

ANNUAL REPORT

2020  
2021



**inseta**  
INSURANCE SECTOR EDUCATION  
AND TRAINING AUTHORITY



***EMPOWERED***  
*to Influence and Inspire*

# INSETA

## Annual Report 2020/21



**DR BLADE NZIMANDE**  
Minister of Higher Education,  
Science and Technology



**SIHLE JOEL NGUBANE**  
INSETA Chairperson



**GUGU MKHIZE**  
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 2020 to 31 March 2021.



**inseta**  
INSURANCE SECTOR EDUCATION  
AND TRAINING AUTHORITY



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



# CONTENTS

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<b>PART A: GENERAL INFORMATION</b>	<b>01</b>
1. General information	02
2. List of acronyms	03
3. Foreword by the Chairperson	04
4. Chief Executive Officer's review	07
5. Statement of responsibility and confirmation of accuracy	09
6. Strategic overview	10
7. Legislative and other mandates	11
8. Strategic outcome-oriented goals	12
9. Organisational structure	13
<b>PART B: PERFORMANCE INFORMATION</b>	<b>15</b>
1. Annual performance report	17
2. Performance against indicators	25
3. Overview of INSETA's performance	26
Strategy to overcome underperformance	26
Auditor's Report: Predetermined Objectives	26
Service delivery environment	26
Key drivers of change in the sector	26
4. Organisational environment	28
5. Summary of financial information	30
Revenue collection	30
6. Project highlights	31
<b>PART C: GOVERNANCE</b>	<b>37</b>
INSETA board members for 2020/2021	39
1. Report of the accounting authority	40
2. Parliamentary portfolio committees	43
3. Executive authority	43
4. Internal Control unit and regulations	43
5. Key policy developments and legislative changes	43
6. Minimising conflict of interest	43
7. Code of conduct	43
8. Fraud and corruption	43
9. Company Secretary	43
10. Health, safety and environmental issues	44
11. Risk management	44
12. Effectiveness of internal controls	44
13. Social Responsibility	44
14. BBBEE compliance performance information	44
Audit and Risk Committee report to the INSETA board for the year ended 31 March 2021	45
<b>PART D: HUMAN RESOURCE MANAGEMENT</b>	<b>47</b>
Staff members for 2020/2021	49
1. Introduction	53
<b>PART E: FINANCIAL INFORMATION</b>	<b>57</b>
Report of the Auditor-General	60
Annexure – Auditor-General's responsibility for the audit	63
Statement of responsibility	64
Statement of financial position	65
Statement of financial performance	66
Statement of changes in net assets	67
Cash flow statement	69
Statement of comparison of budget and actual amounts	70
Accounting policies	71
Notes to the annual financial statements	81
Annexure A	104





# GENERAL INFORMATION

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**Insurance Sector Education  
and Training Authority**

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Company Secretary  
**Olasesi Martins LLM. FCIS. EO**

Internal auditors  
**SAB&T Nexia**

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**FNB**

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2001**

Report number  
**RP126/2021**

ISBN number  
**978-0-621-49417-4**

# List of acronyms

<b>ASISA</b>	Association of Savings and Investment South Africa	<b>NSDP</b>	National Skills Development Plan
<b>ATR</b>	Annual training report	<b>NGP</b>	National Growth Path
<b>APP</b>	Annual Performance Plan	<b>NQF</b>	National Qualifications Framework
<b>AET</b>	Adult education and training	<b>NSDS</b>	National Skills Development Strategy
<b>ARC</b>	Audit and Risk Committee	<b>NSA</b>	National Skills Authority
<b>BUSA</b>	Business Unity South Africa	<b>NGO</b>	Non-Government Organisation
<b>BBBEE</b>	Broad-based black economic empowerment	<b>NSF</b>	National Skills Fund
<b>CEO</b>	Chief Executive Officer	<b>NT</b>	National Treasury
<b>CFO</b>	Chief Financial Officer	<b>PIVOTAL</b>	Professional, vocational, technical and academic learning
<b>COO</b>	Chief Operations Officer	<b>PWDs</b>	People with Disabilities
<b>CET</b>	Community education and training	<b>RPL</b>	Recognition of Prior Learning
<b>DHET</b>	Department of Higher Education and Training	<b>PFMA</b>	Public Funds Management Act
<b>EXCO</b>	Executive Committee	<b>PESTEL</b>	Political, Economic, Social, Technological, Environmental, Legal
<b>FINCO</b>	Finance Committee	<b>QCTO</b>	Quality Council for Trade and Occupations
<b>FAIS</b>	Financial Advisory Intermediary Services	<b>SAQA</b>	South African Qualifications Authority
<b>FETC</b>	Further education and training certificate	<b>SDP</b>	Skills development provider
<b>FSCA</b>	Financial Sector Conduct Authority	<b>SETA</b>	Sector Education and Training Authority
<b>FSC</b>	Financial Sector Charter	<b>SCM</b>	Supply chain management
<b>4IR</b>	Fourth industrial revolution	<b>SDA</b>	Skills Development Act
<b>HRDS-SA</b>	Human Resource Development Strategy for South Africa	<b>SDLA</b>	Skills Development Levies Act
<b>HR RemCo</b>	Human Resources and Remuneration Committee – we talk only of Human Resources Committee	<b>SIC</b>	Standard Industrial Classification
<b>ICT</b>	Information and communication technology	<b>SME</b>	Small and micro enterprises
<b>INSETA</b>	Insurance Sector Education and Training Authority	<b>SSP</b>	Sector Skills Plan
<b>MTSF</b>	Medium-term Strategic Framework	<b>TVET</b>	Technical and vocational education and training
<b>MTEF</b>	Medium-term Expenditure Framework	<b>WIL</b>	Work-integrated learning
<b>N/A</b>	Not applicable, new performance indicator	<b>WP-PSET</b>	White Paper on Post-School Education and Training
<b>NDP</b>	National Development Plan	<b>WSP</b>	Workplace skills plan





**SJ Ngubane**  
Independent Chairperson of the INSETA Board

## Foreword by the Chairperson

*“We remain mindful of the magnitude of our role in building a skilled and capable workforce, without which South Africa can never expect to prosper.”*

On behalf of the Insurance Sector Education and Training Authority (INSETA) Board, it is my great pleasure to present the 2020/21 annual report, which is proof of the organisation's effectiveness in delivering against its skills development mandate. The report provides our stakeholders with a holistic overview of INSETA, including how it works to add value to beneficiaries' lives and worth to skills development partners' enterprises, while caring for the communities and environment in which it operates. It also divulges the SETA's financial position.

The Board, or Accounting Authority, is satisfied with the integrity of the report and the assurance applied. INSETA's annual financial statements were audited by the independent external auditor, the Auditor-General of South Africa, whose unmodified report appears on pages 60 to 63. These financial statements were prepared according to the Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Authority and the SETA's guiding legal prescripts, the Skills Development Act (Act No 97 of 1998) and the Skills Development Levy Act (Act No 9 of 1999), as amended.

### Working under Covid conditions

The Covid-19 pandemic created unprecedented pressure on the global and local business community and tested governance universally. South Africa experienced job losses and salary cuts at a time it could least afford to, given the ailing economy and high levels of unemployment.

During the reviewed year, the Board enhanced its responsibility to provide sound governance by providing strategic leadership to the organisation as required by the Public Finance Management Act (1999), other legislation and codes of good practice.

## Foreword by the Chairperson *continued*

In its daily operations, the SETA lost no time in implementing new ways of working, which ensured that its activities were not thrown completely off balance and that skills development could continue as efficiently as possible.

Maintaining continuity was imperative, as the insurance sector experienced a significant surge in demand for its services, especially in health and related areas. The pandemic also spurred investment in internet of things solutions in many industries, insurance among them.

## Strategy

For the country to grow economically, address unemployment, poverty and inequality and achieve the National Skills Development Plan (NSDP) vision of an educated, skilled and capable workforce for South Africa, social partners must work together to invest in skills development.

---

# 9.84%

*Forecast of internet of things insurance compound annual growth rate over the next five years*

---

INSETA is joining hands with higher education institutions, government departments, industry and community stakeholders to build a truly integrated, high-quality post-school education and training (PSET) platform. During the year, we established strategic collaborations with a number of technical and vocational education and training (TVET) colleges, universities and universities of technology to advance the PSET vision. As part of the Department of Higher Education and Training (DHET)–SETA Directorate, we provide leadership and guidance in establishing a best practice model for coordinating skills development in the country. We currently support 43 TVET colleges across all provinces except Northern Cape, which will be brought into the fold soon.

We remain mindful of the magnitude of our role in building a skilled and capable workforce, without which South Africa can never expect to prosper. We also know full well that our funding decisions must be informed by the need to make a lasting and substantial impact on the sustainability and growth of our economy.

The Board and management will continue to apply the knowledge and expertise to tackle transversal and sector-specific education and training needs through the implementation of internships, learnerships and skills development programmes, particularly those developing scarce and critical skills.

## Performance highlights

It's extremely gratifying to report that INSETA achieved 38 out of 53 performance indicators, leading to an overall performance percentage of 72%. This performance reflects the SETA's positive contribution to government's key programmes, namely the Human Resource Development Strategy (HRDS-SA), National Development Plan (NDP), Industrial Policy Action Plan (IPAP) and Medium-term Strategic Framework (MTSF), and more specifically, sector development plans.

## Outlook

The future is here and demanding our attention at every turn. INSETA operates in a rapidly changing sector and must keep abreast of the unfolding internet of things, which in insurance is forecast to grow at a compound annual growth rate of 9.84% over the next five years. Insurers need to continue deploying technologies such as artificial intelligence, machine learning, robotic process automation, augmented reality, telematics, social media and drones.

These will benefit the sector in many ways, including avoiding preventable losses, inculcating better risk understanding, capturing patterns and behaviours, detecting fraud and enabling proactive monitoring. According to Forbes, the internet of things can reduce the cost of the claims process by 30%, while internet of things-enabled devices can decrease premiums by 25%.

Organisations, particularly multinationals, are changing their approach to insurance and are increasingly expecting junior level employees to bring additional skills such as analytics to the job market. The rapid increase in the use of technology brings its own set of exciting opportunities and challenges. We have to ensure, foremost, that our training interventions are appropriate. This includes working closely with both organisations and tertiary institutions to align skills development with the needs of current businesses and e-learning platforms.

The Board will continue to give the green light to investments in programmes that fortify the sector and create a sound future for all who choose a career in insurance. We also fully support the SETA's emphasis on research, as this is the springboard for everything it does and ensures that it remains relevant and valuable to the sector and provides leadership that can be trusted.

As mentioned, INSETA is dedicated to achieving the NSDP vision of transformation to address gender parity and youth advancement, rural and township development, and the poverty alleviation and unemployment that plague the nation.

The Board, in overseeing these efforts, will unwaveringly promote a culture of high performance and accountability within the organisation.

## Appreciation

There can be no doubt that INSETA has made a real difference, in employer productivity, employee aspirations and hopes for a more fulfilling life among the unemployed. One of the most rewarding aspects of serving on the Board is knowing that one's thoughts and actions help to shape the lives and futures of the country's youth, who deserve every chance to prosper.

The previous Chief Executive Officer (CEO), Nadia Starr, was a great proponent of this and the Board members thank her for her tremendous contribution to the SETA and the sector, and for leaving us with a sturdy ship to steer.

In December 2020, we welcomed new CEO, Gugu Mkhize, who made an instant impact on taking office in December 2020, influencing the robust results you see in this report during the most trying of times.

To my Board colleagues, you helped to make an unforgettable year a success with your insight, debates and recommendations. I am grateful to you all. However, our success really lies in the skills and commitment of the individuals in the SETA team. All must be congratulated for upholding the integrity, accountability and effectiveness for which INSETA has become known. Thank you for letting us lead you over the last year and for allowing us a glimpse into your difficulties, disappointments and personal dreams.

I conclude this report, as I did last year, by urging INSETA constituents to attend our annual general meeting during 2021/22, which hopefully this year we will see a migration from the virtual to the physical, with the promise of some good, old fashioned and necessary networking with colleagues, stakeholders and friends in skills development. This, after all, is a journey that relies on strong collaboration among all sector stakeholders.



**SJ Ngubane**

*Independent Chairperson of the INSETA Board*  
31 July 2021





**Gugu Mkhize**  
Chief Executive Officer

## Chief Executive Officer's review

It is my privilege to prepare and sign off my first review as head of INSETA, an august authority that has done so much to promote skills development in the insurance sector.

Although I am not new to the SETA environment, I spent my first few months in this exciting new post undertaking an organisational assessment in terms of systems procedures, people, ethos and culture of INSETA. This annual report does justice to the achievements of the organisation by sharing with readers a holistic account of the achievements of 2020/21. And there is much good to report, particularly in a year in which the world changed, forcing us to rethink approaches to daily activities and not to take the predictability of life for granted. The Covid-19 pandemic showed us that, even with all the algorithms and technological advancements perfected by brilliant minds, there are some things beyond our control.

Although the 'new normal' we found ourselves navigating was viewed with negativity, even fear, by some, I believe that every world crisis points us in directions that lead to us becoming better people. This pandemic is no different. INSETA and the sector met the inevitable with positivity, grasping immediately the need to innovate, and be agile and resilient.

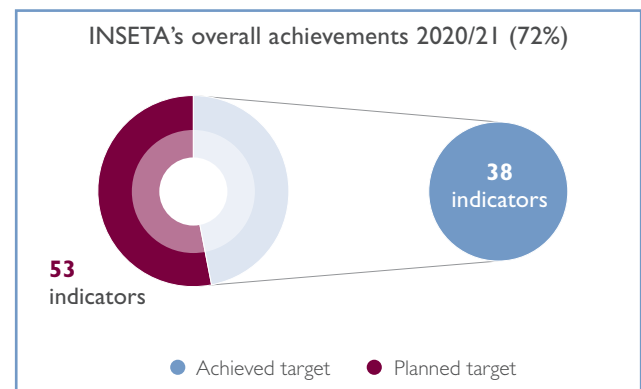
### Thriving amidst a trying year

Operating in the unknown and amid great uncertainty, INSETA staff did not lose focus, affording the employed and unemployed, youth, women and those living with disability, learning opportunities. Skills development should always change a person's life for the good and I believe INSETA's efforts have consistently done just that.

We continued to meet the needs of those who require upskilling to adapt to rapid-fire technological advancements and others who have had to develop entrepreneurial skills. We entered into a partnership with the Technology Innovation Agency (TIA) to support 20 entrepreneurs for innovation in the sector.

As with most organisations in the skills environment, our achievements took a knock against our targets, dropping from 82% in 2019/20 to 72%. This was due to some programmes that were put on hold during the pandemic.

This affected the number of candidates enrolled and completing learnerships and internships, programmes that rely heavily on workplace experience.



On the upside, however, imparting of elementary skills through foundational and adult education and training (AET), and entrepreneurial programmes continued apace using online resources. Some 421 small businesses were supported against a target of 300.

## Remaining relevant

Being in the midst of the fourth industrial revolution (4IR), it is imperative that we remain relevant and offer skills development that suits our ever-evolving sector. We are part of a new, futuristic world and as a SETA, we must meet this evolution head on, by supporting our stakeholders with appropriate programmes and projects that accelerate growth and sustainability.

The skills we develop now must be those that support the marriage of humans and machines in the workplace. This evolution brings people to the foreground of production processes, but these are very different processes demanding very different skills.

Artificial intelligence, robotics, big data, digitisation, digital marketing, blockchain, predictive analytics and machine learning are all around us and present exciting positions for graduates with the right skills.

We all welcomed the NSDP with open arms as it extended the life of SETAs for 10 years, bringing continuity to skills development and enabling all SETAs to build on their achievements during the three phases of the National Skills Development Strategy and not lose momentum at a crucial time. Its vision of 'an educated, skilled and capable workforce' depends on access to occupations in high demand and priority skills that support economic growth, employment creation and social development must be supported.

The NSDP places great emphasis on its role in an integrated PSET system, promoting greater inclusivity and collaboration, adequate support for learners and employers, and accountability.

INSETA's strategic planning will enable a futuristic process for remaining agile and relevant in the sector as an authority for skills development.

*"This annual report does justice to the achievements of the organisation, sharing with readers a holistic account of the good that was achieved in 2020/21."*

## Financial performance

The financial attrition of the pandemic had an impact on INSETA; with the four-month skills levy payment holiday understandably affecting income.

Irregular expenditure increased from R352 000 to R462 000. Fruitless and wasteful expenditure reduced from R17 000 to R3 000. This reinforces INSETA's commitment to placing greater emphasis on governance systems and tightening up procedures and processes.

# 421

*small businesses were supported against a target of 300*

We have improved governance throughout the organisation and as a result INSETA remains financially viable, as seen in the 2020/21 annual financial statements, which were prepared on the going-concern basis. The INSETA Board deals swiftly and decisively with any non-compliance.

## Acknowledgements

I have many people to thank as I end this review, especially all those who welcomed me so warmly to the SETA fraternity. It's an exciting and exhilarating place to be and I know I will enjoy every minute. My appointment reflects the Board's commitment to transformation and I thank the members for their confidence in my leadership.

My appreciation goes to the Minister of Higher Education, Science and Technology, Dr Blade Nzimande and Deputy Minister Buti Manamela for their policy direction and guidance.

The cooperation and support of our many stakeholders are indispensable and highly valued. To the INSETA's executive management team and staff, your dedication and hard work at a time when your support was most needed is highly appreciated. Our performance is a true reflection of your commitment and work ethic.

We know that we can rely on you, our stakeholders, to walk the skills development journey with us. Skills development has been elevated to greater heights, particularly the skills of the future, and INSETA is crucial to the conversations going forward.



**Gugu Mkhize**

Chief Executive Officer  
31 July 2021

# 5. Statement of responsibility and confirmation of accuracy

## FOR THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2021

To the best of our knowledge and belief, we confirm the following:

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General.

The annual report is complete, accurate and is free of any omissions.

The annual report has been prepared in accordance with the guidelines on annual reports issued by National Treasury.

The annual financial statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity.

The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgments 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 2021.



**SJ Ngubane**

*Independent Chairperson of the INSETA Board*  
31 July 2021



**G Mkhize**

*Chief Executive Officer*  
31 July 2021



## 6. Strategic overview

### VISION



**Empowered to  
Influence and  
Inspire**

### MISSION



**Harness technology and strategic partnerships in pursuit of excellence to enable relevant, inclusive and impactful skills development; and be the bridge between education and the world of work by identifying skills in demand and providing agile and appropriate responses**

### VALUES



#### **RESPECT**

Diversity, inclusivity and trust

#### **INNOVATION**

Agile and impactful solutions

#### **COLLABORATION**

Unity and partnerships

#### **ACCOUNTABILITY**

Ethical conduct

#### **COURAGEOUS LEADERSHIP**

Compassionate and empowering

#### **CUSTOMER-CENTRICITY**

Responsive and professional

## 7. Legislative and other mandates

INSETA was established in March 2000 in terms of the Skills Development Act 97 of 1998, subsequently amended in December 2008. INSETA is required to promote, facilitate and monitor education and skills development provision in the insurance and related services sector, and has been re-established until 31 March 2030 by Government Gazette notice.

