



# ANNUAL REPORT 2013/14



"Celebrating 20 Years of Democracy and 13 Years of Skills Development"







higher education & training

Department: Higher Education and Training REPUBLIC OF SOUTH AFRICA









Hon. Minister Dr. Blade Nzimande



Hon. Deputy Minister Mduduzi Manana



### The Honourable Minister

Department of Higher Education and Training

Dear Honourable Minister,

It is our honour to submit the 2013/14 Annual Report of the Wholesale and Retail SETA (W&RSETA) as compiled in terms of the requirements Section 55 of the Public Finance Management Act, Chapter 28 of the Treasury Regulations and SETA Act No. 97 of 1998, which enjoin the Public Entity to submit to the Executive Authority, National Treasury, Auditor-General, and for tabling in Parliament the following documents:

- Annual Report on the activities of the public entity for the year under review;
- The Audited Financial Statements of the year under review; and
- The Auditors Report on the Audited Financial Statements.

We would, on behalf of everyone at the W&RSETA and the Board, like to express our profound gratitude for the ongoing support and strategic guidance we have always received from your Office and the Department of Higher Education and Training. The performance of the SETA for the year under review is mainly attributed to the unwavering support we have received from the Executive Authority.

Honourable Minister, it is our pleasure to inform you that the W&RSETA has once again successfully obtained an unqualified audit report for the 2013/14 Financial Year.

Yours faithfully

Pearl Maphoshé Chairperson of the W&RSETA Board 30 July 2014

Ep

Joel Dikgole Chief Executive Officer 30 July 2014



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# PART A: GENERAL INFORMATION

# 1.1 GENERAL INFORMATION

#### **Registered Name of the Public Entity:**

Wholesale and Retail Sector Education and Training Authority (W&RSETA)

#### **Registration Number of the Entity:**

27/W&RSETA/1/04/11

#### **Other Relevant Numbers:**

Not Applicable

#### **Registered Office Address:**

1303 Heuwel Avenue Riverside Office Park Corner Lenchen South & Heuwel Avenues Centurion Pretoria Gauteng Republic of South Africa 0167

#### **Postal Address:**

P. O. Box 9809 Centurion 0046

#### **Contact Telephone Numbers:**

Tel: 012 622 9500 Call Centre: 086 027 0027 Fax: 012 663 9585

#### E-Mail Address:

wrseta@wrseta.org.za careerinfo@wrseta.org.za

#### Website Address:

www.wrseta.org.za

#### **External Auditors Information:**

Auditor General South Africa (AGSA) PO Box 446, Pretoria, 001

#### **Bankers Information:**

ABSA: Hillcreast Branch, Hillcrest Office Park



# **1.2 SECTOR INDUSTRY CODES**

#### Wholesale

SETA Code	SIC Code	Trade Category
27	61000	Wholesale and commission trade, except for motor vehicles and motorcycles
27	61100	Wholesale trade on a fee contract basis
27	61220	Wholesale trade in food, beverages and tobacco
27	61310	Wholesale trade in textiles, clothing and footwear
27	61391	Wholesale trade in household furniture requisites and appliances
27	61392	Wholesale trade in books and stationery
27	61393	Wholesale trade in precious stones, jewellery and silverware
27	61394	Wholesale trade in pharmaceutical, toiletries and medical equipment
27	61420	Wholesale trade in metal and metal ore
27	61430	Wholesale trade in construction material, hardware, plumbing and heating equipment
27	61501	Office machinery and equipment including computers
27	61509	Other machinery
27	61901	General wholesale trade
27	61909	Other wholesale trade not elsewhere classified

#### Retail

SETA Code	SIC Code	Trade Category
27	62000	Retail trade, except for motor vehicles and motorcycles; repairs of personal and household goods
27	62110	Retail trade in non-specified stores with food, beverage and tobacco dominating
27	62190	Other retail trade non-specified stores
27	62201	Retail trade in fresh fruit and vegetables
27	62202	Retail trade in meat and meat products
27	62203	Retail trade in bakery products
27	62204	Retail trade in beverages (bottle stores)
27	62209	Other retail trade in food, beverages, and tobacco, not elsewhere classified
27	62311	Retail of non-prescribed medicine and pharmaceutical products other than by pharmacists
27	62321	Retail trade in men's and boys' clothing
27	62322	Retail trade in ladies' and girls' clothing
27	62323	Retail trade in general outfitters and by dealers in piece goods, textile, leather and travel accessories
27	62324	Retail trade in shoes
27	62330	Retail trade in household furniture, appliances, articles and equipment
27	62340	Retail trade in hardware, paints and glass
27	62391	Retail trade in reading matter and stationery
27	62392	Retail trade in jewellery, watches and clocks
27	62393	Retail trade in sports goods and entertainment requisites



SETA Code	SIC Code	Trade Category
27	62399	Retail trade by other specified stores
27	62400	Retail trade in second-hand goods in store
27	63122	Retail sale of used motor vehicles
27	63310	Sale of new parts and accessories
27	63311	Sale of tyres
27	65000	Selling and retail of new plastic bags and plastic products
27	65001	Selling of garage equipment
27	65002	Retail of baby clothing
27	65003	Selling of wooden doors
27	65004	Retailing of beauty products
27	65005	Sale of marine equipment and everything to do with boats
27	65006	Retail of packing materials
27	61510	Sale of new parts and accessories excluding the retail sale of new motor vehicle parts and accessories
27	63500	Retail sale of automotive fuel

The following activities, included under Wholesale and Retail in the Standard Classification of All Economic Activities do not form part of the W&RSETA:

SETA Code	SIC Code	Trade Category
27	6121	Wholesale trade in agriculture raw material and livestock
27	6141	Wholesale trade in solid, liquid, and gaseous fuels and related products
27	62310	Specified retail trade in prescribed pharmaceutical, medical and orthopaedic goods
27	6251	Retail trade via mail-order houses
27	6252	Retail trade via stalls and markets
27	6259	Other retail trade not in stores
27	626	Repair of personal and household goods
27	631	Sale of motor vehicles other than used motor vehicles
27	632	Maintenance and repair of motor vehicles
27	633	Sale of motor vehicle parts and accessories other than tyres
27	634	Sale, maintenance and repair of motorcycles and related parts and accessories
27	641	Hotels, camping sites and other provision of short-stay accommodation
27	642	Restaurants, bars and canteens



# **1.3 LEARNERSHIPS CERTIFIED**

#### Employed learners (18.1)

Learnership	NQF Level	2006	2007	2008	2009	2010	2011	2012	2013	Grand Total
Wholesale and Retail Operations Management	5	0	15	1	0	14	0	1	1	32
Diploma Accounting Technician	5	-	-	-	-	-	-	-	1	1
National Certificate in Management	3	-	-	-	-	-	-	-	35	35
National Certificate : Business Adminis- tration Services	3	-	-	-	-	-	-	-	1	1
National Certificate: Retail Shop Floor Practices	2	98	478	217	68	6	0	1	0	868
National Certificate: Wholesale and Retail Sales Practice	3	75	14	8	72	2	0	1	18	190
National Certificate: Wholesale and Retail Operations Supervision	4	58	196	43	299	258	0	374	298	1 526
National Certificate: Wholesale and Retail Distribution	2	0	57	74	90	297	73	224	401	1 216
National Certificate: Wholesale and Retail Merchandising Operations	2	0	0	0	9	16	0	152	120	297
National Certificate: Wholesale and Retail Operations	2	0	0	0	149	250	9	402	595	1 405
National Certificate: Wholesale and Retail Chain Store Operations	2	0	0	18	19	129	13	293	565	1 037
National Certificate: Wholesale and Retail Buying and Planning	5	0	0	0	0	6	0	10	12	28
National Certificate: Wholesale and Retail – Retail Sales	3							79	59	138
Further Education and Training Certificate: Wholesale and Retail Generic Management	4	0	0	0	0	19	0	35	46	100
National Certificate: Wholesale and Retail SME Operations	2	-	-	-	0	0	0	10	17	27
National Certificate: Wholesale and Retail Wholesale Sales	3	-	-	-	0	0	1	24	83	108
National Certificate: Stock Control Retail Outlet	3	-	-	-	0	0	0	0	41	41
National Certificate: Stock Control in a Distribution Centre	3	-	-	-	-	-	-	-	1	1
National Certificate: Wholesale and Retail Cosmetic	3	-	-	-	0	0	0	0	0	0
National Certificate: Wholesale and Retail Visual Merchandising	3	-	-	-	0	0	0	16	15	31
National Certificate: Wholesale and Retail Generic Management	5	-	-	-	0	0	0	24	4	28
National Certificate: Service Station Operations	2	-	-	-	-	-	-	-	18	18
New Venture Creation	4	-	-	-	-	-	-	-	1	1
Total		231	760	361	706	997	96	1646	2 333	7 130



#### Unemployed learners (18.2)

Learnership	NQF Level	2006	2007	2008	2009	2010	2011	2012	2013	Grand Total
Wholesale and Retail Operations Management	5	0	0	0	0	0	0	0	0	0
National Certificate in Retail Shop Floor Practices	2	51	438	43	15	0	0	0	2	549
National Certificate: Wholesale and Retail Sales Practice	3	21	24	3	30	2	0	0	0	80
National Certificate in Management	3	0	0	0	0	0	0	0	2	2
National Certificate: Service Stations Opera- tions	2	0	0	0	0	0	0	0	27	27
New Venture Creation	4	0	0	0	0	0	0	0	46	46
Contact Centre Support	2	0	0	0	0	0	0	0	4	4
Retail and Wholesale Processes	2	0	0	0	0	0	0	0	11	11
Retail and Wholesale Sales and Service Technology	4	0	0	0	0	0	0	0	2	2
National Certificate: Wholesale and Retail Operations Supervision	4	37	95	37	146	193	25	59	55	647
National Certificate: Wholesale and Retail Distribution	2	0	15	28	11	120	1	181	207	563
National Certificate: Wholesale and Retail Merchandising Operations	2	0	0	0	148	485	170	606	546	1 955
National Certificate: Wholesale and Retail SME Operations	2	0	0	0	1	1	0	322	1	1
National Certificate: Informal and Small Business Practice	2	0	0	0	0	0	0	0	31	31
National Certificate: Wholesale and Retail Operations	2	0	0	0	392	389	51	1438	615	2 885
National Certificate: Wholesale and Retail Chain Store Operations	2	0	0	57	42	664	116	362	513	1 754
National Certificate: Wholesale and Retail Buying and Planning	5	0	0	0	0	2	0	14	0	16
National Certificate: Wholesale and Retail – Retail Sales	3	0	0	0	0	63	0	213	85	361
Further Education and Training Certificate: Wholesale and Retail Generic Management	4	0	0	0	0	0	0	5	37	42
National Certificate: Wholesale and Retail SME Operations	2	-	-	-	1	1	0	322	30	354
National Certificate: Wholesale and Retail Wholesale Sales	3	-	-	-	0	0	125	22	141	288
National Certificate: Stock Control Retail Outlet	3	-	-	-	0	0	0	8	107	115
National Certificate: Wholesale and Retail Cosmetic	3	-	-	-	0	0	0	2		2
National Certificate: Wholesale and Retail Visual Merchandising	3	-	-	-	0	0	0	6	42	48
National Certificate: Wholesale and Retail Generic Management	5	-	-	-	0	0	0	150	1	151
Total		109	572	168	786	1920	488	3710	2505	10258



# 1.4 ACRONYMS AND ABBREVIATIONS

AA	Accounting Authority
	Association of Accounting Technicians South Africa
	Adult Basic Education and Training
	Audit Committee
	Adult Education and Training
	Annual Training Report
	Auditor General
AQP	Assessment Quality Partner
	Black Economic Empowerment
	Brazil, Russia, India, China and South Africa
	Community-based Organisations
CEO	Chief Executive Officer
CIP	Continues Improvement Plan
CPUT	Cape Peninsula University of Technology
	Clothing, Textile, Footwear and Leather
DC	Distribution Centre
DEDaT I	Department of Economic Development and Tourism
DHET	Department of Higher Education and Training
DUT	Durban University of Technology
DQP I	Development Qualifications Partner
EE	Employment Equity
ERP I	Enterprise Requirement Planning
ETQA I	Education and Training Quality Assurance
FET I	Further Education and Training
FMCG I	Fast-moving Consumer Goods
FMPPI I	Framework for Managing Programme Performance Information
GAAP	Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GIBS	Gordon Institute of Business Science
HET I	Higher Education and Training
HIV/AIDS I	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
ILDP I	International Learnership Development Programme
ILO	International Labour Organisation
ISDF	Independent Skills Development Facilitator
IT	Information Technology
JOI	Job Opportunity Index
	Manufacturing, Engineering and Related Services Sector Education and Training Authority
MICTSET	Media, Information, Communication and Technology Sector Education and Training Authority
	Non-governmental Organisations
NQF	National Qualifications Framework
NSDS III	National Skills Development Strategy III National Student Financial Aid Scheme



### Acronyms and abbreviations (continued)

NVC	New Venture Creation
PIVOTAL	Professional, Vocational, Technical and Academic Learning
PAA	Public Audit Act
PMS	Performance Management System
PRO	Project Portfolio Office
RFP	Request For Proposal
PFMA	Public Finance Management Act
PSDF	Provincial Skills Development Forum
QCTO	Quality Council for Trades and Occupations
QMB	Qualifications Management Body
RMDP	Retail Management Development Programme
RPL	Recognition of Prior Learning
SADDT	South African Disability Development Trust
SAQA	South African Qualifications Authority
SDA	Skills Development Act
SDF	Skills Development Forum
SDL	Skills Development Levy
SEDA	Small Enterprise Development Agency
SETA	Sector Education and Training Authority
SIC	Sector Industry Classification
SMME	Small, Medium and Micro Enterprise
SME	Small and Micro Enterprises
SMS	SETA Management System
SSETA	Services Sector Education and Training Authority
SSP	Sector Skills Plan
TAC	Tender Adjudication Committee
TEC	Tender Evaluation Committee
the dti	The Development of Trade and Industry
UP	University of Pretoria
UYAP	Unemployed Youth Assistance Programme
W&R	Wholesale and Retail
W&RSETA	Wholesale and Retail Sector Education and Training Authority
WEEG	Workplace Experience and Employment Grant
WIL	Work Integrated Learning
WRLC	Wholesale and Retail Leadership Chair
WSP	Workplace Skills Plan



### Vision

We are the premier authority in skills development, exceeding stakeholder expectations in the Wholesale and Retail sector.

### Mission

To develop a skilled and capable workforce in the Wholesale and Retail sector, thereby contributing to the sustainable socio-economic development and growth of the country.

### Strategic Goals

- To create a culture of lifelong and workplace learning;
- To address historic imbalances with a focus on class, race, gender, geographical locations and disability, in the development of people in the W&R sector;
- To facilitate funded and accessible training to meet the sector needs; and
- To align with national development strategies in line with the requirements of government to foster skills development in the Wholesale &Retail (W&R) sector for productivity and employment.

### Values

- We place high value in the members of the W&RSETA team.
- We continually treat each other with respect and dignity.
- We support each other in action, word and behaviour.
- We optimise strong ethics, integrity and trustworthiness.
- We care for each other and are sensitive about feelings, concerns, frustrations and limitations.
- We are honest with each other and are prepared

to engage openly and frankly on differences.

- We thrive on positive and constructive feedback.
- We are zealously co-responsible and accountable for the team's efforts.
- We respect the unique contribution that each individual makes and recognise that "I" cannot be fully "me" without "you"
- We give each other space and accept the responsibility for the impact of our actions in the team.
- We positively affirm our confidence in each individual's ability to deliver excellently.
- We make time to regularly interact and reflect meaningfully on what is really important.

### **Guiding Principles**

In terms of our Guiding Principles, the W&RSETA accepts, promotes and gives effect to the applicable legislation and to our vision, mission and objectives by adhering to the following principles:

- Encourage and promote the International Labour Organisation's (ILO) Decent Work Agenda;
- Apply non-discriminatory employment practices;
- Be fair and equitable in all dealings with and treatment of stakeholders, suppliers and vendors;
- Develop and implement best business practices;
- Provide quality service to stakeholders in an effective, economical, efficient and innovative manner;
- Encourage adherence to the sectoral determination within the W&R sector; and
- Foster sound corporate governance principles as outlined in King III.

The Skills Development Act, 1998 (SDA) makes provision for the establishment of Sector Education and Training Authorities (SETAs) for each national economic sector as determined by the Minister in terms of section 9 of



## 1.6 LEGISLATIVE AND OTHER MANDATES

#### the SDA.

The SDA establishes the framework within which SETAs must operate. It stipulates the composition and functions of SETAs and determines the minimum requirements for their constitutions.

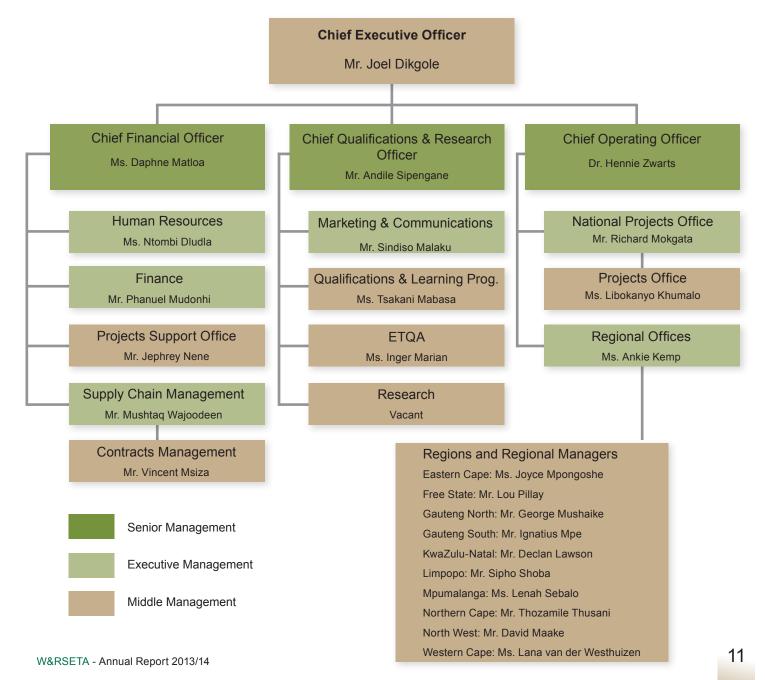
The W&RSETA is governed by the following legislative framework:

- Skills Development Act, 1998
- Skills Development Levies Act, 1999
- Public Finance Management Act, 1999
- · Regulations regarding the Establishment of Sector

### **1.7 ORGANISATIONAL STRUCTURE**

Education and Training Authorities (Notice No. R. 1082 of 7 September 1999)

Amendment of Constitution of Sector Education and Training Authorities (Notice No. R. 1399 of 8 November 2002)





### **1.8 CHAIRPERSON'S FOREWORD**

#### Introduction

I felt compelled to start my report with a quote from the late and former president of South Africa, Dr. Nelson Mandela who contributed immensely to the birth of our new democracy. As we celebrate the 20 years of our democracy we must re-commit the SETA to ensure that his legacy lives for ever.

As the SETA, we are inspired that Dr Mandela bequeathed a legacy of education, training and skills development to our country which the W&RSETA will continue to embrace.

# Highlights of Achievements and Guiding Principles

#### Implementing the Board's Mandate

The W&RSETA Board has continued to function and provide strategic leadership to management. The Board executes its oversight role as articulated in the W&RSETA Constitution, as required by the Skills Development Act, the Public Finance Management and other relevant legislation.

I am happy to report that the SETA obtained an unqualified report from the Auditor-General (AG) during the period under review.

The Board is committed to ensure that the SETA endeavours to achieve clean audit reports in the future.

The SETA continues to make strides in accelerating skills development in the Retail Sector through several ground breaking initiatives which were introduced and implemented during the period under review. These initiatives are aimed at addressing the Scarce and Critical skills in the Sector as outlined in the Sector Skills Plan (SSP).

