ANNUAL REPORT

2018 / 2019

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INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY

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INSETA ANNUAL REPORT 2018/2019

Dr Bonginkosi Emmanuel "Blade" Nzimande
Minister of Higher Education, Science and Technology

Ms Nadia Starr
INSETA Chief Executive Officer

HONOURABLE MINISTER

It is with pleasure that we present to you the annual report of the Insurance Sector Education and Training Authority (INSETA) for the period 1 April 2018 to 31 March 2019.

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Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

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INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY

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PART A

GENERAL INFORMATION

1. GENERAL INFORMATION

REGISTERED NAME:	Insurance Sector Education and Training Authority
REGISTRATION NUMBERS:	RP No. 155/2019
	ISBN No. 978-0-621-47403-9
PHYSICAL ADDRESS:	Ground Floor, 37 Empire Road, Parktown, Johannesburg
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WEBSITE ADDRESS:	www.inseta.org.za
EXTERNAL AUDITORS:	Auditor-General of South Africa
BANKERS:	Nedbank

2. LIST OF ABBREVIATIONS AND ACRONYMS

4IR	Fourth Industrial Revolution
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
ATR	Annual Training Report
CBO	Community-based Organisation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DHET	Department of Higher Education and Training
EISA	External Integrated Summative Assessment
ETDP SETA	Education, Training and Development Practices Sector Education and Training Authority
FinTech	Financial Technology
FSCA	Financial Sector Conduct Authority
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
HRDSA	Human Resource Development Strategy for South Africa
INSETA	Insurance Sector Education and Training Authority
ICT	Information and Communication Technology
NDP	National Development Plan
NGO	Non-governmental Organisation
NGP	New Growth Path
NQF	National Qualifications Framework
NSA	National Skills Authority
NSDP	National Skills Development Plan
NSDS	National Skills Development Strategy
PIVOTAL	Professional, vocational, technical and academic learning
PFMA	Public Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act
QCTO	Quality Council for Trades and Occupations
SARS	South African Revenue Service
SAQA	South African Qualifications Authority
SCM	Supply Chain Management
SDA	Skills Development Act
SDL	Skills Development Levy
SDLA	Skills Development Levies Act
SETA	Sector Education and Training Authority
SLA	Service-level Agreement
SME	Small and Micro Enterprise
SSP	Sector Skills Plan
TVET	Technical and Vocational Education and Training
WSP	Workplace Skills Plan

3. FOREWORD BY THE CHAIRPERSON

Mr. M.V. Mokgobinyane
Independent Chairperson of the Board

"Together with various stakeholder bodies under the Department of Higher Education and Training, INSETA will be preparing for the implementation of the NSDP during the coming year."

As the country celebrates 25 years of democracy, the Insurance Sector Education and Training Authority (INSETA) is proud to have established itself as one of the leading sector education and training authorities (SETAs), established under the Skills Development Act, Act 97 of 1998.

The period under review was characterised by several proposed changes to the skills development landscape, as well as the extension of SETA licenses without a term of expiry. Subsequent to the reporting date, Government Gazette 42589, dated 22 July 2019, was promulgated by the Minister of Higher Education, Science and Technology, re-establishing INSETA until 31 March 2030. This extended and potentially indefinite term will lay the foundation for long-term planning with and for the sector in relation to critical skills for economic growth.

The National Skills Development Plan (NSDP), setting out the vision for skills development until 2030, was introduced to strategic role players, including the state, business, labour and community organisations, at the National Skills Authority (NSA) conference, held in March 2019. Together with various stakeholder bodies under the Department of Higher Education and Training, INSETA will be preparing for the implementation of the NSDP during the coming year. Key outcomes of the conference also necessitated a shift in focus and planning for INSETA over the next five years.

Together with these proposed SETA landscape changes, the year was also characterised by organisational changes, starting with the appointment of a new Accounting Authority, or Board. INSETA retained four of its previous Board members, and appointed 11 new members, including my own appointment as Independent Chairman. This allowed for a smooth transition through the Board's continued provision of oversight and leadership, with due regard to maintaining and improving levels of corporate governance.

The organisation bade farewell to the outgoing Chief Executive Officer (CEO), Sandra Dunn, who had served in this position for the past nine years. During her tenure, Ms Dunn took the organisation to 100% performance and successive clean audits, and the executives, management and staff of INSETA remain appreciative to Ms Dunn for her leadership during this period.

At the same time, we welcome our new CEO, Ms Nadia Starr, the organisation's former Learning Manager. Highly competent, with a solid background of more than nine years with INSETA, we are confident that Ms Starr is well suited to lead the organisation in its purpose to grow the pool and quality of critical and scarce skills in the insurance sector, and to support South Africa's transformation agenda for the financial services industry.

Under her leadership, we look forward to a new financial year that builds on the successes of the past. We particularly look forward to new and innovative strategic directions within the new SETA landscape.

Our appreciation goes to the management and staff of INSETA, who have contributed to the organisation's noteworthy performance under difficult circumstances.

MV Mokgobinyane
Independent Chairperson of the INSETA Board
31 July 2019

4. CHIEF EXECUTIVE OFFICER'S REVIEW

Ms Nadia Starr
INSETA Chief Executive Officer

"INSETA is pleased to have achieved its fourth successive clean audit. This achievement is attributable to the commitment and integrity of the INSETA staff and the oversight of the Accounting Authority."

General review of INSETA

INSETA is pleased to have achieved its fourth successive clean audit. This achievement is attributable to the commitment and integrity of the INSETA staff and the oversight of the Accounting Authority.

INSETA's performance results, while reasonable at 93%, represents a 7% decline from the 100% achieved in the previous financial year. Outdated programme offerings and operating model deficiencies have been identified as the root cause, and both these issues are being addressed in this financial year.

I am mindful that, after meeting 100% of its performance indicators in 2017/18, an achievement of 93% in this financial year may be disappointing. However, with the introduction of new systems and a change in the organisational structure, I am confident that we should be back to peak performance in 2019/20.

Several of INSETA's achievements during the period under review are particularly noteworthy:
The promotion of the growth of public TVET colleges

During the period under review, INSETA partnered meaningfully and comprehensively with public technical and vocational education and training (TVET) colleges. This resulted in the full achievement of targets set for supporting public TVET colleges, as well as providing an offering that is starting to add value to our industry. Six public TVET colleges were newly accredited, and three were re-accredited to offer insurance-specific qualifications. Four of these colleges were accredited to offer full insurance-specific qualifications, while five were accredited to offer insurance-specific skills programmes. Furthermore, 23 public TVET college lecturers were trained to offer training on insurance-specific qualifications.

In November 2018, 36 TVET colleges attended the launch of the INSETA Public TVET Partnership in Johannesburg. This launch elevated the partnership of INSETA with public TVET colleges and provided the opportunity to communicate INSETA's plans to lay the foundation for future collaboration.

Several prominent speakers from government and industry delivered presentations. They provided insight on DHET's perspective on occupational qualifications, the role of the Quality Council for Trades and Occupations (QCTO) as a quality assurance body, and the roles of the professional bodies in relation to occupational qualifications. Nine public TVET colleges were awarded INSETA accreditation certificates at the event.

Launch of the Rural Development Learnership Programme

INSETA partnered with five companies during the period under review to implement the INSETA Rural Development Learnership Programme in the King Sabatha Dalindyebo Municipality in the Eastern Cape. Seventy-five learners from the Qunu area participated in the programme.

Financial review

The improvement in INSETA's financial performance for the period under review is reflected on several fronts.

Revenue earned, costs incurred and commitments at the reporting date improved compared to the previous year. All spending was within the constraints of the levy funding regulations.

Revenue from the Skills Development Levy (SDL) increased by 9%. Penalties and interest imposed on employers for late payment of SDLs decreased by 24% compared to the previous year. This is indicative of an improvement in compliance by employers in the insurance sector in submitting and paying levies to the South African Revenue Service (SARS).

INSETA incurs expenditure in three segments: administration, discretionary projects and mandatory grants.

In line with the above noted increase in revenue, there was a commensurate increase of 9% in mandatory grants repaid to qualifying employers.

Although expenditure on discretionary projects increased by 2% from the previous year, at the end of 2018/19, contractual commitments totalled R448 million in relation to discretionary projects. Outflow of funds related to these commitments is expected in the subsequent year/s.

Administration expenditure decreased by 4% owing to conscious measures taken to improve cost efficiency in the administration of the entity.

A cash surplus of R63 million was uncommitted and requested for roll over into the 2019/20 financial year for use in implementing discretionary projects.

There were no known threats to the entity's economic viability in the foreseeable future. Levies are expected to be received and expenditure incurred in line with the Skills Development Levies Act (SDLA).

The INSETA Supply Chain Management (SCM) processes are performed in line with Section 217 of the Constitution of the Republic of South Africa, the Public Finance Management Act (PFMA), Preferential Procurement Policy Framework Act (PPPFA), National Treasury's SCM regulations, National Treasury's instruction notes and other applicable legislations. INSETA implements its procurement process through its SCM policy, which is reviewed annually to align with National Treasury updates.

To eliminate any SCM associated risk, such as fraud, corruption and non-compliance with relevant legislations, INSETA's procurement system includes robust internal controls and segregation of duties to ensure fairness in the SCM process. The SCM processes are implemented by experienced and qualified personnel.

The insourcing of financial administration and management has gone about smoothly and there were no significant transitional challenges.

Appreciation

I am pleased to report that INSETA's financial and operational performance remain at high levels and would like to thank my management team and staff for their continued commitment to high performance and the achievement of the goals and objectives described in this report.

On behalf of my team, I would also like to thank the INSETA Board for their strategic leadership and sound governance oversight.

Nadia Starr
Chief Executive Officer INSETA
31 July 2019

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

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

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General of South Africa.
- The annual report is complete, accurate and free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) applicable to the public entity.

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

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

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2019.

MV Mokgobinyane
Independent Chairperson of the INSETA Board

Nadia Starr
Chief Executive Officer

6. 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

7. STRATEGIC OUTCOME-ORIENTED GOALS

INSETA's seven strategic goals are structured within four key programme areas. Six of these goals are driven by the National Skills Development Strategy III (NSDS III) and one is an operational goal.

The four programme areas are as follows:

PROGRAMMES	AREA	GOALS
Programme 1	Administration	Goal 7
Programme 2	Skills Planning	Goals 1 and 3
Programme 3	Learning Programmes	Goals 2, 3, 4 and 5
Programme 4	Quality Assurance	Goal 6

INSETA set the following strategic goals for 2018/19:

- *Strategic Goal 1:* A credible institutional mechanism for skills planning in the sector.
- *Strategic Goal 2:* Increased access to occupationally directed programmes.
- *Strategic Goal 3:* Encouraging better use of workplace-based skills development.
- *Strategic Goal 4:* Encouraging and supporting cooperatives, small enterprises, worker-initiated, non-governmental organisation (NGO) and community training initiatives.
- *Strategic Goal 5:* Building career and vocational guidance.
- *Strategic Goal 6:* Development, registration and quality assurance of occupational qualifications in both public TVET and private education, thereby promoting the growth of a public TVET sector college system that is responsive to sector, local, regional and national skills needs and priorities.
- *Strategic Goal 7:* A capable and agile organisation.

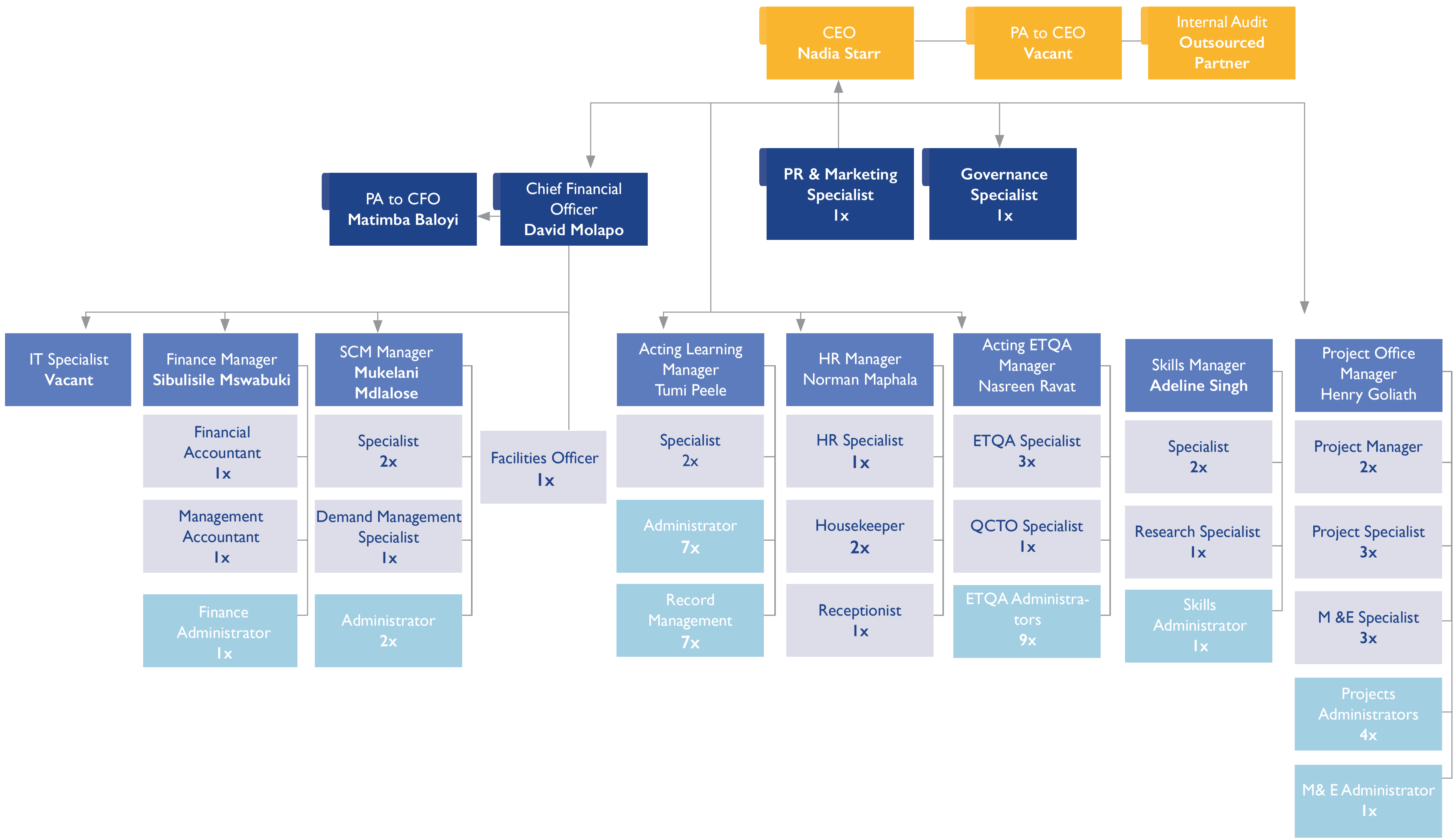
8. LEGISLATIVE AND OTHER MANDATES

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

The table below presents the Acts and other mandate documents that predominantly direct and influence INSETA's role in skills development.

