on the part of our accredited providers. Through these activities, most providers have engaged with effort and integrity and we have noted this with gratitude.

Over the past year, in response to NQF changes, we resolved to strengthen quality assurance processes. All quality assurance policies, processes and systems have been reviewed and updated policies and systems are due for dissemination in mid-2014.

In particular, our Quality Assurance division has enhanced the verification module for our SETA Management System (SMS) to ensure a more effective and efficient process of uploading and achieving learner credits. The SMS now hosts an online verification request platform accessible from 1 December 2013. This platform enables providers to request verification, attach the relevant reports, upload the credits and select the relevant learners. This can be done prior to a verification date being scheduled. In turn the system enables our Quality Assurance division to conduct a desktop verification with all relevant documentation and credit uploads. It also ring-fences and manages the approval of those credits in a more streamlined process, which reduces the timeframe and human error between

verification and certification. A total of 6 415 certifications were verified by ETQA for learnerships, skills programmes and full qualifications registered with INSETA.

#### QUALITY ASSURANCE OF LEARNING BY ETQA FOR THE PERIOD ENDING 31 MARCH 2014

Certification	Numbers
Learnerships	560
Skills Programmes	4 790
Full qualifications	1 065
<b>TOTAL</b>	<b>6 415</b>

### SUPPORT FOR SMALL BROKERAGES AND BURIAL SOCIETIES

Various skills programmes were provided to support small brokerages and Burial Societies. We provided funding to 507 Burial Societies who benefitted from short programmes in Financial Management; Bookkeeping; Secretarial; Treasurer training and IT skills. FAIS support continues to be provided with dedicated FAIS programmes, learning material and examination preparation workshops. INSETA has also set up a dedicated Broker Network to support small brokers. To encourage participation of small employers, INSETA runs a dedicated SMME Learnership programme whereby the recruitment of learners, project management, administration and payment of stipends and the training is coordinated by INSETA.

### PROMOTING THE INSURANCE SECTOR AS A CAREER

INSETA actively promoted the insurance sector to the youth as a career of choice. We participated in over 55 career days spanning the nine provinces in both rural and urban areas. Highlights in promoting the insurance sector include:



- The actuarial profession spearheaded by the Association for Black Actuaries held their inaugural Actuarial Fair which was sponsored in part by INSETA. Top achieving learners were identified from disadvantaged schools in the Gauteng area and invited to participate in a day of learning and fun spent with actuarial professionals.
- Once again we participated in profiling INSETA in the INMAG. INMAG is an insurance industry magazine which profiled insurance companies and their offerings to the youth which includes career information and opportunities like bursaries and learnerships. These are distributed to our learners at career guidance exhibitions.
- We updated our career guidance brochure and the new version is more detailed with a youthful, exciting look and feel.
- We participated in the National Skills Conference and facilitated the parallel career exhibition. We transported over two thousand learners from disadvantaged schools in the East Rand to attend the exciting interactive career exhibition.
- INSETA has established a social media presence and we provide insurance career information feeds to our young followers.

## FINANCIAL PERFORMANCE

Financial and performance results of South Africa's major insurers published in 2013 indicate that the insurance industry remains stable and is growing. Our levy income exceeded budget. INSETA received levies of R342.1m (2012/13: R290.9). Mandatory grants were paid to employers based on 20% of their levies totaling R102 841 (2012/13: R163.5 million). This reduced pay-out ratio was in line with the revised grant regulations which reduced the pay-out from 50% to 20%.

Our mandatory grant pay-out ratio remained high despite a drop to 92% (2012/13: 95%).

## BEE PROCUREMENT SPEND

A total of two hundred and five (205) companies were engaged in the provision of goods and services for the period under review. It is perhaps worth noting that a significant portion of INSETA's expenditure is on B-BBEE contribution levels of two and three and this contributes 59.8% of total expenditure. This is a significant achievement that shows that INSETA is spending on empowered companies. This achievement is however diluted by a high number of non-compliant companies transacted with over the same period, the majority of which were used to service once-off requests that were below R30 000.

The table below indicates spend based on total bids awarded per B-BBEE contribution level:

Number of companies	B-BBEE Contribution Level	Value
3	1	R 8 241 600,25
0	2	R 0,00
6	3	R 7 587 644,00
9	4	R 8 200 165,30
0	5	R 0,00
0	6	R 0,00
0	7	R 0,00
0	8	R 0,00
0	Non-compliant	R 0,00
<b>TOTAL VALUE AWARDED</b>		<b>R 24 029 409,55</b>

## INVESTMENTS POLICY

INSETA funds are managed in terms of its investment policy and are invested with the Corporation for Public Deposits (CPD). Investment income received for the period amounted to R 17.3 million (2012/13: R14 million).

## COST OF CONSULTANTS AND TECHNICAL ADVISORS

INSETA's main service providers are listed below:

CONSULTANTS AND TECHNICAL ADVISORS	SERVICE	COST FOR 2013/14
Deloitte	Provide outsourced services in information technology, financial management and various other back office processes. Contracted until March 2016.	R 10 221 000
Business Innovation Group	Provide outsourced internal audit function. Contracted until March 2016.	R 1 124 000
Auditor General	Perform the external audit function, which is a legislative requirement for all SETA's.	R 1 547 000

## AUDITS

INSETA is proud of the achievement of its 14th unqualified audit from the Auditor General in 14 years of existence. This confirms the maturity of our governance framework and internal control systems.

We introduced a new system to monitor provisional and contracted commitments, as well as conducted staff training in this area to address the gaps found in the previous audit. We will continue with these initiatives in the year ahead.

Our internal auditors provided assurance on our internal controls through a risk- based audit. The Department of Higher Education and Training conducted quarterly performance audits.

## FUTURE OUTLOOK

The following “catalytic” (non-PIVOTAL) interventions are being implemented in the year ahead:

- FAIS “Fit and Proper” support: through this project INSETA provides support to key individuals, representatives and other stakeholders affected by the Fit and Proper regulations. Support initiatives have been scoped to roll-out in the new financial year. This is being done through the provision of hands-on training workshops and updated learning material towards the regulatory exams (RE).
- Industry-driven Research: over and above its mandated research, INSETA seeks to be an authority on labour market intelligence within the insurance sector towards ensuring that skills development targets and strategic

interventions can produce real impact. To this end, this project intends to provide factual data on the status of the industry in terms of transformation, skills needs, job creation opportunities, gaps in qualifications and skills and industry expectations. The project will commence in the new year with extensive engagement with stakeholders in all sub-sectors

- Black Broker Development: in engaging stakeholders, this was identified as a key sustainability issue facing the industry. INSETA will be rolling out a project to support growth in essential skills towards sustainability of black brokers to achieve impactful transformation in this area.
- Management and leadership: through sector skills research and industry engagements a need has been highlighted for management and leadership development in the context of current industry drivers and imperatives. A project to address this need is in initiation phase and will be implemented early in the new financial year.

#### WE WILL ALSO FOCUS ON THE FOLLOWING NSDS LLL IMPERATIVES:

- Taking the conversation to industry to open up their workspaces to enable delivery in rural areas and at district level;
- Fast tracking the capacitation of FET colleges to deliver INSETA programmes;
- Providing assistance to the sector especially brokerage in relation to FAIS Fit & Proper;
- Creating career pathways and qualifications in partnership with public higher and further education institutions; and
- Promoting transformation in the Insurance Sector through all levels.

#### ACKNOWLEDGEMENT/APPRECIATION

I would like to thank everyone who contributed to INSETA delivering these excellent results. My sincere appreciation goes to our Chairperson, Mzimkulu Msiwa, and all members of our Board and Committees, for their strategic guidance and leadership.

INSETA has a skilled management team and staff who have a solid understanding of the environment in which we operate. This enabled us to continue delivering on our mandate to deliver quality while at the same time increasing the number of beneficiaries. I am truly grateful for the support I received from the INSETA team.

Quality work is not possible without quality partnerships. My sincere gratitude goes to our stakeholders for their unfailing commitment and incredible support.



**SANDRA DUNN**

Chief Executive Officer  
INSETA  
31 July 2014



# PART B

## *Performance Information*

*“A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so.”*

**Mahatma Gandhi 1869 - 1948**

# 1 STATEMENT OF RESPONSIBILITY OF PERFORMANCE INFORMATION

## STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2014

The Chief Executive Officer is responsible for the preparation of the public entity's performance information and for the judgements made in this information.

The Chief Executive Officer is responsible for establishing, and implementing a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the strategic and annual performance plan of the public entity for the financial year ended 31 March 2014.

The INSETA performance information for the year ended 31 March 2014 has been examined by the Auditor General of South Africa and their report is presented on page 83.

The performance information of the entity set out on page 30 to page 45 was approved by the Board.



**SANDRA DUNN**  
Chief Executive Officer  
31 July 2014

## 2 AUDITORS REPORT: PREDETERMINED OBJECTIVES

The Auditor General South Africa currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. This is reported under the *Predetermined Objectives* heading in the *Report on other Legal and Regulatory Requirements* section of the auditor's report.

Refer to page 83 of the Report of the Auditors, published as Part E: Financial Information.

## 3 OVERVIEW OF INSETA'S PERFORMANCE

### SERVICE DELIVERY ENVIRONMENT

The INSETA Sector Skills Plan (SSP) indicates that skills in demand are within the occupational categories of clerk, administrator, sales worker, managers and professional, notably at an intermediate and high-level. The scarce and critical skills clusters in the insurance and related services sector represented by the SSP are as follows:

ADVICE AND SALES (INSURANCE SALES REPRESENTATIVES AND FINANCIAL INVESTMENT ADVISORS)	
Cluster 1	Advice and sales (Insurance sales representatives and financial investment advisors)
Cluster 2	Information systems (Developer Programmer and Business & Systems Analyst)
Cluster 3	Claims assessing (Claims Investigators, Loss Adjustors, Claims Assessors, etc.)
Cluster 4	Specialist Areas (Insurance Underwriters, Actuaries, ESG, Trustees etc.)

The Burial and Funeral Insurance sub-sector, has expressed a need for support. In order to regulate this subsector the need for small organisations to be registered as cooperatives is imperative.

There is a requirement for increased consumer education, protection, rights and financial literacy. The insurance sector is well organised through professional bodies and associations. The INSETA has built good relations and partnerships with the various organisations to understand and contribute to the subsector needs. INSETA remains relevant and is able to meet the demands of all the subsectors because of its healthy partnerships. The various subsectors are reflected in the Standard Industrial Classification (SIC) Codes table below:

SIC CODE	SCOPE OF COVERAGE / DESCRIPTION
81901	Unit Trusts (or collective investments)
81902	Risk Management
82100	Insurance and Pension Funding, except compulsory social security
82110	Life -Insurance
82120	Pension Funding
82131	Healthcare Benefits Administration
82191	Short-term Insurance
82192	Funeral Insurance
82193	Re-insurance
83300	Activities Auxiliary to Insurance and Pension Funding (including Brokers/Intermediaries)



## ORGANISATIONAL ENVIRONMENT

The INSETA Board comprises six constituent nominees who represent the interest of business, six constituent nominees who represent the interest of labour, two ministerial appointees and one independent chairperson. The INSETA Board provides strategic direction to management and plays a crucial oversight role.

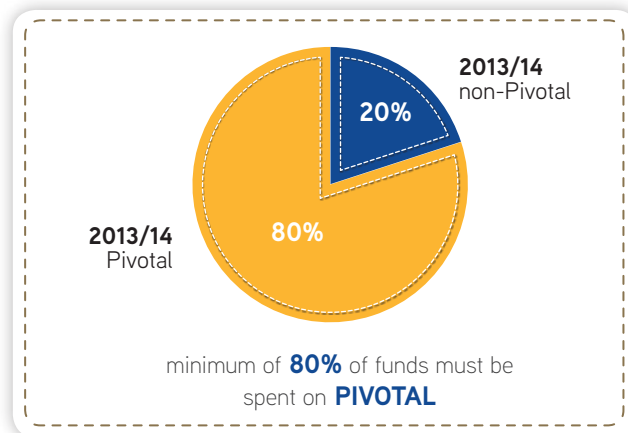
INSETA has a permanent staff complement of thirty one. This number will increase to thirty five to ensure capacity to deliver on an ambitious strategic plan and to improve on the organisation's research capability.

The INSETA head office is based in Johannesburg. In line with the Minister's request for greater national coverage, regional representation will be extended through FET Colleges with which INSETA has working relationships. To this end, INSETA established SETA offices in the Eastern Cape at INGWE and IKHALA FET Colleges. The core divisions within INSETA are Skills Planning and Research, Learning and Quality Assurance. Support divisions comprise Human Resources, Supply Chain Management, PR and Marketing, Project Management and Finance and IT (outsourced).

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

## KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

In line with the new grant legislation, 49.5% of skills levies are now allocated to discretionary grant projects, as opposed to a 20% allocation in the previous financial year, with a concomitant decrease in mandatory grant allocations. In essence, this means that Inseta has increased funds available to allocate to discretionary projects.



Regulations governing the spend of discretionary grants, implemented in the 2013/14 financial year, stipulate that a minimum of 80% of funds must be spent on "PIVOTAL" programmes, these are to support programmes in the field of professional, internship, vocational, occupational, technical, academic and learning program categories. The remaining 20% may be spent on "non-PIVOTAL" or catalytic interventions, such as those that respond to key industry drivers and needs outside these stipulated categories.

INSETA has embarked on extensive stakeholder consultations to reassure stakeholders of the skills development benefits that will be available to the sector given the 30% reduction in mandatory grants reimbursements.

## STRATEGIC OUTCOME ORIENTED GOALS

INSETA has identified six strategic goals that contribute to the NSDS III vision of a "skilled and capable workforce". A seventh goal focuses on Operational Efficiency.

## 4 PERFORMANCE INFORMATION BY PROGRAMME

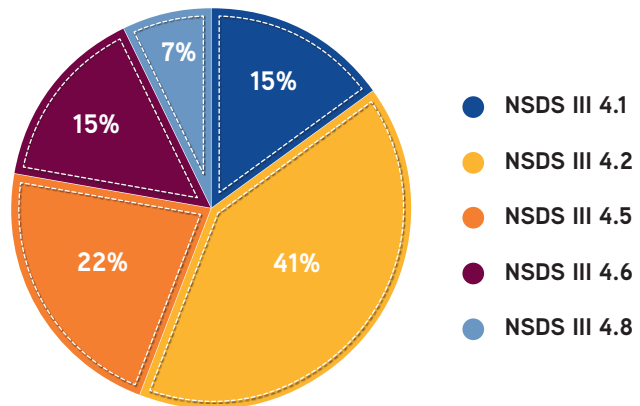
The table below represents a high-level summary of the programmes, including discretionary project funding allocations that align with INSETA strategy and support the NSDS III Strategic Goals.

