

Annual Report 2009/2010



inseta
INSURANCE SECTOR EDUCATION
AND TRAINING AUTHORITY

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.

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

VISION

In 2013 INSETA will be:

- Acknowledged as education and training thought leaders and enablers – the most effective SETA
- Have a highly esteemed reputation as being integral to the insurance sector's growth
- Demonstrate how a truly transformed (New South Africa) organisation should and does operate
- Have grown the talent pool to levels where the skills shortage is no longer critical
- Have a comprehensive research base on international trends and best practices
- Be delivering quality in all 9 provinces



higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



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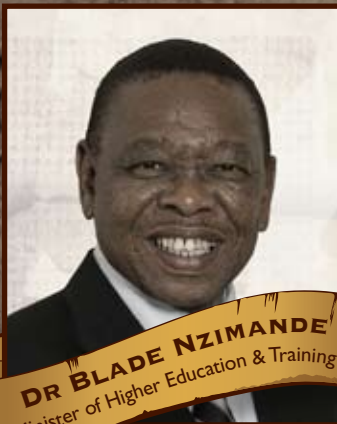
INSURANCE SECTOR EDUCATION
AND TRAINING AUTHORITY



Insurance Sector Education and Training Authority (INSETA)

RP 108/2010

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DR BLADE NZIMANDE
Minister of Higher Education & Training



SANDRA DUNN
INSETA Chief Executive Officer

Honourable Minister, it is with pleasure that we present to you the Annual Report of the Insurance Sector Education and Training Authority for the period 1 April 2009 to 31 March 2010.

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INSETA's milestones since establishment in 2000:

| Period | Milestones |
|-----------|---|
| 2000/2001 | <ul style="list-style-type: none">• March 2000 sees the official establishment of INSETA, representing the skills development interests of ten sub-sectors within the insurance sector.• INSETA is classified as a "green SETA" which means that it has reached an acceptable level of capacity to successfully implement the skills development legislation.• INSETA's Council, Council Sub-Committees and Executive Management Committee are established.• INSETA's Sector Skills Plan is rated as "highly recommendable" and is amongst the top five.• INSETA disburses R3,3 million in levies to employers. |
| 2001/2002 | <ul style="list-style-type: none">• INSETA disburses R23 million in levies to employers, representing a payout ratio of more than 90%.• 34 discretionary grant sector projects are implemented.• INSETA's Education and Training Quality Assurance division receives its accreditation from the South African Qualifications Authority (SAQA). |
| 2002/2003 | <ul style="list-style-type: none">• INSETA introduces learnerships to the insurance sector.• 87 INSETA and sector projects to the value of R47,3 million are underway.• 50 Grade 12 learners, from historically disadvantaged communities, graduate from INSETA's Insurance Employment Preparedness Programme (INSPREP), a six-month full time programme providing them with entry-level employment skills. 33 of the graduates find permanent employment in the sector.• INSETA launches tailor-made leadership development programmes aimed at meeting the needs of senior employees in the sector. |
| 2003/2004 | <ul style="list-style-type: none">• The Minister of Finance launches the Financial Sector Charter for Black Economic Empowerment. INSETA hosts highly successful conference aimed at creating awareness of the skills development imperatives of the Charter.• INSETA implements Financial Sector Charter Learnerships which are partially funded by the National Skills Fund.• INSETA implements the Financial Advisory and Intermediary Services (FAIS) Act Fit & Proper Project, a project aimed at assisting financial advisors in obtaining licences necessary under the FAIS Act. |
| 2004/2005 | <ul style="list-style-type: none">• INSETA launches its Women in Insurance (WIN) Management Development Programme, aimed at fast-tracking learning for senior women in the sector; in management and leadership skills.• INSETA implements a retirement fund and trustee training project, to address the skills deficits in this area and recommend suitable skills programmes.• INSETA exceeds its target of 20 companies either participating or achieving recognition of the Investors in People Standard. |

| Period | Milestones |
|-----------|---|
| 2005/2006 | <ul style="list-style-type: none"> INSETA's Quality Assurance division receives its re-accreditation as the sector's quality assurance body by SAQA for a further three years. 1,247 unemployed learners successfully complete the Financial Sector Charter Learnerships programme, a completion rate of 83,1 % and of this 40 % of the learners find permanent employment in the sector. INSETA's Council approves funding of R21,7 million for learnerships and internships and work-based education (WBE) programmes. |
| 2006/2007 | <ul style="list-style-type: none"> INSETA's Council approves discretionary grant funding of R57,3 million for projects aligned to the National Skills Development Strategy (NSDS). Many of the projects are direct interventions into transformational issues such as INSETA's Black Brokers "Running a Brokerage" pilot project. A project aimed at training and equipping 20 Black SMMEs with the necessary skills and knowledge to grow, become sustainable and profitable and to be future role models for other SMMEs in the sector. 2 institutions are awarded INSETA's Institute of Sectoral or Occupational Excellence (ISOE) Grants. INSETA's Council approves funding of R20,6 million for unemployed and employed learners. |
| 2007/2008 | <ul style="list-style-type: none"> 40% increase in learner enrollment over past three years and growth in demand for funding of skills by way of learnerships from employers in the sector. INSETA signs a Joint Implementation Plan with SAQA where experts analyse research findings and develop appropriate qualifications and unit standards for the insurance sector. First FAIS National Assessment conducted in November 2007. 729 financial advisors register and a pass rate of 75.6 % is achieved. INSETA's Council approves discretionary grant funding of R68,2 million to INSETA and sector initiatives. |
| 2008/2009 | <ul style="list-style-type: none"> 348 unemployed black graduates complete their year long Wealth Management Learnership (NQF Level 5). A learnership specifically created to accelerate the entry of black South African graduates into the insurance sector. INSETA exceeds its Service Level Agreement (SLA) targets for training people with disabilities by 299%. Mandatory Grants payout ratio remains high at 88%. INSETA's Quality Assurance division receives re-accreditation from SAQA with a 100% compliance rating received. |
| 2009/2010 | <ul style="list-style-type: none"> INSETA's mandatory grants payout ratio increases to 91%. INSETA introduces National Disability Awards aimed at raising the profile of workers with disabilities who are making a remarkable difference in the insurance sector as well as individuals and organisations supporting the advancement of people with disabilities. INSETA initiates the first pilot articulation project between FETs and HETs, a first for the insurance sector. |

“It’s when ordinary people rise above the expectations and seize the opportunity that milestones truly are reached.”

Mike Huckabee

CHAIRPERSON'S REPORT



IVAN MZIMELA
INSETA Chairperson

CHAIRPERSON'S REPORT

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It is said that if you have a heart for South Africa, you are African. Certainly a fitting sentiment for 2010, as we celebrated and hosted the Soccer World Cup with the vociferous blows of vuvuzelas. We stood proud as we witnessed our glorious country leave its footprint globally. This year also sees a celebratory milestone for our SETA, as we complete our tenth year of operation.

Once again INSETA achieved an unqualified audit. An irregular finding by the Auditor General has highlighted the importance of ensuring that INSETA management abides by the Supply Chain Management (SCM) policy and that in cases where deviation from SCM is warranted that this approval is explicitly requested of the Accounting Authority prior to the event. The irregular finding related to a matter concerning a competitive bid process versus a recruitment process. INSETA remains committed to the principles of transparency, equal treatment, competitiveness, fairness, ethics and accountability. We will ensure that INSETA continues to operate at the highest levels of integrity.

As a relatively young organisation, INSETA has set out and made a positive and meaningful impression in the insurance sector. Its considerable achievements over the past ten years cannot be overlooked.

THE YEAR UNDER REVIEW

During the year our Council hosted two strategic planning sessions with the management of INSETA. These sessions were extremely beneficial to both Council and the management, as we spent time reassessing the purpose, values and vision of INSETA and the work needed to enrich our reputation and image. I am pleased to report that we appointed a permanent Chief Executive Officer, Sandra Dunn, in November 2009 and that INSETA is now fully staffed. We also revisited the composition of our Council Sub-Committees and their respective Terms of Reference. Our Audit Committee was reconstituted with the appointment of an independent, external Chairperson. Following a recommendation from management, Council approved the decision to bring the project

management function in-house. A project manager who will oversee this core function is to be appointed shortly.

We are on track in meeting our targets in terms of the Service Level Agreement that we have signed with the Department of Higher Education and Training. Our challenges lie in the sustainability of new venture creations and Adult Based Education and Training (ABET) in the sector. Council is also closely monitoring the Discretionary Grant spend rate. We interrogate the Discretionary Grant Project Scorecard and INSETA's performance at each of our Council meetings and this issue remains a permanent item on our agenda.

Sector research indicates that over a five year period our sector has seen a steady growth in black employment. More than half of the employees in the sector are women; however there is still a shortage of black females holding senior management positions. The degree of scarcity for managers and professionals becomes more serious for occupations requiring higher National Qualifications Framework (NQF) qualifications. This skills gap can only be addressed through sector-specific training programmes and by up-skilling existing employees. Our mandatory grant payout ratio remains high at 91%, which is very encouraging to see employers claiming back their 50% from INSETA, through the submission of a Workplace Skills Plan (WSP) and Annual Training Report (ATR).

HIGHLIGHTING SOME OF OUR PROJECTS

Our FAIS Fit & Proper Project has continued during the period under review, and INSETA is working very closely with the sector and its regulator, the Financial Services Board, to ensure that the sector is able to make the transition to the new "fit and proper" requirements. We are also proud of initiating the first pilot articulation project between Further Education and Training Colleges (FETs) and universities (HETs) in association with the University of the Western Cape. The purpose of the project is to enable employees who successfully complete the

CHAIRPERSON'S REPORT

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Diploma in Wealth Creation at selected FET Colleges to advance to second year BCom diploma at participating universities thus making this a pioneer project in the area of FET/HET articulation. This type of offering is a first for our sector.

INSETA also partnered with the South African Actuaries Development Programme in a bid to address challenges faced by the acute shortage of black actuarial skills in South Africa. The year also saw the introduction of a pilot disability project aimed at raising the profile of workers with disabilities who are making remarkable differences in the insurance sector as well as individuals and organisations supporting the advancement of people with disabilities. This project culminated with the hosting of the first National Disability Awards on International Day of Persons with Disabilities.

PROPOSED SETA LANDSCAPE

Towards the latter half of April 2010, the DHET gazetted the Notice of the proposed new SETA landscape for 2011 for public comment. INSETA was also invited to make a presentation at the National Skills Authority public hearings on the proposed landscape. We are pleased to report that no change is recommended for INSETA in the Notice and that this proposal has received overwhelming support by the insurance sector. In going forward we have much work to do to realise our vision. I have no doubt that through hard work and determination we can achieve our goals.

APPRECIATION

I would like this opportunity to express my sincere appreciation to Tetiwe Jawuna, who held the INSETA Chairpersonship from November 2006 to September 2009. Her dedication and tireless efforts have made a significant impact on the organisation. We wish her everything of the very best in her future endeavours. Thank you to my Deputy Chairperson, Rama Govenden and all my fellow Councilors, who have

placed their faith in me as Chairperson, your support and sage advice, is greatly appreciated.

To Sandra and her team, thank you for all the long hours, commitment and allegiance that you show, on a daily basis, to INSETA.

Our gratitude must also be expressed to the Department of Higher Education and Training and the South African Qualifications Authority.



IVAN MZIMELA

CHAIRPERSON



Ivan Mzimela, INSETA Chairperson and Rama Govenden, INSETA Deputy Chairperson

CHIEF EXECUTIVE OFFICER'S REPORT



SANDRA DUNN
INSETA Chief Executive Officer

Henry Ford, founder of the Ford Motor Company once said, *“Coming together is a beginning. Keeping together is progress. Working together is success”*. Not a truer statement can be said of INSETA, as we celebrate ten years of existence as a Sector Education and Training Authority. It is with great pleasure that we present an overview of our activities, achievements and challenges over the past financial year. Through the guidance of our Council and support and partnerships with our many stakeholders, we are firmly on track meeting and in some instances exceeding our targets in terms of the National Skills Development Strategy II.

Revisiting our vision, purpose and values as an organisation

After a challenging year in 2009, we felt that it was opportune to regroup and revisit our values and purpose as an organisation. As such two strategic planning sessions were held with our Council and management, which lead to a revision in our vision, purpose and values, which we believe more accurately portrays us as an organisation, which 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.**

CORPORATE GOVERNANCE

Council and Council Sub-Committees

INSETA Council currently comprises of six Councilors who represent the interests of business, six Councilors who represent the interests of labour and one Councilor who represents the State's interests. At the 2009 Annual General Meeting three Councilors were re-elected to serve a further two year term. Ms.Tetiwe Jawuna's tenure as a Councilor and Chairperson ended in September 2009 and she did not stand for re-election. Mr. Ivan Mzimela was elected as Chairperson and Mr. Rama Govenden as Deputy Chairperson by Councilors. During the period of review new Councilors, Mr. Jay Mngoma (business representative), Mr. Jay Ramsunder (business representative) and Ms. Gizelle Conradie (labour representative) joined the INSETA Council. The year also saw the resignation of Councilor Eugene Ebersohn.

INSETA's Audit Committee was reconstituted with the Council appointment of an independent, external Chairperson. Following a tender process, OMA Chartered Accountants were appointed as INSETA's internal auditors. The Audit Committee Charter and Internal Audit Charter were reviewed as well as the Terms of Reference for the Finance, IT and Administration Committee and the HR/Remuneration Committee. The Council sub-committees met on a regular basis and provided recommendations to Council throughout the course of the year. The Learnerships/ETQA Advisory Committee met once during the year under review.

Risk Management

Risk management remains a standard item on the agenda of both the Audit Committee and Management Committee.

Policies and Procedures

Several policies and procedures were reviewed and approved by our Council during the year, including the:

- Revised Internships and Work Based Experience Grants Funding Policy
- Revised INSETA Bursary Funding Policy
- Revised Learnerships Funding Policy
- Revised Investments Policy

Materiality Framework

INSETA has a materiality framework in place in accordance with Treasury Regulation Section 28.3.1. The Materiality Framework is updated annually.

Supply Chain Management

An irregular finding by the Auditor General has highlighted the importance of ensuring that INSETA management abides by the SCM policy and that in cases where deviation from SCM is warranted that this approval is explicitly requested of the accounting authority prior to the event. INSETA remains committed to the principles of transparency, equal treatment, competitiveness, fairness, ethics and accountability.

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HUMAN RESOURCES

During the period under review, INSETA had a permanent staff compliment of 25. We are committed to transformation and the table below illustrates our delivery against this commitment:

| Race | Gender | |
|----------|--------|------|
| | Female | Male |
| Black | 13 | 2 |
| Coloured | 3 | 1 |
| Indian | 2 | |
| White | 2 | 2 |

A list of INSETA's staff appears on Appendix E on page 86 of this Report.

Salary Bands for INSETA Personnel:

| Position | Salary Band |
|--|------------------|
| Chief Executive Officer ¹ | R1,2 M and above |
| Managers | R501K – R600K |
| Specialists, Consultants and Personal Assistants | R350K – R500K |
| Junior Specialists, Administrators and Secretarial Staff | R101K – R250K |
| Support Staff | R60K – R100K |

(1) Details of the Chief Executive Officer's remuneration are provided in the Report of the Accounting Authority.

FINANCIAL MANAGEMENT

Levy income remained resilient despite global conditions. There was an 8% increase in levies received from the previous financial year.

Through close management of spending INSETA ended the year with an administrative surplus of R3,4 million. Administrative expenditure is always managed within the 10% allowed for. R107 million was allocated to discretionary projects in year 10.

We are delighted to report that INSETA has since its establishment received ten years of unqualified audits.

