

Annual Report

2012 / 2013

Growing Partnerships to Enable Others



inseta

INSURANCE SECTOR EDUCATION
AND TRAINING AUTHORITY



Annual Report

Insurance Sector Education and Training Authority (INSETA)

2009/10 and 2010/11 SA Publication Forum Award winners for excellence in communication

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INSURANCE SECTOR EDUCATION
AND TRAINING AUTHORITY

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 2012 to 31 March 2013.*

Dr Blade Nzumande

Minister of Higher Education & Training



Sandra Dunn

INSETA Chief Executive Officer



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PART A: GENERAL INFORMATION

INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY

"Alone we can do so little; together we can do so much."

Helen Keller (1880-1968), American blind and deaf author, activist & lecturer

1. Organisational Information

REGISTERED NAME	: INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY
PHYSICAL ADDRESS	: Ground Floor 37 Empire Road Parktown Johannesburg
POSTAL ADDRESS	: P O Box 32035, Braamfontein, 2017
TELEPHONE	: (011) 544 2000
EMAIL ADDRESS	: info@inseta.org.za
WEBSITE ADDRESS	: www.inseta.org.za
EXTERNAL AUDITORS	: Auditor General South Africa
BANKERS	: Nedbank

FSB	Financial Services Board
GRAP	Standards of Generally Recognised Accounting Practice
HET	Higher Education and Training
IISA	Insurance Institute of South Africa
INSETA	Insurance Sector Education and Training Authority
ISOE	Institute of Sectoral and Occupational Excellence
IT	Information Technology
NLRD	National Learner Record Database
NQF	National Qualifications Framework
NSDS	National Skills Development Strategy
NSF	National Skills Fund
PIVOTAL	Professional, Vocational, Technical and Academic Learning
PFMA	Public Finance Management Act
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

2. List of Abbreviations/Acronyms

ABET	Adult Based Education and Training
ASISA	Association for Savings and Investments
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
ESG	Environmental, Social and Governance
ETQA	Education and Training Quality Assurance
FAIS	The Financial Advisory and Intermediary Services Act
FET	Further Education and Training

3. Strategic Overview

Purpose

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

Vision

"A skilled and capable insurance and related services workforce."

Values

Partner to enable others

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

Lead with vision

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

Deliver quality

- Results for real impact
- Value for investment
- Touch lives
- Make a difference
- Leave an enduring legacy
- Inspire trust
- Transparent
- Reliable and consistent
- Accountable

Strategic Outcome Oriented Goals

INSETA set the following strategic goals for the period 2012/13.

- **Strategic Goal 1:** A credible institutional mechanism for skills planning
- **Strategic Goal 2:** Increased access to occupationally directed programmes
- **Strategic Goal 3:** Better use of workplace-based skills development
- **Strategic Goal 4:** Training and support provided to Sector Cooperatives, Small Enterprises and NGO's
- **Strategic Goal 5:** Effective established career and vocational guidance channels
- **Strategic Goal 6:** Organisational Effectiveness



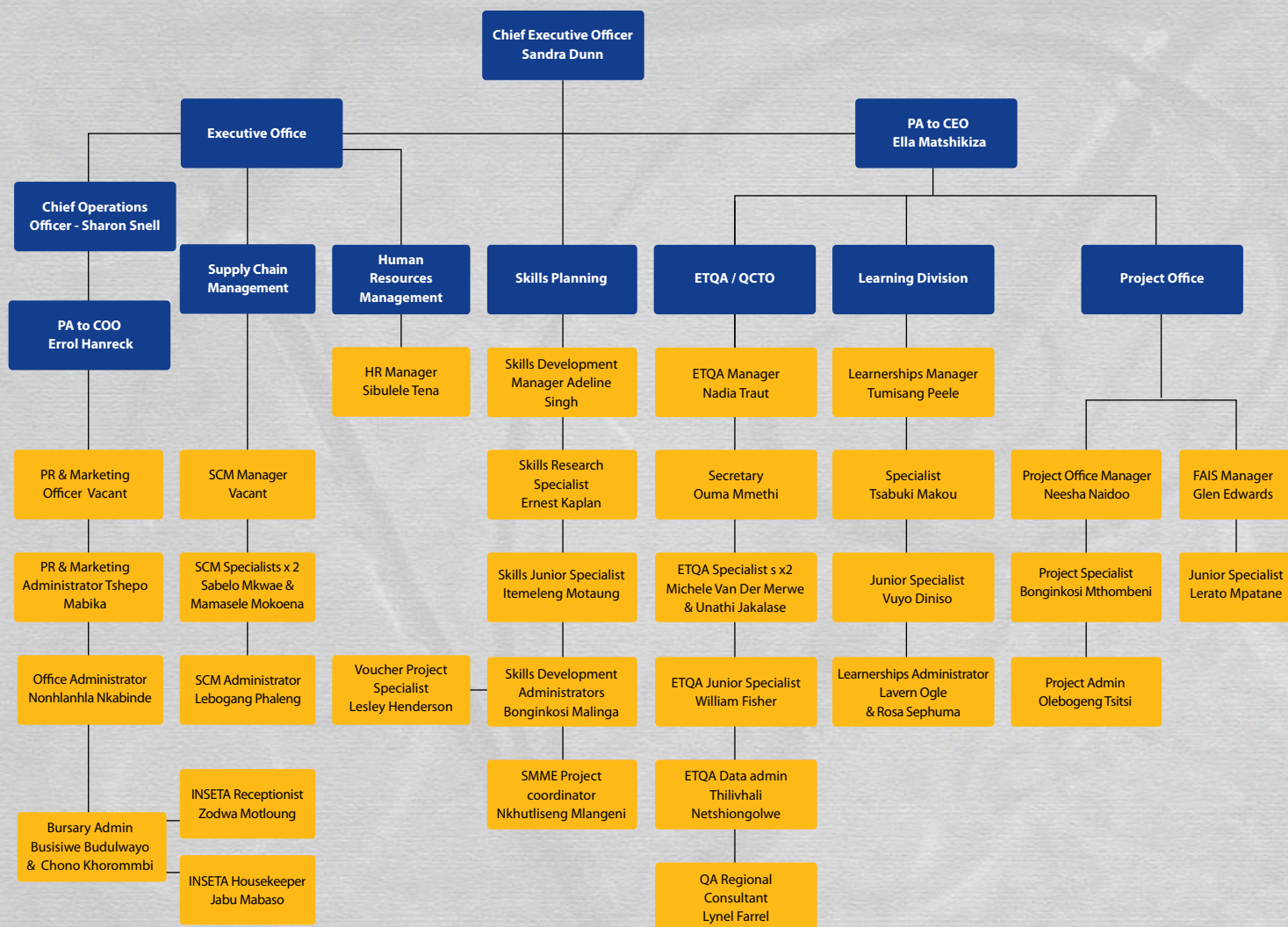
4. Legislative and Other Mandates of INSETA

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

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

ACT/OTHER MANDATE DOCUMENTS	PURPOSE OF THE ACT/OTHER MANDATES
The Skills Development Act, 1998 (as amended)	Provides Institutional Framework to devise and implement national sector and workplace strategies to improve the skills of the SA workplace.
Skills Development Levies Act, 1999	Provides for the imposition of the skills development levy and matters related thereto.
The Financial Advisory and Intermediary Services (FAIS) Act, 2002	Sets out the Fit and Proper requirements for financial services providers. New requirements include compulsory Regulatory Examinations with strict timeframes as laid down by the Financial Services Board (FSB).
National Qualifications Framework Act, 2009	To provide for the National Qualifications Framework.
National Skills Development Strategy III (NSDS III)	Creates a skilled and capable workforce that shares in, and contributes to, the benefits and opportunities of economic expansion and an inclusive growth path.
National Skills Accord	Provides defined commitments which talk to the National Growth Path strategy objective of creating five million new jobs by 2020.
Sector Skills Plan (SSP)	Sets key priorities which guides discretionary grant spend and INSETA targets
Annual Performance Plan (APP)	The annual performance plan sets out INSETA's performance commitments and measurement framework
Service Level Agreement (SLA)	The SLA sets out the agreement between DHET and INSETA

5. Organisational Structure



FOREWORD BY THE CHAIRPERSON

"All too often we are giving young people cut flowers when we should be teaching them to grow their own plants."

John W. Gardner

The real measure of our impact as INSETA cannot only be expressed in financial terms or by the number of programmes we implement, or even the plethora of learners whom we certify. We must measure ourselves on our ability to understand the skills priorities of the insurance sector; the speed at which we are able to address these skills priorities through our programmes; and the placement of work ready learners into the workplace. Anything less and we inadvertently run the risk of contributing to the growing skills and unemployment crisis we face as a country.

INSETA has made steady progress in becoming the authority on labour market analysis in the insurance sector. During the year under review, we conducted broad consultations within the sector. This included focused consultations with a dedicated steering committee made up of key sector representatives. Increased consultation with all insurance sub-sectors has led to the development of a Sector Skills Plan (SSP) which is representative of the insurance sector. This has assisted INSETA in compiling an agreed sector strategy to address the skills needs within the insurance sector. This plan for 2013 now focusses on the collective needs of both levy and non-levy paying institutions.

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

Our levy income increased by approximately 12% to R290,9 million, despite the negative financial outlook. This increase was primarily attributable to levy payments from prior scheme years.

INSETA enjoyed increased positive media coverage during the period under review. This was due to an increase in the number of press releases issued and through INSETA making a concerted effort to position itself as a thought leader and enabler in education and training.

Highlights

Strategic Partnerships with the Insurance sector

There has been an active focus on reaching all stakeholders within the ten sub-sectors in insurance to ensure that INSETA offerings are aligned to the needs of the sector. Talent shortages plague the insurance sector and we have increasingly seen this risk featuring in the top five risks affecting the sector both nationally and internationally.

The Short-term insurance sub-sector has set up a Human Capital committee which has a mandate to drive the skills agenda of this sector.

INSETA is represented on all the project committees and has found that the increased access and interactions resulting from the subtle interconnectivity of the insurance players as a whole, is invaluable to the work we do.

INSETA also attends the ASISA Employment Equity and Education committee meetings. These committees provide input into INSETA's activities. In addition INSETA is given opportunities to collaborate with ASISA sector representatives. This reciprocation of information has been key in building strategic partnerships.

Wealth Management Career Pathway Articulation

Following the success of the pilot Wealth Management Career Pathway project in the previous year, INSETA allocated a further R5,9 million to fund a Wealth Management Level 5 Learnership; delivered by five Further Education and Training (FET) colleges in the Western Cape. The Learnership is for employed

workers in the sector and on completion of the level 5 qualification, the learners can, for now, articulate to the University of the Western Cape (UWC) where they receive credit for their academic achievements. In addition, INSETA is currently providing bursary funding for the pilot group who articulated to the UWC to complete their Advanced Diploma in Management Studies.