NSDS STRATEGIC OUTCOME-ORIENTED GOAL	NSDS III indicator	INSETA PROGRAMME	FUNDING ALLOCATED
A credible institutional mechanism for skills planning	4.1	Research and Benchmarking	<b>R 16 421, 412</b> <b>(4 active projects)</b>
Effective established career and vocational guidance channels	4.8	Youth Education and Development	<b>R 3, 911, 937</b> <b>(2 active projects)</b>
Increased access to Occupationally directed programmes	4.2		<b>R 314, 853, 753</b> <b>(11 active projects)</b>
Better use of workplace-based skills development	4.5	Scarce and Critical Skills	<b>R 94, 734, 399</b> <b>(6 active projects)</b>
Training and support provided to Sector Cooperatives, Small Enterprises and NGO's	4.6	Small and Micro Enterprise	<b>R 25, 559, 486</b> <b>(4 active projects)</b>
<b>TOTAL</b>			<b>R 455, 480, 987</b> <b>(27 active projects)</b>

### FUNDING DISTRIBUTION PER PROGRAMME

Discretionary grant projects that were active in the 2013/14 financial year are distributed across the Programmes in the following percentages:

### Budget Allocation per NSDS III Indicator



## 4 PERFORMANCE REPORT

### INSETA ANNUAL PERFORMANCE REPORT AS AT 31 MARCH 2014

#### INTRODUCTION

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

NO	STRATEGIC OUTCOME ORIENTED GOAL	NSDS III INDICATOR	PROGRAMMES	STRATEGIC OBJECTIVE TITLE	PERFORMANCE INDICATOR	
GOAL 1	A credible institutional mechanism for skills planning	4.1	Research and Benchmarking	1.1 Develop Sector Skills Plan	Number of WSPs received from employers reflects the current supply and demand for skills statistics in the sector	
					Number of scarce and critical skills identified	
					Number of sector endorsements received for the Sector Skills Plan	
					Number of Sector Skills Plans distributed to stakeholders	
GOAL 2	Access to Occupationally directed programmes	4.2	Youth Education and Development	2.1.1 No of youth entering learning programmes	No of youth receiving <b>Bursaries</b>	
					No of youth entered in <b>Learnerships</b>	
					No of youth entered in <b>Skills Programmes</b>	

Below table represents a high-level summary of the programmes, strategic objective titles and performance indicators that support the NSDS III aligned Strategic Outcome Oriented Goals.

	ACTUAL ACHIEVEMENT FOR 2012/13	PLANNED TARGET 2013/14	ACTUAL ACHIEVEMENT 2013/14	DEVIATION FROM PLANNED ACTUAL ACHIEVEMENT FOR 2013/14	COMMENTS ON DEVIATIONS
	SSP provisionally approved	Approved SSP	Board approved the SSP which complied fully with the format required by DHET and this was endorsed by the sector. The SSP was distributed to stakeholders.	-	Achieved
	150	250	Unemployed Youth Entered: <b>616 Bursaries</b>	+366	Over achieved due to the increased number of partnerships with public universities and TVET colleges including support to shortfall in NSFAS funding.
	1124 (reported in aggregated total)	2000	Unemployed Youth Entered: <b>1342 learnerships</b>	-658	Not achieved even though there was increased take up of learnerships by employers. Few new employers participated.
	18	1000	Unemployed Youth Entered: 1405 skills programmes of which <b>1</b> is not funded from Discretionary grant funds	+405	Over achieved due to higher than planned target interest received from unemployed Youth as a result of a successful marketing campaign.

NO	STRATEGIC OUTCOME ORIENTED GOAL	NSDS III INDICATOR	PROGRAMMES	STRATEGIC OBJECTIVE TITLE	PERFORMANCE INDICATOR	
GOAL 2				2.1.2 No of youth completing learning programmes	No of youth completing <b>Bursary Funded Programmes</b>	
					No of youth completing <b>Learnership Programmes</b>	
					No of youth completing <b>Skills Programmes</b>	
				2.1.3 Number of youth receiving full or part qualifications	No of youth receiving full or part qualifications through <b>Bursaries</b>	
					No of youth receiving full or part qualifications through <b>Learnerships</b>	
					No of youth receiving full or part qualifications through <b>Skills Programmes</b>	
				2.2.1 Number of youth supported with workplace experience through internship programmes	No of youth entering internship programmes	
				2.2.2 Number of youth completing internship programmes	No of youth completing internship programmes	
					Number of youth accepted into employment after completion of internship programmes	

	ACTUAL ACHIEVEMENT FOR 2012/13	PLANNED TARGET 2013/14	ACTUAL ACHIEVEMENT 2013/14	DEVIATION FROM PLANNED ACTUAL ACHIEVEMENT FOR 2013/14	COMMENTS ON DEVIATIONS
	N/A New Target	62	Unemployed Youth Completed <b>633 Bursaries</b>	+571	Over achieved due to the increase in the number of partnerships with public universities and TVET colleges.
	N/A New Target	787	Unemployed Youth Completed <b>465 Learnerships</b>	-322	Under achievement due to a dependency on receipt of closeout reports from employers.
	N/A New Target	800	Unemployed Youth Completed 1405 Skills programmes of which 1 is not funded from discretionary grant funds	+405	Over achievement is consistent with higher than expected intake numbers.
	85	50	Certificated <b>488 bursaries</b>	+438	Over achievement consistent with the intake numbers.
	426	630	<b>465 learnerships</b>	-165	There is a dependency on closure reports and verification of results prior to certification accounting for targets not been met.
	60	640	182 skills programmes of which 19 is not funded from discretionary grant funds	-458	Due to verification dependency certification will only reflect in 14/15.
	253	1850	<b>643 entered internships</b>	-1207	Status: Indicator has not been achieved Employer take up increased from previous year but fell short of target.
	154	177	<b>207 completed internships</b>	+30	Status: Indicator has been over achieved and this is due to a higher number of learners completing than expected.
	New Target	133	<b>53 employed</b>	-80	Status: Indicator has not been achieved. Employers did not employ as many interns as was expected.

NO	STRATEGIC OUTCOME ORIENTED GOAL	NSDS III INDICATOR	PROGRAMMES	STRATEGIC OBJECTIVE TITLE	PERFORMANCE INDICATOR	
GOAL 3	Better use of workplace-based skills development	4.5	Addressing scarce and critical skills needs	3.1.1 Workers entering learning programmes through bursaries, skills programmes and learnerships	Number of workers receiving bursaries	
					Number of workers entered learnerships	
					Number of workers entering in skills programmes	
				3.1.2 Workers completing learning programmes	Number of workers completing bursaries	
					Number of workers completing learnerships	
					Number of workers completing skills programmes	
					Workers certified through RPL interventions	
				3.1.3 Workers achieving full or part qualifications	Number of workers receiving full or part qualifications through bursaries	
					Number of workers receiving full or part qualifications through learnerships	
					Number of workers receiving full or part qualifications through skills programmes	
				3.2.1 Mandatory Grants paid to Large Firms	1) Mandatory grants paid to large firms	

	ACTUAL ACHIEVEMENT FOR 2012/13	PLANNED TARGET 2013/14	ACTUAL ACHIEVEMENT 2013/14	DEVIATION FROM PLANNED ACTUAL ACHIEVEMENT FOR 2013/14	COMMENTS ON DEVIATIONS
	509	1200	1268 bursaries	+68	Over achieved due to higher levels of participation from employers than was expected.
	81	1000	<u>Entered</u> 1315 employed learnerships	+315	Over achieved due to higher levels of participation from employers than was planned.
	96	3000	2971 skills programmes	-29	Not achieved – unfunded learners not included.
	New Target	395	1003 employed bursaries	+608	Over achieved due to higher levels of completions from workers than was expected.
	New Target	56	106 employed learnerships	+50	Indicator has been achieved as a result of a verification lag.
	New Target	2100	2574 employed skills programmes	+474	Over achieved due to higher levels of completion from workers than was expected.
	New Target	300	310	+10	RPL related to concessions as conducted by training providers
	564	338	1148 employed bursaries	+810	Over achieved due to higher levels of completions from employers than was expected.
	81	48	Workers Certificated 106 employed learnerships	+58	Over achieved due to delay from completion to certification of prior year completions.
	547	1800	2336 skills programmes	+536	Over achieved and this is due to higher levels of completions from employers than was expected.
	69 large firms 111% achieved	80%	74 of large firms qualified for mandatory grants. 119% achievement	+12	Status: Indicator has been over achieved and this is due to higher levels of participation from employers than was expected.



NO	STRATEGIC OUTCOME ORIENTED GOAL	NSDS III INDICATOR	PROGRAMMES	STRATEGIC OBJECTIVE TITLE	PERFORMANCE INDICATOR	
GOAL 3				3.2.2 Mandatory grants paid to medium firms	2) Mandatory grants paid to medium firms	
				3.2.3 Mandatory Grant paid to small firms	Mandatory Grant paid to small firms	
GOAL 4	Training and support provided to sector cooperatives, small enterprises and NGOs	4.6	Small and Micro Enterprise Development	4.1.1 Support small and Micro Enterprises and cooperatives through entering learning programmes	Number of Small businesses supported in skills programmes	
					Number of Small businesses supported with bursaries	
					Number of Co-operatives (Burial Societies) supported in skills programmes	
				4.1.2 Support small and Micro Enterprises and cooperatives completing learning programmes	Number of Small businesses completed skills programmes	
					Number of Small businesses completed bursaries funded programmes	
					Number of Co-operatives (Burial Societies) completed skills programmes	

	ACTUAL ACHIEVEMENT FOR 2012/13	PLANNED TARGET 2013/14	ACTUAL ACHIEVEMENT 2013/14	DEVIATION FROM PLANNED ACTUAL ACHIEVEMENT FOR 2013/14	COMMENTS ON DEVIATIONS
	83 Medium firms 128% achieved	60%	88 of medium firms qualified for mandatory grants. <b>142%</b> achievement	+23	Status: Indicator has been over achieved and this is due to higher levels of participation from employers than was expected.
	646 small firms 98% achieved	40%	598 of small levy paying firms qualified for mandatory grants. <b>91%</b> achievement	-58	Status: Indicator has not been achieved. Small Employers did not participate to the extent we expected them to.
	1623	1000	0	-1000	Small business workers entering skills programmes were recorded under programme 3.
	New Target	300	0	-300	Small business workers were awarded bursaries however were recorded under programme 3.
	188	500	507 cooperatives members supported in non-accredited skills programmes	+7	Status: Indicator has been over achieved and this is due to higher levels of participation from burial societies than was expected.
	New target	700	0	-700	Small business workers entering skills programmes were recorded under programme 3.
	New target	0	0		New target
	New target	350	507 cooperatives completed	+157	Status: Indicator has been over achieved and this is due to higher levels of completions from burial societies than was expected.

NO	STRATEGIC OUTCOME ORIENTED GOAL	NSDS III INDICATOR	PROGRAMMES	STRATEGIC OBJECTIVE TITLE	PERFORMANCE INDICATOR	
GOAL 4				4.1.3 Support small and Micro Enterprises and cooperatives to achieve full or part qualifications	Number of Small businesses receiving full or part qualifications through skills programmes	
					Number of Small businesses receiving full or part qualifications through bursaries	
					Number of Co-operatives (Burial Societies) receiving full or part qualifications through skills programmes	
					Number of Co-operatives (Burial Societies) receiving full or part qualifications through skills programmes	
				4.2 Develop, maintain and increase numbers of brokers on database of National brokers and intermediaries	Develop and maintain database	
					Increase number of brokers on the database	

	ACTUAL ACHIEVEMENT FOR 2012/13	PLANNED TARGET 2013/14	ACTUAL ACHIEVEMENT 2013/14	DEVIATION FROM PLANNED ACTUAL ACHIEVEMENT FOR 2013/14	COMMENTS ON DEVIATIONS
	New target	600	0 Small business support was for non-accredited programmes	-600	Status: Indicator has not been achieved due to the focus being on preparatory programmes for regulatory examinations.
	New target	0	0		New target
	New target	300	0 Cooperatives have not chosen the certification option in the current training	-300	Status: Indicator has not been achieved. Some of the training was through non accredited programmes and no certificates will be issued. Some achievements will only be verified in the 2014/15 financial year and will be reported then.
	New Target	Database maintained	Database was maintained on a monthly basis	-	Achieved
	New Target	1000	1500	+500	Over achieved due to higher than expected participation numbers. Brokers experience the value of being part of an active Network.

NO	STRATEGIC OUTCOME ORIENTED GOAL	NSDS III INDICATOR	PROGRAMMES	STRATEGIC OBJECTIVE TITLE	PERFORMANCE INDICATOR	
GOAL 5	Effective established career and vocational guidance channels	4.8	Youth Education and Development	5.1 Develop a career guide	Review and develop career guide annually	
				5.3 To provide career guidance and development to youth both within the sector and new entrants to the sector for the next five years	To provide career guidance and development to youth both within the sector and new entrants to the sector for the next five years	
					Partner with FET Colleges for Career Guidance	
					Establish office in Eastern Cape FET Colleges (3)	
					Have a presence in at least 9 colleges in 9 provinces	

	ACTUAL ACHIEVEMENT FOR 2012/13	PLANNED TARGET 2013/14	ACTUAL ACHIEVEMENT 2013/14	DEVIATION FROM PLANNED ACTUAL ACHIEVEMENT FOR 2013/14	COMMENTS ON DEVIATIONS
	New Target	Review and develop career guide	Review has been conducted and a complete redraft was done. INSETA participated in the 2013 RiskSA INMAG which is a career guide for the insurance sector	-	
	<b>9</b> and <b>232</b> schools	<b>9</b> provinces	<b>9</b> provinces	-	-
	New Target	<b>2</b> FET Colleges	<b>2</b> Agreements in place with INGWE College and IKHALA FET	-	-
	<b>0</b>	Establish office in Eastern Cape FET Colleges (3)	<b>3</b> FET colleges		DHET removed 1 E Cape FET and replaced with a Gauteng FET which is Ekurhuleni FET. No office opened as the FET is near INSETA.
	New Target	Have a presence in at least <b>9</b> colleges in <b>9</b> provinces	<b>9</b> Provinces INSETA is represented in all provinces through the lead SETAs	-	-

NO	STRATEGIC OUTCOME ORIENTED GOAL	NSDS III INDICATOR	PROGRAMMES	STRATEGIC OBJECTIVE TITLE	PERFORMANCE INDICATOR	
GOAL 6	Promoting the growth of a public FET sector college system that is responsive to sector, local, regional and national skills needs and priorities			6.1 FET colleges awarded programme approval as INSETA training providers	Number of FET lecturers developed to support the implementation of INSETA programmes	
					Number of programme approvals awarded to FET colleges	
				6.2.1 FET graduates supported to access workplace experience through internship and/or Learnership programmes	Number of FET graduates supported to access workplace experience through internship programmes	
				6.2.2 FET graduates completing workplace experience through internship programmes	Number of FET graduates completing workplace experience through internship programmes	
GOAL 7	Organisational Effectiveness	N/A	Operational Performance	1. Effective corporate governance	Unqualified Audit (year 13/14)	

	ACTUAL ACHIEVEMENT FOR 2012/13	PLANNED TARGET 2013/14	ACTUAL ACHIEVEMENT 2013/14	DEVIATION FROM PLANNED ACTUAL ACHIEVEMENT FOR 2013/14	COMMENTS ON DEVIATIONS
	New Target	2 per college (5 colleges)	0	-10	Status: Target has not been achieved No new lecturers developed in this financial year 13/14. Support continued in this financial year and 8 FET programme staff were developed.
	New Target	1 per college (6 colleges)	0	-6	Status: Target has not been achieved There were no new programme approval awarded, however 6 FET colleges underwent formal audit for continued registration.
	New Target	250	4	-246	Status: Target has not been achieved. INSETA is still in the process of establishing effective partnerships with TVET colleges in order to roll out this programme at the scale required.
	New Target	N/A	N/A	N/A	
	Unqualified Audit	Number of Strategic Risks identified and mitigated through a board risk assessment workshop	Board Risk Assessment Workshop took place to identify strategic risks. Management completed the process. Mitigation strategies are in place.	Status: Target has been achieved	Status: Indicator has been achieved.