Investments Policy

The investment of SETA funds is managed in terms of an investment policy. This allows for investment by way of short term fixed deposits with the big four South African banks and a proviso that not more than 40% be held within one institution at any point in time. This method ensures that there is minimum risk to the capital and allows INSETA to capitalise on the most favourable interest rate being offered.

Cost of Consultants and Technical Advisors

INSETA's main service providers, listed below, have not changed during the year and are:

- Deloitte, whom are responsible for information technology, financial management and various other back office processes. They are contracted until 31 March 2011.
- PricewaterhouseCoopers, whom are responsible for the INSETA Project Office. During the year a decision was taken to bring this function in-house.
- OMA Chartered Accountants, whom are responsible for the outsourced internal audit function.

CHIEF EXECUTIVE OFFICER'S REPORT

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The cost of engaging these service providers for the year was R12,9 million. The Auditor-General performs the external audit function, which is a legislative requirement for all SETA's. The cost for this function, for the period of reporting, was R1,1 million.

INFORMATION TECHNOLOGY

During the year several enhancements were made to our information technology systems to support and increase efficiency in our day-to-day operations. Some of these enhancements included:

- The implementation of an online learnership grant application system
- The implementation of learner view access
- Enhancements to the ETQA and learnerships systems
- The development of workplace skills plans forms for 2010/2011

Website

The website remains an important communications tool to INSETA stakeholders with the number of visitors to our site increasing steadily during the year.

| Web information | Apr 2009 | May 2009 | June 2009 | July 2009 | Aug 2009 | Sep 2009 | Oct 2009 | Nov 2009 | Dec 2009 | Jan 2010 | Feb 2010 | Mar 2010 |
|---|-------------|-------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total Number of Visitors | 12 302 | 14 341 | 19 072 | 16 179 | 15 501 | 16 437 | 19 223 | 18 712 | 14 291 | 17 949 | 18 332 | 18 907 |
| Total Number of Visits | 41 165 | 44 365 | 65 269 | 52 493 | 41 811 | 45 947 | 57 601 | 61 532 | 43 770 | 49 576 | 51 943 | 52 561 |
| Average Hits per day | 9 580 | 9 248 | 13 454 | 10 790 | 8 613 | 9 760 | 11 749 | 12 469 | 7 927 | 10 982 | 13 241 | 11 224 |
| Average Page views per day | 1 372 | 1 431 | 2 176 | 1 693 | 1 349 | 1 532 | 1 858 | 2 051 | 1 412 | 1 599 | 1 855 | 1 696 |
| Average Number of User Sessions per day | 410 | 463 | 636 | 522 | 500 | 548 | 620 | 624 | 461 | 579 | 655 | 610 |

Disaster Recovery and Back Up Procedures

INSETA disaster recovery and back up procedures are reviewed on a regular basis and a backup strategy has been implemented.

DELIVERY ON THE NATIONAL SKILLS DEVELOPMENT STRATEGY (NSDS)

SETA's are required on an annual basis to enter into a Service Level Agreement (SLA) with the Department of Higher Education and Training indicating their contribution towards the overall achievement of the NSDS. We are pleased to report that we have met most of our targets and in some areas exceeded them. Indicators that we need to focus on are Adult Based Education and Training, placement of learners in employment or self employment and new venture operations. Details of achievements against SLA targets appear in Appendix B on page 79 of this Report.

Skills Development

Supporting transformation in the Sector

One of the priorities as a SETA is to ensure that we meet the skills and transformation needs of the sector by facilitating a constant flow of black graduates into the sector. We are informed in this regard, by the Sector Skills Plan research, where scarce and critical skills are identified. Our research indicates that there is still a shortage of black employees, especially female, in senior management positions, professional positions and in sales related occupations. The degree of scarcity for managers and professionals becomes more serious for occupations requiring higher National Qualifications Framework (NQF) qualifications. This skills gap can only be addressed through sector-specific training programmes and by up-skilling existing employees, a key focus for INSETA.

Number of levy paying employers and employees in the sector

1491 levy paying organisations fall within the ambit of INSETA which represent more than 137 000 employees. The accompanying graph illustrates the spread across small, medium and large organisations.

| Category | Number | Percentage |
|----------|--------|------------|
| Small | 1 319 | 88.46% |
| Medium | 100 | 6.71% |
| Large | 72 | 4.83% |
| TOTAL | 1 491 | 100% |

Mandatory Grants and registration of Skills Development Facilitators

Through the submission of either a Workplace Skills Plan (WSP) and Annual Training Report (ATR) employers are able to claim back 50% of their mandatory grant payments from INSETA. We are pleased to report that we achieved a 91 % mandatory grant payout ratio for the financial year, with R68 million being paid back to employers. INSETA approved 550 WSP/ATR submissions for the financial year. 829 Skills Development Facilitators (SDF's) have registered with INSETA across the nine regions with the highest numbers residing in Gauteng followed by the Western Cape and Kwazulu Natal.

Skills Programmes and Projects

Adult Based Education and Training (ABET)

Due to the insurance sector being a highly skilled and qualified sector, adult based learning has not been received as one of the more popular programmes, however a need was identified to up skill people in terms of their linguistic skills, as learning the basics of the eleven official languages has become a fundamental point of sale in securing key accounts for business. We are pleased to report that this programme is slowly gaining momentum across the sector.

Mentorship Programme

In 2009 INSETA initiated a Pilot Mentorship programme where 18 black students with an insurance background were identified as potential future leaders for the sector. The aim of the programme was to link mentors who were close to retirement (or were already retired) with new entrants to the industry, thus assisting with succession planning

by ensuring that insurance companies have sufficient human capital to allow for business continuity. All selected students graduated from the programme in 2010.

New Venture Creation Programme

In the past, the insurance sector has run new venture programmes independently of INSETA. We have recognised the valuable contribution to entrepreneur development and will be partnering the sector to implement the successful models used by the insurance companies to promote the establishment of new ventures. 84 new venture learners were hosted by insurance companies in the year under review. This initiative is being implemented over a two year period and will be monitored on an annual basis with host companies.

Promoting the Insurance Sector

INSETA embarked on various initiatives to promote the insurance sector to learners as a career of choice. An exciting career guide was produced and delivered to all schools in South Africa. In addition we participated in the Career Guide for the Insurance Sector produced by RISKSA. We exhibited at various career expos organised by DHET and other provincial departments. Finance Week held by Sci Bono is a one week initiative where Gauteng learners are exposed to careers in the maths and science fields. The insurance industry had a strong presence at the expo and learners were given talks by experts in the sector about insurance related careers.

Stakeholder Support and Provincial Presence

We have continued to support small companies on a regional basis through the appointment of Regional Advisors and Sector Skills Facilitators with their submissions of workplace skills plans and annual training reports and promotion of INSETA's activities.

Quality Assurance

The Financial Services Board's (FSB) deadline pertaining to FAIS licensing, although not a core ETQA function, was the main driver of ETQA activities for the past financial year.

Performance of the division was dominated by the need to assist industry via, learning providers, in conducting learning delivery and assessments to enable ETQA verifications and approvals prior to the 31 December 2009 FAIS deadline. We are pleased to report that 100% of all completed learning was verified within this deadline.

Uploading of learner data to the National Learner Record Database (NLRD)

Data uploading was achieved within the allowed time and with a 99.8 % success rate, which is a noteworthy achievement.

The following data records were amongst those uploaded to the NLRD in the February/March 2010 bi-annual upload:

| | |
|--|-----------|
| Qualification / Degree Enrolment / Achievement | 9 863 |
| Unit Standard Enrolment / Achievement | 1 239 461 |

Extensive assistance was given to providers with formatting of data for bulk uploads and upload of credits to the learner management system. A lesson learnt is that the ETQA carries a risk in taking over the upload function on behalf of providers. The ETQA is working hand-in-hand with our IT service provider, Deloitte, to look at systems enhancements and provider capacity-building as a more viable alternative to assisting with uploads in future.

Provider audits for continued accreditation

Providers accredited with INSETA in the first accreditation cycle have become due for targeted audits and monitoring towards continued accreditation with INSETA. The ETQA division has commenced its first cycle of provider audits, and this is ongoing, taking an integrated and holistic view of providers' delivery to date. Evaluations have involved the development of an audit tool, desk-based performance appraisals, site visits and development plans to enable informed decisions for continued accreditation per provider.

Establishment of the Quality Council for Trade and Occupations (QCTO)

The new Skills Development Act was promulgated in November 2008 and this established the Quality Council for Trade and Occupations (QCTO), which was launched on 23 February 2010. Our ETQA is engaging in a special project to lead INSETA and its stakeholders in the transition to the new skills development landscape, also embracing changes with the move to the Department of Higher Education, as applicable to our quality assurance function. The project will roll-out later this year, commencing with national stakeholder awareness campaigns and the formation of industry task-teams for the development of occupationally-driven curricula.

Successful completion of ETQA projects

The year under review has seen the successful completion of the following projects:

- Capacity-building seminars, held as a joint project with SAQA which presented a forum of high-level speakers on topics of interest.
- Capacity-building of training providers. This project will now continue with the new project planned for the 2010 year, with a wider scope.
- SAQA-INSETA joint project for the development and review of unit standards and qualifications. This function will now be taken under the wing of the QCTO project.
- Assistance with conversion and uploading of the Insurance Institute of South Africa's (IISA) legacy learning programmes for compatibility with the NLRD. This has resulted in over 40 000 records of learner data being uploaded for identified programmes for NQF recognition.

Capacity-building

Our ETQA has come a long way since its first accreditation and lessons learnt in the application of policies has led to a review of many aspects of our quality management system to achieve higher standards of quality and integrity. Our ETQA division is planning a dedicated project to

enable capacity-building of providers, assessors and moderators to meet our updated quality criteria in line with our ETQA's vision for enhanced quality standards in learning delivery. The success of this project will be realised in learnerships and other programmes that offer credit-bearing learning.

Learnerships

Our Learnerships division is responsible for management of learnerships and internships for the SETA. Our Council approved funding of R16,1 million for learnerships and R18,2 million for internships during the year under review. The following qualifications, offered through learnerships were made available to the sector:

| |
|--|
| Short-Term Insurance NQF Level 4 |
| Financial Services Administrator NQF Level 3 |
| Long-Term Insurance NQF Level 4 |
| Wealth Management NQF Level 5 |
| Wealth Management NQF Level 4 |

Learnership statistics:

| | |
|--|-----|
| Number of training providers who offered learnerships | 23 |
| Number of employer organisations that applied for learnerships funding | 64 |
| Number of learners that received funding: | |
| Employed learners | 150 |
| Unemployed learners | 570 |
| Disabled learners | 94 |

Internships

INSETA provided funding for internship programmes to be run in the sector to assist unemployed graduates to obtain work-based experience with the aim of placing them in a better position to gain full time employment.

CHIEF EXECUTIVE OFFICER'S REPORT

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During the year under review:

53 companies received funding for internships

338 unemployed learners participated in internship programmes

Partnering with Training Providers

Rural learners who want to enter the insurance profession face a barrier to entry in that the opportunities are mostly concentrated in the urban areas. This means that they have to relocate to participate in training initiatives resulting in additional costs for them. INSETA has reviewed the capacity of training providers to offer insurance training in rural areas. This has resulted in a partnership with Public FET colleges who already have a rural footprint. These FET colleges will be capacitated to deliver insurance related training in rural areas.

DISCRETIONARY GRANT FUNDED PROJECTS

The table below lists the projects which were approved for implementation or continuation during the 2009/2010 financial year:

| Name of Project | Approved Funding |
|---|------------------|
| Adult Based Education and Training (ABET) Project | 1 066 574.00 |
| Bursaries | 18 100 000.00 |
| Bursary Fund | 8 488 600.00 |
| Career Guide to Promote Insurance Project | 1 652 750.00 |
| Disability Project | 248 000.00 |
| FAIS Assessments | 1 877 238.00 |
| FAIS Fit & Proper Compliance Support Project | 12 118 799.00 |
| FAIS: Fit & Proper Project | 4 753 890.00 |
| Institutes of Sectoral Excellence (ISOE) | 1 134 888.00 |
| Insurance Institute of South Africa (IISA) Project | 620,179.77 |
| Internships | 18 261 027.00 |
| Partnering with South African Actuaries Development Programme (SAADP) | 5 229 000.00 |
| Quality Council for Trades and Occupations (QCTO) Project | 5 487 130.00 |
| Sector Skills Plan (SSP) Research | 2 082 465.00 |
| Social Development Projects | 1 377 292.00 |
| Workshops for Skills Development Facilitators (SDF's) | 385 612.00 |
| Year 10 Learnerships | 16 070 000.00 |
| Year 9 Learnerships | 7 000 000.00 |

FAIS Fit and Proper Project

Overall the sector is in a process of professionalising and higher skills levels are required in all occupational categories according to INSETA sector skills plans research. This need is created specifically by new regulatory requirements mostly that of 'fit and proper' contained in the FAIS legislation. The FAIS Act was promulgated in 2002 and the purpose is to protect the consumer and to promote professionalism within the financial industry by ensuring that practitioners are properly trained and adequately experienced to serve the public. The insurance sector has the largest number of advisors who are affected by FAIS. INSETA has worked very closely with the sector and public entities such as the Financial Services Board, to ensure that the insurance sector has been able to make the transition to the new 'fit and proper' requirements.

The last Recognition of Prior Learning (RPL) assessments for the 30 or 60 credits were run last year in August and November 2009. Thousands of brokers wrote the 2009 assessments in a last ditch attempt to meet the FAIS requirements before the December 2009 deadline. The new Fit and Proper Requirements have introduced regulatory examinations as part of the competence requirements that comprise of two levels. A FAIS advisory committee was established by INSETA comprising of industry representatives who advise INSETA on sector needs for the second phase of FAIS compliance.

We also agreed to fund the development of learning material for the Regulatory Examinations (RE). A tender was issued and awarded to a joint venture consisting of the Milpark Business School and the IISA. The learning material is currently being developed and will be made available free of charge to all insurance industry stakeholders in time for the RE examinations.

The INSETA learning material will equip financial advisors with the knowledge and information to pass the FSB Regulatory Examinations. INSETA has made discretionary grant funding available to smooth the path of compliance for stakeholders. This is being done by:

- The provision of quality learning material free of charge to all stakeholders
- Bursaries for levy paying companies for FAIS training
- SMMEs and black brokers to receive dedicated FAIS compliance funding and support
- Learnerships for full qualifications

The provider has also been tasked with conducting reviews and updating the learning material on a regular basis. The purpose of the review is to ensure that all lessons learnt from learners performance in the RE examinations and any updates done to the format of questions will be incorporated into the learning material.

Introduction of INSETA National Disability Awards

One of the highlights during the year was the introduction of our pilot project aimed at raising the profile of workers with disabilities who are making a remarkable difference in the insurance sector as well as individuals and organisations supporting the advancement of people with disabilities. The project culminated with a National Disability Awards ceremony, held on the International Day of Persons with Disabilities. Awards were presented in the following categories:

- National Disability Company Award (for organisations that have created opportunities for people with disabilities)
- Business Leader Award (for persons with disabilities who have achieved in the workplace)
- Young Leader Award (for young persons between the ages of 18 and 25 who have displayed great potential in their studies or in the workplace) and;
- Champion Award

The pilot project illustrated how well-gearred the insurance sector is to take on workers with disabilities.

STAKEHOLDER RELATIONS

As in previous years we maintained a presence in the media during the year by providing editorial and advertorial to the media on a regular basis. Our website and outsourced call centre remain crucial tools of communication to our stakeholders. Several publications promoting the activities of INSETA were also published during the year.