ACT OR OTHER MANDATE DOCUMENT	PURPOSE OF THE ACT OR OTHER MANDATES
Insurance Sector Education and Training Authority Constitution	Provides an institutional framework for the SETA to develop and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce.
Skills Development Act, Act 97 of 1998 (as amended)	Provides an institutional framework to develop and implement national, sector and workplace strategies to improve the skills of the South African workplace.
Public Finance Management Act, Act 1 of 1999 (as amended)	Seeks to regulate financial management and corporate governance in the national and provincial governments.
Skills Development Levies Act, Act 9 of 1999	Provides for the imposition of the Skills Development Levy and related matters.
The Financial Advisory and Intermediary Services Act, Act 37 of 2002	Sets out the fit and proper requirements for financial services providers. New requirements include compulsory regulatory examinations with strict timeframes laid down by the Financial Sector Conduct Authority (FSCA).
National Qualifications Framework Act, Act 67 of 2008	Provides for the National Qualifications Framework, a system for the classification, registration and publication of all national qualifications and part-qualifications.
National Skills Development Strategy III	Improves the skills development system to create 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	Commits government, business, labour and civil society organisations to promote skills development in line with the strategy objective of the New Growth Path (NGP) to create five million new jobs by 2020.
Sector Skills Plan (SSP)	As the research document produced by the SETA in each economic sector, using inputs from constituent employers, outlines key skills shortages and, specifically, a sector's top scarce and critical skills.
Annual Performance Plan (APP)	Contains INSETA's performance commitments and measurement framework.
Service-level Agreement (SLA)	Sets out the agreement between the Department of Higher Education and Training (DHET) and INSETA.

9. ORGANISATIONAL STRUCTURE



PART B

PERFORMANCE INFORMATION

10. INSETA 2018/2019 ANNUAL PERFORMANCE REPORT (1 APRIL 2018 TO 31 MARCH 2019)

INTRODUCTION

INSETA has identified seven key strategic programmes that aim to deliver on the strategic outcome-oriented goals. The table below represents a high-level summary of the programmes, strategic objective titles and performance indicators that support the NSDS III-

NO	STRATEGIC OUTCOME-ORIENTED GOAL	PROGRAMMES	STRATEGIC OBJECTIVE TITLE	PERFORMANCE INDICATOR
GOAL 1	A credible institutional mechanism for skills planning (NSDS III Indicator 4.1)	Skills Planning	To facilitate research within the three main subsector categories of INSETA to determine the demand and supply mismatch of skills	Research report on the demand for skills mismatch of occupations (jobs) annually provides direction to INSETA on the interventions required for the sector
				Research report on the supply of skills mismatch of occupations (jobs) annually provides direction to INSETA on the interventions required for the sector
				Research report on the qualification-job mismatch annually provides direction to INSETA on the interventions required for the sector
			Assess the impact of INSETA learning programmes	Impact study report of two INSETA learning programmes annually
GOAL 2	Increased access to occupationally directed programmes (NSDS III Indicator 4.2)	Occupationally Directed Programmes	Support youth entering learning programmes	Number of youth entering university or TVET through bursaries to obtain scarce and critical qualifications
				Number of youth entering learnerships
				Number of rural youth entered in learnerships
				Number of youth entering skills programmes in industry required skills
			Support youth completing learning programmes	Number of youth successfully completing bursary studies in scarce and critical skill qualifications
				Number of youth successfully completing learnerships
				Number of youth successfully completing skills programmes in industry-required skills

ACTUAL ACHIEVEMENT 2017/2018	PLANNED TARGET 2018/2019	ACTUAL ACHIEVE-MENT 2018/2019	DEVIATION FROM PLANNED TARGETS	REASONS FOR DEVIATIONS	LINK TO STRATEGIC PLAN
N/A	1	1	0	Target achieved	This goal addresses the need to analyse sector data annually and collaborate with stakeholders.
N/A	1	1	0	Target achieved	
N/A	1	1	0	Target achieved	
N/A	1	1	0	Target achieved	
887	850	1 299	+449	A higher demand for learners by employers was met with availability of funds to meet the demand	This goal addresses the economically depressed areas in all nine provinces, annually.
1 339	1 300	1 492	+192	A higher demand for learners by employers was met with availability of funds to meet the demand	This goal targets learners in all nine provinces annually.
N/A	100	258	+158	A higher demand for learners by employers was met with availability of funds to meet the demand	
1 341	1 100	1 166	+66	Due to TVET colleges charging a lower rate, more learners were trained than planned for.	
757	700	1 096	+396	More learners entered the programme, resulting in higher number of completions.	This goal addresses the economically depressed areas in all nine provinces annually.
1 124	910	966	+56	More learners entered the programme, resulting in higher number of completions	This goal targets learners in all nine provinces annually.
1 852	840	1 102	+262	More learners entered the programme, resulting in higher number of completions. There was a higher success rate experienced with completion of TVET-run skills programmes	

NO	STRATEGIC OUTCOME-ORIENTED GOAL	PROGRAMMES	STRATEGIC OBJECTIVE TITLE	PERFORMANCE INDICATOR
GOAL 2			Support youth receiving full or part qualifications	Number of youth receiving full or part qualifications through bursaries
				Number of youth receiving full or part qualifications through learnerships
				Number of youth receiving full or part qualifications through skills programmes
			Youth supported with workplace-based experience through internship programmes nationally	Number of youth entering internship programmes
			Youth supported with completing internship programmes nationally	Number of youth completing internship programmes
			Youth accepted into employment after completion of internship programmes	Number of youth accepted into employment after completion of internship programmes
				Number of University graduates supported to access workplace experience through internship programmes
			TVET and university graduates supported with workplace experience through internships	Number of TVET graduates supported to access workplace experience through internships
				Number of TVET graduates completing workplace experience through internship programmes
GOAL 3	Better use of workplace-based skills development (NSDS III Indicator 4.5)	Workplace-based skills development	Workers entering learning programmes through bursaries, skills programmes and learnerships	Number of workers entering university or TVET college through bursaries at intermediate level towards scarce and critical qualifications
				Number of workers entering university or TVET college through bursaries at advanced level towards scarce and critical qualifications
				Number of workers entering candidacy programmes
				Number of workers entering learnerships
				Number of workers entering skills programmes in scarce and critical skills

ACTUAL ACHIEVEMENT 2017/2018	PLANNED TARGET 2018/2019	ACTUAL ACHIEVE-MENT 2018/2019	DEVIATION FROM PLANNED TARGETS	REASONS FOR DEVIATIONS	LINK TO STRATEGIC PLAN
597	480	1 011	+531	More learners entered the programme, resulting in higher number of completions	This goal addresses the economically depressed areas in all nine provinces annually.
713	637	626	-11	Learnerships completed late in financial year and verifications were not all completed for certification before year end.	This goal targets learners in all nine provinces annually.
622	588	897	+309	More learners entered the programme, resulting in higher number of completions	
825	1 000	1 187	+187	A higher demand for learners by employers was met with availability of funds to meet the demand	This goal targets learners in all nine provinces annually.
569	560	565	+5	Target achieved.	
449	392	412	+18	A higher number than targeted commenced internship in prior year, resulting in higher than expected absorption after completion	
N/A	50	116	+66	Industry appetite for graduate placement was higher than expected.	
328	500	551	+51	Improved communication with the sector regarding placement of TVET college graduates led to higher demand for learners.	This goal addresses the need to provide workplace experience for TVET learners
351	250	266	+16	Higher number of TVET college graduates entered the programme in the prior year. TVET college graduates are committed to completing the internships in order to obtain their National Diploma.	
N/A	800	854	+54	More applications than expected were received and these were supported due to availability of funds from INSETA.	This goal targets learners in all nine provinces annually.
N/A	400	403	+3	This target was met	
N/A	50	65	+ 15	The requirement to professionalise the sector led to increased demand for funding.	
1 132	1 050	1 545	+495	A higher demand for learners by employers was met with availability of funds to meet the demand	
2 401	2 900	2 945	+45	A higher demand for learners by employers was met with availability of surplus funds to meet the demand	

NO	STRATEGIC OUTCOME-ORIENTED GOAL	PROGRAMMES	STRATEGIC OBJECTIVE TITLE	PERFORMANCE INDICATOR
GOAL 3			Workers completing learning programmes	Number of workers completing university or TVET college through bursaries at intermediate level towards scarce and critical qualifications
				Number of workers successfully completing learnerships
				Number of workers completing skills programmes in scarce and critical skills
			Workers achieving full or part qualifications	Number of workers receiving full or part qualifications through bursaries for intermediate-level qualifications
				Number of workers receiving full or part qualifications through learnerships
				Number of workers receiving full or part qualifications through skills programmes
			Support registered workplaces to received mandatory grant refunds	Mandatory grants paid to large firms
				Mandatory grants paid to medium firms
				Mandatory grants paid to small firms
GOAL 4	Training and support provided to sector cooperatives, small enterprises and NGOs (NSDS Indicator 4.6)	Co-operatives, SMEs, NGOs and CBOs	Support small and micro enterprise (SME) workers and cooperative members through entering learning programmes	Number of small business workers entering skills programmes
				Number of small business workers entering university or TVET college through bursaries in areas of scarce and critical skills
				Number of co-operative members (burial societies) entering skills programmes
			Support SME workers and cooperative members completing learning programmes	Number of small business workers completed skills programmes

ACTUAL ACHIEVEMENT 2017/2018	PLANNED TARGET 2018/2019	ACTUAL ACHIEVE-MENT 2018/2019	DEVIATION FROM PLANNED TARGETS	REASONS FOR DEVIATIONS	LINK TO STRATEGIC PLAN
N/A	720	745	+25	More learners entered the programme, resulting in higher number of completions	This goal targets learners in all nine provinces annually.
1 059	790	815	+25	More learners entered the programme, resulting in higher number of completions	
2 047	1 690	2 595	+905	Success rate in completion of skills programmes was higher than previously experienced.	
N/A	500	685	+185	Higher than expected pass and certification rate for intermediate-level bursaries	This goal targets learners in all nine provinces annually.
566	520	579	+59	There were more learners enrolled in learnerships, resulting in more successful certifications at the end of the learning programmes	
2 045	1 530	2 595	+1 065	There was a higher demand, which was met by the availability of funds. A high success rate was experienced in the achievement of skills programmes in larger entities.	
119 (136%)	68	107	+39	Higher participation from stakeholders than envisaged.	This target addresses the need to increase the workplace learning of workers in registered workplaces through annual mandatory grant incentives.
91 (112%)	60	84	+24	Higher participation from stakeholders than envisaged.	
449 (109%)	405	440	+35	Higher participation from stakeholders than envisaged.	
1 010	750	351	-399	The skills programmes offered were not aligned to small business needs, hence there was low uptake from small businesses. A review of the contact time needs to be conducted and a more blended delivery approach followed in future.	This goal targets learners in all nine provinces annually.
161	150	150	0	Target achieved	
714	1 000	1 014	+14	There was a higher level of attendance than anticipated, resulting in over-achievement of this target.	
1 084	500	355	-145	The programmes offered were not aligned to small business needs, hence the low take up. The achievement was impacted on by low uptake for the entered target.	This goal targets learners in all nine provinces annually.

NO	STRATEGIC OUTCOME-ORIENTED GOAL	PROGRAMMES	STRATEGIC OBJECTIVE TITLE	PERFORMANCE INDICATOR
GOAL 4				Number of workers successfully completing bursary studies in areas of scarce and critical skills
				Number of co-operative members (burial societies) completed skills programmes
			Support SME workers and cooperative members to achieve full or part qualifications	Number of small business workers receiving full or part qualifications through skills programmes
				Number of small business workers receiving full or part qualifications through bursaries
				Number of co-operative members (burial societies) receiving full or part qualifications through skills programmes
			Support to small and micro enterprises and cooperatives to access INSETA funding	Number of small and micro enterprises supported to access INSETA funding
				Number of cooperatives, including burial societies, supported to access INSETA funding
GOAL 5	Building career and vocational guidance (NSDS III Indicator 4,8)	Career and Vocational Guidance	Provide career guidance and development information to youth both within the sector and to prospective entrants to the sector	Number of district municipalities reached with career guidance to youth
			Update the career guide	
		Partnering with the public industry	Forge partnerships with public institutions and industry	Number of public institutions partnered with
				Number of industry partnerships
GOAL 6	Promoting the growth of the public TVET sector college system that is responsive to the sector, local, regional and national skills needs and priorities (NSDS III Indicator 4,3)	TVET college system	Public TVET lecturers developed to support the implementation of INSETA programmes	Number of TVET lecturers developed to support the implementation of INSETA programmes
			TVET colleges awarded programme approval as INSETA training providers	Number of programme approvals awarded to TVET colleges
			To realign the legacy qualifications, consult with various stakeholders and submit to the QCTO for approval	Realignment of insurance-specific legacy qualifications to the occupational qualification model

ACTUAL ACHIEVEMENT 2017/2018	PLANNED TARGET 2018/2019	ACTUAL ACHIEVE-MENT 2018/2019	DEVIATION FROM PLANNED TARGETS	REASONS FOR DEVIATIONS	LINK TO STRATEGIC PLAN
122	105	85	-20	Lower number of candidates attained pass rates than anticipated, resulting in the target not being achieved.	
490	700	925	+225	There was a high take up and that resulted in higher completion rates.	
536	342	470	+128	Due to learners enrolled in the previous financial year being certificated in the current financial year, the target was over-achieved.	This goal targets learners in all nine provinces annually.
78	75	76	+1	Target achieved	
385	600	615	+15	Due to higher attendance rates, a positive impact resulted in the achievement of part qualifications.	
905	670	746	+76	The demand was higher than expected	This goal targets learners in all nine provinces annually.
113	105	117	+12	The demand was higher than expected	
19	18	24	+6	Demand was higher than expected	This objective will contribute to supporting partnerships with schools, TVET colleges, universities and the South African Qualifications Authority (SAQA) in the roll-out of career guides
31 Dec 17	31 Dec 18	31 Dec 18	0	Target achieved	
Seven TVET colleges	Seven TVET colleges	Seven TVET colleges	0	Target achieved	
Two industry partners	Two industry partners	Two industry partners	0	Target achieved	
10	10	23	+13	Higher interest from the public TVET colleges due to INSETA's launch of new TVET partnership	Strengthening the TVET sector is linked to occupational and workplace- based skills programmes
4	4	10	+6	Higher interest from the TVET colleges due to INSETA's launch of new TVET partnership	
N/A	4	4	0	Due to extensive sector engagement and professional body commitment and support, re-alignment of qualifications was achieved.	