Scarce and Critical skills

INSETA partnered with FET Colleges and Universities and provided bursaries to unemployed learners in study fields relevant to the insurance sector. These include areas of scarce and critical skills like B Com Financial Planning; Risk Management; Investment Management; and National Certificate Vocational (Financial Management). An amount of R14.2 million was allocated as bursaries to students in the public FET Colleges and Universities.

INSETA funds the development of actuarial science graduates through a partnership with the South African Actuarial Development Programme. R8.9 million was allocated to the project. This is the fifth year of the partnership and, to date, the programme has successfully delivered 109 actuarial science graduates.

The programme sources top students from disadvantaged backgrounds, provides coaching and mentoring and many other support structures. It also affords graduates the opportunity to work in the best financial and insurance related organisations in the country.

New Grant Regulations

The new grant regulations, effective 1 April 2013, impacts the INSETA grant funding process in that mandatory grants have decreased from 50% of the Skills Development Levy contribution to 20%. INSETA consulted with the sector regarding the new regulations.

The Year Ahead

INSETA has accepted onerous targets with DHET in a number of areas. This was done in an attempt to address the challenges we face as a country to create greater access to post-school learning and training opportunities for our youth. In order to achieve these targets we will need to find more workplaces to host the learners. Here we have to partner with additional small and micro employers in order to encourage them to participate as host employers.

The Minister of Higher Education and Training has specifically requested INSETA to open offices in rural Eastern Cape. We are the lead SETA in two (FET) colleges in the Eastern Cape. Given the scarcity of employment opportunities in this region, the challenge we face is to find employers to partner with INSETA to host FET graduates.

Further we must promote closer partnerships between colleges and the workplace. INSETA also plans to provide capacity development to the FET colleges to deliver on occupational qualifications.

Appreciation

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



Mzimkulu Msiwa
Independent Chairperson of the INSETA Board
31 July 2013

"Partnering has proven itself one of the most powerful business tools for dealing with fast changing markets, technologies and customers. As the global economy speeds up, partnering is becoming the weapon of choice for today's successful competitors."

Curtis E. Sahakian

I am pleased to present INSETA's Annual Report for 2012/13 containing an overview of key activities during the year, and achievements towards our vision.

The focus this year is on strategic partnerships. One of INSETA's five core values is to *"partner to enable others"*. For us this means that there is a sharing of information and values and a focussed awareness of common challenges. This allows for partnerships to increase the value of offerings to stakeholders like learners, employers, employees and the unemployed. In the year under review we have seen a strengthening of the interconnections between INSETA and:

- the Insurance Sector associations;
- employers; and
- Higher Education institutions (i.e. Universities and FET Colleges)

It is for this reason that we will focus on our value to *"partner to enable others"* as the theme for this Annual Report.

Performance towards achieving NSDS III indicators

INSETA has substantially achieved its performance targets for the year under review. We planned to support 920 unemployed and 1 000 employed learners through various programmes such as internships, bursaries, skills programmes and learnerships. Skills programmes are



mostly funded by industry and INSETA's role is that of quality assurance. At the aggregated level we supported 1 569 unemployed and 1 192 employed learners as detailed later in the report. Learning programmes are aligned to scarce and critical skills identified by the sector.

In addition I would like to report that 706 unemployed youth and 2 430 employed learners successfully completed learning programmes, that commenced prior to the financial year under review.

INSETA partnered with the W&R SETA, the Western Cape Provincial Government, Sanlam and Old Mutual of South Africa to develop unemployed youth on a post graduate NQF8 Business and Systems qualification, with the intention to support eighty learners. However, we were only able to secure placement for twenty four learners of which twenty one qualified and are currently employed. This is an example of an excellent partnership achievement.

Cost of Consultants and Technical Advisors

INSETA's main service providers are listed below:

Consultants and Technical Advisors	Service	Cost for 2012/13
Deloitte	Provide outsourced services in information technology, financial management and various other back office processes. Contracted until March 2016.	R8 757 000
Business Innovation Group	Provide outsourced internal audit function. Contracted until March 2016.	R524 000
Auditor General	Perform the external audit function, which is a legislative requirement for all SETA's.	R1 122 000

Financial Performance

A Price Waterhouse Coopers analysis of the financial results of South Africa's major insurers indicates that the insurance industry remains stable. Notwithstanding the continued market uncertainty and economic turmoil, our levy income exceeded budget. INSETA received levies of R296.4 million for 2012/13. Mandatory grants were paid to employers based on 50% of their levies totalling R176.4 million. Our mandatory grant payout ratio remained high at 95%.

Investments Policy

INSETA funds, managed in terms of its investment policy, are invested with the Corporation for Public Deposits (CPD). Investment income for the period remained unchanged at R14 million.



Levy Paying Employer Information

A total of 1 825 Levy Payers registered with INSETA for the year under review. The table below illustrates the company size and number of registered levy paying employers as well as the number of Workplace Skills Plans and Annual Training Reports received for 2012/2013.

SUBMISSION OF WSP/ATR		
Organisation size	No of registered levy paying employers	Submitted (2012)
Large (150+)	77	69
Medium (50–149)	108	83
Small (1–49)	1640	646
TOTAL	1 825	798

The submission of Workplace Skills Plans (WSP) and Annual Training Reports (ATR) provides INSETA with valuable data for the Sector Skills Plan.

Audits

This year marks the thirteenth year that INSETA obtained an unqualified audit from the Auditor General thus confirming the maturity of our governance framework and internal control systems.

In the year ahead we will introduce a new system to monitor provisional and contracted commitments.

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

INSETA's role as a Quality Assurance Body

Our Quality Assurance division was subject to a 'targeted performance monitoring' audit by both the South African Qualifications Authority (SAQA) and the Quality Council for Trades and Occupations (QCTO). The overall performance was close to excellent (2.6 out of 3).

In addition, INSETA achieved green status on National Learner Record Database (NLRD) league tables for both compliance and performance.

INSETA worked alongside other Quality Assurance bodies with the QCTO in a Quality Assurance policy project. This partnership project focused specifically on developing nationally standardized policies and processes for the development and quality assurance of occupational qualifications which will, once approved, become the guiding policy framework for education and training nationally.

Capacity Building sessions were conducted for FET colleges from KZN, Gauteng, Free State, North West, North Cape and Limpopo.

Future Outlook

The changes in the grant levy income which is effective from 1 April 2013 means that INSETA will have increased discretionary grant funds for allocation. INSETA has signed a Service Level Agreement with the DHET for 2013/14 wherein we commit to support 12 350 employed and unemployed learners on learning programmes. In addition, we expect a completion rate of 70%. We have commenced a process of gearing up our resources to meet these and other objectives as follows:

- the increased focus on delivery in rural areas and at district level; fast tracking the capacitation of FET colleges to deliver INSETA programmes;
- providing assistance to the sector especially small brokers in terms of the FAIS Fit & Proper;

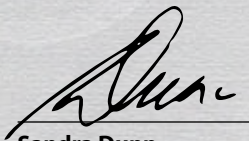
- creating career pathways and qualifications in partnership with public higher and further education institutions; and
- promoting transformation in the Insurance Sector through all levels.

Acknowledgement /Appreciation

My sincere appreciation goes to our Chairperson, Mzimkulu Msiwa, and all members of our Board and Committees, for their strategic guidance and leadership.

We work in a dynamic environment with a plethora of legislation. Having a supportive and skilled management team and staff, enables us to continue delivering on our mandate. For this I am truly grateful.

Success in the work we do is not possible without meaningful partnerships. My sincere gratitude goes to our stakeholders for their unfailing commitment and incredible support.



Sandra Dunn
Chief Executive Officer
INSETA
31 July 2013

Notes:

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PART B: PERFORMANCE INFORMATION

INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY

"You've got to think about big things while you're doing small things, so that all the small things go in the right direction."

Alvin Toffler

1. Statement of Responsibility of Performance Information

Statement of Responsibility for Performance Information for the year ended 31 March 2013

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

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

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the strategic and annual performance plan of the public entity for the financial year ended 31 March 2013.

The INSETA performance information for the year ended 31 March 2013 has been examined by the Auditor General of South Africa and their report is presented on page 63.

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



Sandra Dunn
Chief Executive Officer
31 July 2013

2. Auditor’s Report: Predetermined Objectives

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

Refer to page 63 of the Report of the Auditors Report, published as Part E: Financial Information.

3. Overview of Public Entity’s Performance

Service Delivery Environment

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

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

The Burial and Funeral Insurance subsector, has expressed a need for support. In order to regulate this subsector the need for small organisations to be registered as cooperatives is imperative. There is a requirement for increased consumer education, protection, rights and financial literacy. The insurance sector is well organised through professional bodies and

associations. The INSETA has built good relations and partnerships with the various organisations to understand and contribute to the subsector needs. INSETA remains relevant and is able to meet the demands of all the subsectors because of its healthy partnerships. The various subsectors are reflected in the Standard Industrial Classification (SIC) Codes table below:

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

Organisational Environment

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

INSETA has a staff complement of 37. This number will increase to ensure capacity to deliver on an ambitious strategic plan and to improve on the organisation's research capability.

The INSETA head office is based in Johannesburg. In line with the Minister's request for greater national coverage, regional representation will be

extended through FET Colleges with which INSETA has working relationships. To this end, INSETA is in the process of establishing SETA offices in the Eastern Cape through FET Colleges.

The core divisions within INSETA are Skills Planning and Research, Learning and Quality Assurance. Support divisions comprise Human Resources, Supply Chain Management, Marketing and Communication, Project Management and Finance and IT (outsourced).

INSETA's revenue is primarily from skills development levies.

Key policy developments and legislative changes

In December 2012, a new set of grant regulations was enacted known as the revised Grant Regulations on monies received by SETAs and related matters. In line with this revision, levy reimbursements were reduced from 50% to 20% of the total levies paid by the employer. This means that employers will only be eligible to receive a mandatory grant of 20% of their annual levy from April 2013. In addition, the grants will only be administered on condition that the employer meets the quality standards set by SETAs.

The objectives of the new regulations are to:

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

The regulations cement the intention of NSDS III with a shift towards PIVOTAL programmes, which refer to Professional, Vocational, Technical and Academic Learning programmes that result in qualifications or part qualifications on the NQF.

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

Strategic Outcome Oriented Goals

INSETA has identified five strategic goals that contribute to NSDS III vision of a “skilled and capable workforce”. A sixth goal focuses on Operational Efficiency.

4. Performance Information by Programme

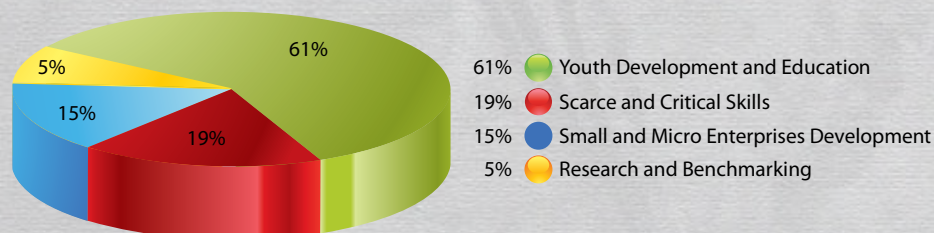
The table below represents a high-level summary of the programmes, including discretionary project funding allocations that align with INSETA strategy and support the NSDS III Strategic Goals.

