

Introduction



Dr Blade Nzimande
Minister of Higher Education,
Science and Technology

Submission of Annual Report to the Executive Authority

Honourable Minister

It is my privilege and pleasure to present to you the Annual Report of the Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA) for the period 01 April 2018 to 31 March 2019 in accordance with the Public Financial Management Act, 1 of 1999.

On behalf of the MICT SETA Board and staff, I would like to extend my gratitude to you and the Department of Higher Education, Science and Technology for the unwavering support received during this reporting period.

Yours faithfully

A handwritten signature in black ink, appearing to be 'S. Ngubane', written in a cursive style.

Sihle Ngubane
Chairperson of the Board

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PART A

GENERAL INFORMATION

1

MICT SETA's General Information

Registered Name:

Media, Information and Communication Technologies Sector Education and Training Authority

Registration Number:

SETA Number 12

Physical Address:

Block 2, Level 3, West Wing, Gallagher Convention Centre, 19 Richards Drive, Midrand

Postal Address:

PO Box 5585 Halfway House 1685

Telephone Number:

+27 11 207 2600/3

Fax Number:

+27 11 805 6833

Email Address:

info@mict.org.za

Website Address:

www.mict.org.za

External Auditors:

The Auditor-General, 300 Middel Street, New Muckleneuk, Pretoria, South Africa

Bankers:**Investec**

100 Grayston Drive, Sandown, Sandton 2196

South African Reserve Bank of SA (CPD)

PO Box 427 Pretoria 0001

First National Bank:

Carlswald, Postnet Suite 94

Private Bag X121 Halfway House 1685

First National Bank

Enterprise Road, FNB Building, 2nd Floor, Fairland 2170

Board Secretary:

Mr Madimetja Tisana

List of Abbreviations/Acronyms

4IR	Fourth Industrial Revolution
ARC	Audit and Risk Committee
B-BBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSIR	Council for Scientific and Industrial Research
DG	Discretionary Grants
DHET	Department of Higher Education and Training (Republic of South Africa)
DST	Department of Science and Technology
DoTDT	Department of Telecommunications and Digital Transformation
EE	Employment Equity
ETDP	Education, Training and Development Practices
ETQA	Education and Training Quality Assurance
EXCO	Executive Committee
FET	Further Education and Training (Private and Public Training Colleges)
FINREMCO	Finance and Remuneration Committee
GRAP	Generally Recognised Accounting Practices
HET	Higher Education and Training
HR	Human Resources
HRDS	Human Resources Development Strategy
ICT	Information and Communication Technologies
IESBA	International Ethics Standards Board for Accountant Code
IIA, SA	Institute of Internal Auditors South Africa
IMS	Information Management System
IoT	Internet of Things
IPAP	Industrial Policy Action Plan
IRBA	Independent Regulatory Board for Auditors
ISA	International Standards of Auditing
ISOE	Institute of Sectoral or Occupational Excellence
IT	Information Technology
LPD	Learning Programmes Division
MICT	Media, Information and Communication Technologies
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NGO	Non-Governmental Organisation
NSA	National Skills Accord
NSDS	National Skills Development Strategy
NSF	National Skills Fund
NQF	National Qualifications Framework
OHSA	Occupational Health and Safety Act
OLA	Operational Level Agreement
PFMA	Public Finance Management Act
PIVOTAL	Professional, Vocational, Technical and Academic Learning Programme
QCTO	Quality Council for Trades and Occupations
QMS	Quality Management Systems
SAQA	South African Qualifications Authority
SARS	South African Revenue Services
SCM	Supply Chain Management
SD	Skills Development
SDA	Skills Development Act
SDL	Skills Development Levy
SDLA	Skills Development Levies Act
SETA	Sector Education and Training Authority
SIC	Standard Industrial Classification
SIPs	Strategic Integrated Projects
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprises
SSP	Sector Skills Plan
TIA	Technology Innovation Agency
TVET	Technical Vocational Education and Training (previously known as FET colleges)
UIF	Unemployment Insurance Fund
WSP	Workplace Skills Plan
W&RSeta	Wholesale and Retail Sector Education and Training Authority



Foreword by the Chairperson of the Board

“The “New Dawn” is upon us,
it demands of us to make changes...”

1. Introduction

I am honoured to present the 2018/19 Annual Report of the MICT SETA on behalf of the Accounting Authority. I want to take this opportunity to acknowledge and appreciate fully the support given to us by the Department of Higher Education, Science and Technology Executive Authority and the MICT SETA staff in effectively serving and leading the organisation. Faced with many challenges in the year under review, the Board was able to navigate and successfully develop mitigating strategies in providing our oversight role.

2. Strategy and Performance in the MICT sector

The MICT SETA has in the period under review, fully achieved five of the seven strategic goals as per the Strategic Plan and the Annual Performance Plans. The Board approved the 2015-2020 Strategic Plan and the Annual Performance Plan. However, the Board noted that the “New Dawn” in particular as it relates to the Fourth Industrial Revolution (4IR) means that the MICT SETA can no longer operate under the auspices of “business as usual”. The MICT SETA must now maintain deliberate efforts to achieve excellence and compliance with applicable legislation to deliver on its mandate, and strategically align itself to the urgent needs to the urgent needs of the Fourth Industrial Revolution.

The “New Dawn” is upon us, it demands of us to make changes, to have a significant impact on the economy of the country and to move away from the comfort zone. The MICT SETA Strategy must make an impact on skills development through the Fourth Industrial Revolution, our Strategic Plan, Annual Performance Plan, the Skills Sector Plan and Operational Plans. The MICT SETA has through the CEO's office established the Fourth Industrial Revolution Committees to effectively and efficiently respond to the national imperatives.

3. Strategic Relationships

In expanding our relationships with universities, TVETs and other SETAs; the MICT SETA will target historically disadvantaged institutions such as the University of Limpopo, Nelson Mandela University and the University of Kwazulu-Natal, among others.

In an effort to respond to a DHET directive to foster innovation, already existing TVET Colleges such as Umfolozi, Coastal North, Tshwane North and Johannesburg North are on our radar for strategic relationships, where Centres of Excellence will be established in these institutions. To prioritise and increase our focus and attention on the production of skills for rural development to support government's prioritisation of rural development, the MICT SETA will collaborate and partner with the relevant stakeholders to create programmes that will close the skills gaps that exist between rural and urban youth.