NO	STRATEGIC OUTCOME-ORIENTED GOAL	PROGRAMMES	STRATEGIC OBJECTIVE TITLE	PERFORMANCE INDICATOR
GOAL 7	A capable and agile organisation (NSDS III Indicator 4.5)	Effective corporate governance	Maintain effective corporate governance	Number of strategic risks identified and mitigated through a Board risk assessment workshop
				Number of significant audit findings
			Develop and implement a quality management system	Number of policies reviewed and aligned to applicable legislation
				Number of employees trained in the use of approved policy and processes
			Establish an effective supply chain management unit	Number of significant SCM audit findings
				Number of employees receiving SCM-related training
			Increase effective and efficient use of financial resources	Increased discretionary fund spend and commitment rate against reserves

ACTUAL ACHIEVEMENT 2017/2018	PLANNED TARGET 2018/2019	ACTUAL ACHIEVE-MENT 2018/2019	DEVIATION FROM PLANNED TARGETS	REASONS FOR DEVIATIONS	LINK TO STRATEGIC PLAN
N/A	2	13	+11	Target achieved	This objective underpins all the other strategic objectives
N/A	1	1	0	Target achieved	
N/A	15	16	+ 1	Target achieved	
N/A	30	30	0	Target achieved	
N/A	1	1	0	Target achieved	
N/A	15	25	+10	Target achieved	
N/A	95%	0	-95%	This target was not achieved	

11. OVERVIEW OF INSETA'S PERFORMANCE

11.1 Auditor's Report: Predetermined Objectives

The Auditor-General of South Africa (AGSA) performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. This is reported under the "Predetermined objectives" heading in the "Report on other legal and regulatory requirements" section of the Auditor's Report.

Refer to page xx of the Report of the Auditors, which is published in Part E: Financial Information.

11.2 Service delivery environment

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

The following skills priorities have been identified within the insurance and related services sector:

- Advance the employability potential of young adults.
- Support the development of scarce and critical skills in the sector.
- Promote the professionalism of the sector.
- Support rural development initiatives through partnerships.

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

Key drivers of change in the sector

Change driver	Explanation of how it is a change driver
Social networks and changing customer behaviour	In recent years, online social networking has emerged as a strong component of social interaction. Financial institutions are starting to recognise the opportunities social media can bring to their businesses. They are looking to gain a competitive advantage over other institutions, while also trying to mitigate the threats posed by social media. Until recently, the sector has lagged behind some others in its comprehensive adoption of social media. However, many companies are now using social media to revolutionise the traditional business models upon which the finance sector has relied for decades.
Technology, innovation and financial technology (FinTech) companies	FinTech companies are generally start-ups trying to disintermediate incumbent financial systems and challenge traditional corporations that are less reliant on software. The FinTech sector is booming: the FinTech market captured over US$12 billion in investments since 2015, a three-fold increase on the previous year. New start-ups are popping up at an increasing pace, and large banks and insurance companies are being pushed towards increasing digital operations to survive. Goldman Sachs estimates that FinTech start-ups could be taking up to US$470 billion in profits alone from bigger service companies in the financial industry.
Environmental and sustainability issues	Climate change is the most significant challenge to achieving sustainable development, and it is not just a long-term issue. It is happening today and holds uncertainties for policy makers trying to shape the future who are unsure of the local, regional, societal and economic impacts. Many of the decisions made now will have long-term consequences and remain sensitive to climate conditions.
Economic change and future growth opportunities	The future may be hard to predict, but need not be hard to prepare for. Insurers are grappling with the tough new business, investment and regulatory environments that are emerging from the financial crisis. The industry also faces far broader challenges. Demographic shifts, the rise in the power of emerging markets and changing customer behaviour will help shape the sector's longer-term future. Insurers who can anticipate and plan for change can create their own future.
Regulatory and political landscape	There are strong signs that Africa's insurance industry is currently in a transformation phase, according to KPMG's South African Insurance Survey 2015. The report states that the challenges faced by businesses today are fundamentally different to those of 20 to 30 years ago. The global risk landscape has been marred by political conflict in both emerging and developed markets, highlighting the growing need for political risk insurance globally. Thus, the underwriting of political risk insurance, locally and internationally, is a growing business.

11.3 Organisational environment

The INSETA Board provides strategic direction to management and fulfils an oversight role. INSETA's core divisions are as follows:

- The Skills Planning and Research Division is responsible for determining skills demand and research, which informs INSETA's Strategic Plan and Annual Performance Plan. It is also responsible for registration and support to companies for the submission of Workplace Skills Plans (WSPs) and the Annual Training Report (ATR), as well as recommending the payment of mandatory grants. Finally, it is responsible for ensuring that all employers are compliant with the Skills Development Act (SDA) and basic business requirements before being declared eligible for Discretionary Grant funding.
- The Learning Division is responsible for all learning programmes. These learning programmes are streamed into Unemployed Youth and Worker programmes. The division looks after the registration and management of PIVOTAL (professional, vocational, technical and academic learning) programmes such as learnerships, internships, bursaries and skills programmes, as well as catalytic programmes such as Broker Development, and Management and Leadership Development.
- The Quality Assurance Division is responsible for the accreditation of skills development providers, the registration of assessors and moderators, the verification of learning, the certification of learners and the development of occupational qualifications and/or realignment of legacy qualifications to occupational qualifications.

INSETA's support divisions are as follows:

- The Office of the Chief Financial Officer (CFO) is responsible for financial management.
- Supply Chain Management is responsible for the procurement of resources, products and services.
- Human Resources (HR) is responsible for the management and administration of all human resource-related matters.
- Project Management is responsible for the management of projects, including the management of projects for TVET work-integrated learning and bursaries for youth.

In addition, INSETA has regional representation through two TVET colleges in the Eastern Cape: Ikhala in Queenstown and Ingwe in Mount Frere. The DHET allocated these two colleges to INSETA.

12. STRATEGIC OUTCOME-ORIENTED GOALS

INSETA is committed to meeting the skills needs of the sector and remaining true to the national strategic imperatives of transformation. This commitment to transformation includes developing the skills of INSETA's existing workforce by providing bursaries to enable improved stakeholder service provision.

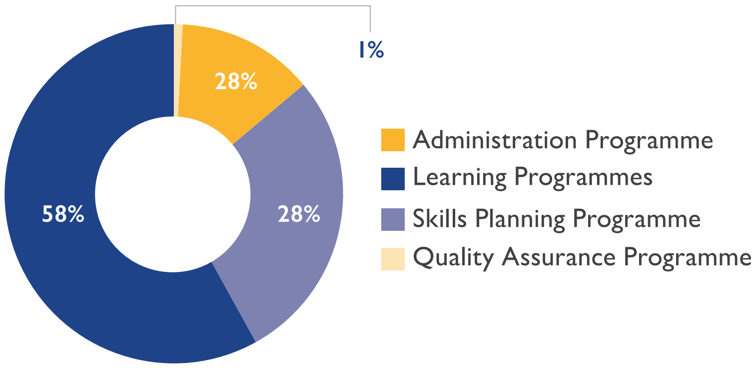
INSETA has identified four key strategic programmes to deliver on the seven strategic outcome-oriented goals and one administration goal. INSETA is satisfied with its target achievement rate of 93% in 2018/19. It is notable that the full target includes performance in excess of targets in some areas.

Programme	Strategic goal	Number of indicators	Number of indicators achieved	Comment
1. Administration	A capable and agile organisation	7	6	Partially achieved
2. Skills Planning	A credible institutional mechanism for skills planning (NSDS III Indicator 4.1).	4	4	Fully achieved
3. Learning Programme and Projects	Increased access to occupationally directed programmes (NSDS III Indicator 4.2).	15	14	Partially achieved
	Better use of workplace-based skills development (NSDS III Indicator 4.5).	14	14	Fully achieved
	Training and support provided to sector cooperatives, small enterprises and NGOs (NSDS Indicator 4.6).	11	8	Partially achieved
	Building career and vocational guidance (NSDS III Indicator 4.8).	4	4	Fully achieved
4. Quality Assurance	Promoting the growth of the public TVET sector college system that is responsive to the sector, local, regional and national skills needs and priorities (NSDS III Indicator 4.3).	3	3	Fully achieved
	Total	**58**	**54**	**93%**

The table below represents a high-level summary of the programmes, including discretionary project funding allocations that align with INSETA's strategy and support the strategic goals of the NSDS III for 2018/19.

NSDS's STRATEGIC OUTCOME-ORIENTED GOAL	DESCRIPTION	FUNDING EXPENSE
Programme 1	Administration	**R51 670 035**
Programme 2	Skills Planning	**R114 014 521**
Programme 3	Learning Programme and Projects	**R239 834 069**
Programme 4	Quality Assurance	**R3 970 374**

Program Structure 18/19



13. SUMMARY OF FINANCIAL INFORMATION

13.1 Revenue collection

Sources of revenue	2018/19			2017/18		
	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	R471 000	R502 345	R31 345	R455 000	R459 298	R4 298
Levies: penalties and interest	R0	R4 910	R4 910	R0	R6 465	R6 465
Investment and other income	R20 188	R33 484	R13 296	R12 600	R25 826	R13 226
Total	**R491 188**	**R540 739**	**R49 551**	**R467 600**	**R491 589**	**R23 989**

13.2 Strategy to overcome areas of underperformance

INSETA has incorporated insurance work-readiness programmes and regulatory compliance support programmes for youth in all learnerships and TVET internship programmes to increase the rate of completion and achievement of INSETA-funded programmes and to encourage higher absorption rates by employers of these unemployed youth.

Small businesses face unique challenges that impact on their ability to grow, while remaining compliant with regulatory requirements. It follows that the approach to the skills development mode of delivery that best suits these entities needs to be reviewed to be more agile, relevant and involve less time out of office. INSETA plans to launch an online platform that facilitates micro-learning and accessibility to regulatory exam support and short courses through the portal to better support small business needs and to reach a wider geographical spread of stakeholders.

The actuarial profession has consistently featured on INSETA's scarce and critical list over the past few years. INSETA is extending its support of actuarial students towards the aim of attaining improved pass rates during their bursary-funded period. Graduate support will be provided from 2019 to graduates to attain professional designations with the Actuarial Society of South Africa.

13.3 Changes to annual performance targets

There was an error in the APP targets for the 2018/19 financial year where the APP target for workers receiving full or part qualifications through skills programmes reflected an inconsistency in the APP, in that it is stated that INSETA's target is 1 530 on page 36, but according to the quarterly breakdown on page 52, the target is 1 230. The INSETA Board has acknowledged the error and inconsistency and structed management to correct the inconsistency by confirming the target to be 1 530 for the indicator.

13.4 Highlights

Innovation

INSETA has taken up the challenge around the Fourth Industrial Revolution (4IR) by partnering with captains of industry in addressing the newly identified skills needs created by the disruption of technological advances charactering the 4IR. Projects are currently commencing in support of growing future skills, such as the training of data engineers, the training of application developers and the sourcing and use of career development applications.

Rural Development Learnership Programme

INSETA has partnered with five companies to implement the Rural Development Learnership Programme in the King Sabatha Dalindyebo Municipality in the Eastern Cape. The companies that participated in this initiative were Kunene Makopo, Sanlam, MMI Holdings, WorkersLife and Avbob. Seventy-five learners from the Qunu area participated in this programme.

Support of skills development providers

INSETA hosted 32 skills development providers at a national support workshop on 28 February 2019. The purpose of the workshop was to capacitate the newly QCTO-accredited skills development providers for the Occupational Qualifications Insurance Underwriter National Qualifications Framework (NQF) Level 5, as well as the Claims Assessor NQF Level 4 qualifications.

Implementation of occupational qualifications

The Insurance Agent: Insurance Underwriter (91784) NQF Level 5 qualification was the first occupational qualification to be implemented in the insurance sector in 2018. Employed learners from across the sector were registered on this qualification and six learners successfully achieved the qualification.

Implementation of external integrated summative assessment

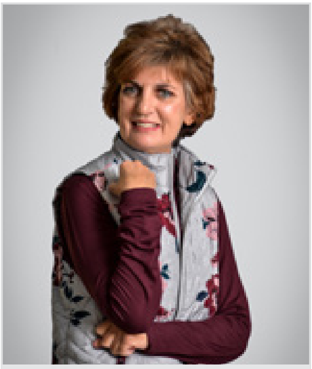
INSETA successfully implemented the first-ever external integrated summative assessment (EISA) on 6 December 2018 for the Insurance Agent: Insurance Underwriter (91784) NQF Level 5 qualification. This assessment seeks to standardise assessment. Sixteen learners sat for the EISA against this qualification.