NO	STRATEGIC OUTCOME ORIENTED GOAL	NSDS III INDICATOR	PROGRAMMES	STRATEGIC OBJECTIVE TITLE	PERFORMANCE INDICATOR	
GOAL 7				1. Effective corporate governance	Unqualified Audit (year 13/14)	
				2. Implement a Quality Management System	QMS implemented	
				3. Establish and effective SCM unit	Policy reviewed and updated	
					Number of employees receiving SCM related training	
					Number of significant SCM findings	
				4. Discretionary grant spend and commitment rate	Discretionary Fund Project spend and commitment rate	

	ACTUAL ACHIEVEMENT FOR 2012/13	PLANNED TARGET 2013/14	ACTUAL ACHIEVEMENT 2013/14	DEVIATION FROM PLANNED ACTUAL ACHIEVEMENT FOR 2013/14	COMMENTS ON DEVIATIONS
	New Target	Number of significant commitments related findings	Unqualified audit and decrease in number of commitment related findings.	Achieved	
	New Target	All policies are revised and approved	The policies that have been identified have been reviewed and approved according to the policy schedule.	Status: Target has been achieved	Status: Indicator has been achieved.
	New Target	All staff trained on relevant policies and processes	Staff were trained on relevant policies.	Status: Target has been achieved	Status: Indicator has been achieved.
	New Target	All key positions filled	The organogram of SCM unit is fully capacitated.	Status: Target has been achieved	Status: Indicator has been achieved.
	New Target	All managers undergo SCM training	Training session held in March 2014.	Status: Target has been achieved	Status: Indicator has been achieved.
	New Target	Decrease in number of SCM findings (from previous years audit)	1 irregular expenditure 1 non-compliance with rules and regulations.	Achieved	Achieved
	New Target	Project spend rates and contracts above 95% of allocation	89%	Status: Target has not been achieved.	Status: Target has not been achieved due to the fact that the anticipated take up from some funding windows were not as high as expected.

## 5 SUMMARY OF FINANCIAL INFORMATION

### REVENUE COLLECTION

2013/2014				2012/2013		
SOURCES OF REVENUE	ESTIMATE	ACTUAL AMOUNT COLLECTED	(OVER)/ UNDER COLLECTION	ESTIMATE	ACTUAL AMOUNT COLLECTED	(OVER)/ UNDER COLLECTION
	R'000	R'000	R'000	R'000	R'000	R'000
Skills Levies	R320 499	R342 068	R21 569	R292 042	R296 444	R4 402
Levies: Penalties and interest	R0	R3 076	R3 076	R0	R2 315	R2 315
Investment and other income	R13 000	R17 325	R4 325	R14 000	R14 211	R211
<b>TOTAL</b>	<b>R333 499</b>	<b>R362 469</b>	<b>R29 870</b>	<b>R306 042</b>	<b>R312 970</b>	<b>R6 928</b>

INSETA had an actual 15.39% growth on levy income and exceeded the planned targets for revenue collection. The increase in levies received is due to increases in the salaries paid in the insurance sector and 149 new levy contributing companies joining INSETA in the current year. INSETA does not expect that this increase will be maintained and has budgeted accordingly.

### STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

INSETA has put planned strategies in place to address areas of underperformance.

### CHANGES TO PLANNED TARGETS

Changes to performance indicators during the year under review were submitted to DHET and approved.

## 6 HIGHLIGHTS

### *Promoting insurance careers*

**INSETA actively promotes** the insurance sector as a career of choice and markets the careers available at exhibitions in all 9 provinces especially in rural and remote areas.

INSETA partnered with The **KwaZulu-Natal Financial Literacy Association** to promote financial literacy among Grade 11s through the annual 14th Annual KZN speech contest. uMfolozi FET College Esikhawini in Mpangeni was the venue for the financial literacy competition in which Grade 11 pupils from all over KwaZulu-Natal had a chance to develop financial management skills and win an educational bursary. This initiative targets a large number of rural schools in KwaZulu Natal and has a dedicated focus on the promotion of insurance as a career of choice and financial planning in particular.

The inaugural Actuarial Fair was an exciting addition to the career guidance calendar and INSETA sponsored the event in part. Top maths and science School learners were invited to spend the day with actuaries and the event was hosted by the Association for Black Actuaries. The NSA hosted the biannual National Skills Conference and INSETA assisted to coordinate the parallel career exhibition for 4000 learners from disadvantaged schools.



**Sci-Bono**  
Discovery Centre



## HIGHLIGHTS

*A partnership to develop black actuaries*

To date INSETA has funded 301 actuarial science learners on the **South African Actuaries Development Programme** to the value of R 30.7 million rand. The SAADP programme sees high-potential university students receiving financial and motivational support to gain their actuarial science qualifications. The standards of entry to study actuarial science are incredibly high, and the work



intense. But once accepted learners are suddenly left to their own devices, and many cannot cope – especially those from disadvantaged backgrounds who are not used to the environment shift. This is where the SAADP comes in; they offer the exact support these students need. The organization identifies needs, monitors and provides assistance, ensuring support to, and success of the learner.



# HIGHLIGHTS

## Supporting FET colleges

**Higher Education Minister** Blade Nzimande has prioritized the opening of SETA offices in all 50 **FET colleges** in South Africa. Student enrolment in public FET colleges rose exponentially from about 350 000 in 2010 to over 650 000 in 2012 and is expected to reach R 4 million by 2030. Nzimande has called for SETAs and public FET colleges to clearly define and sufficiently resource their roles in promoting youth employability. INSETA has been appointed the lead SETA for 2 Eastern Cape rural FET colleges which is INGWE and Ikhala and Ekurhuleni West College in Gauteng. Our goal is to support the colleges with workplace placements for the learners and with the provision of career guidance. In addition we funded 374 bursaries for learners in FET colleges who were studying towards qualifications in areas of scarce and critical skills for the insurance sector.





## HIGHLIGHTS

*National Disability Awards 2013*

**The insurance sector** came out in support of International Day of Persons with Disabilities which takes place on 3 December annually. INSETA hosted the National Disability Awards which showcases the achievements of disabled people and recognises good practise in the work place, in higher education and the achievements of disabled people.

In attendance was the Minister of Women, Children and People with Disabilities, **Lulu Xingwana**, Deputy Minister of Women, Children and People with Disabilities **Hendrietta Bogopane-Zulu**. Xingwana said that the theme for South Africa for 2013 – “The Right to Universal Access and Design: Break Barriers, Open Doors to realise an Inclusive Society for All – Action through Partnership” – was a call to action. She said that a total of 6 277 young people with disabilities who were studying at universities in 2012 declared their disabilities. Jacques Joubert a student at the University of Johannesburg was the winner of Young Leader Award.

He walked away with a cheque for R 100k which was paid to UJ as a bursary for his studies. The University of the Free State was the top performing higher education institution and they were recognised for their good work in accommodating learners with disability.



## HIGHLIGHTS



**higher education  
& training**

Department:  
Higher Education and Training  
REPUBLIC OF SOUTH AFRICA



**women, children &  
people with disabilities**

Department:  
Women, Children and People with Disabilities  
REPUBLIC OF SOUTH AFRICA



## HIGHLIGHTS

*NSA recognises excellence in the insurance sector*

**The NSA skills** awards recognised employers in all sector who had made a huge contribution towards providing unemployed learners with work based experience opportunities. 8 employers from the Insurance sector were recognised at a gala dinner held during the National Skills Conference 2013.

**CATEGORY:****Large Employers**

Talksure Trading (Pty) Ltd

Discovery

Santam

The Liberty Group

**CATEGORY:****Medium Employers**

NMG

**CATEGORY:****Small Employers**

Consultants and Actuaries Administrators

Camargue

Expede







# PART C

## *Governance*

*"The future is not a result of choices among alternative paths offered by the present, but a place that is created- created first in mind and will, created next in activity. The future is not some place we are going to, but one we are creating. The paths to it are not found but made, and the activity of making them changes both the maker and the destination."*

**John Schaar**

# THE BOARD



Left to Right: Mr Mzimkulu Msiwa (*Chairperson*), Ms Gizelle Conradie, Mr Brian McKay, Ms Jeanine Poggiolini, Mr Barry Scott, Mr Comfort Duma and Mr Jay Ramsunder



Left to Right: Mr Rama Govender, Ms Anne-Marie D'Alton, Mr William Seya, Ms Vanita Harrypersadh, Mr Thabit Gool, Ms Shantha Padayachee, Mr Moses Machai, Ms Margie Naidoo and Professor Andre Keet



# 1 THE REPORT OF THE ACCOUNTING AUTHORITY

As the INSETA Accounting Authority, it is the Board's responsibility to prepare Financial Statements that fairly represent INSETA's Financial Position as at 31 March 2014 and also the Financial Performance and Summary Cash Flow Activities for the year ending 31 March 2014. We are of the opinion that appropriate Accounting Policies, supported by reasonable and prudent judgements and estimates, have been applied on a consistent basis. The Financial Statements comply with the prescribed Standards of Generally Recognised Account Practice (GRAP) and with any interpretations of such Statements issued by the Accounting Standards Board.

## CORPORATE GOVERNANCE

From the outset both the INSETA's Board and Management identified good corporate governance, as one of its critical success factors, by setting the highest standards that comply with best practice. This stance remains unchanged as the SETA ends its fourteenth year of operations. The Board is supported in its functions and duties by the Audit Committee, the Finance, IT & Administration Committee and the HR/Remuneration Committee all of which have been functional since the establishment of INSETA.

The Audit Committee is governed by a Charter, which outlines its roles and responsibilities. The Finance, IT & Administration Committee and HR/Remuneration Committee abide by a Terms of Reference.

INSETA has compiled a Fraud Prevention Plan and a high-level risk profile has been developed to identify, manage and control the business risks of the SETA. Numerous divisional policies have also been implemented to manage the day-to-day operations of the SETA. These policies are approved by the Board and are reviewed from time to time.

## 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 9 104 employers within the Insurance Sector have registered with the South African Revenue Services, with 1 825 classified as levy contributors. INSETA represents a sector with a diverse range of employers, ranging from very small (10 employees) to very large (in excess of 12,000 employees). The majority of the workforce represents skilled and highly skilled employees. The sector employs over 100 000 people (excluding people employed in micro-enterprises and informal businesses).

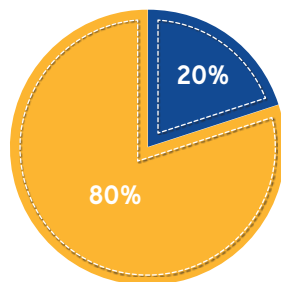
The Board, comprising Business, Labour and Ministerial appointments, governs the affairs of INSETA. INSETA currently has a permanent staff complement of 31 as at 31 March 2014.

INSETA has adopted a learning strategy, which is aimed at all levels of employment in the sector and is aligned to the National Skills Development Strategy.

INSETA's 80% levy income increased by R45.7 million from R296.4 million for the 2012/13 financial year to R342.1 million for the 2013/14 financial year. Changes in levy income estimates relating to prior years are included in the current year balances. The administration surplus for 2013/14 was R3.2 million (2012/13: R4.0 million). The actual administration expenditure for the current financial year was R41.3 million (2012/13: R33.2 million).

**2012/13**  
R296.4 million

**2013/14**  
R342.1 million



NSETA's **80%** levy income  
increased by **R45.7 million**

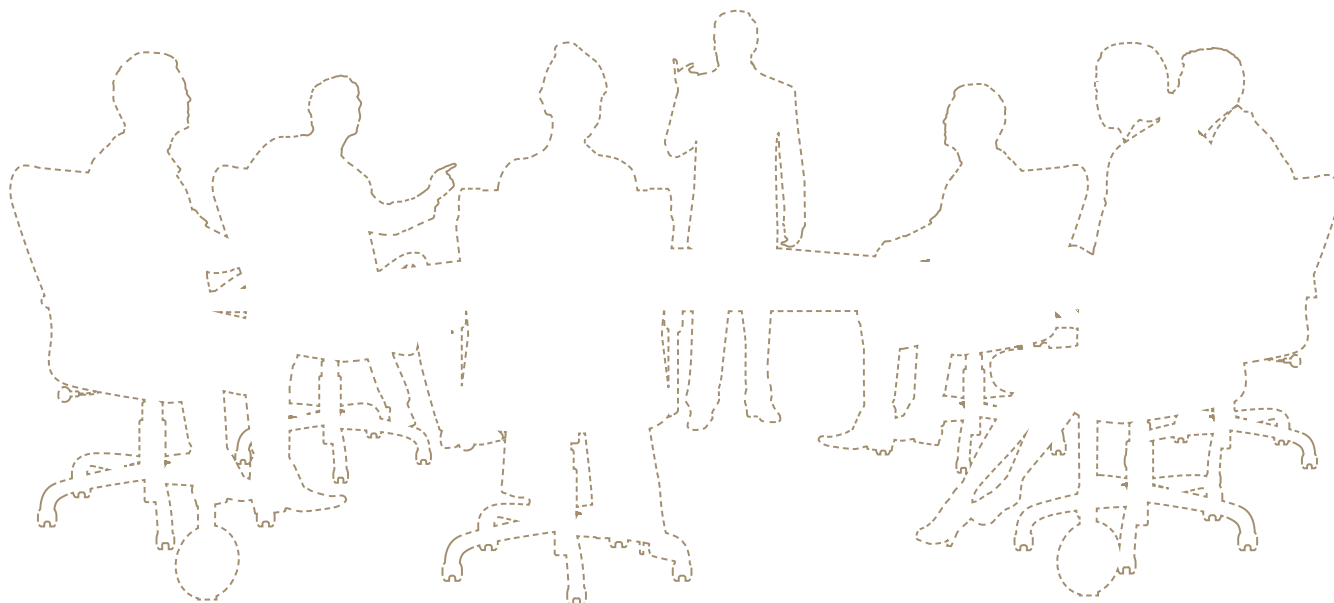
Total project and grant expenditure for the current financial year amounted to R236.5 million (2012/13: R249,5 million).

Allowances paid to Board members and Board sub- committee members

Board and Board Sub-Committee members' or their employers are remunerated for their attendance at 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 fee per day	Annual allowance*
Chairperson	R 4 360	R 87 808
Ordinary member	R 3 392	R 68 270

\*The annual allowance is payable when a board member attends more than 50% of the scheduled meetings. The annual allowance is pro-rated in accordance with the number of meetings attended in a financial year.