Key among these initiatives was the official launch of the **Wholesale and Retail Leadership Chair** in partnership with the Cape Peninsula University of Technology (CPUT). The Wholesale and Retail Leadership Chair is the first of its kind in South Africa and Africa. This initiative brings South Africa in line with retail research chairs established at leading universities research centres in

It is better to lead from behind and to put others in front, especially when you celebrate victory when nice things occur. You take the front line when there is danger. Then people will appreciate your leadership.

- Nelson Mandela



Ms PN Maphoshe

the USA, Europe and Australia to address the growing needs of the retail industry for dedicated research and highly qualified retail practitioners.

The International Leadership Development Programme (ILDP) and the Retail Management Development (RMDP) continue to occupy the top spot as the SETAs flagship programmes and have grown



significantly to increase the pool of high levels kills which are required to make the Wholesale and Retail Sector more competitive. To date the SETA has graduated 150 ILDP and 398 RMDP senior and middle managers since the inception of these two programmes.

I am excited to report that W&RSETA has also heeded the Minister of HET's call to establish the SETA's presence in TVET Colleges by implementing the **Retail Schools of Excellence** project with is currently being piloted with five TVET Colleges and the Durban University of Technology in KwaZulu-Natal. The success of this pilot phase which will cost R20m, will lead to the national rollout of several SOEs which are planned during the 2014/2015 financial period. Collaborations between SETAs and Technical Vocation Education and Training (TVET) Colleges and Retail Companies will contribute to position the TVET colleges as institutions of choice and professionalise the Wholesale and Retail Sector. Furthermore the SOEs will position the Retail Sector as a career of choice.

The assurance of employment after completion of a retail qualification at the SOEs will be an attractive value proposition to the youth.

#### **Future Outlook**

The W&RSETA is also committed to improving the skills levels of the retailers operating in the informal sector. Another historic ground breaking joint initiative in collaboration with the Department of Trade and Industry known as the **Informal Traders Upliftment Project**, for the informal traders (ITUP). Both organizations will equally contribute R10m towards this project which was officially launched at Port St' Johns Stadium by the Minister of Trade and Industry the Honourable Rob Davies and Mr Michael Lawrence the Chairperson of the W&RSETA FINCO.

This event was also attended by representatives from the house of traditional leaders, Provincial Government MECs, Local Municipality Government representatives and Associations representing the informal sector in the Eastern Cape.

#### Acknowledgements/Appreciations

I would like to extend the Board's gratitude to the former Chairperson, Dr. Thami Mazwai, for his contribution during the period he served on the Board. Through his leadership the Board has been able to provide strategic leadership to Management. We wish him all the best in his new endeavour.

We are also grateful to our stakeholders who have been supportive of the SETAs initiatives. We are cognisant of the fact that without them and their support W&RSETA will not be able to report the achievements reported in this report.

Let me also take this opportunity to thank the Management and staff of the SETA under the leadership of the CEO Mr. Joel Dikgole for their relentless dedication to skills development. As soldiers on the ground, we are well aware that they meet different challenges, but as the Board we will continue to offer our support to make their task surmountable.

Finally, to the Executive Authority, under the leadership of Honorable Minister Dr. Blade Nzimande, I would like to extend the gratitude of the entire W&RSETA Board and Management for guidance and support.

#### Conclusion

In conclusion, I wish to recommit the W&RSETA to the advancement of the skills revolution in the country. In collaboration and partnership with our stakeholders, we will fast track and introduce new initiatives which will contribute to the building of a skilled and capable workforce in the Wholesale and Retail Sector.

Ms Pearl Maphoshe Chairperson: W&RSETA Board 30 July 2014



### **BOARD MEMBERS**



Seated from right to left: Sizakele Moloko; Carin Strydom; Joel Dikgole (CEO); Pearl Maphoshe (Chairperson); Phillemon Sito and Sheila van Rensburg (Alternate member).

Standing from right to left: Sibusiso Busane; Thami Skenjana; Michael Lawrence; Nat Ketlele; Ivan Molete; Peter Madisa; Pascalis Mokupo (Audit Committee); Mike Tau; Isaac Motaung.

Absent: Margaret Bango; Paticia Pillay and Abeida Abrahams.

# SENIOR MANAGEMENT



From right to left: Joel Dikgole (CEO); Daphne Matloa (CFO); Andile Sipengane (COQR) and Hennie Zwarts (COO)



### **1.9 CHIEF EXECUTIVE OFFICER'S OVERVIEW**

#### Introduction

The 2013/2014 financial year marks the mid-point of the National Skills Development Strategy III which will expire in March 2016. This year also coincides with the celebration of 20 years of our democracy. On the other hand, we also celebrate 13 years of the establishment of SETAs which were launched in 2000.

It is imperative therefore that as we report on the results of the period under review, we pause and reflect on what our SETA has achieved during the past thirteen years. We also need to apply our minds on the challenges which we must still address to ensure that skills development opportunities are also accessible to underprivileged communities in our country.

During the past 13 years, the stakeholder companies have upskilled and trained approximately 400,000 employees annually through the mandatory grant system. Approximately 7000 levy paying companies have been paid R2.6bn for submitting the training reports as mandated by legislation.

The SETA has certified approximately 17,388 learners who enrolled and successfully completed Learnership qualifications at NQF 2-5 through the discretionary grant system. Furthermore, 48,506 learners benefitted from a variety of critical skills programmes which were funded through discretionary grants.

The SETA has, and continues to draw inspiration from the words of the late and former President of South Africa, Dr Nelson Mandela who said "It always seems impossible until is it is done."

#### Perspective of the Organisation

The organisation has met all its statutory obligations including the submission of the Strategic Plan, Medium Term Expenditure Framework, the Sector Skills Plan and the Annual Report for the period under review.

#### Achievements for the Year

Notwithstanding the challenges experienced by the SETA which were as a result of the new Grant Regulations published in December 2012, the SETA managed to

Your workforce is your most valuable asset. The knowledge and skills they have represent the fuel that drives the engine of business and you can leverage that knowledge

- Harvey Mackay



Mr TJ Dikgole



make significant strides in the skills development arena.

The SETA achieved 20 of the 33 SLA targets, which translates to 61%. It must however be noted that the legislative environment changed during the period under review with the introduction of PIVOTAL Grants which has impacted on the results.

The following are the key highlights for the period

- R186 million was disbursed in Mandatory Grants;
- R431m was disbursed in Discretionary Grants;
- 39 delegates successfully completed the ILDP NQF Level 7 programme;
- 291 delegates completed the Retail Management Development Programme;
- 16 132 learners enrolled on NQF Level 2 4 learnership programmes;
- 649 learners enrolled on the NQF Level 1 Adult Education and Training learnership programme;
- 829 learners were registered on various artisan programmes;
- 3 534 learners were beneficiaries of the W&RSETA bursary programmes;
- 3 Doctoral and 11 Masters students have been awarded bursaries to complete their studies;
- 25 TVET College lecturers have been capacitated on W&RSETA programmes;
- 413 schools benefited from career guidance and development counselling;
- 7 313 learners received certificates on

completion of their learning programmes;

- 56 co-operatives benefited from various skills development initiatives; and
- 4465 SMEs benefitted from skills development initiatives.

**Good Practice Awards:** The W&RSETA launched the inaugural Good Practice Awards for the Wholesale and Retail Sector. The Awards are aimed at recognizing good practice and excellence in the Sector by rewarding companies, training providers and learners who have made significant and outstanding contribution in the Sector through skills development.

Awards in the following categories were presented at an event held in May 2014: **Companies:** super large, large and medium, levy paying and non-levy paying companies; **Training Providers:** established and emerging; and **Learners:** NQF levels 2 – 4 learning programmes, women and people with disabilities.

#### Wholesale and Retail Leadership Chair:

In February 2014, the Wholesale and Retail Leadership Chair was officially launched in Cape Town and was attended by retailers and academics. The main purpose of the establishment of the Wholesale and Retail Leadership Chair is to promote collaboration between industry and institutions of higher learning to facilitate the development of retail specific qualifications and to generate relevant research of the highest quality for the retail sector.



Mr. Joel Dikgole (Centre) with winners of various categories at the Good Practice Awards ceremony.



#### Chief Executive Officer's Overview (continued)

The Chair, which is the first of its kind in Africa, is a joint initiative between W&RSETA and the Cape Peninsula University of Technology. The establishment of the Chair brings South Africa in line with developments in the USA, Europe and Australia, where retail research centres have been established at leading universities as a result of the growing needs of the retail industry for dedicated research and highly qualified retail practitioners. The Retail Leadership Chair will be funded exclusively by the W&RSETA for an initial period of three years, after which a different funding model will be considered.



Mr. Joel Dikgole (W&RSETA CEO) and Dr. Prins Nevhutalu (CPUT Vice Chancellor) at the official launch of the Leadership Chair

**Doctoral and Masters Bursaries Programme:** The W&RSETA has identified, as a key objective linked to the National Research and Development Strategy of 2002, a need to promote and support research through funding and human capacity development by creating a robust National System of Innovation (NSI) in South Africa. In addition, the NSDS III requires that SETAs establish credible institutional mechanisms for skills planning and that high level national scarce skills needs are being addressed by work-ready graduates from higher education institutions.

In an attempt to address these goals and outcomes, the W&RSETA made funding available in the form of bursaries for Doctoral and Masters students for the 2013 year of study and subsequently for the same students to continue their studies in 2014. Currently a total of 11 Masters and 3 Doctoral postgraduate students are recipients of the bursaries. **International Leadership Development Programme:** The ILDP is an initiative first launched in 2009 with an intake of 15 candidates and has been growing appreciably since inception. To date, the programme boasts an alumni of 148 senior managers. The study tour destinations have increased from two to six, namely Canada, United States of America, London, China, India and Africa where delegates visit leading retailers and interact with industry thought leaders.

39 delegates successfully completed the 2013 programme and a graduation ceremony was held on 27th March 2014. Their accomplishment adds to the pool of talent pipeline of leadership the Sector already has and will continue to benefit from in future.



Mr. Isaac Motaung (W&RSETA Board Member) and Mr. Raymond Ackerman (Founder of Pick n Pay) at the ILDP Graduation Ceremony

**Informal Traders Upliftment Project (ITUP):** ITUP is a joint project between the W&RSETA and the Department of Trade and Industries **(the dti)** whose purpose is to identify vulnerable areas in the country where informal traders can be selected, trained and capacitated to compete with established and flourishing businesses. The project was officially launched at Port St John in March 2014 by the Minister of Trade and Industry Dr. Rob Davies.

The project objective is to identify, train, coach, mentor and provide infrastructure support to 1000 informal traders including capacity building for Informal Trader Organisations in all nine provinces over 18 months in partnership with relevant stakeholders.



#### **Organisational Challenges**

The biggest challenge the SETA experienced during the period under review was the implementation of the PIVOTAL grants which were introduced with the promulgation of the new Grant Regulations in December 2012. The essence of PIVOTAL is that all the learning programmes implemented must lead to a formal qualification.

Although substantial progress was achieved in securing the participation of large and medium companies in the PIVOTAL programmes, the small and micro enterprises were unable to take up the offer of R85m which was allocated for PIVOTAL programmes. The W&RSETA will however introduce new initiatives to attract and ensure that this sub-sector of wholesale and retail also benefits from skills development.

#### Future Plans and Actions of the Organisation

During the 2014/2015 financial year the SETA will implement new initiatives and focus on SME support, learner placements, bursaries, people with disabilities as well as rural and co-operatives development.

Significant effort will be directed towards the attainment of the following institutional goals:

- Reduction of high cash reserves: significant progress has been made to reduce high cash reserves from 15 to 12 months. Strategies are being implemented for further improvement;
- Reduction of learner dropout rate: significant progress has been made since the adoption of this goal and as a result, the drop out rate has decreased from 40% to less than 20%;
- Implementation of Recognition of Prior Learning:
- Implementation of Rural Development initiatives: a new unit has been established which is responsible solely for rural development and cooperatives;
- Enhance the credibility of the W&RSETA's SSP among Sector stakeholders: the quality of the SSP has been improving and the Department of Higher Education and Training has used W&RSETA's SSP Report as a benchmark for other SETAs; and
- Implementation of the strategy for small and micro enterprises: A standalone SME Support unit has

been established to develop and implement new SME initiatives.

The SETA will accelerate its efforts in the ensuing financial year to ensure that its institutional goals are achieved.

#### Acknowledgements / Appreciation

On behalf of the Board and management team, I would like to pay tribute to the former chairman of the Board Dr. Thami Mazwai for the contribution he has made to the SETA. I also wish to convey our heartfelt gratitude to the Board for its continued support and strategic leadership of the SETA. My appreciation goes to the staff of the W&RSETA for their commitment and dedication. I also acknowledge the support the SETA has received from the Executive Authority, the Department of Higher Education and Training. Finally, the SETA would not have achieved the targets referred to in this report without our stakeholder companies, training providers and learners. All these stakeholders inspire and motivate the staff and management to continue to strive towards excellence in making skills development a reality in the Wholesale and Retail Sector.

Mr Joel Dikgole Chief Executive Officer 30 July 2014



# Statement of Responsibility and Confirmation of accuracy of the Annual Report for the year ended 31 March 2014

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

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

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

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

The Annual Financial Statements (Part E) have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (SA GRAP), the requirements of the Public Finance Management Act of South Africa, 1999 (PFMA) and the Skills Development Act, 1998 (SDA).

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

The accounting authority is responsible for establishing, and implementing a system of internal control 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 2014.

Mr TJ Dikgole Chief Executive Officer 30 July 2014

Ms PN Maphøshe Chairperson of the Board 30 July 2014

# PART B: PERFORMANCE INFORMATION



### 2.1 AUDITOR GENERAL'S REPORT: PREDETERMINED OBJECTIVES

#### Auditor General's Report: Predetermined Objects

The Auditor General has conducted some audit procedures on the performance information of the Wholesale and Retail Sector Education and Training Authority (W&RSETA) set out on pages 24 to 29 for usefulness and reliability, compliance with laws and regulations and internal control.

The reliability of the information in respect of the Selected Programmes is assessed to determine whether it adequately reflects the facts.

There were no material findings on the W&RSETA annual Performance report concerning the usefulness and reliability of the information.

Refer to page 67 to 69 of the Report of the Auditor General's Report, included in Part E: Financial Information.





#### 2.2.1 Service Delivery Environment

The SETA has heeded the Minister's call for SETA presence in rural areas, townships and FET Colleges. Where feasible, we are considering establishing partnerships with SETAs which have already established a presence in FET Colleges. In addition, our Board has approved a joint project with stakeholder companies, four FET Colleges and a University in KwaZulu Natal to implement a comprehensive model to address the W&RSETA's presence in previously marginalised areas. Plans and discussions are at an advanced stage and various strategies have been devised to address this issue.

Despite various initiatives to reach out to non-levy paying companies, persuading these companies to participate in the skills development processes, remains an ongoing challenge. In order to address this challenge, we have implemented an SMME Training Voucher project.

We commissioned an impact study on the regional offices to assess the effectiveness of the regional offices. The results confirm that most regional offices meeting our stakeholders' expectations and there is still room for improvement.

#### 2.2.2 Organisational Environment

W&RSETA has remained stable during the period. In order to enhance service delivery, the SETA has implemented the new organisational structure to ensure alignment with our strategic plan. The new structure will be implemented in the 2014/15 financial year.

# 2.2.3 Key Policy Developments and Legislative Changes

The Executive Authority did not introduce new Acts, Bills orRegulations during the period under review.

It is important to note that, although the SETA Grant Regulations regarding monies received by a SETA and related matter was passed in December 2012, its actual implementation took place in the period under review.

W&RSETA has implemented a number of projects during the period under review; a full schedule of projects is found on pages 97 to 100 of the report. The following projects indicate some of the highlights of the SETA during the review period.



# 2.3 STRATEGIC OUTCOME-ORIENTED GOALS

		A Skilled	A Skilled and Capable Workforce	Vorkforce		
Out-	Performance	Performance Targete	2012/13 Achiovomonto		2013/14 A	2013/14 Achievements
Sind		Ialgels	Admeventerus	Actual	Variance	Comments
NSD	S Outcome 4.1.1: The national	l need, in relation to skills of planning	to skills development, is researched, planning across all economic sectors	searched, docu iic sectors	mented and o	NSDS Outcome 4.1.1: The national need, in relation to skills development, is researched, documented and communicated to enable effective planning across all economic sectors
4.1.1.2	Updated Sector Skills Plan (SSP) approved by the W&RSETA Board and submitted to DHET by due date.	SSP approved by the W&RSETA Board SSP submitted to DHET by the due date.	SSP submitted and approved by DHET	The final 2013/2014 SSP update was submitted to DHET on 15 November 2013	Ē	Achieved: The SSP was due 30 November 2013, but was submitted on 15 November 2013
	NSDS Goal 4.2: Increas	NSDS Goal 4.2: Increasing access to occupation-directed programmes, leading to intermediate and high-level learning	directed programm	nes, leading to i	ntermediate a	and high-level learning
	NSDS OF	NSDS Outcome 4.2.1: Middle level skills needs are identified and addressed in all sectors	skills needs are id	entified and add	dressed in all	sectors
4.2.1.2	10400 learners enrolled in NQF 2 to 4 learnership programmes over 3 years	1500 - (18.2) Learners regis- tered on NQF 2,	8 665 Learners reg- istered on Learning Programmes	1 524	+24	Achieved: Overachievements is due to the registration of Pivotal learnerships by the organisations
	2013/14 2400 – (18.2) Unemployed	900 (18.2) Learners regis- tered on NQF 3	18.2- 3 365 The NQF level was not a requirement	1 093	+193	Achieved: Overachievements is due to the registration of Pivotal learnerships by the organisations
	2400 (18.1) Employed	1400- (18.1)Learners regis- tered on NQF 3	18.1- 5 300	1 978	+578	Achieved: Overachievements is due to the registration of Pivotal learnerships by the organisations
		1000 - (18.1)Learners regis- tered on NQF 4	The NQF level was not a requirement	1 469	+469	Achieved: Overachievements is due to the registration of Pivotal learnerships by the organisations
	900 Learners placed on Intern- ships in Retail organisations over 3 years (300 learners per year)	300 learners per year placed on internships in retail organisations	73	216	-84	Not achieved: Not sufficient time for organisations to accept allocations for 2012/13 via the Pivotal opportunity, for implementation 2013/14

Performance Against NSDS III Goals and SLA Targets in the Strategic Plan 2013/14

Out-	Performance	Performance	2012/13		2013/14 A	2013/14 Achievements
puts	Indicators	largets	Achievements	Actual	Variance	Comments
	1000 Employed learners regis- tered on RPL Skills programmes over a period of 3 years	200 employed Learners registered for RPL in year 1	464	386	+186	Achieved: The learners registered under Discretionary Grants for 2012/13 were certified in 2013/14
	200 employed learners registered for RPL in year 1					
	NSDS O	NSDS Outcome 4.2.2: 10 000 Artisans per year qualify with relevant skills and employment	ns per year qualify <b>v</b>	with relevant sk	cills and emplo	yment
4.2.2.1	400 Artisans to be registered on Artisan programmes based on the SSP research over the next 3 years	140 Learners registered on Artisan programmes in year 1	982	829	+689	Achieved: Overachievement is due to the high demand for bakers and butchers in the sector, thus organisations regis- tered large numbers in these occupa- tions during 2013/14
NSI	NSDS Outcome 4.2.3: High-level national scarc	ational scarce skills needs	are being addresse	d by work-read	y graduates fr	e skills needs are being addressed by work-ready graduates from Higher Education Institutions
4.2.3.2	2670 learners registered at HETs for a 3 year period (890 employed learners per year)	500 learners @ NQF 5 registered per year	215 New Entrants Registered	0	-200	Not achieved: Pivotal applications did not yield sufficient employed learners to enter for a HET NQF LEVEL 5 qualifica- tion. This target will be advertised as a separate project to ensure it is achieved.
		200 learners @ NQF 6 (RMDP) registered per year	0	0	-200	Not achieved: Tender approved too late for timeous selection and registration of learners.
		150 learners registered on a women's program per year	0	0	-150	Not achieved: The RMDP for women only programme did not appeal to the sector and was therefore cancelled. A decision was then taken to increase the number of women in the new intake for 2014. The RMDP targets were then increased to 350 with more bias towards women.
		40 learners @ NQF 7 (ILDP) registered per year All of the above targets = 890 Learners	20	30	<u>~</u>	Not achieved: Only 39 applicants met the required criteria. 48 learners have been registered for 14/15. 8 extra learners have been enrolled on the new ILDP project to address the shortfall.