4. Medium- to Long-term Goals

We have made huge progress with providing skills development that spreads service provision to reach those not previously reached by our programmes. by our programmes. We have a rural development policy to address the lack of reach in rural areas and the implementation is progressing very well.

We are in transition to deliver state of the art 4IR training modules, we want our youth and women to acquire skills to build PLCs (Programmable Logic Controllers), to develop mobile applications and to develop ICT solutions that solve our everyday socio-economic challenges such as rape, crime, etc.

The training opportunities are mainly concentrated in urban areas due to the fact that most ICT companies are based in urban rather than rural areas. The MICT SETA has a Rural Training Strategy to address the imbalances. While an impact is being made in this regard, more resources must be made available for this strategy. The intention is to also extend it to townships.

Skills shortages have an impact and may lead to economic stagnation. When our youth and women are not skilled they become susceptible to being consumers of technologies developed for them by the East and the West. The MICT SETA intends to contribute towards changing the status quo of consumers to producers. We will nurture the talent of our young people so that they compete effectively and are at par with the rest of the world. A successful country is measured by how skilled its workforce is.

5. Sector Performance

The MICT SETA understands that government's various policy and planning interventions are attempting to achieve objectives articulated in the National Development Plan (NDP). The policies and plans have a direct bearing on the sector's skills development endeavours and as such, should not be considered in a fragmented approach but as a coherent response by the MICT SETA and its stakeholders. These include, but are not limited to:

- White Paper on Post Schooling Education and Training
- Human Resources Development Strategy for South Africa
- National Skills Accord
- National Skills Development Strategy (NSDS) III
- National Integrated ICT Policy White Paper Industrial Action Policy Plan
- Strategic Integrated Projects (SIPs)
- Broad-Based Black Economic Empowerment (B-BBEE)
- Draft Policy Framework on Gender-Based Violence in the PSET system

Building and managing talent requires a concerted effort and resources. A positive sign is that both industry and the government are aware of the drivers behind the gaps that exist and both are responding to this through individual and collective action. There is an effort by the MICT sector to compel the employers and some service providers to absorb unemployed people, particularly young people who have graduated from learning programmes, in order to address individual employers' scarce skills.

The speed with which technology changes is the major shapeshifter across the MICT sector. There were some positive developments across the industry, stock prices of ICT forms reached new heights, acquisitions of tech operators and e-commerce players gathered speed, and more start-ups took off – a situation that promised to change the South African ICT industry to allow more access to the digital world and to increase demand for advanced ICT skills. To further demonstrate this, we have hackathons, we collaborate with the Technology Innovation Agency (TIA) to discover new inventions and solutions, and we collaborate with the CSIR on research related to ICT activities.

For the MICT SETA, the challenge has been to balance servicing the pivotal skills to have an impact on the e-skills of a bigger population. Over the years, policy and national strategies have helped shift funding to fill skills gaps that are placed in the mid to high levels on the National Qualifications Framework. With increased convergence, networking and developments in the Fourth Industrial Revolution (4IR), Artificial Intelligence (AI), Robotics and Internet of Things (IoT), professionals may need to be increasingly adept in a range of skills.

Cloud Computing, Big Data and Data Scientists demands are also on the rise – we need to produce these skills in magnitude. If not, consuming will be our poison and we will only cater for a market of consumers which is mostly controlled by the producers, thus being led by those markets in the battle of ideas (ideology) and information dissemination - those who produce will certainly determine the way.

6. Challenges and Opportunities

Skills development is an ongoing process. The skills development agenda creates both opportunities and challenges. The history of this country dictates that the skills development mandate cannot be abandoned.

The unemployment rate is increasing exponentially affecting graduates and their inability to enter the economic market at an equitable rate. The economy is shrinking and rating agencies are keeping a hawk eye on South Africa. These challenges require the MICT SETA's intervention to devise strategies, in collaboration with our stakeholders that will respond to the reduction of data costs. There is a planned programme of collating a database of unemployed graduates that will assist

the MICT SETA in channeling these graduates towards ICT skills or persuading them to consider qualifications in ICT. One other challenge is the provision of “End-User-Computing” which may be considered outdated. However, note must be taken of the fact that in some communities “End-User-Computing” might be a requirement where access to computers is still a challenge. The MICT SETA must continue to make “End-User-Computing” available in such communities.

The Presidential 4IR Commission, as a blueprint for 4IR-related industry activities, is a remarkable opportunity for the MICT SETA to provide input and align ourselves with all Fourth Industrial Revolution activities relevant to the MICT sector. We are working very closely with the Department of Telecommunications and Digital Transformation (DoTDT) in addressing the skills shortages and contributing to the 4IR policy formulation. The Minister of DoTDT’s passion for 4IR is a catalyst for addressing the skills shortages within this space. The amalgamation of the DST and DHET also presents a huge opportunity for us, it eliminates barriers and allows the MICT SETA to collaborate with institutions such as TIA and CSIR without any stumbling blocks. We are now a single Ministry. The interSETA collaboration is one such huge opportunity for the MICT SETA to assist in hosting any ICT, Media and Advertising-related activities for all SETAs. We look forward to these opportunities.

The MICT SETA aims to turn all these challenges as new opportunities and maximize on the opportunities already available.

7. Change Drivers

ICT has transformed society over the last thirty or more years. A new wave of technological advancement is now creating novel opportunities, while testing the government’s and business’s ability to harness these benefits and provide prudent oversight to their impact. It is important to identify priority sector development outcomes that will be supported with skills development.

The following are the key changes or focal areas in respect to the sector. However, these should not be viewed as exclusive, but rather as a guide to the types of outcomes and impact that the stakeholders are seeking to achieve when implementing skills strategies.

- Fourth Industrial Revolution
- Internet of Things
- Artificial Intelligence
- Data Scientists
- Cloud Computing
- Big Data

8. TVET Offices

The MICT SETA has a fully functional satellite office at the Vuselela TVET College in Jouberton, Klerksdorp. This was in response to the Department of Higher Education Training, Science and Technology’s request for SETAs to establish offices in TVET colleges.