NAME OF BOARD/ COMMITTEE MEMBER	NAME OF COMMITTEE THAT MEMBER SERVES ON	MEETING FEES ACCRUED DURING THE PERIOD UNDER REVIEW	ALLOWANCE ACCRUED DURING THE PERIOD UNDER REVIEW	TOTAL AMOUNT ACCRUED DURING THE PERIOD UNDER REVIEW
A. D'Alton (Ms)	Board	30 528	68 270	123 990
	HR Committee (Chairperson)	21 800		
	Special committee	3 392		
A. Keet (Prof)	Board	20 352	34 135	57 879
	HR Committee	3 392		
B. McKay (Mr)	Board	30 528	68 270	119 150
	Audit Committee	16 960		
	Finance, IT & administration committee	3 392		
B. Scott (Mr)	Board	27 136	59 167	104 231
	Finance, IT & administration committee (Chairperson)	17 928		
C. Duma (Mr)	Board	23 744	58 517	104 309
	HR Committee	16 960		
	Special committee	5 088		
G. Conradie (Ms)	Board	27 136	55 469	104 653
	Executive committee	16 960		
	Special committee	5 088		
G. Sandrock (Dr)[1]	Audit committee	65 888		65 888
J. Poggolini (Ms)[2]	Audit committee (Chairperson)	72 000		72 000
	Board (Ex-officio capacity as Chairperson of Audit Committee)			
J. Ramsunder (Mr)	Board	30 528	68 270	115 758
	Audit committee	16 960		
M. Machai (Dr)	Board	30 528	65 019	132 859
	Executive committee	20 352		
	HR Committee	16 960		

NAME OF BOARD/ COMMITTEE MEMBER	NAME OF COMMITTEE THAT MEMBER SERVES ON	MEETING FEES ACCRUED DURING THE PERIOD UNDER REVIEW	ALLOWANCE ACCRUED DURING THE PERIOD UNDER REVIEW	TOTAL AMOUNT ACCRUED DURING THE PERIOD UNDER REVIEW
M. Msiwa (Mr)	Board (Chairperson)	39 240	87 808	157 568
	Executive committee (Chairperson)	30 520		
M. Naidoo (Ms)	Board	30 528	65 167	141 487
	Executive committee	23 744		
	Finance, IT & administration committee	16 960		
	Special committee	5 088		
R. Govenden (Mr)	Board	23 744	38 402	68 930
	Executive committee	6 784		
S. Padayachee (Ms)	Board	27 136	63 719	112 903
	Finance, IT & administration committee	20 352		
	Special committee	1 696		
T. Gool (Mr)	Board	23 744	59 167	103 263
	Finance, IT & administration committee	20 352		
V. Harrypersadh (Ms)	Board	27 136	58 517	99 221
	HR Committee	13 568		
W. Seya (Mr)	Board	20 352	57 490	115 634
	Executive committee	13 568		
	Finance, IT & administration committee (Chairperson)	24 224		
Nala Mhlongo (Mr)	Audit committee	64 800		64 800
J van Greuning (Mr)	Finance, IT & administration committee	848	14 080	14 928
<b>TOTAL</b>		<b>R 957 984</b>	<b>R 921 467</b>	<b>R 1 879 451</b>

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

As required by Treasury Regulation 28.1.2 of the Public Finance Management Act, the remuneration of senior management during the period of reporting consisted of the following components:

#### CEO: SANDRA DUNN

DESIGNATION	2013/14	2012/13
Basic Salary	R1 361 147	R1 084 080
Bonuses	R326 657	R332 424
Travel Expenses and Allowances	Rnil	R24 000
<b>TOTAL</b>	<b>R1 687 822</b>	<b>R1 440 504</b>

#### COO: SHARON SNELL

DESIGNATION	2013/14	2012/13
Basic Salary	R961 921	R886 000
Bonuses	R85 598	R75 000
Travel Expenses and Allowances	R7 200	R7 200
<b>TOTAL</b>	<b>R1 054 719</b>	<b>R968 200</b>

#### BUSINESS ADDRESS

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



**MZIMKULU MSIWA**  
Chairperson, INSETA



**SANDRA DUNN**  
Chief Executive Officer, INSETA

## CORPORATE GOVERNANCE

Corporate governance with regard to INSETA is applied through the rules of the Public Finance Management Act (PFMA) and is aligned to the principles contained in the King III Report on Corporate Governance. The Accounting Authority of INSETA is ultimately responsible for corporate governance.

### PORTFOLIO COMMITTEES

During the period under review INSETA was scheduled to attend a Higher Education portfolio committee meeting, but the meetings did not take place due to rescheduling of the committee timetables.

### EXECUTIVE AUTHORITY

INSETA submitted both financial and performance reports to the DHET on a quarterly basis in accordance with the PFMA precepts and DHET conducted verification visits at INSETA on a quarterly basis. The Service Level Agreements and budgets were also submitted timeously.

### COMPLIANCE WITH LAWS AND REGULATIONS

INSETA has complied with all applicable 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. All Supply Chain Management (SCM) practitioners and INSETA managers received SCM refresher training during the course of the year. The practitioners also 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 and this register is reviewed regularly.

## CODE OF CONDUCT

All employees sign a Code of Conduct /Ethics when they commence their employment with INSETA. Suppliers who contract with INSETA have to sign a Code of Conduct for 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 codes, INSETA is entitled to pursue a remedy either disciplinary or by other rights granted by the contract. There have been no reports of breaches during the period under review.

## FRAUD AND CORRUPTION

In the previous year INSETA received information relating to allegations of false learnership stipend claims by three employers in the Western Cape. The matter was investigated and handed over for civil and criminal action. In two instances judgement has been granted in favour of INSETA and the other is being defended; it is fairly advanced in the court process. INSETA further dealt with another batch of learnership scams whereby learners were enticed into paying money to enter a non-existent learnership which was advertised on the Internet. Further our investigation about possible fraudulent certificates being issued was concluded resulting in disciplinary action being instituted against an employee. The employee resigned before the hearing could be convened.

## HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Health Safety and Environmental issues at INSETA were not optimal in respect of sufficiency of office space. A decision was taken to seek alternative premises and the new space has been designed to suit INSETA's projected growth over the years. Staff are comfortable with the new premises at 37 Empire Rd. INSETA has identified prospective Health and Safety Officers who are scheduled to go on training in 2014. No incidents were reported for the period under review.

## SOCIAL RESPONSIBILITY

INSETA focused on disability awareness as an area of social responsibility. We partnered with the Ministry of Women, Children and Persons with Disability to host the National Disability Awards. This event is the national celebration to commemorate International Day of Persons with Disabilities and was held in Port Elizabeth on 3 December 2013.

## 2 AUDIT COMMITTEE REPORT

### AUDIT COMMITTEE REPORT TO THE INSETA COMMITTEE REPORT TO THE INSETA BOARD FOR THE YEAR ENDED 31 MARCH 2014

#### INTRODUCTION

We are pleased to present our report for the financial year ended 31 March 2014.

#### AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee consists of the members listed below and met five times during the period under review. Margie Naidoo resigned from the Audit Committee in June 2013. At the date of this Report the Audit Committee consisted of the following members:

MEMBER	DATE ORIGINALLY APPOINTED BY BOARD TO AUDIT COMMITTEE	NUMBER OF MEETINGS ATTENDED DURING PERIOD UNDER REVIEW
Ms. Jeanine Poggiolini (Chairperson)	3 December 2009	5 of 5
Dr. Gerrit Sandrock	3 December 2009	5 of 5
Mr. Nala Mhlongo	July 2014	4 of 5
Mr. Bryan McKay	July 2014	5 of 5
Mr. Jay Ramsunder	6 April 2011	5 of 5

Ms Poggiolini and Dr Sandrock were reappointed to the committee in July 2014 by the Board. The Audit Committee is regulated by its approved terms of reference, and has discharged its responsibilities set out therein. The Audit Committee complied with section 51(1)(a) of the PFMA and Treasury Regulation 27.1.

It adopted an Audit Committee charter, which is based on the principles in King III. A Risk Committee, which consists largely of management of INSETA, operates in terms of specific terms of reference, and reports the outcomes of the risk management process to the Audit Committee on a quarterly basis.

While the Audit Committee, the Board and INSETA are committed to complying with best practices in corporate governance in order to fully comply with King III. There are however instances when King II was not applied in full during the reporting period. Most notably, an IT Governance Framework was only approved in March 2014, and will be implemented over the next few years. The INSETA has not prepared an Integrated Report and will give this due consideration in future reporting periods.

#### EFFECTIVENESS OF INTERNAL CONTROL

The Audit Committee has, amongst others, reviewed the following

- The effectiveness of the risk management process;
- The effectiveness of the internal control systems;
- The effectiveness of the internal audit function and their annual work plan, coordination with the external auditors, the reports issued 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 provided to 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; and
- The independence and objectivity of both internal and external auditors.

The Audit Committee is of the opinion, based on the information and explanations given by management, the internal auditor, and discussions with the independent external auditor on the result of its audit, that the system of internal control for the period under review was efficient and effective.

### INTERNAL AUDIT

The Audit Committee considers the internal audit function to be functioning effectively and has addressed the risks pertinent to the INSETA in its audit.

### EXTERNAL AUDIT

The Audit Committee has met with the external auditors to ensure that there were no unresolved issues.

### ETHICS HOTLINE

During the period under review no complaints were received.

### EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee has evaluated the annual financial statements of the INSETA for the year ended 31 March 2014. It also reviewed:

- the external auditors' management report and management's response thereto;
- the INSETA's compliance with legal and regulatory provisions;
- information on predetermined objectives to be included in the annual report; and
- any significant adjustments resulting from the audit.

Based on the information provided to it, the Audit Committee considers that these statements comply, in all material respects, with the requirements of the PFMA, and the basis of preparation as set out in the accounting policies in note 1 of the annual financial statements. The Audit Committee concurs that the adoption of the going concern assertion in the preparation of the annual financial statements is appropriate.

The Audit Committee recommended, at its meeting held on 23 July 2014, the approval of the annual financial statements to the Board.



**MS. JEANINE POGGIOLINI**

Chairperson of the Audit Committee

31 July 2014

*quality training*



# PART D

## *Human Resources*

*“A quality company has a culture which develops people, enables managers to guide effectively, and the staff feel that their efforts are worthwhile.”*

**Unknown**



# 1 INTRODUCTION

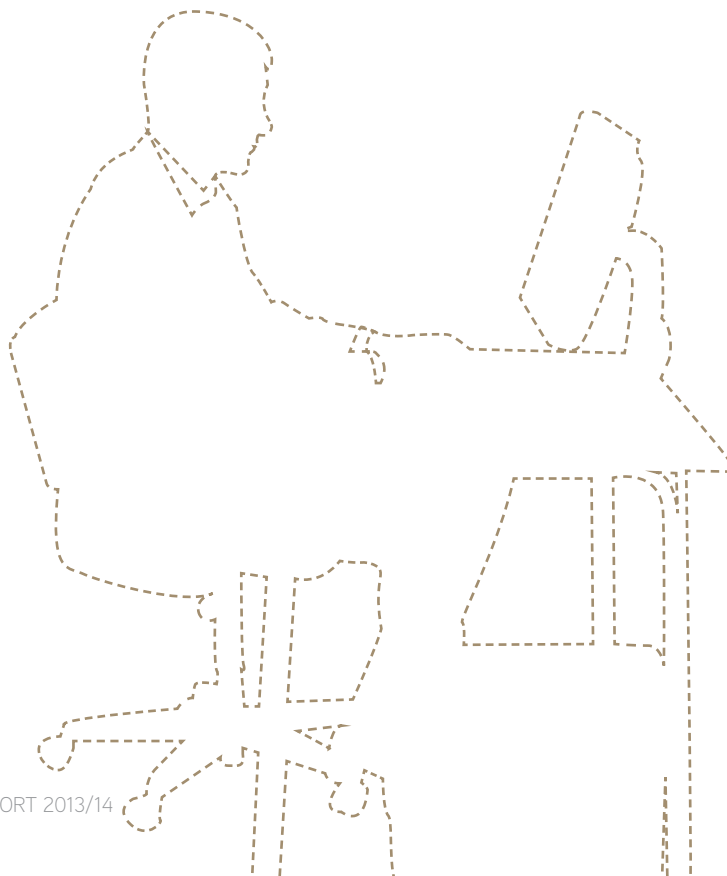
INSETA continues to enjoy a stable workforce. The attrition rate is well below 10%. At the end of the financial year we had a staff compliment of 31 permanent employees and 20 fixed term contractors. The fixed term contractors are primarily deployed to assist in the project implementation.

The INSETA management echelon has been strengthened with the appointment of the Supply Chain Management (SCM) manager. The SCM unit is now fully capacitated. INSETA is committed to supporting workplace experience for youth not in employment and annually recruits interns. For the period under review we employed 3 interns in the Marketing, Projects and SCM units.

INSETA recognises that the pace and pressures of today's corporate environment is such that employees and their families do need wellness support on occasion to cope. A wellness programme partner was appointed to provide support where needed.

The consistent performance of INSETA's staff is key to achieving its strategic goals. We believe that good performance should be recognised and rewarded. INSETA staff were appraised and rewarded in terms of a performance management system. A total of 8.7% of the salary bill was allocated for distribution as a performance bonus to eligible employees to recognise their good performance.

INSETA views its employees as one of its most valuable assets and will continue to invest to grow both the breadth and depth of skills in the organisation. INSETA Board prioritised SCM training for all management and staff and the outcome have improved their SCM knowledge and skills which is evidenced by the results of the audit by the Auditor General. Other training and development initiatives were also funded resulting in a total training budget expenditure of R439 000.



## 2 HUMAN RESOURCES STATISTICAL OVERVIEW

### PERSONNEL EXPENDITURE

LEVEL	PERSONNEL EXPENDITURE	% OF PERSONNEL EXP. TO TOTAL PERSONNEL COST	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE
Top Management	R 2,742,541	15%	2	R 1,371,270.50
Senior Management	R 5,582,671	31%	7	R 797,524.43
Professional qualified	R 4,797,529	27%	13	R 369,040.69
Skilled	R 1,825,731	10%	10	R 182,573.10
Semi-skilled	R 174,742	1%	1	R 174,742.00
Unskilled	-	-	-	-
Non-Permanent	R 2,684,291	15%	20	R 134,214.55
<b>TOTAL</b>	<b>R 17,807,505</b>		<b>53</b>	

The table above illustrates all personnel expenditure in financial year April 2013 – March 2014. (Including project salaries amounting to R2 483 000) The fifty three employees are made up as follows:

- 33 Permanent Employees during the year under review; and
- 20 Non-permanent employees (3 interns, 4 on 12 month contracts and the remaining contractors ranged between two and ten months). At year end there were 12 Non-permanent employees. The need for Non-permanent employees is primarily to provide resourcing capacity to the project environment.

### PERFORMANCE REWARDS

PROGRAMME	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST
Top Management	R 412,273.00	R 2,742,541	15%
Senior Management	R 359,391.00	R 5,582,671	6%
Professional qualified	R 369,286.00	R 4,797,529	8%
Skilled	R 161,748.00	R 1,825,731	9%
Semi-skilled	R 12,482.00	R 174,742	7%
Unskilled			
<b>TOTAL</b>	<b>R 1,315,180.00</b>	<b>R 15,123,214.00</b>	<b>8.7%</b>

## TRAINING COSTS

DIRECTORATE/ BUSINESS UNIT	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST.	NO. OF EMPLOYEES TRAINED	AVG TRAINING COST PER EMPLOYEE
All	R 15 123 214	R 439 000	2.9%	21	R 20 905

The table above illustrates training costs paid by INSETA in the reporting period. A total of 21 employees participated in 49 different training initiatives.