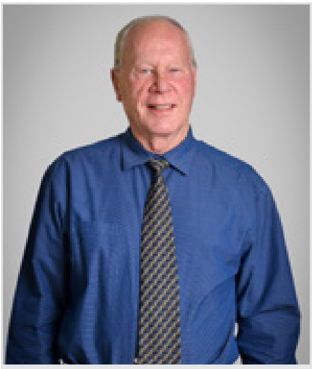
PART C

GOVERNANCE

MEMBERS OF THE BOARD


M.V. Mokgobinyane
(Chairperson)

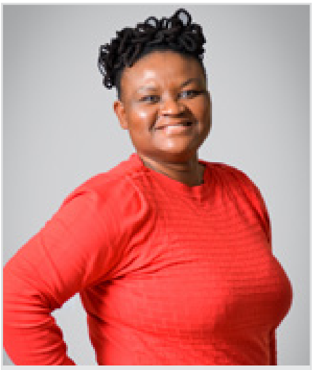

G. Conradie
(Labour)


B. McKay
(Labour)


L. Hollis
(Labour)


R. Motlhabane
(Labour)


M. Soobramoney
(Labour)


T.S Dinyake
(Labour)


A. D'Alton
(Business)


M. Machai
(Business)


A. Khoza
(Business)


W. Hiller van Rensburg
(Business)


J. Ramsunder
(Business)


V. Pearson
(Business)


I. Ramputa
(Community Organisation)


P. Govender
(Professional Bodies)

INDEPENDENT AUDIT AND RISK COMMITTEE MEMBERS

A.N Mhlongo
(ARC Chairperson)

M.W Shezi

N.C Nyakaza

J.D Watson

14. REPORT OF THE ACCOUNTING AUTHORITY

The Accounting Authority (the Board) takes responsibility for the preparation of the annual financial statements. The Board is of the opinion that, based on INSETA's assurance model, these financial statements fairly present its financial position as at 31 March 2019.

Corporate governance

The Board has oversight over the affairs of INSETA.

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

General review of the state of affairs

INSETA promotes and represents the training and development interests of the insurance sector 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 and developing sector in the South African economy. Approximately 5 140 employers in the insurance sector have registered with SARS. Of these, 2 571 are classified as levy contributors. INSETA represents a sector with a diverse range of employers, ranging from very small (10 employees in an organisation) to very large (in excess of 10 000 employees). The majority of the workforce represents skilled and highly skilled employees. The sector employs over 120 000 people, excluding people employed in micro enterprises and informal businesses.
INSETA has adopted a learning strategy, which is aimed at all levels of employment in the sector and is aligned to NSDS III.

INSETA's 80% levy income increased by approximately R43 million from R459 million in the 2017/18 financial year to R502 million for the 2018/19 financial year. The administration surplus increased by R8 234 000 for the 2018/19 financial year compared to the decrease of R127 000 from 2016/17 to 2017/18. The actual administration expenditure for the current financial year was R56 million (2017/18: R59 million). The decrease can largely be attributed to a decrease in personnel costs. Total project and grant expenditure for the current financial year amounted to R353 million (2017/18: R339 million). This increase can be attributed to an increased number of employers participating in mandatory grant payouts.

Allowances paid to Board members and Board subcommittee members

Members of the Board and the Board subcommittees or their employers are remunerated for their attendance at meetings of the Board and Board subcommittees. Disclosure of allowances paid is in accordance with Treasury Regulation 28.1.1 and is as follows:

Designation	Meeting/preparation fee per day
Chairperson	R5 549
Ordinary member	R4 317

The table below summarises all payments made to Board members and Board Subcommittee members.

Meeting fees accrued during the period under review	
Remuneration of board members	R1 812 986
Audit and Risk Committee members' attendance of Subcommittee meetings	R735 187
Total	**R2 548 173**

The following reflects payments to board members only.

Board remuneration

	Board		Executive Committee		Finance Committee	
Name	**Scheduled**	**Attended**	**Scheduled**	**Attended**	**Scheduled**	**Attended**
MV Mokgobinyane (Chairperson)	4	4	9	7	0	0
AD Alton	4	4	0	0	4	4
M Soobramoney	4	4	9	4	0	0
G Conradie	4	3	0	0	4	1
TS Dinyake	4	2	0	0	0	0
A Khoza	4	4	9	7	0	0
W Hiller van Rensburg	4	4	9	7	0	0
J Ramsunder	4	4	0	0	4	1
M Machai	4	4	0	0	4	4
V Pearson	4	4	0	0	0	0
B McKay	4	4	0	0	4	4
L Hollis	4	4	9	7	0	0
R Motlhabane	4	4	0	0	4	4
I Ramputa	4	2	0	0	0	0
RG Govender	4	4	0	0	4	4
S Rangasamy	4	0	0	0	0	0
Total						

Note: The amounts indicated above are paid to the member or the nominating organisation. The above schedule of payments excludes independent members of the Audit and Risk Committee.

Audit and Risk Committee		HR Committee		Special engagements	Total
Scheduled	Attended	Scheduled	Attended	Attended	Remuneration
0	0	0	0	24	262 878,34
0	0	0	0	8	123 532,36
0	0	0	0	7	96 054,00
4	4	0	0	1	75 549,00
0	0	4	0	1	25 168,65
0	0	0	0	9	148 083,00
0	0	0	0	11	156 717,00
4	4	0	0	7	129 735,00
4	1	4	2	5	136 058,00
0	0	4	2	3	69 252,00
0	0	4	3	8	143 483,00
0	0	0	0	4	120 876,00
0	0	0	0	4	90 657,00
0	0	4	2	7	93 121,00
0	0	0	0	9	133 188,00
0	0	0	0	1	8 634,00
					1 812 986,35

Remuneration of key management

As required by Treasury Regulation 28.1.1, issued in terms of the PFMA, management's remuneration during the period under review comprised the following components:

Chief Executive Officer: Sandra Dunn (1 April 2018 to 30 September 2018)

Designation	2018/19	2017/18
Cost of employment	R1 033 000	R1 958 000
Bonuses	R274 000	R259 000
Total	**R1 307 000**	**R2 217 000**

Acting Chief Executive Officer: Tumi Peele (1 October 2018 to 31 January 2019)

Designation	2018/19	2017/18
Cost of employment	R535 000	R0
Bonuses	R0	R0
Total	**R535 000**	**R0**

Chief Executive Officer: Nadia Starr (1 February 2019 to 31 March 2019)

Designation	2018/19	2017/18
Cost of employment	R313 000	R0
Bonuses	R0	R0
Total	**R313 000**	**R313 000**

Chief Financial Officer: David Molapo

Designation	2018/19	2017/18
Cost of employment	R1 773 000	R1 675 000
Bonuses	R162 000	R146 000
Total	R1 935 000	R1 821 000

MV Mokgobinyane
Independent Chairperson of the INSETA Board
31 July 2019

Nadia Starr
Chief Executive Officer INSETA
31 July 2019

15. CORPORATE GOVERNANCE

Corporate governance at INSETA is applied through the rules of the PFMA. The INSETA Board is ultimately responsible for corporate governance.

Executive Authority

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

Compliance with Laws and Regulations

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

Minimising Conflict of Interest

Several strategies are in place to minimise conflicts of interest in SCM. All practitioners signed the INSETA Code of Conduct for SCM officials, which provides for disclosures. Record is kept of all disclosures and all bid and tender committees have disclosure processes in place. There is adequate segregation of duties to avoid potential conflicts of interest in the various SCM and payment roles. INSETA also maintains a gift register where all gifts received by officials are recorded.

Code of Conduct

All employees sign a code of conduct when they commence their employment at INSETA. Suppliers who contract with INSETA have to sign a code of conduct for service providers. This raises awareness that a certain standard of behaviour and ethical conduct is required when transacting with INSETA. Where there is a breach of the relevant code, INSETA is entitled to pursue a remedy, either by disciplinary or by other rights granted by the contract.

Fraud and Corruption

No incidents of fraud and corruption were reported in the period under review.

Health, Safety and Environmental Issues

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

Audit and Risk Committee Report to the Inseta Board for the Year Ended 31 March 2019

INSETA is pleased to present its report for the financial year ended 31 March 2019.

Audit and Risk Committee members and attendance for the year

The INSETA Audit and Risk Committee consists of the members listed below. In accordance with its Charter, the Committee is required to meet at least four times a year. For the year under review, meetings, attendance and remuneration (independent members) are as shown in the table below. The remuneration of Board members serving on this committee is disclosed in the report of the Accounting Authority.

Audit and Risk Committee remuneration (independent members)

	Audit and Risk Committee		Special engagements	Total
Name	Scheduled	Attended	Attended	Remuneration
G Sandrock *	4	3	3	135 518,50
J Poggiolini* (Chairperson)	4	3	5	186 990,00
A.N Mhlongo** (Chairperson)	4	4	3	195 020,00
J.D Watson	4	2	1	83 513,72
M.W Shezi	4	2	2	112 465,00
N.C Nyakaza	4	1	0	21 680,00
Total				**735 187,22**

*Contract expired 30 September 2018
**Appointed as Chairperson from 1 October 2018

Special engagements include the Chairperson's attendance at three of the four scheduled Board meetings during the year, as well as members' attendance of a joint Audit and Finance Committee meeting.

Audit and Risk Committee responsibility

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

The Audit and Risk Committee adopted appropriate, formal terms of reference as its charter, which are reviewed on an annual basis. The Committee regulated its affairs in compliance with this charter and discharged all its responsibilities as contained therein.

The Effectiveness of Internal Controls

The Audit and Risk Committee has reviewed the following, among others:

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

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

Risk management

The Board has identified strategic risks, which have been rated and tolerance levels set. Management identifies operational risks on an ongoing basis. Management regularly reviews both strategic and operational risks and reports these to the Board. The risk management framework, along with the implementation plan and fraud prevention strategy, were reviewed during the period under review.

A contract with a key service provider ended in July 2018. INSETA's most significant risk for the period under review was ensuring that an appropriate service provider was appointed, systems implemented, processes revised and people trained. It is anticipated that this will remain a risk during 2019/20.

Governance

INSETA's governance is regulated primarily by the PFMA and Treasury Regulations. INSETA also considers codes of best practice when designing its governance and oversight arrangements.

Evaluation of financial statements

The Audit and Risk Committee has done the following:
Reviewed and discussed the audited financial statements included in the annual report with the Board and the AGSA

- Reviewed the AGSA's management report and management's response thereto
- Reviewed changes in accounting policies and practices
- Reviewed compliance with legal and regulatory provisions
- Reviewed adjustments resulting from the audit

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

Internal Audit

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

The Internal Audit function undertook audits of the discretionary grants and commitments, SCM, performance information and a review of the general controls in the information and communication technology (ICT) environment. The Internal Audit and External Audit functions have cooperated in the performance of the ICT audit.

While no significant findings were identified, there are a number of areas where processes could be improved, particularly in SCM. This will be a focus area for 2019/20.

A number of reports were received on the Whistleblowers' hotline during the year. While some of the reports were found to relate to contract management or staff-related issues, four required further investigation. At the end of the year, these investigations still needed to be finalised.

Based on the increased use of the Whistleblowers' hotline, the Committee identified the need to revise the relevant policies in the upcoming financial year.

Auditor-General of South Africa

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

Mr Anthony Nala Mhlongo
Chairperson of the Audit and Risk Committee
31 July 2019

PART D

HUMAN RESOURCE MANAGEMENT

16. INTRODUCTIONS

INSETA had a staff complement of 61 permanent employees and nine non-permanent employees as at 31 March 2019. The employment contract of the CEO ended on 30 September 2018 after nine years of excellent service at INSETA, during which time Ms Dunn took the organisation to a high performance level and successive clean audits.

The loss of the CEO and leadership in key management positions brought with it some challenges, but through the cooperation and commitment of the management and staff, and the excellent transitional stewardship of the Acting CEO, Ms Tumi Peele, and under the leadership of the new CEO, Ms Nadia Starr, the institution has now stabilised and all key posts are filled.

Seven interns are employed at INSETA to gain work experience in the field of their studies. Twenty-one fixed-term contract employees were appointed permanently after going through a recruitment process.

Staff meetings are part of employee engagements at INSETA. The standing agenda items include organisational performance and employee wellness. The Social Committee is also very active to ensure that employees have fun in a workplace that operates within a cost-containment environment.

INSETA implemented an online leave system from October 2018, where employees apply for leave on the system. This system is operating effectively.The HR employment policies and practices were reviewed and updated to be in line with legislation and best practice.

The INSETA Board recommended an organisational culture intervention exercise to assess employees' satisfaction. The process and engagement are ongoing and productive.

The Board approved the restructuring of the organisation in March 2019. This restructuring primarily affected three divisions: Project Office, Quality Assurance and the Learning Division. A change management specialist was appointed to facilitate the change process.

INSETA appreciates the value added by its employees and assists employees to improve their ability to perform by investing in their training and development. INSETA spent R1 188 000 on training and development in the 2018/19 financial year.

16.1. Organisational Structure and Workforce Size

The table below illustrates personnel expenditure (excluding performance awards) from the administration budget for the financial period 1 April 2018 to 31 March 2019. The administration personnel costs for 42 permanent employees was R18 963 785 for the year under review and is listed below. A further 19 permanent employees were paid from the Projects budget.

Table: Personnel costs by salary band

Level	Personnel expenditure	Percentage of personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee
Top Management	R3 132 640,00	17%	2	R1 566 320,00
Management	R5 135 082,00	27%	5	R1 027 016,00
Skilled	R7 133 153,00	38%	18	R396 286,00
Semi-skilled	R3 359 771,00	18%	15	R223 983,00
Unskilled	R203 139,00	1%	2	R101 569,00
Total	**R18 963 785,00**	**100%**	**42**	

16.2. Performance Rewards

The table below illustrates employee performance bonuses for the 2017/18 financial year that were paid in 2018/19.

Table: Performance rewards

Level	Performance rewards	Personnel expenditure	Percentage of performance rewards to total personnel cost
Top Management	R405 110,00	R3 132 640,00	13%
Management	R586 478,00	R5 135 082,00	11%
Skilled	R577 735,00	R7 133 153,00	8%
Semi-skilled	R192 224,00	R3 359 771,00	6%
Unskilled	R16 950,00	R203 139,00	8%
Total	**R1 778 399,00**	**R18 963 785,00**	**9%**

16.3. Training

Table: Training costs

Directorate/ business unit	Personnel expenditure (R'000) 2018/19, excluding project salaries and leave pay	Training expenditure (R'000)	Training expenditure as a percentage of personnel cost	Number of employees trained	Average training cost per employee (R'000)
All	R18 963 785,00	R1 188 000,00	6%	29	R40 965

16.4. Employment and Vacancies

Employment

There were 19 vacancies within the financial year, including key vacancies such as CEO. All key posts were filled and only four posts were vacant as at 31 March 2019. INSETA's positions are always filled through the company's recruitment and selection policy.