9. Acknowledgement and Appreciation

Since the Board’s inception from 01 April 2018, the Board has endeavoured to improve on governance structures in order to consistently deliver on our core mandate. To adhere to strict governance principles, we have established the Governance and Strategy Committee as a new Board sub-committee tasked with making recommendations to the Accounting Authority concerning the MICT SETA strategy.

The Board prides itself on having representation from both Organised Labour and Organised Employers; Professional Bodies and Community Organisations. The Board has worked very hard to ensure that there is cohesiveness both in the Board and the relevant sub-committees. The provision of the strategic direction of the institution by the Board is above reproach. All sub-committees are 100% functional.

I would like to thank all Board Members and Sub-committee Members of the MICT SETA who diligently rendered strategic direction geared towards assisting the MICT SETA to fulfill its mandate. To the management and staff, my best gratitude goes to all of you for the commitment you have shown, without you there is no MICT SETA.

I am looking forward to a SETA that works effectively and efficiently and plays a remarkable role in making our entire government an exemplary one, a government that cares.

10. Conclusion

In partnership with our stakeholders we are looking forward to implementing our programmes and targets in the next financial year which will respond to the skills development needs of the sector and the nation.

We look forward to the next financial year, to working very hard again and achieving clean governance, with a “Thuma Mina” government that is willing to work for the needs of our people, and address the ICT, Media and Advertising skills shortages.



Mr Sihle Ngubane
Chairperson

Date: 31 July 2019



Message from the Chief Executive Officer

“Commitment to good governance and financial discipline will be of foremost importance.”

Introduction

It is with great honour and privilege that I present the Annual Report of the MICT SETA for the 2018/19 financial year. The year under review had its challenges which centred around organisational capacity, requiring a concerted effort to strengthen systems and internal controls. Commitment to good governance and financial discipline will be of foremost importance in the coming financial year as we address audit findings that were highlighted through an unqualified audit outcome.

Organisational Performance

The organisation has done well in achieving most of the planned targets in all our programmes in the financial year under review. We also welcome the unqualified opinion on our annual performance report. We are proud to have played a role in ensuring that more than 6 600 learners had access to our learning programmes as we impart skills, re-skill and up-skill them for employment opportunities.

Due to the dynamic nature of our industry, our programmes will now include Fourth Industrial Revolution learner programmes, which provide an opportunity for the MICT SETA to play an active role in ensuring that our programmes are current and progressive.

Financial Overview and Spending Trends

Statement of Financial Performance

The entity received R867 million in skills development levies income compared to R818 million in the prior year. The 6% increase from the previous year can be attributed to growth in salaries within the sector, as well as an increase in the number of employers registered with the MICT SETA.

We paid mandatory grants of R167 million, which is a 9% increase from R154 million paid in the prior year. The payout

ratio is 78% as opposed to 76% in the prior year; R560 million was spent on discretionary grants, which is an 8% decrease compared to the prior year. The decrease was mainly due to the reorganisation of the grants awarding process. Expenditure on administration was R93 million, which is an increase of 17% compared to the prior year. The organisation has operated well within the limit on administration expenditure of 10.5% as required by legislation.

Irregular Expenditure

The audited financial statements reflect R89 million irregular expenditure, in which R15 million is due to non-compliance with regulations.

R67 million and R7 million relates to over-spending against budget in the prior and current year respectively.

The irregular expenditure relating to non-compliance with regulations was investigated, and appropriate consequence management was instituted against the officials who committed the irregular expenditure. Various process reforms in the supply chain management are being implemented.

Commitment Register

The organisation over committed on its discretionary grants commitments by R324 million at the end of the financial year.

Root causes for this overcommitment have been identified, and measures are being put in place to ensure that the organisation does not commit beyond its funding threshold in the foreseeable future.

Capacity Constraints and Challenges

We experienced a lot of movements within our senior personnel, in which a number of key senior positions were either vacant or were temporarily capacitated. This created a challenge for us to be able to operate effectively during the financial year.

We are, however, in the process of fully capacitating these key positions and have made great progress in this regard. The MICT SETA's first CFO, Tiny Mokhabuki, is also in office, marking a departure from the outsourcing model of the past to the formation of a fully-fledged in-house finance function. The CFO office is currently being staffed to include managers and staff who will support the office, including acquisition of relevant enterprise resource planning systems. Another key resource to be brought in-house is that of Chief Information Officer, for which we are in the process of sourcing a suitable candidate.

We look forward to ensuring that we attract and retain employees with the appropriate skills. Continuous upskilling, coaching, and mentoring of our employees; as well as keeping up with the constant flow of new practice notes and circulars will be the key focus for us in the next financial year to ensure that we "get the basics right" and lay a firm foundation for the entity to thrive.

Impact of 4IR on our Programmes

The effects of the Fourth Industrial Revolution have become our reality with notable causalities in various sectors of our economy shedding jobs. We, as the MICT SETA, are steadfast in engaging with our stakeholders in re-skilling and upskilling initiatives. We are also developing new qualifications needed to meet the skills demand brought on by the Fourth Industrial Revolution.

Request for Rollover of Funds

There was no request to rollover funds.

Concluded Unsolicited Bid Proposals

There were no concluded unsolicited bid proposals that we are aware of.

Discontinued Activities / Activities to be Discontinued

There are no discontinued activities or intention to discontinue any activities of the MICT SETA.

Supply Chain Management

We have Supply Chain Management systems and processes in place. Our Supply Chain Management system consists of six core processes: Demand, Acquisition, Logistics, Disposal, Risk Management, and Performance Evaluation and Monitoring.

Despite having the systems and processes in place, our Supply Chain Management experienced strain within the financial year, contributing to irregular expenditure that was incurred. This has been a wake-up call for the entity to tighten our system of internal controls. The appointment of the new Supply Chain Manager, effective September 2019 will look at overhauling the entire supply chain processes and ensure that policies, rules and regulations are implemented and monitored on an ongoing basis in the wake of the weaknesses identified within the financial year.

Audit Reporting Matters

Our audit outcome of an unqualified opinion is welcomed despite matters emphasising controls that were not optimal particularly on supply chain management processes, budget management and general compliance with laws and regulations.