NSDS STRATEGIC OUTCOME-ORIENTED GOAL	NSDS III indicator	INSETA PROGRAMME	FUNDING ALLOCATED
A credible institutional mechanism for skills planning	4.1	Research and Benchmarking	R 16 560 766 (5 active projects)
Effective established career and vocational guidance channels	4.8	Youth Education and Development	R 198 656 387 (14 active projects)
Increased access to Occupationally directed programmes	4.2		
Better use of workplace-based skills development	4.5	Scarce and Critical Skills	R 60 973 590 (5 active projects)
Training and support provided to Sector Cooperatives, Small Enterprises and NGO's	4.6	Small and Micro Enterprise Development	R 47 085 052 (5 active projects)

Funding Distribution per Programme

Discretionary grant projects that were active in the 2012/13 financial year are distributed across the Programmes in the following percentages:

Programmes



Inseta Performance Report For Financial Year 2012/13

INTRODUCTION

INSETA has identified five key strategic programmes that aim to deliver on the strategic outcome oriented goals. Below table represents a high-level summary of the programmes, strategic objective titles and performance indicators that support the NSDS III aligned Strategic Outcome Oriented Goals.

NO	STRATEGIC OUTCOME ORIENTED GOAL	NSDS III INDICATOR	PROGRAMMES	STRATEGIC OBJECTIVE TITLE	PERFORMANCE INDICATOR (3YEAR PERIOD)	
GOAL 1	A credible institutional mechanism for skills planning	4.1	Research and Benchmarking	1.Five year SSP 2.Research agenda	Approved SSP Board approved and implemented Research Agenda	
GOAL 2	Increased access to Occupationally directed programmes	4.2	Youth education and development Scarce and critical skills	Scarce and critical tertiary qualifications Workplace practical experience and skills	500 youth supported to gain business and systems analyst qualifications 200 youth supported to gain actuarial qualifications 5000 youth assisted to gain practical workplace experience and skills 5300 employed people supported to achieve qualifications	
GOAL 3	Better use of workplace-based skills development	4.5	Increasing Workplace Learning	Improved workplace equity and enhanced workplace productivity	Employers encouraged to develop employees through the mandatory grant incentive scheme	

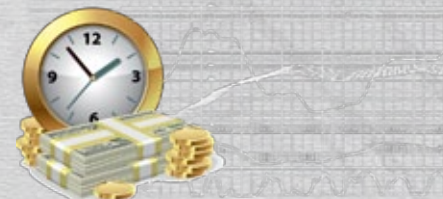
	TARGET FOR YEAR 13	ACTUAL PERFORMANCE	REASONS FOR VARIANCES
	Approved SSP Implemented Board Research agenda	The SSP is provisionally approved. Feedback on the second phase submission was done on 31 March 2013. The research agenda has been reviewed and will be presented to Board.	Target has been met. Delays in approval of SSP Target not met
	<p>80 youth supported to gain business and systems analyst qualifications</p> <p>40 youth supported to gain actuarial qualifications</p> <p>800 youth assisted to gain practical workplace experience and skills</p> <p>Employed people supported to achieve qualifications identified as scarce or critical</p> <p>80 Learnerships</p> <p>320 Bursaries</p> <p>600 Skills Programmes</p>	<p>24 learners were supported through the BASA internship programme</p> <p>The cumulative total is 89 for the year who have started and INSETA will receive their results at the end of 2013.</p> <p>Cumulative Totals: 1456 unemployed youth started new learning programmes.</p> <p>Cumulative Total: 81 employed Learnerships 564 employed Bursaries 547 employed Skills Programmes</p>	<p>A new project motivation has been approved (learners to start later CEO reviewing with industry). Target not met.</p> <p>Target has been met.</p> <p>Target has been met.</p> <p>Target has been met for Learnerships and Bursaries</p>
	Employers qualify for grant payments as follows: 80% of large (baseline 77 and target is 62) 60% of medium (baseline 108 and target is 65) 40% of small (baseline 1640 and target 656)	<p>Cumulative Totals: 69 large firms 111% achieved– target met 83 medium firms 128 % achieved – target met 646 small firms 98% achieved target not met</p>	Employers responded well and a very high payout % ratio was achieved of 95%

NO	STRATEGIC OUTCOME ORIENTED GOAL	NSDS III INDICATOR	PROGRAMMES	STRATEGIC OBJECTIVE TITLE	PERFORMANCE INDICATOR (3YEAR PERIOD)	
GOAL 4	Training and support provided to Sector Cooperatives, Small Enterprises and NGO's	4.6	Small and Micro Enterprise Development	Support Small and Micro enterprises including Cooperatives, NGO's and CBO's	1. 4000 Small and Micro including Cooperatives, NGO's and CBO's supported in skills development initiatives	
GOAL 5	Building career and vocational guidance	4.8	Youth Education and Development	Career guidance and development	1. Career guides available in all nine provinces and rural and remote areas 2. Presence in FET colleges to enable career guidance	
GOAL 6	Organisational Effectiveness	N/A	Operational Performance	1. Corporate governance 2. Quality Management System 3. Effective Supply Chain Unit established	Unqualified audits and compliance with legislation Implemented quality Management System Review and update SCM policy as required	

	TARGET FOR YEAR 13	ACTUAL PERFORMANCE	REASONS FOR VARIANCES
	600 Small businesses supported in skills initiatives 200 cooperatives supported in skills initiatives	Cumulative Total: 1623 were small businesses supported 188 cooperatives supported	Target has been met for small businesses. The interest was not high from Burial Society cooperatives.
	Career guides available in all nine provinces and rural and remote areas 3 FET Colleges	The cumulative total for the four quarters is Career Guidance has been provided to 232 schools and in all 9 provinces. INSETA participated in INMAG the insurance industry career guidance magazine 0 FET colleges	Target has been met. INSETA Board approved a project to establish a presence in 3 rural Eastern Cape FET colleges identified by DHET. The launch is planned for the first quarter of the 13/14 financial year. Target not met.
	Unqualified audits and compliance with legislation Implement Quality Management System Review and update SCM policy as required	The Auditor General has completed the interim audit and issued a draft management report. Ongoing The SCM policy is up to date.	A review process has started on the existing QMS in line with SAQA recommendations and best practises identified by internal audit Target has been met.

5. Summary of Financial Information

Revenue Collection



Sources of revenue	2012/2013			2011/2012		
	Estimate R'000	Actual Amount Collected R'000	(Over)/Under Collection R'000	Estimate R'000	Actual Amount Collected R'000	(Over)/Under Collection R'000
Skills Levies	R292 042	R 296 444	R4 402	R254 445	R 260 721	R6 276
Levies: Penalties and interest	R0	R 2 315	R2 315	R0	R 1 723	R1 723
Investment and other income	R14 000	R 14 211	R211	R13 000	R 14 087	R1 087
Total	R306 042	R312 970	R6 928	R267 445	R276 531	R9 086

INSETA had an actual 13.7% growth on levy income and exceeded the planned targets for revenue collection. The reason for this related to levies received from prior scheme years. INSETA does not expect that this increase will be maintained and has budgeted accordingly.

- Strategy to overcome areas of under performance
- INSETA has put in place planned strategies to address areas of under performance.
- Changes to planned targets

There were no changes to performance indicators during the year under review.

6. Highlights - Addressing scarce and critical skills shortages



The recent graduation of 102 new FAIS-compliant learners as part of the pilot INSETA SMME learnership demonstrates the effectiveness of learnerships to boost skills and create employment in the sector.



The Business and Systems Analyst Programme co-sponsored by INSETA and managed by the Cape IT Initiative (CITI) is not for the faint-hearted. Yet despite the toughness of the programme, 80 learners, with little or no ICT training or qualifications have since 2011 not only mastered UCT's intensive academic programme (NQF Level 8), but also the "on-the-job" training and mentoring at various companies



INSETA bursaries are helping long-term insurer AVBOB counter the scarcity of management skills in the insurance industry, thanks to the successful completion of a management development programme by 20 junior managers and leaders from the firm.

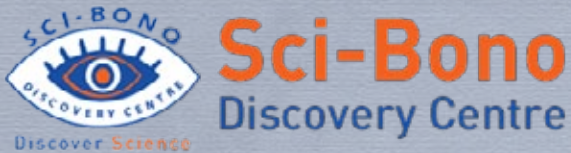
6. Highlights - A Partnership to Develop Black Actuaries

INSETA helps finance the SAADP, which sees high-potential university students receiving financial and motivational support to gain their actuarial science qualifications. The standards of entry to study actuarial science are incredibly high, and the work intense. But once accepted learners are suddenly left to their own devices, and many cannot cope – especially those from disadvantaged

backgrounds who are not used to the environment shift. This is where the SAADP comes in; they offer the exact support these students need. The organization identifies needs, monitors and provides assistance, ensuring support to, and success of the learner



6. Highlights - Promoting Insurance as a Career of Choice



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

INSETA partnered with KwaZulu-Natal Departments of Education and Provincial Treasury and The KwaZulu-Natal Financial Literacy Association to promote financial literacy and insurance as a career of choice among Grade 11s through a recent speech contest.

uMfolozi FET College Esikhawini in Mpangeni was the venue for the financial literacy competition in which Grade 11 pupils from all over KZN participated. Together with key players in the insurance industry INSETA participated in INMAG which is the career guidance magazine for the insurance sector.



6. Highlights - National Disability Awards 2012

The Insurance sector showed overwhelming support for the National Disability Awards. The Awards is part of the national celebrations to commemorate International Day of Persons with Disabilities.



Minister of Women, Children and People with Disabilities, Lulu Xingwana, Deputy Minister of Women, Children and People with Disabilities Hendrietta Bogopane-Zulu and Deputy Minister in The Presidency for Performance Monitoring and Evaluation, Obed Bapela award Michaela Mycroft with the National Young Leader Award cheque to pay for her studies at the University of Cape Town (UCT).

INDWE and SANLAM are recognised for promotion of employment of disabled learners

Sponsors





President Jacob Zuma, Minister in The Presidency for Performance, Monitoring and Evaluation as well as Administration, Collins Chabane and Basic Education Minister, Angie Motshekga congratulate Michaela Mycroft.







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INSURANCE SECTOR EDUCATION
AND TRAINING AUTHORITY

PART C: GOVERNANCE

INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY

"If you have integrity, nothing else matters. If you don't have integrity, nothing else matters."

Alan K. Simpson

1. The Report of the Accounting Authority

As the INSETA Accounting Authority, it is the Board's responsibility to prepare Financial Statements that fairly represent INSETA's Financial Position as at 31 March 2013 and also the Financial Performance and Summary Cash Flow Activities for the year ending 31 March 2013. We are of the opinion that appropriate Accounting Policies, supported by reasonable and prudent judgements and estimates, have been applied on a consistent basis. The Financial Statements comply with the prescribed Standards of Generally Recognised Account Practice (GRAP) and with any interpretations of such Statements issued by the Accounting Standards Board.