World Cup Expenditure

The Standing Committee on Public Accounts (SCOPA) has requested that SETA's disclose all expenditure relating to the Soccer World Cup. INSETA did not incur expenditure relating to Soccer World Cup on clothing and tickets for the current or the prior year. Subsequent to year end, but before the Annual Financial Statements were authorised for issue, R20 000 was spent on Soccer World Cup apparel and memorabilia.

THE WAY FORWARD

The five strategic pillars of Youth Development, Small and Micro Enterprise Development, Research and Benchmarking, Scarce and Critical Skills and Social Transformation will remain relevant beyond the 2011 SETA license.

The approach by INSETA in the current financial year and post 2011 is to ensure that programmes and projects proposed for Council's approval will ensure that the needs of the sector and the government's NSDS III imperatives are met through ensuring that they (projects and programmes) contribute to the realisation of INSETA's five strategies and the NSDS III. INSETA has set itself a 3 year vision to 2013.

For the next three years, INSETA will have four broad deliverables. These are:

- Delivering on our core mandate
- Making INSETA a great place to work
- Enabling transformation in the sector
- Becoming the sector's partner of choice for training, development and research

APPRECIATION

Our deepest appreciation must be expressed to our ex-Chairperson, Tetiwe Jawuna, our current Chairperson, Ivan Mzimela and Deputy Chairperson, Rama Govenden and all members of our Council for their invaluable contributions and time that they make available to our SETA as well as the Chairpersons of our Council Sub-Committees: Gerrit Sandrock (Audit Committee), Johan van Greuning (Finance, IT & Administration Committee) and Margie Naidoo (HR/Remuneration Committee) and respective Committee members – thank you. To all the managers and staff, thank you so much for your considerable efforts and hard work. To all of our stakeholders' thank you for your continued support, our inaugural Annual Report included a quotation by Lao-Tzu, ***"A journey of a thousand miles must begin with a single step"***; together we have taken that first step and have since covered many miles over the past ten years. We look forward to continuing our journey with you.



SANDRA DUNN

CHIEF EXECUTIVE OFFICER

03

REPORT of the



to the INSETA COUNCIL

REPORT OF THE AUDIT COMMITTEE TO THE INSETA COUNCIL

FOR THE YEAR ENDED 31 MARCH 2010

INTRODUCTION

We are pleased to present our report for the financial year ended 31 March 2010.

Composition of the Audit Committee and Attendance

The Audit Committee consists of the members as listed below and met 4 times for the current year under review. The approved Charter requires the Committee to meet at least four (4) times a year. At the date of this Report the Audit Committee consisted of the following members:

| Member | Date appointed by Council | Number of meetings attended during period under review |
|---|---------------------------|--|
| Dr. Gerrit Sandrock (Chairperson) | 3 December 2009 | 1 of 4 |
| Ms. Jeanine Poggiolini | 3 December 2009 | 1 of 4 |
| Mr. Terence Berry | 19 February 2009 | 4 of 4 |
| Mr. Godfrey Nti | 3 December 2009 | 1 of 4 |
| Mr. Thys Botha (resigned from Committee in July 2009) | 12 December 2005 | 3 of 4 |

Audit Committee Responsibility

The Audit Committee reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, which was approved by the Accounting Authority, and has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. INSETA did not have an effective internal audit function throughout the year as required by Treasury Regulation 27.2.2. and as such no reports of Internal Audit were available. From the Audit Report on the Annual Financial Statements (AFS), and management letter of the Auditor-General, it was noted that the system of internal controls and related businesses had weaknesses reported most of which were repeat findings which have not been satisfactorily addressed.

REPORT OF THE AUDIT COMMITTEE TO THE INSETA COUNCIL

FOR THE YEAR ENDED 31 MARCH 2010

We can report that the system of internal control over financial reporting for the period under review were efficient and effective except for controls with regards to performance information. Management has taken corrective steps to address areas of weaknesses identified during the course of the next financial year:

Evaluation of Annual Financial Statements

The Audit Committee has

- Reviewed and discussed the audited Annual Financial Statements to be included in the annual report with Reports from the Auditor-General and the Accounting Authority;
- Reviewed management's assessment of the going concern status of the INSETA and recommended to the Accounting Authority the appropriateness of such;
- Reviewed the Auditor-General management letter and management's response thereto;
- Reviewed INSETA's compliance with legal and regulatory provisions;
- Reviewed changes in accounting policies and practices;
- Reviewed changes to the Investment policy; and
- Reviewed significant adjustments resulting from the audit.

Conclusion in Respect of the Year Under Review

The Audit Committee wishes to report to Council that in its opinion:

- The internal auditors (OMA Chartered Accountants) appointment was approved by Council on 3 December 2009. Their mandate includes providing independent assurances on the effectiveness of controls in terms of an Internal Audit Coverage Plan approved by the Audit Committee. This Plan is reviewed annually by the Committee so as to ensure that all significant functions, business processes and systems will be afforded internal audit coverage within the 3 year internal audit cycle required by the PFMA.

- The external auditors (Office of the Auditor-General) have identified no impediments to conducting their audit of the Annual Financial Statements of INSETA without any restrictions.
- The continued adequacies of the methodology to more comprehensively identify, assess and document the risks are being given appropriate attention from management, the Audit Committee and internal audit.
- The effectiveness of measures taken to mitigate identified risks is continuously being assessed by management and internal audit.
- Control weaknesses identified and recommendations for control enhancements identified by internal audit receive adequate management attention.

The Audit Committee recommended and accepts the Auditor-General conclusions on the AFS. The Audit Committee recommended that audited AFS be accepted together with the report of the Auditor-General.

AUDITOR GENERAL SOUTH AFRICA

We have met with the representatives of the Auditor-General South Africa to ensure that there are no unresolved issues.



Dr. Gerrit Sandrock

CHAIRPERSON OF THE AUDIT COMMITTEE

July 2010

REPORT of the

AUDITOR-GENERAL

to PARLIAMENT

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PREDETERMINED OBJECTIVES OF THE INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY

FOR THE YEAR ENDED 31 MARCH 2010

REPORT ON THE FINANCIAL STATEMENTS

Introduction

I have audited the accompanying financial statements of the Insurance Sector Education and Training Authority (INSETA), which comprise the statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts, and cash flow statement for the year then ended, and a summary of significant accounting policies, other explanatory information and the accounting authority's report.

Accounting authority's responsibility for the financial statements

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 in the manner required by the Public Finance Management Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa and section 14(6)(a) of the Skills Development Act, 1998 (Act No. 97 of 1998), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. 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.

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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the INSETA as at 31 March 2010, and its financial performance, and its cash flows for the year then ended and its statement of comparison of budget and actual amounts in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act of South Africa.

Emphasis of matter

We draw attention to the matter below. Our opinion is not modified in respect of these matter:

Irregular expenditure

As disclosed in note to the financial statements, irregular expenditure to the amount of R2 161 000 was incurred, as a proper tender process had not been followed.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PREDETERMINED OBJECTIVES OF THE INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY

FOR THE YEAR ENDED 31 MARCH 2010

Additional matter

I draw attention to the matter below. My opinion is not modified in respect of these matter:

Re-licensing

All SETAs have had their operating licences extended to 31 March 2011. According to the revised SETA landscape to be decided by the Minister of Higher Education and Training, SETAs will thereafter be relicensed for a period of five years. INSETA agrees with the Department of Higher Education and Training's proposal that INSETA be relicensed for a further five year period. INSETA have made all of the necessary submissions to the National Skills Authority, including attending the public hearings on the SETA landscape, to support their proposal. It is expected that the Minister will make the final SETA landscape announcement in October 2010.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA of South Africa and *General notice 1570 of 2009*, issued in *Government Gazette No. 32758 of 27 November 2009* I include below my findings on the report on predetermined objectives, compliance with the PFMA and financial management (internal control).

Findings

Predetermined objectives

Reported indicators not reliable as inadequate supporting source information was provided

Sufficient appropriate audit evidence in relation to performance indicator 2.8 and 4.1 could not be obtained. There were also no satisfactory audit procedures that I could perform to obtain the required assurance as to the validity, accuracy and completeness of the reported information.

Compliance with laws and regulations

Non-adherence to legislation

- INSETA did not have an effective internal audit function throughout the year as required by Treasury Regulation 27.2.2.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported are limited to the deficiencies identified during the audit.

- Financial and performance management
Requested information was not available. As a result delays were experienced in obtaining information on predetermined objectives.

Auditor - General.

Pretoria
31 July 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

The background of the slide features a close-up, slightly angled view of a 100 Euro banknote. The large number '100' is prominent in the upper right. In the lower left, several Euro coins are scattered, including a 1 Euro coin, a 2 Euro coin, and several 50 Cent coins. The overall color palette is warm, with the gold and brown tones of the currency.

ANNUAL FINANCIAL STATEMENTS

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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Audited

The Annual Financial Statements for the year ended 31 March 2010, set out on pages 29 to 67, 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 27 May 2010, and are signed on their behalf by:



SANDRA DUNN

CHIEF EXECUTIVE OFFICER



IVAN MZIMELA

CHAIRPERSON

REPORT BY THE ACCOUNTING OFFICER TO THE EXECUTIVE AUTHORITY AND PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA

As the INSETA Accounting Authority, it is Council's responsibility to prepare Financial Statements that fairly represent INSETA's Financial Position as at 31 March 2010 and also the Financial Performance and Summary Cash Flow Activities for the year ending 31 March 2010. 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 Generally Recognised Account Practice (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board.

CORPORATE GOVERNANCE

From the outset both INSETA's Council and Management identified good corporate governance, as one of its critical success factors, by setting the highest standards that comply with best practice and this stance remains unchanged as the SETA ends its tenth year of operations. The Council 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.

Divisional policies have been implemented to manage the day-to-day operations of the SETA. These policies are approved by Council and are reviewed from time to time.

GENERAL REVIEW OF THE STATE OF AFFAIRS

The Insurance Sector Education and Training Authority promotes and represents the training and development interests of the Insurance Sector of the economy in terms of the skills development legislation. 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"*.

INSETA's constituents cover the following sub-sectors of the Insurance Sector:

- Short-Term Insurance
- Life Insurance
- Insurance and Pension Funding
- Risk Management
- Health Care Benefits Administration
- Collective Investments
- Funeral Insurance
- Reinsurance
- Pension Funding and
- Activities auxiliary to Financial Intermediation

The Insurance Sector is a rapidly evolving, growing and developing major player in the South African economy. Approximately 8726 employers have registered with the South African Revenue Services within the Insurance Sector, with 1491 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 137 000 people (excluding people employed in non levy paying companies, micro enterprises and informal businesses).

The Council, which comprises of Business, Labour and State representatives, governs the affairs of INSETA. During December 2008, INSETA Council suspended the Chief Executive Officer, Mike Abel as a result of allegations of misconduct made in the media. INSETA Council appointed Sharon Snell as the Acting Chief Executive Officer. Mike Abel resigned in June 2009. Sandra Dunn was appointed as the new CEO in November 2009. INSETA had a permanent staff compliment of 25 as at 31 March 2010. Regional Advisors have been appointed in Gauteng, Western Cape, Eastern Cape and Kwazulu Natal to assist, support and guide small employers in terms of the skills development legislation.

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 R15,3 million to R203,3 million (2008/9 R188,0 million). Changes in levy income estimates relating to prior years are included in the current year balances. The administration surplus for 2009/10 was R3,4 million (2008/9 R2,5 million). The actual administration expenditure for the current financial year was R21,9 million (2008/9 R21,0 million). Total project and grant expenditure for the current financial year amounted to R165,5 million (2008/9 R152,6 million).

GOING CONCERN

We have every reason to believe that INSETA will continue to operate as a going concern in the foreseeable future.

ALLOWANCES PAID TO COUNCIL MEMBERS AND COUNCIL SUB-COMMITTEE MEMBERS

Council and Council Sub-Committee members' employers are remunerated for their attendance at Council and Council Sub-Committee meetings. Disclosure of the allowances paid is in accordance with Treasury Regulation 28.1.2 and is as follows:

| | | |
|---------------------------|---|--------------------|
| Chairperson | : | R1 000 per meeting |
| Deputy Chairperson | : | R900 per meeting |
| Ordinary Committee Member | : | R800 per meeting |

REPORT OF THE ACCOUNTING AUTHORITY (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

| Name of Council/ Committee member | Name of Committee that member serves on | Number of meetings attended | Total Amount Paid |
|--------------------------------------|---|--------------------------------|-------------------|
| Audrey Mothupi | HR/Remuneration Committee | 0 | R0 |
| Barry Scott | Council | 4 | R3 200 |
| | Finance, IT & Administration Committee | 4 | R3 200 |
| Eugene Ebersohn ¹ | Council | 4 | R3 200 |
| | Finance, IT & Administration Committee | 4 | R3 200 |
| Eugene Zeeman | Council | 3 | R2 400 |
| Giselle Conradie ² | Council | 0 | R0 |
| Godfrey Nti | Audit Committee | 1 | R800 |
| Isaac Ramputa ³ | Council | 4 | R3 200 |
| | Finance, IT & Administration Committee | 0 | R0 |
| Ivan Mzimela | Council (in capacity as Deputy Chairperson) | 1 | R900 |
| | Council (in capacity as Chairperson) | 3 | R3 000 |
| | HR/Remuneration Committee | 2 | R1 600 |
| Jay Mngoma | Council | 3 | R2 400 |
| Jay Ramsunder | Council | 2 | R1 600 |
| Jeannine Poggiolini | Audit Committee | 1 | R800 |
| Johan van Greuning | Finance, IT & Administration Committee (Chairperson) | 6 | R6 000 |
| Jonathan Dixon | Council | 3 | R2 400 |
| Keneiloe Selamolela ⁴ | Council | 4 | R3 200 |
| | HR/Remuneration Committee | 0 | R0 |
| Margie Naidoo | Council | 2 | R1 600 |
| | HR/Remuneration Committee (Chairperson) | 2 | R2 000 |
| Rama Govenden | Council (Ordinary member) | 3 | R2 400 |
| Gerrit Sandrock ⁵ | Council (in ex-officio capacity) | 1 | R17 235 |
| | Audit Committee (Chairperson) | 1 | |
| Terence Berry | Council | 5 | R4 000 |
| | Audit Committee | 4 | R3 200 |
| Tetiwe Jawuna ⁶ | Council | 2 | R2 000 |
| Thys Botha ⁷ | Audit Committee (Chairperson) | 3 | R3 000 |
| Wayne Hattingh | Council | 1 | R800 |

Note:

The payments indicated above are paid to the Council member's nominating constituency and not to the individual representative, except the Chairperson of the Audit Committee, who is an independent external appointment made by Council.

REPORT OF THE ACCOUNTING AUTHORITY (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

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

Mike Abel

| | 2009/10 | 2008/09 |
|--------------------------------|----------|------------|
| Basic Salary | R403 565 | R1 102 388 |
| Bonuses | Rnil | Rnil |
| Travel Expenses and Allowances | R24 960 | R74 880 |
| Other | R102 261 | R38 992 |
| Total | R530 786 | R1 216 260 |

Sandra Dunn

| | 2009/10 | 2008/09 |
|--------------------------------|----------|---------|
| Basic Salary | R365 000 | Rnil |
| Bonuses | Rnil | Rnil |
| Travel Expenses and Allowances | R10 000 | Rnil |
| Other | Rnil | Rnil |
| Total | R375 000 | Rnil |

As of 12 December 2008 to 31 October 2009 the Chief Operating Officer, Sharon Snell, was appointed as Acting CEO and in this capacity she received R127 601 (2008/9: R67 363) as an acting allowance.

The Chief Executive Officer also acts as the Chief Financial Officer of INSETA.