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

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

Act/other mandate documents	Purpose of the act/other mandates
<b>INSETA constitution</b>	This constitution provides an institutional framework for the SETA to develop and implement responsive national, sector and workplace strategies to develop and prove the skills of the South African workforce.
<b>Skills Development Act, Act 97 of 1998 (as amended)</b>	Provides an institutional framework to develop and implement national, sector and workplace strategies to improve the skills of the South African workforce.
<b>Public Finance Management Act, Act 1 of 1999 (as amended)</b>	The PFMA seeks to regulate financial management and corporate governance in national and provincial governments, as well as public entities.
<b>Skills Development Levies Act, Act 9 of 1999</b>	Provides for the imposition of the skills development levy and related matters.
<b>Financial Advisory and Intermediary Services (FAIS) Act, Act 37 of 2002</b>	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).
<b>National Qualifications Framework Act, Act 67 of 2008</b>	To provide for the National Qualifications Framework (NQF), a system for the classification, registration and publication of all national qualifications and part-qualifications.
<b>National Skills Development Plan</b>	Responds to the policy goals of the White Paper on Post-schooling Education and Training to improve the integration of the skills ecosystem and greater collaboration.
<b>National Skills Accord</b>	A commitment agreed to by government, business, labour and civil society organisations to promote skills development in line with the New Growth Path (NGP) strategy objective to create five million new jobs by 2020.
<b>Sector Skills Plan (SSP)</b>	The SSP is the research document produced by the SETA in each economic sector, using inputs from constituent employers. The SSP outlines key skills shortages and, specifically, a sector's top scarce and critical skills.
<b>Annual Performance Plan (APP)</b>	Contains INSETA's performance commitments and measurement framework.

## 8. Strategic outcome-oriented goals

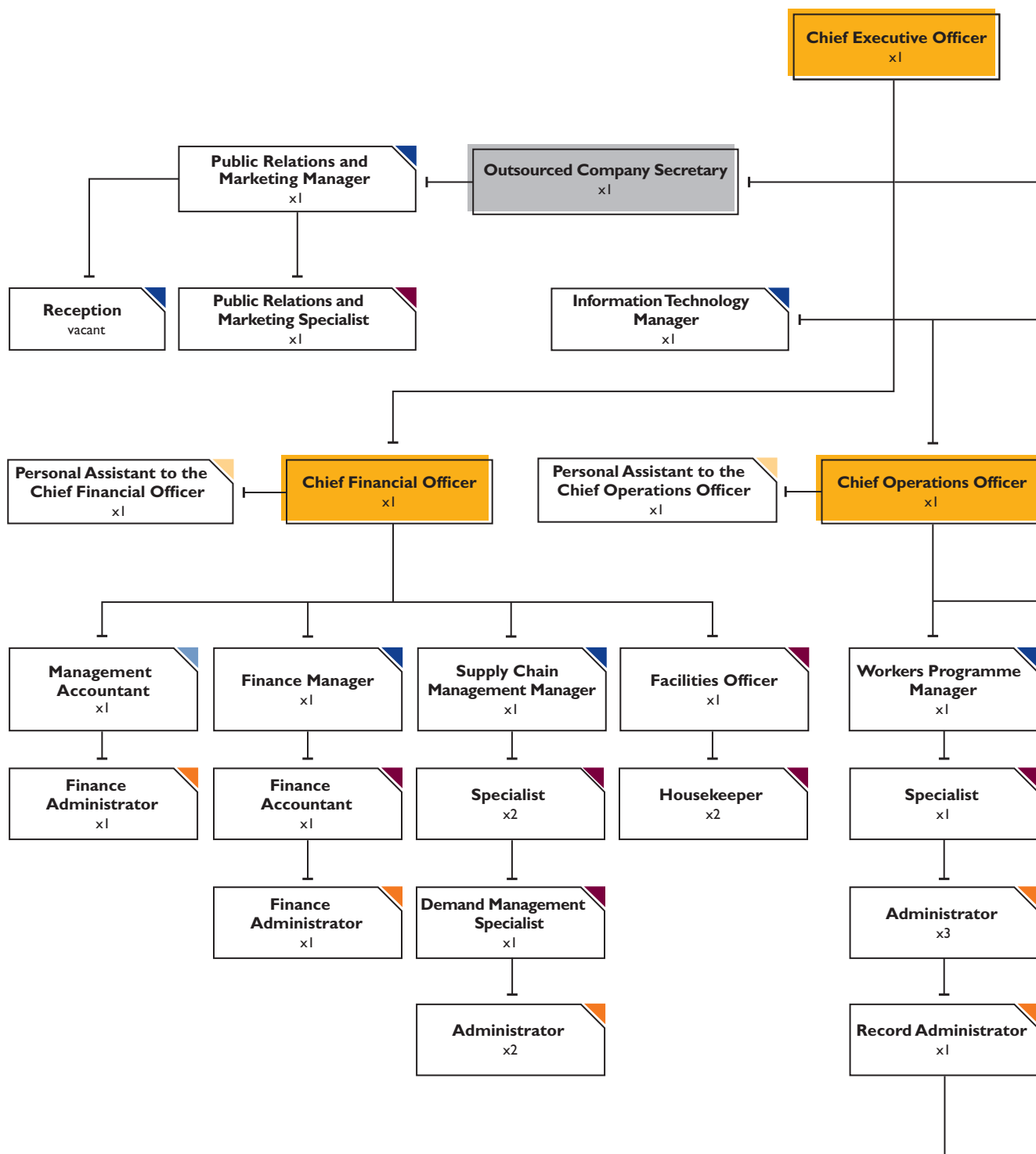
INSETA identified four programmes with 10 outcomes crucial to the achievement of its NSDP and SDA mandate, and its operational efficiency.

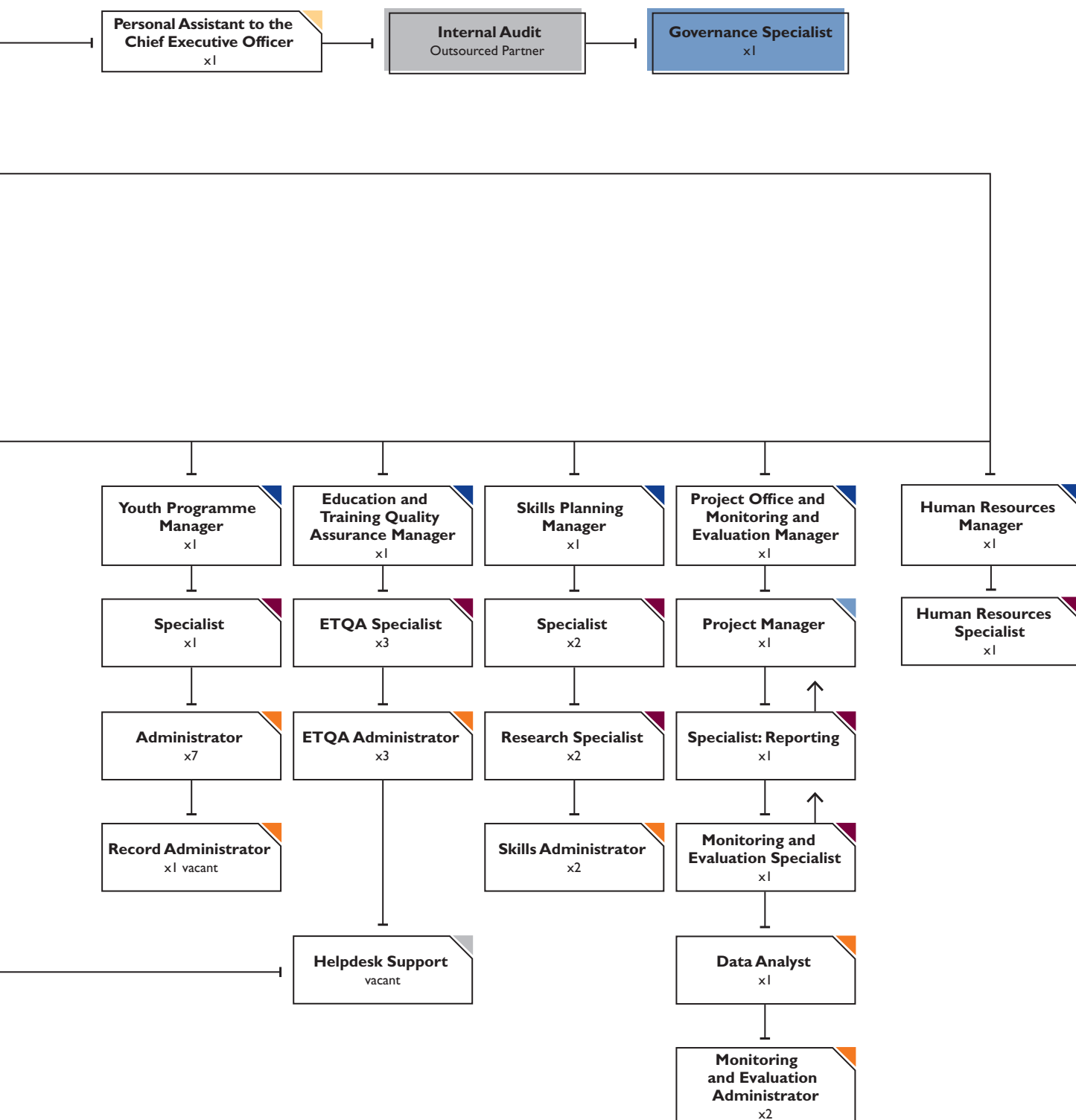
The four programme and their outcomes are as follows:

Programme 1: Administration	
<b>NSDP Outcome 9</b>	Effective corporate governance maintained
Programme 2: Skills Planning	
<b>NSDP Outcome 1</b>	Identify and increase production of occupations in high demand
Programme 3: Learning Programmes	
<b>NSDP Outcome 2</b>	Linking education and the workplace
<b>NSDP Outcome 3</b>	Improving the level of skills in the South African workforce
<b>NSDP Outcome 4</b>	Increase access to occupationally directed programmes
<b>NSDP Outcome 6</b>	Skills development support for entrepreneurship and cooperative development
<b>NSDP Outcome 7</b>	Encourage and support worker-initiated training
<b>NSDP Outcome 8</b>	Support career development services
<b>NSDP Outcome 10</b>	Number of rural development projects initiated
Programme 4: Quality Assurance	
<b>NSDP Outcome 4</b>	Increase access to occupationally directed programmes
<b>NSDP Outcome 5</b>	Support the growth of the public college system



# 9. Organisational structure









# PERFORMANCE INFORMATION

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# B

# 1. Annual performance report

(1 April 2020 to 31 March 2021)

The table below represents a high-level summary of the programmes, outcomes, outputs, output indicators and performance achieved during the 2020/21 financial year:

## Programme 1: Administration

Outcome	Output	Output indicators	Actual achievement 2019/20	Planned achievement 2020/21	Actual achievement 2020/21	Deviation from planned targets	Reasons for deviation
Effective corporate governance	Effective corporate governance maintained	Maintain unqualified audit	Unqualified audit	Unqualified audit	Unqualified audit	–	Target achieved

## Programme 2: Skills Planning

Outcome	Output	Output indicators	Actual achievement 2019/20	Planned achievement 2020/21	Actual achievement 2020/21	Deviation from planned targets	Reasons for deviation
Occupations in high demand identified and production increased of appropriate skills	High level skills developed through bursaries	Percentage of DG budget allocated at developing high level skills through bursary grant funding	New indicator	52%	53%	1%	Target Achieved
	Intermediate skills developed through learning programmes	Percentage of DG budget allocated for developing intermediate skills through Learnerships, Skills Programmes, Work Experience/Internships and WIL grant funding	New indicator	42%	47%	5%	Target Achieved
	Elementary skills developed through adult education	Percentage of DG budget allocated for developing elementary skills through foundational and adult education and training grant funding	New indicator	1%	–	-1%	The target could not be reached due to lack of funding
	SME WSPs & ATRs approved	Number of WSPs and ATRs approved for small firms	New indicator	350	847	497	Targets are exceeded. More WSP's were received when the Minister extended the deadline for WSP submissions for the third time. The influx allowed us to meet and exceed the target
	Medium firm WSPs & ATRs approved	Number of WSPs and ATRs approved for medium firms	New indicator	75	131	56	
	Large firm WSPs & ATRs approved	Number of WSPs and ATRs approved for large firms	New indicator	85	227	142	
	Skills Planning Research	Skills Planning Research that has identified established and emergent skills needs of cooperatives and of emerging small enterprises	New indicator	1	1	–	Target achieved

### Programme 3: Learning Programmes

Outcome	Output	Output indicators	Actual achievement 2019/20	Planned achievement 2020/21	Actual achievement 2020/21	Deviation from planned targets	Reasons for deviation
Education and the workplace linked	TVET learners enrolled on WIL programmes	Number of unemployed learners enrolled for WIL programmes from TVET	996	600	665	65	Target exceeded due to availability of funding and more interest shown by employers and TVETs
	TVET learners completing WIL programmes	Number of unemployed learners completed WIL programmes from TVET	258	275	503	228	
	HET learners enrolled on WIL programmes	Number of unemployed learners enrolled for WIL programmes from HETs	64	60	–	-60	Could not be implemented due to lack of funding and time to implement before end of financial year
	HET learners completing WIL programmes	Number of unemployed learners completed WIL programmes from HETs	New indicator	20	25	5	Target achieved due to learners that had been enrolled in the prior year completing in current year
	Learners enrolled for Internships	Number of unemployed learners enrolled for workplace experience/Internships or artisanship	1 133	700	360	-340	Lack of INSETA funding led to companies funding the learning programmes
	Learners completing internships	Number of unemployed learners completed workplace experience/ Internship or Artisanship	611	595	614	19	Target achieved due to learners that had been enrolled in the prior year completing in the current year
Education and workplace linked	Learners enrolled for learnerships	Number of unemployed learners enrolled for Learnerships programmes	1 390	950	374	-576	Lack of INSETA funding led to companies funding the learning programmes
	Learners completing learnerships	Number of unemployed learners completed Learnerships programmes	835	980	667	-313	
	Learners certificated in learnerships	Number of unemployed learners certificated for Learnerships programmes	633	750	590	-160	Could not be achieved due to the programme extension caused by the Lockdown period



## Programme 3: Learning Programmes

Outcome	Output	Output indicators	Actual achievement 2019/20	Planned achievement 2020/21	Actual achievement 2020/21	Deviation from planned targets	Reasons for deviation
The level of skills in the South African workforce improved	Workers enrolled on bursaries	Number of workers enrolled for bursary programmes (new entries)	1 163	600	435	-165	Most programmes could not be implemented due to lack of funding and time to implement before end of financial year
	Workers continuing bursary programmes	Number of workers enrolled for bursary programmes (continuing)	New indicator	125	18	-107	
	Workers completing bursary programmes	Number of workers completed bursary programmes	1 004	750	300	-450	Final exams and verification of programmes postponed to outside financial year
	Workers enrolled for skills programmes	Number of workers enrolled for Skills programmes	2 410	2 500	2 597	97	Funding availability and more interest shown by employers
	Workers completing skills programmes	Number of workers completed skills programmes	1 286	2 500	1 193	-1 307	Programmes started late and verification could not be done on time
	Workers enrolled for candidacy	Number of Workers enrolled for candidacy programmes	100	75	52	-23	The programmes could not be implemented for the rest of the learners due to lack of funding and time to implement before end of financial year
	Workers completing candidacy	Number of Workers completed candidacy programmes	New indicator	40	42	2	Exams were written on-time and results provided
	Workers enrolled for programmes	Number of workers enrolled for Learnership programmes	1 370	600	400	-200	Lack of INSETA funding led to companies funding the learning programmes
	Workers completed Learnerships programmes	Number of workers completed Learnership programmes	814	800	314	-486	
	Workers certificated for Learnerships programmes	Number of workers certificated for Learnership programmes	538	600	630	30	Learning programmes and Verifications completed on time
	AET programmes enrolled	Number of AET programmes enrolled	New indicator	20	32	12	Increased interest from stakeholders and availability of funds
	AET programmes completed	Number of AET programmes completed	New indicator	15	21	6	Increased interest from stakeholders and availability of funds

## Programme 3: Learning Programmes

Outcome	Output	Output indicators	Actual achievement 2019/20	Planned achievement 2020/21	Actual achievement 2020/21	Deviation from planned targets	Reasons for deviation
Access to occupationally directed programmes increased	Youth bursaries enrolled	Number of unemployed bursary learners enrolled (new enrolments)	1 335	725	930	205	Increased interest from stakeholders and availability of funds
	Youth bursaries continuing	Number of unemployed bursary learners enrolled (continuing)	New indicator	60	130	70	
	Youth bursaries completed	Number of unemployed bursary learners completed	780	540	660	120	
	RPL conducted for Workers	Number of Workers Recognition of Prior Learning (RPL Workers)	81	100	106	6	Increased interest from stakeholders and availability of funds
Access to occupationally directed programmes increased	TVETs partnerships established	Number of TVET partnerships established	7	8	8	–	Target achieved
	HET partnerships established	Number of HET partnerships established	New indicator	3	3	–	Target achieved
	CET partnerships established	Number of CET partnerships established	New indicator	1	1	–	Target achieved
	Employer Professional Bodies & Trade Associations partnerships established	Number of partnerships established with Employer Professional Bodies & Trade Associations in the Insurance Sector	2	2	2	–	Target achieved
	Learners placed in employment	Number of learners placed in employment on completion of Internships & Learnerships	462	450	475	25	More interest by employers to absorb learners that they invested on during learning programmes.
	TVET curriculum development Researched	Research on TVET curriculum development	New indicator	1	1	–	Target achieved

### Programme 3: Learning Programmes

Outcome	Output	Output indicators	Actual achievement 2019/20	Planned achievement 2020/21	Actual achievement 2020/21	Deviation from planned targets	Reasons for deviation
Skills development for entrepreneurship and cooperative development supported	Cooperatives supported	Number of Co-operatives supported (including Funeral Parlours and Micro Insurers) with training interventions	New indicator	100	2	-98	Programmes could not be implemented due to lack of funding and time to implement before end of financial year
	SME supported	Number of Small Business supported for training interventions	New indicator	300	421	121	Increased interest from stakeholders and availability of time to implement programmes
	Entrepreneurial skills developed	Number of people trained on entrepreneurial skills	New indicator	15	33	18	Interest from stakeholders and availability of online learning delivery mode
	Business Start-ups supported	Number of people trained on entrepreneurship skills & supported to start their businesses	New indicator	10	–	-10	Programmes could not be implemented due to lack of funding and time to implement before end of financial year
Worker-initiated training supported	Union consultations held	Number of trade unions related consultation or training or workshops implemented	New indicator	1	1	–	Target achieved