Corporate Governance

From the outset both the INSETA's Board 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 thirteenth year of operations. The Board is supported in its functions and duties by the Audit Committee, the Finance, IT & Administration Committee and the HR/Remuneration Committee all of which have been functional since the establishment of INSETA. The Audit Committee is governed by a Charter, which outlines its roles and responsibilities. The Finance, IT & Administration Committee and HR/Remuneration Committee abide by a Terms of Reference. INSETA has compiled a Fraud Prevention Plan and a high-level risk profile has been developed to identify, manage and control the business risks of the SETA. Numerous divisional policies have also been implemented to manage the day-to-day operations of the SETA. These policies are approved by the Board and are reviewed from time to time.

General review of the State of Affairs

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

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

The Board, comprising Business, Labour and Ministerial appointments, governs the affairs of INSETA. INSETA currently has a permanent staff complement of 37 as at 31 March 2013.

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 R31,2 million from R260,7 million for the 2011/12 financial year to R296,4 million for the 2012/13 financial year. Changes in levy income estimates relating to prior years are included in the current year balances. The administration surplus for 2012/13 was R3.9 million (2011/12 R3,7 million). The actual administration expenditure for the current financial year was R33,2 million (2011/12 R29,5 million). Total project and grant expenditure for the current financial year amounted to R249,5 million (2011/12 R222,2 million).

Allowances paid to Board members and Board sub- committee members

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

Designation	Meeting fee per hour	Annual allowance*
Chairperson	R 516	R83 151
Ordinary member	R 401	R64 650

Allowances Paid to Board Members and Board Sub-Committee Members

Name of Board/ Committee member	Name of Committee that member serves on	Meeting fees accrued during the period under review	Allowance accrued during the period under review	Total Amount accrued during the period under review
A. D'Alton (Ms.)	Board	11 027	64 650	
	HR Committee (Chairperson)	4 644		80 321
A. Keet (Prof.)	Board	7 218		
	HR Committee	2 807	51 720	61 745
B. McKay (Mr.)	Board	8 822		
	Finance, IT & administration committee	4 612	59 262	72 699
B. Scott (Mr.)	Board	8 822		
	Finance, IT & administration committee (Chairperson)	5 934	56 568	71 324
C. Duma (Mr.)	Board	5 815		
	HR Committee	3 609	50 283	59 707
G. Conradie (Ms.)	Board	11 028		
	Executive committee	5 013	65 568	81 609
G. Nti (Mr.)¹	Audit committee	4 010		4 010
G. Sandrock (Dr.)²	Audit committee(Chairperson)			
	Board (Ex-officio capacity as Chairperson of Audit Committee)	85 260		85 260
J. Poggiolini (Ms.)³	Audit committee	30 000		30 000
J. Ramsunder (Mr.)	Audit committee	4 010		
	Board	11 028	58 772	73 810
M. Machai (Dr.)	Board	11 028	51 720	70 566
	Executive committee	5013		
	HR Committee	2 807		

(Footnotes)

1. Mr. G Nti is remunerated at SAICA rates for the meetings attended.
2. Dr. G Sandrock is remunerated at SAICA rates for the meetings attended.
3. Ms J Poggiolini is remunerated at SAICA rates for the meetings attended.

Allowances paid to Board members and Board sub-committee members (Continue)

Name of Board/ Committee member	Name of Committee that member serves on	Meeting fees accrued during the period under review	Allowance accrued during the period under review	Total Amount accrued during the period under review
M. Msiwa (Mr.)	Board (Chairperson)	14 190		
	Executive committee (Chairperson)	8 514	83 151	105 855
M. Naidoo (Ms.)	Board	11 028		
	Executive committee	6 617	64 650	
	Audit committee	4 812		87 106
R. Govenden (Mr.)	Board	4 211	53 263	
	Executive committee	5 013		62 487
S. Padayachee (Ms.)	Board	11 028		
	Finance, IT & administration committee	1 805	40 406	53 238
T. Gool (Mr.)	Board	11 028	53 875	
	Finance, IT & administration committee	3 609		68 512
V. Harrypersadh (Ms.)	Board	11 028		
	HR Committee	3 609	64 650	79 286
W. Seya (Mr.)	Board	11 028		
	Finance, IT & administration committee	4 010	56 568	71 606
C. Simpson (Ms.)	Finance, IT & administration committee	1 403	0	1 403
TOTAL		R 345 433	R 875 105	R1 220 538

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

Remuneration of Senior Management

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

CEO: Sandra Dunn

	2012/13	2011/12
Basic Salary	R1 242 216	R1 084 080
Bonuses (provided and expensed)	R375 639	R332 424
Travel Expenses and Allowances	R24 000	R24 000
Total	R1 641 855	R1 440 504

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

COO: Sharon Snell


	2012/12	2011/12
Basic Salary	R807 602	R800 000
Bonuses (provided and expensed)	R85 598	R75 000
Total	R893 200	R875 000

Business Address

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



Mzimkulu Msiwa
Chairperson, INSETA



Sandra Dunn
Chief Executive Officer, INSETA

2. Corporate Governance

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

Portfolio Committees

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

Executive Authority

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

Compliance with laws and regulations

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

Minimising conflict of interest

INSETA has a number of strategies in place to minimise conflict of interest in supply chain management. All Supply Chain Management (SCM) practitioners received SCM refresher training during the course of the year. The practitioners also signed the INSETA Code of Conduct for SCM officials which provides for disclosures. A record is kept of all disclosures and all bid/tender committees have disclosure processes. There is adequate segregation of duties to avoid potential conflict of interest in the various SCM and payment

roles. INSETA also maintains a gift register where all gifts received by officials is recorded and this register is reviewed regularly.

Code of Conduct

All employees sign a Code of Conduct /Ethics when they commence their employment with INSETA. Suppliers who contract with INSETA have to sign a Code of Conduct for Providers. This raises awareness that a certain standard of behaviour and ethical conduct is required when transacting with INSETA. Where there is a breach of the relevant codes, INSETA is entitled to pursue a remedy either disciplinary or other rights granted by the contract. There have been no reports of breaches during the period under review.

Fraud and corruption

In the previous year INSETA received information relating to allegations of false learnership stipend claims by three employers in the Western Cape. The matter was investigated and handed over for civil and criminal action. In one instance judgment has been granted in favour of INSETA and in the other two, they are being defended and are fairly advanced in the court process. INSETA further dealt with a Learnership scam whereby learners were enticed into paying money to enter a non-existent Learnership which was advertised on the internet. Further a report was received about possible fraudulent certificates being issued and this was handed over for investigation during the period of review.

Health Safety and Environmental Issues

The Health Safety and Environmental issues at INSETA were not optimal in respect of sufficiency of office space. A decision was taken to seek alternative office premises and the new space has been designed to suit INSETA's growth over the years. INSETA was without a Health and Safety Officer following a

resignation. A new person has been given this role and will attend training. No incidents were reported for the period under review.

Social Responsibility

INSETA focussed on disability awareness as an area of social responsibility. We partnered with the Ministry of Women, Children and Persons with Disability to host the National Disability Awards. This event is the national celebration to commemorate International Day of Persons with Disabilities and was held in Mpumalanga on 3 December 2012.

3. Audit Committee Report to the INSETA Board for the Year Ended 31 March 2013

Introduction

We are pleased to present our report for the financial year ended 31 March 2013.

Audit Committee Members and Attendance

The Audit Committee consists of the members listed below and met six times during the period under review. At the date of this Report the Audit Committee consisted of the following members:

Member	Date appointed by Board	Number of meetings attended during period under review
Dr. Gerrit Sandrock (Chairperson)	3 December 2009	6 of 6
Ms. Jeanine Poggolini	3 December 2009	6 of 6
Ms Margie Naidoo	1 April 2012	6 of 6
Mr. Godfrey Nti	3 December 2009	4 of 6
Mr. Jay Ramsunder	6 April 2011	6 of 6

Audit Committee Responsibility

The Audit Committee has adopted appropriate formal terms of reference, which are outlined in the Audit Committee Charter. The Audit Committee regulated its affairs in compliance with this Charter and has discharged its responsibilities as contained therein.

The system of controls is designed to provide effective assurance that assets are safeguarded, liabilities and working capital are efficiently managed and that there is compliance with relevant laws and regulations in line with the PFMA and the King II Report on Corporate Governance requirements. Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements (AFS), and management letter of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. Accordingly, the Committee can report that the systems of internal control for the year under review were effective and efficient.

Evaluation of Annual Financial Statements and Performance Information

- The SETA's Performance Information.
- The process to identify and manage risk.
- On an ongoing basis, the results of the risk assessment process as outlined in the Risk Matrix.
- The internal audit coverage plan and budget and identified areas where the work of internal and external audit could be maximised.
- Obtained and considered periodic assurances regarding INSETA'S continued compliance with the PFMA and other legislation.
- The audited Annual Financial Statements to be included in the Annual Report together with the Reports from the Auditor-General

and the Accounting Authority.

- The Auditor-General's management letter and management's response thereto.
- The appropriateness of and changes in accounting policies and practices.

Ethics Hotline

During the period under review no complaints were received.

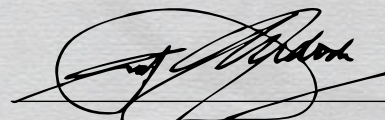
Conclusion in Respect of the year Under Review

The Audit Committee wishes to report to the Board that in its opinion:

- The respective charters of the audit committee and internal audit continue to be appropriately aligned to the Treasury Regulations and corporate governance practices.
- The Audit Committee has effectively carried out its responsibilities and functions in accordance with the statutory requirements and its charter.
- The internal auditors (Business Innovations Group) have operated objectively and independently. 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 and review of the performance information of INSETA.
- 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.
- The reporting on performance information in accordance with the relevant frameworks is receiving additional attention by management.
- Control weaknesses identified and recommendations for control enhancements identified by internal and external audit receive adequate management attention.
- The Committee is satisfied that the SETA's overall system of internal control operated satisfactorily during the year under review.

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



Dr. Gerrit Sandrock
Chairperson of the Audit Committee
31 July 2013

The Board



From left to right: Mr Brian Mckay, Ms Shantha Padayachee, Mr Mzimkulu Msiwa (Chairperson of the Board), Mr Comfort Duma, Mr Barry Scott, Ms Jeanine Poggiolini, Mr Rama Govender, Mr Jay Ramsunder, Ms Gizelle Conradie, Mr Moses Machai, Ms Vanita Harrypersadh, Ms Margie Naidoo, Mr William Seya, Ms Anne-Marie D'Alton, Professor Andre Keet and Mr Thabit Gool







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INSURANCE SECTOR EDUCATION
AND TRAINING AUTHORITY

PART D: HUMAN RESOURCE MANAGEMENT

INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY

"As we look ahead into the next century, leaders are those who empower others"

Bill Gates

1. Introduction

INSETA had a low attrition rate during the period under review. At the end of the financial year there were 37 permanent employees. As per the table below, 3 employees resigned, and the services of the other 3 employees were terminated owing to misconduct and/or expiry of contract of employment.