BUSINESS ADDRESS

The Insurance Sector Education and Training Authority is situated on the Ground Floor, North Wing, Oakhurst, 11, St. Andrews Road, Parktown, Johannesburg. The postal address is P O Box 32035, Braamfontein, 2017.



IVAN MZIMELA
CHAIRPERSON, INSETA



SANDRA DUNN
CHIEF EXECUTIVE OFFICER, INSETA

(Endnotes)

- 1 Mr. Ebersohn resigned from Council and the Finance, IT & Administration Committee in February 2010.
- 2 Ms. Conradie was only appointed as a Council member at the meeting held in March 2010.
- 3 Mr. Ramputa was only appointed to serve on the Finance, IT & Administration Committee by Council in March 2010.
- 4 Ms. Selamolela was only appointed to serve on the HR/Remuneration Committee by Council in March 2010.
- 5 Dr. Sandrock is an independent consultant who was appointed as Chairperson of the Audit Committee by Council and chaired his first meeting in February 2010. He also serves in an ex-officio capacity on Council. Dr. Sandrock is remunerated according to SAICA rates.
- 6 Ms. Jawuna's tenure as a Council member and Chairperson ended in September 2009 and she did not stand for re-election.
- 7 Mr. Botha was appointed as Chairperson of the Audit Committee from April 2009 and resigned from the Committee in July 2009.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2010

| | Note | 2009/10 R'000 | 2008/09 R'000 |
|--|------|------------------|------------------|
| REVENUE | | | |
| Skills Development Levy: income from non-exchange transactions | 2 | 203 310 | 188 030 |
| Skills Development Levy: penalties and interest from non-exchange transactions | | 819 | 816 |
| National Skills Fund income | 13 | - | 3 647 |
| Investment income | 3 | 13 303 | 16 049 |
| Other income | | - | 1 |
| Total revenue | | 217 432 | 208 543 |
| EXPENSES | | | |
| Employer grant and project expenses | 4 | (165 450) | (152 614) |
| Administration expenses | 5 | (21 946) | (20 964) |
| National Skills Fund expenses | 13 | - | (3 647) |
| Total expenses | | (187 396) | (177 225) |
| SURPLUS FOR THE YEAR | 1 | 30 036 | 31 318 |

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2010

| | Note | 2009/10 R'000 | 2008/09 R'000 |
|---|------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 1 088 | 1 284 |
| Intangible assets | 7 | 55 | 117 |
| Total non-current assets | | 1 143 | 1 401 |
| Current assets | | | |
| Accounts receivable | 8 | 389 | 1 239 |
| Accounts receivable from non-exchange transactions | 9 | 1 259 | 324 |
| Consumables | | 105 | 165 |
| Cash and cash equivalents | 10 | 201 748 | 168 107 |
| Total current assets | | 203 501 | 169 835 |
| TOTAL ASSETS | | 204 644 | 171 236 |
| Current liabilities | | | |
| Trade and other payables from non exchange transactions | 11 | 33 586 | 26 471 |
| Trade and other payables from exchange transactions | 12 | 8 794 | 11,083 |
| National Skills Fund received in advance | 13 | - | 1 710 |
| Government Grants and donor funding received in advance | 14 | 9 | 9 |
| Provisions | 15 | 513 | 257 |
| Total current liabilities | | 42 902 | 39 530 |
| Total net assets | | 161 742 | 131 706 |
| FUNDS AND RESERVES | | | |
| Funds and reserves | | | |
| Administration reserve | | 1 143 | 1 401 |
| Employer grant reserve | | 118 | 44 |
| Discretionary reserve | | 160 481 | 130 261 |
| Total funds and reserves | | 161 742 | 131 706 |

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2010

| | Notes | Administration reserve R'000 | Employer grant reserve R'000 | Discretionary reserve R'000 | Unappropriated surplus R'000 | Total R'000 |
|--|-------|------------------------------------|------------------------------------|-----------------------------------|------------------------------------|----------------|
| Balance at 31 March 2008 | | 1 531 | 112 | 98 745 | - | 100 388 |
| Surplus per Statement of Financial Performance | | - | - | - | 31 318 | 31 318 |
| Allocation of unappropriated surplus | I | 2 519 | 13 948 | 14 851 | (31 318) | - |
| Excess reserves transferred to Discretionary reserve | | (2 649) | (14 016) | 16 665 | - | - |
| Balance at 31 March 2009 | | 1 401 | 44 | 130 261 | - | 131 706 |
| Surplus per Statement of Financial Performance | | - | - | - | 30 036 | 30 036 |
| Allocation of unappropriated surplus | I | 3 431 | 12 882 | 13 723 | (30 036) | - |
| Excess reserves transferred to Discretionary reserve | | (3 689) | (12 808) | 16 497 | - | - |
| Balance at 31 March 2010 | | 1 143 | 118 | 160 481 | - | 161 742 |

An amount of R1 143 000 (2009: R1 401 000) is retained in the administration reserve equal to the carrying value of property, plant and equipment.

An amount of R118 000 (2009: R44 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 2010

| | Note | 2009/10 R'000 | 2008/09 R'000 |
|---|------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating activities | | | |
| Cash receipts from stakeholders | | 203 181 | 189 421 |
| Levies, interest and penalties received | | 204 128 | 188 374 |
| Other cash receipts from stakeholders | | (947) | 1 047 |
| Cash paid to stakeholders, suppliers and employees | | (181 619) | (177 262) |
| Grant and project payments | | (158 335) | (149 569) |
| Special project expenses paid | | - | (3 647) |
| Compensation of employees | | (7 914) | (8 275) |
| Payments to suppliers and other | | (15 370) | (15 771) |
| Cash generated from operations | 16 | 21 562 | 12 159 |
| Investment income | 3 | 14 168 | 15 348 |
| Special projects receipts | 13 | 7 | 1 448 |
| Refunded to NSF (Project Completed) | 13 | (1 717) | - |
| Net cash inflow from operating activities | | 34 020 | 28 955 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 6 | (342) | (288) |
| Purchase of Intangible assets | 7 | (37) | (177) |
| Proceeds from disposal of property, plant and equipment and investment properties | | - | 32 |
| Net cash outflow from investing activities | | (379) | (433) |
| Net increase in cash and cash equivalents | | 33 641 | 28 522 |
| Cash and cash equivalents at beginning of year | 10 | 168 107 | 139 585 |
| Cash and cash equivalents at end of year | 10 | 201 748 | 168 107 |

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2010

| | Note | Approved Budget 2009/10 R'000 | Final Budget 2009/10 R'000 | Actual 2009/10 R'000 | Favourable/ (Unfavourable) variance 2009/10 R'000 |
|---|------|--|-------------------------------------|----------------------------|---|
| REVENUE | | | | | |
| Skills Development Levy: income from non-exchange transactions | 25.1 | 194 194 | 194 194 | 203 310 | 9 116 |
| Skills Development Levy: penalties and interest from non-exchange transactions | 25.2 | - | - | 819 | 819 |
| Investment income | 25.3 | 16 039 | 16 039 | 13 303 | (2 736) |
| Total revenue | | 210 233 | 210 233 | 217 432 | 7 199 |
| EXPENSES | | | | | |
| Employer grant expenses | 25.4 | (110 448) | (110 448) | (114 129) | (3 681) |
| Project expenses | 25.5 | (75 510) | (75 510) | (51 321) | 24 189 |
| Administration expenses | 25.6 | (23 937) | (23 937) | (21 946) | 1 991 |
| Capital expenditure | | (338) | (338) | (379) | (41) |
| Total expenses | | (210 233) | (210 233) | (187 775) | 22 458 |
| SURPLUS FOR THE YEAR | | - | - | 29 657 | 29 657 |

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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 Statements of Generally Recognised Accounting Practice (GRAP) and the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) as amended, including any interpretations of such Statements issued by the Accounting Practices Board.

2. Currency

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

3.1 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 measure 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, 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.

Skills Development Levy (SDL) transfers are recognised when it is probable that future economic benefits will flow to the SETA and these benefits can be measured reliably. This occurs when the Department either makes an allocation or payment, whichever comes first, to the SETA, as required by Section 8 of the Skills Development Levies Act, 1999 (Act No. 9 of 1999) as amended. The new policy is effective from 1st April 2007.

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

Skills Development Levy (SDL) transfers are recognised on an accrual basis when it is probable that future economic benefits or service

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2010

potential will flow to the 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.

Revenue is adjusted for transfers between the SETAs 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.

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

3.1.2 Interest and penalties

Interest and penalties received on the skills development levy are recognised on an accrual basis.

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 related eligible special project expenses are incurred. The liability is reduced by any project expenditure incurred and recognised as revenue.

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

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.

The only exchange revenue received by the INSETA is the interest earned on the investment.

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 50% of its total levy payment as mandatory employer grant (excluding interest and penalties) by complying with the criteria in accordance with the Skills Development Act, 1998, as amended SETA Grant Regulations regarding monies received and related matters (the SETA Grant Regulations).

Mandatory grants

Grants are equivalent to 50% of the total levies contributed by employers during the corresponding financial period.

Discretionary grant and project expenditure

A SETA 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 Council.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2010

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 comprise:

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

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.

Retrospective adjustments by SARS

The SETA refunds amounts to employers in the form of grants, based on information from SARS. Where SARS retrospectively amends the information on levies collected, it may result in grants that have been paid to certain employers that are in excess of the amount the SETA 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 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.)

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 operating surplus or deficit for the year.

7. Intangible assets

Intangible assets are stated at cost less any subsequent accumulated amortisation and adjusted for any impairments. Amortisation is charged

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (continued)FOR THE YEAR ENDED 31 MARCH 2010

so as to write off the cost of assets over their estimated useful lives, using the straight-line method.

The estimated useful lives, residual values 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 amount, it is written down immediately to its recoverable 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 profit.

8. Leasing

All leases are classified as operating leases.

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 recognised as an expense in the period in which termination takes place.

9. Provisions

Provisions are recognised when the SETA 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.

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 and expensed only when the payment is made.

No provision has been made for retirement benefits as the SETA does not provide for retirement benefits for its employees.

10. 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 the SETA will approve the grant application for payment. The liability is measured at the net present value of 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 approved, but has not been accrued for or provided for, it is disclosed as commitments in the notes to the financial statements.

11. Financial instruments*Recognition*

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2010

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 the SETA are categorised as loans and receivables.

Loans and receivables

Accounts receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables 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 a 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 are recognised in the surplus or deficit.

Financial liabilities

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

All financial liabilities of the SETA were classified as other financial liabilities.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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.

12. 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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2010

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

| | 2009/10 R'000 | 2008/09 R'000 |
|--|------------------|------------------|
| Administration costs of the SETA | 10 | 10 |
| Employer Grant Fund Levy | 50 | 50 |
| Discretionary grants and projects | 20 | 20 |
| Received by the SETA | 80 | 80 |
| Contribution to the National Skills Fund | 20 | 20 |
| | 100 | 100 |

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

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.

13. Comparative figures

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

14. Taxation

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

15. Consumable inventory

Consumables are recognised as an asset at cost on the date of acquisition and are subsequently recognised in surplus or deficit as they are consumed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

I ALLOCATION OF SURPLUS FOR THE YEAR TO RESERVES:**Total revenue**

| |
|--|
| Skills Development Levy: income from non-exchange transactions |
| Admin levy income (10%) |
| Grant levy income (70%) |
| Skills Development Levy: penalties and interest from non-exchange transactions |
| National Skills Fund income |
| Investment income |
| Other income |

Total expenses

| |
|--------------------------------------|
| Administration expenses |
| National Skills Fund expenses |
| Employer grants and project expenses |

Surplus per Statement of Financial Performance allocated

| Total per Statement of Financial Performance 2008/09 R'000 | Total per Statement of Financial Performance 2009/10 R'000 |
|---|---|
| 208 543 | 217 432 |
| 23 482 | 25 377 |
| 164 548 | 177 933 |
| 816 | 819 |
| 3 647 | - |
| 16 049 | 13 303 |
| 1 | - |
| 177 225 | 187 396 |
| 20 964 | 21 946 |
| 3 647 | - |
| 152 614 | 165 450 |
| 31 318 | 30 036 |

| Discretionary reserve | | | | |
|------------------------------------|-------------------------------------|----------------------------------|-------------------|---------------------------------|
| Administration reserve R'000 | Employer grants reserve R'000 | Discretionary grants R'000 | Projects R'000 | Total discretionary R'000 |
| 25 377 | 127 011 | 50 922 | 14 122 | 65 044 |
| 25 377 | - | - | - | - |
| - | 127 011 | 50 922 | - | 50 922 |
| - | - | - | 819 | 819 |
| - | - | - | - | - |
| - | - | - | 13 303 | 13 303 |
| - | - | - | - | - |
| 21 946 | 114 129 | (41) | 51 362 | 51 321 |
| 21 946 | - | - | - | - |
| - | - | - | - | - |
| - | 114 129 | (41) | 51 362 | 51 321 |
| 3 431 | 12 882 | 50 963 | (37 240) | 13 723 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

2 SKILLS DEVELOPMENT LEVY INCOME FROM NON-EXCHANGE TRANSACTIONS

The total levy income per the Statement of Financial Performance is as follows:

| | 2009/10 R'000 | 2008/09 R'000 |
|-----------------------------------|------------------|------------------|
| Levy income: Administration | 25 377 | 23 482 |
| Levies received | 25 419 | 23 423 |
| Levies received | 25 389 | 23 242 |
| Intersecta transfers in | 39 | 230 |
| Intersecta transfers out | (9) | (49) |
| Levies accrued | (42) | 59 |
| Levy income: Employer Grants | 127 011 | 117 490 |
| Levies received | 127 224 | 117 196 |
| Levies received | 127 076 | 116 293 |
| Intersecta transfers in | 194 | 1 148 |
| Intersecta transfers out | (46) | (245) |
| Levies accrued | (213) | 294 |
| Levy income: Discretionary Grants | 50 922 | 47 058 |
| Levies received | 51 007 | 46 939 |
| Levies received | 50 948 | 46 578 |
| Intersecta transfers in | 77 | 459 |
| Intersecta transfers out | (18) | (98) |
| Levies accrued | (85) | 119 |
| | 203 310 | 188 030 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

3 INVESTMENT INCOME

| | 2009/10 R'000 | 2008/09 R'000 |
|---------------------------------|------------------|------------------|
| Interest income - bank deposits | 13 303 | 16 049 |
| Received | 13 208 | 15 089 |
| Accrued | 95 | 960 |
| | <u>13 303</u> | <u>16,049</u> |

4 EMPLOYER GRANT AND PROJECT EXPENSES

| | 2009/10 R'000 | 2008/09 R'000 |
|-------------------------------------|------------------|------------------|
| Mandatory grants | 114 129 | 103 542 |
| Disbursed | 112 308 | 103 535 |
| Movement in provisions and accruals | 1 821 | 7 |
| Discretionary grants | (41) | 2 |
| Disbursed | (32) | (2) |
| Movement in provisions and accruals | (9) | 4 |
| Project expenditure | 51 362 | 49 070 |
| Disbursed | 54 342 | 46 036 |
| Movement in provisions and accruals | (2 980) | 3 034 |
| | <u>165 450</u> | <u>152 614</u> |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