### Programme 3: Learning Programmes

Outcome	Output	Output indicators	Actual achievement 2019/20	Planned achievement 2020/21	Actual achievement 2020/21	Deviation from planned targets	Reasons for deviation
Career development services supported	Career exhibits in urban areas	Number of career development exhibitions conducted in urban areas on occupations in high demand	21	9	10	1	Time and resources available to conduct additional exhibition
	Career exhibits in rural areas	Number of career development exhibitions conducted in rural areas on occupations in high demand	New indicator	9	9	–	Target achieved
Career development services supported	Career development practitioners trained	Number of career development practitioners trained	New indicator	10	12	2	Availability of funding and more interest shown by colleges
Rural Development supported	Rural projects initiated	Number of rural development projects initiated	New indicator	1	1	–	Target achieved





## Programme 4: Quality Assurance

Outcome	Output	Output indicators	Actual achievement 2019/20	Planned achievement 2020/21	Actual achievement 2020/21	Deviation from planned targets	Reasons for deviation
Access to occupationally directed programmes increased	Qualifications offered in line with occupations in high demand	Number of qualifications offered in line with the identified occupations in high demand	1	1	1	–	Target achieved
	SETA TVET offices maintained	Number of SETA offices established and maintained in TVET colleges	New indicator	2	2	–	Target achieved
Growth of the public College system supported	TVET Lectures exposed to industry	Number of TVET Lecturers exposed to workplaces in the insurance industry	New indicator	10	10	–	Target achieved
	TVET lecturers awarded bursaries	Number of TVET colleges lecturers awarded bursaries	New indicator	8	10	2	Availability of funding and more interest shown by colleges
	Managers trained	Number of CET Managers receiving training on Leadership and Financial Management	New indicator	20	22	2	



## 2. Performance against indicators

The achievement of 72% performance against indicators for 2020/21 is mainly as a result of companies having to cancel and/or suspend learning programmes that required hosting of learners in workplaces to comply with Covid-19 pandemic safety requirements. In addition, the fourth-month skills development levy payment holiday reduced INSETA's levy income, which prevented it from supporting skills development programmes in the sector. The following table details achievement under the various programmes:

Programme	Outcome	Number of indicators	Number of indicators achieved	Percentage achievement
 <b>Administration</b>	Effective corporate governance	1	1	100%
 <b>Skills Planning</b>	Occupations in high demand identified and their production increased	7	6	86%
 <b>Learning Programmes</b>	Education and workplace linked	9	4	44%
	Level of skills in the South African workforce improved	12	5	42%
	Access to occupationally directed programmes increased	10	10	100%
	Skills development for entrepreneurship and cooperative development supported	4	2	50%
	Worker-initiated training supported	1	1	100%
	Career development services supported	3	3	100%
	Rural development supported	1	1	100%
 <b>Quality Assurance</b>	Growth of the public college system supported	5	5	100%
<b>Total</b>		<b>53</b>	<b>38</b>	<b>72%</b>

# 3. Overview of INSETA's performance

## Strategy to overcome underperformance

INSETA achieved 72% of all targets set during the review period. It struggled to achieve full performance in SME support, which may be resolved through proper identification of SMEs needs in consultation with various SME role-players.

Also, insufficient numbers of learners exited learning programmes due to the late start of programmes due to the Covid-19 pandemic. This was exacerbated by the inability to implement physical training and the inability of INSETA-accredited skills development providers (SDPs) to offer online training.

This INSETA acutely aware of the urgent need for an online learning platform for the sector or for partnerships with others to share their online platforms with SDPs.

## Auditor's Report: Predetermined Objectives

The Auditor-General of South Africa audits the performance information to provide reasonable assurance in the terms of the audit conclusion. This is reported on Report on the audit of the annual performance Reported section of the auditor's report.

## 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.

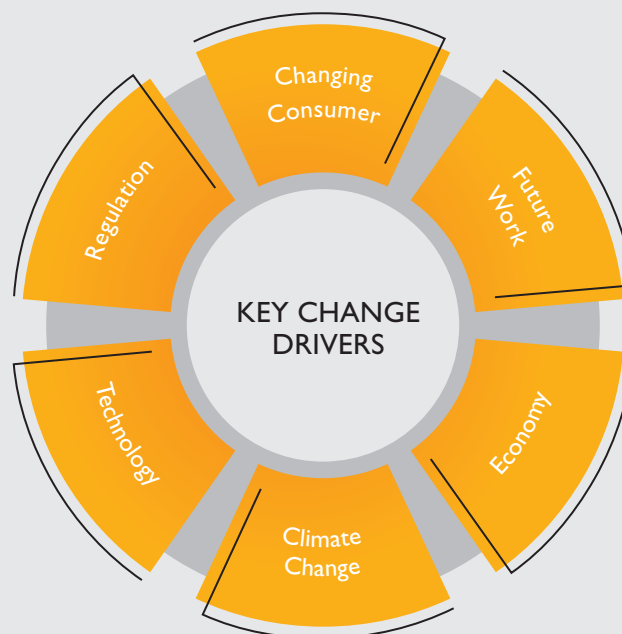
The following skills priorities were identified in the insurance and related services sector:

- Insurance agents
- Insurance brokers
- Actuaries
- Data analysts
- Insurance loss adjusters
- Financial investment advisers
- Fraud examiners
- Developer programmers
- Information and communications technology (ICT) security specialists and
- Organisational risk managers

These skills priorities were identified by studying all the relevant policies and frameworks. These included the National Development Plan (NDP), the New Growth Path (NGP) and its associated National Youth Accord, the HRDSA 2010 to 2030 and the NSDP. These skills needs were also derived from interactive sessions between the INSETA and the sector.

## Key drivers of change in the sector

INSETA has identified the following external change drivers as impacting on skills demand and supply in the sector:



### 3. Overview of INSETA's performance *continued*

#### **PESTEL** (political, economic, social, technological, environmental and legal) **analysis used to monitor external factors driving change in the insurance sector**



##### **Political**

The currently stable political environment enabled INSETA to carry out its mandate through the implementation of this strategy.



##### **Economy**

The South African economy has performed poorly over the last 10 years. The current high unemployment rate of 32.6% means that a significant proportion of the economically active population is out of work and cannot access insurance products. Covid-19 resulted in retrenchments in the insurance sector, which will necessitate reskilling and repurposing of retrenched workers to increase their potential to be reemployed or self-employed.



##### **Social**

High youth unemployment constitutes a considerable risk to national stability due to high crime rates, which negatively affect the insurance sector. In addition, insurers must keep up with rapidly changing consumer needs and expectations of new generations.

To remain competitive and differentiated in an increasingly fluid society and marketplace, insurance companies need to be trailblazers in developing and launching innovative and responsive products. Customers require seamless, quick and transparent interactions, which calls for tech-savvy salespeople.



##### **Technology**

Technology continues to disrupt insurance companies and the sector. The fourth industrial revolution has increased use of artificial intelligence, robotics, big data, digitisation, digital marketing, blockchain, predictive analytics and machine learning. For the insurance industry in particular; this is an environment that is volatile, uncertain, complex and often ambiguous.



##### **Environmental**

Climate change is one of the most significant challenges facing the insurance sector and has immediate- to long-term impact. As climate change may be tied to frequency and severity of natural disasters, it is even more of a core issue for insurers. Climate change is also increasing human-wildlife conflict, which necessitates new products and skills sets in the insurance sector.



##### **Legislative**

The insurance sector is highly regulated and insurers are impacted by legislation such as the Insurance Act, the Financial Advisory and Intermediary Services (FAIS) Act and Twin Peaks. These influence the way insurers do business and usually demand new skills for insurers to remain in business. The recent introduction of national health insurance (NHI) may have a negative impact on the medical insurance sub-sector.

Thus, research and stakeholder consultation are essential if the insurance sector is to respond appropriately and timeously to address challenges before they have an irreversibly negative impact on the sector.

# 4. Organisational environment

The INSETA Board provides strategic direction to management and exercises oversight.

## Core divisions:

**Skills Planning and Research Division** is responsible for:

- i) Research, which serves as a key source document in the compilation of the INSETA Strategic Plan and APP
- ii) Coordination of research centres of excellence
- iii) Registration and support of companies for the submission of WSPs and the Annual Training Report
- iv) Recommendation of payment of mandatory grants
- v) Ensuring that INSETA-registered employers are compliant with the SDLA before being awarded discretionary grant funding.

**Learning Division for Youth Programmes** is responsible for:

- i) Registration and management of learnerships
- ii) Management of implementation of internships and bursaries for youth
- iii) Management of implementation of TVET work-integrated learning (WIL) programmes
- iv) Management and implementation of the TVET strategy
- v) Management and implementation of career guidance.

**Learning Division for Workers Programmes** is responsible for:

- i) Management of implementation of skills programmes and bursaries for workers
- ii) Management of implementation of candidacy learning programmes for workers
- iii) Management and implementation of the small, medium and micro enterprises (SMMEs) strategy
- iv) Management and implementation of catalytic projects for workers.

**Quality Assurance Division** is responsible for:

- i) Accreditation of SDPs
- ii) Registration of assessors and moderators
- iii) Monitoring of SDPs
- iv) Verification of learning
- v) Certification of learners
- vi) Development, reviewing and implementation of occupational qualifications
- vii) Implementation of external integrated summative assessments.

## Support divisions:

**Project Management** is responsible for:

- i) Reporting on implementation of projects
- ii) Submission of compliance reports on INSETA performance
- iii) Monitoring and evaluation.

**Office of the Chief Financial Officer (CFO)** is responsible for:

- i) Financial management
- ii) Audit and risk management
- iii) Financial compliance reporting.

**Supply Chain Management (SCM)** is responsible for procurement of goods, services and works.

SCM plays an integral part in ensuring that INSETA achieves its mandate through the procurement of goods, services or works in line with the following:

- i) Compliance with the SCM legislative framework
- ii) Implementation of the approved SCM Policy and Procedures
- iii) Ensure ongoing review of the standard operating procedures and operational plan and improve effectiveness and efficiency
- iv) Effective contribution towards building an enterprise resource planning-SCM system to improve automation of systems and processes
- v) Promotion of transformation in terms of broad-based black economic empowerment (BBBEE) targets specifically targeting BBBEE contributors level 1 and level 2 and development of emerging micro-enterprises and qualifying small enterprises.

## 4. Organisational environment *continued*

The Human Resources unit is responsible for management and administration of all human resource-related matters. INSETA regards its people as its most important asset. Human resources assists in creating a work environment that is supportive and conducive to performance and delivery against strategic objectives.

The unit develops, implements and oversees an integrated strategy in which all human resources functions work cohesively to create a positive work environment characterised by performance, cross-functional teamwork and accountability.

### **Marketing and Communications**

The Marketing and Communications business unit leads, develops and implements integrated communication strategies so that stakeholders are regularly informed about INSETA and its services.

A communications plan is prepared annually to ensure that the public is well informed of INSETA developments and to ensure a steady stream of communications building the INSETA brand.

During 2020/21, all marketing activities were online. These included:

- Webinars
- Career awareness events
- Virtual graduations
- Business training for employers
- Newsletters and communiques to stakeholders via electronic and social media.

### **Information technology**

The IT division is headed by the IT manager assisted by an outsourced service provider. As the provider's contract ended in August 2020, the INSETA Board approved the insourcing of IT services and the appointment of recruits to take ownership of data and processes. As part of this plan, INSETA will implement enterprise resource planning and management information system solutions fully owned and managed internally.

When the Covid-19 lockdown was imposed, INSETA implemented Microsoft 365 to assist in management of ICT services and in collaboration to allow most staff to work from home. The SETA was able to provide online services and hold meetings with stakeholders.

### **Facilities management**

The Facilities Management division, staffed by a facilities officer and two housekeepers and reporting to the CFO, assists INSETA units with building services maintenance, renovations and facilities project management. The division also manages soft services such as occupational health and safety, security, fleet management, space planning, courier and postage, catering and refreshments, inventory control, switchboard and printing. During the review year, the division launched an effective business support service that is responsive, reliable and respectful of the SETA's core business.



# 5. Summary of financial information

## Revenue collection

Sources of revenue	2020/21			2019/20		
	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	373 189	374 221	1 032	522 099	536 789	14 690
Levies: Penalties and interest	10 707	14 381	3 674	4 910	10 906	5 996
Investment and other income	18 807	20 269	1 462	36 378	36 880	502
<b>Total</b>	<b>402 703</b>	<b>408 871</b>	<b>6 168</b>	<b>563 387</b>	<b>574 575</b>	<b>21 188</b>

## 6. Project highlights

Research and development at INSETA (Research@INSETA) has become of the foremost stepping stone from which to plan skills development across the sector.

### Research

#### Establishment of Research and Learning Committee

The INSETA Research and Learning Committee comprises a community of experts from professional bodies, industry associations, and university representatives and partners. It advises and guides INSETA on research reports and projects. As the INSETA research hub evolves with various partners, it will yield important information on which funding decisions may be made.

*“INSETA’s motivation for digital transformation research is its belief that technology creates exponential change in society with notable negative and positive results.”*

### Research agenda

INSETA’s Research unit capacitates the research hub and publishes research agendas, papers and articles pertinent to the sector. Consultations dictated by the prevalent change drivers then follow with the Research and Learning Committee.

### Research Hub

INSETA’s research hub is an innovative thinktank that brings together communities of experts to explore various themes.

The research centre consolidates all primary and secondary research conducted by INSETA and its partners. A research library brings all primary research, journals and published papers in the sector into one domain accessible to all INSETA stakeholders. The final aspect of the research hub is the support of Master’s and PhD students through bursary funding, where INSETA sponsors sector-related research that is housed in the research library.

### Research partnerships

The establishment of partnerships is a priority in the research agenda as it enables INSETA to bolster its research hub and continue to be a thought leader in skills planning. During the review year, INSETA partnered with Durban University of Technology (DUT), University of Cape Town (UCT) and University of the Witwatersrand to facilitate research. INSETA Research Chair: Digitisation. Prof Colin Thakur, at DUT, who sits on the Ministerial task team for 4IR, was tasked with supporting the INSETA research agenda of technology, digitisation and 4IR and their impact on the sector, which forms part of its mandate and aim to provide credible research for its sector. A milestone was celebrated when Prof Thakur handed in the first of three research reports to INSETA.



**Pictured at the INSETA business interruption insurance and Covid-19 seminar**

(From left): Lebogang Ngwatle – specialist: development and fundraising, University of the Witwatersrand; Ernest Kaplan – Research Specialist: Skills Division, INSETA; Michael Stuart – SETA liaison/development and fundraising, University of the Witwatersrand; Professor Hoosen Rasool – lead researcher, FR Research Services; Gugu Mkhize – Chief Executive Officer, INSETA; Tshifhiwa Muhangane – Secretary General of the African Financial Intermediary Association (AFIA) and Lawrence Mkhwanazi – president of the African Financial Intermediaries Association.

The 'Occupational change research' report analyses observable changes in tasks, skills and roles associated with particular jobs, or occupational shift. While technology ostensibly is a key driver of this shift, the research highlights PESTEL factors impacting occupational change. A key trend observed was the transition to atypical employment arrangements such as entrepreneurial, part-time, contingent, contract work and self-employment. This trend is expanded on in the 'Gig economy research' report, which demonstrates the broader labour market shifts related to occupational shifts.

This report focuses on the one-contract-at-a-time arrangement between a skilled worker and a company, including web development, part-time secretaries, accounting and software development. It found that while this approach was practised nationally with success, challenges include poor remuneration, and lack of retirement and pension. The gig economy is beneficial to the sector, from SMMEs to corporates, but much needs to be done to evangelise the concept and promote fair work policies.

'Cybersecurity' is the third research report currently being undertaken by the research chair. The research takes a different approach to the first two, as cybersecurity awareness is needed by both the sector and the public.

INSETA's motivation for digital transformation research is its belief that technology creates exponential change in society with notable negative and positive results. The former needs to be mediated and the latter exploited through digital skills and digital transformation.

## 'Cybersecurity'

*the third research report currently being undertaken by the research chair.*

The research emanating from DUT provides a good foundation for skills interventions. Although Covid scuppered certain projects, the three topics have increased relevance in the pandemic world. An innovative component of the partnership was establishing thinktank sessions that create and nurture a community of practice around topics pertinent to the sector. The discussions are often robust, which is to be desired, as strong engagement produces better dividends.



**Pictured at the INSETA business interruption insurance and Covid-19 seminar**

(From left): Tshifhiwa Muhangane, Gugu Mkhize and Lawrence Mkhwanazi.

University of the Witwatersrand's Prof Robert Vivian and Dr Albert Mushai developed a two-volume body-of-knowledge book for the insurance sector, incorporating historical learnings and updates. The works will be distributed at no cost.

The university also completed research on emerging small and cooperative businesses in the sector and a tracer study on the impact of INSETA learning programmes over the past three years, which supports INSETA's monitoring and evaluation and value-for-money processes. These documents make for interesting reading and are available on the INSETA website under 'Skills planning – research'.

UCT is involved in skills planning and skills forecasting and reviews skills supply and demand channels across the sector. Its work on profiling the insurance sector began at the end of the review year and is proving most successful and informative. Research is also underway on career pathing and planning for the sector, with assistance from several industry associations and professional bodies. Robust consultation is expected in the new financial year.

### Other research

#### Survey 1: Short study on the impact of Covid

INSETA administered two surveys on the impact of Covid-19 on employers and jobs in the sector; in May 2020 and September 2020. Responses between the two were then compared.

The onset of the pandemic in March 2020 led to a collapse in both local and global economic activities. Firm closures, tax revenue shortfalls, disruption of industries, job destruction and distressed communities ensued. The speed of the spread of the virus was unprecedented in modern history. It has affected every aspect of life, including PSET.

The web-based survey was sent out to active levy- and non-levy-paying insurance companies. Some 114 responded in May and 90 in September.

Companies were asked questions around the impact of Covid on their businesses and the following key findings emerged:

*The impact of Covid-19 and the lockdown shocked insurance companies in May and most expected a high to medium impact of Covid on the businesses. In the September follow-up, around half of those who had forecast a high impact maintained their view. However, the majority had shifted more towards a medium or low impact.*

*In May, 60% of companies did not indicate that there would be retrenchments over the next 12 months and 40% indicated that there would be. In September, 21% mentioned retrenchments, while 79% were positive about the employment outlook.*

*Virtually all companies felt the impact of Covid-19 in business disruption.*

*Firms consistently indicated in May and September that skills development was a priority.*

*Among top-up skills to be prioritised, IT, regulations, Covid-19 and communications featured highly.*

It was recommended that INSETA look at softer skills requirements to support the current workforce and workplace with productivity and health security challenges. Regulatory training is essential and the SETA should offer more learning opportunities for employees. However, given current SETA funding challenges, INSETA may need to redress its funding models and possibly explore co-funding mechanisms to support the immediate needs of employers.