Out-	Performance	Performance	2012/13		2013/14 A	2013/14 Achievements
puts	Indicators	largets	Achievements	Actual	Variance	Comments
	1800 Unemployed beneficiaries awarded full bursaries at Universities over a 3 year period on programmes addressing Scarce Skills 2013/2014 – 1800 beneficiaries	2013/14 - 1800 beneficia- ries awarded bursaries at universities	2 166 bursaries allocated	1 745	- 55	Not achieved: Fewer numbers than anticipated were recorded for Bursaries awarded for the year under Review. The SETA was dependent on Bursary Administration Agency to achieve the numbers.
	1000 Unemployed and Employed Learners who completed learnerships at NQF Levels 4 or 5 awarded full bursaries at universities over 3 years					
	500 Employed (18.1)	500 Employed beneficiaries awarded bursaries at Univer- sities	II II	459	-41	<b>Not achieved:</b> Not enough 18.1 applicants with a learnership qualification met the criteria set by the HET's
	500 Unemployed (18.2)	500 Unemployed beneficia- ries awarded bursaries at Universities		340	-160	<b>Not achieved:</b> Not enough 18.2 applicants with a learnership qualification met the criteria set by HET's
	1161 Unemployed beneficiaries registered with full bursaries at FETCs over a 3 year period on programmes addressing Scarce Skills 2013/14 – 1161 Beneficiaries	20/13/14 -1161 beneficiaries awarded Bursaries at FET Colleges	1 754 bursaries al- located	066	-171	Not achieved: Due to high failure / drop- out rate at FETs. Support to Bursars should help improve this performance.
	3900 Unemployed Learners on W&RSETA bursaries are placed in W&R companies in work readi- ness programme to acquire skills Workplace Experience on Scarce Skills and Critical Skills over a 3 year period	2013/14 - 1300 learners on bursaries placed in work- places or in a work readiness programme	AIN	450	-850	Not achieved: Not enough learners could be placed due to challenges with information provided to the SETA. Some Learners did not fit the W&R sector list of scarce and Critical skills. Some could not be traced due to change in contact details.
	(1300 Learners per year ) HET Graduates					

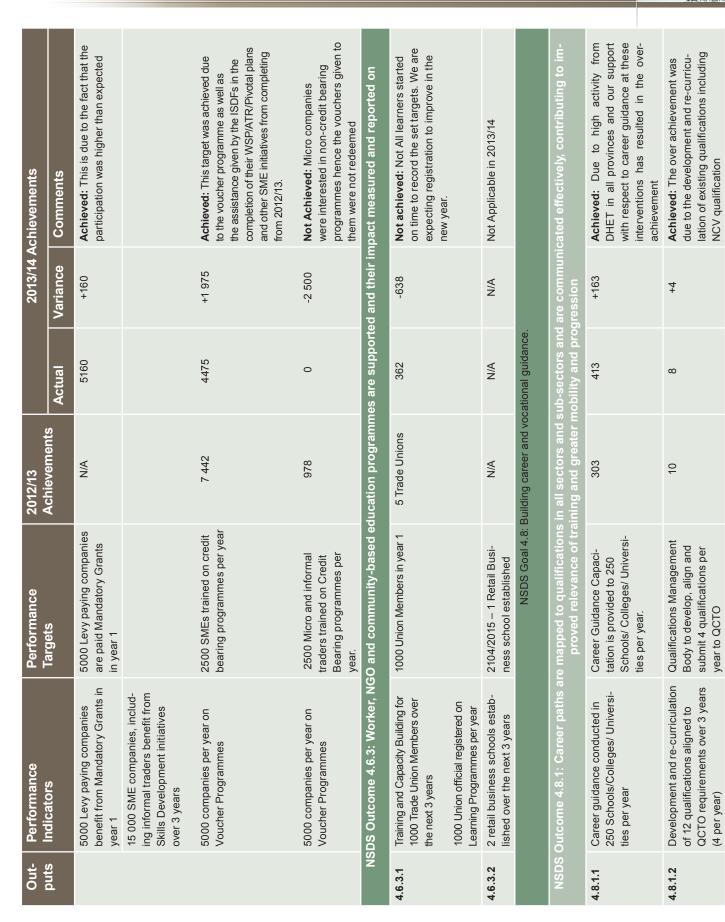
2013/14 Achievements	Comments	Not achieved: The SETA agreed to con- sider placement graduates outside the W&R sector thus the numbers achieved as at 31 March will include placements in the public sector as well.	Achieved: Overachievement due to PIVOTAL allocations. Stakeholders reg- istered some of their senior employees for MBA's	Achieved: Continuation of 3 students registered in previous year	Not Applicable in 2013/14	NSDS Outcome 4.2.4: Relevant research, development and innovation capacity is developed, and innovative research projects established	Achieved: Overachievement is partly due to the ILDP Research papers	NSDS Goal 4.3: Promoting the growth of the public FET College system that is responsive to sector, local, regional and national skills needs and priori- ties	HET, SETAs, Employers, Private providers and Public FET Colleges are resulting in increased capacity to meet industry needs throughout the country	Achieved: More lecturers attended the sessions than what was anticipated
2013/14 A	Variance	-233	0 +	+	N/A	and innovative	9 +	local, regiona	FET Colleges	+10
	Actual	767	7	n	N/A	is developed, a	10	sive to sector,	ers and Public t the country	25
2012/13	Acnievements	1 168	4	n	-	innovation capacity	10 Research studies conducted and pub- lished in Research Journal	ystem that is respor ties	ETAs, Employers, Private providers and Publ meet industry needs throughout the country	48
Performance	largets	2013/14 – 1000 FET Gradu- ates placed in Wholesale / Retail companies	2 candidates register for MBA / Masters programmes in year 1	2 Candidates register for Doctoral programmes in year 1	Next appointment planned for year 3. (2016/17)	esearch, development and i	4 Research conducted and published on the W&RSETA Website / Research Publica- tion per year	of the public FET College sy	tween DHET, SETAs, Employ meet industr	15 lecturers per year suc- cessfully capacitated on the W&R Sector.
Performance	Indicators	1000 Unemployed FET Gradu- ates placed in Wholesale &Retail companies for workplace experi- ence in the 2013/14 Financial year	6 Candidates register for MBA/ Masters degrees with a W&R focus over the next 3 years 2 Candidates per year	6 candidates to register for Doc- toral degrees with Retail Specia- tion over the next 3 years 2 Candidates per year	1 Chair of Retail is appointed within HETs in year 3	SDS Outcome 4.2.4: Relevant r	Implement 4 research projects per year to support the SSP up- date and relevant impact studies	oal 4.3: Promoting the growth	NSDS Outcome 4.3.2: Partnerships between DI	Develop and implement a capac- ity building project for 45 FET lecturers on the Wholesale & Retail sector 15 lecturers per year
Out-	buts					Ž	4.2.4.1	NSDS G	NSDS O	4.3.2.2



NSDS Outcome 4.5.1: Training of employed workers addresses critical skills, enabling improved productivity, economic growth and the ability of the workforce to adapt to change in the labour market



		C	0010100			
Out-	Pertormance	Pertormance Targets	ZU1Z/13 Achievements		ZU13/14 A	2013/14 Acnievements
puis		101952		Actual	Variance	Comments
4.5.1.1	1500 Employed learners regis- tered on programmes that lead to a qualification or part qualification that are addressing critical skills as identified in the SSP over the next 3 years.	500 workers are registered on programmes addressing critical skills per year	6 242	1 389	+889	Achieved: Due to an overflow of Discre- tionary Grants12/13 projects, that were completed in the 2013/2014 financial year
4.5.1.2	1500 Learners to register on a NQF 1 learnership qualification (AET) over a 3 year period 500 employed learners per year	500 workers to register on NQF1 Qualification in year 1	681	649	+149	Achieved: Overflow of Discretionary Grants12/13 projects that were complet- ed in the 2013/14 financial year
4.5.1.3	Implement cross-sectoral learn- ing programmes for rural com- munities over the next three years for 1500 learners with relevant institutions (Skills Programmes) 2013/14 = 400	400 learners registered in programmes for rural com- munities in year 1	1 371 Registered	1 488	+1 088	Achieved: Overflow of Discretionary Grants12/13 projects that were complet- ed in the 2013/2014 financial year
	NSDS Goal 4.6: Encouraging and suppor	12	ing co-operatives, small enterprises, worker-initiated, NGO and	s, worker-initiat	ed, NGO and d	community training initiatives
O SOSN	NSDS Outcome 4.6.1: Co-operatives supported w		and development ex	pands and con	tributes to sec	th skills training and development expands and contributes to sector economic and employment growth
4.6.1.1	Implement a project to register and complete skills programmes for 150 co-operatives over 3 years on Skills Programmes 50 Co-ops per year	50 Co-ops register and complete skills programmes in year 1	60 co-operatives registered learners.	56	9 +	Achieved: Interest shown by co-ops in the Eastern Cape has resulted in the overachievement of this target
NSDS	NSDS Outcome 4.6.2: Partnership projects to p		ind development supl impact is reported on	oport to small b n	vusinesses are	ovide training and development support to small businesses are established in all sectors and their impact is reported on
4.6.1.2	SME participation in WSP/ATR process. Assist 5000 - 7000 companies over the next 3 year period through the use of independent Skills Development Facilitators to complete and submit the new WSP/ATR and PIVOTAL plan reports	5000 small and medium com- panies assisted in submitting WSPs/ATRs in year 1	8 236	7 106	+2106	Achieved: Independent Skills Develop- ment Facilitators have assisted more Small and Medium Companies than was anticipated, hence the overachievement



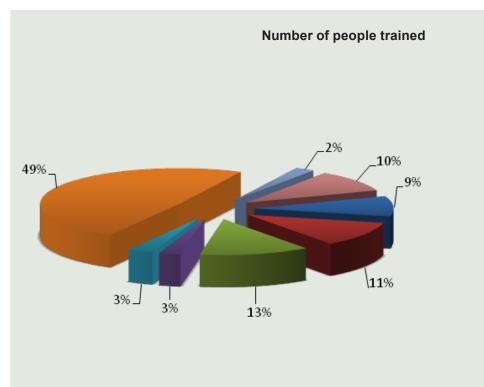




# 2.4 PERFORMANCE OVERSIGHT STATISTICS

#### Number of People trained per occupational class

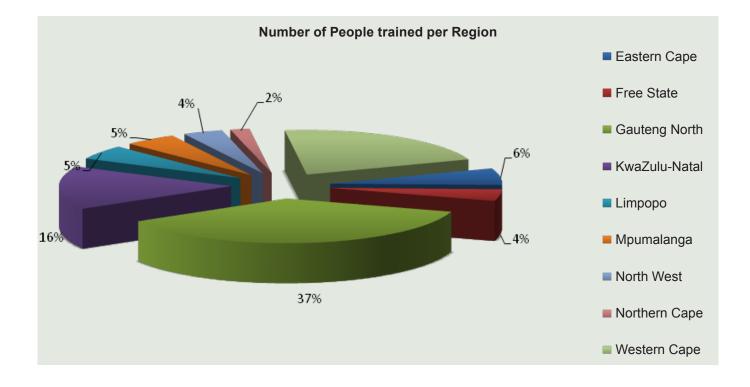
Occupational class	Number of people trained
Clerical Support Workers	36 535
Elementary Occupations	45 145
Managers	51176
Plant and Machine Operators and Assemblers	10 073
Professionals	11 993
Service and Sales Workers	195 663
Skilled Agricultural, Forestry, Fishery, Craft and Related Trades Workers	8 879
Technicians and Associate Professionals	39 397
Grand Total	398 861



- Clerical Support Workers
- Elementary Occupations
- Managers
- Plant and Machinery Operators and Assemblers
- Professionals
- Service and Sales Workers
- Skilled Agricultural, Forestry, Fishery, Craft and Related Trade Workers
- Technicians and Associate Professionals

### Number of People trained per Region

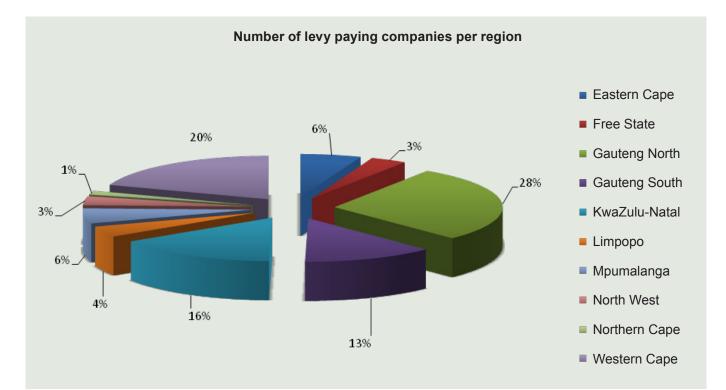
Region	Number of people trained
Eastern Cape	24 200
Free State	17 03
Gauteng	146 595
KwaZulu-Natal	62 729
Limpopo	20 764
Mpumalanga	19 705
North West	14 865
Northern Cape	7 226
Western Cape	85 764
Grand Total	398 861





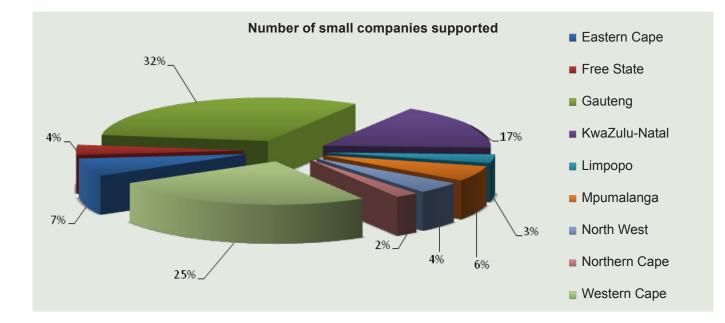
### Number of levy paying companies per region

Regions	Small (0-49)	Medium (50-149)	Large (150+)	Grand total
Eastern Cape	773	98	27	898
Free State	475	46	12	533
Gauteng North	3 899	344	116	4 359
Gauteng South	1 623	204	113	1 940
KwaZulu-Natal	2 013	285	92	2 390
Limpopo	531	65	22	618
Mpumalanga	777	74	19	870
North West	456	50	6	512
Northern Cape	210	16	2	228
Western Cape	2 651	255	113	3 019
Grand Total	13 408	1 437	522	15 367



### Number of small companies supported per region

Region	Small (0-49)
Eastern Cape	399
Free State	227
Gauteng	1 878
KwaZulu-Natal	1 011
Limpopo	197
Mpumalanga	342
North West	258
Northern Cape	133
Western Cape	1 508
Grand Total	5 952



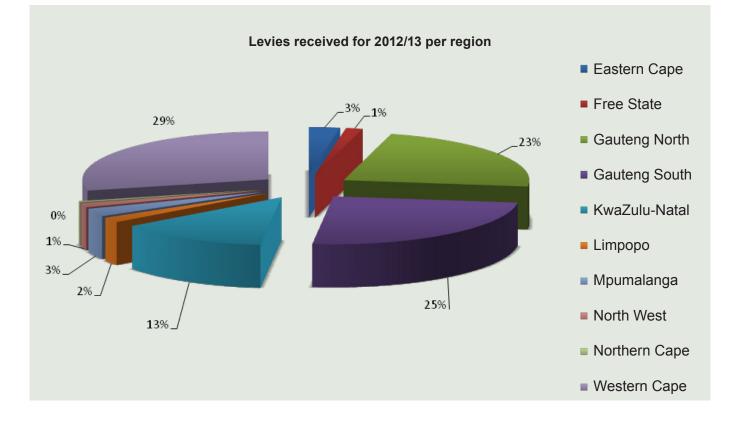


# 2.5 SUMMARY OF FINANCIAL INFORMATION

### 2.5.1 Revenue Collection

### Levies received per region

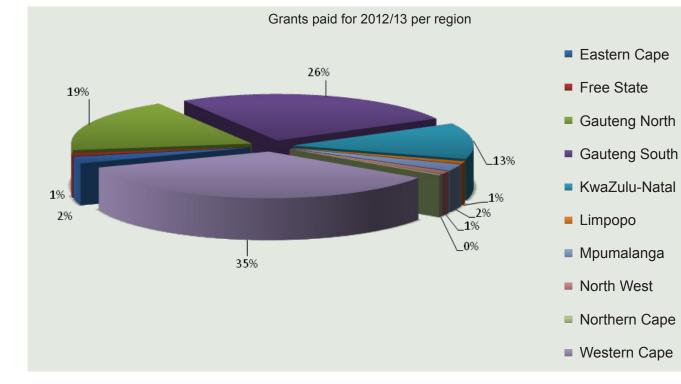
Region	Small (0-49) (R'000)	Medium (50-149) (R'000)	Large (150+) (R'000)	Grand total (R'000)
Eastern Cape	11 173	4 247	4 676	20 096
Free State	6 702	2 345	1 672	10 719
Gauteng North	76 235	32 809	68 083	177 127
Gauteng South	41 784	23 981	135 482	201 247
KwaZulu-Natal	33 082	17 354	45 987	96 423
Limpopo	8 076	2 838	2 160	13 073
Mpumalanga	11 124	4 136	4 976	20 236
North West	7 210	2 708	729	10 647
Northern Cape	2 771	771	166	3 708
Western Cape	46 702	19 994	146 702	213 398
Grand Total	244 859	111 182	410 633	766 674



### 2.5.2 Programme Expenditure

### Mandatory Grant Expenditure

Region	Small (0-49) (R'000)	Medium (50-149) (R'000)	Large (150+) (R'000)	Grand total (R'000)
Eastern Cape	2 042	1 119	1 842	5 004
Free State	806	535	568	1 909
Gauteng North	10 604	8 167	20 292	39 063
Gauteng South	6 025	4 425	33 632	44 082
KwaZulu-Natal	6 546	5 135	11 568	23 249
Limpopo	796	505	631	1 932
Mpumalanga	1 681	1 427	1 869	4 977
North West	1 325	741	260	2 326
Northern Cape	519	252	68	839
Western Cape	10 296	6 476	46 491	63 263
Grand Total	40 640	28 782	117 221	186 644

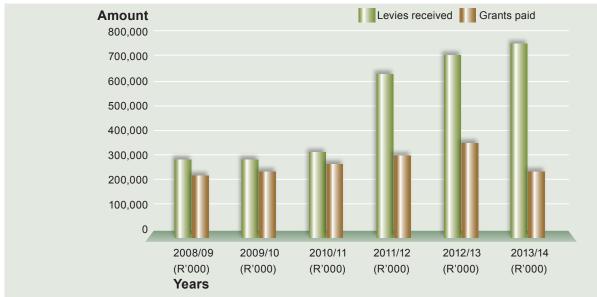




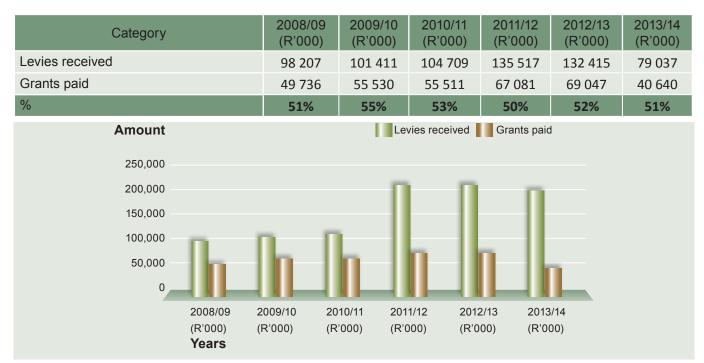
### 2.5.3 Revenue vs. Expenditure

### Levy Income vs. Grant Expenditure

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Levy income	273 364	291 572	314 011	395 337	429 005	247 471
Grant disbursements	211 040	233 687	254 716	302 789	347 527	186 644
Percentage of grant/ levy disbursements.	77%	80%	81%	77%	81%	75%
Number of registered companies	59 530	62 698	65 411	71 238	75 052	77 268



### Levies vs. Grants paid: Small category



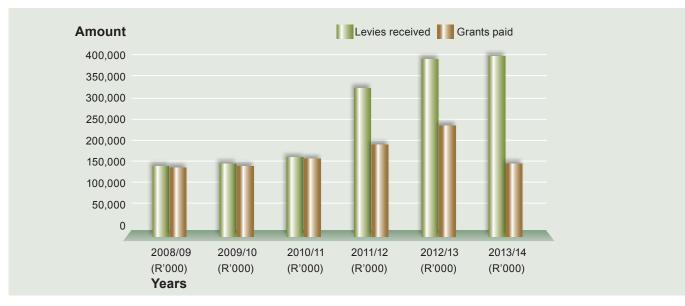
### Levies vs. grants paid: Medium category

Category	2008/09 (R'000)	2009/10 (R'000)	2010/11 (R'000)	2011/12 (R'000)	2012/13 (R'000)	2013/14 (R'000)
Levies received	35 874	40 943	45 819	58 426	66 302	35 888
Grants paid	26 285	31 530	37 125	44 262	49 726	28 782
%	73%	77%	81%	76%	75%	80%



### Levies vs. grants paid: Large category

Category	2008/09 (R'000)	2009/10 (R'000)	2010/11 (R'000)	2011/12 (R'000)	2012/13 (R'000)	2013/14 (R'000)
Levies received	139 283	149 227	164 112	201 394	233 179	132 546
Grants paid	135 018	146 527	162 079	191 446	228 755	117 221
%	97%	98%	99%	95%	98%	88%





## 2.6 PERFORMANCE INFORMATION BY PROGRAMME

## 2.6.1 Programmes/Projects

The following is a summary of some of the projects that were implemented during the period under review.