## EMPLOYMENT AND VACANCIES

PROGRAMME	2012/13 NO. OF EMPLOYEES	2013/2014 NO. OF EMPLOYEES	2013/2014 APPROVED POSTS	2014/2015 VACANCIES	% OF VACANCIES
Top Management	2	2	2	0	0%
Senior Management	6	6	7	1	14.3%
Professional qualified	16	12	13	1	7.7%
Skilled	12	11	12	1	8.3%
Semi-skilled	1	1	1	0	0%
Unskilled	0	0	0	0	0%
<b>TOTAL</b>	<b>37</b>	<b>32</b>	<b>35</b>	<b>3</b>	<b>8.6%</b>

The table above illustrates the number of permanent vacancies as at year end.

## EMPLOYMENT CHANGES

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top Management	2	0	0	2
Senior Management	6	1	1	6
Professional qualified	16	0	6	10
Skilled	11	1	0	12
Semi-skilled	2	0	1	1
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>37</b>	<b>2</b>	<b>8</b>	<b>31</b>

The table above illustrates the number of permanent employee changes in the financial year of April 2013 – March 2014. The shift in the skilled and semi-skilled category is a result of categorising the role of receptionist from semi-skilled to skilled.

## REASONS FOR STAFF LEAVING

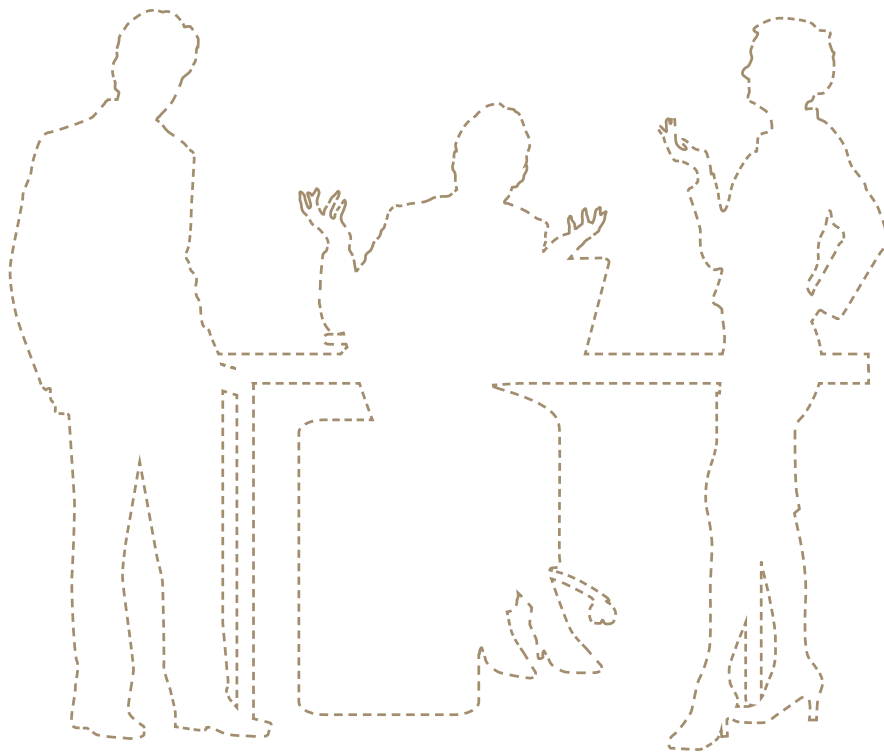
REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	1	12.5%
Resignation	1	12.5%
Dismissal	0	0%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	6	75%
Other	0	0%
<b>TOTAL</b>	<b>8</b>	<b>100%</b>

The table above illustrates the reasons for leaving of the permanent employees and fixed term contracts in the financial year of April 2013 – March 2014. We were unfortunate to lose an employee who had long service and who passed way. INSETA instituted disciplinary action against an employee for misconduct and he subsequently resigned.

## LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	0
Written Warning	1
Final Written warning	1
Dismissal	0
<b>TOTAL</b>	<b>2</b>

The table above illustrates 2 disciplinary actions occurring in the financial year of April 2013 – March 2014.



## EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

LEVELS	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	2	2	0	0	0	0	1	0
Professional qualified	3	3	0	0	0	0	2	2
Skilled	2	3	0	0	0	0	0	0
Semi-skilled	0	0	0	0	0	0	0	0
Unskilled								
<b>TOTAL</b>	<b>7</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>2</b>

LEVELS	FEMALE							
	AFRICAN		COLOURED		INDIAN		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	2	2	0	0	0	0
Senior Management	1	1	1	1	2	2	0	0
Professional qualified	8	8	0	0	0	0	1	1
Skilled	7	7	0	0	0	0	0	1
Semi-skilled	1	1	0	0	0	0	0	0
Unskilled								
<b>TOTAL</b>	<b>17</b>	<b>17</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>2</b>

LEVELS	PEOPLE WITH DISABILITIES			
	MALE		FEMALE	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	1	1	0	0
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>

The table above illustrates the number for people with disabilities.

#### MRS A D'ALTON

Chairperson of HR Committee

# THE TEAM



## CEO Office

Left to Right: Sandra Dunn (*Chief Executive Officer*), Sharon Snell (*Chief Operations Officer*), Sibulele Tena (*HR Manager*)

Front Left to Right: Ella Matshikiza, Errol Hanreck, Lebogang Makata, and Zodwa Motloung

Back Left to Right: Tshepo Mabika, Jabu Mabaso and Nonhlanhla Nkabinde





## Supply Chain Management (SCM)

Left to Right: Thabiso Lehloo (*SCM Manager*)  
Mamasele Mokoena  
Lebogang Phaleng  
Siphamandla Mbuli  
Vuyokazi Memela



## Project Office

Left to Right: Neesha Naidoo (*Project Office Manager*)  
Henry Goliath (*Project Specialist Manager*)  
Lerato Marx  
Bonginkosi Mthombeni  
Allie Sebola



## ETQA Division

Left to Right: Nadia Starr (*ETQA Manager*), Ouma Mmethi, Thilivhali Netshiongolwe, Unathi Jakalase, Michelle van der Merwe and Randall Adams



### Skills Development Division

Left to Right: Adeline Singh (*Skills Development Manager*), Bonginkosi Malinga, Ernest Kaplan, Itumeleng Motaung, Tsabuki Makou, Lungani Hlongwa, Tasmin Davids and Raveena Govender



## Learning Division

Left to Right: Tumi Peele (*Learning Manager*), Lavern Ogle, Kgothatso Modise, Vuyo Diniso, Rosa Sephuma, Rose Dibakoane, Rakgadi Movundlela and Mathoto Mokasane



# PART E

## *Financial Information*

*"Quality is never an accident; it is always the result of high intention,  
sincere effort, intelligent direction and skilful execution; it represents the  
wise choice of many alternatives."*

***William A. Foster***

The Annual Financial Statements for the year ended 31 March 2014, set out on pages 2 to 26, have been approved by the Accounting Authority in terms of section 51(1) (f) of the Public Finance Management Act (PFMA), No 1 of 1999 as amended, on 30 July 2014, and are signed on their behalf by:



**SANDRA DUNN**

Chief Executive Officer  
INSETA



**MZIMKULU MSIWA**

Chairperson Of The Board  
INSETA

# STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 31 MARCH 2014

## STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

The Accounting Authority is responsible for the preparation of the public entity'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 the public entity for the financial year ended 31 March 2014.

The external auditors are engaged to express an independent opinion on the AFS of the public entity. The INSETA annual financial statements for the year ended 31 March 2014 have been audited by the external auditors and their report is presented on page 83.

The Annual Financial Statements of the public entity set out on page 86 to page 134 have been approved.



SANDRA DUNN

Chief Executive Officer

INSETA

31 July 2014



MZIMKULU MSIWA

Chairperson Of The Board

INSETA

31 July 2014

# REPORT OF THE AUDITOR GENERAL

31 MARCH 2014

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY

### REPORT ON THE FINANCIAL STATEMENTS

### Auditor-general's responsibility

#### Introduction

1. I have audited the financial statements of the Insurance Sector Education and Training Authority (INSET A) set out on pages 86 to 134, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

#### Accounting Authority's responsibility for the financial statements

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

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) , the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



## Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Insurance Sector Education and Training Authority as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA and SDA.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. In accordance with the PAA and the general notice issued in terms thereof, report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2014:
- Strategic outcome oriented goal 2: Increased access to occupationally directed programmes on pages 30 to 45.
  - Strategic outcome oriented goal 4: Encouraging and supporting cooperatives, small enterprises, worker-

initiated, NGO and community training initiatives on pages 30 to 45.

9. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
10. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).
11. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
12. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected programmes.

## Additional matter

13. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matters:

## Achievement of planned targets

14. Refer to the annual performance report on pages 30 to 45 for information on the achievement of planned targets for the year.

## Adjustment of material misstatements

15. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information of Strategic outcome oriented goal 2: Increased access to occupationally directed programmes and Strategic outcome oriented goal 4: Encouraging and supporting cooperatives, small enterprises, worker-initiated, NGO and community training initiatives. As management subsequently substantially corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## Compliance with legislation

16. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

## Procurement and contract management

17. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1.

## Internal control

18. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. 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 noncompliance with legislation included in this report.

## Financial and performance management

19. The annual performance report prepared by the public entity was not adequately reviewed by management to ensure validity, accuracy and completeness of reported performance information before finalisation and approval.
20. Non-compliance with laws and regulations could have been prevented had compliance for procurement and contract management been properly reviewed and monitored.

## OTHER REPORTS

### Investigations

21. An investigation was conducted by the public entities internal auditors. The investigation was initiated after the entity received allegations of possible fraud and corruption in respect of issuing of certificates. The investigation report resulted in the suspension of one of the SETA employees with disciplinary action taken against him and he subsequently resigned.

*Auditor-General*  
 AUDITOR GENERAL  
 31 July 2014



# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2014

		2014	2013
	Notes	Rm	Rm
<b>REVENUE</b>			
Skills Development Levy: income from non-exchange transactions	2	342 068	296 444
Skills Development Levy: penalties and interest from non-exchange transactions		3 076	2 315
Investment income from exchange transactions	3	17 285	14 098
Other income from exchange transactions	4	40	113
<b>Total revenue</b>		<b>362 469</b>	<b>312 970</b>
<b>EXPENSES</b>			
Employer grant and project expenses		(236 475)	(249 491)
Administration expenses		(41 253)	(33 152)
<b>Total expenses</b>		<b>(277 728)</b>	<b>(282 643)</b>
<b>SURPLUS FOR THE YEAR</b>		<b>84 741</b>	<b>30 327</b>

# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

		2014	2013
	Notes	Rm	Rm
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	355 089	332 930
Accounts receivable from exchange transactions	9	1 514	1 480
Accounts receivable from non-exchange transactions	10	1 245	1 895
Consumables		90	62
<b>Total current assets</b>		<b>357 938</b>	<b>336 367</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	2 166	840
Intangible assets	8	22	68
<b>Total non-current assets</b>		<b>2 188</b>	<b>908</b>
<b>TOTAL ASSETS</b>		<b>360 126</b>	<b>337 275</b>
<b>Current liabilities</b>			
Trade and other payables from non exchange transactions	12	23 381	66 459
Trade and other payables from exchange transactions	13	8 366	26 896
Provisions	15	3 907	4 189
<b>Total current liabilities</b>		<b>35 654</b>	<b>97 544</b>
<b>Total net assets</b>		<b>324 472</b>	<b>239 731</b>
<b>FUNDS AND RESERVES</b>			
<b>Funds and reserves</b>			
Administration reserve		2 188	908
Employer grant reserve		19	5
Discretionary reserve		322 265	238 818
<b>Total funds and reserves</b>		<b>324 472</b>	<b>239 731</b>

# STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2014

		Administration reserve	Employer grant reserve	Discretionary reserve	Unappropriated surplus	Total
	Notes	R'000	R'000	R'000	R'000	R'000
<b>Balance at 31 March 2012</b>		1 196	19	208 189	-	209 404
Surplus per Statement of Financial Performance		-	-	-	30 327	30 327
Allocation of unappropriated surplus	1	3 975	8 512	17 840	(30 327)	-
Excess reserves transferred to Discretionary reserve		(4 263)	(8 526)	12 789		-
<b>Balance at 31 March 2013</b>		908	5	238 818	-	239 731
Surplus per Statement of Financial Performance		-	-	-	84 741	84 741
Allocation of unappropriated surplus	1	3 153	10 874	70 714	(84 741)	-
Excess reserves transferred to Discretionary reserve		(1 873)	(10 860)	12 733		-
<b>Balance at 31 March 2014</b>		2 188	19	322 265	-	324 472

An amount of R2 188 000 (2013: R908 000) is retained in the administration reserve equal to the carrying value of property, plant and equipment and intangible assets.

An amount of R19 000 (2013: R5 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.

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2014

## CASH FLOWS FROM OPERATING ACTIVITIES

### Operating activities

Cash receipts from stakeholders

Levies, interest and penalties received

Other cash receipts from stakeholders

### Cash paid to stakeholders, suppliers and employees

Cash paid to stakeholders, suppliers and employees

Grant and project payments

Compensation of employees

Payments to suppliers and other

*Cash generated from operations*

Investment income

Finance Costs

### Net cash inflow from operating activities

## CASH FLOW FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment

Purchase of Intangible assets

Insurance proceeds

### Net cash outflow from investing activities

### Net increase in cash and cash equivalents

### Cash and cash equivalents at beginning of year

### Cash and cash equivalents at end of year

	2014	2013
Notes	Rm	Rm
	344 868	305 363
	344 837	305 259
	31	104
	(337 928)	(260 002)
	(297 446)	(230 145)
	(14 469)	(13 150)
	(26 013)	(16 707)
16	6 940	45 361
3	17 266	14 156
	(9)	-
	24 197	59 517
7	(2 047)	(182)
8	-	(63)
	9	-
	(2 038)	(245)
	22 159	59 272
11	332 930	273 658
11	355 089	332 930

# STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

	Approved Original Budget	Budget adjustments	Final Budget	Actual	Favourable / (Unfavourable) variance
	2013/14	2013/14	2013/14	2013/14	2013/14
	R'000	R'000	R'000	R'000	R'000
<b>REVENUE</b>					
Skills Development Levy: income from non-exchange transactions	320 499	-	320 499	342 068	21 569
Skills Development Levy: penalties and interest from non-exchange transactions	-	-	-	3 076	3 076
Investment income from exchange transactions	13 000	-	13 000	17 285	4 285
Other Income	-	-	-	40	40
<b>Total revenue</b>	<b>333 499</b>	<b>-</b>	<b>333 499</b>	<b>362 469</b>	<b>28 970</b>
<b>EXPENSES</b>	<b>(98 293)</b>	<b>-</b>	<b>(98 293)</b>	<b>(102 841)</b>	<b>(4 548)</b>
Employer grant expenses					
Project Expenses and discretionary grants	(193 512)	-	(193 512)	(133 634)	59 878
Administration expenses	(39 954)	-	(39 954)	(41 253)	(1 299)
<b>Total expenses</b>	<b>(331 759)</b>	<b>-</b>	<b>(331 759)</b>	<b>(277 728)</b>	<b>54 031</b>
<b>SURPLUS FOR THE YEAR</b>	<b>1 740</b>	<b>-</b>	<b>1 740</b>	<b>84 741</b>	<b>83 001</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. The R 1 740 000 shown as a surplus in the budget was budgeted as capital expenditure and R 2 047 000 was spent.