The INSETA organisational environment was enhanced by the creation of a dedicated Supply Chain Management (SCM) division. As planned, two SCM specialists were appointed but we have experienced a delay in the appointment of the SCM Manager. It is a scarce skill and we will intensify our efforts in the new financial year. The INSETA Project Office Manager resigned but we were fortunate to have an opportunity to fill this key vacancy internally. Other changes include the promotion of an existing staff member to Manager of the Education and Training Quality Assurance (ETQA) division. Service delivery continued uninterrupted during both these changes.

INSETA staff were appraised and rewarded in terms of the INSETA Performance Management System. A performance reward of 8.88% of total salary was allocated for distribution in accordance with Performance Appraisal scores. On average, the performance scores reflect that INSETA staff are performing at the expected standard.

During the year under review, Project Management training was identified as a core requirement for relevant staff. This was successfully completed as at year end and has resulted in enhanced project management skills. Other training was also conducted in line with personnel development requirements. On average, INSETA spent R11 506 per person on training and development.

2. Human Resources Statistical Overview

Personnel Cost by Programme

Salaries are not costed per programme.

Personnel Cost by Salary Band

Level	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
Top Management	R 2 620 653	18%	2	R 1 310 327
Senior Management	R 4 563 904	32%	7	R 643 553
Professional qualified	R 4 760 360	33%	17	R277 167
Skilled	R 2 128 337	15%	15	R141 889
Semi-skilled	R 302 383	2%	2	R151 191
Unskilled	N/A		0	N/A
TOTAL	R 14 375 638 *		43	

Performance Rewards

Programme	Performance rewards	Personnel Expenditure	% of performance rewards to total personnel cost
Top Management	R 461 237	R2 620 653	3.21%
Senior Management	R 348 036	R4 563 904	2.42%
Professional qualified	R 334 237	R4 711 823	2.33%
Skilled	R106 445	R2 128 337	0.74%
Semi-skilled	R 26 045	R302 383	0.18%
Unskilled	N/A	N/A	
TOTAL	R 1 276 000	R 14 375 638 *	8.88%

* **Note:** R1 217 638 of the total personnel expenditure relates to discretionary projects and has been allocated to project expenditure.

Training Costs

Directorate/ Business Unit	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
All	R 12 175 766	R 425 732	3.5%	65 different initiatives/ 37 employees	R 11 506

Employment and Vacancies

Programme	2011/12 No. of employees	2012/2013 No. of Employees	2013/2014 Approved Posts	2013/2014 Vacancies	% of vacancies
Top Management	2	2	2	0	0%
Senior Management	6	6	7	1	14.3%
Professional qualified	15	16	16	0	0%
Skilled	13	11	12	1	8.3%
Semi-skilled	2	2	2	0	0%
Unskilled	0	0	0	0	0%
TOTAL	38	37	39	2	

Employment Changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	2	0	0	2
Senior Management	6	1	1	6
Professional qualified	16	4	4	16
Skilled	12	0	1	11
Semi-skilled	2	0	0	2
Unskilled	0	0	0	0
Total	38	5	6	37

Reasons for Staff Leaving

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	3	50%
Dismissal	2	33.3%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	1	16.66%
Other	0	0%
Total	6	100%

Labour Relations: Misconduct and Disciplinary Action

Nature of disciplinary Action	Number
Verbal Warning	1
Written Warning	1
Final Written warning	1
Dismissal	2
TOTAL	5



Equity Target and Employment Equity Status

Male:

Levels	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	1	2	0	0	0	0	1	1
Professional qualified	4	4	1	1	0	0	2	2
Skilled	2	2	0	0	0	0	0	0
Semi-skilled	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	7	8	1	1	0	0	3	3

Female:

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	2	2	0	0	0	0
Senior Management	1	1	1	1	2	2	0	0
Professional qualified	7	7	0	0	0	0	2	2
Skilled	8	8	1	1	0	0	0	0
Semi-skilled	2	2	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	18	18	4	4	2	2	2	2

Disabled Staff:

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	1	1	0	1
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	1	1	0	1







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INSURANCE SECTOR EDUCATION
AND TRAINING AUTHORITY

OUR TEAM

INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY

Office of the CEO



From left to right: Sibulela Tena, Sandra Dunn, Tshepo Mabika, Sharon Snell, Errol Hanreck and Ella Matshikiza

Learnership Division



From left to right: Laverne Ogle, Tumi Peele, Rosa Sephuma, Thembela Dumezweni and Tsabuki Makou

Skills Development Division

From left to right:

Ernest Kaplan
Adeline Singh
Bongi Malinga
Nkhutliseng Mlangeni
Lungani Hlongwa and
Itumeleng Motaung



ETQA Division



From left to right: Ouma Mmethi, Unathi Jakalase, Nadia Starr, Michelle van der Merwe and Thilivhali Netshiongolwe

Project Office



From left to right: Bongi Mthombeni, Lerato Marx and Neesha Naidoo

Corporate Service Division

From left to right:

Lebo Phaleng
Sabelo Mkwae
Siphamandla Mbuli
Nonhlanla Nkabinde
Jabu Mabaso
Mapule Mokoena
Chono Khorommbi
Vuyo Memela and
Zodwa Motloutse







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INSURANCE SECTOR EDUCATION
AND TRAINING AUTHORITY



PART E: FINANCIAL STATEMENTS

INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY

The Annual Financial Statements for the year ended 31 March 2013, set out on pages 2 to 26, have been approved by the Accounting Authority in terms of section 51(1) (f) of the Public Finance Management Act (PFMA), No 1 of 1999 as amended, on 29 May 2013, and are signed on their behalf by:

Sandra Dunn - CEO

Mzimkulu Msiwa - Chairperson

1. Statement Of Responsibility

Statement of Responsibility for the Annual Financial Statements for the year ended 31 March 2013

The Accounting Authority is responsible for the preparation of the public entity's annual financial statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements.

In my opinion, the financial statements fairly reflect the operations of the public entity for the financial year ended 31 March 2013.

The external auditors are engaged to express an independent opinion on the AFS of the public entity. The INSETA annual financial statements for the year ended 31 March 2013 have been audited by the external auditors and their report is presented on page 63.

The Annual Financial Statements of the public entity set out on page 26 to page 29 have been approved.



Sandra Dunn
CHIEF EXECUTIVE OFFICER
INSETA
31 July 2013



Mzimkulu Msiwa
CHAIRPERSON OF THE BOARD
INSETA
31 July 2013

2. Report of the Auditor-General to Parliament on the Insurance Sector Education and Training Authority

Introduction

1. I have audited the financial statements of the Insurance Sector Education and Training Authority (INSETA) set out on pages 66 to 106 which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets, the cash flow statement, the statement of comparison of budget and actual amounts for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's Responsibility for the Financial Statements

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

Auditor-General's Responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Insurance Sector Education and Training Authority as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the PFMA and SDA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined Objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the INSETA annual performance report as set out on pages 26 to 29 of the annual report.
9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information* (FMPPI)
10. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
11. The material finding is as follows:

Usefulness of Information:

Measurability Performance indicator not well-defined

12. The FMPPI requires that performance indicators be well-defined. Well-defined means the indicator needs to have a clear, unambiguous definition so that data will be collected consistently, and be easy to understand and use. A total of 46% of all indicators were not well-defined in that, a greater degree of specificity is required to allow data to be collected and reported in a more consistent manner.
 - Management was aware of the requirements of the FMPPI but did not define the indicators and targets to the level required.

Additional Matter

I draw attention to the following matters below. My conclusion is not modified in respect of this matter.

Achievement of Planned Targets

13. Of the total number of 18 targets planned for the year, 4 of the targets were not achieved during the year under review. This represents 22% of the total planned targets that were not achieved during the year under review, as reported in the entity's annual performance report.

Compliance with Laws and Regulations

14. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Annual Financial Statements, Performance and Annual Report

15. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 55(1) (b) of the PFMA. Material misstatements of the commitments disclosure note identified during the audit in the submitted financial statement were subsequently corrected and the supporting evidence provided, resulting in the financial statements receiving an unqualified audit opinion.

Internal Control

16. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matter reported below under the fundamentals of internal control is limited to the significant deficiencies that resulted in the finding on compliance with laws and regulations included in this report.

Financial and Performance Management

17. Controls over daily and monthly processing and reconciling of transactions were not implemented in relation to the commitments disclosed in the notes to the financial statements. As a result material adjustments were made to the financial statements submitted for audit.
18. Management did not fully understand the requirements of the FMPP in defining the performance indicators to the level required to provide clear and unambiguous definitions to ensure consistent collection and reporting of performance data.

- **OTHER REPORTS**

- **Investigations**

19. An investigation was conducted by the public entity's internal auditors on request of the entity. The investigation related to allegations of non-compliance with the Insurance SETA's internship and work based expense grant funding policy.

The outcome of the audit confirmed that irregularities occurred and the case has been referred to the INSETA lawyers to recover the funds from those found guilty.

Auditor-General

Auditor General

31 July 2013



AUDITOR GENERAL
SOUTH AFRICA

Website: www.ag.gov.za

Statement of Financial Performance for the Year Ended 31 March 2013

	Note	2012/13 R'000	2011/12 R'000
REVENUE			
Skills Development Levy: income from non-exchange transactions	2	296,444	260,721
Skills Development Levy: penalties and interest from non-exchange transactions		2,315	1,723
Investment income	3	14,098	13,983
Other income	4	113	104
Total revenue		312,970	276,531
EXPENSES			
Employer grant and project expenses	5	-249,491	-222,153
Administration expenses	6	-33,152	-29,520
Total expenses		-282,643	-251,673
SURPLUS FOR THE YEAR	1	30,327	24,858

Statement of Financial Position as at 31 March 2013

	Note	2012/13 R'000	2011/12 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	840	1,152
Intangible assets	8	68	44
Total non-current assets		908	1,196
Current Assets			
Accounts receivable from exchange transactions	9	1,480	1,932
Accounts receivable from non-exchange transactions	10	1,895	8,311
Consumables		62	33
Cash and cash equivalents	11	332,930	273,658
Total Current Assets		336,367	283,934
TOTAL ASSETS		337,275	285,130
Current Liabilities			
Trade and other payables from non exchange transactions	12	66,459	65,006
Trade and other payables from exchange transactions	13	26,896	7,189
Government Grants and donor funding received in advance	14	-	9
Provisions	15	4,189	3,522
Total Current Liabilities		97,544	75,726
Total Net Assets		239,731	209,404
FUNDS AND RESERVES			
Funds and Reserves			
Administration reserve		908	1,196
Employer grant reserve		5	19
Discretionary reserve		238,818	208,189
Total Funds and Reserves		239,731	209,404

Statement of changes in NET ASSETS for the year ended 31 March 2013

	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 2011		893	129	183,524	-	184,546
Surplus per Statement of Financial Performance		-	-	-	24,858	24,858
Allocation of unappropriated surplus	1	3,680	13,089	8,089	(24,858)	-
Excess reserves transferred to Discretionary reserve		(3,377)	(13,199)	16,576	-	-
Balance at 31 March 2012		1,196	19	208,189	-	209,404
Surplus per Statement of Financial Performance		-	-	-	30,327	30,327
Allocation of unappropriated surplus	1	3,975	8,512	17,840	(30,327)	-
Excess reserves transferred to Discretionary reserve		(4,263)	(8,526)	12,789	-	-
Balance at 31 March 2013		908	5	238,818	-	239,731

An amount of R908 000 (2012: R1 196 000) is retained in the administration reserve equal to the carrying value of property, plant and equipment and intangible assets.