# 2.6.1.1 Doctoral and Masters Bursaries Programme



W&RSETA Management with the beneficiaries of the Doctoral and Masters Bursaries

### Purpose

The W&RSETA has identified a need to promote and support research through funding and human capacity development by creating a robust National System of Innovation (NSI) in South Africa. In addition, the NSDS III requires that SETAs establish credible institutional mechanisms for skills planning and that high level national scarce skills needs are being addressed by work ready graduates from higher education institutions.

In an attempt to address these goals and outcomes, the W&RSETA made funding available in the form of bursaries for Doctoral and Masters students for the 2013 year of study and subsequently for the same students to continue their studies in 2014.

### **Strategic Objectives**

The objectives of these bursaries are to:

- Contribute towards an increase in the number and improve the quality of research by South African postgraduate students within the wholesale and retail sector;
- · Enhance research within the wholesale and

retail sector thereby improving the quality of the Sector Skills Plan;

- Build a pipeline of the next generation of researchers in the South African retail landscape;
- Contribute towards professionalizing the wholesale and retail sector; and
- Ensure that the wholesale and retail sector becomes a career of choice.

### **Highlights and Impact**

One of the Doctoral students will be awarded his Doctorate in May 2014, having submitted his thesis titled "Evaluating and implementing a deliberate creativity framework to enhance business retail performance".

It is anticipated that the provision of these bursaries will contribute towards the enhancement of the research capacity in the wholesale and retail sector.



# 2.6.1.2 International Leadership Development Programme



2014 ILDP Class at the Graduation Ceremony

#### Purpose

Launched in 2009, the ILDP is the W&RSETA's flagship programme. An Action Learning Programme (ALP) exposes high potential executives from across the Sector to local and international best practice.

The programme is developed for high potential senior managers in the Wholesale and Retail sector, who have been earmarked for executive management positions within their organisations. The programme focuses on the accelerated development of senior managers drawn from historically disadvantaged groups.

Implemented annually, this intensive 8-month programme, includes an international study tour to Canada, United State, United Kingdom, India and China.

### **Strategic Objectives**

The ILDP is designed to develop future leaders in the Wholesale and Retail sector. Accredited as a Senior Executive Development Programme at NQF level 7.

The Programme creates opportunities for participants to function more effectively in team-settings. Participants are required to research and make recommendations on a strategic challenge facing the sector.

#### Highlights and Impact

The ILDP is an initiative first launched in 2009 with an intake of 15 candidates and has been growing appreciably since inception. To date, the programme boasts a total of 148 alumni and the study tours have increased from the initial two international destinations to six namely Canada, United States of America, London, China, India and Ghana where candidates visit leading retailers and get to interact with industry thought leaders.

39 candidates from across the Sector companies successfully completed the 2013 programme and a glittering graduation ceremony was held on 27 March 2014 in their honour. Their accomplishment adds to the pool of talent and pipeline of leadership the Sector will benefit from in future.

The number of participants in 2014 will increase to 50 candidates.



# 2.6.1.3 Retail Management Development Programme



The 2014 Kwa-Zulu Natal RMDP Class at their Graduation Ceremony.

#### Purpose

The RMDP seeks to create a pathway for career development, for supervisors and middle managers while at the same time addressing skills gaps. It is envisaged that the programme will build a pipeline of middle management skills within the sector.

### **Highlights and Impact**

The RMDP, in its second year, has been received very well by the Sector and the number of learners who successfully completed the programme increased from 191 in the 2012/13 financial year to 207 learners in the financial year under review.

The project will reach another milestone when 350 candidates will be enrolled in the 2014 RMDP.

# 2.6.1.4 Wholesale and Retail Schools of Excellence

#### **Purpose**

The Wholesale and Retail School of Excellence (SOE) project is an initiative of various stakeholders in Kwa-Zulu Natal including Wholesale and Retail (W&R) organisations, the Durban University of Technology (DUT) and the Technical Vocational Education and Training Colleges (TVETCs) in partnership with the W&RSETA to establish Retail Schools of Excellence in

an attempt to address the challenges raised in the White Paper on Post-School Education and Training released by the Minister of Higher Education and Training.

### **Strategic Objectives**

The establishment of the Schools of Excellence seeks to ensure the alignment and development of learning programmes addressing the needs of the Wholesale and Retail Sector thus facilitating the transfer of skills and professionalising the Wholesale and Retail Sector.

#### Highlights and Impact

The following learning institutions are participating in the W&R Schools of Excellence Project:

- Durban University of Technology (DUT) Durban
  - Mthashana TVET College Nongoma
  - Majuba TVET College Newcastle
  - Esayidi TVET College Port Shepstone
    - Thekwini TVET College Durban

The capacitation of lecturers expose lecturers to the wholesale and retail environment to ensure the transfer of skills from industry specialist subject matter experts to the lecturers thus preparing them for the development and delivery of wholesale and retail programmes.

### Performance Information by programme (continued)





# 2.6.1.5 Informal Traders Upliftment Project (ITUP)

### Purpose

ITUP is a joint project between the W&RSETA and the **dti** whose purpose is to identify vulnerable areas in the country where informal traders can be selected, trained and further developed to be at a level where they are able to compete with established and flourishing businesses. This will result in these traders achieving maturity levels wherein they are able to create jobs in their own right. The creation of jobs inevitably leads to a stimulus for the economy which, if sustained, will achieve the growth that is so much desired in many of the areas that have been affected by service delivery protests. It is desirable that the quality of the jobs created must be in line with the government's decent work agenda which is currently not the case.

### **Strategic Objectives**

The project objective is to identify, train, coach, mentor and provide infrastructure support to 1000 informal traders including capacity building for Informal Trader Organisations in all nine provinces over 18 months in partnership with relevant stakeholders.

The Project Goals are the following:

- Shift the mind-set for South African Informal, Small and Micro Enterprises/Co-Operatives in the Retail Sector to grow and run vibrant businesses;
- Increase the competitiveness of these businesses through appropriate measures such as business training and infrastructure improvements;
- Reduce the incidence of businesses that are driven out of the market by competition;
- Develop the internal capacity of Informal Trader Organisations and similar support bodies by providing Organisational Management Skills training; and
- Develop partnerships with other stakeholders to implement the project.





From left to right: W&RSETA Board Member Mr. Michael Lawrence and the dti Director-General Mr. Lionel October signing the ITUP cooperation agreement. In the background, Ms. Zoleka Capa (Eastern Cape MEC for Rural Development and Agrarian Reform), Dr. Rob Davis (Minister of Trade and Industry) and Mr. Danisile Mangqo (Port St Johns Mayor).

### **Highlights and Impact**

The project is at its planning stage and will soon be rolled out nationally.

The project has been officially launched by the Minister of Trade and Industry, Dr. Rob Davies in Port St' Johns on 17 March 2014.

### 2.6.1.6 Career Guidance Implementation

### Purpose

NSDS III (Indicator 4.8) and the SSP agitate for the development of a comprehensive Career Guidance Strategy for youth in schools, out of school and in the workplace. Much emphasis is placed on rural disadvantaged youth and disabled youth.

The W&RSETA has partnered with municipalities, tertiary institutions, sector employers, District Departments of Education and community organisations, for the provision of Career Guidance.

Recognising the importance of employability, W&RSETA focuses on the demand for specific skills within the sector.

### **Strategic Objectives**

Career Guidance refers to services and activities intended to assist youth, in schools, out of school, in tertiary institutions and those already in the workplaces within the Wholesale and Retail sector to make educational, training and occupational choices and to manage their careers. Such services and activities are initiated in schools, universities, TVET Colleges, communities and sector employers.

Our Career Guidance initiative objectives include:

- Presenting the sector as a sector of career choice;
- Professionalizing the sector;
- Promoting various offerings by the SETA and the sector;
- Facilitating employability within the sector;



- Contributing to improving the relevance of training and greater career mobility and progression within the sector;
- Creating awareness around qualifications and Career Paths within the sector;
- Encouraging learners to opt for programmes, for which they have an aptitude;
- Contributing to the facilitation of economic growth; and
- Meeting NSDS III outcome 4.8 objectives.

### **Highlights and Impact**

The SETA has continued to make strides in the implementation of the Career Guidance Programme. The SETA has engaged with learners in mainstream schools, schools for learners with disabilities, learners in tertiary institutions, and unemployed learners.

In the financial year under review, W&RSETA visited 413 schools countrywide which 113 schools more than last financial year, including 25 schools for learners living with disabilities. A Workshop approach was adopted, which entailed spending between 3 and 4 hours with learners,

engaging with them on various careers within the sector.

The SETA has also entered into a formal partnership with SAQA to collaborate on career development and management issues. The collaboration agreement will enable W&RSETA use all SAQA national platforms such as the call centre, website, publications and media to reach out to learners.

Some 20 000 copies of the Learner Career Guides were distributed to schools and learners during various Career Expos. An additional 55 000 Graduate Career Guides were distributed to university and FET College learners.



Deputy Minister of Higher Education and Training Hon Mduduzi Manana with Mpho Eze at the Mbizana Career Guidance Expo



### 2.6.1.7 Research Agenda

One of the principal mandates of SETAs is to develop a credible and professionally researched Sector Skills Plan (SSP) to ensure that scarce and critical skills are developed. It is for this reason that the SETA undertakes various research projects in order to determine the needs of the Sector and to produce accurate and factual information to be used for planning, implementation and evaluation of skills development initiatives. Furthermore, Outcome 4.2.4 of the National Skills Development Strategy (NSDS) III states that relevant research and development and innovative capacity is developed and innovative research projects are established, hence SETAs have been encouraged to increase capacity to conduct research and to initiate sector-relevant research projects.

The following research projects were undertaken during the period under review:

### Sector Skills Plan (SSP) 2013/14 Update

SETAs are required to produce annual updates of their SSPs in-line with NSDS III Output 4.1.1.2.

### Economic impact of the South African retail industry

This study was conducted to determine the economic impact and contribution of the South African retail sector as well as its contribution towards job creation.

# Priority Research Needs of the South African Wholesale and Retail Sector

The research identified the priority research needs of the Sector. This study further identified 6 priority research projects and a summary of 340 research topics specific to the Wholesale and Retail Sector.

# Research on the needs of formal and informal SMMEs in the Wholesale and Retail Sector

The study identified critical areas of focus for SMME skills development in the Sector.

### **ILDP Syndicate Action Learning Projects**

As part of the International Leadership Development Programme (ILDP), Syndicates were required to complete research on action learning project (ALP) topics that they were assigned as part of the programme. The following topics were researched by the 2013 ILDP Class:

- Bridging the skills gap to support the 2020 retail landscape;
- Policy framework and legislation; a help or hindrance to the retail sector, the SA context and lessons from abroad;
- To identify the opportunities and convert the challenges of Big Data to the benefit of Retailers;
- Creating a service culture within the South African context. Local challenges and lessons from abroad. Customer-centricity - what does this really mean and how do retailers make this a reality;
- Cross border trade in Africa; and
- The Impact of urbanisation on the retail sector.

# PART C: GOVERNANCE



## GOVERNANCE

## 3.1 Portfolio Committees

The W&RSETA was never asked to appear before the Portfolio Committee during the year under review. The Board views this as a positive indicator that the Parliament's Portfolio Committee was generally pleased and satisfied the organizations performance and reporting.

## 3.2 Executive Authority

The Department of Higher Education and Training (DHET) is the executive authority. The W&RSETA submitted the following reports to the Executive Authority for approval during the period under review

- Strategic Plan
- Sector Skills Plan: 30 August 2013
- Performance Report
- 2012/13 Annual Report: 30 August 2013

# 3.3 The Accounting Authority/The Board

### Introduction

The W&RSETA Board was appointed by the Minister of Higher Education and Training and assumed office on 1 April 2011 for a five-year term up to the 31 March 2016. During the year-under review, the Minister filled the vacant positions for two Board Members and a Ministerial Appointee.

### The Role of the Board

The Board's role is to provide strategic leadership on the management of the SETA. The Board executes its oversight role as articulated in the W&RSETA Constitution, as required by the Skills Development Act, the Public Finance Management and other relevant legislation.

### **Board Charter**

The Board has developed a Charter, which governs the Board's primary role of oversight and is aligned to the Constitution. The Charter addresses the following:

- the framework of governing principles;
- composition of the Board;
- General principles on the composition of the Board;
- Role, function and duties of the Board;
- Governance structures;

- Meetings;
- Powers of the Board and delegation;
- Resolutions; and
- Accountability of Board Members.

The Board approved the Strategic Plan for the year under review and monitored the SETA's performance through monthly reports to the Executive Board Committee and quarterly reporting to the Board.

The Board also reviewed the SETA's Policies, in line with the annual review schedule. In managing the organisation's institutional risks, the, the Board ensured that risk profiling was conducted and that the appropriate systems and controls were implemented to mitigate risks. Composition of the Board

### Composition of the Board

The W&RSETA Board comprises of 15 members: six Members represent Organised Labour and six Members represent Organised Business. Three members, including the Chairperson, are Ministerial Appointees.

No. of Meetings Attended	വ	~	2	Q
Other Committees or Task Teams	Executive Commit- tee DHET Task Team	Ministerial Worker Education Technical Task Team Institute of Directors South Africa: Remu- neration Committee Forum NEDLAC Chambers & Task Teams	N/A	Projects Board Committee Executive Board Committee
Board Directorships	Resident Executive- Wits Business School Member- Gauteng Advi- sory Council	SANCOC Enterprise Development Southern African Na- tional Co-operatives Council SASCE BUSA	NA	NA
Area of Expertise	Small business development Research Media	Enterprise Cooperative development	Small business development	Labour relations
Qualifications	MBA D. Com	Matric Sales Marketing	Grade 12 Assessor Advanced project management	Grade 10
Date Resigned	31 De- cember 2013	Active	Active	Active
Date Appointed	April 2011	2011 2011	August 2012	April 2011
Designation (in terms of Board Structure)	Chairperson (Ministerial Appointee)	Ministerial Appointee	Ministerial Appointee	Board Member
Name	Dr Thami Mazwai	Mr Thami Skenjana	Mr Sibusiso Busane	Mr Ivan Molefe





## Governance (continued)

No. of Meetings Attended	~	വ	Q	9 2	
Other Committees or Task Teams	Governance & Strategy Board Committee Remuneration Board Committee Shoprite / Checkers Skills and Training Committee	Executive Board Committee Governance & Strat- egy Board Commit- tee	Audit Committee Training Committee – FRA	Audit Committee Governance & Strategy Committee Finance Board Committee Remunerations Board Committee	
Board Directorships	COSATU CEC SACCAWU 2 <sup>nd</sup> Deputy President	Rainbow Fairy Trading	Fuel Retailers Association Petrol and Develop- ments (Pty) Ltd Coral Lagoon Invest- ments (Pty) Ltd Clifton Dunes Invest- ments (Pty) Ltd	N/A FEDCRAW	
Area of Expertise	Education and training Negotiations Public management Dispute resolution.	Legal, Regulatory governance	Fuel retail industry Corporate banking Business management	Labour relations Labour relations Collective bargaining Legal representation	
Qualifications	Grade 12	MAP Bachelor of Science LLB-Honours	B.Com (Law) MBA (Cum Laude) Intermediate Diploma in Business Studies	Diploma in Education Advanced Labour Relations certificate Essential Security Law Certificate Joint Matriculation Board (Matric)	
Date Resigned	Active	Active	Active	Active	
Date Appointed	April 2011	April 2011	April 2011	April 2011 2011 2011	
Designation (in terms of Board Structure)	Board Member	Board Member	Board Member	Board Member Board Member	
Name	Mr Mike Tau	Ms Patricia Pillay	Ms Carin Strydom	Mr Peter Madisa Mr Nat Kettele	

No. of Meetings Attended	7	Ŋ	n	~	
Other Committees or Task Teams	Finance Board Committee Executive Board Committee	Projects Board Committee Remuneration Board Committee	Projects Board Committee Finance Board Committee Projects Board Committee		
Board Directorships	N/A	Pick n Pay Boxer Retail	N/A	Lincolnwood Gooderson Leisure	
Area of Expertise	Labour Relations		Labour	Education and training, Small business development	
Qualifications	Bachelor of Arts	B. Proc B.A. Honours Human Resources	National Diploma: Education and Training National Diploma: Clothing Management	B.A. Honours Higher Diploma: Tourism Development Diploma: Human Resources Development and Management Diploma: Financial Management Diploma: Project Management	
Date Resigned	Active	Active	Active	Active	
Date Appointed	April 2011	August 2012	April 2011	2011 2011	
Designation (in terms of Board Structure)	Board Member	Board Member	Board Member	Board Member	
Name	Mr Phillemon Sito	Mr Isaac Motaung	Ms Abieda Abrahams	Ms Sizakele Moloko	