5 ADMINISTRATION EXPENSES

| | Note | 2009/10 R'000 | 2008/09 R'000 |
|---|------|------------------|------------------|
| Depreciation / amortisation | | 637 | 563 |
| Operating lease rentals (minimum lease payments) | | 1 133 | 1 021 |
| Buildings | | 1 050 | 969 |
| Property, Plant and equipment | | 83 | 52 |
| Maintenance, repairs and running costs - Property and Buildings | | 124 | 185 |
| Advertising, marketing and promotions, communication | | 844 | 657 |
| Entertainment expenses | | 159 | 143 |
| Gifts, donations and sponsorships paid | | 4 | 2 |
| Consultancy and service provider fees | | 7 511 | 6 822 |
| Legal fees | | 177 | 850 |
| Cost of employment | 5.1 | 8 267 | 8 275 |
| Travel and subsistence | | 560 | 589 |
| Staff training and development | | 335 | 83 |
| Remuneration to members of the accounting authority | | 157 | 101 |
| Remuneration to members of the audit committee | | - | 4 |
| External auditor's remuneration | | 1 155 | 353 |
| Bad debts written off | | - | 5 |
| Allowance for doubtful debts | | (2) | - |
| Other | | 885 | 1 311 |
| Stationery | | 178 | 281 |
| Internal audit fees | | - | 397 |
| Professional Indemnity Insurance | | 200 | 175 |
| Telephone costs | | 294 | 284 |
| Postage & courier services | | 30 | - |
| Sundry expenses | | 183 | 174 |
| | | <u>21 946</u> | <u>20 964</u> |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

5.1 Cost of employment

| | 2009/10 R'000 | 2008/09 R'000 |
|-----------------------------|------------------|------------------|
| Salaries and wages | 8 120 | 8 181 |
| Basic salaries | 7 495 | 6 949 |
| Performance awards | 316 | 497 |
| Temporary staff | 337 | 431 |
| Leave payments | (28) | 304 |
| Social contributions | 147 | 94 |
| UIF | 38 | 31 |
| SDL | 100 | 63 |
| Workmans Comp | 9 | - |
| | 8 267 | 8 275 |
| Average number of employees | 28 | 21 |

6 PROPERTY, PLANT AND EQUIPMENT**Year ended 31 March 2010**

| |
|-------------------------------|
| Computer equipment |
| Office furniture and fittings |
| Office equipment |
| Office Fixtures |
| Balance at end of the year |

| Cost R'000 | Accumulated depreciation R'000 | Closing carrying amount R'000 |
|---------------|--------------------------------------|-------------------------------------|
| 1 239 | (956) | 283 |
| 1 277 | (710) | 567 |
| 423 | (300) | 123 |
| 1 119 | (1 004) | 115 |
| 4 058 | (2 970) | 1 088 |

Year ended 31 March 2009

| |
|-------------------------------|
| Computer equipment |
| Office furniture and fittings |
| Office equipment |
| Office Fixtures |
| Balance at end of the year |

| Cost R'000 | Accumulated depreciation R'000 | Closing carrying amount R'000 |
|---------------|--------------------------------------|-------------------------------------|
| 1 061 | (798) | 263 |
| 1 226 | (586) | 640 |
| 382 | (236) | 146 |
| 1 047 | (812) | 235 |
| 3 716 | (2 432) | 1 284 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

6 PROPERTY, PLANT AND EQUIPMENT (Continued)**Movement summary 2010**

Computer equipment
Office furniture and fittings
Office equipment
Office Fixtures
Balance at end of the year

| Carrying amount 2009 R'000 | Additions R'000 | Disposals R'000 | Depreciation charge R'000 | Carrying amount 2010 R'000 |
|----------------------------------|--------------------|--------------------|---------------------------------|----------------------------------|
| 263 | 178 | - | (158) | 283 |
| 640 | 51 | - | (124) | 567 |
| 146 | 41 | - | (64) | 123 |
| 235 | 72 | - | (192) | 115 |
| 1 284 | 342 | - | (538) | 1 088 |

Movement summary 2009

Computer equipment
Office furniture and fittings
Office equipment
Office Fixtures
Balance at end of the year

| Carrying amount 2008 R'000 | Additions R'000 | Disposals R'000 | Depreciation charge R'000 | Carrying amount 2009 R'000 |
|----------------------------------|--------------------|--------------------|---------------------------------|----------------------------------|
| 144 | 258 | (32) | (107) | 263 |
| 732 | 30 | - | (122) | 640 |
| 244 | - | - | (98) | 146 |
| 410 | - | - | (175) | 235 |
| 1 530 | 288 | (32) | (502) | 1 284 |

6.1 Property, Plant and equipment which have been fully depreciated but are still in use**Gross carrying value**

Computer equipment
Office equipment
Office Fixtures
Balance at end of the year

| 2009/10 R'000 | 2008/09 R'000 |
|------------------|------------------|
| 518 | 375 |
| 66 | 66 |
| 487 | 487 |
| 1 071 | 928 |

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

7 INTANGIBLE ASSETS

| | Cost R'000 | Accumulated Amortisation R'000 | Closing carrying amount R'000 |
|--------------------------|---------------|--------------------------------------|-------------------------------------|
| Application Software | | | |
| Balance at 1 April 2008 | 95 | (94) | 1 |
| Additions | 177 | - | 177 |
| Amortisation expense | - | (61) | (61) |
| Balance at 1 April 2009 | 272 | (155) | 117 |
| Additions | 37 | - | 37 |
| Amortisation expense | - | (99) | (99) |
| Balance at 31 March 2010 | 309 | (254) | 55 |

Temporarily idle assets and assets not in use

Computer Software with a gross carrying value of R 23 000 (2009: R23 000) has been fully depreciated, but was still in use.

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

- Application software

2 years

8 ACCOUNTS RECEIVABLE**Other accounts receivable**

| | 2009/10 R'000 | 2008/09 R'000 |
|---------------------|------------------|------------------|
| Deposits | 182 | 172 |
| Prepayments | 112 | 86 |
| Interest receivable | 95 | 979 |
| Sundry receivables | - | 2 |
| | 389 | 1 239 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

9 ACCOUNTS RECEIVABLE FROM NON-EXCHANGE TRANSACTIONS

| | Note | 2009/10 R'000 | 2008/09 R'000 |
|---------------------|------|------------------|------------------|
| Intersecta debtors | 24.2 | 175 | 177 |
| Employer receivable | 9.1 | 1 084 | 147 |
| | | <u>1 259</u> | <u>324</u> |

The effect of discounting was considered and found to be immaterial.

9.1 Employer receivable

| | 2009/10 R'000 | 2008/09 R'000 |
|---|------------------|------------------|
| Employer receivable | | |
| Overpayment to employers | 1 460 | 525 |
| Allowance for doubtful debt | (376) | (378) |
| Net effect of retrospective adjustments on affected employers | <u>1 084</u> | <u>147</u> |

R1 460 000 (2009: R525 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 R376 000 (2009: R378 000) was provided for as doubtful debt. Also refer to Note 11 for grant amounts owed to employers as a result of subsequent changes in levy information.

10 CASH AND CASH EQUIVALENTS

| | 2009/10 R'000 | 2008/09 R'000 |
|--|------------------|------------------|
| Cash at bank and on hand | 21 246 | 18 243 |
| Cash at bank | 21 246 | 18 238 |
| Cash on hand | - | 5 |
| Short term investments/instruments | 180 502 | 149 864 |
| Cash and cash equivalents at end of year | <u>201 748</u> | <u>168 107</u> |

As required in Treasury Regulation 31.2, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short term bank deposits was 6.82% (2009: 11.98%).

INSETA as a Public Entity was exempted by the National Treasury from the requirement of Treasury Regulation 31.3 to invest surplus funds with the Corporation for Public Deposits, surplus funds were invested in line with an investment policy as required by Treasury Regulation 31.3.5.

Included in Cash at bank is an amount of Rnil (2009: R2 613 000). These funds are held in trust by INSETA for purpose of the NSF project. INSETA uses its cash and equivalents to settle its current liabilities and has approved and allocated R152 839 000 for future projects and skills priorities as set out in Note 18.1.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

II ACCOUNTS PAYABLE FROM NON EXCHANGE TRANSACTIONS

| | Note | 2009/10 R'000 | 2008/09 R'000 |
|---|------|------------------|------------------|
| Skills development grants payable - mandatory | | 31 337 | 23 905 |
| Intersecta payables | 24.2 | 2 | 393 |
| Provision for incorrect receipts | 11.1 | 2 182 | 1 841 |
| Employer Payables | | 65 | 332 |
| | | 33 586 | 26 471 |

The effect of discounting was considered and found to be immaterial.

11.1 Provision for incorrect receipts**2009/10**

Provision for levies from exempt employers

| Opening Balance R'000 | Change in Estimate R'000 | Addition R'000 | Closing balance R'000 |
|-----------------------------|--------------------------------|-------------------|-----------------------------|
| 1 841 | 67 | 274 | 2 182 |
| 1 841 | 67 | 274 | 2 182 |

2008/09

Provision for levies from exempt employers

| | | | |
|--------------|--------------|------------|--------------|
| 2 312 | (744) | 273 | 1 841 |
| 2 312 | (744) | 273 | 1 841 |

An amount of R2 182 000 (2009: R1 841 000) 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

12 ACCOUNTS PAYABLE FROM EXCHANGE TRANSACTIONS

| | 2009/10 R'000 | 2008/09 R'000 |
|-----------------------------------|------------------|------------------|
| Project creditors | 6 390 | 9 370 |
| Service provider fees outstanding | 1 063 | 202 |
| Leave Accrual | 372 | 612 |
| Sundry payables | 969 | 899 |
| Trade creditors | 591 | 356 |
| Other accrued expenses | 378 | 543 |
| | <u>8 794</u> | <u>11 083</u> |

13 NATIONAL SKILLS FUND: SPECIAL PROJECTS

| | 2009/10 R'000 | 2008/09 R'000 |
|--|------------------|------------------|
| Opening balance | 1 710 | 3 909 |
| Draw down received during the year - Learnership project | - | 1 156 |
| Interest received | 7 | 292 |
| Utilised and recognised as revenue - conditions met: Learnership Project | - | (3 647) |
| Refunded to NSF (Project Completed) | (1 717) | - |
| | <u>-</u> | <u>1 710</u> |

During the current year conditional funds of Rnil (2009: R1 156 000) was received from the National Skills Fund for the purposes of a Learnership project. This amount was recognised as a liability until the conditions attached were met. During the year, Rnil (2009: R3 647 000) eligible project special expenses were incurred or recognised as revenue. Rnil (2009: R1 710 000) was accounted for as a liability until the remaining conditions attached have been met. During the year R1 717 000 was refunded to NSF after the completion of the project.

14 GOVERNMENT GRANTS AND DONOR FUNDING RECEIVED IN ADVANCE

| | 2009/10 R'000 | 2008/09 R'000 |
|-----------------|------------------|------------------|
| Opening balance | 9 | 9 |
| Closing balance | <u>9</u> | <u>9</u> |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

15 PROVISIONS

| | Note | 2009/10 R'000 | 2008/09 R'000 |
|--------------------------|------|------------------|------------------|
| Employee bonus provision | 15.1 | 513 | 257 |
| | | <u>513</u> | <u>257</u> |

15.1 Employee bonus provision

| | 2009/10 R'000 | 2008/09 R'000 |
|-------------------------|------------------|------------------|
| Open carrying amount | 257 | 353 |
| Amounts utilised | (420) | (628) |
| Additional provision | 513 | 532 |
| Change in estimate | 163 | - |
| Closing carrying amount | <u>513</u> | <u>257</u> |
| Current | 513 | 257 |

Bonus provision is calculated using the total cost of employment and is based on performance evaluation conducted by the CEO of the SETA and the HR/Remuneration Committee as appropriate.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

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

| | 2009/10 R'000 | 2008/09 R'000 |
|---|------------------|------------------|
| Net surplus as per Statement of Financial Performance | 30 036 | 31 318 |
| Adjusted for non-cash items: | | |
| Depreciation / amortisation | 637 | 563 |
| Bad debts written off | - | 5 |
| Allowance for doubtful debts | (2) | - |
| Increase in provisions | 256 | (96) |
| Special project income recognised | - | (3 647) |
| Adjusted for items separately disclosed | | |
| Investment income | (14 168) | (15 348) |
| Adjusted for working capital changes: | | |
| (Increase) / Decrease in receivables from non-exchange transactions | (933) | 1 130 |
| Decrease / (Increase) in receivables | 850 | (786) |
| Decrease / (Increase) in consumables | 60 | (18) |
| Increase / (Decrease) in payables | 4 826 | (962) |
| Cash utilised in operations | <u>21 562</u> | <u>12 159</u> |

17 CONTINGENCIES**17.1 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. As in the previous year INSETA expects that National Treasury will approve the retention of surplus funds.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

17.2 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 R1 18 000 (2008/9 R44 000) will be payable. The amount is contingent on the number of submission received and approved.

17.3 New scheme year levies received

At the reporting date levies were received in respect of the new scheme year; for which, the Skills Development legislation allows an employer until 30 June 2011 to submit an application for a mandatory grant.

At the reporting date it is estimated, as a result, that additional mandatory grant expenditure of R8 000 (2008/9 R9 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 R160 481 000 available in the Discretionary reserve at the end of March 2010, R151 982 000 has been approved and allocated for future projects and skills priorities as set out below. Amounts for expenses that have already been contracted or incurred, and therefore included in the employer grant and 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

18.1 Discretionary reserve (Continued)

| NSDS | Project Name | Opening balance 2008/09 R'000 | Allocation Approved by Accounting Authority not fully contracted R'000 |
|-----------|---|-------------------------------------|--|
| 2.7 | ABET level 4 support | 1 967 | 1 060 |
| 2.1 / 2.2 | Black Business training support | 2 291 | - |
| 2.5 / 4.3 | Black Brokers - Running a brokerage | 431 | - |
| 2.8 | Bursaries and voucher project | 2 870 | 12 169 |
| | Business School Bursaries for Leadership and Management studies | 2 400 | - |
| 2.5 / 5.3 | Capacity building seminar | 550 | 535 |
| 1.2 / 4.1 | Career Guide | 518 | 1 100 |
| | Coaching and Mentoring | 53 | - |
| 3.2 | Corporate Social Investment | 87 | - |
| | Continuous Professional Development | 476 | - |
| | Curriculum Development | (174) | - |
| | Disability Project | - | - |
| 2.1 / 2.2 | Employment Equity | 958 | - |
| | Executive leadership development/Leadership advancement programme | 921 | - |
| 2.8 / 3.2 | Financial Advisory and Intermediary Services Act Support | 2 312 | 11 609 |
| | Financial Sector Charter Learnerships | - | - |
| 2.7 | Funeral assistance training | 620 | - |
| 2.7 | Funeral services sub-committees | 14 | - |
| | HIV/AIDS materials development | - | - |
| 1.1 | Impact study | 888 | - |
| 5.1 | Institute of Sectoral Excellence | 122 | 1 060 |
| 5.3 | IISA | - | - |
| 4.2 / 4.3 | Insurance leadership programme | 920 | - |
| | Insurance Standards Generating Body | 1 | - |
| | International Research | - | - |
| 2.8 / 4.1 | Internships | 20 974 | 4 830 |
| 2.8 / 4.1 | Learnerships | 43 778 | 20 708 |
| | Materials Development (INSMAT) / Learning Implementation Guides | 506 | - |
| | Maths Upliftment in the Insurance Sector | - | - |
| 2.5 / 4.3 | New Venture Creation Black Brokers | 445 | - |
| 4.3 / 5.2 | New Venture Development | - | - |
| 4.3 / 5.2 | New venture Dol SLA | 1 476 | 1 750 |

| Utilised R'000 | Opening balance 2009/10 R'000 | Allocation Approved by Accounting Authority not fully contracted R'000 | Utilised R'000 | Total R'000 | Future commitments / contracts R'000 |
|-------------------|-------------------------------------|--|-------------------|----------------|---|
| 1 201 | 1 826 | 215 | 92 | 1 949 | 1 760 |
| 1 | 2 290 | - | 641 | 1 649 | - |
| 144 | 287 | (299) | (12) | - | - |
| 15 116 | (77) | 22 799 | 4 852 | 17 870 | - |
| - | 2 400 | - | - | 2 400 | - |
| 518 | 567 | (146) | 321 | 100 | - |
| 1 084 | 534 | 1 115 | 649 | 1 000 | 250 |
| - | 53 | (53) | - | - | - |
| - | 87 | (87) | - | - | - |
| - | 476 | - | - | 476 | - |
| - | (174) | (10) | - | (184) | - |
| - | - | 248 | 112 | 136 | - |
| - | 958 | (46) | 413 | 499 | - |
| - | 921 | (739) | - | 182 | - |
| 1 533 | 12 388 | 15 766 | 5 389 | 22 765 | 3 841 |
| - | - | - | - | - | - |
| 674 | (54) | - | 34 | (88) | - |
| - | 14 | - | - | 14 | - |
| - | - | - | - | - | - |
| 17 | 871 | (234) | 15 | 622 | 824 |
| 70 | 1 112 | 937 | 1 049 | 1 000 | - |
| - | - | 620 | 493 | 127 | 127 |
| 8 | 912 | - | 802 | 110 | 86 |
| - | 1 | (1) | - | - | - |
| - | - | - | - | - | - |
| 3 662 | 22 142 | 10 780 | 6 390 | 26 532 | - |
| 12 402 | 52 084 | 17 322 | 18 838 | 50 568 | 21 046 |
| - | 506 | (509) | - | (3) | - |
| - | - | - | - | - | - |
| 300 | 145 | - | - | 145 | - |
| - | - | - | - | - | - |
| 595 | 2 631 | - | 1 170 | 1 461 | 1 030 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