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

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2014

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

## 1. Basis of preparation

The annual financial statements have been prepared on the historical cost basis, except where adjusted for present/fair values as required by the respective accounting standards. The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Standards issued by the Accounting Standards Board and the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) as amended.

## 2. Currency

These financial statements are presented in South African Rands since that is the currency in which the majority of the entities transactions are denominated.

## 3. Revenue recognition

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

Non-exchange revenue transactions include the receipt of levy income from the Department of Higher Education and Training, levies from the National Skills Fund, grants from the national government and donor funding.

### 3.1.1 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 (net of the 20% contribution to the National Skills Fund (NSF)). INSETA was not in a position to verify that SARS has collected all potential skills levy income.

Revenue is adjusted for transfers between INSETAs due to employers changing SETAs. Such adjustments are separately disclosed as inter-SETA transfers. The amount of the inter-SETA adjustment is calculated according to the most recent Standard Operating Procedure issued by the Department. 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 the 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.

### **3.1.2 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 is recognised as revenue when an allocation is made by the South African Revenue Services.

### **3.1.3 Funds allocated by the National Skills Fund for Special Projects**

Funds transferred by the National Skills Fund (NSF) are accounted for in the financial statements of the INSETA as a liability until the specific conditions have been met. The liability is reduced by any valid project expenditure incurred and recognised as revenue.

### **3.1.4 Government grants and other donor income**

Conditional government grants and other conditional donor funding are recognised as a liability until the related conditions are met. Once the conditions are met, revenue is recognised.

Unconditional grants are recognised as revenue when the receipt of the grant becomes binding.

### 3.2 Revenue from exchange transactions

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

#### 3.2.1 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.

### 4. 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 grant 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 SETA 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
- such 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 grant and project costs are recognised as expenses in the period in which they are incurred.

Unconditional grants disbursed to National Skills Fund (NSF) for Technical and Vocational Education and Training (FET) college infrastructure development.

In terms of Skills Development Circular No. 08/2013 INSETA was requested to contribute funds to the NSF for FET college infrastructure development. A funding agreement was concluded between INSETA and the NSF outlining the purpose for which the funding was provided. There are no conditions or restrictions for INSETA and the funding is not refundable. The FET college infrastructure development payment is treated as a non exchange transaction, and because no specific conditions were included in the funding agreement, an expense has been recognised in the current period for the payment made during the year.

### *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.

## **5. Irregular and fruitless and wasteful expenditure**

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

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

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.

## 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 estimated 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.

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).

Property, plant and equipment acquired for NSF Special Projects are capitalised in the financial statements of INSETA, as INSETA controls such assets for the duration of the project. Such assets may however only be disposed of in terms of an agreement and specific written instructions by the NSF."

The gain or loss on disposal of property, plant and equipment 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.

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

## 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 estimated 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).

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 operating surplus or deficit for the year.

## 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.

## 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 lesser by way of penalty is recognized as an expense in the period in which termination takes place.

## 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.

## 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.

## 12. Grants and projects

### *Mandatory and discretionary grant payments*

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 provision 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 accrued for or provided for, it is disclosed as commitments in the notes to the financial statements.

## 13. Financial instruments

### *Recognition*

Financial assets and financial liabilities are recognised on INSETA's Statement of Financial Position when 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.

### *Effective interest method*

The effective interest 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 is uncollectible, it is 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.

### *Financial liabilities at amortised cost*

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised using the effective interest method.

### *Effective interest method*

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

## 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
- Employer grant reserve
- Discretionary reserve
- Unappropriated surplus

Employer levy payments are set aside in terms of the Skills Development Act as amended and the Regulations issued in terms of the Skills Development Act 1998 (Act 97 of 1998) as amended as follows:

	2014	2013
	%	%
Administration costs of INSETA	10,5	10
Employer Grant Fund Levy	20	50
Discretionary grants and projects	49,5	20
Received by INSETA	80	80
Contribution to the National Skills Fund	20	20
	100	100

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

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.

## 15. Comparative figures

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

## 16. 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).



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 1. ALLOCATION OF SURPLUS FOR THE YEAR TO RESERVES:

	Total per Statement of Financial Performance 2012/13 R'000	Total per Statement of Financial Performance 2013/14 R'000	Admini- stration reserve R'000	Employer grants reserve R'000	Discretionary reserve		Total discretionary R'000
					Discretionary grants R'000	Projects R'000	
<b>Total revenue</b>	<b>312 970</b>	<b>362 469</b>	<b>44 406</b>	<b>113 715</b>	<b>-</b>	<b>204 348</b>	<b>204 348</b>
Skills Development Levy: income from non-exchange transactions							
Admin levy income	37 023	44 406	44 406	-	-	-	-
Grant levy income	259 421	297 662	-	113 715	-	183 947	183 947
Skills Development Levy: penalties and interest from non-exchange transactions	2 315	3 076	-	-	-	3 076	3 076
Investment income	14 098	17 285	-	-	-	17 285	17 285
Other income	113	40	-	-	-	40	40
<b>Total expenses</b>	<b>282 643</b>	<b>277 728</b>	<b>41 253</b>	<b>102 841</b>	<b>(2)</b>	<b>133 636</b>	<b>133 634</b>
Administration expenses	33 152	41 253	41 253	-	-	-	-
Employer grant and project expenses	249 491	236 475	-	102 841	(2)	133 636	133 634
<b>Surplus per Statement of Financial Performance allocated</b>	<b>30 327</b>	<b>84 741</b>	<b>3 153</b>	<b>10 874</b>	<b>2</b>	<b>70 712</b>	<b>70 714</b>

## 2. SKILLS DEVELOPMENT LEVY INCOME FROM NON-EXCHANGE TRANSACTIONS

	2013/14	2012/13
	R'000	R'000
The total levy income per the Statement of Financial Performance is as follows:		
Levy income: Administration	44 406	37 023
Levies received	44 247	37 090
Levies received	44 308	37 105
Interseta transfers in	(57)	15
Interseta transfers out	(4)	( 30)
Levies accrued	159	(67)
Levy income: Employer Grants	113 715	184 873
Levies received	112 767	185 206
Levies received	112 988	185 282
Interseta transfers in	(214)	74
Interseta transfers out	(7)	(150)
Levies accrued	948	(333)
Levy income: Discretionary Grants	183 947	74 548
Levies received	183 757	74 681
Levies received	183 786	74 708
Interseta transfers in	(11)	34
Interseta transfers out	(18)	( 61)
Levies accrued	190	(133)
	342 068	296 444

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 3. INVESTMENT INCOME

	2013/14	2012/13
	R'000	R'000
Interest income - bank deposits	17 285	14 098
Received	17 133	13 965
Accrued	152	133
	17 285	14 098

Interest received in cash for the year is R 17 266 000 (2013: R 14 156 000) which includes the prior year accrual.

## 4. OTHER INCOME

	Note	2013/14	2012/13
		R'000	R'000
Other income comprises:			
Donor funding recognised as income	14	-	9
Learner Certificates reissued		1	20
Mandatory grant received		30	84
Insurance proceeds received		9	-
		40	113

## 5. EMPLOYER GRANT AND PROJECT EXPENSES

	2013/14	2012/13
	R'000	R'000
Mandatory grants	102 841	176 361
Disbursed	167 933	241 453
Movement in provisions and accruals	(65 092)	(65 092)
Discretionary grants	(2)	(37)
Disbursed	67	76
Movement in provisions and accruals	(69)	(113)
Project expenditure	133 636	73 167
Disbursed	100 833	70 766
FET infrastructure development project*	33 924	-
Movement in provisions and accruals	(1 121)	2 401
	236 475	249 491

\* In terms of Skills Development Circular No. 08/2013 the INSETA was requested to contribute funds to the NSF for FET college infrastructure development. A funding agreement was concluded between the INSETA and the NSF. The accounting Authority approved that the total amount be paid in the current year.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 6. ADMINISTRATION EXPENSES

	Note	2013/14	2012/13
		R'000	R'000
Depreciation / amortisation		762	524
Loss on disposal of property, plant and equipment		5	9
Operating lease rentals (minimum lease payments)		3 041	1 903
Vehicles		-	-
Maintenance, repairs and running costs - Property and Buildings		776	169
Interest paid*		9	-
Advertising, marketing and promotions, communication		1 129	1 578
Entertainment expenses		158	161
Gifts, donations and sponsorships paid		15	3
Consultancy and service provider fees		10 413	9 298
Legal fees		121	43
Cost of employment	6.1	15 484	13 817
Travel and subsistence		1 713	629
Staff training and development		439	501
Remuneration to members of the accounting authority		1 642	1 092
Remuneration to members of the audit committee		237	128
Internal audit fees		1 163	524
Audit fees		974	524
Fees for other services		189	-
External auditor's remuneration**		1 896	1 122
Quality Council for Trades and Occupations		503	-
(Reversal) / Allowance for doubtful debts		(355)	310

**6. ADMINISTRATION EXPENSES CONTINUED**

	2013/14	2012/13
	R'000	R'000
Other	2 102	1 865
Stationery	189	164
Professional Indemnity Insurance	73	95
Telephone costs	417	290
Postage & courier services	27	45
Sundry expenses	1 396	747
	41 253	33 152

\* The interest was charged due to the debit order limit of the telephone account being insufficient and the late payment of the rental deposit. The balance of the invoice was deducted the following month.

\*\* Included in the External Audit was R 174 000 for an IT audit. This is performed every second year.

**6.1 Cost of employment**

	2013/14	2012/13
	R'000	R'000
Salaries and wages	15 240	13 637
Basic salaries	13 535	11 882
Performance awards	1 315	1 276
Temporary staff	159	205
Leave payments	227	242
Employee Wellness	4	32
Social contributions	244	180
UIF	72	57
SDL	172	123
	15 484	13 817
Average number of employees	37	37

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 7. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 March 2014	Cost	Accumulated depreciation	Closing carrying amount
	R'000	R'000	R'000
Computer equipment	1 665	(1 494)	171
Office furniture and fittings	1 449	(1 105)	344
Office equipment	433	(335)	98
Office Fixtures	1 917	(364)	1 553
Balance at end of the year	5 464	(3 298)	2 166

Year ended 31 March 2013	Cost	Accumulated depreciation	Closing carrying amount
	R'000	R'000	R'000
Computer equipment	1 546	(1 318)	228
Office furniture and fittings	1 449	(1 020)	429
Office equipment	431	(300)	131
Office Fixtures	1 356	(1 304)	52
Balance at end of the year	4 782	(3 942)	840

7. *PROPERTY, PLANT AND EQUIPMENT CONTINUED*

Movement summary 2013/2014	Carrying amount 2013	Additions	Disposals	Depreciation charge	Carrying amount 2014
	R'000	R'000	R'000	R'000	R'000
Computer equipment	228	128	(5)	(180)	171
Office furniture and fittings	429	-	-	(85)	344
Office equipment	131	2	-	(35)	98
Office Fixtures*	52	1 917	-	(416)	1 553
Balance at end of the year	840	2 047	(5)	(716)	2 166

\* During the year Office fixtures with a net carrying amount of Rnil (Gross carrying amount R 1 357 000) was disposed.

Movement summary 2012/2013	Carrying amount 2013	Additions	Disposals	Depreciation charge	Carrying amount 2014
	R'000	R'000	R'000	R'000	R'000
Computer equipment	401	56	(9)	(220)	228
Office furniture and fittings	520	11	-	(102)	429
Office equipment	65	99	-	(33)	131
Office Fixtures*	166	16	-	(130)	52
Balance at end of the year	1 152	182	(9)	(485)	840



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 7. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Year ended 31 March 2014	Cost	Accumulated depreciation	Closing carrying amount
	R'000	R'000	R'000
Owned Assets	5 464	(3 298)	2 166
	5 464	(3 298)	2 166

Year ended 31 March 2013	Cost	Accumulated depreciation	Closing carrying amount
	R'000	R'000	R'000
Owned Assets	4 782	(3 942)	840
	4 782	(3 942)	840

The following useful lives are used in the calculation of depreciation.

- Computer equipment 3 years
- Office furniture and fittings 10 years
- Office equipment 5 years
- Office fixtures over the lease term\*

## 8. INTANGIBLE ASSETS

Application Software	Cost	Accumulated depreciation	Closing carrying amount
	R'000	R'000	R'000
Balance at 1 April 2012	370	(326)	44
Additions	63	-	63
Amortisation expense	-	(39)	(39)
Balance at 31 March 2013	433	(365)	68
Amortisation expense	-	(46)	(46)
Balance at 31 March 2014	433	(411)	22

The following useful lives are used in the calculation of amortisation.

- Application software 2 years (Depending on the license of the software)

## 9. ACCOUNTS RECEIVABLE FROM EXCHANGE TRANSACTIONS

	2013/14	2012/13
	R'000	R'000
PAYE receivable	323	323
Deposits	570	482
Prepayments	426	542
Interest receivable	152	133
Staff Debtors	3	-
Sundry receivables	40	-
	<b>1 514</b>	<b>1 480</b>

The effect of discounting, where applicable, was considered and found to be immaterial given the short term nature of these receivables.

## 10. ACCOUNTS RECEIVABLE FROM NON-EXCHANGE TRANSACTIONS

	Note	2013/14	2012/13
		R'000	R'000
Interseta debtors	24.2	69	530
Employer receivable	10.1	1 176	1 365
		<b>1 245</b>	<b>1 895</b>

### 10.1 Employer receivable

	2013/14	2012/13
	R'000	R'000
Overpayment to employers	1 237	1 781
Allowance for doubtful debt	(61)	(416)
Net effect of SARS retrospective adjustments on affected employers	<b>1 176</b>	<b>1 365</b>

R1 237 000 (2013: R1 781 000) was recognised as a receivable relating to the overpayment to the employer in earlier periods, and is based on the amount of such grant over payments. An amount of R61 000 (2013: R416 000) was provided for as doubtful debt. INSETA is confident that it will be able to recover the net balance. Also refer to Note 12 for grant amounts owed to employers as a result of subsequent changes in levy information.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 11. CASH AND CASH EQUIVALENTS

	2013/14	2012/13
	R'000	R'000
Cash at bank and on hand	42 942	36 444
Cash at bank	42 941	36 442
Cash on hand	1	2
Short term investments/instruments	312 147	296 486
Cash and cash equivalents at end of year	355 089	332 930

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 5.02% (2013: 4.65%).

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 approved and allocated R317 240 000 for future projects and skills priorities as set out in Note 18.1.