## Governance (continued)





No. of Meetings Attended	G	7	N	
Other Committees or Task Teams	Executive Board Committee Finance Board Committee	Remuneration Board Committee Governance & Strategy Board Committee	N/A	
Board Directorships	Peninsula Maternity Trust Martin & East (Pty) Ltd National Fashion Council (SA) Zebra Surfacing (Pty) Ltd Isidima Civils (Pty) Ltd Prokura Diesel Services (Pty) Ltd Association Board National Clothing Retail Federation of South Africa M&M Consulting Tresso Trading 954CC	Ipelegeng Consortium Tizawell Pty Ltd Kathorus Chamber of Commerce and Industry NPC Wilat - South Africa NPC	N/A	PPS Insurance Arc Holding Trust Truro Gold Club
Area of Expertise	Governance Strategy Change management	Small business Women development	Skills Development Organizational Development Change Management	
Qualifications	Higher Diploma in Education (Post Graduate) Bachelor of Science (Actuarial)	Diploma in General Nursing	B. Admin Honours: Industrial Psychology	BA Commerce Honours Accounting MBA Chartered Accountant
Date Resigned	Active	Active	Active	
Date Appointed	2011 2011	October 2012	April 2011	
Designation (in terms of Board Structure)	Board Member	Board Member	Board Member (Alternate to I Motaung)	External Audit Member
Name	Mr Michael Lawrence	Ms Margaret Bango	Ms Mariette Mentz	Ms Xolile Titus



### Committees

Committee	No. of Meetings Held	No. of Members	Name of Members
			Mr Pascalis Mokupo
			Mr Yaswant Gordhan
			Ms Carin Strydom
Audit Committee	5	6	Mr Collen Weapond
			Mr Peter Madisa
			Ms Mathukana Mokoka
Projects Board Committee			Mr Ivan Molefe
	4	4	Ms Abieda Abrahams
	-	7	Ms Sizakele Moloko
			Mr Isaac Motaung
	4		Mr Michael Lawrence
Finance Committee		4	Mr Nat Ketlele
			Mr Phillemon Sito
			Ms Sizakele Moloko
			Dr Thami Mazwai
	9	5	Mr Ivan Molefe
Executive Committee		5	Ms Patricia Pillay
			Mr Phillemon Sito
			Mr Michael Lawrence
			Ms Margaret Bango
Governance & Strategy Committee	5	4	Mr Mike Tau
Governance & Strategy Committee	5	7	Mr Peter Madisa
			Ms Patricia Pillay
			Mr Isaac Motaung
Remuneration Committee	7	4	Ms Margaret Bango
	1	-	Mr Mike Tau
			Mr Nat Ketlele



### **Remuneration of Board Members**

Remuneration (R)	Travel Allowance (R)	Total (R)
319 139	2 169	321 308
310 393	10 104	320 497
338 236	8 707	346 943
180 848	4 722	185 570
170 382	246	170 628
161 422	3 346	164 768
259 386	965	260 351
294 120	6 980	301 100
303 622	4 941	308 563
311 623	4 669	316 292
130 073	-	130 073
97 597	-	97 597
297 664	8 815	306 479
296 419	2 820	299 239
204 639	7 791	212 430
74 805	1 698	76 503
167 744	3 271	171 015
64 859	1 205	66 064
83 484	2 105	85 589
6 784	385	7 169
6 784	-	6 784
7 395	-	7 395
10 176	-	10 176
4 097 594	74 939	4 172 533
	319 139 310 393 338 236 180 848 170 382 161 422 259 386 294 120 303 622 311 623 130 073 97 597 297 664 296 419 204 639 74 805 167 744 64 859 83 484 6 784 6 784 7 395 10 176	319 139       2 169         310 393       10 104         338 236       8 707         180 848       4 722         170 382       246         161 422       3 346         259 386       965         294 120       6 980         303 622       4 941         311 623       4 669         130 073       -         97 597       -         297 664       8 815         296 419       2 820         204 639       7 791         74 805       1 698         167 744       3 271         64 859       1 205         83 484       2 105         6 784       385         6 784       -         7 395       -         10 176       -         4 097 594       74 939

\* Board fees of the members are paid to their respective companies

### 3.4 Risk Management

The Risk Management Committee, chaired by the Chief Executive Officer, meets on a quarterly basis. The Committee identifies potential risks within the organisation and ranks these according to the impact that they have on the organisation. The Committee also develops a Risk Management Implementation Plan, which serves as a plan to mitigate risks. The Risk Management Implementation Plan was prepared to give effect to the implementation of the Risk Management Policy and Strategy.

### 3.5 Internal Control

The organisation has put systems in place to ensure the integrity of its internal control processes. The Project Management System (PPO), was established to ensure that there is regular reporting on projects' progress. Project Managers update the system on a weekly basis. This information is used for reporting to management.

The organisation also uses a Supply Chain System (RFP), to manage the procurement process value chain. This allows for approvals at different stages, depending on the value of the goods or services being procured.

Plans to launch a new IT system are at an advanced stage. The new system seeks to integrate all the organisation's IT needs. The Enterprise Requirement Planning (ERP) system will serve as a single IT hub for the entire organisation, and will streamline all internal processes within the organisation.

## 3.6 Internal Audit and Audit Committees

Name	Qualifications	Internal or External	Date Re- signed	No. of Meetings Attended
Mr Pascalis Mokupo	CA	External Audit Member	Active	7
Mr Yaswant Gordhan	<ul><li>Bachelor of Commerce</li><li>Honours in Accounting</li><li>Masters of Science (Bus. Admin)</li></ul>	External Audit Member	Active	5
Ms Mathukana Mokoka	CA	External Audit Member	Active	7
Adv Collen Weapond		External Audit Member	Active	6

# 3.7 Compliance with Laws and Regulations

The organisation's environment and mandate is governed by various regulations. The W&RSETA's Strategic Plan and Annual Performance Plans must be aligned to the National Skills Development Strategy (NSDS), which is an over-arching strategy, which governs the SETA's mandate for delivery.

The SETA's operations are also governed by the Public Finance Management Act (PFMA).

National Treasury has published Regulations, which govern the Supply Chain Management and the procurement of services by the SETA. These Regulations are mandatory and therefore the SETA had to comply with such Regulations.

## 3.8 Fraud and Corruption

The W&RSETA has implemented measures to ensure that fraud and corruption is eliminated within the organisation. A declaration of interest by all staff members is one of the mechanisms put in place to reduce incidents of fraud and corruption. A Fraud Prevention Policy is in place and is posted on the W&RSETA website for easy access by staff and members of the public. The SETA has also published posters with a Whistle Blower telephone number to report acts of fraud, corruption, crime and misuse of organisational resources. These posters are mounted in all W&RSETA website displays the Fraud Hotline number so members of the public and staff can report any acts of impropriety by employees.

## 3.9 Minimising Conflict of Interest

Governance (continued)

Every effort is made to minimise conflict of interest as is evident from the following measures: Management Meetings: at every management meeting a register is circulated to all present to sign as confirmation that they do not have a particular interest that may impair their judgement during the meeting proceedings:

- Tender Evaluation Committees (TEC): at every meeting before tenders are evaluated, members are asked to sign forms declaring they have no interest in the outcome of the tender;
- Tender Adjudication Committee: once the TEC has done its job, the process goes to the TAC and members are required to sign forms declaring they have no interest in the outcome of the tender; and
- On an annual basis, declaration forms are sent to all SETA staff to declare their interests.

## 3.10 Code of Conduct

The SETA has developed twelve set of values, which govern the manner in which staff members conducts themselves.

Over and above set of values, the HR Policy has a section on the enforcement of the Code of Conduct and Ethics. On appointment, each new staff member is taken through an Induction Programme, which includes the Code of Conduct and Ethics.

The staff member also signs the Code and a copy is kept in his or her personal file. Violation of the Code or part thereof, may lead to disciplinary action in terms of the SETA Disciplinary Procedure.



# 3.11 Health, Safety and Environmental Issues

During the past financial year, the SETA has embarked on a campaign to increase the focus on health, safety and environmental issues, through its Occupational Health Safety and Environmental Project. Safety Representatives and First Aiders have been appointed in each Business Unit. The Representatives also conducted inspections to identify gaps in health, safety and environmental issues. These have been addressed. The SETA has voluntarily engaged the Department of Labour Inspectorate to visit the premises and declare them compliant as per OHS Act. The SETA invested in training fifteen (15) Safety Representative in October 2013. As part of the Return on Investment, HR subsequently arranged Staff Conversations on OHS and this has been elevated to Evacuation Plans and Drills. The Business Units now have First Aiders, Safety Reps and Evacuation Zone Marshalls.

## 3.12 Board Secretary

The Board Secretary function is kept in-house and is the responsibility of the Office of the Chief Executive Officer and is performed by the CEO Relations Officer. The Board Secretary is responsible for the following:

- Taking minutes during Board meetings;
- Scheduling Board meetings;
- Distributing reports and important notices to Board Members;
- Distributing Board packs to the Board;
- Interacting with Board stakeholders;
- Arranging training for new Board Members; and
- Advising the Board on legislation and regulations, which have a bearing on the functions of the Board.

The Board Secretary endeavours to uphold the highest level of integrity as enshrined in the King III Report on Governance.

### 3.13 Social Responsibility

As part of our culture in Corporate Social Investment and with the involvement of all staff, the SETA took part in the 2013 Mandela Day Activities under theme: "Take action, inspire change, make every day a Mandela Day".

The main event took place in Free State (Phuthaditjhaba) where W&RSETA, through an invitation from DHET, had an exhibition. The theme in FS was: "Mandela Career Guidance and Counseling Festival" and the Main Speaker was the Minister of Higher Education and Training: Dr. Blade Nzimande.

The second event was as a result of an invitation from the Deputy Minister of Higher Education and Training where the SETA donated Hundred and Fifty (150) blankets to the Senior Citizens in the Nkomazi area, KwaMhlushwa Community, Mpumalanga Province. The event was divided into 2 phases, and both were attended by the Deputy Minister: Higher Education and Training, his Officials, the Mayor and SETA Representatives.





## REPORT OF THE AUDIT COMMITTEE ("AC") ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 March 2014

### Background

The *AC* is a sub-committee of the wholesale and Retail Seta ("W&RSETA") Board and consists of six (6) members, all which are non-executive board members. The overall objective of the of the *AC* is to assist the W&RSETA board with its responsibility of ensuring that adequate systems and controls are in place, ensuring that assets are safeguarded, assessing the going concern status, reviewing the financial information and preparation of the Financial Statements.

The *AC* also assists W&RSETA in fulfilling its responsibility of risk management by ensuring that management identifies significant risks associated with the environment within which the W&RSETA operates and develops a framework for managing these risks. The Risk Management Strategy, incorporating Fraud Prevention Plan covering strategic, operational and financial risks, have been developed accordingly and are reviewed on a yearly basis by the *AC*.

The *AC* meets quarterly in a year and members of the W&RSETA Executive Committee, the risk Officer, internal auditors and external auditors attend these meetings by invitation. *AC* is an advisory committee and not Executive Committee and as such, it does not perform any management functions or assume any management responsibilities. Its role is that of an independent and objective adviser and it operates as an overseer, making recommendations to the W&RSETA board for final approval.

The AC has complied with its responsibilities as stipulated under Section 51 of the Public Finance Management Act, 1999, (Act No.1 of 1999) as amended. Furthermore, the AC has regulated its affairs and discharged its responsibilities in accordance with its formal terms of reference.

### Internal Controls System

Members of the *AC* are satisfied that the system of internal controls is adequately designed to cover organisational, financial and operational risks. The control system

provides reasonable, but not absolute assurance that the entity's assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either prevented or detected, in time. These controls are monitored throughout the organisation by management and employees with the necessary delegation of authority and segregation of duties.

Based on the review of effectiveness and detailed reports provided by the internal audit, the members of the *AC* are not aware of any significant weaknesses or deficiencies in the organisation's system of internal controls.

### **Risk Management**

A Risk Management Strategy, incorporating a Fraud Prevention Plan is in place. The effectiveness and relevance of these plans are assessed regularly given the dynamic environment within which W&RSETA operates. Risks identified as significant to W&SETA are regularly evaluated and the risk management plan is reviewed accordingly.

### **Internal Auditing**

The *AC* is also responsible for overseeing the outsourced internal audit function. The role of the internal audit function is to provide support to management and the *AC* in discharging their responsibilities under their relevant responsibilities including the PFA, Companies Act and Governance. The internal audit function provides independent and objective evaluation of the organisation's system of internal control and any significant business risks and exposure are brought to the attention of management and the *AC*. The internal audit function is outsourced to an independent firm on a contract renewable after (3) three years.



### **Finance Division**

The Audit Committee confirms that the Finance Division was adequately capacitated during the financial period under review.

### **Financial Statements**

Members of the AC have reviewed and evaluated the financial statement of the W&RSETA for the year ended 31 March 2014 and are satisfied that the Annual Financial Statements comply with the requirements of the Public Finance Management Act, 1999, (Act No.1 of 1999), as amended, and the South African Standards of General Recognised Accounting Practice ("GRAP"). The going concern principle was adopted in preparing the financial statements.

The *AC* acknowledges the conclusion of the Auditor-General on the Annual Financial Statements and is of the opinion that the Annual Financial Statements be accepted and read together with the report of the Auditor-General.

The *AC* recommended the Annual Financial Statements to the W&RSETA board for approval.



*Seated from right to left:* Carin Strydom; and Mathukana Mokoka

**Standing from right to left:** Peter Madisa; Pascalis Mokupo (Chairperson); and Adv Collen Weapond.

Absent: Yaswant Gordhan

Mr P. Mokupo Chairperson of the Audit Committee 30 July 2014



## Statement of Compliance

W&RSETA, to the best of its knowledge, information and belief has taken reasonable steps to comply with applicable legislation, including procedures and codes of governance in the financial year ending 2014.

The regulatory framework (applicable legislation, policies, procedures and codes of governance) which in the opinion of the AC of the W&RSETA, is material to the operations of the W&RSETA and enables the W&RSETA to effectively execute its mandate, can be accessed on the W&RSETA website.

Mr P. Mokupo Chairperson of the AC 30 July 2014

Ms PN Maphoshé Chairperson of the W&RSETA 30 July 2014

# PART D:

# HUMAN RESOURCE MANAGEMENT



## 4.1 Introduction

The W&RSETA Human Resources Policy is a guiding document that regulates the relationship between the W&RSETA as an Employer and Employees.

As required by the Department of Higher Education and Training, the SETA Management Team sets measurable objectives in terms of Performance Management System (PMS) and these are then approved by the Board. Similarly, Human Resources, develops an annual plan that is approved by Remuneration Committee (REMCO). Part of the HR Plan is an annual Policy Review and the process followed is consultative in the form of workshops. The changes in the policy are informed by both changes in legislative frameworks and benchmarks that are conducted with other similar Entities.

# 4.1.1 Human Resources Strategies and Staff Planning

In line with HR Strategy and Staff Planning, the Business Unit includes among others:

- SETA Structural Reviews and Human Resource Requirements as and when determined necessary
- Assessment of the human resources required to achieve the key deliverables as outlined in the SETA Strategic Plan
- Through both Departmental Learning and Development Plan and Performance Management System, assessment of capability and competence of the existing human resources
- As required by law, conducts an audit of the composition of the SETA and the staff according to race, gender, disability, occupational category, organisational component;
- In line with Employment Equity Act, sets realistic goals and measurable targets to ensure equitable representation of suitably qualified persons from designated groups in all occupational categories and at all levels; and
- Develops, implements and reviews an Employment Equity Plan for the SETA.

As mentioned above, the SETA conducted a comprehensive structural review that was aimed at evaluating the existing organisational structure and the capacity to deliver the SETA Mandate. The report was presented at REMCO and recommendations are currently been implemented. The new structure will be fully operational by 1 April 2014.

### 4.1.2 Recruitment and Selection

As at 31<sup>st</sup> March 2014, the SETA staff complement was at 106. The staff complement has not changed significantly because of the SETA Complement Maturity Level. As mentioned above, the New SETA Structure is currently being implemented and the number could change due to structural review recommendations.

**4.1 INTRODUCTION** 

The SETA, under its Graduate Intern Placement and Workplace Experience Programmes, currently has 34 Graduates. Fifteen (15) of them are based at Head Office whilst nineteen (19) are in the Regional Offices. The Graduates areas of specialisation are: Finance, HR, IT, Marketing, Operations Management, Retail Business Management and Transport Economics. HR is implementing new policy for FET Interns. The aim of this project is also to contribute to unemployed youth by creating an environment for the youth to acquire workplace experience and finally be absorbed into the economic mainstream. The project will be piloted during the year 2014/2015.

# 4.1.3 Performance Management and Staff Development

The project has entered its Second Phase where SETA Staff and Management were capacitated on the review of Individual Balance Score Cards (BSC) and the inclusion of SETA and Business Units Balance Score Cards. The revised version of PMS Policy was also approved by REMCO in February 2014.

As required by policy, all the teams conduct Pre-Annual Assessments and this helps to identify gaps in Key Indicators that have not been met and to devise measure in order to address them. The exercise also helps teams and staff members' evidence to support the achievements or non-achievements.

The 2013/2014 Final Assessments will take place in April 2014. This process above is also supported by the submission of Teams' Learning and Development and Personal Development Plans which then translate into the Organisational Workplace Skills Plan. During the year 2014/2015, HR will be closely monitoring and evaluating all the plans to ensure the teams are able to successfully execute the SETA Mandate.



## **4.2 HUMAN RESOURCES OVERSIGHT STATISTICS**

### 4.1.4 Employee Wellness Programmes

The SETA Wellness Programme caters for the provision in the following categories:

- Physical;
- Emotional;
- Financial and
- Social

During the current financial year, the SETA participated in the 702 Walk the Talk Project and the theme was "My Walk is Healthy". Sixty Seven (67) staff and their family members participated in this year's project that took place in July 2013. The project attracts about 55000 from both corporate and private individuals.

# 4.2 Human Resources Oversight Statistics

Below is the statistical information on the overall performance and status of the organization which include remuneration, reward, training costs, employment equity and disciplinary matters.

### 4.2.1 Personnel Cost by Salary Band

Level	Personnel Expenditure (R'000)	% of Personnel Expenditure to Total Personnel Cost (R'000)	No. of Em- ployees	Average Personnel Cost per Employee (R'000)
Senior Management	6 423	16.04	4	1 606
Executive Management	6 076	15.18	6	1 013
Middle Management	10 841	27.07	14	774
Team Leaders	2 649	6.62	7	378
Coordinator Level	4 286	10.71	21	204
Officer/PA Level	2 792	6.97	9	310
Administrator Level	5 627	14.06	34	166
Office Support Level	1 341	3.35	11	122
TOTAL	40 035	100	106	378

### 4.2.2 Performance Rewards

Level	Performance Rewards (R'000)	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel Costs (R'000)
Senior Management	1 270	6 423	19.77
Executive Management	1 346	6 076	22.15
Middle Management	819	10 841	7.55
Team Leaders	342	2 649	12.91
Coordinator Level	624	4 286	14.56
Officer/PA Level	442	2 792	15.83
Administrator Level	568	5 627	10.09
Office Support Level	247	1 341	18.42
TOTAL	5 658	40 035	14.13

## Human Resources Oversight Statistics (continued)

### 4.2.3 Training Costs

Business Unit	Personnel Expenditure (R'000)	Training Expenditure (R'000)	5 1	No. Employees	Average Training Cost per Employee
Head Office	35 020	206	0.60%	34	6 059
Regions	5 015	129	2.57%	23	5 609
TOTAL	40 035	335	0.84%	57	5 877

### 4.2.4 Employment and Vacancies

Level	No. of Employees (2012/13)	No. of Employees (2013/14)	Approved Posts (2013/14)	Vacancies (2013/14)	% of Vacancies
Senior Management	4	4	4	0	0.00%
Executive Management	6	6	7	1	14.28%
Middle Management	15	14	17	3	17.65%
Team Leaders	5	7	7	0	0.00%
Coordinator Level	21	21	21	0	0.00%
Officer/PA Level	9	9	9	0	0.00%
Administrator Level	30	34	34	0	0.00%
Office Support Level	12	11	13	2	15.38%
TOTAL	102	106	112	6	5.35%

### 4.2.5 Employment Changes

Level	Employment at Beginning of Period	Appointments	Terminations	Employment at End of the Period
Senior Management	4	0	0	4
Executive Management	6	0	1	5
Middle Management	15	2	0	17
Team Leaders	5	0	0	5
Coordinator Level	21	4	3	22
Officer/PA Level	9	0	1	8
Administrator Level	30	4	2	32
Office Support Level	12	1	0	13
TOTAL	102	11	7	106

### 4.2.6 Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written Warning	0
Dismissal	0
TOTAL	0



### 4.2.7 Reasons for Staff Leaving

Revel	Number	% of Total Number of Staff Leaving	Reasons for Leaving
Senior Management	0	0%	N/A
Executive Management	1	14.29%	Resignation
Middle Management	0	0%	N/A
Team Leaders	0	0%	N/A
Coordinator Level	3	42.85%	Resignation
Officer/PA Level	1	14.29%	Resignation
Administrator Level	2	28.57%	Resignation
Office Support Level	0	0%	N/A
TOTAL	7	100%	

### 4.2.8 Equity Target and Employment Equity Status

Level	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Senior Management	2	2	0	0	0	0	1	1
Executive Management	2	2	0	0	1	1	0	0
Middle Management	7	7	1	1	1	1	0	0
Team Leaders	2	2	1	1	0	0	0	0
Coordinator Level	6	6	1	1	0	0	0	0
Officer/PA Level	2	2	0	0	0	0	0	0
Administrator Level	7	7	1	1	0	0	0	0
Office Support Level	0	0	0	0	0	0	0	0
TOTAL	28	28	4	4	2	2	1	1

Level		Female						
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Senior Management	1	1	0	0	0	0	0	0
Executive Management	2	2	0	0	0	0	1	1
Middle Management	3	3	1	1	0	0	1	1
Team Leaders	3	3	0	0	0	0	1	1
Coordinator Level	10	10	1	1	1	1	2	2
Officer/PA Level	5	5	0	0	1	1	1	1
Administrator Level	23	23	2	2	0	0	1	1
Office Support Level	11	11	0	0	0	0	0	0
TOTAL	58	58	4	4	2	2	7	7



Level	Disabled Employees					
	Male		Female	;		
	Current	Target	Current	Target		
Senior Management	0	0	0	0		
Executive Management	0	0	0	0		
Middle Management	0	0	1	1		
Team Leaders	0	0	0	0		
Coordinator Level	0	0	0	0		
Officer/PA Level	0	0	0	0		
Administrator Level	1	1	3	3		
Office Support Level	0	0	0	0		
TOTAL	1	1	4	4		

# PART E: FINANCIAL STATEMENTS 2013/14



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# Statement of Responsibility for the financial statement for the year ended 31 March

The directors are responsible for the preparing financial statements that fairly present the financial position, performance and cash flows for the period and for the related information contained in the annual report.