18.1 Discretionary reserve (Continued)**NSDS Project Name**

| | |
|-----------|---|
| 4.3 / 5.3 | New Venture Institutional Support |
| 1.1 | NSA Stakeholder Satisfaction |
| 4.1 / 4.2 | NSF Critical Skills Project |
| 2.8 | Partnering with SAADP |
| 2.5 / 5.3 | Provider Capacity Building |
| | PWC Management fees (Project office service provider) |
| 5.3 | QCTO |
| 5.3 | QMS Manual |
| 1.1 / 5.4 | Research |
| 1.1 / 5.4 | Research studies |
| | SAQA/INSETA joint implementation |
| 2.2 | SMME Better business toolkit |
| 3.2 / 4.1 | SMME Support (Regional Advisors) |
| | Standards Writing Consultancy |
| 3.2 | Social Development project |
| 2.1 / 2.2 | Training of black actuaries |
| 2.5 / 5.3 | Train the Trainer: Outcomes Based Education Materials Development |
| 2.5 / 5.4 | Trustee Training Skilling Program |
| 4.2 | Work Based Experience |
| 1.2 | Workshops for Skills Development Facilitators |
| | WIN - Woman in Insurance |

Total project expenditure

| Opening balance 2008/09 R'000 | Allocation Approved by Accounting Authority not fully contracted R'000 |
|-------------------------------------|--|
| 711 | - |
| - | 350 |
| 10 034 | - |
| - | - |
| 454 | - |
| 312 | 3 898 |
| - | - |
| 580 | - |
| 705 | 1,060 |
| 233 | - |
| 735 | - |
| 3 020 | - |
| 614 | 6 382 |
| 22 | - |
| 373 | 1 280 |
| 756 | - |
| (84) | - |
| 9 | - |
| - | 3 150 |
| 69 | 380 |
| 13 | - |
| 103 960 | 71 320 |

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

Contracted Amounts
Approval letters and open RFP's

| 2009/10 R'000 |
|------------------|
| 14 505 |
| 21 259 |
| 35 764 |

| Utilised R'000 | Opening balance 2009/10 R'000 | Allocation Approved by Accounting Authority not fully contracted R'000 | Utilised R'000 | Total R'000 | Future commitments / contracts R'000 |
|-------------------|-------------------------------------|--|-------------------|----------------|---|
| - | 711 | (130) | 95 | 486 | 114 |
| 146 | 204 | - | - | 204 | - |
| 4 616 | 5 418 | (5 202) | - | 216 | 213 |
| - | - | 5 229 | - | 5 229 | - |
| - | 454 | (241) | 213 | - | - |
| 3 898 | 312 | 4 064 | 4 064 | 312 | - |
| - | - | 4 976 | 251 | 4 725 | 3 600 |
| - | 580 | - | 8 | 572 | - |
| 877 | 888 | 1 559 | 723 | 1 724 | 678 |
| - | 233 | (6) | (215) | 442 | - |
| 121 | 614 | (628) | 11 | (25) | - |
| 718 | 2 302 | - | 511 | 1 791 | - |
| 496 | 6 500 | (1 643) | 1 429 | 3 428 | 750 |
| - | 22 | (22) | - | - | - |
| 700 | 953 | 1 272 | 24 | 2 201 | 1 400 |
| 18 | 738 | - | 608 | 130 | - |
| - | (84) | (139) | - | (223) | - |
| - | 9 | - | - | 9 | - |
| 13 | 3 137 | - | 1 925 | 1 212 | - |
| 142 | 307 | 380 | 467 | 220 | 45 |
| - | 13 | (13) | - | - | - |
| - | - | - | - | - | - |
| 49 070 | 126 210 | 77 134 | 51 362 | 151 982 | 35 764 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

18.2 Operating Leases

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

| | 2009/10 R'000 | 2008/09 R'000 |
|---|------------------|------------------|
| Not later than one year | 220 | 655 |
| Later than one year and not later than five years | - | 220 |
| | <u>220</u> | <u>875</u> |

The operating leases relate to building premises used for office accommodation, the rental of a photocopier and PABX system. The lease agreement for the building was entered into effective 1 August 2005 and will be operational for a period of five years, expiring on 31 July 2010. The lease of a photocopier was entered into effective 1 November 2008 and expired 31 October 2009. The lease of the PABX system expires 31 July 2010.

19 IRREGULAR EXPENDITURE

| | 2009/10 R'000 |
|---|------------------|
| Irregular Expenditure no condonation | |
| Irregular Expenditure – current year | <u>2 161</u> |
| Analysis of expenditure no condonation per age classification | |
| Current year | 1 944 |
| Prior years | <u>217</u> |
| Total | <u>2 161</u> |

During the period under review the Auditor General identified expenditure deemed irregular of R2 161 000 of which R217 000 was incurred in the previous reporting periods. In May 2008 the INSETA Council approved the recruitment of Regional Advisors whose recruitment was done in terms of INSETA's Human Resource Policy; however proper tender process has not been followed and its reasons therefore was considered not adequately recorded and approved by the accounting authority.

20 IMPLEMENTATION OF GRAP STANDARDS

During the year the INSETA changed its policy for the measurement of assets acquired through a non-exchange transaction, i.e. for no consideration. Previously such assets were measured at zero cost. Currently the asset's cost is its fair value as at the date of the acquisition. The change was made as to comply with GRAP 17.22 and has been applied retrospectively.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

20 IMPLEMENTATION OF GRAP STANDARDS (Continued)

The comparative amounts have been appropriately restated. The effect of this change in accounting policy is as follows:

| | 2009/10 R'000 | 2008/09 R'000 |
|--|------------------|------------------|
| Increase in opening cost price of Property, Plant and equipment | 22 | 22 |
| Increase in opening cost price of intangible assets | 23 | 23 |
| Increase in opening accumulated depreciation Property, Plant and equipment | (22) | (22) |
| Increase in opening accumulated depreciation intangible assets | (23) | (23) |
| Decrease in opening accumulated surplus | - | - |

21 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment and intangible assets

The SETA reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period, refer note 6 and note 7 for the respective carrying values. The SETA is currently established until 31 March 2011 and is awaiting notice from the Minister for a renewal of its certificate of establishment post 31 March 2011.

In the light of the pending renewal of the SETA's certificate of establishment, management was required to consider how it impacts the period over which assets are expected to be available for use by the SETA. Management determined, consistent with the prior year, that the useful life of assets should not be limited by the SETA's continuation until 31 March 2011. Management's determination of useful life also impacts the determination of the residual value of assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

22 FINANCIAL INSTRUMENTS

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

| | 2009/10 R'000 | 2008/09 R'000 |
|------------------------------|------------------|------------------|
| Financial assets | | |
| Cash and bank balances | 201 748 | 168 107 |
| Loans and receivables | 95 | 2 950 |
| | <u>201 843</u> | <u>171 057</u> |
| Financial liabilities | | |
| Other financial liabilities | <u>8 422</u> | <u>10 864</u> |

Interest rate risk

The SETA manages its interest rate risk by effectively investing SETA surplus cash in term deposits with different financial institutions according to the SETA's investment policy.

The SETA'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 | | |
|---------------------------------|-----------------|----------------------------|----------------------|---|----------------|
| | Amount R'000 | Effective interest rate | Amount R'000 | Weighted average period until maturity in years | Total R'000 |
| Year ended 31 March 2010 | | | | | |
| Assets | | | | | |
| Cash | 201 698 | 6.82% | 50 | 1 year | 201 748 |
| Accounts receivable | - | | 95 | | 95 |
| Total financial assets | <u>201 698</u> | 6.82% | <u>145</u> | | <u>201 843</u> |
| Liabilities | | | | | |
| Accounts payable | - | | 8 422 | 0,08 years | 8 422 |
| Total financial liabilities | - | | 8 422 | | 8 422 |
| | <u>201 698</u> | | <u>(8 277)</u> | | <u>193 421</u> |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

22 FINANCIAL INSTRUMENTS (Continued)

| | Floating rate | | Non-interest bearing | | |
|-----------------------------|-----------------|----------------------------|----------------------|---|----------------|
| | Amount R'000 | Effective interest rate | Amount R'000 | Weighted average period until maturity in years | Total R'000 |
| Year ended 31 March 2009 | | | | | |
| Assets | | | | | |
| Cash | 168 041 | 11.98% | 66 | 1 year | 168 107 |
| Loans | - | | 1 711 | | 1 711 |
| Accounts receivable | - | | 1 239 | | 1 239 |
| Total financial assets | 168 041 | 11.98% | 3 016 | | 171 057 |
| Liabilities | | | | | |
| Accounts payable | - | | 10 864 | 0,08 years | 10 864 |
| Total financial liabilities | - | | 10 864 | | 10 864 |
| | 168 041 | | (7 848) | | 160 193 |

Credit risk

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

The SETA limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of an investment policy in terms of Treasury Regulation TR 28. The SETA'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. The SETA does not have any material exposure to any individual or counter-party. The SETA's concentration of credit risk is limited to the industry in which the SETA 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

22 FINANCIAL INSTRUMENTS (Continued)

The ageing of other receivables from exchange transactions:

| | 2009/10 | | 2008/09 | |
|--------------|----------------|---------------------|----------------|---------------------|
| | Gross R'000 | Impairment R'000 | Gross R'000 | Impairment R'000 |
| Not past due | 389 | - | 1 239 | - |

Liquidity risk

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

2009/10

Trade and other Payables from
exchange transactions

| Carrying Amount R'000 | Contractual Cash Flows R'000 | 6 months or less R'000 | 6 - 12 months R'000 | 1 - 2 years R'000 | More than 2 years R'000 |
|-----------------------------|------------------------------------|------------------------------|---------------------------|-------------------------|-------------------------------|
| 8 422 | 8 422 | 8 319 | 78 | 21 | 4 |

2008/09

Trade and other Payables from
exchange transactions

| Carrying Amount R'000 | Contractual Cash Flows R'000 | 6 months or less R'000 | 6 - 12 months R'000 | 1 - 2 years R'000 | More than 2 years R'000 |
|-----------------------------|------------------------------------|------------------------------|---------------------------|-------------------------|-------------------------------|
| 9 724 | 9 724 | 9 715 | 1 | - | 8 |

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.

Market risk

The SETA 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 the SETA is aware of.

Fair values

The SETA'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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

22 FINANCIAL INSTRUMENTS (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 effect of discounting considered and found to be immaterial.

Accounts payable

The effect of discounting considered and found to be immaterial.

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 the SETA and may have an impact on future financial statements:

| | | Effective date, commencing on or after |
|----------|--|--|
| GRAP 21 | Impairment of Non-cash-generating Assets | not yet effective |
| GRAP 23 | Revenue from Non-exchange Transactions (Taxes and Transfers) | not yet effective |
| GRAP 24 | Presentation of Budget Information in Financial Statements | not yet effective |
| GRAP 25 | Employee Benefits | not yet effective |
| GRAP 26 | Impairment of Cash-generating Assets | not yet effective |
| GRAP 104 | Financial Instruments | 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 21, 23, 24 and 26 have been used to formulate accounting policies or inform presentation and disclosure.

The INSETA has not yet assessed the impact of adopting GRAP 25 and 104.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

24 RELATED PARTY TRANSACTIONS

24.1 Transactions with the controlling entity

The SETA was controlled by the Department, for the period up until 31 October 2009, and since 1 November 2009 by the Department of Higher Education and Training. The departments were controlled, respectively by the Minister of Labour and Minister of Higher Education and Training.

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

| | 2009/10 R'000 | 2008/09 R'000 |
|------------|-------------------------------------|------------------------------------|
| | Amount of the transaction | Amount of the transaction |
| | Amount receivable / (payable) | Amount receivable/ (payable) |
| Department | - (9) | - (9) |

24.2 Transactions with entities under common control

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

24.2 Transactions with entities under common control (Continued)

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

| | 2009/10 R'000 | | 2008/09 R'000 | |
|-----------------------|----------------------------------|-----------------------------------|---------------------------------|----------------------------------|
| | Amount of the transaction* | Amount receivable / payable | Amount of the transaction | Amount receivable/ payable |
| Receivables | 315 | 175 | 2 993 | 177 |
| Fasset | 127 | - | 1 563 | 30 |
| Health & Welfare SETA | - | - | 6 | 3 |
| SETT | 5 | 5 | - | - |
| Bankseta | 18 | 3 | (14) | - |
| Services SETA | 165 | 167 | 152 | 23 |
| THETA | - | - | 130 | 121 |
| NSF | - | - | 1 156 | - |
| Payables | 73 | 2 | 392 | 2 103 |
| Fasset | 4 | - | (50) | - |
| FIETA | - | - | 49 | - |
| Health & Welfare SETA | 6 | - | - | - |
| Merseta | 38 | - | - | - |
| SETT | - | - | 393 | 393 |
| Services SETA | 25 | 2 | - | - |
| NSF | - | - | - | 1 710 |
| Total | 242 | 173 | 2 601 | (1 926) |

*Note that the amount of transaction includes interest and penalties transferred to or from the SETA.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

24.3 Remuneration of Key Management

The key management personnel of the SETA 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:

| | 2009/10 R'000 | 2008/09 R'000 |
|------------------------|------------------|------------------|
| Aggregate remuneration | 70 | 80 |
| Number of persons | 21 | 15 |

Refer to the report by the Accounting Authority for detail disclosure concerning the emoluments of members of the accounting authority.

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

| | 2009/10 R'000 | 2008/09 R'000 |
|------------------------|------------------|------------------|
| Aggregate remuneration | 1 033 | 1 637 |
| Number of persons | 3 | 2 |

Refer to the report by the Accounting Authority for detail disclosure concerning the emoluments of the Chief Executive Officer both the former and the current and Acting Chief Executive Officer.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2010

25 NOTES TO COMPARISON OF BUDGET AND ACTUAL

Legislation requires that the SETA annually, in September submit a budget to the Minister for approval. Any subsequent changes required to the initial budget are approved by the Accounting Authority.