## 12. ACCOUNTS PAYABLE FROM NON EXCHANGE TRANSACTIONS

	Note	2013/14	2012/13
		R'000	R'000
Skills development grants payable - current year		19 279	63 418
Skills development grants payable - prior year		4 102	2 950
Interseta payables	24.2	-	91
		23 381	66 459

**13. ACCOUNTS PAYABLE FROM EXCHANGE TRANSACTIONS**

	2013/14	2012/13
	R'000	R'000
Project creditors	4 986	6 107
Service provider fees outstanding	47	46
Leave Accrual	828	721
UIF Funds incorrectly received	-	17 893
Sundry payables	2 505	2 129
Trade creditors	575	643
Other accrued expenses	1 930	1 486
	8 366	26 896

The effect of discounting, where applicable, was considered and found to be immaterial given the short term nature of these payables.

**14. GOVERNMENT GRANTS AND DONOR FUNDING RECEIVED IN ADVANCE**

	2013/14	2012/13
	R'000	R'000
Opening balance	-	9
Recognised as income	-	(9)
Closing balance	-	-

During 2002 INSETA and the Department of Labour jointly had a project with the focus of training assessors. The European Union provided the funding for the project. After completion of the project in May 2007 a balance of R9 000 remained. INSETA was unsuccessful in establishing the entity and bank account where the refund should be effected and recognised the remaining amount as income in the prior year.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 15. PROVISIONS

	Notes	2013/14	2012/13
		R'000	R'000
Employee bonus provision	15.1	1 482	467
Provision for incorrect receipts	15.2	2 425	3 722
		<b>3 907</b>	<b>4 189</b>

An amount of R2 748 000 (2013: R3 722 000) relates to levies incorrectly contributed by employers, and paid over by SARS and the Department, after being exempted from contributing skills development levies due to new legislation which came into effect 1 August 2005.

### 15.1 Provision for incorrect receipts

	2013/14	2012/13
	R'000	R'000
Open carrying amount	467	332
Amounts utilised	(426)	(1 141)
Additional provision	1 482	1 232
Change in estimate	(41)	44
Closing carrying amount	<b>1 482</b>	<b>467</b>

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.

15. *Provision continued*

## 15.2 Provision for incorrect receipts

	Opening Balance	Reversed During the year - transferred to discretionary funds	Change in Estimate	Addition	Closing Balance
	R'000	R'000	R'000	R'000	R'000
<b>2013/14</b>					
Provision for levies from exempt employers	3 722	(1 509)	(155)	367	2 425
	3 722	(1 509)	(155)	367	2 425
<b>2012/13</b>					
Provision for levies from exempt employers	3 190	-	134	398	3 722
	3 190	-	134	398	3 722

An amount of R 2 425 000 (2013: R 3 722 000) relates to levies incorrectly contributed by 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 employers remain with SARS.

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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 16. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO NET SURPLUS

	2013/14	2012/13
	R'000	R'000
Net surplus as per Statement of Financial Performance	84 741	30 327
Adjusted for non-cash items:		
Depreciation / amortisation	762	524
Loss on disposal of property, plant and equipment	(4)	9
Special project income recognised	-	( 9)
Allowance for doubtful debts	(355)	310
Finance costs	9	-
(Decrease) / Increase in provisions	(282)	667
Relating to employment	1 015	135
Relating to other	(1 297)	532
Adjusted for items separately disclosed		
Investment income	(17 266)	(14 156)
Adjusted for working capital changes:		
Decrease in receivables from non-exchange transactions	1 005	6 106
(Increase) / Decrease in receivables from exchange transactions	(34)	452
(Increase) in consumables	(28)	( 29)
(Decrease) / Increase in payables from non-exchange transactions	(43 078)	1 453
(Decrease) / Increase in payables from exchange transactions	(18 530)	19 707
<i>Cash utilised in operations</i>	<b>6 940</b>	<b>45 361</b>

## 17. CONTINGENCIES

### 17.1 Pending Litigations

At the reporting date three cases of alleged misappropriation of INSETA funds by external parties, relating to discretionary grant projects, were pending.

In two of the three cases INSETA received a notice of intention to defend and INSETA has applied for a summary judgement. INSETA has not received a notice of intention to defend the third case and a default judgement was given.

## 17. Contingencies Continued

### 17.1 Pending Litigations continued

It is estimated that, as a result, additional legal expenses will be incurred to finalise these matters.

At the reporting date the outcome of the two remaining cases are uncertain. The potential financial impact cannot yet be reliably estimated.

### 17.2 Contingent Liabilities

#### Surplus Funds

In terms of the PFMA, all surplus funds as at year-end may be forfeited to National Treasury should an application for retention of surplus funds be denied. We have submitted an application to National Treasury via the Department for the retention of surplus funds.

#### 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 R19 000 (2013 R5 000) will be payable. The amount is contingent on the number of submissions received and approved.

## 18. COMMITMENTS

### 18.1 Discretionary reserve

Of the balance of R322 265 000 (2013 R238 818 000) available in the Discretionary reserve at the end of March 2014, R317 240 000 (2013 R251 491 000) has been approved and allocated for future projects and skills priorities as set out below.

Amounts for expenses that have already been incurred, and therefore included in the project expenses in the Statement of Financial Performance, are also indicated. A request for the accumulation of these funds have been submitted to National Treasury via the Department. At the time of compiling the financial statements, no reply had been received.

#### Amounts disclosed in the approved by accounting authority column should be read as follows:

The positive amounts represents new or additional approvals made by the accounting authority. The negative amounts represents transfers back to the surplus funds due to savings on the project.

#### Amounts disclosed in the utilised column should be read as follows:

The negative amounts represents credit notes or reallocations of invoice. The positive amounts represents expenses that have incurred against the project.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

		Opening allocated funds 2012/13	Allocation Approved by Accounting Authority not fully contracted
NSDS	Project Name	R'000	R'000
2.7	PWC Management fees (Project office service provider)	368	(368)
2.7	ABET level 4 support	110	(110)
2.5	Black Business training support	1	(1)
4.5	Bursaries and voucher project	11 011	-
4.5	Financial Advisory and Intermediary Services Act Support	4 087	-
4.1 / 4.2	Internships	3 529	(3 216)
4.2	Learnerships	6 259	(5 326)
4.1	QCTO	3 094	-
<b>2010/2011 PROJECTS</b>			
4.1	Business Analyst and systems analyst training	26	-
2.8	FETI-HETI Articulation Pilot	284	(90)
2.8	GIALSA Settlement and completion of training	65	-
4.1	INSETA Capacity Building & Quality Promotion	1 462	(1)
4.2	Learnership Funding Window Year 11	34 763	(15 900)
2.8	Management and Leadership Project	7 903	(7 910)
4.6	National support for SMMEs 2010 -2011	6 331	-
	Project Admin 2010/11	3 009	1 661
4.2	Project for people with Intellectual Disabilities	1 164	(410)
4.8	Promotion of Insurance Sector Year 11	1 583	-
4.5	SAAD Project 2011	2 476	-
4.2	Sector-Demand Internships	11 376	1
4.1	Work Readiness Project	7 082	(7 077)

Utilised	Opening allocated funds 2012/13	Commitments as at 31 March 2013	Allocation Approved by Accounting Authority not fully contracted	Utilised	Closing balance 2013/14	Future commitments / contracts
R'000	R'000	R'000	R'000	R'000	R'000	R'000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3 673	7 338	7 364	-	3 070	4 268	1 513
2 379	1 708	733	1 000	1 217	1 491	1 596
313	-	-	-	-	-	-
933	-	-	-	-	-	-
527	2 567	128	(1 299)	603	665	529
(39)	65	-	(40)	-	25	-
200	-6	-	-	(6)	-	-
65	-	-	-	-	-	-
304	1 157	52	(1 172)	-	(15)	-
10 190	8 673	7 890	1 223	9 229	667	-
(7)	-	-	-	-	-	-
5 117	1 214	468	(156)	1 023	35	-
757	3 913	-	-	1 449	2 464	-
61	693	503	(691)	2	-	-
467	1 116	256	-	927	189	-
2 411	65	-	(71)	(6)	-	-
4 848	6 529	3 539	(4 402)	2 127	-	-
5	-	-	-	-	-	-

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

		Opening allocated funds 2012/13	Allocation Approved by Accounting Authority not fully contracted
NSDS	Project Name	R'000	R'000
<b>2011/2012 PROJECTS</b>			
4.6	Employment Creation and New business opportunities funding window	33 976	(23 420)
4.1	Research Project	5 902	-
4.6	SME Learnership	8 480	-
4.6	Burial Societies Cooperatives Skills Support Proje	2 520	-
4.5	Bursaries for the employed: Levy paying	9 000	(305)
4.1	Research – SSP 2011	526	(339)
4.2	LEARNERSHIPS YEAR 12	33 899	(400)
4.2	BASA 2012 Programme	1 387	(55)
4.2	SAAD PROJECT YEAR 13	13 087	-
<b>2012/2013 PROJECTS</b>			
4.2	INTERNSHIPS YEAR 12	-	10 698
4.5	FETI HETI Project Year 12	-	5 782
4.6	SME TRAINING VOUCHERS	-	9 554
4.1	INSURANCE AND RELATED SERVICES SSP 2012	-	1 835
4.2	INTERNSHIPS YEAR 2013	-	39 000
4.2	LEARNERSHIPS YEAR 2013	-	79 488
4.8	SETA-FET Collaboration Pilot Project	-	1 305
4.2	Quality Promotion Project	-	3 337
4.2	SMME Learnership	-	22 165

Utilised	Opening allocated funds 2012/13	Commitments as at 31 March 2013	Allocation Approved by Accounting Authority not fully contracted	Utilised	Closing balance 2013/14	Future commitments / contracts
R'000	R'000	R'000	R'000	R'000	R'000	R'000
114	10 442	894	(8 492)	806	1 144	1 042
-	5 902	-	(3 522)	316	2 064	1 905
6 902	1 578	490	(1 303)	274	1	-
479	2 041	820	-	394	1 647	236
3 744	4 951	1 794	-	3 078	1 873	-
82	105	86	(19)	86	-	-
14 085	19 414	10 802	(702)	8 345	10 367	5 196
1 207	125	-	(118)	7	-	-
8 296	4 791	1 563	(4 303)	488	-	-
4 402	6 296	4 182	(531)	3 218	2 547	380
945	4 837	3 331	-	2 149	2 688	1 036
411	9 143	185	(4 750)	2 250	2 143	1 847
296	1 539	-	(741)	308	490	-
-	39 000	-	-	12 218	26 782	18 160
-	79 488	-	(15 000)	19 846	44 642	32 576
-	1 305	-	-	724	581	356
-	3 337	-	3 338	660	6 015	2 034
-	22 165	-	-	1 109	21 056	-

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

		Opening allocated funds 2012/13	Allocation Approved by Accounting Authority not fully contracted
NSDS	Project Name	R'000	R'000
2013/2014 PROJECTS			
4.2	Bursaries for NSFAS	-	-
4.2	BASA 2013 Programme	-	-
4.2	LEARNERSHIPS YEAR 2014	-	-
4.2	INTERNSHIPS YEAR 2014	-	-
4.5	BURSARIES FOR WORKERS 2014	-	-
4.5	Skills Programmes for Workers in 2013/2014	-	-
4.6	Skills Programmes for small businesses and Coops	-	-
4.1	FET Infrastructure Development	-	-
4.2	Skills Programmes for Unemployed Youth	-	-
4.1	Broker Development Program*	-	-
4.2	SAADP YEAR 2014*	-	-
Total project expenditure		214 760	109 898

\* These projects were allocated during the current year, but will only start in the following financial year.

Note that the definition of commitments by the accounting authority includes signed contracts, approval letters sent to employers for learnerships, internships and bursaries and open purchase orders for travel and other related services, up to the approval date of the financial statements. Refer below to the reconciliation.

## Future commitments / contracts

Contracted Amounts	28 238
Learnership, Internship and Bursary Agreements	185 051
	<u>213 289</u>

Utilised	Opening allocated funds 2012/13	Commitments as at 31 March 2013	Allocation Approved by Accounting Authority not fully contracted	Utilised	Closing balance 2013/14	Future commitments / contracts
R'000	R'000	R'000	R'000	R'000	R'000	R'000
-	-	-	3 500	3 500	-	9 085
-	-	-	999	298	701	-
-	-	-	55 618	641	54 977	65 830
-	-	-	57 974	2 049	55 925	38 375
-	-	-	25 550	7 037	18 513	13 936
-	-	-	15 000	7 036	7 964	-
-	-	-	15 000	1 434	13 566	1 372
-	-	-	33 924	33 924	-	-
-	-	-	15 000	1 807	13 193	6 478
-	-	-	8 600	-	8 600	-
-	-	-	9 972	-	9 972	9 807
73 167	251 491	45 080	199 386	133 637	317 240	213 289

#### 2013/14 projects approved by the Accounting Authority (excluding FET Infrastructure Development)

Pivotal programmes	184 142	89%
Non-pivotal/Catalytic programmes	22 909	11%
	<u>207 051</u>	

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 18. Commitments continued

### 18.2 Operating Leases

Total of future minimum lease payments under non-cancellable leases:

	2013/14	2012/13
	R'000	R'000
Not later than one year	3 075	728
Later than one year and not later than five years	3 334	-
	6 409	728

The operating leases relate to building premises used for office accommodation. The lease agreement for the building was entered into effective 1 September 2013 and will be expiring on 31 March 2016.

## 19. FRUITLESS AND WASTEFUL EXPENDITURE

- During the current year INSETA was charged interest on their telephone account for late payment. The late payment was as a result of the limit on the debit order being insufficient to cover the complete amount due each month. The interest on these accounts amounted to R 1 000. The amount has been expensed and disclosed in note 6. The following preventative controls have subsequently been put in place: - The Debit order for the telephone account was cancelled and all subsequent bills were paid by electronic funds transfer.
- During the year INSETA was charged interest for the late payment of the rental deposit. The payment was delayed due to INSETA attempting to obtain a bank security (as in the past) instead of actually paying the deposit. Due to internal policy changes the bank was no longer allowed to issue INSETA with the security and hence the deposit was paid to the lessor. The interest charged was R 8 000. The amount has been expensed and disclosed in note 6. Going forward INSETA will not request banks for security deposits, but will rather pay deposits in cash.

## 20. IRREGULAR EXPENDITURE

	2013/14	2012/13
	R'000	R'000
Opening balance	808	-
Add: Irregular Expenditure – identified during the current year	633	1 146
Less: Amounts condoned	(53)	(338)
<b>Irregular Expenditure awaiting condonation</b>	<b>1 388</b>	<b>808</b>

During the prior year INSETA identified expenditure deemed irregular totaling R1 146 000. This related to the procurement of venues using a venue finder, procurement of catering services without obtaining 3 quotations and procurement of services without obtaining tax clearance certificates.

R338 000 (relating to the procurement of venues using a venue finder) was condoned by the accounting authority in December 2013. R53 000 (relating to the procurement of services without obtaining 3 quotes) was condoned by the accounting authority in February 2014.