The directors maintained adequate accounting records and an effective system of internal controls and risk management and compiled in all material respects with applicable laws and regulations.

The directors prepared the annual financial statements presented on pages 76 - 109 using South African Standard of GRAP. Appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently;

The external auditors are responsible for reporting on whether the financial statements are fairly presented. Their report is presented on pages 67 to 69.

The directors are financially dependent on a transfer payment from National Treasury. On the basis that the transfer payment has been listed on the Estimates of National Expenditure, the Board believes the W&RSETA will continue to be a going concern in the year ahead. Based on the Board prepared the annual financial statements on a going concern basis.

The annual financial statements for the year ended 31 March 2014 were approved by the Board on 30 July 2014 and are signed on its behalf by the undersigned.

Ms PN Maphoshé Chairperson of the Board 30 July 2014

Mr. TJ Dikgole Chief Executive Officer 30 July 2014



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

### REPORT ON THE FINANCIAL STATEMENTS

### Introduction

 I have audited the financial statements of the Wholesale and Retail Sector Education and Training Authority (W&R SETA) set out on pages 76 to 109, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

### Auditor-general's responsibility

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

### Opinion

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

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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



### **Predetermined objectives**

- 8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of W&R SETA for the year ended 31 March 2014:
  - NSDS goal 4.2: Increasing access to occupationally-directed programmes, leading intermediate and high level learning on pages 24 to 27
  - NSDS goal 4.6: Encouraging and supporting cooperatives, small enterprises, worker initiated, nongovernmental organisations and community training initiatives on pages 28 to 29
- 9. I have evaluated the reported performance information against the overall criteria of usefulness and reliability.
- 10. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).
- 11. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
- 12. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected programmes.

#### **Additional matters**

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

### Achievement of planned targets

14. Refer to the annual performance report on pages 24 to 29 for information on the achievement of the planned targets for the year.

#### **Compliance with legislation**

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

#### **Annual financial statements**

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

#### Internal control

17. I considered internal control relevant to my audit of the financial statements, annual performance report and



compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on non-compliance with legislation included in this report.

#### Financial and performance management

18. The key internal controls of monthly reviews over commitments need to be strengthened to ensure effective and timely detection and prevention of material misstatements and non-compliance with laws and regulations.

# OTHER REPORTS

## Investigations

- 19. At the time of this report an investigation was still underway regarding a matter whereby it was alleged that the contracted provider did not achieve the objectives and deliverables of the project as agreed with W&R SETA, which resulted in the SETA not receiving value for money from the training provided. The investigation commenced in November 2011 and was subsequently handed over to the South African Police Service (SAPS).
- 20. Another investigation that commenced in May 2012 was also still underway at the time of the report. This investigation involved a contracted training provider who allegedly issued fraudulent completion certificates to learners. The matter was also referred to the SAPS.

Auditor - General.

Pretoria 30 July 2014





# REPORT OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

# **EXECUTIVE SUMMARY**

The Accounting Authority has the pleasure of presenting the following report:

The SETA is celebrating 13 years of outstanding performance as a result of the commitment and participation of stakeholder companies in skills development initiatives implemented by the SETA. The SETA Board is encouraged by the support from our stakeholders and will continue to provide the necessary support and endeavour to increase the number of companies participating, especially in the PIVOTAL Grant category for small and medium companies.

Significant progress has been made to establish partnerships with Institutions of Further Education and Training (FET's) now referred to as Technical and Vocational Education and Training (TVETs) as well as Higher Education Institutions (HEIs). The KZN Schools of Excellence (SOEs) in four TVET colleges and Durban University of Technology and the establishment and launch of the first Chair of Retail in the CPUT in the Western Cape herald a new era in the collaboration and partnerships which are critical to the success of the Post School Education System.

During the year under review, the Board approved an amount of R2.7m for the first Good Practice Awards which are aimed at recognizing best practice and innovation in skills development in the sector. An award ceremony for Good Practice in skills development was held in May 2014 to celebrate innovation and award deserving organisations, providers and learners who have walked an extra mile with the SETA to make skills development in their respective areas meaningful.

The New Grant Regulations which were gazetted in December 2012 introduced PIVOTAL programmes which SETAs had to implement for the first time in 13 years. Stakeholders raised concerns about the reduction of the Mandatory Grants from 50% to 20% and the increase of the Discretionary Grant from 20% to 49.5%. The Board noted these concerns and approved a new Discretionary Grant policy which will allow large and medium companies to claim the maximum of 39.6% of Discretionary Grants which will be utilised to implement the PIVOTAL programmes.

Despite the concerns raised by the stakeholders, applications for PIVOTAL Grants exceeded expectations and the number of large and medium companies participating increased when compared with the past thirteen years.

# PERFORMANCE FOR 2013/14

# LEVY INCOME

Total levy income for the year under review was R767m which represents an 11% increase compared to R686m in the previous financial year. The levies received came in at 11% higher than what was budgeted for due to a 7% increase in the number of companies paying levies from 14,260 in 2012/13 to 15 367 in 2013/14 as well general annual salary increases in the Sector which were pegged at an average rate of 5.8%

# MANDATORY GRANTS

Mandatory Grant expenditure decreased by 46% from R347m in 2012/13 to R186m for the year under review. The decline is attributable to the Mandatory Grants rate that was reduced from 50% to 20% as per the New Grant Regulations. We are however pleased with the level of participation received from our stakeholders and was proven wrong to reduce the target below the previous year's baseline for the participation of small companies. We are happy to report that we surpassed both the baseline and the target set by 1.5% and 142% respectively (Actual result – 7106, Baseline – 7000. The target was lowered to 5000).

The Annual Training Reports (ATRs) received indicate that companies provided training to 398,861 employees which is 3.5% more than the previous year. Employees trained were primarily in the following occupational categories:



clerical support, elementary occupations, managers, professionals, plant and machine operators, assemblers, service and sales workers, forestry, fishery, craft and related trades workers as well as technicians and associate professionals.

# DISCRETIONARY GRANTS

The Discretionary Grants were divided into two categories, i.e. PIVOTAL programmes and other initiatives as outlined by the Sector Skills Plan (SSP). PIVOTAL programmes constituted 80% of the Discretionary Grants allocation.

Expenditure for the year under review was R 431m; this was a decrease of 10% from R 479m in 2012/13.The decrease was largely due to the late finalisation of the PIVOTAL programme approvals which resulted in the first tranche being paid towards the end of the financial year. However increased disbursements are anticipated during 2014/2015 financial period.

The SETA has also committed funds for various initiatives that will be implemented in the New Year. We therefore hope to report a better outcome in the new financial year.

The total Grant expenditure (Mandatory and Discretionary) for 2013/14 amounted to R618m this includes R128m approved by the Board in line with the Minister's request for funding TVET colleges' infrastructure development programme

# PERFORMANCE ON PRE-DETERMINED OBJECTIVES.

The SETA achieved 20 of the 33 targets (61% of the SLA targets). The non-achievement of 13 targets was largely due to the introduction of the New Grant Regulations which required companies to submit applications for PIVOTALs on June 30, 2013. The overwhelming number of applications received from stakeholders for PIVOTAL could only be processed and approved during the 2nd quarter. As a result, most stakeholder companies could only register in the last quarter of the year as the Sector does not allow training during the Christmas period which starts in October and ends in January.

The placement of HET and FET graduates in particular was also quite challenging as most stakeholders could not accommodate graduates who require workplace experience.

The participation of the non-levy paying and micro enterprises in the Voucher project was also very poor because the project was designed to offer only credit bearing programmes whereas these companies preferred non-credit bearing programmes.

# ADMINISTRATION EXPENSES

The Administration expenditure was increased to 10.5% as per the New Grant Regulations to accommodate the Quality Council of Trades and Occupations (QCTO) funding of 0.5%. Expenditure for the year amounted to R79m which is a 5% increase in comparison to the previous financial year. We believe that administration costs were well managed within the 10% threshold.

# CASH AND CASH EQUIVALENTS

The Cash and Cash equivalents as at 31 March 2014 closed at R957m which is an 8.5% increase from the previous year (2012/13 : R882m). This increase is due to the drop in the rate of disbursements. We had expected an increased disbursement rate especially from the PIVOTAL Grants as they constituted 80% of the Discretionary Grants.

# CORPORATE GOVERNANCE

The Accounting Authority held two Strategic sessions to plan for the implementation and review the progress of the SLA signed with DHET. The continuous feedback from various committees also kept the AA abreast of all issues that needed attention.



The Board conducted an evaluation to assess its performance which identified several gaps which must be attended to improve on its Governance as well service to the Sector and the SETA.

# **BOARD MEETINGS**

The Board duly developed a programme for the year with the aim of dealing with challenges identified in the implementation of its Mandate while thinking of new ways of doing things. We have followed and adhered to all our scheduled meetings as alluded to in the annual report and the members of the Board have ensured maximum attendance to support management.

Below is a schedule of fees for meeting attendance by all Board members and the Audit Committee.

The increase in fees relates to the late payment of fees for Board preparation pegged at 8% and 5%,

# Schedule of Board and Meeting Fees paid for the 2013/14 financial year.

	Name of Board Member	Note	2013/14 Amount R	2012/2013 Amount R
1.	T. Mazwai - Ministerial Appointee - Chairperson		319,139	169,947
2.	I. Molefe		310,393	137,483
3.	T. Skenjana - Ministerial appointee		180,848	58,045
4.	P. Sito		311,623	116,090
5.	A. Abrahams (SACTWU)		97,597	70,265
6.	M. Tau		338,236	130,499
7.	N. Ketlele		303,622	88,595
8.	P. Pillay (SARC)		161,422	39,282
9.	P. Madisa		294,119	100,815
10.	C. Strydom		259,386	85,540
11	S. Moloko		297,664	103,870
12.	M. Lawrence		296,419	117,838
13.	I. Motaung		130,073	39,715
14.	S. Busane - Ministerial Appointee		170,382	54,990
15.	M. Bango		204,639	27,495
16.	M. Mentz	1	7,395	30,550
17.	X. Titus	1	10,176	0
18.	S. van Rensburg	1	6,784	0
19.	R Sibiya	1	6,784	0
	Total meeting attendance fees		3,706,701	1,371,019
	Total travel expenses		1,067,899	1,026,523
	Total Board Expenses		4,774,600	2,397,542

Notes: 1. Alternate member;

#### Remuneration of the Audit Committee – External and Board Members

# Report of the Accounting Authority (continued)

	Name of Committee Member	Notes	2014/2015 Amount R	2013/2014 Amount R
1	P. Mokupo (Chairperson)	1	167,744	145,600
2	M. Malope	2	0	12,320
3	P. Phili	2	0	18,480
4	Y. Gordhan		64,859	67,760
5	M. Mokoka		83,484	36,960
6	C. Weapond	3	74,806	0
7	C. Strydom	4		
8	P. Madisa	4		
	Total attendance fees		390,893	281,120
	Total travel claims		8,279	49,047
	Total paid		399,172	330,167

# Notes:

- 1. Chairperson of the Committee also attends Board meetings;
- 2. Did not renew membership
- 3. New Member appointed in the current financial year
- 4. Representatives of the Board in the committee.

# **Remuneration of Senior Management**

# **Chief Executive Officer – TJ Dikgole**

	2013/2014	2012/2013
	Amount	Amount
	R	R
Basic Salary	2,002,757	1,828,722
Bonus	285,670	244,163
Medical Aid and Provident Fund	249,313	226,888
Travel Allowance	120,000	120,000
Total	2,657,740	2,419,773

# **Chief Operating Officer – JH Zwarts**

	2013/2014 Amount	2012/2013 Amount
	R	R
Basic Salary	1,184,702	1,082,711
Bonus	180,265	154,073
Medical Aid and Provident Fund	119,830	109,919
Travel Allowance	120,000	120,000
Total	1,604,797	1,466,703

## **Chief Financial Officer – DM Matloa**



	2013/2014 Amount R	2012/2013 Amount R
Basic Salary	1,233,765	1,080,132
Bonus	167,014	142,747
Medical Aid and Provident Fund	88,841	104,712
Travel Allowance	8,400	50,400
Total	1,498,020	1,377,991

# Chief Officer Qualifications & Research – A. Sipengane

	2013/2014 Amount R	2012/2013 Amount R
Basic Salary	1,091,835	1,008,607
Bonus	151,747	129,698
Provident Fund	53,645	50,130
Travel Allowance	0	0
Total	1,297,227	1,182,435



# FUTURE INITIATIVES

The SETA has for the first time, made bursaries available to MBA's and PhD's and we are proud to report that we have 3 PhD candidates registered out of a target of 2 with one candidate graduating in the 2014/15 year.

This is yet another great achievement for the SETA, the Sector and the candidates, as this is an initiative that aims to strengthen our research effort and resource base.

One of our important milestones includes the acceptance of our NQF level 5 learners into the Retail Management Diploma at Tertiary institutions. This is a first in that it also addresses the articulation of learners from SETA learnerships into mainstream academic education; we believe that we are well on our way towards addressing the issue of creating a seamless education system that the Minister of higher Education and Training has been advocating.

The Board will continue to engage with all our stakeholders through various forums to encourage them to provide training for their employees and also open up their workplaces for graduate interns and unemployed learners to gain the much needed work experience.

The SETA reviewed its approach in terms of creating access to skills development by rural communities as well supporting cooperatives. Several areas of success were reported in the past but more needs to be done to encourage the desired economic vibrancy in these areas. This comes at a time when some of our big Wholesalers and Retailers are expanding to these areas and will require skilled human resources. We have noted a growing interest in the formation of cooperatives in the rural areas that need the SETAs support to enable them to grow their businesses.

We are also proud to announce the successful development of a new Retail Store Manager qualification at NQF level 6. This is yet another big achievement for the sector taking into account the fact that there is a great need of skilled people for managerial positions.

The Retail Management Development Programme continues to appeal to stakeholders and the SETA will be registering about 350 learners compared to 207 in 13/14.

We have embarked on our fifth International Leadership Development Programme which is also continuing to grow in stature in the sector.

Mr TJ Dikgole Chief Executive Officer 30 July 2014

Mr PN Maphoshe Chairperson of the Board 30 July 2014



# STATEMENT OF FINANCIAL PERFORMANCE

		2013/14	2012/13
	Note	R'000	R'000
REVENUE			
Non-Exchange Transactions			
Skills Development Levy transfer	2	766,674	686,175
Skills Development Levy penalties and interest		10,853	10,138
Exchange Transactions			
Investment Income	3	41,473	39,360
Other income	4	85	31
TOTAL REVENUE		819,085	735,704
EXPENSES			
Employer grant and project expenses	5	(617,661)	(825,879)
Administration expenses	6	(79,699)	(74,971)
TOTAL EXPENDITURE		(697,360)	(900,850)
NET DEFICIT FOR THE YEAR	1	121,725	(165,146)

# Wholesale and Retail Sector Education and Training Authority for the year ended 31 March 2014



# STATEMENT OF FINANCIAL POSITION

		2013/14	2012/13
	Note	R'000	R'000
ASSETS			
Non-Current Assets		1,642	2,074
Property, plant and equipment	7.1	1,640	1,918
Intangible assets	7.2	2	156
Current Assets		973,592	913,216
Accounts receivable from non - exchange transactions	8	14,824	27,601
Accounts receivable - Other	9	1,671	3,211
Inventory	10	113	78
Cash and cash equivalents	11	956,984	882,326
Total Assets		975,234	915,291

# LIABILITIES

Current Liabilities	
Trade and other payables from non exchange transactions	12
Trade and other payables from exchange transactions	12
Provisions	13

198,405
126,046
36,508
35,851
716,886
716,886
2,074
1,663
713,149
716,886

## NET ASSETS

Funds and Reserves	838,613	
Administration reserve	1,642	
Employer grant reserve	1,494	
Discretionary reserve	835,475	
TOTAL FUNDS AND RESERVES	838,611	



# STATEMENT OF CHANGES IN NET ASSETS

	Admin- istration Reserve	Employer Grant Reserve	Discre- tionary Reserve	Unap- propriated surplus	Total
	R'000	R'000	R'000	R'000	R'000
Balance as at 1 April 2012	2,214	1,886	877,933	-	882,033
Net deficit as per Statement of Financial Performance	-	-	-	(165,146)	(165,146)
Allocation of unappropriated surplus	10,778	81,478	(257,402)	165,146	-
Excess reserves transferred to Discretionary reserve	(10,918)	(81,701)	92,619	-	-
Balance at 31 March 2013	2,074	1,663	713,150	-	716,887
Net surplus per Statement of Financial Performance	-	-	-	121,725	121,725
Allocation of unappropriated surplus	20,079	60,827	40,819	(121,725)	-
Excess reserves transferred to Discretionary reserve	(20,511)	(60,996)	81,506	-	-
Balance at 31 March 2014	1,642	1,494	835,475	-	838,611

An amount of R1 642 000 (2013: R2 074 000) is disclosed in the administrative reserve grant equal to the carrying value of Property, plant and equipment.

An amount of R1 494 000 (2013: R1 633 000) is disclosed in the employer grant reserve; refer to note 15.2 for details.