#### Survey 2: Employer and training provider readiness to resume learning programmes

At September 2020, 7 001 learners were on learning programmes according to training provider responses. This survey was issued to employers and training providers and responses revealed that:

**86%** of providers were ready to resume learning programmes.

**66%** were fully prepared to provide training.

**26%** were partially prepared to provide training.

**8%** were unprepared to provide remote learning and required support and upskilling.

**91%** of learners were ready to resume training provided they received learning devices.

#### Research pipeline

INSETA is considering enlisting one of its university research chairs/partners to train the management of TVET colleges in research skills. These institutions will then be resourced and able to undertake research internally.

## Youth projects

### Rural development learnership programme

INSETA continued partnering with insurance companies, communities and local community development committees to implement rural programmes in communities not able previously to access learning interventions, and to address poverty, inequality and unemployment.

In 2020/21, INSETA implemented two rural learnership programmes, one in Limpopo (Polokwane) with 56 beneficiaries, the other in KwaZulu-Natal (Mtubatuba) with 35 learners.

Avbob, Momentum Metropolitan, Marara Risk Solutions, Standard Bank Insurance Brokers and Two Mountains Financial Services hosted the learners for the practical component of the learnership. Learners also undertook a work readiness programme so that they can easily adapt from classroom to workplace. They were also trained on class of business and coached for the regulatory examination to improve their employability.

Employer	Province	Programme	Number of learners
<b>Avbob</b>	Polokwane	Further Education and Training Certificate (FETC): Long-term Insurance National Qualifications Framework (NQF) level 4	10
<b>Marara Risk Solutions</b>	Polokwane	FETC: Short-term Insurance NQF level 4	10
<b>Momentum Metropolitan</b>	Polokwane	FETC: Wealth Management NQF level 4	19
<b>Standard Bank Insurance Brokers</b>	Polokwane	FETC: Wealth Management NQF level 4	3
<b>Two Mountains Financial Services</b>	Polokwane	FETC: Long-term Insurance NQF level 4	14
<b>Momentum Metropolitan</b>	KwaZulu-Natal	FETC: Wealth Management NQF level 4	26
<b>Avbob</b>	Polokwane	FETC: Long-term Insurance NQF level 4	10

### Mitchells Plain skills development programme

On 6 April 2019, former Minister of Higher Education and Training Dr Naledi Pandor requested all 21 SETAs at the Mitchells Plain Youth Summit to commit to 1 000 learning opportunities for the youth of Mitchells Plain.

INSETA responded with an initiative that benefitted 90 unemployed youth. INSETA partnered with the local university, TVET colleges, local high schools and employers in the insurance sector to provide the below interventions.

Institution	Programme	Number of learners	Employers
<b>University of the Western Cape</b>	Bursary	10	
<b>False Bay College</b>	Bursary	20	
<b>Northlink TVET College</b>	Learnership: FETC: Information Technology Technical Support NQF level 4	30	
<b>College of Cape Town</b>	Learnership: FETC: Long-term Insurance NQF level 4	30	Angathe Holdings Pinnacle Administration Plus Pet Underwriting Management Agency Insurance Replace a Product

The bursary learners proceeded with their studies in 2021/22, as all passed their modules in 2020. Both learnerships will be completed by 30 April 2021 and be ready for verification.

## 6. Project highlights *continued*

### Career and vocational guidance

#### Career guidance awareness webinars for WIL beneficiaries

INSETA, with TVET colleges, conducted virtual career guidance webinars to equip WIL beneficiaries with opportunities beyond programme completion. The TVET colleges involved were:

<b>Esayidi TVET College</b> KwaZulu-Natal	<b>Flavius Mareka TVET College</b> Free State	<b>Ikhala TVET College</b> Eastern Cape	<b>Umfolozzi TVET College</b> KwaZulu-Natal
<b>Vhembe TVET College</b> Limpopo	<b>East Cape Midlands TVET College</b> Eastern Cape	<b>West Coast TVET College</b> Western Cape	

Eighty WIL learners were reached via MS Teams, with some connecting at their colleges and others from their employers' workplaces. The career guidance brochure was provided to each learner. The webinars were well received by the learners and TVET coordinators, and raised interest in career paths and other opportunities in insurance.

#### Career development practitioners at TVET colleges

In terms of NSDP 2030, INSETA must enhance the visibility of the insurance sector and the capacity of public institutions to deliver services to it. To this end, it developed a career guidance manual and trained TVET college officials on career guidance to deliver effective and relevant information on careers and support on INSETA-funded programmes. This enhances the ability of TVET colleges to attract students and inspire them to greater academic heights. Eighty-seven officials were trained in Gauteng, North West, Eastern Cape and KwaZulu-Natal.

## Training delivery

### Implementation of occupational qualifications

INSETA has realigned, reviewed and registered various occupational qualifications through the Quality Council for Trades and Occupations (QCTO). The qualifications have received South African Qualifications Authority (SAQA) registration ID numbers and some have been registered as learnerships by DHET. The following qualifications are registered and implementable:

Occupational qualification	SAQA ID	NQF level	Learnership status	Registered
Insurance underwriter (reviewed in August 2020)	91784	5	Registered	72
Claims assessor	99668	4	Pending	100
Financial adviser (parent qualification)	105026	6	Registered	New
Financial adviser – four-part qualifications				
Long-term insurance adviser	105021	5 and 6	Registered	New
Employee benefits and pension fund adviser	105022			
Healthcare benefits adviser	105030			
Investment adviser	105026	6		
Professional principal executive officer (retirement funds)	134910	4	None	To be advised

- In February 2021, financial adviser – 105026 (parent qualification) was included in the Financial Services Conduct Authority list of qualifications meeting fit-and-proper requirements.
- The development of learner materials for the financial adviser qualification (all parts) is nearing completion (June 2021). A materials development company was appointed to develop the materials, including assessment specifications and instruments.
- The external integrated summative assessment (EISA) exams for insurance underwriter were conducted on 9 December 2020 at accredited assessment centres in Johannesburg, KwaZulu-Natal and Western Cape.



The table below reflects certification for the period 2020/21

Qualification	Number of learners certificated
FETC: Long-term Insurance NQF level 4	514
FETC: Medical Claims Assessing NQF level 4	9
FETC: Retail Insurance NQF level 4	112
FETC: Short-term Insurance NQF level 4	884
FETC: Wealth Management NQF level 4	95
National Certificate in Financial Services: Wealth Management: NQF level 5	3
National Certificate: Short-term Insurance level 5	138
National Certificate: Wealth Management NQF level 5	709
National Certificate: Financial Services Administrator NQF level 3	18
Total number of certificates printed: 2020/21	2 482

Qualifications registered in 2020/21

SAQA ID	Qualification title	NQF level	Credits	Learnership status
91784	Occupational Certificate: Insurance Agent – Insurance Underwriter	5	156	Registered
105026	Occupational Certificate: Financial Adviser	6	515	Registered
105030	Occupational Certificate: Healthcare Benefits Adviser	5	102	Registered
105022	Occupational Certificate: Long-term Insurance Adviser	5	180	Registered
105025	Occupational Certificate: Employee and Pension Fund Benefits Adviser	5	110	Registered
105021	Occupational Certificate: Investment Adviser	6	213	Registered

### Implementation through recognition of prior learning

The INSETA RPL pilot project enabled experienced candidates without qualifications to obtain:

- Occupational Certificate: Insurance Agent – Insurance Underwriter NQF level 5
- Occupational Certificate: Claims Administration – Claims Assessor NQF level 4.

The project aimed to grow the pool and quality of scarce and critical skills and enable working people to formalise qualifications.

Forty employees registered for insurance underwriter RPL and received support from Octomate Training Solutions. The group is scheduled to write the EISA exam in May 2021. In addition, 105 employees from various employers were registered for claims assessor RPL and received support from Invuya Academy. Sixteen wrote EISA exams in March 2021 and the balance will write in August 2021.

### Implementation of external integrated summative assessments

Following the implementation of INSETA's EISA for insurance underwriters in 2019/20, 22 learners completed the examinations. The QCTO is processing their results.

The preparation process for the successful implementation of the EISA included:

- Development of guidelines for the implementation of EISA
- Registering the candidates for EISA

- Preparing a notification pack for EISA
- Procuring all assessment-related services (venue, invigilators, assessors and moderators)
- Communication with QCTO regarding successful implementation of EISA
- Managing the request for and distribution of certificates
- Conducting community of experts sessions to internally quality assure the EISA process.

This is a standing requirement of the signed QCTO/INSETA service level agreement.

### Support of TVET colleges

INSETA continued to support TVET colleges nationally to increase the pool of accredited SDPs, increase access to learning for learners in rural communities and strengthen the pipeline of young entrants into the insurance sector. The following is a list of interventions were implemented in support of the public TVET system:

Thirty-six colleges have INSETA programme approval, 19 of which are accredited to offer insurance-specific qualifications and two to offer learnerships.

Students in 13 colleges received bursary funding for courses aligned to or supporting the insurance sector; and 30 TVET lecturers from five colleges were trained on introduction to insurance to equip them to train students on the insurance protégé qualification.



# GOVERNANCE

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C





# INSETA Board members for 2020/2021



**SJ Ngubane**  
Chairperson



**V Pearson**  
Business



**L van der Merwe**  
Business



**RG Govender**  
Business



**AP Mendes**  
Business



**SJ Kruger**  
Business



**ZRN Motsa**  
Business



**M Soobramoney**  
Labour



**JJM Mabena**  
Labour



**SA Anders**  
Labour



**CB Botha**  
Labour



**TS Dinyake**  
Labour



**FM Mabaso**  
Government



**MS Mpuru**  
Community organisation

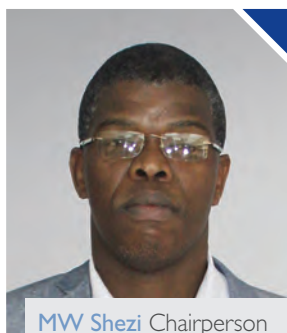


**R Mothlabane**  
Labour

## Independent Audit and Risk Committee members



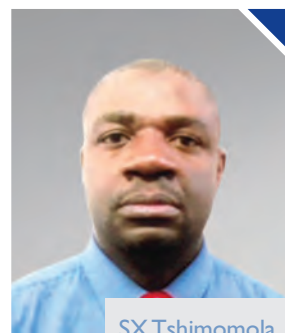
**JD Watson** Chairperson  
April to September 2020



**MW Shezi** Chairperson  
October 2020 to March 2021



**CN Nyakaza**



**SX Tshimomola**

## 1. Report of the Accounting Authority

The Accounting Authority (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 at 31 March 2021.

### Corporate governance

Corporate governance at INSETA is applied through the rules of the PFMA and all other relevant prescripts. The Board at INSETA is ultimately responsible for corporate governance. The Board of INSETA operates in accordance with Section 51 of the PFMA. It ensures that INSETA maintains effective and transparent systems of risk management and internal controls by having a strong audit committee that is supported by an 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 Exco, the Audit and Risk Committee, the Finance Committee and the Human Resources Committee, all of which have been functional since the establishment of INSETA.

It is guided by an approved charter in terms of the INSETA constitution.

### General review of the state of affairs

#### Levy income

There are 3 581 employers registered with and actively participating in skills development with INSETA.

Some 11 336 sector employers have registered with the South African Revenue Service (SARS) over the past 20 years, with 3 067 being classified as levy contributors. The sector employs more than 900 000 people, excluding those in micro-enterprises and informal businesses.

Income from levies continued to increase during the review period, attributable to an increase in the number of levy-paying employers and in line with cost of living and general salary adjustments in the sector.

#### Investment income

##### Investment in skills

Skills development investment decreased by 17% compared to the previous year. Spending is spread among learnerships, internships, skill programmes, bursaries and catalytic projects that help to lubricate skills development initiatives.

#### Operating results

Inseta had a deficit of R89 001 million against the budgeted deficit of R126 584 million approved by the Minister once projections for the year had been revised. The deficit resulted from increased spending and implementation of commitments in the books at March 2020 and spending against surpluses retained in the 2020 financial year.

## I. Report of the Accounting Authority *continued*

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

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

The table below summarises all payments made to Board and Board sub-committee members:

	Meeting fees accrued during the period under review
Remuneration of Board members	R1 700 066
Audit and Risk Committee member attendance of sub-committee meetings	R465 045
<b>Total</b>	<b>R2 165 111</b>

The following reflects payments to Board members only.

**S** - Scheduled    **A** - Attended

	Board		Exco		Finance		Audit and Risk		Human Resources		Other		
Member	S	A	S	A	S	A	S	A	S	A	S	A	Remuneration
JS Ngubane (Chairperson – Board and Exco)	4	5	12	11	4	–	5	–	4	–	4	1-	222 669.00
L van der Merwe	4	5	12	10	4	–	5	–	4	–	4	8	162 974.50
RG Govender (Chairperson – Finance Committee)	4	5	12	–	4	5	5	–	4	–	4	6	120 947.00
P Mendes	4	5	12	–	4	–	5	–	4	4	4	1-	118 995.00
ST Dinyake	4	5	12	–	4	4	5	–	4	–	4	6	102 537.00
M Soobramoney	4	5	12	–	4	–	5	–	4	4	4	7	106 581.00
S Anders	4	5	12	–	4	1	5	–	4	4	4	8	123 312.00
CB Botha	4	5	12	–	4	4	5	4	4	–	4	5	132 756.00
RP Mothlabane	4	4	12	8	4	–	5	–	4	–	4	7	128 979.00
SM Mpuru	4	3	12	–	4	5	5	–	4	–	4	7	98 496.00
JM Mabena	4	5	12	10	4	–	5	–	4	–	4	8	147 873.00
V Pearson	4	5	12	–	4	5	5	–	4	–	4	2	81 486.00
SJ Kruger	4	5	12	10	4	–	5	–	4	–	4	8	152 460.00
Z Motsa (Chairperson – Human Resource Committee)	4	5	12	–	4	–	5	–	4	4	4	10	–
F Mabaso	4	4	12	–	4	–	5	–	4	4	4	4	–
													<b>1 700 065.50</b>

The amounts indicated above were paid to the member or the nominating organisation. The payments exclude independent members of the Audit and Risk Committee.

## Remuneration of key management

As required by Treasury Regulation 28.1.1 issued in terms of the PFMA, the remuneration of management during the reporting period comprised:

### Chief Executive Officer: Nadia Starr (from 1 February 2019 to 30 November 2020)

Designation	2020/21	2019/20
Cost of employment	R 1 429 000	R 1 881 000
Bonuses	R 145 000	R 315 000
<b>Total</b>	<b>R 1 574 000</b>	<b>R 2 196 000</b>

### Chief Executive Officer: Gugu Mkhize (from 1 December 2020)

Designation	2020/21	2019/20
Cost of employment	R 743 000	–
Bonuses	–	–
<b>Total</b>	<b>R 743 000</b>	<b>–</b>

### Chief Operating Officer: Tumi Peele

Designation	2020/21	2019/20
Cost of employment	R 1 668 000	R 779 000
Bonuses	R 116 000	–
<b>Total</b>	<b>R 1 784 000</b>	<b>R 779 000</b>

### Chief Financial Officer: David Molapo

Designation	2020/21	2019/20
Cost of employment	R 1 968 000	R 1 839 000
Bonuses	R 138 000	R 300 000
<b>Total</b>	<b>R 2 106 000</b>	<b>R 2 139 000</b>

## Business address

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



**SJ Ngubane**

Chairperson, INSETA  
31 July 2021



**Gugu Mkhize**

Chief Executive Officer, INSETA  
31 July 2021



## 2. Parliamentary portfolio committees

During the review period, INSETA was invited to attend a Higher Education and Training Parliamentary Portfolio Committee meeting on its strategic plan and APP on 7 June 2020.

## 3. Executive authority

INSETA submitted both financial and performance quarterly reports to DHET in accordance with the PFMA. DHET conducted quarterly verification visits at INSETA. Service-level agreements and budgets were also submitted in line with statutory requirements.

## 4. IA and Audit Committee Internal control unit and Regulations

INSETA has outsourced the internal audit services to an external service provider. The service provider used the identified risks to develop its risk-based audit approach. The internal auditor prepared a three-year rolling plan, which was approved by the Audit and Risk Committee. During the year, the internal auditor submitted to the committee its reports on progress made against the Annual Internal Audit Plan.

Internal audit activity is undertaken in terms of an approved charter. The review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the SETA, revealed certain weaknesses, which were then raised with INSETA.

## 5. Key policy developments and legislative changes

There were no such changes during the review year.

## 6. Minimising conflict of interest

INSETA has several strategies in place to minimise conflicts of interest in SCM. All practitioners sign the INSETA code of conduct. All SCM officials and participants in the SCM process complete and sign a declaration of interest and a nondisclosure and confidentiality agreement. A record of all disclosures is kept in SCM repository. There is adequate segregation of duties to avoid potential conflicts of interest in the various SCM roles. INSETA also maintains a gift register in which all gifts received by officials are recorded.

## 7. Code of conduct

All the new appointments attend induction on their first day at INSETA. This includes a presentation on the INSETA code of ethics and business conduct. All inductees must sign the code to confirm that they understand and commit to it. The signed documents are filed in their personnel files. The human resources team conducts the presentation annually to remind staff about the code.

The code aims to ensure that everyone conducting business on INSETA's behalf adheres to the highest standards of ethics, business conduct and professionalism.

All INSETA employees must comply with the code and all applicable laws. Failure to do so is a serious matter that may cause INSETA reputational damage and is subject to disciplinary action that may include dismissal.

Discipline may also be imposed for conduct considered unethical or improper, even if not specifically covered by the code.

INSETA contracted a service provider to manage the hotline that accepts anonymous reports by employees and the public of code violations.

## 8. Fraud and corruption

Employees and the public are encouraged to report fraud and corruption through the anonymous fraud hotline. Fraud and corruption allegations are escalated to the CEO for immediate action.

No cases of fraud and corruption were reported during the review year.