We have analysed the root causes for the breakdown of internal controls; and based on our analysis and investigations, measures are being put in place to improve the internal control environment, including consequence management on any transgressions. Accountability is emphasised on every staff member to ensure that every individual is actively working towards fixing the internal control environment.

Post Balance Sheet Events

There were no post balance sheet events that came to our attention that required adjustments to the annual financial statements. For all matters after reporting date please refer to the annual financial statements (page 99).

Economic Viability

The organisation remains economically viable even though there is room for improvement in terms of broadening the levy income base. The backing of the UIF funding will also bolster our intent to deliver more learner opportunities. There are no policy reforms that need to be undertaken since financial viability is not at risk.

Appreciation

I would like to express my sincere gratitude to the Board of the MICT SETA, the Ministry, management team, employees and all our stakeholders for their support in my new role and also supporting the organisation in actualising its mandate.

I am looking forward to an exciting journey with the team as we move forward towards "changing the game".

Thank you



Mr Mdu Zakwe
Chief Executive Officer
Date: 31 July 2019

5

Statement of Responsibility and Confirmation of Accuracy

For the Annual Report for the year ended 31 March 2019

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

- All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General
- The Annual Report is complete, accurate and is free of any omissions
- The Annual Report has been prepared in accordance with the guidelines as issued by National Treasury
- The Annual Financial Statements (Part E) have been prepared in accordance with the SA GRAP standards, applicable to the public entity
- The Accounting Authority/Board is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information
- The Accounting Authority/Board is responsible for establishing and implementing a system of internal control, 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 Auditor-General is 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 organisation, for the financial year ended 31 March 2019



Mr Sihle Ngubane
Chairperson of the Board
31 July 2019



Mr Mdu Zakwe
Chief Executive Officer
31 July 2019

6 Strategic Overview

VISION

A global leader in the development and delivery of revolutionary ICT skills

MISSION

We provide opportunities for our stakeholders to participate in the economy, through meaningful employment and entrepreneurship, in building a capable, creative and innovative developmental state

VALUES

Honesty
Integrity
Excellence
Meritocracy
Accountability
Responsiveness



7 Legislative and other Mandates

The Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA) is a public entity established in terms of the Skills Development Act No. 97 of 1998; and listed as a schedule 3A entity as per the Public Financial Management Act No. 29 of 1999 (PFMA).

Moreover, the MICT SETA operates within the following legislative mandates:

7.1 Constitutional Mandates

The sections within the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) that guide the operations of the MICT SETA include the following:

- Promoting and maintaining high standards of ethics
- Providing service impartially, fairly, equitably and without bias
- Utilising resources efficiently and effectively
- Responding to peoples' needs, the citizens are encouraged to participate in policy-making
- Rendering an accountable, transparent, and development-oriented administration

7.2 Legislative Mandates

The sections within the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) that guide the operations of the MICT SETA include the following:

- Skills Development Act (SDA) 1998 (Act No. 97 of 1998) as amended
- Skills Development Levies Act (SDLA), 1999 (Act No. 09 of 1999)
- Regulations published in the Government Gazette, No. 35940, 3 December 2012 regarding Monies Received by a SETA and Related Matters
- The National Qualifications Framework Act (NQF), (Act No. 67 of 2008)
- Public Finance Management Act (PFMA) (Act No. 29 of 1999)
- Employment Equity Act (EE), 1998 (Act No. 55, 1998).

7.3 The other Legislative Frameworks include:

- National Development Plan (NDP)
- Industrial Policy Action Plan (IPAP)
- Medium Term Strategic Framework (MTSF)
- Ten-Year Innovation Plan
- Strategic Integrated Projects (SIPs)
- National Skills Development Strategy (NSDS) III
- Municipal Integrated Development Plans
- Provincial Growth and Development Strategies

These government policy frameworks and programmes have one objective in common, and that is to address the triple ills of inequality, poverty and unemployment. These policies provide

good guidelines and frameworks for the MICT SETA to work within, therefore the MICT SETA considered these frameworks and employed them as the basis in developing its Strategic Plan and Annual Performance Plan.

7.4 Policy Mandates

The policy mandate of the MICT SETA is addressed in the MICT SETA Constitution, Government Gazette No. 35336 of 11 May 2012 and related policies, to:

- Implement the Sector Skills Plan
- Promote learnerships in each of the sub-sectors of the SETA
- Perform the functions of an Education and Training Quality Assurance Body
- Liaise with the National Skills Authority on skills development matters
- Conclude a Service Level Agreement with the Director-General of the Department of Higher Education and Training in terms of section 10A of the Skills Development Act, No. 97 of 1998
- Promote the national standard established in terms of section 30B of the Skills Development Act, No. 97 of 1998
- Submit budgets, reports and financial information that are required in terms of the Public Finance Management Act, No. 1 of 1999 to the Director-General of the Department of Higher Education and Training
- Facilitate the involvement of relevant government departments in the activities of the SETA to:
 - address the competency requirements for social delivery
 - address the learning needs of the most vulnerable segments of the Sector;
 - promote training in SMMEs to enable them to qualify for public contracts
 - perform any duties imposed by the Act and to actively pursue concrete measures to achieve the objectives of the Act.

7.5 Relevant Court Rulings

Not applicable

7.6 Planned Policy Initiatives

Not applicable

8 Executive Authority



Dr Blade Nzimande
Minister of Higher Education,
Science and Technology



Mr Buti Manamela
Deputy Minister of Higher Education,
Science and Technology



**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

9 Accounting Authority



Back row – from left to right

Zamaswazi Phakathi, Thabo Mofokeng, Matsebe Phasha, Teboho Morobe, Donald Liphoko, Sontaga Mantlhakga, Thamsanqa Mzileni