Table: Employment and vacancies

Level	Number of employees at 31 March 2018	Approved posts as at 31 March 2019	Number of employees at 31 March 2019	Approved posts vacant at 31 March 2019	Percentage of vacancies
Top Management	2	2	2	0	0%
Management	8	8	7	1	14%
Skilled	16	26	24	2	9%
Semi-skilled	10	27	26	1	4%
Unskilled	2	2	2	-	0%
Total	**38**	**65**	**61**	**4**	**6%**

16.5. Internal Employment Mobility

During 2018/19, there were 12 terminations of employment, as illustrated in the table below.

Table: Employment changes

Salary band	Employment at the beginning of the period (1 April 2018)	Appointments	Terminations	Employment at 31 March 2019
Top Management	2	1	1	2
Management	8	3	4	7
Skilled	16	10	2	24
Semi-skilled	10	21	5	26
Unskilled	2	0	0	2
Total	**38**	**35**	**12**	**61**

16.6. Terminations

The table below illustrates the reasons that staff left the organisation during the financial year. The turnover rate for the period was 17%.

Table: Reasons for staff movement

Reason	Number
Death	1
Resignation	6
Dismissal	1
Retirement	-
Ill-health	-
Expiry of contract	3
Other – absconded	1
Total	12

16.7. Labour Relations: Misconduct and Disciplinary Actions

There was one disciplinary enquiry during the period under review. The employee was dismissed for misconduct after a disciplinary enquiry had been completed.

16.8. Employment Equity

INSETA has an Employment Equity Committee, which addressed the following issues:

- Employee bursaries allocation
- The WSP/ATR and submission to the Education, Training and Development Practices Sector Education and Training Authority (ETDP SETA)
- Employment Equity Framework Report and submission of the Employment Equity Report to the Department of Labour

The EE Committee attended five days of employment equity training, which equipped members about employment equity matters

INSETA's employment demographics are reflective of the broader economically active demographics of the country. The tables below set out the status of employment equity in the organisation.

Table: Employment equity status: male

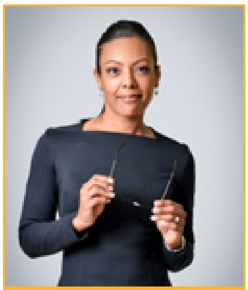
Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	0	0	0	0
Management	2	0	1	0	0	0	0	0
Skilled	9	0	0	0	0	0	1	0
Semi-skilled	5	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	**17**	**0**	**1**	**0**	**0**	**0**	**1**	**0**

Table: Employment equity status: female

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	1	0	0	0	0	0
Management	3	0	0	0	1	0	0	0
Skilled	10	0	1	0	2	0	1	0
Semi-skilled	19	0	2	0	0	0	0	0
Unskilled	2	0	0	0	0	0	0	0
Total	**34**	**0**	**4**	**0**	**3**	**0**	**1**	**0**

STAFF PHOTOS

STAFF


Nadia Starr

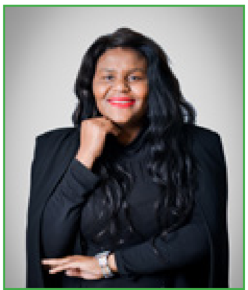

Lynn Tlale


Nerissa Sheopershad


Tshepo Mabika


David Molapo


Buli Mswabuki


Matimba Baloyi


Sello Baloyi


Sarah Richard


Zodwa Motloung


Norman Maphala


Mduduzi Mahlangu


Mukelani Mdlalose


Bellina Lupuwana


Mafiwa Malebatja


Akhona Wotshela


Nasreen Ravat


Kgothatso Modise


Phumelele Sithole

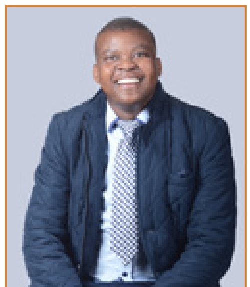

Siphiwe Yende


Martin Kolele


Sandisiwe Mgidi


Nomaswazi Malinga


Rosa Sephuma


Ngwako Mpebe


Athi Nomavila


Katlego Siko


Zibuyile Nkabinde


Tumi Peele


Stanley Matende


Ouma Nkoadi


Miranda Mthethwa

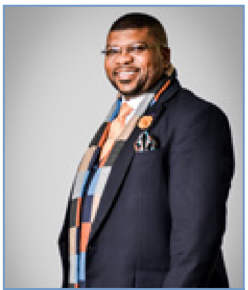

Nyiko Maholobela

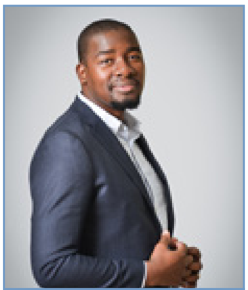

Nthabiseng Mazibukho


Mathoto Mokasane


Esethu Roro


Merriam Mashiane


Henry Goliath


Bonginkosi Mthombeni


Nonhlanhla Nkabinde


Lebogang Mabusela


Zanele Mashiane


Adeline Singh


Tasmin Davids


Ernest Kaplan


Aubrey Manganyi

PART E

FINANCIAL INFORMATION

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INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY

inseta

INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY

Insurance Sector Education and Training Authority
Annual Financial Statements for the year ended 31 March 2019

Index

The reports and statements set out below comprise the annual financial statements presented to the parliament:

DHET	Department of Higher Education and Training
GRAP	Generally Recognised Accounting Practice
INSETA	Insurance Sector Education and Training Authority
NSF	National Skills Fund
SARS	South African Revenue Service
SDL	Skills Development Levy
SETA	Sector Education and Training Authority
PFMA	Public Finance Management Act No.1 of 1999
QCTO	Quality Council for Trades and Occupations
UIF	Unemployment Insurance Fund

Statement of responsibility

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended.

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.

The Accounting Authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement.

The external auditors are responsible for expressing an independent opinion on the financial statements of INSETA.

The annual financial statements set out on pages 3 to 39 were approved by the Accounting Authority on 29 May 2019 and were signed on its behalf by:

MV Mokgobinyane
Board Chairperson

Nadia Starr
Chief Executive Officer

Auditor's report

Insurance Sector Education and Training Authority (INSETA)
31 July 2019

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Insurance Sector Education and Training Authority (INSETA) set out on pages 62 to 98, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the INSETA as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the public entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

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

Responsibilities of the accounting authority for the financial statements

6. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA and the SDA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the accounting authority is responsible for assessing the INSETA's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 2 – skills planning	18
Programme 3 – learning programmes and projects	19 - 25

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

14. I did not raise any material findings on the usefulness and reliability of the reported performance information for:
    - Programme 2 – skills planning
    - Programme 3 – learning programmes and projects

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 18 to 25 for information on the achievement of planned targets for the year and explanations provided for the overachievement of a significant number of targets.

Report on the audit of compliance with legislation

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

18. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

22. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

23. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

24. I did not identify any significant control deficiencies in internal control.

Auditor General

Auditor-General

Pretoria

31 July 2019

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

Financial statements

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

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Statement of Financial Position as at 31 March 2019

	Note	2019 R'000	2018 R'000 Restated*
Assets			
Current Assets			
Consumables		13	39
Operating lease asset		-	57
Receivables from exchange transactions	3	9,841	6,845
Receivables from non-exchange transactions	4	1,847	2,531
Cash and cash equivalents	5	581,200	461,585
		592,901	**471,057**
Non-Current Assets			
Property, plant and equipment	6	3,722	3,233
Intangible assets	7	129	288
Receivables from exchange transactions	3	-	1,700
		3,851	**5,221**
Total Assets		**596,752**	**476,278**
Liabilities			
Current Liabilities			
Finance lease obligation	8	18	-
Operating lease liability		293	-
Payables from exchange transactions	9	6,717	6,295
Payables from non-exchange transactions	10	36,646	48,919
Provisions	11	5,580	4,816
		49,254	**60,030**
Total Liabilities		**49,254**	**60,030**
Net Assets		**547,498**	**416,248**
Reserves			
Administration reserve		3,851	3,360
Employer grant reserve		127	130
Discretionary reserve		543,520	412,758
Total Net Assets		**547,498**	**416,248**

* See Note 22

Statement of Financial Performance

	Note(s)	2019 R '000	2018 Restated* R '000
Revenue			
Revenue from exchange transactions			
Interest income	13	33,257	25,826
Other income from exchange transactions	14	227	-
Total revenue from exchange transactions		**33,484**	**25,826**
Revenue from non-exchange transactions			
Transfer revenue			
Skills Development Levy: Income	15	502,345	459,298
Skills Development Levy: Penalties and Interest		4,910	6,465
Total revenue from non-exchange transactions		**507,255**	**465,763**
Total revenue		**540,739**	**491,589**
Expenditure			
Employer grants and project expenses	16	(353,019)	(339,412)
Administration expenses	17	(56,470)	(59,117)
Total expenditure		**(409,489)**	**(398,529)**
Surplus for the year	**12**	**131,250**	**93,060**

* See Note 22

Statement of Changes in Net Assets

	Note	Administration reserve R '000	Employer grant reserve R '000	Discretionary reserve R '000	Total reserves R '000	Unappropriated surplus R '000	Total net assets R '000
Opening balance as previously reported		1,011	242	320,809	322,062	-	322,062
Adjustments							
Prior year adjustments		1,126	-	-	1,126	-	1,126
Balance at 01 April 2017 as restated*		**2,137**	**242**	**320,809**	**323,188**	**-**	**323,188**
Changes in net assets							
Surplus for the year		-	-	-	-	93,060	93,060
Allocation of unappropriated surplus	12	1,223	6,767	85,070	93,060	(93,060)	-
Excess transferred to discretionary reserve		-	(6,879)	6,879	-	-	-
Total changes		1,223	(112)	91,949	93,060	-	93,060
Restated* Balance at 01 April 2018		**3,360**	**130**	**412,758**	**416,248**	**-**	**416,248**
Changes in net assets							
Surplus for the year		-	-	-	-	131,250	131,250
Allocation of unappropriated surplus	12	9,457	12,692	109,101	131,250	(131,250)	-
Excess transferred to discretionary reserve		(8,966)	(12,695)	21,661	-	-	-
Total changes		491	(3)	130,762	131,250	-	131,250
Balance at 31 March 2019		**3,851**	**127**	**543,520**	**547,498**	**-**	**547,498**

Transfer of excess to discretionary reserve

Administration Reserve:
Excess reserves of R8 966 000 (2018: RNil) were transferred to the discretionary reserve. The amount retained in the administration reserve equals the carrying amount of property, plant and equipment and intangible assets. The surplus in 2018 was not adequate for the retention of a balance equal to the carrying amount of property, plant and equipment.

Employer grant reserve:
Excess reserves of R12 695 000 (2018: R6 879 000) were transferred to the discretionary reserve. The balance retained in the employer grant reserve is limited to the estimated amount of mandatory grants payable to newly registered employers, who have up to 6 months to submit applications for mandatory grants. Refer also to contingent liabilities note 20.

* See Note 22

Cash Flow Statement

	Note(s)	2019 R '000	2018 Restated* R '000
Cash flows from operating activities			
Receipts			
Levies, interest and penalties		507,988	468,788
Interest received		33,123	25,874
Other receipts		136	-
		541,247	494,662
Payments			
Employee related costs		(22,550)	(25,418)
Employer grants and project expenses		(364,324)	(347,250)
Payments to suppliers		(33,885)	(34,322)
		(420,759)	(406,990)
Net cash flows from operating activities	18	**120,488**	**87,672**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(803)	(1,364)
Purchase of intangible assets	7	(15)	(329)
Net cash flows from investing activities		**(818)**	**(1,693)**
Cash flows from financing activities			
Repayment of finance lease obligation		(55)	-
Net increase/(decrease) in cash and cash equivalents		**119,615**	**85,979**
Cash and cash equivalents at the beginning of the year		461,585	375,606
Cash and cash equivalents at the end of the year	5	**581,200**	**461,585**

* See Note 22

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R '000	Adjustments R '000	Final Budget R '000	Actual amounts on comparable basis R '000	Difference between final budget and actual R '000	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income from exchange transactions	-	-	**-**	227	**227**	30.1
Interest income	20,188	-	**20,188**	33,257	**13,069**	30.2
Total revenue from exchange transactions	**20,188**	**-**	**20,188**	**33,484**	**13,296**	
Revenue from non-exchange transactions						
Skills Development Levy: Income	471,000	-	**471,000**	502,345	**31,345**	30.3
Skills Development Levy: Penalties and Interest	-	-	**-**	4,910	**4,910**	30.4
Total revenue from non-exchange transactions	**471,000**	**-**	**471,000**	**507,255**	**36,255**	
Total revenue	**491,188**	**-**	**491,188**	**540,739**	**49,551**	
Expenditure						
Employer grants and project expenses	(429,369)	-	**(429,369)**	(353,019)	**76,350**	30.5
Administration expenses	(61,819)	-	**(61,819)**	(56,470)	**5,349**	30.6
Total expenditure	**(491,188)**	**-**	**(491,188)**	**(409,489)**	**81,699**	
Surplus	**-**	**-**	**-**	**131,250**	**131,250**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**131,250**	**131,250**	

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

* See Note 22

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

1.1 Presentation currency

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

1.2 Critical accounting judgements and key sources of estimation uncertainty

In the application of INSETA’s accounting policies management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and 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 and in 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.

Allowance for impairment of receivables from exchange and non-exchange transactions

Receivables from exchange and non-exchange transactions are assessed for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, judgements are made as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the receivables.

The impairment is measured as the difference between the receivables carrying amount and the present value of the estimated future cash flows.

Useful lives of property, plant and equipment and intangible assets

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

Provisions

Provisions are recognised at the best estimate of cash outflows required to settle the related obligations. Disclosure of the basis of each provision is included in note 11.

Reserves

Amounts retained in the employer grant reserve are based on an estimate of employer grants that may be approved after the reporting date in relation to newly registered companies who have up to 6 months to submit applications for mandatory grants in terms of the Skills Development Act. This estimate is also disclosed as a contingent liability. Refer to note 20.

1.3 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Accounting Policies

1.3 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Impairment losses are recognised when the carrying amount of property, plant and equipment exceeds its estimated recoverable amount. Such property, plant and equipment is written down immediately to its recoverable amount. Impairment losses are recognised in surplus or deficit.

The estimated useful lives, residual values and depreciation method are reviewed at each reporting date. The effect of any change in these estimates is accounted for prospectively.

Where property, plant and equipment are disposed, the gain or loss on disposal is determined as the difference between disposal proceeds and the carrying amount on date of disposal. Gains or losses on disposal are recognised in surplus or deficit.