## 9. Company Secretary

The company secretary confirms that reports and returns as required by the Companies Act are lodged and that the returns are complete and accurate. In addition the company secretary provides the following statutory duties:

- 9.1** To be accountable to the company's board;
- 9.2** To provide the directors of the company with guidance as to their duties, responsibilities and powers;
- 9.3** To make the directors aware of any law relevant to or affecting the company;
- 9.4** To report to the company's board any failure on the part of the company or a director to comply with the memorandum of incorporation or rules of the company or this Act;
- 9.5** To ensure that minutes of all shareholders meetings, board meetings and the meetings of any committees of the directors, or of the company's audit committee, are properly recorded in accordance with the Companies Act;

- 9.6** To certify in the company's annual financial statements whether the company has filed required returns and notices in terms of this Act, and whether all such returns and notices appear to be true, correct and up to date;
- 9.7** To ensure that a copy of the company's annual financial statements is sent to every person who is entitled to it in terms of the Companies Act; and
- 9.8** To carry out the functions, where necessary, of a person who is responsible for the company's compliance with the filing of the annual returns in terms of the Companies Act

## 10. Health, safety and environmental issues

INSETA has an active Health and Safety Committee that addresses environmental, health and safety issues. Most of the focus in 2020/21 was on Covid-19 regulations and ensuring that workplace precautions were followed. All employees attended two Covid-related training sessions, the first on Covid awareness and the second on stress management during the pandemic.

## 11. Risk management

Strategic risks have been identified by the Board and have been rated and tolerance levels set. Management identifies operational risks on an ongoing basis. Both strategic and operational risks are regularly reviewed by management and reported to the Board. The risk management framework, implementation plan, fraud prevention plan and combined assurance plan were reviewed during the year.

In addition to the risk register, INSETA also developed a framework of applicable laws and a compliance risk management plan.

## 12. Effectiveness of internal control

Refer to section Internal Control unit and regulations on page 43.

## 13. Social Responsibility

The entity did not conduct any social responsibility during the reporting period.

## 14. BBBEE compliance performance information

### Performance Information

Has the public entity applied any relevant code of good practice (BBBEE certificate levels 1–8) with regards to the following:		
Criteria	Response Yes/No	Discussion (include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	Not in the line of INSETA's business. It doesn't issue licences
Developing and implementing a preferential procurement policy?	Yes	The SCM division is responsible for implementing the procurement policy
Determining qualification criteria for the sale of state-owned enterprises?	No	INSETA not involved in the sale of state-owned enterprises
Developing criteria for entering into partnerships with the private sector?	Yes	Partnership with companies that applied to INSETA for skills development funding
Determining criteria for awarding of incentives, grants and investment schemes in support of BBBEE?	Yes	There are criteria for awarding skills development grants to employers who applied for funding. INSETA has a discretionary grant policy

# Audit and Risk Committee report to the INSETA Board for the year ended 31 March 2021

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2021.

## 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) were 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

**S** - Scheduled    **A** - Attended

Member	Board		Exco		Finance		Audit and Risk		Human Resources		Other		Remuneration
	S	A	S	A	S	A	S	A	S	A	S	A	
J Watson	–	–	–	–	4	–	5	3	–	–	4	2	126 015.00
M Shezi	–	–	–	–	4	–	5	6	–	–	4	2	182 166.20
N Nyakaza	–	–	–	–	4	–	5	6	–	–	4	–	116 530.00
R Tshimomola	–	–	–	–	4	–	5	3	–	–	4	–	40 333.50
													<b>465 044.70</b>

Special engagements included the chairperson's attendance at three of the four scheduled Board meetings during the year as well as members' attendance of a joint meeting of the audit and risk, and finance committees.

### Audit and Risk Committee's responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the PFMA and Treasury Regulation 27.1. The Audit and Risk Committee has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter. The Audit and Risk Committee has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

INSETA also considers codes of best practice when designing its governance and oversight arrangements.

For the year under review, six meetings were scheduled. The remuneration of the independent members for attendance and meetings preparations were as per the rates approved by the Minister. The remuneration of Board members serving on this committee is disclosed in the report of the Accounting Authority.

The following internal audit assignments, among others were completed during the year under review:

- Annual financial statement review,
- Annual performance report,
- Audit of predetermined objectives (Q1 and Q3),
- Commitments review,
- Compliance and governance review,
- Financial management review,
- Follow-up review,
- Human resource management,
- Interim financial statement review,
- It application controls,
- Projects/discretionary grants, and
- Supply chain management review.

The following were areas of concern:

- Discretionary grant commitments.

### Evaluation of annual financial statements

The Audit and Risk Committee has reviewed the audited annual financial statements as prepared by INSETA and recommended these for approval by the Board.

## Auditor-General's report

We have reviewed the entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved except for the following:

- Performance information, and
- Supply chain management.

The Audit and Risk Committee concurs and accepts the conclusions of the Auditor-General of South Africa on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General of South Africa.

## Governance

The governance of INSETA is regulated primarily by the PFMA and Treasury Regulations. INSETA also considers codes of best practice when designing its governance and oversight arrangements. A review of existing arrangements will be undertaken based on the most recent publication of the King Committee's report on corporate governance.

Refer to section of Auditor-General's report on pages 60 to 63.



**Malusi W Shezi**

*Chairperson of the Audit and Risk Committee*

INSETA  
31 July 2021



# HUMAN RESOURCE MANAGEMENT

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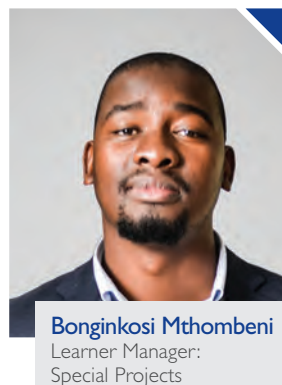
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# Staff members for 2020/2021

## Executive Management



## Middle Management





## Specialists



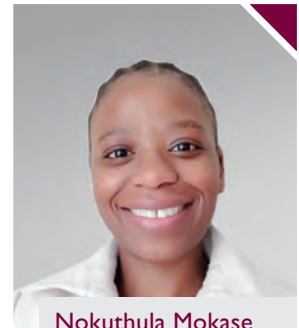
**Bonginkosi Malinga**  
Learning Manager:  
Special Projects



**Nerissa Sheopershad**  
Corporate Governance  
Specialist



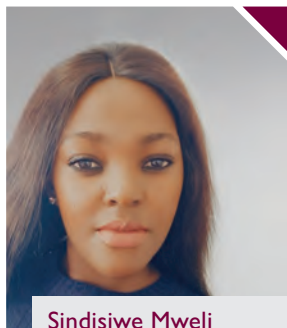
**Tshepo Mabika**  
Communications and  
Marketing Specialist



**Nokuthula Mokase**  
Finance Accountant



**Khazwinakhe Mphephu**  
Supply Chain Management  
Specialist



**Sindisiwe Mweli**  
Supply Chain Management  
Specialist



**Nonhlanhla Nkabinde**  
Monitoring and Evaluation  
Specialist



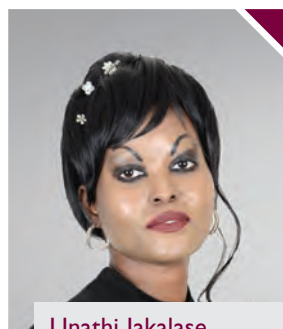
**Ernest Kaplan**  
Research Specialist



**Tasmin Davids**  
Skills Development  
Specialist



**Stanley Matende**  
ETQA Specialist



**Unathi Jakalase**  
ETQA Specialist



**Nhlanhla Siboto**  
Learning Specialist



**Phumelele Sithole**  
Learning Specialist: Youth  
Programmes



**Siphiwe Yende**  
Learning Specialist:  
Worker Programmes

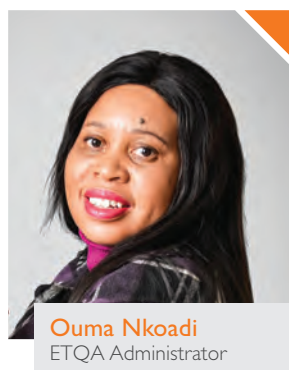


**Miranda Mthwethwa**  
ETQA Specialist

## Personal Assistants



## Administrators



## Administrators *continued*



**Athi Nomavilla**  
Learning Administrator:  
Youth Programmes



**Katlego Siko**  
Learning Administrator:  
Youth Programmes



**Martin Kolele**  
Skills Development  
Administrator



**Asavela Pumelo**  
Learning Administrator:  
Youth Programmes



**Ngwako Mpebe**  
Learning Division:  
Workers Programmes



**Esethu Roro**  
Learning Division:  
Workers Programmes



**Nthabiseng Mazibuko**  
Records Administrator



**Zanele Mashiane**  
Project Management  
Office Administrator

## Office Support



**Zodwa Motloun**  
Office Support



**Margaret Janfeke**  
Office Support



**Sarah Richard**  
Office Support

# 1. Introduction

The contract of the previous CEO ended on 30 November 2020. The new CEO was appointed effective 01 December 2020.

The financial year was not business as usual. Much focus for the Health and Safety Committee was on Covid-19 issues. Staff were trained on Covid awareness, financial management and dealing with stress. Ten Covid-19 cases were reported and all the individuals fully recovered after self-isolation.

The staff were given the tools of the trade to work remotely and successfully managed the transition.

The human resources team drafted several policies focusing on retention, succession, life-threatening and infectious diseases and remote work. These policies are being reviewed by the Human Resources Committee.

A service provider was appointed to conduct change management and team cohesion workshops to enhance organisational culture. A second service provider was appointed to review the organisational structure to enhance organisational effectiveness. Job profiling, job grading and salary benchmarking projects were completed in the financial year.

During the financial year, the human resources team coordinated on-the-job training (internship) at INSETA for 10 TVET interns to complete their diplomas. A further 16 TVET college interns completed their 18-month on-the-job training (internship) for their diploma.

All vacant positions were filled during the financial year.

As a public entity, INSETA provides the following key information on human resources:

## Personnel cost by programme/activity/objective

Programme/activity/objective	Total expenditure For the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a % of total expenditure (R'000)	Number of employees	Average personnel cost per employee (R'000)
Administration	27 546 000	27 546 000	66%	48	573 875
Discretionary projects	13 959 000	13 959 000	34%	40	348 975
<b>Total</b>	<b>41 505 000</b>	<b>41 505 000</b>	<b>100%</b>	<b>88</b>	

The total number of approved positions is 69 on the organisational structure. Twenty-one fixed-term contract employees were appointed to support the organisation. These included additional resources in skills and learning programmes and support services. The total number of employees for administration, projects and including 21 fixed-term contract employees is 88.

## Personnel cost by salary band

Level	Personnel expenditure (R'000)	Personnel expenditure as a % of total expenditure (R'000)	Number of employees	Average personnel cost per employee (R'000)
Top management	5 418 000	20%	4	1 354 500
Management	7 173 395	26%	7	1 024 770
Professionally qualified	—	—	—	—
Skilled	9 164 167	33%	17	539 068
Semi-skilled	5 662 915	20%	19	298 048
Unskilled	127 523	1%	1	127 523
<b>Total</b>	<b>27 546 000</b>	<b>100%</b>	<b>48</b>	



## Performance rewards

Programme/activity/objective	Performance rewards	Personnel expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top management	—	5 418 000	—
Management	—	7 173 395	—
Professional qualified	—	—	—
Skilled	—	9 164 167	—
Semi-skilled	—	5 662 915	—
Unskilled	—	127 523	—
<b>Total</b>		<b>27 546 000</b>	

There was no performance bonus provision for 2020/21.

## Training costs

Programme/activity/objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	Number of employees trained	Average training cost per employee
All	41 505 000	900 810	2%	70	12 868

## Employment and vacancies

Programme/activity/objective	2019/20 Number of employees	2020/21 Approved posts	2020/21 Number of employees	2020/21 Vacancies	% of vacancies
Top management	3	3	3	—	—
Management	10	11	11	—	—
Professional qualified	—	—	—	—	—
Skilled	22	24	24	0	0%
Semi-skilled	27	29	26	3	11%
Unskilled	2	2	2	0	0%
<b>Total</b>	<b>64</b>	<b>69</b>	<b>66</b>	<b>3</b>	<b>4%</b>

### Three vacancies:

- Record administrator
- Helpdesk support
- Receptionist

### Measures taken to successfully attract and retain staff:

- Staff bursaries for career development.
- At the start of each financial year, all staff sign a performance contract with their line managers.
- Performance contracts include personal development plans and specify how line managers will ensure that individuals achieve their career goals.
- All of the above ensure that staff are well equipped to occupy advertised vacancies for career development.
- Retention and succession policies are being discussed by the Human Resources Committee.
- The retention policy provides opportunities for recognition and rewards for good performance.
- A remote work policy to be approved by the Board will allow staff to work from home, especially during the pandemic.
- A service provider is conducting an organisational structure review and realignment to ensure that all the employees are placed according to their knowledge, skills and qualifications.
- An employee wellness service provider has been appointed to promote work-life balance.

## I. Introduction *continued*

### Employment changes

The table below depicts turnover rates as an indication of trends in employment profile:

Salary band	Employment at beginning of period 1 April 2020	Appointments	Terminations	Employment at end of the period 31 March 2021
Top management	3	1	1	3
Management	11	2	2	11
Professional qualified	–	–	–	–
Skilled	23	4	2	25
Semi-skilled	26	1	1	26
Unskilled	1	–	–	1
<b>Total</b>	<b>64</b>	<b>8</b>	<b>6</b>	<b>66</b>

### Reasons for staff leaving

Reason	Number	% of total number of staff leaving
Death	1	17%
Resignation	1	17%
Dismissal	–	–
Retirement	–	–
Ill health	–	–
Expiry of contract	4	66%
Other	–	–
<b>Total</b>	<b>6</b>	<b>100%</b>

### Explanations for staff leaving and attempts to replace these staff

1. The fixed-term contract of the CEO ended on 30 November 2020. The vacancy was advertised both internally and externally in the newspapers. Six candidates were shortlisted. The panel were Exco members. An external African female was appointed.
2. The SCM manager resigned to return to his family outside Gauteng. The position was advertised both internally and externally. An external African female – previously SCM manager at another SETA – was appointed.
3. The learning manager stepped down to become a consultant. She was replaced by an internal African female who was a learning specialist in the same division. She was appointed after the vacancy was advertised internally and she had attended panel interviews.
4. The receptionist passed on through natural causes. The vacancy was advertised and filled internally after panel interviews and all human resources processes were completed. The successful candidate was the internal housekeeper.
5. Four fixed-term contracts ended without renewal, including the CEO contract, which was not renewed.

### Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	–
Written warning	–
Final written warning	–
Dismissal	–

### Equity target and employment equity status

Going forward, INSETA will specify in the advert the target group needed to fill the vacancy.

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	–	–	–	–	–	–	–
Senior management	3	–	1	–	–	–	–	–
Professional qualified	–	–	–	–	–	–	–	–
Skilled	6	–	–	1	1	1	1	1
Semi-skilled	5	–	–	–	–	–	–	–
Unskilled	–	–	–	–	–	–	–	–
<b>Total</b>	<b>15</b>	<b>–</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	–	–	–	–	–	–	–
Senior management	4	–	1	–	2	–	–	–
Professional qualified	–	–	–	–	–	–	–	–
Skilled	11	–	1	–	2	–	1	1
Semi-skilled	19	–	2	–	–	–	–	–
Unskilled	1	–	–	–	–	–	–	–
<b>Total</b>	<b>37</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>1</b>	<b>1</b>

Levels	Disabled staff			
	Male		Female	
	Current	Target	Current	Target
Top management	–	–	–	–
Senior management	–	–	–	–
Professional qualified	–	–	–	–
Skilled	–	3	–	1
Semi-skilled	–	–	–	–
Unskilled	–	–	–	–
<b>Total</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>1</b>





# FINANCIAL INFORMATION

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# E

# CONTENTS

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

## **PART E: FINANCIAL INFORMATION**

Report of the Auditor-General	<b>60</b>
Annexure – Auditor-General's responsibility for the audit	<b>63</b>
Statement of responsibility	<b>64</b>
Statement of financial position	<b>65</b>
Statement of financial performance	<b>66</b>
Statement of changes in net assets	<b>67</b>
Cash flow statement	<b>69</b>
Statement of comparison of budget and actual amounts	<b>70</b>
Accounting policies	<b>71</b>
Notes to the annual financial statements	<b>81</b>
Annexure A	<b>104</b>

<b>DHET</b>	Department of Higher Education and Training
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>INSETA</b>	Insurance Sector Education and Training Authority
<b>ISA</b>	International Standards on Auditing
<b>NSF</b>	National Skills Fund
<b>PAA</b>	Public Audit Act
<b>PFMA</b>	Public Finance Management Act No 1 of 1999
<b>QCTO</b>	Quality Council for Trades and Occupations
<b>SARS</b>	South African Revenue Service
<b>SDL</b>	Skills development levy
<b>SETA</b>	Sector Education and Training Authority
<b>TVET</b>	Technical and vocational education and training
<b>UIF</b>	Unemployment Insurance Fund

# 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, set out on pages 65 to 103, which comprise the statement of financial position as at 31 March 2021, statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget and actual amounts 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 Insurance Sector Education and Training Authority as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Skills Development Act 97 of 1998 (SDA).

### Basis for opinion

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

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

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with 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 public entity'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 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance-planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to achievement, the extent of achievements in the current year or 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 public entity's annual performance report for the year ended 31 March 2021:

Programme	Pages in the annual performance report
<b>Programme 3 – learning programmes</b>	19 - 23

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. The material findings on the usefulness and reliability of performance information of the selected programmes are as follows:

### Programme 3 – learning programmes

#### Various indicators

15. Adequate systems and processes were not established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. The planned indicator relates to the number of AET programmes enrolled and completed; however, the actual achievements related to the number of learners enrolled and completed for the AET programmes

Indicator	Reported achievement
<b>Number of AET programmes enrolled</b>	32
<b>Number of AET programmes completed</b>	21

## Other matters

16. I draw attention to the matters below.

### Achievement of planned targets

17. Refer to the annual performance report on pages 19 to 23 for information on the achievement of planned targets for the year and management's explanations provided for the under-/over-achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 15 of this report.

### Adjustment of material misstatements

18. I identified material misstatement in the annual performance report submitted for auditing. These material misstatement were on the reported performance information of programme 3 – learning programmes. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

# Report on the audit of compliance with legislation

## Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
20. The material findings on compliance with specific matters in key legislation are as follows:

## Annual financial statements

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA.
22. Material misstatement of commitments and related parties disclosure notes identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

## Other information

23. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programme presented in the annual performance report that have been specifically reported in this auditor's report.
24. 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 on it.
25. 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 financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
26. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, 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

27. 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. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on the compliance with legislation included in this report.
28. The public entity did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information. This is evidenced by material misstatements on the commitments, related parties disclosure notes and performance information.
29. The monthly processes on the maintenance and monitoring commitments as well as performance information were not adequately implemented, which resulted in financial statements and performance reports that were not free from material misstatements and non-compliance with legislation.
30. The public entity's record keeping processes were not effective to ensure that information is accessible and readily available.
31. Oversight responsibility regarding financial and performance reporting and compliance was not exercised adequately, and the controls in place did not prevent or detect internal control deficiencies that resulted in material misstatements on financial and performance reports as well as non-compliance with applicable laws and regulations.