Front row – from left to right

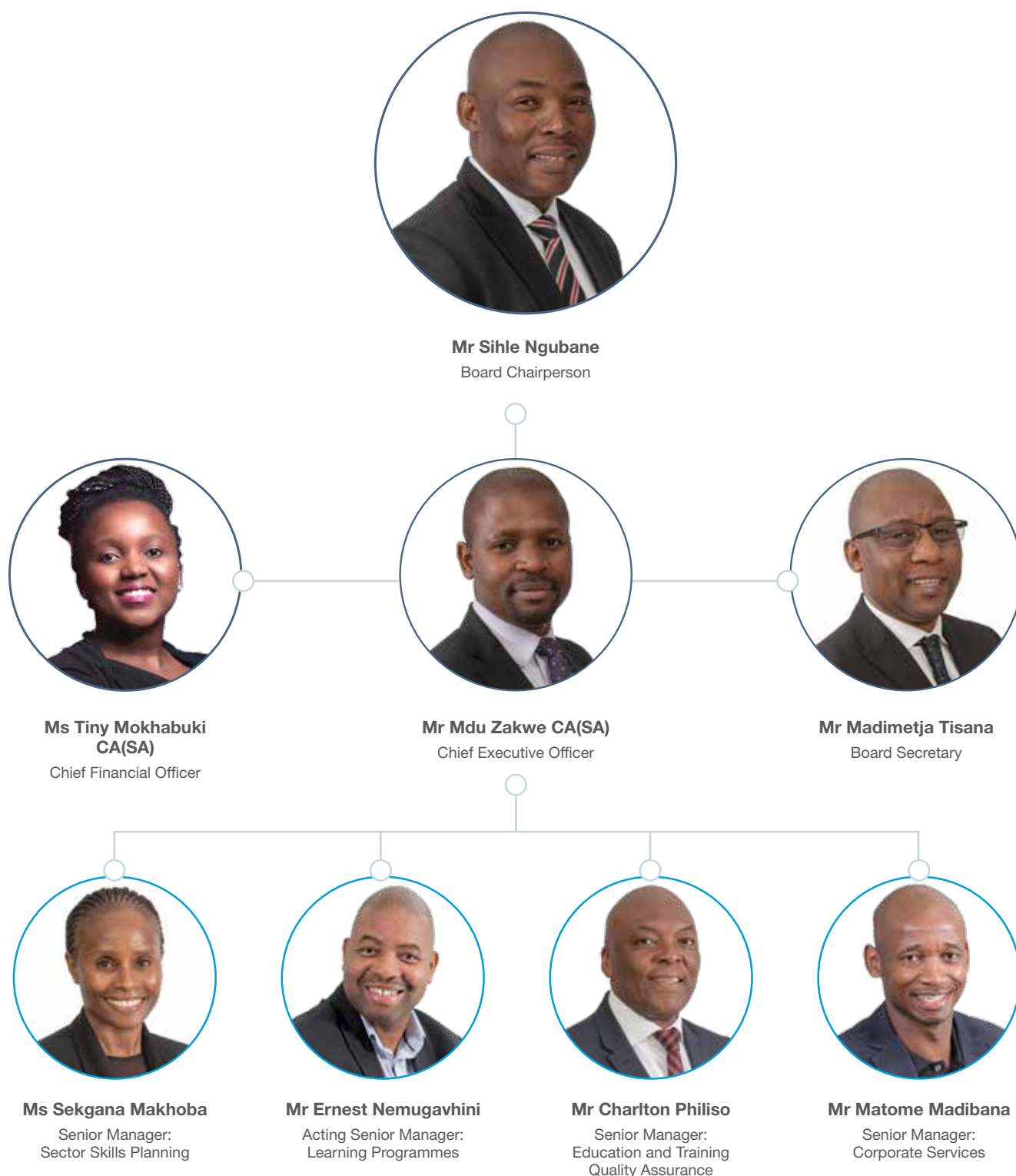
Montseng Mopeli, Ntomboxolo Maheneza, Sihle Ngubane (Board Chairperson), Nocwaka Oliphant, Ntombikayise Khumalo, Marilyn Radebe

Absent: Ulandi Exner

10 Organisational Structure

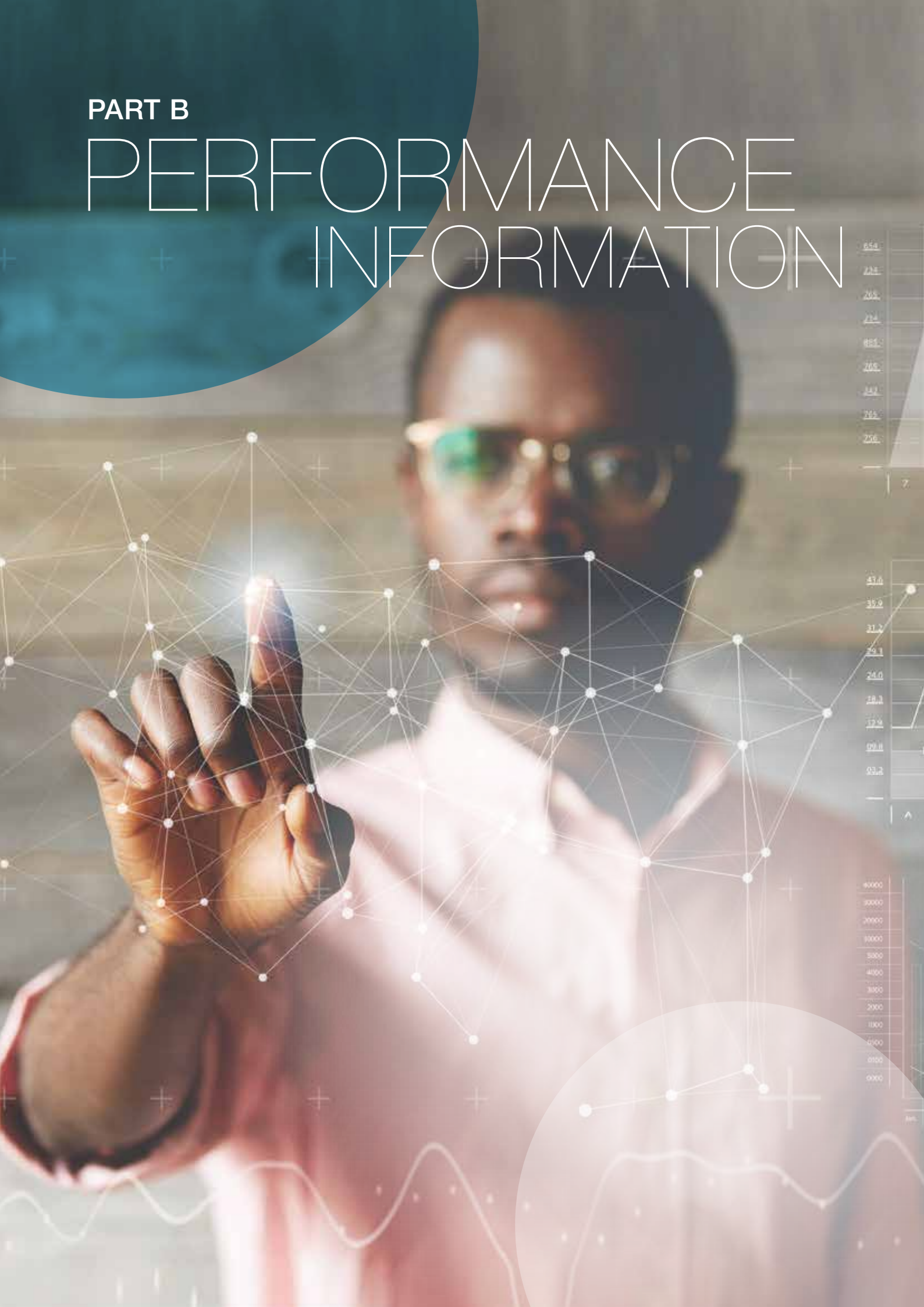
During the year under review, the MICT SETA had significant changes in its key personnel. Various key positions were occupied by acting personnel during the financial year, which created challenges on the organisation's capacity. *Refer to note 24 on page 95 for movements in the key personnel.