Costs associated with the repair and maintenance of property, plant and equipment are recognised in surplus or deficit in the period in which they are incurred.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Office furniture	Straight line	10 - 25 years
Office equipment	Straight line	5 - 22 years
Computer equipment	Straight line	3 - 20 years
Other fixtures	Straight line	Lease term of premises

1.4 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Intangible assets are amortised on the straight line basis over their expected useful lives to their estimated residual value.

Impairment losses are recognised when the carrying amount of an intangible asset exceeds its estimated recoverable amount. Such intangible asset is written down immediately to its recoverable amount. Impairment losses are recognised in surplus or deficit.

The amortisation period and amortisation method are reviewed at each reporting date. The effect of any change in these estimates is accounted for prospectively.

Where intangible assets are disposed, the gain or loss on disposal is determined as the difference between disposal proceeds and the carrying amount on date of disposal. Gains or losses on disposal are recognised in surplus or deficit.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Licenses	Straight line	2 years. Limited to license period

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is:
- cash;
- a residual interest of another entity; or

Accounting Policies

1.5 Financial instruments (continued)

- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Classification

INSETA has the following types of financial assets as reflected on the face of the statement of financial position and in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Recevables from exchange transactions (excluding employee advances and prepayments)	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

INSETA has the following types of financial liabilities as reflected on the face of the statement of financial position and in the notes thereto:

Class	Category
Payables from exchange transactions (excluding accrual for leave pay)	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost

Initial recognition

INSETA recognises a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

INSETA measures financial assets and financial liabilities initially at fair value net of transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

Financial instruments categorised as financial instruments at amortised cost are measured at amortised cost using the effective interest rate method less any impairment losses.

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

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

INSETA assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Accounting Policies

1.5 Financial instruments (continued)

Presentation

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

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

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

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

1.6 Taxation

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

1.7 Leases

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability.

When an operating lease is terminated before the lease period has expired, any payment made to the lessor as a penalty is recognized as an expense in the period in which termination occurs.

1.8 Consumables

Consumables are initially measured at cost on acquisition date and subsequently measured at the lower of cost and current replacement cost.

Consumables are recognised as assets at acquisition date and subsequently recognised in surplus or deficit as they are consumed.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

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

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

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

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

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

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

1.10 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/deficit

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

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

- Administration costs of INSETA
- Employer grant fund levy
- Discretionary grants and projects
- Contributions to the National Skills Fund

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

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

Accounting Policies

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

At the reporting date, a liability is recognised for compensated absences such as annual leave not yet utilised by employees. INSETA recognises this obligation based on the best available estimate of accumulated leave days expected to vest and on remuneration rates of the respective employees.

Defined contribution plans

Payments to defined contribution plans are recognised as an expense as they fall due. A liability is recognised for unpaid contributions at the end of the reporting period.

Termination benefits

Termination benefits are recognised when they accrue to employees.

1.12 Provisions and contingencies

Provisions are recognised when:

- entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 20.

1.13 Commitments

Items are classified as commitments when INSETA has committed itself to future transactions that will normally result in the outflow of cash.

Unrecognised contractual commitments are disclosed in the notes to the annual financial statements. Refer to note 19

1.14 Revenue from exchange transactions

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

Interest income

Interest income is recognised in surplus or deficit using the effective interest rate method. Interest is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity.

1.15 Revenue from non-exchange transactions

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Non-exchange revenue transactions result in resources being received by INSETA, usually in accordance with a binding arrangement. When INSETA receives resources as a result of a non-exchange transaction, it recognises an asset and revenue in the period that the arrangement becomes binding and when it is probable that INSETA will receive economic benefits or service potential and a reliable estimate of resources transferred can be made. Where the resources transferred to INSETA are subject to the fulfillment of specific conditions, an asset and a corresponding liability are recognised. As and when the conditions are fulfilled, the liability is reduced and revenue is recognised. The asset and the corresponding revenue are measured at fair value on initial recognition.

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

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

Skills Development 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 their total payroll cost to the South African Revenue Services (SARS), who collects the levies on behalf of the Department of Higher Education and Training (DHET). Companies with an annual payroll cost below 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 to INSETA from SARS through DHET (net of the 20% contribution to the National Skills Fund (NSF)). Revenue is adjusted for transfers of employers between SETAs. Such adjustments are separately disclosed as inter-seta transfers. The amount of the inter-seta adjustment is calculated according to the most recent Standard Operating Procedure issued by DHET.

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

When a new employer transfers to INSETA, levies received from the former SETA are recognised as revenue and allocated to the respective category to maintain original identity.

Skills Development Levy: Penalties and Interest

Interest and penalties are levied by SARS in terms of the Skills Development Levies Act (the Levies Act), 1999 (Act No. 9 of 1999) as amended. Penalties and interest are recognised as revenue when they become receivable and an allocation has been made by the South African Revenue Services.

1.16 Employer grants and project expenses

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

Employer grants (Mandatory grants)

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

Discretionary grants and project expenses

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

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

Costs are allocated using methods that are systematic and rationale and are applied consistently to all costs of a similar nature.

Discretionary grants and project expenses are recognised in the period in which they are incurred.

Revenue adjustments by SARS

Accounting Policies

1.16 Employer grants and project expenses (continued)

INSETA refunds amounts to employers in the form of grants, based on information from SARS. Where SARS retrospectively amends the information on levies collected this may result in grants that have been paid to affected employers being in excess of the amount INSETA would have granted to those employers had all information been available at the time of paying those grants. A receivable relating to overpayments made in earlier periods is recognised at the amount of the grant over payment, net of bad debts and allowance for irrecoverable amounts.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year and have been restated from the earliest prior period presented, to account for the effect of prior period errors.

1.18 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is recognised in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

1.19 Irregular expenditure

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

(a) the PFMA as amended;
(b) the Skills Development Act (the Act), 1998 (Act No. 97 of 1998) as amended

Irregular expenditure is recognised in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

1.20 Segment information

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

Segment information is either presented based on service or geographical segments.

Service segments relate to a distinguishable component of INSETA that provides specific outputs or achieves particular operating objectives that are in line with INSETA's overall mission. INSETA's service segments are mandatory, discretionary and administration activities. These segments are based on the Skills Development Levies Act, 1999 and the SETA Grant Regulations.

1.21 Budget information

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

The approved budget covers the fiscal period from 01/04/2018 to 31/03/2019.

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

1.22 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Accounting Policies

1.22 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of INSETA, including those charged with the governance of INSETA in accordance with legislation, in instances where they are required to perform such functions.

Transactions with related parties are disclosed in the notes to the annual financial statements. Refer to note 21.

1.23 Events after reporting date

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

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

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

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

Notes to the Annual Financial Statements

	2019 R '000	2018 R '000

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 1: Applying the probability test on initial recognition of revenue	01 April 2020	Unlikely there will be a material impact
• IGRAP 19: Liabilities to pay levies	01 April 2019	Unlikely there will be a material impact
• IGRAP 20: Accounting for adjustments to revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 20: Related parties	1 April 2019	Not expected to impact results but may result in additional disclosure
• GRAP 108: Statutory Receivables	1 April 2019	Not expected to impact results but may result in additional disclosure
• GRAP 109: Accounting by Principals and Agents	1 April 2019	Unlikely there will be a material impact

Notes to the Annual Financial Statements

		2019 R '000	2018 R '000

3. Receivables from exchange transactions

Current Assets

Deposits		1,065	720
Discretionary receivables	3.1	6,432	5,677
Employee advances	3.2	21	212
Fruitless and wasteful expenditure receivables		-	1
Interest receivable		255	121
Prepayments	3.3	2,066	115
Sundry receivables	3.4	2	-
		9,841	**6,846**

Non-current Assets

Discretionary receivables		-	1,700

3.1 Discretionary receivables

Current assets

Current portion of discretionary receivables - gross		7,592	6,787
Allowance for impairment		(1,159)	(1,110)
		6,433	**5,677**

R7 592 000 (2018: R6 787 000) recognised as discretionary receivables relates to refunds owed by employers for expenditure incurred by INSETA on discretionary projects. The amount of R1 159 000 (2018: R1 110 000) provided for as an allowance for impairment relates to discretionary receivables which may not be recoverable.

3.2 Employee advances

Staff receivables/ Payroll receivable		21	212

The significant decrease in employee advances is due to a prior year payroll related transaction whereby funds were transferred to the payroll account and subsequently refunded.

Notes to the Annual Financial Statements

	2019 R '000	2018 R '000

3. Receivables from exchange transactions

Current Assets (continued)

3.3 Prepayments

Prepayments	2,066	115

The significant increase in prepayments is due to international travel expenses paid for an event to take place after 31 March 2019 to be attended by 8 Inseta delegates and 9 industry representatives.

3.4 Sundry receivables

Sundry Receivables	2	-

Sundry receivables relate to amounts collected from debtors on behalf of INSETA which had not yet been received by 31 March 2019.

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

Notes to the Annual Financial Statements

4. Receivables from non-exchange transactions

		2019 R '000	2018 R '000
Employer receivables	4.1	1,847	2,442
Inter-seta receivables		-	89
		1,847	**2,531**

4.1 Employer receivables

	2019 R '000	2018 R '000
Overpayments to employers	2,074	2,579
Allowance for impairment	(227)	(137)
	1,847	**2,442**

R2 074 000 (2018: R2 579 000) was recognised as a receivable relating to grant overpayments to levy-paying employers in prior periods as a result of levy income reversals done by SARS after grants had been paid. An amount of R227 000 (2018: R137 000) was provided for as an allowance for impairment.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019 R '000	2018 R '000
Cash on hand	1	3
Bank balances	66,069	59,431
Short-term deposits	515,130	402,151
	581,200	**461,585**

All bank accounts were approved by National Treasury in terms of National Treasury Regulation 31.2. The weighted average interest rate on short-term deposits was 7.06% (2018: 7.08%). Surplus funds were invested in line with the SETA's investment policy as required by National Treasury Regulation 31.3.5. Short term deposits refer to funds invested with the Corporation for Public Deposits (CPD).

Notes to the Annual Financial Statements

Figures in Rand thousand

6. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Office furniture	1,509	(684)	825	1,462	(635)	827
Office equipment	343	(86)	257	331	(77)	254
Computer equipment	2,906	(441)	2,465	2,335	(360)	1,975
Other fixtures	2,009	(1,834)	175	1,933	(1,756)	177
Total	**6,767**	**(3,045)**	**3,722**	**6,061**	**(2,828)**	**3,233**

Reconciliation of property, plant and equipment - 2019

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Office furniture	827	73	(15)	(60)	825
Office equipment	254	27	(8)	(16)	257
Computer equipment	1,975	713	(92)	(131)	2,465
Other fixtures	177	76	-	(78)	175
	3,233	**889**	**(115)**	**(285)**	**3,722**

Notes to the Annual Financial Statements

Figures in Rand thousand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Office furniture	885	-	(58)	827
Office equipment	191	78	(15)	254
Computer equipment	774	1,286	(85)	1,975
Other fixtures	265	-	(88)	177
	2,115	**1,364**	**(246)**	**3,233**

Pledged as security

Carrying value of assets under finance lease (R '000):

Office furniture	71	-

Compensation received for losses on property, plant and equipment

Value of property, plant and equipment received as compensation for losses (R '000):

Computer equipment	13	-

Notes to the Annual Financial Statements

	2019 R '000	2018 R '000

7. Intangible assets

	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Licenses	343	(214)	129	455	(167)	288

Reconciliation of intangible assets - 2019

	Opening balance	**Additions**	**Amortisation**	**Total**
Licenses	288	15	(174)	129

Reconciliation of intangible assets - 2018

	Opening balance	**Additions**	**Amortisation**	**Total**
Licenses	22	329	(63)	288

8. Finance lease obligation

	2019	2018
Minimum lease payments due		
- within one year	18	-
Present value of minimum lease payments due		
- within one year	18	-

Furniture was leased under finance lease during the year. The lease term is 1 year and the average effective borrowing rate was zero%.

Interest rates were fixed at the contract date and the lease has fixed repayments with no escalation. No contingent rent is payable.

The entity's obligations under finance lease are secured by the lessor's charge over the leased assets. Refer note 6.

9. Payables from exchange transactions

	2019	2018
Accrued administration expenses and creditors	4,927	4,768
Accrued leave pay	1,790	1,527
	6,717	**6,295**

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

10. Payables from non-exchange transactions

	2019	2018
Skills development grants payable	14,431	25,673
Accrued project expenses and creditors	22,215	23,246
	36,646	**48,919**

Notes to the Annual Financial Statements

	2019 R '000	2018 R '000

11. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Bonus provision	2,026	2,423	(2,026)	-	2,423
Provision for workmen's compensation contributions	-	228	-	-	228
Provision for levies received from exempt employers	2,790	617	-	(478)	2,929
	4,816	**3,268**	**(2,026)**	**(478)**	**5,580**

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Bonus provision	1,892	2,026	(1,892)	-	2,026
Provision for levies received from exempt employers	2,751	121	-	(82)	2,790
	4,643	**2,147**	**(1,892)**	**(82)**	**4,816**

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

An amount of R2 929 000 (2018: R2 790 000) relates to levies received from employers exempt from contributing SDL in terms of legislation changes which came into effect from 1 August 2005. As SARS collects the levies on behalf of DHET, the responsibility to refund the levies to the levy-paying employers remains with SARS.

In terms of Skills Development circular No. 09/2013, issued by DHET on 25 August 2013, SETAs are able to utilise exempted amounts contributed after the expiry date of five years as stipulated in terms of section 190 (4) of the Tax Administration Act. R 478 000 (2018: R82 000) has been transferred to discretionary funds in line with the aforementioned circular.

A provision of R228 000 (2018: Nil) has been recognised for contributions towards workmen's compensation pending finalisation of registration with the relevant fund.