**Auditor - General**

Pretoria  
31 July 2021



AUDITOR - GENERAL  
SOUTH AFRICA

## 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:
3. 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
4. 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
5. evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
6. conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Insurance Sector Education and Training Authority 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 my 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 operating as a going concern
7. evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

8. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including significant deficiencies in internal control that I identify during my audit.
9. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, the actions taken to eliminate threats or the safeguards applied.



## Statement of responsibility

The Accounting Authority is required by the Public Finance Management 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 65 to 103 were approved by the Accounting Authority on 31 May 2021 and were signed on its behalf by:



**SJ Ngubane**

*Independent Chairperson of the INSETA Board*

*31 July 2021*



**G Mkhize**

*Chief Executive Officer*

*31 July 2021*

# Statement of financial position

as at 31 March 2021

			2021 R'000	2020 R'000 Restated*
<i>Figures in Rand</i>		Note(s)		
<b>ASSETS</b>				
<b>Current Assets</b>				
Receivables from exchange transactions	3		5 385	2 538
Receivables from non-exchange transactions	4		7 974	7 893
Cash and cash equivalents	5		458 251	554 369
			<b>471 610</b>	<b>564 800</b>
<b>Non-current Assets</b>				
Property, plant and equipment	6		4 444	4 720
Intangible assets	7		—	1
			4 444	4 721
<b>Total Assets</b>			<b>476 054</b>	<b>569 521</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Operating lease liability			970	—
Payables from exchange transactions	8		3 242	3 278
Payables from non-exchange transactions	9		30 841	33 262
Provisions	10		2 915	5 894
			<b>37 968</b>	<b>42 434</b>
<b>Total Liabilities</b>			<b>37 968</b>	<b>42 434</b>
<b>Net Assets</b>			<b>438 086</b>	<b>527 087</b>
Reserves				
Administration reserve			(2 908)	4 721
Employer grant reserve			154	121
Discretionary reserve			440 840	522 245
<b>Total Net Assets</b>			<b>438 086</b>	<b>527 087</b>

## Statement of financial performance

<i>Figures in Rand</i>	<b>Note(s)</b>	<b>2021 R'000</b>	<b>2020 Restated* R'000</b>
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Interest income	12	18 967	36 366
Other income from exchange transactions	13	1 302	514
<b>Total revenue from exchange transactions</b>		<b>20 269</b>	<b>36 880</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Skills development levy: Income	14	374 221	536 789
Skills development levy: Penalties and interest		14 381	10 906
<b>Total revenue from non-exchange transactions</b>	14.1	<b>388 602</b>	<b>547 695</b>
<b>Total revenue</b>		<b>408 871</b>	<b>584 575</b>
<b>Expenditure</b>			
Discretionary grants	15	(355 070)	(423 684)
Employer grants	16	(84 749)	(120 583)
Administration expenses	17	(58 053)	(60 719)
<b>Total expenditure</b>		<b>(497 872)</b>	<b>(604 986)</b>
<b>Deficit for the year</b>	11	<b>(89 001)</b>	<b>(20 411)</b>

## Statement of changes in net assets

	Note(s)	Administration employer grant reserve R'000	Administration employer grant reserve R'000	Discretionary reserve R'000	Total reserves R'000	Unappropriated deficit R'000	Total net assets R'000
<b>Balance at 01 April 2019</b>		3 850	127	543 521	547 498	–	547 498
Changes in net assets							
Deficit for the year		–	–	–	–	(20 411)	(20 411)
Allocation of unappropriated deficit as previously reported	11	9 876	13 398	(43 652)	(20 378)	20 378	–
Excess transferred to discretionary reserve		(9 005)	(13 404)	22 409	–	–	–
Total changes		871	(6)	(21 243)	(20 378)	(33)	(20 411)
Opening balance as previously reported		4 721	121	522 278	527 120	–	527 120
Adjustments							
Correction of errors	22	–	–	(33)	(33)	–	(33)
<b>Balance at 01 April 2020 as restated*</b>		4 721	121	522 245	527 087	–	527 087
Changes in net assets		–	–	–	–	(89 001)	(89 001)
Deficit for the year		–	–	–	–	–	–
Allocation of unappropriated deficit	11	(7 629)	8 788	(90 160)	(89 001)	89 001	–
Excess transferred to discretionary reserve		–	(8 755)	8 755	–	–	–
Total changes		(7 629)	33	(81 405)	(89 001)	–	(89 001)
<b>Balance at 31 March 2021</b>		<b>(2 908)</b>	<b>154</b>	<b>440 840</b>	<b>438 086</b>	<b>–</b>	<b>438 086</b>

### **Transfer of excess to discretionary reserve 3**

#### **Administration reserve:**

Excess reserves of RNil (2020: R9 005 000) were transferred to the discretionary reserve. The amount retained in the administration reserve for 2020 equals the carrying amount of property, plant and equipment and intangible assets. There were insufficient reserves to be transferred from administration to discretionary reserves in 2021.

#### **Employer grant reserve:**

Excess reserves of R8 755 000 (2020: R13 404 000) 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 six months to submit applications for mandatory grants. Refer also to contingent liabilities note 20.

## Cash flow statement

	Note(s)	2021 R'000	2020 Restated* R'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Levies, interest and penalties		388 478	548 110
Interest received		18 968	36 620
Other receipts		1 302	498
		408 748	585 228
<b>Payments</b>			
Employee-related costs		(30 075)	(27 622)
Employer grants and project expenses		(442 236)	(547 429)
Payments to suppliers		(32 454)	(35 686)
Interest paid		(3)	(18)
		(504 768)	(610 755)
<b>Net cash flows from operating activities</b>	18	(96 020)	(25 527)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(98)	(1 286)
<b>Cash flows from financing activities</b>			
Repayment of finance lease obligation		—	(18)
<b>Net decrease in cash and cash equivalents</b>		(96 118)	(26 831)
Cash and cash equivalents at the beginning of the year		554 369	581 200
<b>Cash and cash equivalents at the end of the year</b>	5	458 251	554 369

## Statement of comparison of budget and actual amounts

	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
<i>Budget on accrual basis</i>						
<b>Statement of financial performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Other income from exchange transactions	–	–	–	1 302	1 302	31.1
Interest income	33 209	(14 402)	18 807	18 967	160	31.2
<b>Total revenue from exchange transactions</b>	<b>33 209</b>	<b>(14 402)</b>	<b>18 807</b>	<b>20 269</b>	<b>1 462</b>	
<b>Revenue from non-exchange transactions</b>						
Skills development levy: income	558 000	(184 811)	373 189	374 221	1 032	31.3
Skills development levy: penalties and interest	4 634	6 073	10 707	14 381	3 674	31.4
<b>Total revenue from non-exchange transactions</b>	<b>562 634</b>	<b>(178 738)</b>	<b>383 896</b>	<b>388 602</b>	<b>4 706</b>	
<b>Total revenue</b>	<b>595 843</b>	<b>(193 140)</b>	<b>402 703</b>	<b>408 871</b>	<b>6 168</b>	
<b>Expenditure</b>						
Discretionary grants	(397 056)	16 122	(380 934)	(355 070)	25 864	31.5
Employer grants	(125 550)	41 582	(83 968)	(84 749)	(781)	31.6
Administration expenses	(73 237)	8 852	(64 385)	(58 053)	6 332	31.7
<b>Total expenditure</b>	<b>(595 843)</b>	<b>66 556</b>	<b>(529 287)</b>	<b>(497 872)</b>	<b>31 415</b>	
Deficit	–	<b>(126 584)</b>	<b>(126 584)</b>	<b>(89 001)</b>	<b>37 583</b>	
<b>Actual amount on comparable basis as presented in the budget and actual comparative statement</b>	<b>–</b>	<b>(126 584)</b>	<b>(126 584)</b>	<b>(89 001)</b>	<b>37 583</b>	

The approved budget was submitted to the Executive Authority in line with the Public Finance Management Act, 1999, Chapter 6 Public Entities, part 2 par 53.

Although INSETA had budgeted for a breakeven, the four-month SDL holiday announced by the President as a Covid-19 relief measure necessitated the adjustment of budgets to reflect the effect of the SETA not receiving revenue for four months. A request was submitted to National Treasury and DHET for the revised budget deficit. Approval for the final budget was received.



# Accounting policies

## I. 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 South Africa. The financial statements comply with the Standards of GRAP, interpretations and directives issued.

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. 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, is disclosed below.

### I.1 Presentation currency

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

### I.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 10.

#### **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 that have up to six 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.

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

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 INSETA pay a skills development levy of 1% of their total payroll cost to SARS, which collects the levies on behalf of the DHET.

# Accounting policies (continued)

## 1.2 Critical accounting judgements and key sources of estimation uncertainty (continued)

Employers are permitted to adjust their contributions retrospectively, thereby affecting revenue already recognised by INSETA in previous periods. These adjustments cannot be determined with sufficient reliability and are accounted for prospectively as they occur.

## 1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

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

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 are written down immediately to their 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
Motor vehicles	Straight line	5 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

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to INSETA; and
- the cost or fair value of the asset can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. INSETA has no intangible assets with an indefinite useful life.

Intangible assets with a finite useful life 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.

## Accounting policies (continued)

### 1.4 Intangible assets (continued)

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
Computer software licences	Straight line	2 years. Limited to licence 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
- 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
Receivables from exchange transactions	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	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.

# Accounting policies (continued)

## 1.5 Financial instruments (continued)

### **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 uncollectability 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.

### **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 are/is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position only 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 Statutory receivables

### **Identification**

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

### **Recognition**

INSETA recognises statutory receivables using the policy on revenue from non-exchange transactions. Statutory receivables arise from skills development levy income for the period not yet received by INSETA at the reporting date. Skills development levies accrue to the SETA in terms of the Skills Development Levies Act.

### **Initial measurement**

INSETA initially measures statutory receivables at their transaction amount.

### **Subsequent measurement**

After initial recognition, statutory receivables are measured using the cost method.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges, less any accumulated impairment losses and any amounts derecognised.

The transaction amount means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means. For INSETA, this is the amount of skills development levies receivable by the controlling entity.

# Accounting policies (continued)

## 1.6 Statutory receivables (continued)

### **Impairment losses**

The entity assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

In assessing whether there is any indication that a statutory receivable may be impaired, INSETA considers, as a minimum, the following indicators:

- Significant financial difficulty of the controlling entity.
- Changes in legislation that may affect distributions to INSETA.

If there is an indication that a statutory receivable may be impaired, INSETA measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

## 1.7 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).

## 1.8 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 recognised as an expense in the period in which termination occurs.

## 1.9 Inventories

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.

## 1.10 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. INSETA predominantly receives revenue in terms of the Skills Development Levies Act and as such has not identified any assets as cash-generating assets.

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

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

# Accounting policies (continued)

## 1.10 Impairment of non-cash-generating assets (continued)

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.

## 1.11 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.

## 1.12 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) is recognised in the period in which the service is rendered.

# Accounting policies (continued)

## 1.12 Employee benefits (continued)

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.

## 1.13 Provisions and contingencies

Provisions are recognised when:

- INSETA 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.

The amount of each provision disclosed in these financial statements is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. The uncertainties affecting provisions are disclosed in note 10.

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

## 1.14 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.

Commitments mean that contractual obligations exist at the end of the financial year that will oblige INSETA to make a payment or payments in the ensuing year.

A contractual obligation means there is an agreement (written) with specific terms between INSETA and a third party whereby the third party undertakes to perform something in relation to a discretionary project for which INSETA will be obliged to make payment against the discretionary grant.

## 1.15 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.

## 1.16 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 fulfilment 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.

Non-exchange revenue transactions include the receipt of levy income from the DHET.



# Accounting policies (continued)

## 1.16 Revenue from non-exchange transactions (continued)

### **Skills development levy: Income**

The accounting policy for the recognition and measurement of skills development levy income is based on the SDA, as amended and the SDLA, as amended.

In terms of section 3(1) and 3(4) of the SDLA, 1999 (Act No 9 of 1999) as amended, registered member companies of INSETA pay a skills development levy of 1% of their total payroll cost to SARS, which collects the levies on behalf of DHET. Companies with an annual payroll cost below R500 000 are exempted in accordance with section 4(b) of the SDLA 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 interSETA transfers. The amount of the interSETA adjustment is calculated according to the most recent standard operating procedure issued by DHET.

Skills development levy 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 SDLA 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 SDLA as amended. Penalties and interest are recognised as revenue when they become receivable and an allocation has been made by SARS.

Revenue from non-exchange transactions is measured at the consideration received or receivable, which approximates fair value.

## 1.17 Employer grants, discretionary grants and administration expenditure

Expenditure and related liabilities are accounted for on an accrual basis. Using this basis, transactions are recorded and disclosed when they occur and not when cash is paid to ensure that transactions are recorded in the periods to which they relate.

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 SDA, as amended and the SETA Grant Regulations regarding monies received and related matters (the SETA Grant Regulations).

### **Employer grants (mandatory grants)**

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 SDA, as amended and the SETA Grant Regulations regarding monies received and related matters.

Mandatory grants and mandatory grant liabilities are equivalent to 20% of the total levies contributed by employers during the corresponding financial period. Liabilities are recognised when INSETA has an obligation to pay grants and the amount can be measured reliably.

### **Discretionary grants and project expenses**

The funding for discretionary grants and projects comprises 49.5% of the total levies paid by the employers, mandatory grants that are not claimed by employers, the surplus of administration levies not utilised, interest income, and other income generated by the SETA.

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.

# Accounting policies (continued)

## 1.17 Employer grants, discretionary grants and administration expenditure (continued)

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

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 overpayment, net of allowance for impairment of irrecoverable amounts. Similarly, where the adjustments referred to above result in grants having been underpaid to affected employers, a liability is recognised at the amount of the shortfall.

## 1.18 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 restatements.

## 1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure that 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.

## 1.20 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 SDA 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.

Irregular expenditure that was incurred and identified during the current financial and that was condoned before year end and/or before finalisation of the financial statements is recorded in the irregular expenditure register and disclosed in the notes to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is awaited at year end is recorded in the irregular expenditure register and disclosed as irregular expenditure awaiting condonement in the notes to the financial statements.

Where irregular expenditure was incurred in a previous financial year and is condoned only in the following financial year, the register and the disclosure note to the financial statements are updated with the amount condoned during the year under review.

Irregular expenditure incurred and identified during the current financial year and that was not condoned by National Treasury or the relevant authority is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, an account receivable is recognised. Thereafter, steps are taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose all amounts written off in the relevant note to the financial statements.

If the irregular expenditure has not been condoned and no person is held liable, the expenditure related remains in the irregular expenditure register and is disclosed in the notes to the financial statements.

# Accounting policies (continued)

## 1.21 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 reflect the segments for which INSETA reports information to management.

Segment information is presented based on service 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 SDLA and the SETA Grant Regulations.

## 1.22 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 01/04/2020 to 31/03/2021.

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.

## 1.23 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.

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

A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

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

INSETA is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those that it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Narrative information about the nature of the transactions and the related outstanding balances is disclosed to enable users of the financial statements to understand the effect of related party transactions on the annual financial statements.

## 1.24 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

## 2. New standards and interpretations

### 2.1 Standards and interpretations effective and adopted in the current year

The following interpretations were adopted for the first time during the year under review:

#### **IGRAPI:Applying the probability test on initial recognition of revenue**

The interpretation provides guidance on how an entity applies the probability test on the initial recognition of revenue from an exchange or non-exchange transaction

- where credit is extended and uncertainty exists about the entity's ability to collect such revenue based on past history or because discretion about collectability is exercised subsequently; and
- when other factors impact the inflow of future economic benefits or service potential to the entity.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The interpretation has not had an impact on these financial statements.

#### **IGRAP20:Accounting for adjustments to revenue**

The interpretation clarifies the accounting for adjustments to

- exchange and non-exchange revenue charged in terms of legislation or similar means;
- interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process.
- changes to the measurement of receivables and payables, other than those changes arising from applying this interpretation, are dealt with in accordance with the applicable Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The interpretation has not had an impact on these financial statements.

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

The entity has not applied the following standards and interpretations, which are not yet effective. These will be applied once they become effective.

Standard/interpretation: Years beginning on or after	Effective date:	Expected impact:
GRAP 104: Financial Instruments (amendment)	The effective date has not been announced	Not expected to impact results but may result in additional disclosure

## Notes to the annual financial statements (continued)

	Notes(s)	2021 R'000	2020 R'000
<b>3. Receivables from exchange transactions</b>			
<b>Current Assets</b>			
Deposits		1 474	1 384
Staff debtors	3.1	7	18
Interest receivable		–	1
Prepayments	3.2	3 777	1 003
Sundry receivables	3.3	127	132
		<b>5 385</b>	<b>2 538</b>
<b>Statutory receivables included in receivables from exchange transactions</b>			
There were no statutory receivables at the reporting date.			
<b>3.1 Staff debtors</b>			
Advances and other amounts receivable from employees		7	18
<b>3.2 Prepayments</b>			
Prepayments		3 777	1 003
Prepayments comprise rental expenses paid before the start of the new month, annual computer licences, which are recognised as expenses systematically at each month-end, insurance and a computer software licence not yet commissioned and not available for use at the reporting date.			
<b>3.3 Sundry receivables</b>			
Amounts receivable from SARS in respect of EMP201 submissions		118	118
Other sundry receivables		9	14
		<b>127</b>	<b>132</b>

Sundry receivables relate mainly to amounts receivable from SARS due to revisions to previously submitted returns. A refund is expected to be received from SARS in the next financial year.

No allowance for impairment has been recognised for receivables from exchange transactions. Refer to note 25 for the ageing of receivables disclosed as financial instruments.

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.

No receivables were pledged as security for liabilities.

## Notes to the annual financial statements (continued)

	Notes(s)	2021 R'000	2020 R'000
<b>4. Receivables from non-exchange transactions</b>			
Employer receivables	4.1	1 761	1 683
Discretionary receivables	4.2	6 213	6 210
		<b>7 974</b>	<b>7 893</b>
<b>Statutory receivables included in receivables from non-exchange transactions</b>			
INSETA did not have statutory receivables at the reporting date. All statutory funds were received before the reporting date.			
<b>4.1 Employer receivables</b>			
Mandatory grant receivables		2 043	1 929
Allowance for impairment		(282)	(246)
		<b>1 761</b>	<b>1 683</b>

R2 043 000 (2020: R1 929 000) was recognised as a receivable relating to grant overpayments to levy-paying employers in prior periods as a result of levy income adjustments done by SARS after grants had been paid. An amount of R282 000 (2020: R246 000) was provided for as an allowance for impairment.

The above receivables do not meet the definition of statutory receivables as per GRAP 108.