The MICT SETA has, however, made significant strides in filling the key posts such as Chief Executive Officer, Chief Financial Officer and Senior Manager: Corporate Services; post reporting date, prior to the financial statements being authorised for issue as indicative in the organisational structure below:



PART B

PERFORMANCE INFORMATION



1 Auditor's Report

Predetermined Objectives

The AGSA performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. This conclusion on the performance against predetermined objectives is included in the report to management. The AGSA raised no material findings on the usefulness and reliability of the reported performance information.

Refer to pages 57 to 61 of the Auditor-General's Report, published in Part E: Annual Financial Statements.

2 Situational Analysis

2.1 Service Delivery Environment

The MICT sector traverses a bulk of the broader services sector. With the exception of a few sub-sectors involved in the production of goods, the sector falls mainly within the provision of services. The MICT sector is made up of five sub-sectors that are inter-related but also quite distinct and identifiable in their own right. They are:

- Advertising
- Film and Electronic Media
- Electronics
- Information Technology
- Telecommunications

The five sub-sectors of the SETA are increasingly converging into a single ICT ecosystem – as information, telecommunications, advertising and even film are streamed using similar technologies. The sector is premised on the convergence between content, commerce, community and the tools that support them. The MICT sector is an array of segments, including news, market research, business process automation, media, data services, software, hardware,

telecoms, financial and risk information, and security among others. Essentially, the sector is anchored by the role of unified communications which enable access, storage, transmission, and manipulation of information.

The MICT sector is currently made up of almost 29 000 companies spread across the five sub-sectors. This estimate represents only companies allocated to the MICT SETA through the SARS registration process. About 50% of the sector employer base constitutes organisations in the Information Technology sub-sector, followed by Telecommunications with 18%, Electronics with 14% and Advertising with 11%. Contributing the least among the sectors is the Film and Electronic Media with 7%.

There is also a general perception that there has been an adverse trend on the labour market. Employer data submitted in 2018 reflects employment at 193 604 down from 238 785 people employed in companies submitting WSPs in 2017. Overall, the number of levy paying employers has increased by 10.2% in 2018 (7 089 employers), up from 6 602 the previous financial year.

The table below depicts the MICT SETA Standard Industrial Classification (SIC) Codes.

The MICT SETA Standard Industrial Classification (SIC) Codes:

SIC Code	Description
35791	Manufacture of Alarm Systems
75200	Telecommunication
75201	Wired Telecommunication Carriers Telegraph
75202	Television Broadcasting, Television and Radio Signal Distribution
75203	Cable Networks and Programme Distribution; Cable TV Services
75204	Telephone
75205	Wireless Telecommunication Carriers except Satellite Radiotelephone
75209	Television Broadcasting
75211	Telecommunication and Wired Telecommunication Carriers
75212	Paging
75213	Cellular and Other Wireless Telecommunication
75214	Satellite Telecommunication
75215	Other Telecommunication
75216	Security Systems Services except Locksmiths
75217	Office Automation, Office Machinery and Equipment Rental Leasing including Installation and Maintenance
86001	Software Publishers Prepacked Software
86002	Computer Systems Design and Related Services; Computer Integrated Design
86003	Computer Facilities Management Services
86004	Electronic and Precision Equipment Repair and Maintenance; Computer Maintenance and Repairs
86005	Computer Rental and Leasing
86006	Computer Programming Services
86007	Other Computer Related Activities
86008	Call Centre Systems Development and Installations Activities; Call Centre and Customer Relationship Management System Development
86009	Computer System Design Services and Integrated Solutions
86010	Consumer Electronics Repair and Maintenance
86011	Computer and Office Machine Repair, Maintenance and Support Services
86012	Communication Equipment Repair and Maintenance
86013	Other Electronic and Precision Equipment Repair and Maintenance
86014	Repair and Maintenance of Electronic Marine Equipment
87142	Research and Development of Electronic Equipment and Systems
87143	Import and Product Integration of Pre-Manufactured Electronic IT and Telecommunications Equipment
87146	Research and Development in the Physical and Engineering Sciences
87147	Electronics Importation and Product Integration of Pre-Manufactured Electronics, IT and Telecommunications Equipment
87148	Telecommunications Importation and Product Integration of Pre-Manufactured Electronics, IT and Telecommunication Equipment

SIC Code	Description
96131	Providing Radio and Television Transmission Signals
96133	Installation, Maintenance and Repair of Tracking Devices for Cars
96110	Motion Picture and Video Production and Distribution
96112	Related Activities - Film and Tape Renting to other Industries, Booking, Delivery and Storage
96113	Film and Video Reproduction
96123	Bioscope Cafes
96132	Production and Broadcast of Radio and Television Broadcast Content
96200	News Agency Activities
88310	Advertising
88311	Activities of Advertising Agents
88313	Commercial Design
88940	Photographic Activities