12. Surplus

Allocation of surplus to reserves - 2019	Administration reserve R'000	Employer grant reserve R'000	Discretionary reserve R'000	Total
Skills Development Levy: Administration income	65,927	-	-	65,927
Skills Development Levy: Mandatory grant income	-	125,877	-	125,877
Skills Development Levy: Discretionary grants income	-	-	310,541	310,541
Skills Development Levy: Penalties and interest	-	-	4,910	4,910
Interest income	-	-	33,257	33,257
Other income	-	-	227	227
	65,927	125,877	348,935	540,739
Administration expenses	(56,470)	-	-	(56,470)
Employer grants	-	(113,185)	-	(113,185)
Project expenses	-	-	(239,834)	(239,834)
	9,457	**12,692**	**109,101**	**131,250**

Notes to the Annual Financial Statements

		2019 R '000	2018 R '000

12. Surplus (continued)

Allocation of surplus to reserves - 2018	Administration reserve R'000	Employer grant reserve R'000	Discretionary reserve R'000	Total
Skills Development Levy: Administration income	60,340	-	-	60,340
Skills Development Levy: Mandatory grant income	-	110,567	-	110,567
Skills Development Levy: Discretionary grants income	-	-	288,391	288,391
Skills Development Levy: Penalties and interest	-	-	6,465	6,465
Interest income	-	-	25,826	25,826
	60,340	110,567	320,682	491,589
Administration expenses	(59,117)	-	-	(59,117)
Employer grants	-	(103,800)	-	(103,800)
Project expenses	-	-	(235,612)	(235,612)
	1,223	**6,767**	**85,070**	**93,060**

13. Interest income

Interest income		2019	2018
Short-term deposits		33,254	25,670
Rental deposit		3	156
		33,257	**25,826**

14. Other income from exchange transactions

		2019	2018
Recoveries		227	-

15. Skills Development Levy: Income

		2019	2018
Administration levy income		65,927	60,340
Discretionary grants income		310,541	288,391
Mandatory grants income		125,877	110,567
		502,345	**459,298**

16. Employer grants and project expenses

		2019	2018
Employer grants		113,185	103,800
Project expenses	16.1	239,834	235,612
		353,019	**339,412**

16.1 Project expenses

		2019	2018
Direct project expenses		222,717	230,141
Project administration expenses		17,117	12,771
Expense recovery		-	(7,300)
		239,834	**235,612**

The expense recovery in 2018 relates to a settlement from an employer in breach of a discretionary project contract. An amount of R7 495 000 was disclosed as a contingent asset in this regard in previous years.

Included in 2019 project expenses is expenditure incurred for the attendance of a World Skills Conference by 4 delegates. The conference was held in Amsterdam during October 2018 and cost R139 000 per person on average.

Notes to the Annual Financial Statements

17. Administration expenses

	Note	2019 R '000	2018 R '000
Advertising, marketing and communications		1,826	1,619
Allowance for impairment of receivables		139	1
Audit committee remuneration		735	517
Board and other sub-committees remuneration		1,813	1,677
Consulting and professional fees		9,033	13,492
Depreciation and amortisation		459	309
Employee related costs	17.1	23,023	25,832
External auditors remuneration		2,606	2,115
Gifts		-	2
Governance related costs		122	654
Internal audit fees		950	1,224
Legal fees		312	144
Loss on disposal of property, plant and equipment		103	-
Operating lease rentals		4,846	3,829
Other expenses		1,444	844
Postage and courier		474	161
Printing and stationery		372	292
Professional indemnity insurance		20	22
Quality Council for Trades and Occupations		3,221	2,422
Recruitment fees		94	81
Refreshments		117	283
Repairs and maintenance		1,142	776
Telephones		996	575
Training and development		1,188	933
Travel and subsistence		1,435	1,313
		56,470	**59,117**

17.1 Employee related costs

	2019 R '000	2018 R '000
Basic salaries	18,964	22,374
Employee wellness	96	168
Leave pay	723	438
Performance awards	2,607	1,913
SDL	207	266
Temporary Staff	363	602
UIF	63	71
	23,023	**25,832**

Refer to note 21 for board and key management remuneration.

Notes to the Annual Financial Statements

	2019 R '000	2018 R '000

18. Cash (used in)/ generated from operations

	2019 R '000	2018 R '000
Surplus	131,250	93,060
Adjustments for:		
Depreciation and amortisation	459	309
Movements in operating lease assets/ liabilities	350	(57)
Movements in provisions	764	173
Loss on disposal of property, plant and equipment	103	-
Impairment of recevables	139	1
Changes in working capital:		
Consumables	26	32
Receivables from exchange transactions	(1,345)	(7,491)
Receivables from non-exchange transactions	594	2,985
Payables from exchange transactions	422	(879)
Payables from non-exchange transactions	(12,274)	(461)
	120,488	**87,672**

19. Commitments

Operating leases - as lessee (expense)

	2019 R '000	2018 R '000
Minimum lease payments due		
- within one year	5,005	4,315
- in second to fifth year inclusive	-	4,475
	5,005	**8,790**

Operating lease payments relate to buildings used for office space, leases in relation to office equipment and storage space rental. The average term is 2 years. No contingent rent is payable.

	2019 R '000	2018 R '000
Other Operational commitments		
Minimum payments due	9,531	-

Discretionary projects

Of the balance of R543 520 000 (2018: R412 758 000) available in the Discretionary reserve, R481 054 000 (2018: R178 436 000) has been committed as follows:

Approved but not yet contracted
R32 695 000 of the committed balance has been approved but has not yet been contracted for as at 31 March 2019.

Approved and contracted
R448 359 000 has been contracted as at 31 March 2019.

A request for the retention of these funds has been submitted to National Treasury through the Department of Higher Education and Training. At the time of compiling the financial statements, no reply had been received.

Refer to Annexure A for detailed commitments schedule

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Notes to the Annual Financial Statements

	2019 R '000	2018 R '000

20. Contingencies

Contingent liabilities

Surplus funds

In terms of section 53(3) of the PFMA, public entities listed in Schedule 3A and 3C to the PFMA may not retain surpluses that were realized in the previous financial year without obtaining the prior written approval of National Treasury. In May 2017 National Treasury Issued Instruction No.6 of 2017/2018 which provides guidance on the determination of surpluses.

	2019	2018
Cash and cash equivalents at the end of the year	581,200	461,585
Add: Receivables	11,688	11,077
Less: Current liabilities	(49,254)	(60,030)
Less: Operating lease commitments*	-	(8,790)
Less: Discretionary projects commitments	(481,054)	(178,436)
Surplus	**62,580**	**225,406**

*Operating leases and other operational commitments have been excluded from the 2019 calculation of cash surplus per National Treasury' s 2018 surplus recalculation. The surplus approved for retention in 2018 excluded operating lease commitments.

Uncommitted surpluses

On 1 November 2017 the Labour Appeal Court set aside Regulation 3(12) of the SETA Grant Regulations. In terms of Regulation 3(12), at the end of each financial year it was expected that the SETA must have spent or committed (through actual contractual obligations) at least 95% of discretionary funds available to it and retain a maximum of 5% of uncommitted funds; the remaining (uncommitted) surplus of discretionary funds must be paid by 1 October of each year to the National Skills Fund.

In essence, Regulation 3(12), no longer applies to SETAs and the National Skills Fund (NSF). There is no contingent liability for uncommitted surpluses.

On 30 November 2017, DHET issued Skills Development Circular No. 15/2017 which requires SETAs to continue to apply for the retention of surpluses in terms of section 53(3) of the PFMA and should observe National Treasury Instruction No.6 of 2017/18.

First time employer registrations

The Skills Development Act 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 additional mandatory grant expenditure of R127 000 (2018: R130 000) will be payable. The amount is contingent on the number of submissions received and approved.

Litigation

A company who responded to an advert for the provision of secretariat services to the INSETA board to the value of R2 363 000 instituted claims against INSETA after they were not selected for the provision of those services. At the reporting date, the matter was being addressed by legal representatives and was not finalised.

Contingent assets

1. A service provider was contracted to provide work experience for 45 unemployed learners on a learnership. After commencing the programme, the service provider prevented the learners from completing the workplace component of the learnership. INSETA has pursued a civil claim for an amount of R950 000. At the reporting date, the matter was being addressed by legal representatives and was not finalised.

Notes to the Annual Financial Statements

	2019 R '000	2018 R '000

21. Related parties

Relationships

Controlling entity	Department of Higher Education and Training
Entities under common control	By virtue of INSETA being a National Public Entity controlled by the DHET, it is considered to be related to other SETAs, QCTO and NSF. Transactions incurred between INSETA and entities under common control were consistent with normal operating relationships between the entities and were 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 INSETA and entities under common control of the DHET, these amounts are disclosed below.
Members of key management	Dunn S. (CEO) Molapo D. (CFO) Peele T. (ACEO) Starr N. (CEO)

Related party balances

	2019 R '000	2018 R '000
Inter-seta receivables		
Fasset	-	89
Inter-seta payables		
Other	653	189
Related party transactions		
Fasset	89	6
W & R Seta	-	48
QCTO	3,221	2,422
DHET	507,255	465,763

Remuneration of management

Notes to the Annual Financial Statements

	2019 R '000	2018 R '000

21. Related parties (continued)

Remuneration of Board members

Conradie G	76	86
D'Alton A	124	106
Dinyake S	25	-
Gool T	-	106
Govender RG	133	-
Harrypersadh V	-	118
Hollis L	121	-
Khoza A	148	-
Machai M	136	155
McKay B	143	119
Mokgobinyane MV (Chairperson)	263	-
Motlhabane R	91	-
Msiwa M (Chairperson)	-	222
Naidoo M	-	243
Padayachee S	-	200
Pearson V	69	-
Ramputa I	93	-
Rangasamy B	9	-
Ramsunder J	130	131
Scott B	-	82
Seya W	-	126
Soobramoney M	96	-
Van Rensburg WH Adv	156	-
	1,813	**1,694**

The above represents amounts paid or accrued to board members for all committees in which they sit. This disclosure excludes the remuneration of independent audit committeee members which is reported in the corporate governance section of the annual report.

The previous board's term ended on 31 March 2018.

Remuneration of key management

2019

	Basic salary and allowances	Bonuses and performance related payments	Total
Dunn S*	1,033	274	1,307
Molapo D	1,773	162	1,935
Peele T**	535	-	535
Starr N***	313	-	313
	3,654	**436**	**4,090**

2018

	Basic salary and allowances	Bonuses and performance related payments	Total
Dunn S	1,958	259	2,217
Molapo D	1,675	146	1,821
	3,633	**405**	**4,038**

	2019 R '000	2018 R '000

21. Related parties (continued)

* Terminated 30 September 2019.

** Acting Chief Executive Officer from 01 October 2018 to 31 January 2019.

*** Chief Executive Officer from 01 February 2019 to date.

22. Prior period errors

1. The estimated useful lives of property, plant and equipment assests were not performed completely in previous years. This resulted in an understatement of administration reserves and overstatement of accumulated depreciation in 2018 and prior periods.

The error has been corrected retrospectively from the earlisest prior period presented in these financial statements.

2. Expenses of R149 052 relating to telephone contracts were incorrectly recognised as receivables from exchange transactions in prior years. An allowance for debt impairment was also recognised for the receivables. The error resulted in overstatement of receivables from exchange transactions, and allowance for debt impairment but had a nil effect on the carrying amount of receivables from exchange transactions disclosed in prior period financial statements. The effect on reserves is also nil.

The error has been corrected retrospectively from the earlisest prior period presented in these financial statements.

Correction of the above errors resulted in adjustments as follows:

Statement of financial position	**2018**	**2017**
Error 1		
Property, plant and equipment - Decrease in accumulated depreciation	290	1,126
Administration Reserve - Increase in opening balance of reserves	-	(1,126)
Error 2		
Receivables from exchange transactions - Decrease in gross receivables	(149)	(149)
Receivables from exchange transactions - Decrease in allowance for impairment	149	149
Statement of financial performance		
Error 1		
Depreciation expense - Decrease in 2018 depreciation expense	(290)	-

23. Comparative figures

Accrued project expenses and creditors which were disclosed as payables from exchange transactions in previous years have been reclassified and disclosed as payables from non-exchange transactions to conform to changes in presentation in the current year and to acheive fairer presentation. Refer to note 10.

The effects of the reclassification are as follows:

Payables from exchange transactions	-	23,246
Payables from non-exchange transactions	-	(23,246)
	-	**-**

Notes to the Annual Financial Statements

	2019 R '000	2018 R '000

24. Financial instruments risk management

Liquidity risk

Liquidity risk is the risk of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

INSETA manages liquidity risk through ongoing review of future commitments, capital expenditure, expenditure against budgets and forecasts, maintenance of reserves, and through its cash management policy which requires the maintenance of adequate cash and cash equivalents to meet obligations.

2019	Carrying amount	Contractual cashflows	6 months or less	6-12 months	More than 2 years
Payables from exchange and non-exchange transactions	(41,402)	(41,402)	(41,402)	-	-

2018					
Payables from exchange and non-exchange transactions	(27,559)	(27,559)	(27,559)	-	-

Credit risk

Financial assets, which potentially expose INSETA to the risk of non performance by counter parties, i.e credit risk, consist mainly of cash and cash equivalents deposited with financial institutions and receivables from exchange and non-exchange transactions.

INSETA's credit risk is limited by investing funds only with the Corporation for Public Deposits as approved by National Treasury in terms of Treasury Regulation (TR 28). INSETA's exposure is continuously monitored by the executive committee.

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

The ageing of receivables and related allowance for impairment at the reporting date is as follows:

2019 **Ageing of receivables from exchange and non-exchange transactions:**	Gross	Impairment	Net
Not past due	9,828	(227)	9,601
Past due	1,159	(1,159)	-
	10,987	**(1,386)**	**9,601**

2018 **Ageing of receivables from exchange and non-exchange transactions:**	Gross	Impairment	Net
Not past due	10,838	(137)	10,701
Past due	1,159	(1,110)	49
	11,997	**(1,247)**	**10,750**

Market risk

Notes to the Annual Financial Statements

	2019 R '000	2018 R '000

24. Financial instruments risk management (continued)

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

INSETA is exposed to fluctuations in the employment market such as sudden increases in unemployment and changes in wage rates. INSETA is not aware of significant events which may have occurred in the market during the year under review. There are adequate procedures in place to address changes in the market when necessary.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

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

Cash flow interest rate risk

2019	Floating rate R'000	Non-interest bearing R'000	Total R'000
Cash and cash equivalents	581,199	1	581,200
Receivables from exchange and non-exchange transactions	7,752	1,849	9,601
Payables from exchange and non-exchange transactions	(4,756)	(36,646)	(41,402)
	584,195	**(34,796)**	**549,399**

2018	Floating rate R'000	Non-interest bearing R'000	Total
Cash and cash equivalents	461,582	3	461,585
Receivables from exchange and non-exchange transactions	8,141	2,609	10,750
Payables from exchange and non-exchange transactions	(4,313)	(23,246)	(27,559)
	465,410	**(20,634)**	**444,776**

Fair value interest rate risk

INSETA's financial instruments consist mainly of cash and cash equivalents, receivables from exchange and non-exchange transactions and payables from exchange and non-exchange transactions. No financial instruments were carried at an amount in excess of their fair values.