	Opening balance	Additions	Reversed/ utilised	Total
<b>Reconciliation of allowance for impairment – 2021</b>				
Employer receivables	246	36	–	282
<b>Reconciliation of allowance for impairment – 2020</b>				
Employer receivables	227	19	–	246

	2021 R'000	2020 R'000
<b>4.2 Discretionary receivables</b>		
Discretionary receivables	6 213	6 210

R6 213 000 (2020: R6 210 000) recognised as discretionary receivables relates to refunds owed by employers for expenditure incurred by INSETA on discretionary projects. An amount of RNil (2019: RNil) was provided for as an allowance for impairment.

Refer to note 25 for the ageing of receivables disclosed as financial instruments.

There are no restrictions on receivables from non-exchange transactions and no receivables have been pledged as security for liabilities.

## Notes to the annual financial statements (continued)

### 5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand

Bank balances

Short-term deposits

	2021 R'000	2020 R'000
Cash on hand	–	3
Bank balances	658	1 486
Short-term deposits	457 593	552 880
<b>Total</b>	<b>458 251</b>	<b>554 369</b>

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 3.75% (2020: 6.07%) at the reporting date. 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).

All cash and cash equivalents were available for use as at the reporting date and no balances were pledged as security for liabilities.

### 6. Property, plant and equipment

	2021			2020		
	Cost/ valuation	Accumulated carrying value depreciation and accumulated impairment		Cost/ valuation	Accumulated carrying value depreciation and accumulated impairment	
Office furniture	1 615	(811)	804	1 615	(747)	868
Motor vehicles	292	(59)	233	292	–	292
Office equipment	357	(118)	239	357	(102)	255
Computer equipment	3 848	(814)	3 034	3 750	(613)	3 137
Fixtures	2 009	(1 875)	134	2 009	(1 841)	168
<b>Total</b>	<b>8 121</b>	<b>(3 677)</b>	<b>4 444</b>	<b>8 023</b>	<b>(3 303)</b>	<b>4 720</b>

#### Reconciliation of property, plant and equipment – 2021

	Opening balance	Additions	Depreciation	Total
Office furniture	868	–	(64)	804
Motor vehicles	292	–	(59)	233
Office equipment	255	–	(16)	239
Computer equipment	3 137	98	(201)	3 034
Fixtures	168	–	(34)	134
<b>Total</b>	<b>4 720</b>	<b>98</b>	<b>(374)</b>	<b>4 444</b>



## Notes to the annual financial statements (continued)

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

#### Reconciliation of property, plant and equipment – 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture	825	107	–	(64)	868
Motor vehicles	–	292	–	–	292
Office equipment	257	13	–	(15)	255
Computer equipment	2 465	874	(28)	(174)	3 137
Fixtures	175	–	–	(7)	168
	<b>3 722</b>	<b>1 286</b>	<b>(28)</b>	<b>(260)</b>	<b>4 720</b>

	2021 R'000	2020 R'000
<b>Pledged as security</b>		
No property, plant and equipment are held as security for liabilities.		
<b>Compensation received for losses on property, plant and equipment (R'000)</b>		
Computer equipment	–	(27)

### 7. Intangible assets

	2021			2020		
	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software licences	–	–	–	15	(14)	1

#### Reconciliation of intangible assets – 2021

	Opening balance	Amortisation	Total
Computer software licences	1	(1)	–

#### Reconciliation of intangible assets – 2020

Computer software licences	129	(128)	1
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#### Pledged as security

No intangible assets are held as security for liabilities.

#### Other information

Intangible assets comprise software licences with a useful life longer than one year. Licences held in the previous year expired and were scrapped at the end of their useful lives. In the current year, the entity's licences have useful lives shorter than one year. Payment for enterprise resource planning (ERP) system is not yet recognised as software because it has not been commissioned for use.

## Notes to the annual financial statements (continued)

	2021 R'000	2020 R'000
<b>8. Payables from exchange transactions</b>		
Accrued administration expenses and creditors	1 624	1 871
Accrued leave pay	1 618	1 407
	<b>3 242</b>	<b>3 278</b>
The effect of discounting, where applicable, was considered and found to be immaterial given the short-term nature of these payables. The carrying amount approximates the fair value for each class of payables.		
<b>9. Payables from non-exchange transactions</b>		
Skills development grants payable	10 843	1 230
Project creditors	16 385	32 032
Other payables arising from levy adjustments	3 613	–
	<b>30 841</b>	<b>33 262</b>

Other payables relate to levy adjustments by employers during the 4 month SDL holiday announced by the president in response to Covid-19. Employers adjusted their previously contributed levies downward by a net amount of R3 613 000, indicating that in previous months, INSETA received more levies than should have.

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

## 10. Provisions

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
<b>Reconciliation of provisions – 2021</b>					
Bonus provision	2 936	–	(2 340)	(596)	–
Provision for levies received from exempt employers	2 958	526	–	(569)	2 915
	<b>5 894</b>	<b>526</b>	<b>(2 340)</b>	<b>(1 165)</b>	<b>2 915</b>
<b>Reconciliation of provisions – 2020</b>					
Bonus provision	2 423	2 936	(2 423)	–	2 936
Provision for workmen's compensation contributions	228	–	(228)	–	–
Provision for levies received from exempt employers	2 929	637	–	(608)	2 958
	<b>5 580</b>	<b>3 573</b>	<b>(2 651)</b>	<b>(608)</b>	<b>5 894</b>

## Notes to the annual financial statements (continued)

### 10. Provisions (continued)

Bonus provision is calculated using the basic annual salary and is limited to the budgeted amount. Payment is based on employee performance evaluations and INSETA performance of at least 80% against the approved targets. At each reporting date, there is uncertainty that a bonus will be paid and the value of such payment.

For the year under review, no provision has been recognised as there was no evidence that the above threshold of INSETA's performance had been met.

An amount of R2 915 000 (2020: R2 958 000) relates to levies received from employers exempt from contributing SDL in terms of legislation changes that 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. R569 000 (2020: R608 000) has been transferred to discretionary funds in line with the aforementioned circular.

### 11. Deficit for the year

	Administration reserve R'000	Employer grant reserve R'000	Discretionary reserve R'000	Total R'000
<b>Allocation of deficit to reserves – 2021</b>				
Skills development levy: Administration income	49 122	–	–	49 122
Skills development levy: Mandatory grant income	–	93 537	–	93 537
Skills development levy: Discretionary grants income	–	–	231 562	231 562
Skills development levy: Penalties and interest	–	–	14 381	14 381
Interest income	–	–	18 967	18 967
Other income	1 302	–	–	1 302
	50 424	93 537	264 910	408 871
Administration expenses	(58 053)	–	–	(58 053)
Employer grants	–	(84 749)	–	(84 749)
Project expenses	–	–	(355 070)	(355 070)
	<b>(7 629)</b>	<b>8 788</b>	<b>(90 160)</b>	<b>(89 001)</b>
<b>Allocation of deficit to reserves – 2020</b>				
Skills development levy: Administration income	70 363	–	–	70 363
Skills development levy: Mandatory grant income	–	133 981	–	133 981
Skills development levy: Discretionary grants income	–	–	332 445	332 445
Skills development levy: Penalties and interest	–	–	10 906	10 906
Interest income	–	–	36 366	36 366
Other income	199	–	315	514
	70 562	133 981	380 032	584 575
Administration expenses	(60 719)	–	–	(60 719)
Employer grants	–	(120 583)	–	(120 583)
Project expenses	–	–	(423 684)	(423 684)
	<b>9 843</b>	<b>13 398</b>	<b>(43 652)</b>	<b>(20 411)</b>

An adjustment of R33 in respect of prior period errors is included in the administration reserve. Refer to note 22. The previously reported administration surplus and the total deficit for the year were R9 876 and R20 378 respectively.

## Notes to the annual financial statements (continued)

	2021 R'000	2020 R'000
<b>12. Interest income</b>		
Interest income earned on the following:		
Short-term deposits	18 877	36 366
Rental deposit	90	–
	<b>18 967</b>	<b>36 366</b>
<b>13. Other income from exchange transactions</b>		
Recoveries and sundry income	<b>1 302</b>	<b>514</b>
The above relates to amounts recovered from suppliers and employees. The current year amount includes previously disclosed irregular expenditure recovered from an employee and proceeds relating to a previously disclosed contingent asset.		
<b>14. Skills development levy: Income</b>		
Administration levy income	49 122	70 363
Discretionary grants income	231 562	332 445
Mandatory grants income	93 537	133 981
	<b>374 221</b>	<b>536 789</b>
<b>14.1 Total revenue from non-exchange transactions</b>		
<b>Change in estimate</b>		
Skills development levy income, penalties and interest comprise levies, related penalties paid to SARS for the current levy year, and adjustments made by SARS and employers in respect of previous levy years. Included in skills development levy income, penalties and interest are adjustments of R3 562 000 (2020: R10 137 000) in respect of levies and penalties recognised as revenue in previous years.		
Adjustments affecting future periods cannot be determined reliably.		
<b>Revenue from exchange transactions</b>		
Skills development levy: Income for the year	384 497	536 804
Skills development levy: Penalties and interest for the year	500	855
Provisions and InterSETA transfers recognised against skills development levy: Income	43	(101)
Increase in revenue due to change in estimate	3 562	10 137
	<b>388 602</b>	<b>547 695</b>
<b>Change in estimate</b>		
Adjustments relating to the previous year	1 729	2 389
Adjustments relating to prior years (before the comparative year)	1 833	7 748
	<b>3 562</b>	<b>10 137</b>

## Notes to the annual financial statements (continued)

	2021 R'000	2020 R'000
<b>14. Skills development levy: Income (continued)</b>		
<b>14.2 Total revenue from non-exchange transactions (continued)</b>		
<b>Adjustments relating to the previous year</b>		
Administration levy income	(42)	(32)
Discretionary grants income	(196)	(149)
Mandatory grants income	(79)	(60)
Penalties and interest	2 046	2 630
	<b>1 729</b>	<b>2 389</b>
<b>Adjustments relating to prior years (before the comparative year)</b>		
Administration levy income	(1 307)	30
Discretionary grants income	(6 176)	442
Mandatory grants income	(2 519)	(145)
Penalties and interest	11 835	7 421
	<b>1 833</b>	<b>7 748</b>
<b>15. Discretionary grants</b>		
Direct project expenses	340 855	399 754
Project administration expenses	14 215	23 930
	<b>355 070</b>	<b>423 684</b>
<b>16. Employer grants</b>		
Employer grants	<b>84 749</b>	<b>120 583</b>

Employer grants are amounts paid to qualifying employers in terms of the Skills Development Levies Act.

## Notes to the annual financial statements (continued)

	Note(s)	2021 R'000	2020 R'000
<b>17. Administration expenses</b>			
Advertising, marketing and communications		525	1 653
Allowance for impairment of receivables		36	19
Audit committee remuneration		465	680
Board and other sub-committees remuneration		1 700	1 673
Cleaning expenses		226	147
Conferences and seminars		—	33
Consulting and professional fees		6 512	7 207
Depreciation and amortisation		375	388
Employee-related costs	17.1	27 546	28 169
External auditor's remuneration		2 791	2 821
Interest paid		3	18
Gifts		2	—
Governance-related costs		596	477
Internal audit fees		903	1 585
Legal fees		871	308
Licences		617	345
Loss on disposal of property, plant and equipment		—	28
Operating lease rentals		7 122	4 960
Other expenses		726	764
Postage and courier		3	193
Printing and stationery		168	278
Professional indemnity insurance		—	22
Quality Council for Trades and Occupations		3 533	3 354
Recruitment fees		180	339
Refreshments		58	520
Repairs and maintenance	17.2	100	291
Security expenses		641	699
Telephones		929	551
Training and development		901	989
Travel and subsistence		8	1 382
Utilities		516	826
		<b>58 053</b>	<b>60 719</b>
<b>17.1 Employee-related costs</b>			
Basic salaries		25 868	23 335
Bonuses		(596)	3 328
Employee wellness		207	394
Leave pay		336	(97)
Long-term employee benefits		1 122	626
Medical aid subsidy		270	243
SDL		186	246
Temporary staff		76	20
UIF		77	74
		<b>27 546</b>	<b>28 169</b>

Refer to note 21 for board and key management remuneration.

## Notes to the annual financial statements (continued)

	2021 R'000	2020 R'000
<b>17. Administration expenses (continued)</b>		
<b>17.2 Repairs and maintenance</b>		
Repairs and maintenance	100	291
The above relates mainly to office maintenance and repairs to property owned by the landlord.		
<b>18. Cash used in operations</b>		
Deficit	(89 001)	(20 411)
<b>Adjustments for:</b>		
Depreciation and amortisation	375	388
Movements in operating lease assets/liabilities	970	(293)
Movements in provisions	(2 979)	314
Loss on disposal of property, plant and equipment	–	28
Impairment of receivables	36	19
<b>Changes in working capital:</b>		
Inventories	–	13
Receivables from exchange transactions	(2 847)	871
Receivables from non-exchange transactions	(117)	367
Payables from exchange transactions	(36)	(3 439)
Payables from non-exchange transactions	(2 421)	(3 384)
	<b>(96 020)</b>	<b>(25 527)</b>
<b>19. Commitments</b>		
<b>Operating leases – as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
– within one year	6 045	–
– in second to fifth year inclusive	21 195	–
	<b>27 240</b>	<b>–</b>
Operating lease payments relate to office premises. The average term is 5 years. No contingent rent is payable.		
<b>Other operational commitments</b>		
Minimum payments due	<b>18 638</b>	<b>4 322</b>

Other operational commitments are contractual obligations for various services, including system support, security services, printing services, fraud hotline and document storage services among others.

### Discretionary projects

Of the balance of R440 840 000 (2020: R522 245 000) available in the discretionary reserve, R313 479 000 (2020: R446 079 000) has been committed.

Refer to Annexure A for detailed commitments schedule.





# Notes to the annual financial statements (continued)

## 20. Contingencies (continued)

### Minister of Higher Education and Training vs Business Unity South Africa (BUSA) matter (continued)

Pending the final agreement between the Minister and the employers (through BUSA) on the approved rate, there is therefore a possible liability or asset due to additional or lesser grant payments over or under the amounts already paid and accrued in the current year based on a payment rate of 20%. Given the initial review application at the Labour Court whereby BUSA cited that the mandatory grant reduction is irrational and unreasonable, as well as latter reports by business arguing that the LAC judgement would revert back to the original position, it is therefore remotely likely that there would be a contingent asset. It is therefore submitted that the likelihood of a possible liability is greater, which can be confirmed only from the outcome of the agreements between the Minister and employers. The amount of the possible obligation cannot be reliably estimated due to the uncertainty of the approved rate, as well as the effective date of application. In addition, the entity has had no experience in similar transactions to be able to reasonably estimate the outcome of the events nor the amount.

### Contingent assets

There were no contingent assets at the reporting date.

## 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, NSF and entities within the sphere of national government.

Executive management

Starr N (CEO until 30 November 2020)  
Molapo D (CFO)  
Peele TJ (COO)  
Mkhize G (CEO from 01 December 2020)

Other related parties

Organisations considered to be related to Board members:  
Hollard  
Insurance Institute of South Africa  
ASISA  
CP Naidoo Mosswick Investments

### Related-party balances and transactions

#### Balances owing to related parties

The nature of balances (receivable from)/owing to related parties is as follows:

	2021 R'000	2020 R'000
A provision has been recognised for the liability in respect of levies received from employers who have transferred to other SETAs. These levies are payable to the SETA to which such employers have transferred once confirmed.		
Services SETA	198	198
A liability exists for verification services provided by the South African Qualifications Authority (SAQA).	4	2
Discretionary grants payable to TVET colleges and public universities for learnerships in line with INSETA's mandate.	4 768	3 245
Telephone expenses payable to a state-owned company	18	–
Discretionary grants payable to organisations considered to be related to Board members (Insurance Institute of South Africa)	729	753

## Notes to the annual financial statements (continued)

Included in commitments is an amount of R80 781 000 (2020: R103 350 000) in respect of contractual commitments to TVETs and public universities, R6 942 000 (2020: R3 142 000) in respect of contractual commitments to other public sector organisations, and R4 509 000 (2020: R17 322 000) in respect of organisations considered to be related to Board members as follows:

Hollard R3 497 000 (2020: R3 215 000), Insurance Institute of South Africa RNil (2020: R6 037 000), ASISA R1 012 000 (2020: R8 023 000) and CP Naidoo Mosswick Investments RNil (2020: R46 000).

The above liabilities are payable in monetary terms, are not secured, and no guarantees have been given.

### Transactions with related parties

Transactions with related parties were within the SETA's normal operating parameters. The nature of transactions with related parties is as follows:

Levies received from/paid to other SETAs in respect of employers who transferred to/from INSETA, Annual levy paid to QCTO,

Transfers received from the controlling entity,

Mandatory grants paid to other public organisations in accordance with the SDLA,

Discretionary grants paid to TVET colleges, public universities and other public sector organisations in the ordinary course of business,

Administrative expenses such as printing, verifications and telephone expenses paid to other organisations in the public sector.

Mandatory and discretionary grants paid to organisations considered to be related to Board members and executive management.

	2021 R'000	2020 R'000
<b>Remuneration of Board members</b>		
Anders SA	123	–
Botha CB	133	–
Conradie G	–	60
D'Alton A	–	78
Dinyake S	103	60
Govender RG	121	90
Hollis L	–	151
Khoza A	–	142
Kruger SJ	152	–
Mabena JM	148	–
Machai M	–	149
McKay B	–	138
Mendes P	119	–
Mokgobinyane MV (Chairperson)	–	204
Motlhabane RP	129	73
Mpuru SM	98	–
Ngubane JS (Chairperson)	223	–
Pearson V	81	69
Ramputa I	–	91
Ramsunder J	–	99
Soobramoney M	107	117
Van der Merwe L	163	–
Van Rensburg WH Adv	–	152
	<b>1 700</b>	<b>1 673</b>

The above represents fees paid or accrued to Board members for all committees on which they sit. This disclosure excludes the remuneration of independent audit committee members, which is reported in the corporate governance section of the annual report. Independent audit committee members do not have authority and responsibility for planning, directing and controlling the activities of INSETA and are therefore not considered to be related parties. No other short- or long-term benefits were paid to Board members.

## Notes to the annual financial statements (continued)

### 21. Related parties (continued)

#### Remuneration of executive management

	Basic salary	Bonuses and performance related payments	Other long-term benefits	Other short-term benefits	Total
<b>2021</b>					
Starr N*	1 254	145	–	175	1 574
Molapo D	1 853	138	93	22	2 106
Peele TJ	1 568	116	78	22	1 784
Mkhize G**	743	–	–	–	743
	<b>5 418</b>	<b>399</b>	<b>171</b>	<b>219</b>	<b>6 207</b>
<b>2020</b>					
Molapo D	1 773	300	54	12	2 139
Peele TJ	750	–	23	6	779
Starr N	1 881	315	–	–	2 196
	<b>4 404</b>	<b>615</b>	<b>77</b>	<b>18</b>	<b>5 114</b>

\* Terminated 30 November 2020.