The procurement of services without obtaining tax clearance certificates (as identified in the prior year) also resulted in irregular expenditure in the current year amounting to R355 000. Additional irregular expenditure of R8 000 was incurred in the current year due to INSETA exceeding the cost for accommodation as stipulated in National Treasury's instruction note 1 of 2013/14: Cost containment measures. Details of both the current year irregular expenditure are as follows:

1. Inseta appointed two contractors during 2012/2013 by using an outside service provider to handle all the project procurements together. The appointed service provider was responsible for checking the validity of the tax clearance certificates. They returned the files to the INSETA Project Office but management discovered that the tax clearance certificates were missing. Expenses relating to this procurement amounts to a total of R 1 110 000 (R 355 000 in the current year and R 755 000 in the prior year).

A request for condonation was submitted to National Treasury; however the condonation was not granted. The letter rejecting the condonation recommended that Inseta either recover or write off the amount. INSETA is considering various alternatives subsequent to which a decision will be made.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 20. *Irregular Expenditure continued*

2. National Treasury issued instruction note 1 of 2013/14: Cost containment measures effective from 1 January 2014. The circular states that domestic hotel accommodation may not exceed R1 300 per night. In the current year 5 instances were noted where the amount was exceeded. The total value of accommodation amounts to R8 000 and the amount that exceeds that R1 300 limit amounts to R2 000.
3. In 2010 INSETA renewed a contract for fixed data lines with Telkom for 5 years. At that stage there was only one competitor service provider which INSETA did not consider due to the following reasons:
  - \* The network coverage of the competitor was inferior to that of Telkom
  - \* Various business continuity considerations as INSETA would have to change their telephone numbers

The reasons for the single source procurement and evidence of the market analyses was not sufficiently documented at the time of consideration and is thus seen as irregular. The total contract value amounts to R988 000 with payments made to date totalling R276 000. The contract and resulting expenditure was condoned by the Accounting Authority subsequent to year end.

## 21. 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.

## 21. Critical Accounting Judgements And Key Sources Of Estimation Uncertainty Continued

### 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 7 and note 8 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.

INSETA has reviewed the estimated useful lives & residual values used for the purposes of depreciation calculations. The review did not highlight any requirement for an adjustment in current or prior periods.

## 22. FINANCIAL INSTRUMENTS

In the course of INSETA's operations it is exposed to interest rate, credit, liquidity and market risk. INSETA has developed a comprehensive risk strategy in terms of TR 28.1 in order to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

### Categories of Financial Instruments

	2013/14	2012/13
	R'000	R'000
<b>Financial assets</b>	355 089	332 930
Cash and bank balances	2 330	2 351
Other receivables from exchange and non-exchange transactions	357 419	335 281
<b>Financial liabilities</b>		
Financial liabilities at amortised cost.	7 538	26 175

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 22. Financial Instruments Continued

### 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.

INSETA's exposure to interest rate risk and the effective interest rates on financial instruments at reporting date are as follows:

	Floating rate		Non-interest bearing		Total
	Amount	Effective interest rate	Amount		
Year ended 31 March 2014	R'000		R'000		R'000
<b>Assets</b>					
Cash	355 044	5,02%	45		355 089
Accounts receivable	-		2 330	1 month	2 330
<i>Total financial assets</i>	355 044	5,02%	2 375		357 419
<b>Liabilities</b>					
Accounts payable	-		7 538	1 month	7 538
<i>Total financial liabilities</i>	-		7 538		7 538
<b>Year ended 31 March 2013</b>					
<b>Assets</b>					
Cash	332 770	4,65%	160		332 930
Accounts receivable	-		2 351	12 months	2 351
<i>Total financial assets</i>	332 770	4,65%	2 511		335 281
<b>Liabilities</b>					
Accounts payable	-		26 175	1 month	26 175
<i>Total financial liabilities</i>	-		26 175		26 175

## 22. Financial Instruments Continued

### 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.

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

Year ended 31 March 2014	2013/14		2012/13	
	Gross	Impairment	Gross	Impairment
	R'000	R'000	R'000	R'000
Not past due	2 269	-	1 935	-
Past due	61	( 61)	416	( 416)

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 22. Financial Instruments Continued

### Liquidity risk

INSETA manages liquidity risk through proper management of working capital and capital expenditure. Adequate reserves and liquidity is maintained.

2013/14	Carrying Amount	Contractual Cash Flows	6 months or less	6 - 12 months	1 - 2 years	More than 2 years
	R'000	R'000	R'000	R'000	R'000	R'000
Trade and other Payables from exchange transactions	7 538	7 538	7 496	-	-	42
2012/13						
Trade and other Payables from exchange transactions	26 175	26 175	26 133	-	-	42

In case of short term liquidity problems, funding resources might be available in terms of the Department and National Treasury approval for borrowing requirements in the open market.

Prior year balances have been updated to include all exchange transactions.

### 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 that INSETA is aware of.

### Fair values

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.

## 22. *Financial Instruments Continued*

### *Fair values continued*

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

#### *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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 23. NEW ACCOUNTING PRONOUNCEMENTS

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

		Effective date, commencing on or after
Related party disclosures	GRAP 20	Not yet Effective
Segment Reporting	GRAP 18	Not yet Effective
Statutory receivables	GRAP 108	Not yet Effective

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

GRAP 23 have been used to formulate our accounting policy. GRAP 24 - the principles outlined in GRAP 24 have been used to inform compliance with the requirements of GRAP 1.

### GRAP 20: Related party disclosures

This Standard prescribes the disclosure of information relevant to draw attention to the possibility that INSETA's financial position and surplus/deficit may have been affected by the existence of related parties. It is not expected that this Standard will significantly impact future disclosures as current disclosures are similar to GRAP 20.

### GRAP 18: Segment Reporting

This Standard prescribes the disclosure to present more specific and detailed information about major activities undertaken by an entity during a particular period, along with the resources allocated to those activities. INSETA already reports various disaggregations of its revenue and expenditure per segment. Although the format of the reporting could change, we do not foresee major disclosure changes.

### GRAP 108: Statutory receivables

This Standard prescribes the accounting treatment of receivables that arise from legislation, supporting regulations, or similar means. It is not expected that this standard will significantly impact the recognition, measurement and disclosure of these receivables.

### 23. *New Accounting Pronouncements Continued*

The following Standards and Interpretations that have been issued but are not yet effective are not applicable to INSETA and will not have an impact on future financial statements:

		Effective date, commencing on or after
Transfer of Function between Entities Under Common Control	GRAP 105	Not yet Effective
Transfer of Function between Entities Not Under Common Control	GRAP 106	Not yet Effective
Mergers	GRAP 107	Not yet Effective
Service Concession Arrangements: Grantor	GRAP 32	Not yet Effective

## 24. RELATED PARTY TRANSACTIONS

### 24.1 Transactions with DHET and its entities

The executive authority of INSETA is the Department of Higher Education and Training. The department is part of the portfolio of the minister of Higher Education and Training.

There were transactions relating to revenue with the Department. (Note 2)

Where there were transactions and balances arising due to the movement of funds between entities under the common control of the Department, these amounts are disclosed on the next page.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 24. Related Party Transactions Continued

The balances at year-end included in receivables and payables are:	2013/14		2012/13	
	Amount of the transaction*	Amount receivable / payable	Amount of the transaction	Amount receivable/ payable
	R'000	R'000	R'000	R'000
<b>Receivables</b>	(282)	69	123	529
<b>InterSETA receivables</b>	(282)	69	123	529
Fasset	139	2	67	8
MICT SETA	(54)	5	-	67
Bankseta	6	-	15	3
Merseta	1	-	-	1
Health & Welfare SETA	-	22	26	26
Services seta	(364)	25	13	389
W&R seta	7	7	-	-
Other	1	1	-	-
CATHSETA	(18)	7	2	35
<b>Payables</b>	22	-	241	91
<b>InterSETA payables</b>	22	-	241	91
Agri-SETA	-	-	-2	-
Bankseta	-	-	2	-
Health & Welfare SETA	-	-	150	-
SASSETA	-	-	81	81
ESETA	14	-	-	-
Services seta	8	-	-	-
W&R SETA	-	-	10	10
<b>Other</b>	-	-	-	17 893
Department of Higher Education and Training	-	-	-	17 893
<b>Total</b>	(260)	69	364	18 513

\* Note that the amount of transaction includes interest and penalties transferred to or from INSETA and the deduction of grants already paid.

## 24. Related Party Transactions Continued

### 24.2 Transactions with entities on the national sphere of government

By virtue of the fact that INSETA is a National Public Entity related to other entities and departments in the national sphere of government it is considered related to Telkom, Eskom, South African Airways, other SETAs and the National Skills Fund. The transactions are consistent with normal operating relationships between the entities, and are undertaken on terms and conditions that are normal for such transactions.

### 24.3 Remuneration of Key Management

The key management personnel of INSETA are: the members of the accounting authority and the members of the senior management group.

The accounting authority consists of members appointed in terms of its constitution; the chief executive officer attends meetings of the accounting authority but is not a member of the accounting authority. The aggregate remuneration of members of the accounting authority and the number of members receiving remuneration within this category, are:

	2013/14	2012/13
	R'000	R'000
Aggregate remuneration	1 642	1 092
Number of persons	15	15

The senior management group consists of INSETA's Chief Executive Officer and Chief Operations Officer. The aggregate remuneration of members of the senior management group and the number of managers receiving remuneration within this category are:

	2013/14	2012/13
	R'000	R'000
Aggregate remuneration	2 743	2 535
Number of persons	2	2

Refer to the report by the Accounting Authority for detail disclosure concerning the emoluments of the Chief Executive Officer and Chief Operating Officer.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 25. NOTES TO COMPARISON OF BUDGET AND ACTUAL

Legislation requires that INSETA annually, to submit 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 Skills Development Levy: income from non-exchange transactions:

The Skills Development Levy income was higher than budget by 6% due to higher than anticipated salaries or industry growth in the insurance sector.

### 25.2 Skills Development Levy: penalties and interest from non - exchange transactions:

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 Investment Income

Investment income was higher than budget by 33% due to higher than anticipated cash balances due to the timing of payments and an increase in the interest rates.

### 25.4 Employer grant expenses

Employer grant exceeded budget by 5% due to the levy income exceeding the budgeted income. The payout % of the mandatory grants was slightly lower than the budgeted payout % due to fewer Work Place skills plans that were submitted and approved.

### 25.5 Project expenses

Project expenditure is less than budget by 31% due to various projects only commencing very late during the year.

### 25.6 Administration expenses

Administration expenditure is limited to 10.5% of levies received. Despite the budget being exceeded the legislative limit has not been exceeded.

### 25.7 Capital expenditure

Capital expenditure exceeded the budgeted by 17.6% due to additional furnishings required for INSETA's new offices.

# THANK YOU

to the following employers for hosting interns:

- Abelard Underwriting Agency
- Accensure Insurance Brokers
- Alexander Forbes Group (Pty) Ltd
- Ambledown Risk And Underwriting Managers (Pty) Ltd
- Asba
- Ascor Financial Advisors
- Astra Maritime
- Assupol
- Assure Risk Solutions
- Asyz Investments
- Aw Jack And Associates (Pty) Ltd
- Balondolozzi Investment Services
- Binrob
- Bravopix 240
- Buy An A Financial Services CC
- C4life (Pty) Ltd
- Camargue Underwriting Managers
- Clientele Life Assurance Company
- Coface South Africa Services (Pty) Ltd
- Commrisk Insurance Brokers (Pty) Ltd
- Compass Insurance Company Limited
- Contact Staff And Skills Solutions Trading As T&T
- Credit Guarantee Ins Corp Of
- Daberistic Financial Services
- Dco Financial Services
- Discovery Health Medical Scheme
- Dmkc Insurance Brokers
- Econorisk Administration Services
- Engineering Risk Underwriting Managers (Pty)
- Epitomy Financial Services CC
- Eskom Pension And Provident Fund
- Expanded Risk Consulting
- Export Credit Insurance Corporation of South
- Executive People Development Solutions
- Federated Employers Mutual Assurance Company
- Fhj Beleggings Edms Bpk
- First Equity Risk Management Service ES (Pty) Ltd
- Fisher Consulting
- Frank Financial Services (Pty) Ltd
- Futurum Financial Group
- Genesis Capital
- Gib Insurance Brokers
- Glenwood Makelaars Bk
- Goudveld Versekerings Makelaars
- Hollard Life Assurance Co Ltd
- Hollins Insurance Broker
- Ilifu Financial Services
- Indwe Risk Services
- Inseta
- Insurewell Financial Advisors
- Integrical CC
- Investment Solutions Ltd
- Jeremy Gallet And Assoc
- John Farelo Associates CC
- Kewuti Finances Services
- Khanyisa Insurance Brokers
- Kutullo Consulting
- Liberty Life
- Lmfs Brokers CC
- Luvolvethu Brokers
- Malcolm Hendricks Brokers
- Marsh
- Masthead Distribution Services (Pty) Ltd
- Matzikama Begrafnis Dienste
- Maxi Group Schemes (Pty) Ltd
- Medscheme Holdings
- Medway Holdings (Pty) Ltd
- Metropolitan Health Corporate (Pty) Ltd
- Mfundo Mnyango Brokers CC
- Milumbe Consulting

# THANK YOU

to the following employers for hosting interns:

- Miway Insurance Limited
- Mmela Financial Services (Pty) Ltd
- Mmr Finansi Le Dienste
- Mojaff Financial Services
- Momentum Lewensversekeraars Binnep Ersoneel
- Multi Versekerings Makelaars
- Mutual & Federal Ins Co Ltd
- Mzingisi Brokers CC
- Northwood Financial Services
- Netto Invest CC
- Nu Era Fund Administrators CC
- Obrien Financial Services CC
- Old Mutual Life Assurance Company (South Africa) Limited
- Omega Brokers
- Onderlinge Versekerings Ge-Avbob
- One Life Insurance
- Prestasi Brokers
- Professional Provident Society Insu
- Profin Risk Solutions
- Profin Financial Solutions
- Rance Company Limited
- Randmore Investments
- Regal Insurance Brokers CC
- Risk Benefit Solutions (Pty) Ltd
- Riskfin Brokers
- Royal Square Finance
- Sa Commercial Insurance Brokers
- Sanlam Life Insurance Ltd Office Staff
- Sansure Bk
- Santam Versekeringsmaatskappy
- Sasfin Financial Advisory Services
- Silver Solutions 1967 T/A Wc Brokers
- Sp Wealth Management
- Swiss Re Southern Africa Limited
- Suid-Afrikaanse Polisie diens Mediese Skema Pol
- T P South Africa Trading ((Pty) Ltd
- Tebazile Wealth Management
- Telesure Group Services Proprietary Limited
- Ternary Financial Services CC
- The Botho Trust
- The Lawyer's Voice
- The Lion Of Africa Insurance Company
- The Ubuntu Trust
- Thebe Ya Bophelo Healthcare Administrators Pty
- Thebu Financial And Management Services
- Tindluba Investment CC
- Valueline (Pty) Ltd
- Vip Portfolio & Underwriting Managers (Pty) Ltd
- Waljo Bk
- Wayne Du Preez Financial Services
- Wedgewood Insurance Investment
- Willis South Africa (Pty) Ltd
- World Focus 1975 CC
- Youi (Pty) Ltd
- Yourinsurance Brokers Sa (Pty) Ltd
- Zanoqhamo
- Zurich Insurance

*Thank you*





**inseta**

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