# Wholesale and Retail Sector Education and Training Authority for the year ended 31 March 2014



# CASH FLOW STATEMENT

		2013/14	2012/13
٨	Vote	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from stakeholders		796,348	771,601
Levies	2	741,936	721,970
Penalties and Interest		10,853	10,137
Insurance claims		85	31
Investment income		43,474	39,463
Payments		(721,184)	(854,260)
Mandatory grants		(209,669)	(307,437)
Discretionary grants/Project payments		(416,380)	(477,239)
Compensation of employees		(37,018)	(36,063)
Suppliers and other		(58,117)	(33,521)
	45	75.404	(00.050)
Net cash inflow from operating activities	15	75,164	(82,659)
CASH FLOW FROM INVESTING ACTIVITIES	7	(500)	(1.004)
Purchase of Property, plant and equipment & Intangible assets	7	(506)	(1,001)
Net cash outflow from investing activities		(506)	(1,001)
Net increase in cash and cash equivalents		74,658	(83,660)
Cash and cash equivalents at beginning of year	11	882,326	965,986
Cash and cash equivalents at end of year	11	956,984	882,326



The principal accounting policies adopted in the preparation of these Annual Financial Statements are set out below and are, in all material aspects, consistent with those of the prior year except as otherwise indicated. In the current year, the cash flow statement has been prepared according to the direct method and the prior year comparison which was prepared in the indirect method, has been adjusted accordingly.

# **1. BASIS OF PREPARATION**

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

# 2. CURRENCY

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

# 3. REVENUE RECOGNITION

# 3.1 Revenue from non-exchange transactions

"Non-exchange revenue transactions result in resources being received by the W&RSETA, usually in accordance with a binding arrangement. When the W&RSETA 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 W&RSETA will receive economic benefits or service potential and it can make a reliable measure of the resources transferred.

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

The asset and the corresponding revenue are measured on the basis of the fair value of the asset on initial recognition. Non-exchange revenue transactions include the receipt of levy income from the Department of Higher Education and Training (DHET), income from the National Skills Fund, and grants from the national government.

# 3.2 Levy income

The accounting policy for the recognition and measurement of skills development levy income has been amended on the basis of a revised interpretation of the Skills Development Act, Act No 97 of 1998 as amended and the Skills Development Levies Act, Act No 9 of 1999 as amended.

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

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

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

Levy income is recognised on the accrual basis.

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



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

#### 3.3 Interest and penalties

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

# 3.4 Funds allocated by the National Skills Fund for Special Projects

Funds transferred by the National Skills Fund (NSF) are accounted for in the financial statements of the Seta as a liability until the related eligible special project expenses are incurred, when the liability is extinguished and revenue recognised.

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

## 3.5 Government grants and other donor income

Conditional government grants and other conditional donor funding received is recorded as deferred income when they become receivable and is then recognised as and when the conditions are met. Unconditional grants received are recognised when the amounts have been received.

#### 3.6 Revenue from exchange transactions

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

# 3.6.1 Investment income

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

# 4. GRANTS AND PROJECT EXPENDITURE

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

#### 4.1 Mandatory grants

The grant expenditure is recognised when the employer has submitted an application for a grant in the prescribed form within the legislated cut off period and the application has been approved. Grants are equivalent to 20% of the total levies contributed by employers to the Seta during the corresponding financial period.

## 4.2 Discretionary project expenditure

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

A SETA allocates discretionary grants to employers who have submitted an application for a discretionary grant in the prescribed form within the agreed upon cut-off period. Discretionary grant expenditure is recognised as expenses in the period in which they are incurred, in which the conditions are met.

Project expenditure comprises of:

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

Such costs are allocated using methods that are systematic and rational and are applied consistently to all costs having similar characteristics.

#### 4.3 Retrospective adjustments by SARS

The SETA refunds amounts to employers in the form of grants, based on information from SARS. Where SARS retrospectively amends the information on levies collected, it may result in grants that have been paid to certain employers that are in excess of the amount the Seta is permitted to have granted to employers. A receivable relating to the overpayment to the employer in earlier periods is raised as the amount of such grant overpayment, net of bad debts and provision for irrecoverable amounts.



#### 4.4 Unconditional grants disbursed towards National Skills Fund (NSF) For Further Education and Training (FET) college infrastructure development

In terms of Skills Development Circular No. 08/2013 SETAs are required to contribute funds towards the NSF for FET college infrastructure development. Funding agreements between the NSF and each individual SETA outline the details of the Seta's contribution as per the Skills Development Circular. There are no conditions or restrictions for the Seta and the funding is not refundable.

The FET college infrastructure development payment is treated as a non-exchange transaction and is recognised as an expense in the period that the payment is incurred or when the funding becomes payable by the Seta as outlined in the funding agreement, whichever occurs first.

A contractual obligation is triggered on the date that the funding agreement is signed and a liability is recognised to the extent of the amount outstanding.

# 5. IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

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

- The PFMA,

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

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

All irregular and fruitless and wasteful expenditure is recognised against the respective class of expense in the period in which they are incurred.

# 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less any subsequent accumulated depreciation and adjusted for any impairments. Depreciation is charged so as to write off the costs of the assets over their estimated useful lives, using the straight line method.

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

Property, plant and equipment (owned and leased) are stated at cost less any subsequent accumulated depreciation and adjusted for any impairments. Depreciation is calculated on the straight line-method to write off the cost of each asset to estimated residual value over its estimated useful life.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognised.) Gains and losses on disposal of Property, plant and equipment are determined as the difference between the sale proceeds and the carrying amount and are taken into account in determining operating surplus

The gain or loss on disposal of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount and are taken into account in determining operating profit.

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

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

#### 6.1 Key sources of estimation uncertainty

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

#### 6.2 Useful lives of Property, plant and equipment

The SETA reviews the estimated useful lives of Property, plant and equipment at the end of each annual reporting period for the carrying values of Property, plant and equipment.

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



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

Computer equipment	3 years
Office furniture and fittings	10 years
Leasehold improvements	3 years
Office equipment	5 years

The SETA has reviewed the residual values used for the purposes of depreciation calculations. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior periods. Residual values are reviewed annually.

#### 6.3 Intangible assets

Intangible assets are stated at cost less any subsequent accumulated amortisation and adjusted for any impairments. Amortisation is charged so as to write off the cost of assets over their estimated useful lives, using the straight line method.

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

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

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

#### 6.4 Useful lives of Intangible assets

The SETA reviews the estimated useful lives of Intangible assets at the end of each annual reporting period for the carrying values of Intangible assets.

The following useful life is used in the calculation of amortisation:

Item	Range
Computer software	2 years

The SETA has reviewed the residual values used for the purposes of depreciation / amortisation calculations in light of the amended definition of residual value. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior periods. Residual values are reviewed annually.

# 7. LEASING

Finance leases consistent with the definition set out in the Treasury Regulations refer to a contract that transfers the risks, rewards, rights and obligations incidental to ownership to the lessee and is recorded as a purchase of equipment by means of long-term borrowing. All other leases are classified as operating leases.

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

# 8. PROVISIONS

Provisions are recognised when the Seta has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably. Long-term provisions are discounted to net present value.

The cost of employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the Statement of Financial Position date. Provisions included in the Statement of Financial Position are provisions for leave (based on the current salary rates) and termination benefits.

Termination benefits are recognised and expensed only when the payment is made.

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

# 9. GRANTS AND PROJECTS

#### 9.1 Mandatory and discretionary Grant Payments



A liability is recognised for grant payments once the specific criteria set out in the SETA Grant Regulation has been complied with by member companies and it is probable that the SETA will approve the payment. The liability is measured at the net present value of the expected future cash outflow as determined in accordance with the Act. This measurement involves an estimate, based on the amount of levies received.

## 9.2 Discretionary Projects

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

Commitments are disclosed where the Seta has, in the normal course of its operations, entered into a contractual agreement with entities related to project expenses which are yet due for payment.

# **10. FINANCIAL INSTRUMENTS**

#### **10.1 Recognition**

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

#### **10.2 Financial Assets**

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value or net of transaction cost except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets can be classified into the following specified categories: financial assets as at fair value through profit or loss (FVTPL), held to maturity investments, available for sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All financial assets of the Seta were categorised as loans and receivables.

#### 10.3 Loans and receivables

Trade receivables, loans, and other receivables that have

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

#### **10.4 Effective interest method**

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

#### 10.5 Impairment of financial assets

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

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

#### **10.6 Financial Liabilities**

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Account and other payables do not bear interest and are stated at their nominal value.

#### 10.7 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

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



#### 10.8 Other financial liabilities

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

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

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

# **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 follows:

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

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

	2013/14	2012/13
	%	%
Administration costs of the SETA	10.5	10
Employer grant fund levy	20	50
Discretionary grants and projects	49.5	20
Received by the SETA	80	80
Contribution to National Skills Fund	20	20
	100	100

In addition, contributions received from public service employers in the national or provincial spheres of government may be used to fund the SETA's administration costs. Interest and penalties received from SARS as well as interest received on investments is utilised for discretionary grant projects.

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

# 12. COMPARATIVE FIGURES

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

# 13. TAXATION

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

# 14. VALUE ADDED TAXATION

The Revenue Law Amendment Act no 45 of 2003) commenced on 22 December 2003. Previously the definition of enterprise placed SETAs listed in schedule 3A within the scope of VAT. The amendment Act however, has amended this definition of enterprise and effectively places the public entity outside the scope of VAT effective 1 April 2005.

The amount reflected as VAT due to or from the South African Revenue Services is in accordance with the dispensation prescribed by the South African Revenue Service. In accordance with this, the SETA has been deregistered for VAT with effect 1 April 2005.

# **15. CONSUMABLE INVENTORY**

Consumables are recognised as an asset on the date of acquisition and it is measured at the cost of acquisition. It is subsequently recognised in surplus or deficit as it is consumed. Subsequent to initial recognition inventory is measured at lower of cost and current replacement cost.



1.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

# ALLOCATION OF NET SURPLUS FOR THE CURRENT YEAR TO RESERVES

				Employ- er Grants Reserve	Discretionary Reserve		
	Total per Statement of Financial Perfor- mance 2012/2013	Total per Statement of Financial Perfor- mance 2013/2014	Admin- istration Reserve	Mandatory Skills Grant	Discretion- ary Grants	Projects	Total Dis- cretionary
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Total Revenue	735 704	819,085	99,778	247,471	419,510	52,326	471,836
Skills Development Levy transfer from non - exchange transactions:							
Levy transfer Administration (10.5%)	85,717	99,692	99,692	-	-	-	-
Levy transfer Employer Grants (69.5%)	600,458	666,981	-	247,471	419,510	-	419,510
Skills Development Levy penalties and interest from non - exchange transactions	10,138	10,853	-	-	-	10,853	10,853
Investment Income	39,360	41,473	-	-	-	41,473	41,473
Other income	31	85	85	-	-	-	-
Total Expenses	900 850	697,360	79,699	186,644	431,017	-	431,017
Administration expenses	74,971	79,699	79,699	-	-	-	-
Employer grants and project expenses	825,879	617,661	-	186,644	431,017	-	431,017
Net (deficit) / surplus per	(165 146)	121,725	20,079	60,827	(11,507)	52,326	40,819
Statement of Financial Performance allocated		,. 20			(,)	,010	,010

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

	2013/14	2012/13
	R'000	R'000
The total levy transfer per the Statement of Financial		
Performance is as follows:		
Levy transfer: Administration	99,692	85,717
Levies received	99,692	85,717
Levies received from DHET	99,482	85,827
Inter-seta transfers in	336	71
Inter-seta transfers out	(125)	(181)
Levy transfer: Employer grants	247,471	429,006
Levies received	247,471	429,006
Levies received from DHET	246,306	429,153
Inter-seta transfers in	1,380	357
Inter-seta transfers out	(215)	(504)
Levy transfer: Discretionary grants	419,510	171,452
Levies received	419,510	171,452
Levies received from DHET	419,164	171,402
Inter-seta transfers in	934	143
Inter-seta transfers out	(588)	(362)
	766,674	686,175
Skills Development Levy: Penalties and Interest	10,853	10,138

# 3. INVESTMENT INCOME

Interest income Accruals on bank deposits Bank deposits

275	2,276
41,198	37,084
41,473	39,360



# Notes to the Annual Financial Statements (continued)

4.	OTHER INCOME	2013/14	2012/13
		R'000	R'000
	Insurance claims	85	31
		85	31
F			
5.	EMPLOYER GRANT AND PROJECT EXPENSES Mandatory grants	186,644	347,159
	Disbursed	222,899	312,211
	Movement in provisions and accruals	(36,254)	34,948
	Discretionary grants	431,017	478,721
	Disbursed	431,017	478,721
	Disbuised	617,661	825,879
6.	ADMINISTRATION EXPENSES		
	Advertising, marketing and promotions, communication	2,728	2,355
	Allowance for doubtful debts	(1,370)	1,664
	Consultancy and service provider fees	6,758	6,418
	Cost of employment 6.1	40,035	37,120
	Depreciation / Amortisation	1,145	874
	Legal fees	124	214
	Loss on disposal of Property, plant and equipment	6	184
	Maintenance, repairs and running costs	116	119
	Operating lease rentals (minimum lease payments)	10,429	10,178
	Buildings	9,887	9,828
	Equipment	542	350
	Remuneration to members of the accounting authority	5,827	2,947
	Staff training and development	335	(22)
	Travel and subsistence	2,070	3,573
	QCTO Funding	1,235	-
	External auditor's remuneration	1,531	1,851
	Other	8,729	7,496
	Insurance	1,530	1,290
	Telephone & Data lines	1,407	1,273
	Other administration expenses	5,538	4,477
	Postage & Courier	192	426
	Cleaning contract and Services	61	30

79,699

74,971

# 6.1 Cost of employment

	2013/14	2012/13
	R'000	R'000
Salaries and wages	36,760	34,155
Basic salaries	29,926	28,547
Performance bonus	5,658	5,072
Leave	1,175	536
Social contributions	3,276	2,965
Medical aid Contributions	1,143	1,060
Providend Fund contributions	1,440	1,222
UIF	128	122
WCA	54	74
SDL	511	488
	40,035	37,120
Average number of employees	143	133

# 7

# PROPERTY, PLANT AND EQUIPMENT

# 7.1

	Cost	Accumulated depreciation	Closing carrying amount
Year ended 31 March 2014	R'000	R'000	R'000
Leasehold Improvements	592	(569)	24
Computer Equipment	3,103	(2,341)	762
Office furniture and fittings	2,246	(1,692)	554
Office Equipment	839	(670)	169
Project Assets- computer equipment	164	(33)	131
Balance at end of year	6,945	(5,305)	1,640
Made up as follows: - Owned assets	6,945	(5,305)	1,640
e willed dobeto	0,040	(0,000)	1,040



Year ended 31 March 2013	Cost	Accumulated depreciation	Closing carrying amount
	R'000	R'000	R'000
Leasehold Improvements	635	(191)	443
Computer Equipment	2,804	(2,395)	410
Office furniture and fittings	2,259	(1,516)	743
Office Equipment	875	(596)	279
Project Assets- computer equipment	54	(11)	43
Balance at end of year	6,628	(4,709)	1,918
Made up as follows:			
- Owned assets	6,628	(4,709)	1,918

# Movement Summary 2014

	Carrying amount 2013	Additions	Disposals	Depreciation charge	Carrying amount 2014
	R'000	R'000	R'000	R'000	R'000
Leasehold Improvements	443	24	-	(443)	24
Computer Equipment	410	613	(17)	(244)	762
Office furniture and fittings	743	-	(1)	(188)	554
Office Equipment	279	6	-	(116)	169
Project Assets- computer equipment	43	109	-	(21)	131
Balance at end of year	1,918	751	(18)	(1,012)	1,640

# Movement Summary 2013

	Carrying amount 2012	Additions	Disposals	Depreciation charge	Carrying amount 2013
	R'000	R'000	R'000	R'000	R'000
Leasehold Improvements	174	356	-	(87)	443
Computer Equipment	314	436	(48)	(292)	410
Office furniture and fittings	893	56	(8)	(198)	743
Office Equipment	389	30	(14)	(126)	279
Project Assets- computer equipment	13	39	-	(9)	43
Balance at end of year	1 783	917	(70)	(712)	1,918

# Fully depreciated assets still in use

	2013/2014	2012/2013
Gross carrying value	R'000	R'000
Leasehold Improvements	635	-
Computer Equipment	2 348	1 901
Office furniture and fittings	470	320
Office Equipment	388	262
	3 840	2 482

# 7.2 Intangible Assets

COSI	Accumulated depreciation	Closing carrying amount
R'000	R'000	R'000
325	(323)	2
325	(323)	2
325	(323)	2
-	325 <b>325</b>	depreciation           R'000         R'000           325         (323)           325         (323)

Year ended 31 March 2013	Cost	Accumulated depreciation	Closing carrying amount
	R'000	R'000	R'000
Computer Software	325	(168)	156
Balance at end of year	325	(168)	156
Made up as follows:			
- Owned assets	325	(168)	156



# Movement Summary 2014

	Carrying amount 2013	Additions	Disposals	Depreciation charge	Transfers	Carrying amount 2014
	R'000	R'000	R'000	R'000	R'000	R'000
Computer Software	156	-	-	(154)	-	2
Balance at end of year	156	-	-	(154)	-	2

# **Movement Summary 2013**

	Carrying amount 2012	Additions	Disposals	Depreciation charge	Transfer to assets held for sale	Carrying amount 2013
	R'000	R'000	R'000	R'000	R'000	R'000
Computer Software	295	21	-	(160)	-	156
Balance at end of year	295	21	-	(160)	-	156

#### 2013/14 ACCOUNTS RECEIVABLE FROM NON-EXCHANGE 2012/13 8. TRANSACTIONS R'000 R'000 Inter-seta debtors 4,256 6,777 Employer receivables 8.1 8,047 23,345 14,824 27,601

#### 8.1 **Employer Receivables**

Overpayment to employers	9 329	25 997
Allowance for doubtful debts	(1,282)	(2,652)
Net effect of retrospective adjustments on affected employers	8,047	23,345

R9 329 000 (2013: R25 997 000) was recognised as a receivable relating to the overpayment to the employers in earlier periods, as a result of inaccurate information received from SARS and DHET, and is based on the amount of such grant over payments. An amount of R1 282 000 (2013: R2 652 000) was provided for as doubtful debts. Also refer to Note 12 for Grant amounts owed to employers as a result of subsequent changes in levy information.



9.	ACCOUNTS RECEIVABLE - OTHER	2013/14	2012/13
		R'000	R'000
	Deposits	382	382
	Interest receivable	275	2,276
	Staff debtors	60	20
	Other debtors	954	534
		1,671	3,211

## 10 INVENTORY

Consumables on hand	113	78
	113	78

# 11 CASH AND CASH EQUIVALENTS

Cash at bank and in hand	138,657	89,394
Cash at bank	138,630	89,371
Cash in hand	28	23
Short term investments/instruments	818,327	792,932
Cash and cash equivalents at end of year	956,984	882,326

As required in Treasury Regulation 31.2, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short term bank deposits was 4.64% (2013: 4.20%).

The Skills Development Act Regulations state that a Seta may, if not otherwise specified by the Public Finance Management Act, invest monies in accordance with the investment policy approved by the relevant Seta.