An amount of R5 000 (2012: R19 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 2013

	Note	2012/13 R'000	2011/12 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Activities			
Cash receipts from stakeholders		305,363	255,916
Levies, interest and penalties received		305,259	255,812
Other cash receipts from stakeholders		104	104
Cash paid to stakeholders, suppliers and employees		(260,002)	(235,604)
Grant and project payments		(230,145)	(205,478)
Compensation of employees		(13,150)	(10,960)
Payments to suppliers and other		(16,707)	(19,166)
Cash generated from operations	16	45,361	20,312
Investment income	3	14,156	13,934
Finance Costs: Finance lease		-	(1)
Net Cash Inflow from Operating Activities		59,517	34,245
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(182)	(732)
Purchase of Intangible assets	8	(63)	(31)
Net Cash Outflow from Investing Activities		(245)	(763)
Net increase in cash and cash equivalents		59,272	33,482
Cash and cash equivalents at beginning of year	11	273,658	240,176
Cash and cash equivalents at end of year	11	332,930	273,658

Statement of comparison of budget and actual amounts for the year ended 31 March 2013

	Approved Original Budget	Budget adjustments	Final Budget	Actual	Favourable / (Unfavourable) variance
	2012/13 R'000	2012/13 R'000	2012/13 R'000	2012/13 R'000	2012/13 R'000
REVENUE					
Skills Development Levy: income from non-exchange transactions	277,354	14,688	292,042	296,444	4,402
Skills Development Levy: penalties and interest from non-exchange transactions	-	-	-	2,315	2,315
Investment income	12,500	1,500	14,000	14,098	98
Other income	-	-	-	113	113
Total Revenue	289,854	16,188	306,042	312,970	6,928
EXPENSES					
Employer grant expenses	(164,673)	(10,553)	(175,226)	(176,361)	(1,135)
Project Expenses and discretionary grants	(90,503)	(3,808)	(94,311)	(73,130)	21,181
Administration expenses	(34,168)	(1,837)	(36,005)	(33,152)	2,853
Total Expenses	(289,344)	(16,198)	(305,542)	(282,643)	22,899
SURPLUS FOR THE YEAR	510	(10)	500	30,327	29,827

The approved original budget was submitted to the Executive Authority in line with the Public Finance Management Act, 1999, Chapter 6 Public Entities, part 2 par 53. Due to large variances on skills development levy income INSETA performed a rebudgeting exercise and adjusted the initial approved budget. All changes to the initial budget were approved by the Accounting Authority.

INSETA does not budget for a surplus. The R 510 000 shown as a surplus in the original budget and the R 500 000 shown in the final budget was budgeted as capital expenditure of which R 245 000 was spent.

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 2013

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

1. Basis of Preparation

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

2. Currency

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

3. Revenue Recognition

Non-exchange revenue transactions result in resources being received by the INSETA, usually in accordance with a binding arrangement.

When the INSETA receives resources as a result of a non-exchange transaction, it recognises an asset and revenue in the period that the arrangement becomes binding and when it is probable that the INSETA will receive economic benefits or service potential and it can make a reliable measurement of the resources transferred.

Where the resources transferred to the INSETA are subject to the fulfilment of specific conditions, it recognises an asset and a corresponding liability. As and when the conditions are fulfilled, the liability is reduced and revenue is recognised.

The asset and the corresponding revenue are measured on the basis of the fair value of the asset on initial recognition.

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

3.1.1. Levy Income

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

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

80% of Skills Development Levies are paid over to the SETA (net of the 20% contribution to the National Skills Fund (NSF)). The SETA was not in a position to verify that SARS has collected all potential skills levy income.

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

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

3.1.3 Funds Allocated by the National Skills Fund for Special Projects

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

3.1.4 Government Grants and Other Donor Income

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

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

3.2 Revenue from Exchange Transactions

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

3.2.1 Interest Income

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

4. Grants and Project Expenditure

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

Mandatory grants

Grants are equivalent to 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 Board. Where necessary interested employers, associations or organisations may be required to complete and submit a funding application for consideration and approval by the SETA.

Project expenditure comprises

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

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

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

Property, plant and equipment acquired for NSF Special Projects are capitalised in the financial statements of 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 an agreement and specific written instructions by the NSF.

The gain or loss on disposal of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount and are taken into account in determining 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 so as to write off the cost of assets over their estimated useful lives, using the straight-line method.

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

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

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

8. Consumables

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

9. Leasing

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

10. Provisions

Provisions are recognised when 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.

11. Employee Benefits

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

Termination Benefits are Recognised when the Benefits Accrue.

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

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

12. Grants and Projects

Mandatory and discretionary grant payments

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

Discretionary projects

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

13. Financial Instruments

Recognition

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

Financial Assets

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

All financial assets of the SETA are categorised as loans and receivables.

Financial Assets at Amortised Cost

Accounts receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'financial assets at amortised cost'. Financial assets at amortised cost are measured using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate except for short-term receivables where the recognition of interest would be immaterial.

Effective Interest Method

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

Impairment of Financial Assets

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

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

Financial Liabilities

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 using the effective interest method.

Effective Interest Method

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

14. Reserves

Net assets are classified based on the restrictions placed on the distribution of monies received in accordance with the Regulations issued in terms of the Skills Development Act, 1998 (Act 97 of 1998) as amended as follows:

- Administration reserve
- Employer grant reserve
- Discretionary reserve
- Unappropriated surplus

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

	2012/13	2011/12
	%	%
Administration costs of the SETA	10	10
Employer Grant Fund Levy	50	50
Discretionary grants and projects	20	20
<i>Received by the SETA</i>	80	<i>80</i>
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.

15. Comparative Figures

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

16. Taxation

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

Notes to the Annual Financial Statements for the Year Ended 31 March 2013

1 ALLOCATION OF SURPLUS FOR THE YEAR TO RESERVES:

	Total per Statement of Financial Performance 2011/12 R'000	Total per Statement of Financial Performance 2012/13 R'000	Administration reserve R'000	Employer grants reserve R'000	Discretionary reserve		
					Discretionary grants R'000	Projects R'000	Total discretionary R'000
<i>Total revenue</i>	276,531	312,970	37,127	184,873	74,548	16,422	90,970
Skills Development Levy: income from non-exchange transactions							
Admin levy income (10%)	33,096	37,023	37,023	-	-	-	-
Grant levy income (70%)	227,625	259,421	-	184,873	74,548	-	74,548
Skills Development Levy: penalties and interest from non-exchange transactions	1,723	2,315	-	-	-	2,315	2,315
Donor funding recognised as income	-	-	-	-	-	9	9
Investment income	13,983	14,098	-	-	-	14,098	14,098
Other income	104	113	104	-	-	-	-
<i>Total expenses</i>	251,673	282,643	33,152	176,361	(37)	73,167	73,130
Administration expenses	29,520	33,152	33,152	-	-	-	-
Employer grants and project expenses	222,153	249,491	-	176,361	(37)	73,167	73,130
Surplus per Statement of Financial Performance allocated	24,858	30,327	3,975	8,512	74,585	(56,745)	17,840

2	SKILLS DEVELOPMENT LEVY INCOME FROM NON-EXCHANGE TRANSACTIONS		
		2012/13 R'000	2011/12 R'000
	The total levy income per the Statement of Financial Performance is as follows:		
	Levy income: Administration	37,023	33,096
	Levies received	37,090	33,158
	Levies received	37,105	33,055
	Intersecta transfers in	15	104
	Intersecta transfers out	(30)	(1)
	Levies accrued	(67)	(62)
	Levy income: Employer Grants	184,873	163,148
	Levies received	185,206	163,460
	Levies received	185,282	163,072
	Intersecta transfers in	74	392
	Intersecta transfers out	(150)	(4)
	Levies accrued	(333)	(312)
	Levy income: Discretionary Grants	74,548	64,477
	Levies received	74,681	64,602
	Levies received	74,708	64,447
	Intersecta transfers in	34	157
	Intersecta transfers out	(61)	(2)
	Levies accrued	(133)	(125)
		296,444	260,721

3 INVESTMENT INCOME		
	2012/13 R'000	2011/12 R'000
Interest income - bank deposits	14,098	13,983
Received	13,965	13,792
Accrued	133	191
	14,098	13,983

Interest received in cash for the year is R 14 156 000 (2012: R 13 934 000) which includes the prior year accrual.

4 OTHER INCOME		
	2012/13 R'000	2011/12 R'000
Other income comprises:		
Donor funding recognised as income	9	-
Learner Certificates reissued	20	5
Mandatory grant received	84	99
	113	104

5 EMPLOYER GRANT AND PROJECT EXPENSES		
	2012/13 R'000	2011/12 R'000
Mandatory grants	176,361	150,059
Disbursed	241,453	139,295
Movement in provisions and accruals	(65,092)	10,764
Discretionary grants	(37)	365
Disbursed	76	187
Movement in provisions and accruals	(113)	178
Project expenditure	73,167	71,729
Disbursed	70,766	74,112
Movement in provisions and accruals	2,401	(2,383)
	249,491	222,153

6 ADMINISTRATION EXPENSES

		2012/13 R'000	2011/12 R'000
Depreciation / amortisation		524	454
Loss on disposal of property, plant and equipment		9	6
Operating lease rentals (minimum lease payments)		1,903	1,518
Buildings		1,717	1,504
Plant, machinery and equipment		186	14
Maintenance, repairs and running costs - Property and Buildings		169	183
Interest paid: Finance lease		-	1
Advertising, marketing and promotions, communication		1,578	1,114
Entertainment expenses		161	133
Gifts, donations and sponsorships paid		3	6
Consultancy and service provider fees		9,298	8,264
Legal fees		43	31
Cost of employment	6.1	13,817	11,423
Travel and subsistence		629	540
Staff training and development		501	578
Remuneration to members of the accounting authority		1,092	1,775
Remuneration to members of the audit committee		128	135
External auditor's remuneration		1,122	1,371
Bad debts written off		-	23
Allowance for doubtful debts		310	(55)
Other		1,865	2,020
Stationery		164	147
Internal audit fees		524	677
Professional Indemnity Insurance		95	166
Telephone costs*		290	377
Postage & courier services		45	102
Sundry expenses		747	551
		33,152	29,520

* Included in the Telephone costs is R54.86 of fruitless and wasteful expenditure due to interest on late payment in the current year. The interest was charged due to the debit order limit being insufficient. The balance of the invoice was deducted the following month.