25.1 Skills Development Levy: income from non-exchange transactions:

Levy receipts was slightly higher than anticipated. The increase in the levies resulted mainly from unanticipated growth in the sector despite the economic downturn. INSETA has also seen an increase in the number of new employers that joined during the period.

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 lower than budgeted as a result of larger than anticipated declines in the prime interest rate.

25.4 Employer grant expenses

This increased expenditure was as a result of higher than anticipated levy income.

25.5 Project expenses

The project expenditure is less than budgeted due to delays in commencing new projects as a result of various structural changes and other challenges.

25.6 Administration expenses

Administration expenditure is limited to 10% of levies received. INSETA continues to operate well within this legislation limit and savings will be made available for spending on projects. The variance is mainly due to savings in internal audit fees, salaries, legal fees and travel.

INSETA COUNCIL and COUNCIL SUB-COMMITTEES



INSETA COUNCIL

Standing (left to right): *Barry Scott (business), Gizelle Conradie (labour), Isaac Ramputa (labour), Terence Berry (business), Gerrit Sandrock (Audit Committee Chairperson, ex-officio member of Council), Jay Ramsunder (business), Eugene Zeeman (labour) and Jay Mngoma (business).*

Seated (left to right): *Keneiloe Selamolela (business), Rama Govenden (business), Ivan Mzimela (labour), Margie Naidoo (labour) and Wayne Hattingh (labour).*

Not present: *Jonathan Dixon (state)*

INSETA Council and Council Sub-Committees

COMPOSITION OF INSETA'S COUNCIL FOR 2009/2010

| Council Member | Constituency | Capacity | Gender | Race |
|------------------------------|--|--|--------|--------|
| Tetiwe Jawuna ¹ | Business: Financial Intermediaries Association [FIA] | Chairperson | Female | Black |
| Ivan Mzimela | Labour: IBSA | Chairperson | Male | Black |
| Rama Govenden | Business: Association of Savings & Investments [ASISA] | Deputy Chairperson | Male | Indian |
| Barry Scott | Business: South African Insurance Association [SAIA] | Ordinary member | Male | White |
| Terence Berry | Business: Association of Savings & Investments [ASISA] | Ordinary member | Male | White |
| Keneiloe Selamolela | Business: South African Insurance Association | Ordinary member | Female | Black |
| Eugene Ebersohn ² | Labour: SASBO | Ordinary member | Male | White |
| Isaac Ramputa | Labour: SASBO | Ordinary member | Male | Black |
| Eugene Zeeman | Labour: IBSA | Ordinary member | Male | White |
| Wayne Hattingh | Labour: SASBO | Ordinary member | Male | White |
| Jonathan Dixon | State: Financial Services Board | Ordinary member | Male | White |
| Margie Naidoo | Labour: IBSA | Ordinary member | Female | Indian |
| Jay Mngoma | Business: Black Brokers Forum | Ordinary member | Male | Black |
| Jay Ramsunder | Business: Financial Intermediaries Association (FIA) | Ordinary member | Male | Indian |
| Gizelle Conradie | Labour: SASBO | Ordinary member | Female | White |
| Gerrit Sandrock | Independent | Ex-officio, Chairperson of Audit Committee | Male | White |

- 1 Ms. Jawuna tenure as Chairperson and member of Council ended in September 2009 and she did not stand for re-election. Mr. Mzimela was elected as Chairperson and Mr. Govenden as Deputy Chairperson in September 2009.
- 2 Mr. Ebersohn resigned from Council in February 2010 and was replaced by Ms. Conradie whose appointment was confirmed at the Council meeting held in March 2010.

INSETA Council and Council Sub-Committees (Continued)

INSETA COUNCIL MEETINGS 2009/2010:

| Council member | 21 May 2009 | 30 July 2009 | 17 Sept 2009 | 3 Dec 2009 | 17 March 2010 | Total meetings attended |
|---------------------|-------------------|--------------|--------------|-----------------------|-----------------------|-------------------------|
| Tetiwe Jawuna | Present | Present | Apology | Resigned from Council | | 2 |
| Ivan Mzimela | Apology | Present | Present | Present | Present | 4 |
| Rama Govenden | Present | Present | Present | Apology | Apology | 3 |
| Barry Scott | Present | Present | Present | Apology | Present | 4 |
| Terence Berry | Present | Present | Present | Present | Present | 5 |
| Keneiloe Selamolela | Present | Present | Apology | Present | Present | 4 |
| Eugene Ebersohn | Present | Present | Present | Present | Resigned from Council | 4 |
| Isaac Ramputa | Present | Apology | Present | Present | Present | 4 |
| Eugene Zeeman | Apology | Present | Present | Apology | Present | 3 |
| Wayne Hattingh | Apology | Present | Apology | Apology | Apology | 1 |
| Jonathan Dixon | Apology | Present | Present | Apology | Present | 3 |
| Margie Naidoo | Apology | Present | Present | Apology | Apology | 2 |
| Jay Mngoma | Not appointed yet | | Present | Present | Present | 3 |
| Jay Ramsunder | Not appointed yet | | | Present | Present | 2 |
| Gerrit Sandrock | Not appointed yet | | | | Present | 1 |

Allowances paid to Council members and members serving on Council Sub-Committees

An allowance of R1000 (for Chairperson), R900 (for Deputy Chairperson) and R800 (for ordinary members) is paid to the Council member's nominating constituency, per meeting that they attend. As the Chairperson of the Audit Committee is an independent external appointment and serves in an ex-officio capacity on Council, he is remunerated according to SAICA rates of R1800 per hour.

INSETA Council and Council Sub-Committees (Continued)

Council Sub-Committees

INSETA has three Council Sub-Committees that make recommendations to Council on finance, audit and human resources matters. Details of the composition and attendance at meetings during the year under review are illustrated below:

INSETA Audit Committee Meetings 2009/2010:

| Committee member | 16 April 2009 | 9 June 2009 | 22 July 2009 ³ | 11 Feb 2010 | Total meetings attended |
|-------------------------------|---------------|--------------------|---------------------------|-------------------------|-------------------------|
| Thys Botha ⁴ | Present | Present | Present | Resigned from Committee | 3 |
| Gerrit Sandrock (Chairperson) | | Not appointed yet. | | Present | 1 |
| Terence Berry | Present | Present | Present | Present | 4 |
| Jeanine Poggiolini | | Not appointed yet. | | Present | 1 |
| Godfrey Nti | | Not appointed yet. | | Present | 1 |

(3) Joint meeting of Audit Committee & Finance Committee

(4) Mr. Botha was appointed as Chairperson of the Audit Committee from April 2009 and resigned from the Committee in July 2009.

INSETA Finance, IT & Administration Committee Meetings 2009/2010:

| Committee member | 21 May 2009 | 22 July 2009 ⁵ | 22 July 2009 ⁶ | 17 Sept 2009 | 1 Dec 2009 | 11 Feb 2010 | Total meetings attended |
|----------------------------------|-------------|---------------------------|---------------------------|--------------|------------|-------------------------|-------------------------|
| Johan van Greuning (Chairperson) | Present | Present | Present | Present | Present | Present | 6 |
| Barry Scott | Present | Present | Present | Apology | Apology | Present | 4 |
| Eugene Ebersohn | Present | Present | Present | Apology | Present | Resigned from committee | 4 |

(5) Joint meeting of Audit Committee & Finance Committee

(6) Ordinary Finance Committee meeting followed Joint Finance and Audit Committee meeting

INSETA Human Resources/Remuneration Committee Meetings 2009/2010:

| Committee member | 28 Oct 2009 | 4 Feb 2010 | Total meetings attended |
|-----------------------------|-------------|------------|-------------------------|
| Margie Naidoo (Chairperson) | Present | Present | 2 |
| Ivan Mzimela | Present | Present | 2 |
| Audrey Mothupi | Apology | Apology | 0 |



INSETA TEAM



CORPORATE SERVICES

Standing (left to right): Tshepo Mabika (intern), Chono Khorommbi (intern), Andani Sengani (intern), Sharon Snell, Jabu Mabaso

Seated (left to right): Tebogo Mathopa, Zodwa Motloun, Anna Zihle

Not present: Vincent Mulaudzi and Kim Pretorius



ETQA

Standing (left to right): Unathi Jakalase, Michelle van der Merwe, William Fisher, Ernest Kaplan, Nadia Traut (contractor)

Seated (left to right): Sizakele Baloyi (contractor), Neesha Naidoo, Ouma Mmethi



SKILLS DEVELOPMENT

*Standing (left to right): Itumeleng Motaung,
Elias Koma (intern),
Mageshree Tandree*

Seated: Adeline Singh



CEO'S OFFICE

*Standing (left to right): Ella Matshikiza,
Sharon Snell,
Tintswalo Makhuvele (contractor)*

Seated: Sandra Dunn



LEARNERSHIPS

*Standing (left to right): Olebogeng Tsitsi (intern),
Vuyo Diniso, Tsabuki Makou,
Laverne Ogle*

Seated (left to right): Nomonde Mandla, Tumi Peele



FAIS PROJECT OFFICE

Lerato Mpatane and Glen Edwards



08

STATEMENTS OF SUPPORT FROM STAKEHOLDERS

STATEMENTS OF SUPPORT FROM STAKEHOLDERS

ANNUAL REPORT 2009/2010

"Since the inception of INSETA ten years ago, the skills levels in the insurance sector have come of age! In this time INSETA has made tremendous progress toward achieving its goal of 'Working together for a skilled tomorrow'. This has been made possible by INSETA's constant quest to engage all industry stakeholders in meaningful dialogue in addressing the skills challenges of the sector.

As the leading professional body in the insurance sector, the Financial Planning Institute of Southern Africa (FPI) is committed to the same national objectives of ensuring quality skills development as well as transformation in this sector. FPI is very proud of its ongoing engagement with INSETA in these endeavours.

We would like to take this opportunity to wish INSETA a happy 10th anniversary. We look forward to working with INSETA in the years to come to continue building a skilled insurance sector that South Africa can be proud of."

Godfrey Nti

CHIEF EXECUTIVE OFFICER

Financial Planning Institute of Southern Africa (FPI)

"I write on behalf of SAADP Board would like to convey our deep gratitude to INSETA for partnering in addressing the challenge of the acute shortage of black actuarial skills in the country. We are pleased to note and confirm the existence of the synergies between SAADP and INSETA with regard to our organisation's commitment to address the imbalances of the past through equipping the youth with skills for the future. It is of great significance that at a time when the economy is struggling to recover from a recession, INSETA has seen it fit to contribute to our programme to enable graduates to take advantage of the anticipated upturn which will not doubt bring new and exciting opportunities.

SAADP is earnest in its endeavours to encourage aspiring black student actuaries to graduate and ultimately qualify as actuaries. We give our assurance to INSETA that their contribution will be well utilised to serve our common national goal. Once again thank you for becoming our partner in the development of actuarial skills."

Cyril Ramaphosa

CHAIRMAN

South African Actuaries Development Programme

"The FAIS legislative framework created a significant need within the financial services sector to focus on the training and development of employees in order to meet professional requirements. Specific learning and assessment interventions were called for in order to develop and measure these qualifications and skills, including regulatory examinations.

INSETA has played a significant role in assisting the industry by developing and implementing learning and assessment solutions that are targeted at the specific needs of the insurance industry. They have assisted large numbers of learners to meet the qualification requirements, and will also assist learners to prepare for the coming regulatory examinations. INSETA has made a significant contribution towards the needs of the sector. The FSB looks forward to a continuing relationship with the INSETA in its endeavors to develop professional skills in the insurance industry."

Jonathan Dixon

DEPUTY EXECUTIVE OFFICER,

INSURANCE

Financial Services Board

STATEMENTS OF SUPPORT FROM STAKEHOLDERS

ANNUAL REPORT 2009/2010

"Faced with the escalating costs in terms of regulatory levies, compliance fees, the upgrading and accreditation processes meant black brokers faced financial ruin and possible exclusion from the industry. The introduction of the SETA's in particular INSETA could not have come at a better time, as the black broking fraternity has worked hand in hand with the INSETA to provide a cushion to the impact that the regulatory framework might otherwise have had by:

- Providing an in depth research and analysis of the new landscape. INSETA has been at the forefront of unpacking the abstract regulatory environment and then leading black brokers through the terrain.
- The innovative voucher system enabled brokers and their agents to meet the Fit and Proper requirements by affording in excess of 5000 black intermediaries an opportunity to write accreditation exams in the last five years.
- The simplification and breaking down of an otherwise complex and bureaucratic system into consumable and manageable bite size chunks which make compliance an ally of black brokers instead of a burden.

We wish the INSETA many more years of prosperity and strength."

Jay Mngoma

MEMBER OF THE SENATE

Black Brokers Forum

"The Financial Intermediaries Association of Southern Africa (FIA) welcomed the proposal that no change be effected in respect of INSETA in the new SETA landscape. We therefore confirmed our support that INSETA remains a single SETA to cater for the specialised needs of the insurance industry.

The FIA and other stakeholders in the financial services industry (insurance) have established various forums with INSETA where matters are discussed and debated to betterment of the insurance industry's education and training regime.

The FIA recently hosted road shows countrywide about the impending regulatory exams in terms of the FAIS Act. INSETA was represented here and gave valuable insight into the role they play in our industry and what assistance the industry can expect regarding the regulatory exams.

Over the past number of years the financial services industry has been subject to numerous regulatory changes where the INSETA plays a crucial role in ensuring quality controls needed for specialisation. The same applies for skills development in our industry that is in dire need of job creation at many levels. INSETA has been instrumental in ensuring that only training

providers who confirm with strict quality and delivery measures are accredited as such.

INSETA promotes and enables quality skills development through funding education and training in South Africa to meet the national skills agenda and contributes to transformation in the insurance sector. INSETA represents an industry with a very wide range of employers, many of whom are very small and very large employers. The majority of the workforce represents skilled and highly skilled employees. Their constituents include a range of eleven financial services products and services and therefore their role in a rapidly evolving, growing and developing insurance industry, which is a major player in the South African economy, cannot be underestimated.

INSETA has always been a valuable partner of the FIA and its members. Their willingness to partake in projects to uplift the knowledge and successful practices of our members, and the industry at large, has been a telling factor in the important role the FIA plays in the insurance industry."