\*\* Chief Executive Officer from 01 December 2020.

### 22. Prior-period errors

1. Commitments were overstated by R72 189 000 in the previous financial year mainly due to the inclusion of contracts that should not have been included in the 2020 commitments register. The disclosure of commitments in notes 19 and 20 has been corrected to reflect the revised amounts.

Due to the above misstatement, commitments to TVETs, public universities and other public sector organisations were overstated by R47 420 000 and R11 700 000 respectively.

Discretionary grants payable and commitments to organisations considered to be related to Board members and executives amounting to R753 000 and R17 322 000 respectively were not disclosed in the note on related parties in the previous year. Note 21 has been revised to reflect the changes to related party commitments and balances.

2. Payables from exchange transactions and administration expenses were understated by R33 000 in 2020 due to an event that occurred in March 2020 which was invoiced in March 2021 and was omitted from prior-year liabilities.

The error has been corrected retrospectively in these financial statements.

Correction of the above error resulted in adjustments to the 2020 financial statements as follows:

	2021 R'000	2020 R'000
<b>Statement of financial position</b>		
Payables from exchange transactions	–	(33)
<b>Statement of financial performance</b>		
Administration expenditure (conferences and seminars)	–	33

## Notes to the annual financial statements (continued)

	2021 R'000	2020 R'000
<b>23. Comparative figures</b>		
1. Additional disclosure has been made in note 14 to show that the previous year's skills development levy income included R10 137 000 in respect of adjustments made by SARS and employers for previous year submissions.		
2. Additional disclosure has been made in note 21 to show company contributions of R77 000 in respect of other long-term benefits for executive management.		
<b>24. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
All financial instruments are classified as financial assets and liabilities at amortised cost.		
<b>Financial assets</b>		
Trade and other receivables from exchange transactions	1 483	1 385
Other receivables from non-exchange transactions	6 213	6 210
Cash and cash equivalents	458 251	554 369
	<b>465 947</b>	<b>561 964</b>
<b>Financial liabilities</b>		
Trade and other payables from exchange transactions	1 477	1 838
Trade and other payables from non-exchange transactions	16 385	32 032
	<b>17 862</b>	<b>33 870</b>

The above excludes non-financial instruments disclosed as part of receivables and payables from exchange and non-exchange transactions. Refer to note 25 for additional information.

# Notes to the annual financial statements (continued)

## 25. 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.

	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	More than 2 years
<b>2021</b>					
Payables from exchange and non-exchange transactions	(17 862)	(17 862)	(17 862)	–	–
<b>2020</b>					
Payables from exchange and non-exchange transactions	(33 870)	(33 870)	(33 870)	–	–

The above excludes non-financial instruments disclosed in notes 8 and 9, namely employee-related liabilities and skills development grants payable.

### Credit risk

Financial assets, that potentially expose INSETA to the risk of non-performance by counterparties, 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 counterparty. 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 that may have a significant impact on accounts receivable that have not been provided for. Receivables are presented net of allowance for doubtful debt.

Financial assets exposed to credit risk at reporting date were as follows:

	2021 R'000	2020 R'000
<b>Financial instrument</b>		
Receivables from exchange transactions (deposit and sundry notes 3 and 3.3)	1 483	1 384
Receivables from exchange transactions (interest receivable note 3)	–	1
Receivables from non-exchange transactions (note 4.2)	6 213	6 210
Cash and cash equivalents (excludes cash on hand) (note 5)	458 251	554 366

## Notes to the annual financial statements (continued)

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

	Gross	Impairment	Net
<b>2021</b>			
<b>Ageing of receivables from exchange and non-exchange transactions:</b>			
Not past due	1 490	–	1 490
Past due	6 206	–	6 206
	<b>7 696</b>	<b>–</b>	<b>7 696</b>
<b>2020</b>			
<b>Ageing of receivables from exchange and non-exchange transactions:</b>			
Not past due	1 385	–	1 385
Past due	6 210	–	6 210
	<b>7 595</b>	<b>–</b>	<b>7 595</b>

### Market risk

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 that 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 was as follows:

### Cash flow interest rate risk

	Floating rate R'000	Non-interest bearing R'000	Total R'000
<b>2021</b>			
Cash and cash equivalents	458 251	–	458 251
Receivables from exchange and non-exchange transactions	7 680	16	7 696
Payables from exchange and non-exchange transactions	(1 477)	(16 385)	(17 862)
	<b>464 454</b>	<b>(16 369)</b>	<b>448 085</b>
<b>2020</b>			
Cash and cash equivalents	554 366	3	554 369
Receivables from exchange and non-exchange transactions	7 595	–	7 595
Payables from exchange and non-exchange transactions	(1 838)	(32 032)	(33 870)
	<b>560 123</b>	<b>(32 029)</b>	<b>528 094</b>





## Notes to the annual financial statements (continued)

### Opening balance

A service provider was appointed through the supply chain management process to commence with service delivery in July 2018. As INSETA was in a transition process between the former CEO and the then-Acting CEO during the period July 2018 to November 2018, the service level agreement was signed in November 2018. The service provider continued to provide services during the said transition period and received payments totalling R352 105 disclosed above. This expenditure has not yet been condoned.

The prior-year opening balance of R43 000 irregular incurred was condoned by National Treasury during the year under review.

### 30. Other losses

	2021 R'000	2020 R'000
		(950)

The above relates to matters where INSETA contested the acceptability of deliverables from service providers and attempts to hold those service providers financially accountable proved unsuccessful.

### 31. Budget differences

#### Differences between budget and actual amounts

The excess of actual revenue or expenditure over the budget is considered significant if it is above 10%.

#### 31.1 Other income from exchange transactions

Other income from exchange transactions relates to recoveries from staff and suppliers. This was not budgeted for. Actual receipts are due to the recovery of previously reported irregular expenditure and contingent assets.

#### 31.2 Interest income

Interest income is 1% above the annual budget. The variance is considered immaterial. The revised budget was based on a decreased interest rate following interest rate cuts by the reserve bank.

#### 31.3 Skills development levy: Income

Skills development levy income is 0.28% above the annual budget. The variance is not significant. Due to INSETA not receiving revenue for 4 months during the SDL holiday, the original budget was revised downward.

#### 31.4 Skills development levy: Penalties and interest

There are no identifiable past trends to reliably estimate revenue from penalties and interest as this emanates from default by employers in the submission of statutory returns. The actual receipts are 34% above the budget indicating an increase in defaults by employers.

#### 31.5 Discretionary grants

Discretionary grants are 7% below the annual budget. The variance is not significant. The original budget was reduced to cater for periods when levies were not received by the SETA.

#### 31.6 Employer grants

Employer grants are 1% above the budget. The variance is not significant.

#### 31.7 Administration expenses

Administration expenses are 10% lower than the budget and have exceeded the legislated cap of 10.5%. The revised budget with estimated overspending on administration has been approved by the Minister.

## Notes to the annual financial statements (continued)

### 32. Segment information general information identification of segments

INSETA reports to management on the basis of three functional segments, namely administration, mandatory and discretionary.  
Administration: This segment is responsible for the administration of the SETA's services,

Mandatory: This segment is responsible for the disbursement of mandatory grants to qualifying employers,

Discretionary: This segment is responsible for the implementation of discretionary projects.

These segments are consistent with previously reported segments. Accounting policies have been applied consistently across all segments and from the previous financial years. There are no differences between the measurement criteria of segmental deficit, surplus, assets and liabilities.

The above segments are at the same geographical location and have not been aggregated. All revenue, expenditure, assets and liabilities have been incurred or earned at the same location. All property, plant and equipment and intangible assets are used for administration purposes and have accordingly been allocated to the administration segment. Refer to note 6 for additions and changes to property, plant and equipment. Depreciation and amortisation disclosed as part of administration expenditure belong to the administration segment only. There are no other material non-cash items to be disclosed separately in the segment report.

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 (continued)

### Segment surplus or deficit, assets and liabilities 2021

	Administration R '000	Mandatory R '000	Discretionary R '000	Total R '000
<b>Revenue</b>				
<b>Revenue from exchange transactions</b>				
Interest income	–	–	18 967	18 967
Other income from exchange transactions	1 302	–	–	1 302
<b>Revenue from non-exchange transactions</b>				
Skills development levy: Income	49 122	93 537	231 562	374 221
Skills development levy: Penalties and interest	–	–	14 381	14 381
<b>Total segment revenue</b>	<b>50 424</b>	<b>93 537</b>	<b>264 910</b>	<b>408 871</b>
<b>Entity's revenue</b>				<b>408 871</b>
<b>Expenditure</b>				
Administration expenses	58 053	–	–	58 053
Employer grants and project expenses	–	84 749	355 070	439 819
<b>Total segment expenditure</b>	<b>58 053</b>	<b>84 749</b>	<b>355 070</b>	<b>497 872</b>
<b>Total segmental deficit</b>				<b>(89 001)</b>
<b>Assets</b>				
Non-current assets	4 444	–	–	4 444
Receivables from exchange transactions	5 385	–	–	5 385
Receivables from non-exchange transactions	–	1 761	6 213	7 974
Cash and cash equivalents	(8 525)	15 764	451 012	458 251
<b>Total segment assets</b>	<b>1 304</b>	<b>17 525</b>	<b>457 225</b>	<b>476 054</b>
<b>Total assets as per statement of financial position</b>				<b>476 054</b>
<b>Liabilities</b>				
Operating lease liability	970	–	–	970
Payables from exchange transactions	3 242	–	–	3 242
Payables from non-exchange transactions	–	14 456	16 385	30 841
Provisions	–	2 915	–	2 915
<b>Total segment liabilities</b>	<b>4 212</b>	<b>17 371</b>	<b>16 385</b>	<b>37 968</b>

## Notes to the annual financial statements (continued)

### 32. Segment information general information identification of segments (continued)

#### Segment surplus or deficit, assets and liabilities 2020

	Administration R '000	Mandatory R '000	Discretionary R '000	Total R '000
<b>Revenue</b>				
<b>Revenue from exchange transactions</b>				
Interest income	–	–	36 366	36 366
Other income from exchange transactions	199	–	315	514
<b>Revenue from non-exchange transactions</b>				
Skills development levy: Income	70 363	133 981	332 445	536 789
Skills development levy: Penalties and interest	–	–	10 906	10 906
<b>Total segment revenue</b>	<b>70 562</b>	<b>133 981</b>	<b>380 032</b>	<b>584 575</b>
<b>Entity's revenue</b>				<b>584 575</b>
<b>Expenditure</b>				
Administration expenses	60 719	–	–	60 719
Employer grants and project expenses	–	120 583	423 684	544 267
<b>Total segment expenditure</b>	<b>60 719</b>	<b>120 583</b>	<b>423 684</b>	<b>604 986</b>
<b>Total segmental deficit</b>				<b>(20 411)</b>
<b>Assets</b>				
Non-current assets	4 721	–	–	4 721
Receivables from exchange transactions	2 538	–	–	2 538
Receivables from non-exchange transactions	–	1 683	6 210	7 893
Cash and cash equivalents	3 676	2 626	548 067	554 369
<b>Total segment assets</b>	<b>10 935</b>	<b>4 309</b>	<b>554 277</b>	<b>569 521</b>
<b>Total assets as per statement of financial position</b>				<b>569 521</b>
<b>Liabilities</b>				
Payables from exchange transactions	3 278	–	–	3 278
Payables from non-exchange transactions	–	1 230	32 032	33 262
Provisions	2 936	2 958	–	5 894
<b>Total segment liabilities</b>	<b>6 214</b>	<b>4 188</b>	<b>32 032</b>	<b>42 434</b>
<b>Total liabilities as per statement of financial position</b>				<b>42 434</b>

## Annexure A

### Commitments Balances As at 31 March 2021

Project ID	Programme Description	Restated 31 March 2020	New Contracts	Adjustments	Payments	Year-to-date Balance 31 March 2021
INPROJ00093.01	Top up Internships for TVET 2017/18	3 988 500.00	–	(3 988 500.00)	–	–
INPROJ00099.02	Learnerships Centralisation	2 742 054.36	–	(1 134 169.86)	(1 607 884.50)	–
INPROJ000101	Internships Year 17/18	1 868 400.00	–	(109 800.00)	(23 400.00)	1 735 200.00
INPROJ000114	Internships for TVET College Learners 2018	4 636 079.21	–	(1 475 579.21)	(3 160 500.00)	–
INPROJ000115.01	Top Up Bursary for Youth	243 225.00	–	(243 225.00)	–	–
INPROJ000118	Bursaries for SMME Workers Year 2018/19	26 880.00	–	–	(26 880.00)	–
INPROJ000120	Skills Programme For Youth 18/19	1 751 545.32	–	(1 251 544.72)	(450 667.60)	49 333.00
INPROJ000121	Internships For Youth 18/19	27 212 600.00	–	(2 950 590.81)	(13 503 589.19)	10 758 420.00
INPROJ000122	Learnerships Year 18/19	19 124 733.35	–	(2 535 988.56)	(9 353 544.78)	7 235 200.01
INPROJ000123	Skills Programms for Small Business & CoOps 2018/19	1 960 000.00	–	–	(1 960 000.00)	–
INPROJ000126	Management and Leadership Development	156 540.00	–	(156 540.00)	–	–
INPROJ000145	Exit Exam for Learnership & TVET Capacity Support 18/19	1 563 917.00	–	(565 632.34)	(998 284.66)	–
INPROJ000149	Skills Programs for Small Business & CoOps 2019/20	2 725 077.56	248 700.00	(300 860.00)	(2 142 856.00)	530 061.56
INPROJ000150	Skills Programs for Workers 2019/20	10 362 545.55	–	(797 602.52)	(2 561 178.83)	7 003 764.20
INPROJ000151	Internships TVET colleges & UOTs 2019/20	29 468 680.00	–	(2 877 790.52)	(23 290 279.48)	3 300 610.00
INPROJ000152	BURSARIES FOR YOUTH YEAR 2019/20	14 980 345.43	16 916 144.19	(13 323 644.99)	(18 404 564.63)	168 280.00
INPROJ000153	Learnerships Year 2019/20	104 933 740.00	180 000.00	(748 873.60)	(67 789,997.25)	36 574 869.15
INPROJ000154	Bursaries for Workers Year 2019/20	45 852 129.97	84 440.00	(1 774 530.59)	(28 574 653.80)	15 587 385.58
INPROJ000155	Internships for Youth Year 2019/20	66 314 700.00	–	(944 000.00)	(41 743 200.00)	23 627 500.00
INPROJ000156	Skills Programmes for Youth Year 2019/20	5 774 991.38	–	(2 925 243.50)	(1 341 882.68)	1 507 865.20
INPROJ000158	Regulatory Compliance Support 2019/20	1 547 399.00	–	–	(1 312 799.00)	234 600.00
INPROJ000159	Occupational Qualification Implementation & RPL 2019/20	9 035 925.00	–	(1 422 529.50)	(3 587 555.50)	4 025 840.00
INPROJ000160	Promotion of Insurance Year 2019/20	1 806 252.42	829 000.00	(660 686.42)	(1 145 566.00)	829 000.00
INPROJ000161	Establishment of INSETA Research Chair Centre 2019/20	29 856 667.00	–	(5 819 890.00)	(3 706 953.91)	20 329 823.09
INPROJ000165	Broker Qualification - CAT052019	900 000.00	–	–	(900 000.00)	1 011 742.50
INPROJ000167	Broker Development	8 023 485.00	–	–	(7 011 742.50)	550 000.00
INPROJ000169	Continuous Professional Development	1 945 000.00	–	–	(1 395 000.00)	–

## Annexure A (continued)

Project ID	Programme Description	Restated 31 March 2020	New Contracts	Adjustments	Payments	Year-to-date Balance 31 March 2021
INPROJ000170	Development of Intermediaries CPD, ReExams	1 265 640.00	–	(391 800.00)	(873 840.00)	–
INPROJ000171	Career Guidance	1 650 000.00	–	(884 895.69)	(765 104.31)	–
INPROJ000172	Technical Training for UnEmployed Youth	5 016 261.00	–	(1 296 196.00)	(3 720 065.00)	–
INPROJ000173	Class of Business Online Training	1 000 000.00	–	–	(1 000 000.00)	–
INPROJ000174	Research Chair	3 195 668.00	–	(265 668.00)	(2 930 000.00)	–
INPROJ000175	NPO Regulatory Support and Career Guidance Videos	8 927 830.22	–	–	(6 820 583.98)	2 107 246.24
INPROJ000176	Rapid Incubator to Unlock Entrepreneurship	4 239 200.00	–	(1 589 700.00)	(2 649 500.00)	–
INPROJ000178	RPL Project	540 000.00	–	(234 000.00)	(306 000.00)	–
INPROJ000179	Digitisation Skills Programmes	4 221 747.00	–	37 003.00	(4 258 750.00)	–
INPROJ000180	Disability Training Programme Development	1 227 800.00	–	(1 800.00)	(1 226 000.00)	–
INPROJ000181	Data Analyst Training	10 198 000.00	–	–	–	10 198 000.00
INPROJ000195	Catalytic Worker Programmes 2019/20	–	43 280 128.00	(1 209 130.00)	(7 620 484.90)	34 450 513.10
INPROJ000196	Catalytic Youth Programme 2019/20	–	50 672 876.71	(20 436 057.16)	(11 698 667.04)	18 538 152.51
INPROJ000197	Bursaries for Unemployed Youth 2020/21	–	68 241 073.57	(21 969 676.47)	(43 661 627.32)	2 609 769.78
INPROJ000198	Internships 2021	240 000.00	29 983 500.00	–	(1 929 800.00)	28 293 700.00
INPROJ000199	Learnerships 2021	5 487 600.00	31 560 000.00	(94 600.00)	(2 118 800.00)	34 834 200.00
INPROJ000203	Qualification and Assessment Development 2020/21	–	148 754.00	–	(29 345.00)	119 409.00
INPROJ000206	Skills Programmes for Workers 2021	67 500.00	3 704 737.00	–	(53 830.00)	3 718 407.00
INPROJ000209	Work Integrated Learning (TVET and UoT) 2021	–	39 584 250.00	(225 000.00)	(12 799 500.00)	26 559 750.00
INPROJ000210	Bursaries for Workers 2021	–	17 390 594.12	–	(400 375.00)	16 990 219.12
		<b>446 078 658.77</b>	<b>302 824 197.59</b>	<b>(94 568 742.46)</b>	<b>(340 855 252.86)</b>	<b>313 478 861.04</b>
		Project Administration Expenditure				<b>(14 214 800.31)</b>
						<b>(355 070 053.17)</b>