6.1	Cost of Employment	2012/13 R'000	2011/12 R'000
	Salaries and wages	13,637	11,216
	Basic salaries	11,882	10,138
	Performance awards	1,276	761
	Temporary staff	205	103
	Leave payments	242	213
	Employee Wellness	32	1
	Social contributions	180	193
	UIF	57	51
	SDL	123	142
	Workmans Compensation	-	14
		13,817	11,423
	Average number of employees	37	37

7 PROPERTY, PLANT AND EQUIPMENT

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

Year ended 31 March 2012	Cost R'000	Accumulated depreciation R'000	Closing carrying amount R'000
Computer equipment	1,727	(1,326)	401
Office furniture and fittings	1,438	(918)	520
Office equipment	436	(371)	65
Office Fixtures	1,340	(1,174)	166
Balance at end of the year	4,941	(3,789)	1,152

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

Movement Summary 2011/2012

	Carrying amount 2011 R'000	Additions R'000	Disposals R'000	Depreciation charge R'000	Carrying amount 2012 R'000
Computer equipment	295	341	(6)	(229)	401
Office furniture and fittings	490	132	-	(102)	520
Office equipment	71	38	-	(44)	65
Office Fixtures	-	221	-	(55)	166
Balance at end of the year	856	732	(6)	(430)	1,152

Year ended 31 March 2013

Owned Assets

Cost R'000	Accumulated depreciation R'000	Closing carrying amount R'000
4,782	(3,942)	840
4,782	(3,942)	840

Year ended 31 March 2012

Owned Assets

Cost R'000	Accumulated depreciation R'000	Closing carrying amount R'000
4,941	(3,789)	1,152
4,941	(3,789)	1,152

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 *

The depreciation of office fixtures is linked to an operating lease agreement. The depreciation has been calculated taking into consideration that the lease will not be renewed, as INSETA will be re-locating at the end of the lease period.

8 INTANGIBLE ASSETS**Application Software****Balance at 1 April 2011**

Additions

Amortisation expense

Balance at 31 March 2012

Additions

Amortisation expense

Balance at 31 March 2013

Cost R'000	Accumulated Amortisation R'000	Closing carrying amount R'000
339	(302)	37
31	-	31
-	(24)	(24)
370	(326)	44
63	-	63
-	(39)	(39)
433	(365)	68

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

- Application software

2 years (Depending on the license of the software)

9 ACCOUNTS RECEIVABLE FROM EXCHANGE TRANSACTIONS

PAYE receivable

Deposits

Prepayments

Interest receivable

2012/13 R'000	2011/12 R'000
323	323
482	197
542	1,221
133	191
1,480	1,932

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

10 ACCOUNTS RECEIVABLE FROM NON-EXCHANGE TRANSACTIONS			
		2012/13 R'000	2011/12 R'000
Interseta debtors	23.2	530	606
Employer receivable	10.1	1,365	7,705
		1,895	8,311

10.1 Employer Receivable			
		2012/13 R'000	2011/12 R'000
Overpayment to employers		1,781	7,811
Allowance for doubtful debt		(416)	(106)
Net effect of SARS retrospective adjustments on affected employers		1,365	7,705

R1 869 000 (2012: R7 811 000) 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 R416 000 (2012: R106 000) was provided for as doubtful debt. INSETA is confident that it will be able to recover the net balance. Also refer to Note 12 for grant amounts owed to employers as a result of subsequent changes in levy information.

11 CASH AND CASH EQUIVALENTS			
		2012/13 R'000	2011/12 R'000
Cash at bank and on hand		36,444	37,180
Cash at bank		36,442	37,178
Cash on hand		2	2
Short term investments/instruments		296,486	236,478
Cash and cash equivalents at end of year		332,930	273,658

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 4.65% (2012: 5.44%).

Surplus funds were invested in line with an investment policy as required by Treasury Regulation 31.3.5 and all funds were invested with the Corporation for Public Deposits.

INSETA uses its cash and equivalents to settle its current liabilities and has approved and allocated R229 326 000 for future projects and skills priorities as set out in Note 18.1.

12 ACCOUNTS PAYABLE FROM NON EXCHANGE TRANSACTIONS			
		2012/13 R'000	2011/12 R'000
Skills development grants payable - current year		63,418	46,656
Skills development grants payable - prior year		2,950	18,343
Interseta payables	23.2	91	7
		66,459	65,006

13 ACCOUNTS PAYABLE FROM EXCHANGE TRANSACTIONS			
		2012/13 R'000	2011/12 R'000
Project creditors		6,107	3,706
Service provider fees outstanding		46	270
Leave Accrual	t	721	543
UIF Funds incorrectly received		17,893	-
Sundry payables		2,129	2,670
Trade creditors		643	1,281
Other accrued expenses		1,486	1,389
		26,896	7,189

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

14 GOVERNMENT GRANTS AND DONOR FUNDING RECEIVED IN ADVANCE			
		2012/13 R'000	2011/12 R'000
Opening balance		9	9
Recognised as income		(9)	-
Closing balance		-	9

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

15 PROVISIONS			
		2012/13 R'000	2011/12 R'000
Employee bonus provision	15.1	467	332
Provision for incorrect receipts	15.2	3,722	3,190
		4,189	3,522

15.1 Employee Bonus Provision			
		R'000	R'000
Open carrying amount		332	369
Amounts utilised		(1,141)	-798
Additional provision		1,232	943
Change in estimate		44	-182
Closing carrying amount		467	332

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

15.2 Provision for Incorrect Receipts				
	Opening Balance R'000	Change in Estimate R'000	Addition R'000	Closing balance R'000
2012/13				
Provision for levies from exempt employers	3,190	134	398	3,722
	3,190	134	398	3,722
2011/12				
Provision for levies from exempt employers	2,690	130	370	3,190
	2,690	130	370	3,190

16	RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO NET SURPLUS	2012/13 R'000	2011/12 R'000
	Net surplus as per Statement of Financial Performance	30,327	24 858
	Adjusted for non-cash items:		
	Depreciation / amortisation	524	454
	Loss on disposal of property, plant and equipment	9	6
	Special project income recognised	(9)	-
	Bad debts written off	-	23
	Allowance for doubtful debts	310	(55)
	Finance costs: Finance lease	-	1
	Increase in provisions	667	463
	Relating to employment	135	(37)
	Relating to other	532	500
	Adjusted for items separately disclosed		
	Investment income	(14,156)	(13 934)
	Adjusted for working capital changes:		
	Decrease / (Increase) in receivables from non-exchange transactions	6,106	(5 757)
	(Increase) in receivables from exchange transactions	452	(924)
	(Increase) / Decrease in consumables	(29)	34
	Increase in payables	21,160	15 143
	<i>Cash utilised in operations</i>	45,361	20 312

17	CONTINGENCIES
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17.1	Pending Litigations
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At the reporting date three cases of alleged misappropriation of INSETA funds, relating to discretionary grant projects, were pending.

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

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

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

17.2 Contingent Liabilities

Surplus Funds

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

First time employer registrations

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

At the reporting date it is estimated that, as a result, additional mandatory grant expenditure of R5 000 (2012 R19 000) will be payable. The amount is contingent on the number of submission received and approved.

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 2012 to submit an application for a mandatory grant.

At the reporting date it is estimated, as a result, that additional mandatory grant expenditure of Rnil (2012: R1 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 R238 818 000 (2012 R208 189 000) available in the Discretionary reserve at the end of March 2013, R229 326 000 (2012 R214 760 000) 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.

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

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

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

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

Notes:

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There is no text or other markings on the paper.

		Opening allocated Funds 2011/12	Allocation Approved by Accounting Authority not fully contracted	Utilised
NSDS	Project Name	R'000	R'000	R'000
	2000 - 2003 projects	-4,731	4,731	-
	PWC Management fees (Project office service provider)	368	-	-
2.7	ABET level 4 support	1,014	-354	550
2.5	Black Business training support	1,127	-18	1,108
4.5	Bursaries and voucher project	14,656	-85	3,560
2.8	Disability Project	50	-27	23
4.5	Financial Advisory and Intermediary Services Act Support	9,021	-	4,934
1	Impact study	29	-29	-
4.1 / 4.2	Internships	7,744	-137	4,078
4.2	Learnerships	22,734	-10,503	5,972
4.3	New venture DoI SLA	100	-50	50
	New Venture Institutional Support	120	-109	11
2.8	Partnering with SAADP	674	-410	264
4.1	QCTO	3,806	-	712
1	Research	144	-148	-4
1.2	SMME Support (Regional Advisors)	20	-26	-6
3.2	Social Development project	50	-	50
4.1	Work Based Experience	15	-65	-50
	2010/2011 Projects			
4.2	Business Analyst and systems analyst training	1,787	-61	1,700
2.8	FETI-HETI Articulation Pilot	1,966	-	1,682
2.8	GIALSA Settlement and completion of training	585	-	520
4.1	INSETA Capacity Building & Quality Promotion	2,326	-	864
4.2	Learnership Funding Window Year 11	56,470	-	21,707
2.8	Management and Leadership Project	7,910	-	7
4.6	National support for SMMEs 2010 -2011	11,146	-	4,815
	Project Admin 2010/11	4,043	381	1,415
4.2	Project for people with Intellectual Disabilities	1,283	-79	40
4.8	Promotion of Insurance Sector Year 11	2,429	-	846
4.5	SAAD Project 2011	8,098	-309	5,313

Opening allocated funds 2012/13	Commitments as at 31 March 2012	Allocation Approved by Accounting Authority not fully contracted	Utilised	Closing balance 2012/13	Future commitments / contracts
R'000	R'000	R'000	R'000	R'000	R'000
-	-	-	-	-	-
368	-	-368	-	-	-
110	-	-110	-	-	-
1	-	-1	-	-	-
11,011	8,782	-	3,673	7,338	7,364
-	-	-	-	-	-
4,087	3,900	-	2,379	1,708	733
-	-	-	-	-	-
3,529	1,512	-3,216	313	-	-
6,259	797	-5,326	933	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,094	3	-	527	2,567	128
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
26	-	-	-39	65	-
284	-	-90	200	-6	-
65	65	-	65	-	-
1,462	32	-1	304	1,157	52
34,763	9,263	-15,900	10,190	8,673	7,890
7,903	-	-7,910	-7	-	-
6,331	2,158	-	5,117	1,214	468
3,009	58	1,661	757	3,913	-
1,164	780	-410	61	693	503
1,583	215	-	467	1,116	256
2,476	2,207	-	2,411	65	-