Treasury Regulation 31.3 requires that, unless exempted by the National Treasury, the Seta as a public entity that is listed in Schedule 3A of the Act must invest surplus funds with the Corporation for Public Deposits. As the Seta was exempted by the National Treasury from the requirements of Treasury Regulation 31.3 to invest surplus funds with the Corporation for Public Deposits, surplus funds were invested in line with an investment policy as required by Treasury Regulation 31.3.5

An amount of R694 050 was deposited with ABSA bank which stood guarantee for the lease on the Head Office rented premises



# Notes to the Annual Financial Statements (continued)

12 TR	ADE AND OTHER PAYABLES		2013/14	2012/13
			R'000	R'000
Fre	om Non-Exchange transactions			
	-			
Sk	ills development grants payable - mandatory		26,648	66,101
Int	er-seta payables		1,334	385
En	nployer Payable		3,812	15,861
Le	vy Creditors		22,945	9,765
An	nounts payable to SARS	12.1	2,871	33,933
			57,609	126,046
Fre	om Exchange transactions			
Tra	ade payables		16,172	1,554
Ot	her- accrued expenses		8,545	27,627
Op	perating Leases		1,545	1,598
En	nployee benefits		9,004	5,729
			35,266	36,508
12.1 Ar	nounts payable to SARS			
An	nount incorrectly deposited by SARS		2 871	2 871
UI	F levies incorrectly received		-	31,062
To	tal amount payable to SARS		2 871	33 933

During 2011/2012 , an amount of R2 871 000 was erroneously deposited in the W&RSETA'S bank account by SARS/DHET. As at 31 March 2014 the error was still not resolved by SARS/DHET

## 13 PROVISIONS

Amounts payable to small companies

Opening balance	35 851	31 074
Change in estimate	7,897	4,777
Closing balance	43 748	35 851

An amount of R43 748 000 (2013: R35 851 000) relates to levies incorrectly contributed by employers, and paid over by SARS and DHET, after being exempted from contributing (SDL) due to legislation changes which came into effect from 1 August 2005. As SARS collects the levies on behalf of DHET, the responsibility to refund the levies to the employers remains with SARS.



# 14 RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO NET DEFICIT

	2013/14	2012/13
	R'000	R'000
Net Surplus/ (deficit) as per Statement of Financial Performance	121,725	(165,146)
Adjusted for non-cash items:		
Depreciation	1,178	874
Loss on disposal of Property, plant and equipment	6	184
Bad debts written off	-	-
Allowance for doubtful debts	(1,370)	1,664
Increase/(Decrease) in provisions	7,897	1
Adjusted for working capital changes:		
(Increase)/ Decrease in receivables from non exchange transaction	14,147	(18,230)
Decrease/(Increase) in receivables - other	1,540	217
(Decrease)/Increase in payables	(69,679)	97,261
Changes in Inventory	(35)	(35)
Cash generated by operations	75,410	(83,210)

# 15 CONTINGENCIES

# 15.1 Surplus Funds

In terms of the PFMA, all surplus funds as at year-end may be forfeited to National Treasury should an application for retention of surplus funds be denied. A request for the retention of funds has been submitted to National Treasury through DHET for the retention of surplus funds. At the time of compiling the financial statements, no reply had been received.

# **15.2** First Time Employer registrations

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

At the reporting date it is estimated that, as a result, additional mandatory grant expenditure of R1 494 000 (2013: R1 663 000) will be payable. The amount is contingent on the number of submissions received and approved.



# 16 COMMITMENTS

## 16.1 Commitments on approved projects

	2013/14	2012/13
	R'000	R'000
Contractual and stakeholder commitments	761,540	307,940

Contractual commitments are balances on contracts for work to be delivered on contracts-in -progress at the reporting date. The contracts are entered into with service providers and stakeholders for delivery of education , training and skills development projects.

# 16.2 Discretionary Reserve

Of the balance of R835 475 000 (2013: R713 149 000) available in the Discretionary reserve at the end of March 2014. R819 381 000 (2013: R 685 192 000) has been approved and allocated for future projects and skills priorities as set out below. Of the allocated balance of R819 381 000, R761 540 000 was contracted as at year end as per note 16.1 above. Amounts for expenses that have already been incurred, and therefore included in grant expenses in the Statement of Financial Performance, are also indicated. A request for the accumulation of these funds has been submitted to National Treasury through the Department of Higher Education and Training.

# Notes to the Annual Financial Statements (continued)

Projects	Opening balance 2012/13	Approved by Accounting Authority	Writebacks/ Other adjustments	Utilised	Closing balance 2013/2014
	R'000	R'000	R'000	R'000	R'000
2013/14 SSP Update	1,200	-	(28)	1,172	-
Additional Pivotal	-	190,251	-	-	190,251
Assessment Centres W&RSETA - QCTO Qualifications	800	-	200	604	396
Bardahl Eyethu Retail Operator Programme	-	5,031	-	-	5,031
BASF - Spray Painter Project	603	-	-	265	338
Bulwer Garage (Discretionary Grant) (KZN)	-	10	-	10	-
Bursary Programme - Learners With Learnerships	10,625	-	-	2,897	7,728
CapaCiti	1,283	-	490	1,092	681
Capacity Building for Unions	14,499	-	-	6,318	8,181
Career Guidance Strategy	6,908	-	-	6,459	449
CGCSA	386	-	(386)	-	-
CGSA Conference 2013	-	450	(51)	399	-
Consumer protection act workshop project	-	-	7	7	-
Continuous Development of W&R SETA Accredited Training Providers	2,764	-	(2,542)	222	-
Cornerstone Training Centre	3,098	-	(2,961)	137	-
CTFL Training Layoff scheme	5,038	-	400	5,357	81
Customer Satisfaction	(1)	-	1	-	-
Decade of the Artisan Programme	-	500	-	-	500
Development of W&R Qualification	532	8,700	-	1,718	7,514
DG 11/12	169,369	-	(27,000)	110,023	32,346
DG 12/13	130,328	-	26,000	80,597	75,731
e-learning for the skills training sector	500	-	500	-	1,000
Ellies Port Elizabeth (EC)	-	47	-	47	-
FET & HET Extension of Scope	5,757	-	-	1,289	4,468
FS - Bibi Cash and Carry SMME - BEE Development	-	333	-	-	333



Projects	Opening balance 2012/13	Approved by Accounting Authority	Writebacks/ Other adjustments	Utilised	Closing balance 2013/2014
	R'000	R'000	R'000	R'000	R'000
FS - FS - Internships for FET Graduates	-	5,107	-	-	5,107
Good Practice Award	2,665	-	-	64	2,601
Graduate Placement (NSFAS)	85,275	-	-	6,544	78,731
ILDP 2012 - 2013	588	-	176	764	-
ILDP 2013 - 2014	15,259	-	-	15,237	22
ILDP 2014 - 2015	-	14,000	-	1,339	12,661
Impact Assessment of W&R Seta Regional Offices	114	-	(74)	40	-
Impact research budget	2,071	-	(2,072)	(1)	-
Investors in People	-	-	13	13	-
Itup	-	10,300	-	-	10,300
KZN - SOE Learnerships	-	14,513	-	-	14,513
Learning Programme 2010/2011	-	-	6	6	-
LP 10/11 EXTRA	-	2,084	(162)	1,814	108
Metallic Mermaid (Ukwasi Design) (Discretionary Grant CTN)	-	11	-	11	-
Mhlonhlo cooperative projects	-	2,000	-	-	2,000
Monitoring and Evaluation	1,000	-	-	84	916
Moscon Optics (Discretionary Grant GPS)	-	83	-	83	-
Mthatshana FET Infastrucature Support	-	50,000	-	-	50,000
National Skills Fund Discretionary Grant	-	78,847	-	78,847	-
NC - Learnership Opportunities	-	20,475	-	126	20,349
NC - Office of the Premier Internships for FET Graduates	-	5,483	-	-	5,483
Non Sponsored Learning Programmes	1,611	-	-	524	1,087
NonSponsored Leanership	79	-	(79)	-	-
NSFAS First Year Bursary Scheme	36,639	-	-	96	36,543
People Living with disabilities	-	20,532	-	-	20,532
Pivotal Discretionary Grants	-	248,000	(96,449)	24,844	126,707
Project Support office	-	1,666	-	988	678



# Notes to the Annual Financial Statements (continued)

Projects	Opening balance	Approved	Writebacks/ Other	Utilised	Closing balance
	2012/13	by Accounting Authority	adjustments		2013/2014
	R'000	R'000	R'000	R'000	R'000
Recognition of Prior Learning	2,797	-	(2,029)	768	-
Retail Chair	13,631	-	-	4,607	9,024
Retail Game	-	750	-	-	750
Retail MDP Project	-	-	7	7	-
Retail Relate	1,095	-	(550)	545	-
RMDP Project Phase (RMDP) III	-	16,000	-	147	15,853
RMDP Project Phase 2012	10,346	-	-	7,683	2,663
SADDT - Disabled Learners	6,020	-	-	3,845	2,175
SADDT Disability Project	4,592	-	(4,401)	191	-
Sandys Ribbons & Bows Cc (Discretionary Grant GPS)	-	34	-	34	-
Save it Township Retail Revitalization Programme	-	4,031	-	371	3,660
Sector Skills plan 2012/13	94	-	(94)	-	-
Skills audit and critical review of the sub-sector skills analysis	1,000	-	-	-	1,000
SMME Voucher Training Project 2012/13	31,507	-	-	9,736	21,771
Spar Distribution	49	-	22	71	-
SSP 2014/15	-	1,100	-	159	941
The Clothing Bank	-	13,377	-	1,361	12,016
The demand of skills in the sector vs supply of skills from FET colleges	440	-	(200)	240	-
The Economic impact of the SA retail industry	500	-	500	496	504
The nature of existing and emergent cooperatives	792	-	-	184	608
Understanding the 2020 operating enviroment	140	-	(140)	-	-
Unemployment Youth Assistance Programme	-	-	(59)	(59)	-
W&R Scarce Skills Sponsorship Programme	6,565	-	(6,201)	364	-
W&R School of Excellence	-	7,256	-	150	7,106
W&RSETA Bursary Scheme - Careerwise	44,395	-	-	41,236	3,159



Projects	Opening balance 2012/13 R'000	Approved by Accounting Authority R'000	Writebacks/ Other adjustments R'000	Utilised R'000	Closing balance 2013/2014 R'000
WC - Bakers for Youth Development and Sustainability	-	581	-	-	581
Women RMDP	7,917	-	(7,917)	-	-
Work Readiness Programme	41,224	-	(41,039)	185	-
WSP 2014-2015	-	13,000	-	65	12,935
WSP ATR 2012	-	-	267	267	-
WSP/ATR 2012-2013	13,096	-	(3,500)	8,327	1,269
Total	685,190	734,552	(169,345)	431,016	819,381



# 17 OPERATING LEASES

N L

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

	2013/14	2012/13
	R'000	R'000
Not later than one year	9,519	9,867
Later than one year and not later than five years	13,669	16,198
	23,188	26,064

The operating leases relate to office accommodation for the Head office and Regional offices and also for the photocopier machines. All lease agreements for office accommodation will expire in 2014 except for the Head Office which expires in 2016. Provision was made for an option to renew all the leases on expiry except for the lease which expires in 2016. The rentals escalate annually by an average of 9% on the anniversary dates. The lease for the photocopier machines expires in 2015 and has a zero escalation amount

# 18 MATERIAL LOSSES THROUGH CRIMINAL CONDUCT, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

18.1	Irregular Expenditure	2013/14	2012/13
		R'000	R'000
	Opening balance	20	5,605
	Add: Irregular expenditure current year	-	2,690
	Less: Amounts condoned	(20)	-8,275
	Irregular expenditure awaiting condonation	-	20

Analysis of expenditure awaiting condonation per age classification

Current year	-	20
Total	-	20



Details of Irregular Exp	enditure-Current Year	2013/14 R'000	2012/13 R'000
Incident	Disciplinary steps taken/criminal proceedings		
Omission of preference point system	none	-	-
No Tax clearance certificates	none	-	-
Irregular photocopy lease	none	-	-
Property Leases	none	-	-
Storage expenses		-	20
		-	20

# 18.2 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure 2014: R87 000 (2013: RNil). This was due to interest and penalties levied on the SETA on late submission of EMP 201 form.

# 18.3 Matters under investigation

An internal investigation revealed that two suppliers contracted to deliver skills training did not match the contractual obligations as set out in the contract. An amount of R4.380million which was paid to the first supplier and the transaction is under litigation. The second supplier also contracted to deliver skills training, was paid R1 680 000 but did not meet the contractual obligations. This matter is under obligation as the supplier could not be located.

## 19 EVENTS AFTER REPORTING DATE

None

# 20 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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



## Key sources of estimation uncertainty

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

## Useful lives of property, plant and equipment and intangible assets

The Seta reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period, refer note 7 for the respective carrying values. The Seta is currently established until 31 March 2016.

#### 21 PRIOR YEAR ERRORS

## 21.1

	Mandatory grant receivable	-	368	
		R'000	R'000	
		Grants receivable 2013/14	Error	
1	Sundry receivable	Mandatory	Prior Year	

In March 2013 an amount of R368 000 should have been recognised as sundry receivables relating to WSP's incorrectly approved and paid

#### 22 FINANCIAL INSTRUMENTS

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

#### Interest rate risk

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



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

	Floatin	oating rate Non-intere		st bearing	
	Amount	Effective interest rate	Amount	Weighted average period until maturity in years	Total
	R'000		R'000		R'000
Year ended 31 March 2 Assets	2014				
Cash	956 984	4.64%			956,984
Accounts receivable	-		1,671		1,671
Total financial assets	956 984		1,671		958,655
Liabilities					
Accounts payable			-		-
Total financial liabilities	-		-		-
Year ended 31 March 2 Assets	2013				
Cash	882 326	4.20%	-		882,326
Accounts receivable			3,211		3,211
Total financial assets	882 326		3,211		885,537
Total financial liabilities	-		(28,155)		(28,155)
	-		(28 155)		(28 155)

Financial instruments have not been discounted as they will all be settled or recovered within 3 months. Effect of discounting was considered and found not to be material.

# Credit risk

Financial assets, which potentially subject the Seta to the risk of non performance by counter parties consist mainly of cash and cash equivalents and accounts receivable.

The Seta limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury. The Seta's exposure is continuously monitored by the accounting authority.

Credit risk with respect to levy paying employers is limited due to the nature of the income received. The Seta's concentration of credit risk is limited to the wholesale and retail industry in which the Seta operates. No events occurred in the wholesale and retail industry during the financial year that may have an impact on the accounts receivable that has not been adequately provided for. Accounts receivable are presented net of allowance for doubtful debt.



# The ageing of trade and other receivables:

	2013/14		2012/13	
	Gross	Impairment	Gross	Impairment
	R'000	R'000	R'000	R'000
Not past due	-	-	-	-
Past due 0 - 30 days	1,290	-	2,978	-
Past due 31 - 180 days	-	-	-	-
Past due 181 - 270 days	-	-	-	-
More than 270 days	382	-	382	-
	1,671	-	3,360	-

# The ageing of cash and cash Equivalents:

	2013/14		2012/13	
	Gross	Impairment	Gross	Impairment
	R'000	R'000	R'000	R'000
Not past due	956 980	-	882 326	-

Trade and other receivables are all considered for impairment. No impairment charge was raised in the current year (2013:Nil) as management, based on its review is convinced that receivables are all collectable.

It is the policy of the SETA to raise a 100% impairment charge where management believes there is doubt about collectability.

# Liquidity risk

The Seta manages liquidity risk through proper management of working capital, capital expenditure and actual vs. forecasted cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

#### Market risk

The Seta is exposed to fluctuations in the employment market for example sudden increases in unemployment and changes in the wage rates. No significant events occurred during the year that the Seta is aware of.

# Fair values

The Seta's financial instruments consist mainly of cash and cash equivalents, account and other receivables, and account and other payables. No financial instruments were carried at an amount in excess of its fair value. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

#### Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Seta and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.



# Accounts receivable

The carrying amount of accounts receivable is net of allowance for any doubtful debt, estimated by the accounting authority based on prior experience. The carrying amount of these assets approximates their fair value.

## Accounts payable

The carrying amount of account and other payables approximates fair value due to the relatively short-term maturity of these financial liabilities.

# 23 RELATED PARTY TRANSACTIONS

# 23.1 Transactions with stakeholders represented on the accounting authority

The SETA has, in the normal course of its operations, entered into certain transactions with entities which had a nominated representative serving on the SETA accounting authority. These transactions occurred under terms that were no less favourable than those available in similar arm's length transactions.

		2013/14 R'000	2013/14 R'000	2012/13 R'000	2012/13 R'000
	Type of transaction	Transactions during the year	Amount Payable	Transactions during the year	Amount Payable
Union Capacity building project					
SACCAWU	Discretionary grant	3,175	-	-	-
SACTWU	Discretionary grant	1,413	-	-	-
NUMSA	Discretionary grant	404	-	-	-
FEDCRAW	Discretionary grant	215	-	-	-
ECAWUSA	Discretionary grant	454	-	-	-
		5,661			

# 23.2 Remuneration of Key Management

The key management personnel (as defined by IPSAS 20, Related Party Disclosure) of the SETA are the members of the Accounting Authority and the members of the senior management group.

The accounting authority consists of members of appointed in terms of its constitution. The Chief Executive Officer attends meetings of the Accounting Authority but is not a member of the Accounting Authority. The aggregate remuneration of members of the Accounting Authority and the members receiving remuneration within this category are:

# Notes to the Annual Financial Statements (continued)

	2013/14	2012/13
	R'000	R'000
Aggregate Remuneration	4 775	2 938
Number of Person	15	15

The senior management group consists of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Officer: Qualifications and Research. The aggregate remuneration of members of the senior management group and the number of managers receiving remuneration within this category are:

	2013/14	2012/13
	R'000	R'000
Aggregate Remuneration	7 058	6 467
Number of Person	4	4

Refer to the report of the Accounting Authority for detail disclosure concerning the emoluments of members of the Accounting Authority, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Officer: Qualifications and Research.

# 24 NEW ACCOUNTING PRONOUNCEMENTS

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

		Effective date	Expected impact
Related party	GRAP 20	01 April 2014	This standard prescribes the disclosure of information relevant to draw attention to the possibility that the entity's financial position and surplus/ deficit may have been affected by the existence of related parties. It is not expected that this standard will significantly impact future disclosures.

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2014 or later periods but are not relevant to its operations:



		Effective date	Expected impact
Segment Reporting	GRAP 18	01 April 2016	No significant impact on future disclosures
Transfer of Function between Entities Under Common Control	GRAP 105	01 April 2014	No significant impact on future disclosures
Transfer of Function between Entities Not Under Common Control	GRAP 106	01 April 2014	No significant impact on future disclosures
Mergers	GRAP 107	01 April 2014	No significant impact on future disclosures
Service Concession Arrangements: Grantor	GRAP 32	01 April 2015	No significant impact on future disclosures
GRAP 108: Statutory Receivables	GRAP 108	01 April 2015	No significant impact on future disclosures

# 25 STATEMENT OF FINANCIAL PERFORMANCE-COMPARISON TO BUDGET FOR THE PERIOD ENDED 31 MARCH 2014

		ACTUAL	BUDGET	Variance
		2013/14	2013/14	Favourable (unfavourable)
	Note	R'000	R'000	(uniavourable) R'000
REVENUE				
Skills Development Levy: income	25.1	766 674	693 000	73 674
Administration(10.5%)		99 692	90 956	8 736
Discretionary(49.5%)		419 511	428 794	(9 283)
Employer Grants(20%)		247 471	173 250	74 221
Skills Development Levy: penalties and interest		10 853	-	10 853
Other Income		85	-	85
Investment Income	25.2	41 473	29 000	12 473
TOTAL REVENUE		819 085	722 000	97 085
EXPENDITURE				
Employer Grants	25.3	(186 644)	(173 250)	(13 394)
Discretionary Grants and Project Expenses	25.4	(431 017)	(627 678)	196 661
Administration expenses	25.5	(79 699)	(84 967)	5 268
TOTAL EXPENDITURE		(697 360)	(885 895)	188 535
NET SURPLUS/(DEFICIT) F	OR THE YEAR	121 725	(163 895)	285 620

# NOTES

- 25.1 Levy income was ahead of budget mainly due to a higher than budgeted salary increase in the sector of 6.5% compared to budget of 5%.
- 25.2 The interest earned was ahead of budget mainly due to increase levies resulting in more funds invested
- 25.3 Employer grants expenditure was ahead of budget due mainly to higher levy income received
- 25.4 Expenditure on discretionary grants and projects was below budget mainly due to delays in allocation of PIVOTAL grants
- 25.5 Actual administration expenditure was below budget due to a high favourable variance in employment costs because of vacant positions



# NOTES





# NOTES








RP229/2014 ISBN: 978-1-770-18732-0

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