Source: Government Notice, No. 33756, Government Gazette, 11 November 2010

Sector Performance

The MICT SETA understands that government's various policy and planning interventions are attempting to achieve objectives stated in the National Development Plan (NDP). The policies and plans have a direct bearing on the sector's skills development endeavours and as such, should not be considered in a fragmented approach but require a coherent response from the MICT SETA and its Stakeholders. These include, but are not limited to:

- White Paper on Post School Education and Training
- Human Resource Development Strategy for South Africa (HRDS)
- National Skills Accord (NSA)
- National Skills Development Strategy (NSDS) III
- National Integrated ICT Policy White Paper
- Industrial Action Policy Plan (IAPP)
- Strategic Integrated Projects (SIPs)
- Broad-Based Black Economic Empowerment (B-BBEE)

Building and managing talent requires a concerted effort and resources. A positive signal is that industry and government are aware of the drivers behind the gaps and both are responding to this through both individual and collective action. There is an effort by the MICT sector to absorb unemployed people, particularly the youth that graduated from respective learning programmes, to address individual employers' scarce skills. The speed with which technology changes, is the major shapeshifter across the MICT sector. There were some positive developments across the industry, stock prices of ICT firms reached new heights, the acquisitions of tech operators and e-commerce players gathered speed, and more start-ups took off – a situation that promised to change the South African

ICT industry to allow for more access to the digital world and increase demand for advanced ICT skills.

For the MICT SETA, the challenge has been to balance servicing the PIVOTAL skills to have an impact on the e-skills of a bigger population. Over the years, policy and national strategies have helped shift funding to fill skills gaps that are placed in the mid to high levels on the National Qualifications Framework. With increased convergence, networking and developments in the Internet of Things (IoT), professionals may need to increasingly be adept in a range of skills. Specialists may give way to generalists who can work across a multitude of technologies. In the short-term, the convergence of telecommunication with cloud computing will require that telecommunication engineers and IT specialists understand both specialties.

Challenges and Opportunities

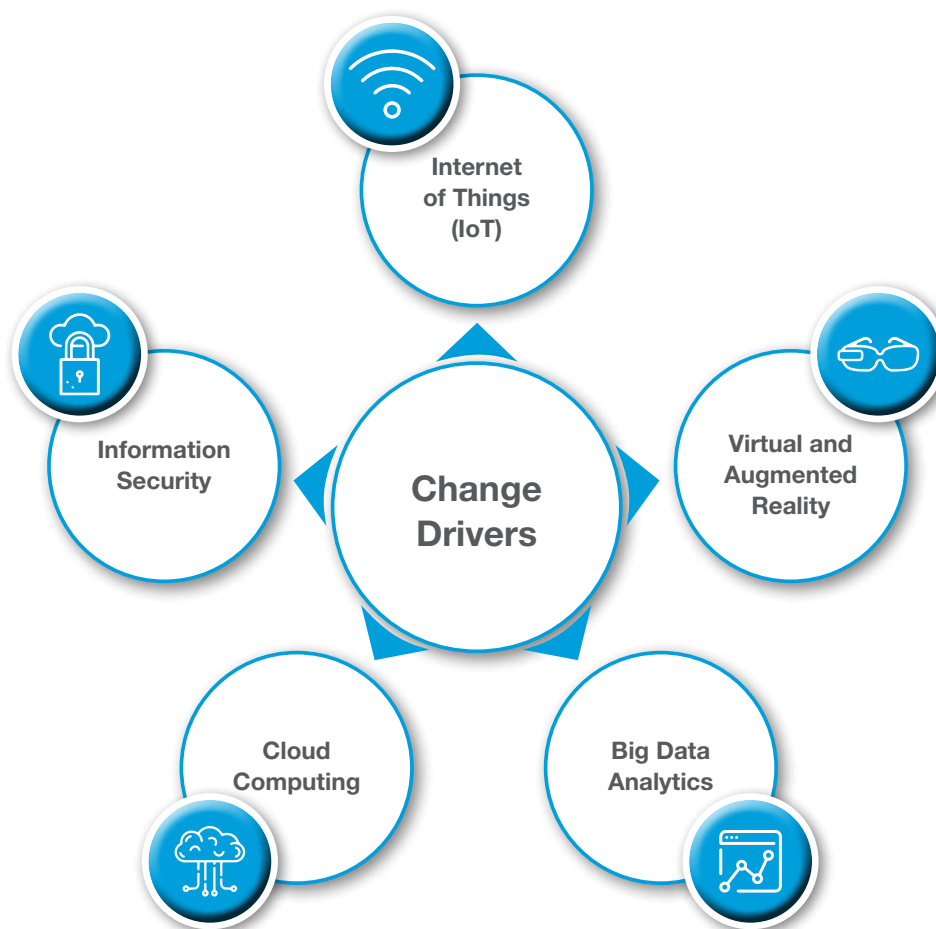
There are strategic challenges across the economy that fall within the sphere of the MICT SETA that need to be addressed. The SETA has a number of sub-sectors, each with unique needs. Thus, acquisition of skills remains an ongoing challenge, made worse by emerging technologies. Ensuring that growth is inclusive and it deepens transformation, the MICT SETA aligns the skills agenda to the needs of the economy, supporting innovation and paying greater attention to the needs of small businesses that have the potential for expanding employment. Priority sector development initiatives by the MICT SETA include: broadband rollout for purposes of connectivity; developing the role of the MICT sector in the global market; new media; addressing new/emerging technology and supporting innovation; the Green Economy and protecting the environment; use of technology to support inclusion. These are areas of sector development that the MICT SETA stakeholders will work together to achieve agreed outcomes and impact in the sector.

Change Drivers

ICT has transformed the society over the past 30 years. A new wave of technological advancement is now creating novel opportunities, while testing government's and business's ability to harness these benefits and provide prudent oversight to their impact. This new phenomenon is termed the 'Fourth Industrial Revolution' which alters the way communities live and work through a fusion of technologies, blurring lines between the physical, digital, and biological spheres. In its nature,

it is complex, with an application of Science, Technology, Engineering and Mathematical (STEM) knowledge at its core. In its simplicity it is an extension of 'Industrial Revolution 1, 2 and 3' with an addition of Artificial Intelligence (AI) built into machines that can think and do most things that were the sole prerogatives of the human species in the past. With South Africa pushing to be an e-skilled economy as outlined in the National Development Plan, Vision 2030, it is important to identify priority sector development outcomes that will be supported with skills development.