Justus van Pletzen

CHIEF OPERATING OFFICER

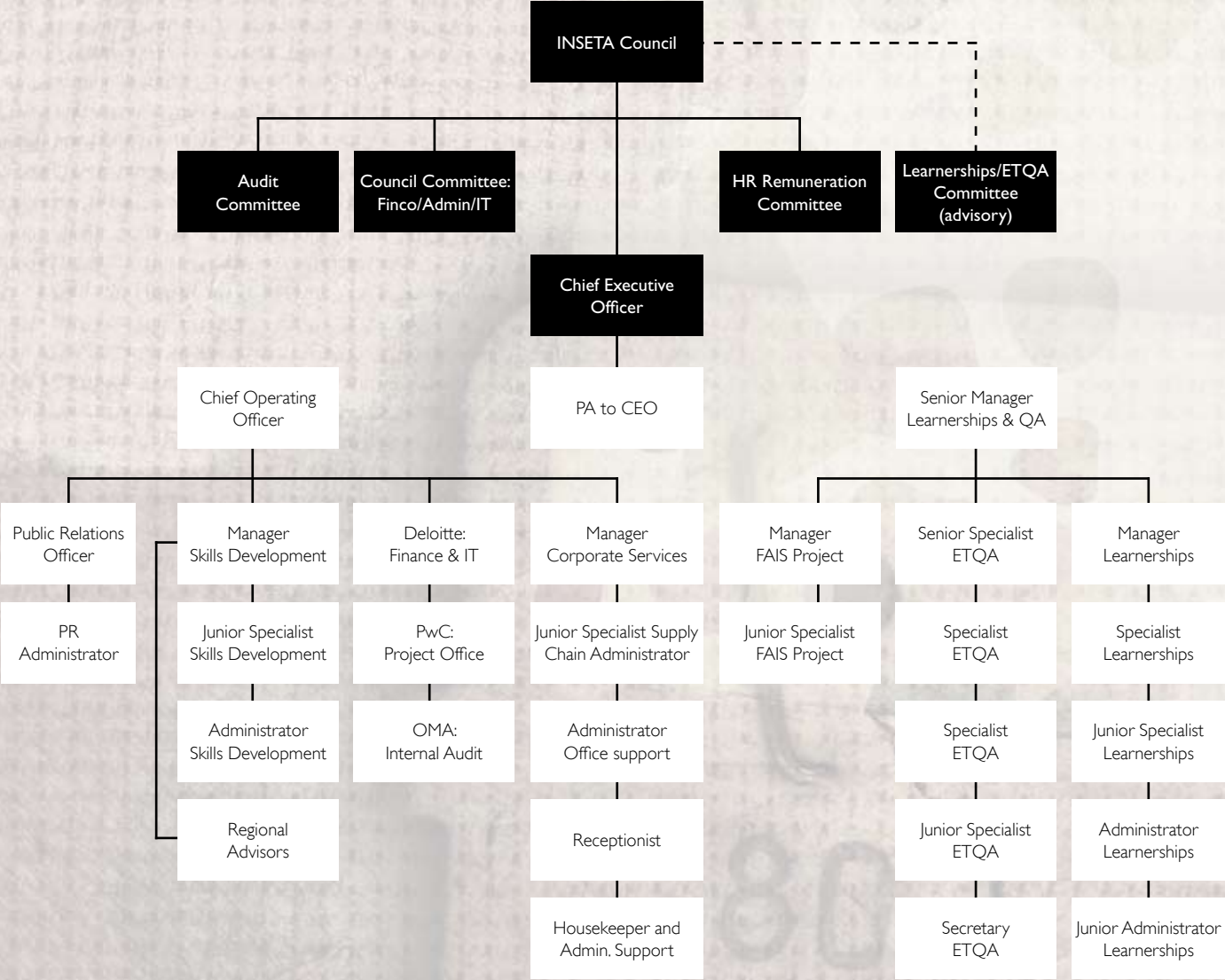
Financial Intermediaries Association of Southern Africa

09

APPENDICES

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APPENDIX A
ORGANOGRAM



APPENDIX B

NATIONAL SKILLS DEVELOPMENT STRATEGY II (NSDS)

TARGETS AND ACHIEVEMENTS

| Goal | NSDS Key Performance Indicator | INSETA 2009- 2010 Target | Performance Results | Reason for Variance |
|--|--|--|--|---|
| NSDS OBJECTIVE 1: Prioritising and communicating Critical Skills for Growth, development and Equity | 1.1 Skills development supports national and sectoral growth, development and equity priorities. | Timeous research, updating and submission of SSP. | SSP research conducted, reports signed off and submitted timeously. | No deviation. |
| | 1.2 Information on critical skills widely available to learners. Impact of information dissemination researched, measured and communicated in terms of rising entry, completion and placement of learners. | Development of an Annual Sector Guide and ensure that this is widely disseminated to learners. | Career Guides and brochures were developed and distributed widely. | The SETA identified additional opportunities to expose additional stakeholders to education and training on scarce skills through the participation at Exhibitions. |
| | | 100 SDFs trained on use of career guide and for the guide. | 198 SDFs trained and capacitated through the career guide. | The SETA conducted Skills Development Facilitator training for SDFs which was well received by the SDFs. |
| NSDS OBJECTIVE 2: Promoting and accelerating quality training for all in the workplace | 2.1 80% of large firms' and 60% of medium firms' EE targets, supported by skills development. Impact on overall equity profile assessed. | 59 large firms and 56 medium firms supported through the payments of mandatory grants. | 60 large firms submitted WSPs and ATRs and received grants. 71 medium firms submitted WSPs and ATRs and received grants. | No deviation. |
| | 2.2 Skills development in at least 40% of small levy-paying firms supported and the impact of the support measured. | 490 small levy paying firms receive WSP/ATR grants, free courses and support. | 715 SMMEs received support, some through mandatory grants and others through skills programmes vouchers, Learnerships and bursaries funding. | INSETA initiated a project whereby WSP/ATR's were completed at no cost to the SMMEs. |
| | 2.5 Number of small BEE firms and BEE co-operatives supported by skills development. Impact of support measured. | 100 BEE firms and/or BEE co-operatives supported by skills development. | 145 BEE firms received skills development support during the year through projects and bursaries. | Support was provided to BEE firms in respect of Burial Society support, FAIS and bursaries. |

APPENDIX B (Continued)

NATIONAL SKILLS DEVELOPMENT STRATEGY II (NSDS)

TARGETS AND ACHIEVEMENTS

| Goal | NSDS Key Performance Indicator | INSETA 2009- 2010 Target | Performance Results | Reason for Variance |
|------|--|--|---|--|
| | 2.7 Number of workers have achieved ABET level 4. | Target for INSETA for the period 2009/10 for ABET registered Learners is: Level 4: 218 Level 3: 226 Level 2: 0 Level 1: 0 | Total achieved for INSETA on ABET registered Learners is: Level 4: 8 Level 3: 95 Level 2: 0 Level 1: 0 | Despite bursaries for ABET being offered, there was a low uptake from workers in the sector as per previous years. |
| | | Target for INSETA for the period 2009/10 for ABET achieved Learners is: Level 4: 111 Level 3: 111 Level 2: 0 Level 1: 0 | Total achieved for INSETA on Learners who achieved is: Level 4: 0 Level 3: 0 Level 2: 0 Level 1: 0 | |
| | 2.8 Number of workers assisted to enter and at least 50% successfully complete learning programmes. Impact of assistance measured. | Target for INSETA for the period 2009/10 for workers that have entered learning programmes is 725. 257 For learnerships. 234 Received bursaries. 234 Entered unit standard based skills programmes. | 4372 workers entered learning programmes. 346 entered learnerships. 351 received bursaries. 3732 entered unit standard based skills programmes. | The high numbers achieved in this target is related to the increased activity sector training activity around FAIS and also increased uptake from the sector for learnerships and internships. |
| | | Target for INSETA for the period 2009/10 for workers to have completed learning programmes is 363. 128 Learnerships. 117 Studies in Bursaries. 0 Completed Internships. 117 Completed unit standard based skills programmes. | 27 547 workers completed learning programmes. 180 completed learnerships. 243 completed in bursaries. 27124 completed unit standard based skills programmes. | |

APPENDIX B (Continued)

NATIONAL SKILLS DEVELOPMENT STRATEGY II (NSDS)

TARGETS AND ACHIEVEMENTS

| Goal | NSDS Key Performance Indicator | INSETA 2009- 2010 Target | Performance Results | Reason for Variance |
|---|---|--|---|---|
| NSDS Objective 3: Promoting employability and sustainable livelihoods through skills development | 3.2 Number of Non-levy paying enterprises, NGOs, CBOs and community-based co-operatives supported by skills development. Impact of support on sustainability measured with a targeted 75% success rate. | Target for INSETA for the period 2009/10 is 26 NLPEs, NGOs, and CBOs supported through skills development funding. | INSETA supported 32 NLPEs, NGOs and CBOs financially to develop the skills of their employees. | INSETA supported NLPEs through the Burial Society Indaba and FAIS RPL assessments |
| NSDS Objective 4: Assisting new entrants into the labour market and self-employment | 4.1 Number of unemployed people assisted to enter learning programmes and at least 50% successfully completed. Impact of assistance measured. | Target for total number of unemployed people that have entered learning programmes is 625. 469 Unemployed People entered learnerships. 156 Unemployed people entered unit standard based skills programmes. | 3761 unemployed people entered learning programmes. 888 unemployed people entered learnerships. 15 received bursaries. 2858 unemployed people entered unit standard based skills programmes. | Increased participation and buy-in from employers lead to the over-achievement against this target. |
| | | Target for total number of unemployed people that have completed learning programmes is 313. 235 Unemployed people successfully completed learnerships. 78 Unemployed people successfully completed unit standard based skills programmes. | 4938 unemployed people completed learning programmes. 517 unemployed people successfully completed learnerships. 4421 unemployed people successfully completed unit standard based skills programmes. | |

APPENDIX B (Continued)

NATIONAL SKILLS DEVELOPMENT STRATEGY II (NSDS)

TARGETS AND ACHIEVEMENTS

| Goal | NSDS Key Performance Indicator | INSETA 2009- 2010 Target | Performance Results | Reason for Variance |
|--|---|--|--|--|
| | 4.2 Number of learners in critical skills programmes covered by sector agreements from FET and HET institutions assisted to gain work experience, of whom at least 70% successfully find placement in employment or self employment. | Target for INSETA for the period 2009/10 is 200 Learners to gain work experience. | 450 learners gained work experience. | Whilst employing the Learners is a matter, which is not within our control, INSETA holds constant meetings with employers to solicit opportunities of employing the interns. |
| | | Target for INSETA for the period 2009/10 is 140 Learners to be placed. | 25 Learners were placed in employment | |
| | 4.3 Number of young people trained and mentored to form new ventures and at least 70% of new ventures in operation 12 months after completion of programme. | Target for INSETA New Venture Creation entered for the period 2009/10 is 69. | 84 Learners received New Venture Creation support. | |
| | | Target for INSETA New Venture Creation to be sustained for the period 2009/10 is 48. | 0 new ventures in operation. | |
| NSDS Objective 5: Improving the quality and relevance of provision | 5.1 The SETA recognises and supports Institutes of Sectoral or Occupational Excellence (ISOEs) within public and private institutions, spread as widely as possible geographically, whose excellence is measured in the number of learners successfully placed in the sector and employer satisfaction ratings of their training. | Target for INSETA is 2 Institute. | 13 ISOEs are recognised and supported. | |

APPENDIX B (Continued)

NATIONAL SKILLS DEVELOPMENT STRATEGY II (NSDS)

TARGETS AND ACHIEVEMENTS

| Goal | NSDS Key Performance Indicator | INSETA 2009- 2010 Target | Performance Results | Reason for Variance |
|------|--|--|---|---------------------|
| | 5.2 Each province has at least two provider institutions accredited to manage the delivery of the New Venture Creation qualifications and 70% of new ventures still operating after 12 months. | Target for INSETA is 2 Institutions. | 4 institutions have been accredited. | |
| | 5.3 There are measurable improvements in the quality of services delivered by skills development institutions and those institutions responsible for the implementation of the NQF in support of the NSDS. | The SETA is to meet SAQA Audit and NLRD upload requirements. | The SAQA Audit and NLRD upload requirements were met. | No deviation. |

APPENDIX C: REGISTERED INSETA LEARNERSHIPS

AS AT 31 MARCH 2010

| | Learnership Title | Registration No | Qualification | NQF Level |
|-----|---|-----------------|---|-----------|
| 1. | Insurance & Investment Administrator | I3QI30031761202 | National Certificate: Financial Services | 2 |
| 2. | Intermediary: Assistance Policies | I3QI30035811202 | National Certificate: Financial Services | 2 |
| 3. | Financial Services Administration | I3QI30033991203 | National Certificate: Financial Services | 3 |
| 4. | Insurance & Investment Team Leader/ Supervisor | I3QI30030731303 | National Certificate: Financial Services | 3 |
| 5. | Short Term Insurance | I3QI30043991504 | FETC: Short Term Insurance | 4 |
| 6. | Long Term Insurance | I3QI30038991404 | FETC: Long Term Insurance | 4 |
| 7. | Medical Claims Assessing | I3QI30036681504 | FETC: Medical Claims Assessing | 4 |
| 8. | Long Term Risk Assessment | 3QI30039791504 | FETC: Long Term Insurance Risk Assessment | 4 |
| 9. | Retail Insurance | I3QI30037941404 | FETC: Retail Insurance | 4 |
| 10. | Wealth Management | I3QI30046381504 | FETC: Wealth Management | 4 |
| 11. | Financial Services Manager | I3QI30042741504 | National Certificate: Financial Services Management | 4 |
| 12. | Wealth Management | I3QI30055261205 | National Certificate: Wealth Management | 5 |
| 13. | Long Term Risk Assessment Diploma | I3QI30041402455 | National Diploma: Financial Services: Long Term Risk Assessment | 5 |
| 14. | Financial Planning Advisor | I3QI30034001607 | Postgraduate Diploma: Financial Planning | 7 |
| 15. | Financial Services Administrator | I3QI30002441603 | National Certificate: Financial Services | 3 |

APPENDIX D:
INSETA STANDARDS INDUSTRIAL CLASSIFICATION (SIC) CODES

| INSETA STANDARDS INDUSTRIAL CLASSIFICATION (SIC) | |
|--|--|
| 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) |

APPENDIX E: INSETA STAFF

AS AT 31 MARCH 2010

| Name | Designation | Gender | Race |
|------------------------|---|--------|----------|
| Vuyo Diniso | Junior Specialist Learnerships | Female | Black |
| Sandra Dunn | Chief Executive Officer | Female | Coloured |
| Glen Edwards | FAIS Project Manager | Male | White |
| William Fisher | Junior Specialist ETQA | Male | Coloured |
| Ernest Kaplan | Specialist Consultant ETQA | Male | White |
| Unathi Jakalase | Specialist Consultant ETQA | Female | Black |
| Jabu Mabaso | Housekeeper | Female | Black |
| Tsabuki Makou | Specialist Consultant Learnerships | Male | Black |
| Nomonde Mandla | Specialist Consultant Learnerships (Bursaries) | Female | Black |
| Tebogo Mathopa | Junior Specialist Supply Chain Management & Finance (Bursaries) | Female | Black |
| Ella Matshikiza | Personal Assistant to the Chief Executive Officer | Female | Black |
| Ouma Mmethi | Secretary ETQA | Female | Black |
| Itumeleng Motaung | Junior Specialist: Skills Development | Female | Black |
| Zodwa Motlounq | Receptionist | Female | Black |
| Vincent Mulaudzi | Manager Corporate Services | Male | Black |
| Neesha Naidoo | Manager ETQA | Female | Indian |
| Laverne Ogle | Administrator Learnerships | Female | Coloured |
| Tumi Peele | Manager Learnerships | Female | Black |
| Kim Pretorius | Administrator Human Resources | Female | White |
| Sebolelo Malebye | Junior Specialist: PR and Marketing | Female | Black |
| Adeline Singh | Manager Skills Development | Female | Indian |
| Sharon Snell | Chief Operating Officer | Female | Coloured |
| Michelle van der Merwe | Specialist Consultant ETQA | Female | White |
| Lerato Mpatane | Junior Specialist FAIS | Female | Black |
| Anna Zihle | Office Administrator | Female | Black |

APPENDIX F: GLOSSARY OF TERMS

ANNUAL REPORT 2009/2010

| | |
|---------------|---|
| ABET | Adult Based Education and Training |
| ATR | Annual Training Report |
| BEE | Black Economic Empowerment |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| COO | Chief Operations Officer |
| DHET | Department of Higher Education and Training |
| ETQA | Education and Training Quality Assurance |
| FAIS | Financial Advisory and Intermediary Services |
| FET | Further Education and Training |
| FSB | Financial Services Board |
| GAAP | Generally Accepted Accounting Practice |
| GRAP | 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 Excellence |
| IT | Information Technology |

| | |
|--------------|---|
| NLRD | National Learner Record Database |
| NQF | National Qualifications Framework |
| NSDS | National Skills Development Strategy |
| NSF | National Skills Fund |
| PFMA | Public Finance Management Act |
| 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 |



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