		Opening allocated Funds 2011/12	Allocation Approved by Accounting Authority not fully contracted
NSDS	Project Name	R'000	R'000
4.2	Sector-Demand Internships	18,170	-
4.1	Work Readiness Project	7,082	-
	2011/2012 Projects		
4.6	Employment Creation and New business opportunities funding window	-	34,188
4.1	Research Project	-	6,062
4.6	SME Learnership	-	11,450
4.6	Burial Societies Cooperatives Skills Support Proje	-	3,478
4.5	Bursaries for the employed: Levy paying	-	9,000
4.1	Research – SSP 2011	-	1,000
4.2	LEARNERSHIPS YEAR 12	-	33,899
4.2	BASA 2012 Programme	-	1,387
4.2	SAAD PROJECT YEAR 13	-	13,087
	2012/2013 Projects		
4.2	INTERNSHIPS YEAR 12	-	-
4.5	FETI HETI Project Year 12	-	-
4.6	SME TRAINING VOUCHERS	-	-
4.1	INSURANCE AND RELATED SERVICES SSP 2012	-	-
4.2	INTERNSHIPS YEAR 2013*	-	-
4.2	LEARNERSHIPS YEAR 2013*	-	-
4.8	SETA-FET Collaboration Pilot Project*	-	-
4.2	Quality Promotion Project*	-	-
	SMME Learnership	-	-
Total project expenditure		180,236	106,253

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

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

Utilised	Opening allocated funds 2012/13	Commitments as at 31 March 2012	Allocation Approved by Accounting Authority not fully contracted	Utilised	Closing balance 2012/13	Future commitments / contracts
R'000	R'000	R'000	R'000	R'000	R'000	R'000
6,794	11,376	8,592	1	4,848	6,529	3,539
-	7,082	-	-7,077	5	-	-
212	33,976	978	-23,420	114	10,442	894
160	5,902	230	-	-	5,902	-
2,970	8,480	7,354	-	6,902	1,578	490
958	2,520	1,500	-	479	2,041	820
-	9,000	-	-305	3,744	4,951	1,794
474	526	-	-339	82	105	86
-	33,899	-	-400	14,085	19,414	10,802
-	1,387	1,152	-55	1,207	125	-
-	13,087	-	-	8,296	4,791	1,563
-	-	-	10,698	4,402	6,296	4,182
-	-	-	5,782	945	4,837	3,331
-	-	-	9,554	411	9,143	185
-	-	-	1,835	296	1,539	-
-	-	-	39,000	-	39,000	-
-	-	-	79,488	-	79,488	-
-	-	-	1,305	-	1,305	-
-	-	-	3,337	-	3,337	-
-	-	-	22,165	-	-	-
71,729	214,760	49,578	109,898	73,167	229,326	45,080

Contracted Amounts	13,048
Learnership, Internship and Bursary Agreements	32,032
	45,080

18.2 Operating Leases

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

	2012/13 R'000	2011/12 R'000
Not later than one year	728	580
Later than one year and not later than five years	-	128
	728	708

The operating leases relate to building premises used for office accommodation. The lease agreement for the north wing of the building was entered into effective 1 August 2012 and will be operational for a period of one year, expiring on 31 August 2013. The lease agreement for the west wing of the building was entered into effective 1 August 2012 and will be operational for a period of one year, expiring on 31 August 2013.

19 IRREGULAR EXPENDITURE

19.1 Irregular Expenditure

	2012/13 R'000	2011/12 R'000
Opening balance	-	-
Add: Irregular Expenditure – identified during the current year	1,146	-
Less: Amounts condoned	-338	-
Irregular Expenditure awaiting condonation	808	-

During the current year INSETA identified expenditure deemed irregular of R1 146 000 relating to the procurement of venues using a venue finder, procurement of catering services without obtaining 3 quotations and procurement of services without obtaining tax clearance certificates. R338 000 was condoned by the accounting authority in December 2012.

In the current year there were 3 cases of irregular expenditure:

1. INSETA used a venue finding company to procure 8 venues on behalf of the Seta to the value of R338 000.

Despite that fact that INSETA made no payments to the venue finder (the payments were made directly to the venues that then pay the venue finder) the Seta should have followed the prescribed procurement process to procure the services of the venue finder.

It is important to note that competitive quotations for venues were sourced from the venue finder and INSETA did not suffer any financial losses from using making use of the venue finding company.

No amount was recovered from the officials concerned in view of the fact that INSETA did not suffer any loss in the process.

A letter was addressed to the officials involved informing them of the implications of the use of a venue finder.

In order to avoid future non-compliance the following steps were taken:

- A general memorandum was sent to all staff providing guidance specifically on dealing with the procurement of venues.
- SCM training sessions were set up for all relevant staff
- INSETA has appointed qualified and competent SCM officials

2. INSETA procured catering services without obtaining 3 quotations on various occasions amounting to R23 000. This was due to numerous complaints that were received when catering service providers on the database were used. Only 1 service provider's catering was up to executive standards. Hence, INSETA obtained approval to procure executive catering from a single service provider. INSETA also procured the services of a SAQA consultant without obtaining 3 quotations amounting to R30 000.

However, no evidence, documentary or other was provided to indicate that an analysis of the market was performed and an equitable pre-selection process was followed prior to single sourcing the service as required by the Supply Chain Management Guide for Accounting Authorities paragraph 4.7.8.

No amount was recovered from officials involved in view of the fact that approval for single sourcing was obtained.

3. INSETA appointed two contractors amounting to R 755 000 by using an outside service provider to handle all the project procurements together. The appointed service provider was responsible for checking the validity of the tax clearance certificates. They returned the files to the Inseta Project Office but management discovered that the tax clearance certificates was misfiled by the service provider.

20	CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
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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 7 and note 8 for the respective carrying values.

Management determined, consistent with the prior year, that the useful life of assets should not be limited by the seta's establishment. Management's determination of useful life also impacts the determination of the residual value of assets.

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

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

	2012/13 R'000	2011/12 R'000
Financial Assets		
Cash and bank balances	332,930	273,658
Other receivables from exchange and non-exchange transactions	2,351	8,825
	335,281	282,483
Financial Liabilities		
Other financial liabilities	8,282	6,646

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		Total R'000
	Amount R'000	Effective interest rate	Amount R'000	Weighted average period until maturity in months	
Year ended 31 March 2013					
<u>Assets</u>					
Cash	332,770	4.65%	160		332,930
Accounts receivable	-		2,351	12 months	2,351
<i>Total financial assets</i>	332,770	4.65%	2,511		335,281
<u>Liabilities</u>					
Accounts payable	-		26,175	1 month	26,175
<i>Total financial liabilities</i>	-		26,175		26,175
	332,770		-23,664		309,106
Year ended 31 March 2012					
<u>Assets</u>					
Cash	254,719	5.44%	18,939		273,658
Accounts receivable	-		8,825	12 months	8,825
<i>Total financial assets</i>	254,719	5.44%	27,764		282,483
<u>Liabilities</u>					
Accounts payable	-		6,646	1 month	6,646
<i>Total financial liabilities</i>	-		6,646		6,646
	254,719		21,118		275,837

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.

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

	2012/13		2011/12	
	Gross R'000	Impairment R'000	Gross R'000	Impairment R'000
Not past due Liquidity risk	2,351	-416	8,825	-106

Liquidity Risk

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

2012/13	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
Trade and other Payables from exchange transactions	8,282	8,282	8,240	-	-	42

2011/12	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
Trade and other Payables from exchange transactions	6,646	6,646	6,604	-	22	20

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.

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

Cash and Cash Equivalents

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

Accounts Receivable

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

Accounts Payable

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

22
 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
Related party disclosures	GRAP 20	Not yet Effective
Segment Reporting	GRAP 18	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 20 : Related Party Disclosures

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

GRAP 18: Segment Reporting

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

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

		Effective date, commencing on or after
Transfer of Function between Entities Under Common Control	GRAP 105	Not yet Effective
Transfer of Function between Entities Not Under Common Control	GRAP 106	Not yet Effective
Mergers	GRAP 107	Not yet Effective

23 RELATED PARTY TRANSACTIONS

23.1 Transactions with the Controlling Entity

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

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

There is an amount due to the Department due to UIF that was incorrectly paid over to INSETA as SDL. (Note 12)

23.2 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 of higher Education and Training, or with the Department of Higher Education and Training or any other Department, these amounts were disclosed below.

	2012/13 R'000		2011/12 R'000	
The balances at year-end included in receivables and payables are:	Amount of the transaction*	Amount receivable / payable	Amount of the transaction	Amount receivable/ payable
Receivables	123	529	653	606
InterSETA Receivables	123	529	653	606
Fasset	67	8	207	10
MICT SETA	-	67	62	67
Bankseta	15	3	-	3
Merseta	-	1	-	1
Health & Welfare SETA	26	26	-	-
Services seta	13	389	232	376
W&R seta	-	-	3	-
TETA	-	-	113	113
CATHSETA	2	35	36	36
Payables	241	17,984	7	16
InterSETA Payables	241	91	7	7
Agri-SETA	-2	-	7	7
Bankseta	2	-	-	-
Health & Welfare SETA	150	-	-	-
SASSETA	81	81	-	-
W&R SETA	10	10	-	-
Other	-	17,893	-	9
Department of Labour	-	-	-	9
Department of Higher Education and Training	-	17,893	-	-
Total	-118	-17,455	38	151

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

23.3 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:

	2012/13 R'000	2011/12 R'000
Aggregate remuneration	1,092	1,775
Number of persons	15	15

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

	2012/13 R'000	2011/12 R'000
Aggregate remuneration	2,535	2,315
Number of persons	2	2

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

24 EVENTS AFTER REPORTING DATE

During April 2013, the Department of Higher Education and Training informed the Seta that UIF contributions amounting to R17.9 million had been incorrectly paid over to the Seta as SDL levies during the period September 2012 to February 2013. This is an adjusting event as it provides evidence of conditions that existed at the reporting date. The 2012/13 annual financial statements have been adjusted accordingly.

25 NOTES TO COMPARISON OF BUDGET AND ACTUAL

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

25.1 Skills Development Levy: income from Non-Exchange Transactions:

No significant variance between budget and actual amount.

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

No significant variance between budget and actual amount.

25.4 Employer Grant Expenses

Employer grant expenditure is less than budget by 7% despite the levy income exceeding the budget. This is due to larger than expected SARS reversals resulting in grant expenditure relating to previous scheme years. The payout % for the previous scheme years was slightly lower than the budgeted payout %.

25.5 Project expenses

Project expenditure is less than budget by 23% due to various projects only commencing very late during the year.

25.6 Administration Expenses

Administration expenses are lower than budget by 7%. This is mainly due to savings achieved and the timing of the following expenses:

	Approved Budget 2012/13 R'000	Actual 2012/13 R'000	Amount below budget 2012/13 R'000
Description			
Travel and subsistence	968	629	339
Cost of employment	14,123	13,817	306
Legal Fees	179	43	136
Staff training and development	547	501	46
External Auditors remuneration	1,550	1,122	428
Telephone costs	386	290	96





inseta

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