The carrying amount of each class of financial instruments approximates their fair value due to the relatively short term maturity of these financial instruments.

25. Going concern

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

There are no known instances that cast doubt on INSETA’s ability to continue as a going concern.

26. Events after the reporting date

In terms of Government Gazette 42589 dated 22 July 2019, the Minister of Higher Education, Science and Technology re-established SETAs until 31 March 2030.

Notes to the Annual Financial Statements

	2019 R '000	2018 R '000

27. Fruitless and wasteful expenditure

Opening balance	1	-
Add: Fruitless and wasteful expenditure incurred in the current year	2	2
Less: Amounts recoverable and recognised as receivables	-	(1)
Less: Amounts recovered	(3)	-
	-	**1**

Fruitless and wasteful expenditure of R1 500 incurred in 2018 relates to advertisments which were subsequently cancelled. The full amount was recovered from employees during the year.

Fruitless and wasteful expenditure of R2 285 was incurred during the year under review. Of this amount, R15 relates to interest on late payments and R2 270 relates to cancelled tender advertisments. The full amount was recovered from employees during the year.

28. Irregular expenditure

Opening balance	339	-
Add: Irregular Expenditure - current year	43	1,839
Less: Amounts condoned	(339)	-
Less: Amounts recovered	-	(1,500)
	43	**339**

Details of irregular expenditure – current year

-

Irregular expenditure incurred in the current year relates to expenditure in excess of an agreed contract amount. At the time of reporting investigation was still in progress. Preliminary indications are that this was not a result of poor contract management.

Irregular expenditure incurred in the prior year was due to a payment made to an incorrect company and payments made to a service provider for services outside the scope of a contract. R339 000 was condoned by National Treasury during the year under review.

Details of irregular expenditure condoned

Description	Condoning Authority	
Payments outside the scope of a contract	National Treasury	339

29. Other losses

Losses on discretionary projects	134	195

A case relating to a contingent asset of R134 400 disclosed in previous years was closed by INSETA's legal representatives. The full amount is not expected to be recovered.

In previous years INSETA disclosed a contingent asset of R7 495 000 in respect of an employer who breached a contract. During 2018, a settlement of R7 300 000 was agreed with the employer. With this settlement, INSETA realised a loss of R195 000.

30. Budget differences

Differences between budget and actual amounts

Notes to the Annual Financial Statements

	2019 R '000	2018 R '000

30. Budget differences (continued)

30.1 Other income from exchange transactions

Other income from exchange transactions relates to recoveries from staff and suppliers which were not budgeted for.

30.2 Interest income

Interest income is 65% above budget. A significant deposit of R80.5 million was made into the CPD during October 2018 earning interest at an average rate of 7% per annum. No withdrawals were made from the CPD during the year hence the growth in interest earned.

30.3 Skills Development Levy: Income

Skills Development levy income is 7% above the budget and is considered reasonable.

30.4 Skills Development Levy: Penalties and interest

Receipt of penalties and interest was not budgeted for as there are no identifiable past trends to reliably estimate revenue from penalties and interest.

30.5 Employer grants and project expenses

Employer grants and project expenses are 18% lower than budget. Spending on discretionary projects did not occur as planned.

30.6 Administration expenses

Administration expenses are 8% lower than the budget. The variance is considered reasonable. Administration expenses are limited to 10.5% of the administration portion of skills development levy income. The legislative limit has not been exceeded.

31. Segment information

General information

Identification of segments

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

Reporting based on these segments is also appropriate for external reporting purposes.

Notes to the Annual Financial Statements

Figures in Rand thousand

31. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2019

	Administration R '000	Mandatory R '000	Discretionary R '000	Total R '000
Revenue				
Revenue from exchange transactions				
Interest income	-	-	33,257	33,257
Other income from exchange transactions	-	-	227	227
Revenue from non-exchange transactions				
Skills Development Levy: Income	65,927	125,877	310,541	502,345
Skills Development Levy: Penalties and interest	-	-	4,910	4,910
Total segment revenue	**65,927**	**125,877**	**348,935**	**540,739**
Entity's revenue				**540,739**
Expenditure				
Administration expenses	56,470	-	-	56,470
Employer grants and project expenses	-	113,185	239,834	353,019
Total segment expenditure	**56,470**	**113,185**	**239,834**	**409,489**
Total segmental surplus				**131,250**
Assets				
Non-current assets	3,851	-	-	3,851
Consumables	13	-	-	13
Receivables from exchange transactions	3,403	-	6,438	9,841
Receivables from non-exchange transactions	-	1,847	-	1,847
Cash and cash equivalents	6,263	15,640	559,297	581,200

Notes to the Annual Financial Statements

Figures in Rand thousand

	Administration R '000	Mandatory R '000	Discretionary R '000	Total R '000
31. Segment information (continued)				
Total segment assets	**13,530**	**17,487**	**565,735**	**596,752**
Total assets as per Statement of financial Position				**596,752**
Liabilities				
Finance lease obligation	18	-	-	18
Operating lease liability	293	-	-	293
Payables from exchange transactions	6,717	-	-	6,717
Payables from non-exchange transactions	-	14,431	22,215	36,646
Provisions	2,651	2,929	-	5,580
Total segment liabilities	**9,679**	**17,360**	**22,215**	**49,254**
Total liabilities as per Statement of financial Position				**49,254**

Notes to the Annual Financial Statements

Figures in Rand thousand

31. Segment information (continued)

2018

	Administration R '000	Mandatory R '000	Discretionary R '000	Total R '000
Revenue				
Revenue from exchange transactions				
Interest income	-	-	25,826	25,826
Revenue from non-exchange transactions				
Skills Development Levy: Income	60,340	110,567	288,391	459,298
Skills Development Levy: Penalties and interest	-	-	6,465	6,465
Total segment revenue	**60,340**	**110,567**	**320,682**	**491,589**
Entity's revenue				**491,589**
Expenditure				
Administration expenses	59,117	-	-	59,117
Employer grants and project expenses	-	103,800	235,612	339,412
Total segment expenditure	**59,117**	**103,800**	**235,612**	**398,529**
Total segmental surplus				**93,060**
Assets				
Non-current assets	3,521	-	1,700	5,221
Consumables	39	-	-	39
Operating lease asset	57	-	-	57
Receivables from exchange transactions	933	-	5,913	6,846
Receivables from non-exchange transactions	-	2,531	-	2,531
Cash and cash equivalents	7,131	26,062	428,392	461,585
Total segment assets	**11,681**	**28,593**	**436,005**	**476,279**

Notes to the Annual Financial Statements

Figures in Rand thousand

	Administration R '000	Mandatory R '000	Discretionary R '000	Total R '000
31. Segment information (continued)				
Total assets as per Statement of financial Position				**476,279**
Liabilities				
Payables from exchange transactions	6,295	-	-	6,295
Payables from non-exchange transactions	-	25,673	23,246	48,919
Provisions	2,026	2,790	-	4,816
Total segment liabilities	**8,321**	**28,463**	**23,246**	**60,030**
Total liabilities as per Statement of financial Position				**60,030**

Annexure A

Programme	Description	31 March 2018	New contracts	Adjustments	Payments	31 March 2019	Approved but not yet contracted administration portion
		Approved and Contracted as at 31 March 2019					
Project 101	Intership	27,556,715.14	18,444,000.00	(3,357,700.00)	(22,953,676.88)	19,689,338.26	1,476,700.37
Project 102	Skills Programme for TVETs	2,035,212.31	-	-	(109,342.90)	1,925,869.41	144,440.21
Project 106	Bursaries for Workers	19,758,544.88	67,710.00	(1,317,660.31)	(17,730,329.36)	778,265.21	58,369.89
Project 114	Work Intergrated Learning - Inter	14,028,000.00	6,372,000.00	18,165,000.00	(19,741,668.32)	18,823,331.68	1,411,749.88
Project 115	Bursaries for Youth	-	15,397,565.80	2,188,727.65	(17,528,795.56)	57,497.89	4,312.34
Project 115.01	Bursaries for Youth		13,565,490.07	-	(4,407,579.74)	9,157,910.33	-
Project 117	Acturial Science Bursaries	(0.00)	586,201.13	-	-	586,201.13	43,965.08
Project 118	Bursaries for SMME Workers		1,118,131.00	-	(325,690.00)	792,441.00	59,433.08
Project 119	Bursaries for Workers	-	27,470,196.09	659,650.00	(3,335,200.63)	24,794,645.46	1,859,598.41
Project 120	Skills Programmes for the Youth	-	6,396,850.00	846,700.00	(2,828,470.68)	4,415,079.32	331,130.95
Project 121	Intership for the Youth	-	80,568,000.00	-	(8,464,500.00)	72,103,500.00	5,407,762.50
Project 122	Learnership	-	85,743,533.20	-	(15,080,600.00)	70,662,933.20	5,299,719.99
Project 123	Skills Programmes for Small Bus	-	8,959,262.00	(480,305.00)	(2,824,850.00)	5,654,107.00	424,058.03
Project 123	Skills Programmes for Small Businesses		30,000.00	-	(7,500.00)	22,500.00	1,687.50
Project 124	Skills Programmes for Workers	-	15,200,270.00	3,453,513.00	(8,476,398.00)	10,177,385.00	763,303.88
Project 126	Regulatory Support	-	11,029,540.00	-	(1,396,800.00)	9,632,740.00	722,455.50
Project 132	Management and Leadership De	-	365,000.00	-	(149,500.00)	215,500.00	16,162.50
Project 145	Exit Exams for Learnership/Capacity Support		4,165,420.00	-	-	4,165,420.00	312,406.50
Project 165	Broker Qualification		900,000.00	-	-	900,000.00	67,500.00
Project 167	Broker Development		26,744,950.00	-	-	26,744,950.00	2,005,871.25
Project 169	Continuous Professional Dev		3,600,000.00	-	-	3,600,000.00	270,000.00
Project 170	Development of Intermediarie CPD Exams		2,985,000.00	-	-	2,985,000.00	223,875.00
Project 171	Career Guidance		4,125,000.00	-	-	4,125,000.00	309,375.00
Project 172	Technical Training of Unemployed Youth		12,540,653.00	-	-	12,540,653.00	940,548.98
Project 173	Class of Business Online Training		2,000,000.00	-	-	2,000,000.00	150,000.00
Project 174	Research Chair		5,000,000.00	-	-	5,000,000.00	375,000.00
Project 175	Career Guidance		21,458,076.00	-	-	21,458,076.00	1,609,355.70
Project 176	Rapid Incubator to Unlcok Entrepreneurship		5,299,000.00	-	-	5,299,000.00	397,425.00
Project 177	Articulation TVET		27,447,000.00	-	-	27,447,000.00	2,058,525.00
Project 178	Recognition of Prior Learning (RPL)		650,000.00	-	-	650,000.00	48,750.00
Project 179	Digitisation Skills Programmes		9,255,000.00	-	-	9,255,000.00	694,125.00
Project 180	Disability Training Programme Dev		1,754,000.00	-	-	1,754,000.00	131,550.00
Project 181	Data Analyst Training		15,920,000.00	-	-	15,920,000.00	1,194,000.00
Project 34	Project Admin (Stipends)	75,700.00	-	(75,700.00)	-	-	-
Project 41	Work Interegrated Learning	94,500.00	-	(94,500.00)	-	-	-
Project 5 Y15	Learnership	712,938.28	-	(712,938.28)	-	-	-
Project 56	Development of New QCTO Qua	18,810.00	-	-	-	18,810.00	1,410.75
Project 57	QCTO Qualification Implementat	831,954.47	-	7,601.39	(538,711.98)	300,843.88	22,563.29
Project 5Y16	Learnership	1,897,000.00	-	(1,694,300.00)	(202,700.00)	-	-
Project 7 Y16	Interships	1,988,100.16	-	(1,988,100.16)	-	-	-
Project 73	Skills Programmes for Youth	1,927,443.30	-	(7,616.82)	(240,218.74)	1,679,607.74	125,970.58
Project 75	Bursaries	620,523.88	-	(538,388.88)	(82,135.00)	-	-
Project 75.01	Bursaries	93,090.00	-	(63,260.00)	(29,830.00)	-	-
Project 76	Learneship	17,201,200.00	-	(8,213,015.51)	(8,011,544.49)	976,640.00	73,248.00
Project 78	Intership	9,796,255.00	-	(8,026,055.00)	(1,355,200.00)	415,000.00	31,125.00
Project 81	Broker Development	5,647,058.82	-	-	(4,268,345.20)	1,378,713.62	103,403.52
Project 82	Artisan Development	397,375.00	-	(397,375.00)	-	-	-
Project 91.02	NSFAS Bursaries		4,712,950.00	(1,448,262.39)	-	3,264,687.61	-
Project 93	Work Interegrated Learning	10,129,627.56	-	(1,435,375.49)	(8,694,252.07)	-	-
Project 93.01	Work Interegrated Learning		28,338,000.00	(12,150,000.00)	(891,000.00)	15,297,000.00	1,147,275.00
Project 95	Skills Programmes for Workers	4,375,988.36	210,000.00	(452,032.54)	(4,133,955.82)	-	-
Project 96	Skills Programmes for Funding V	4,366,146.73	-	(2,697,164.73)	(1,668,982.00)	-	-
Project 99	Centralised Learnership	32,338,000.00	44,094,000.00	(719,944.10)	(54,801,655.86)	20,910,400.04	1,568,280.00
Project 99	Centralised Learnership	224,000.00	-	-	(177,500.00)	46,500.00	3,487.50
Project 99.02	Centralised Learnership	22,321,816.20	675,000.00	-	(12,260,022.09)	10,736,794.11	805,259.56
		178,436,000.09	**513,187,798.29**	**(20,548,502.17)**	**(222,716,955.32)**	**448,358,340.89**	**32,695,180.72**
			Gross Admin		(17,735,975.65)		**481,053,521.61**
			Credits and Refunds		618,861.62		
			Total Project Expenditure		**(239,834,069.35)**		

* See Note 22

The supplementary information presented does not form part of the annual financial statements and is unaudited

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