The following are the key changes or focal areas in respect of the sector. However, these should not be viewed as exclusive, but rather as a guide:



While it is generally accepted that there has been widespread transformation of the sector's labour market, in particular the nature of skills demanded, it seems there is a need to follow a high skills digital path. The change drivers in the sector suggest ever-increasing access in the digital spectrum and an ever-widening choice of content for entertainment and new apps. Therefore, skills development must follow course – with specialised skills to set up and maintain new technologies. However, that has to be balanced with solving for lower-end skills. Finding a means to ensure inclusive digital revolution means paying attention to those still becoming

literate in electronic technology. With the renewed government commitment to leveraging technology for development and to the transformation of the ICT sector, additional resources are to be leveraged for skills development. It is against this backdrop that the MICT SETA has endeavoured to work with Stakeholders in each sub-sector to set realistic targets, assess provision and access across provinces, regions, industries, occupations and companies of different sizes. This will allow the MICT SETA to spend more time on addressing those skills gaps borne by high-level digital advancements.

2.2 Organisational Environment

The MICT SETA is governed by a representative Board and its sub-committees which provide strategic direction to the organisation. The MICT SETA has a staff complement of 75 employees to deliver on its mandate. The MICT SETA signed a Service Level Agreement (SLA) with the Department of Higher Education and Training to deliver on its mandate. The substantial increase in the number of employees is attributable to new operational requirements. The operations of the MICT SETA are centralised at its head office in Midrand, with Regional Offices in Cape Town, East London, Durban and a satellite office in Klerksdorp.

The MICT SETA comprises three core divisions: Sector Skills Planning (SSP), Learning Programmes Division (LPD)

and Education and Training Quality Assurance (ETQA). The support divisions are Corporate Services (comprising Human Resources, Supply Chain Management and Marketing and Communications) and Quality Management System and Information Technology. The MICT SETA recruited and retained competent employees and implemented an effective performance management system to ensure delivery on its strategy, and will continue doing so.

2.3 Key Policy Developments and Legislative Changes

There were no major changes to relevant policies and legislation that affected the MICT SETA during the year under review.

3 Strategic Outcome-Oriented Goals

The MICT SETA strategy mainly comprises the engagement and support of constituent employers through the provision of funding for industry demand-driven programmes. The targeted beneficiaries include employed, retrenched and the unemployed. One of the MICT SETA's priorities will be to intensify skills development programmes in rural areas and encourage uptake of the SETA programmes. Focused programmes and collaboration with incubators will be critical in addressing overall scarce and critical skills demand within the industry. Furthermore, the MICT SETA has in the past cooperated with public TVET institutions and will continue

doing so to build their capacity to run SETA accredited programmes. This will address skills needs in both rural and urban areas. Cooperation with Higher Education and Training (HET) institutions in the provision of broader high-level skills will be of extreme importance. The MICT SETA will continue to partner with its industry to ensure support for their scarce skills needs, and with professional bodies and associations to promote continued professional development. The MICT SETA will encourage employers within its sector to use their workplaces more effectively to expand the level of training.

OUTCOMES AND OUTCOMES STATEMENTS	
Strategic Outcome-Oriented Goal 1	Ensured sound corporate management.
Goal Statement	Ensure that the MICT SETA is managed effectively and efficiently through annual revision of relevant policies and strategies, together with full compliance with applicable legislation and regulations.
Progress Made	<ul style="list-style-type: none"> • This outcome has been partially achieved • Relevant policies and strategies have been revised and implemented • Challenges were experienced in ensuring full compliance with applicable legislation and regulations
Strategic Outcome-Oriented Goal 2	Established credible mechanism for skills planning within the MICT sector.
Goal Statement	Conduct research and develop a Sector Skills Plan that records industry scarce skills requirements on an annual basis.
Progress Made	<ul style="list-style-type: none"> • This outcome has been achieved. • A research partnership with a professional research house was established, and a Sector Skills Plan was developed and approved
Strategic Outcome-Oriented Goal 3	Increased access to career and vocational guidance within the MICT sector.
Goal Statement	Compile a comprehensive career opportunities guide for the sector using credible labour market information to promote career development on an annual basis.
Progress Made	<ul style="list-style-type: none"> • This outcome has been achieved • A comprehensive career guide document has been produced and distributed to over 4 822 recipients
Strategic Outcome-Oriented Goal 4	Increased access to occupationally directed learning programmes within the MICT sector.
Goal Statement	<p>Establish partnerships with public Technical and Vocational Education and Training (TVET) colleges and private FET colleges, universities of technology and industry to rollout occupationally directed learning programmes.</p> <p>Conduct capacity-building sessions for both public and private FET colleges to enable them to rollout SETA programmes.</p> <p>Link both public and private colleges to employers with the aim of increasing access to occupationally directed learning programmes through learnerships, bursaries, workplace experience and internships on an annual basis.</p>
Progress Made	<ul style="list-style-type: none"> • This outcome has been achieved. • Partnerships with TVETs, universities and industry were successfully established to rollout occupationally directed programmes • Capacity-building sessions for public and private FET colleges were conducted and enabled them to roll out SETA programmes • Access to occupationally directed learning programmes was increased through learnerships, bursaries, workplace experience and internships

OUTCOMES AND OUTCOMES STATEMENTS	
Strategic Outcome-Oriented Goal 5	Increased and improved workplace capacity to meet workplace skills development needs.
Goal Statement	Support qualitative learning programmes that address industry skills needs with the aim of producing competent and work-ready graduates through provision of workplace experience and internship programmes on an annual basis.
Progress Made	<ul style="list-style-type: none"> • This outcome has been achieved
Strategic Outcome-Oriented Goal 6	Improved participation of SMMEs, Unions and NGOs in skills development within the MICT sector.
Goal Statement	Identify the SMMEs skills development needs and support them in addressing those needs through bursaries, learnerships, skills programmes, short courses and internships on an annual basis.
Progress Made	<ul style="list-style-type: none"> • This outcome has been achieved • SMMEs were supported to implement learning programmes such as bursaries, learnerships, skills programmes, short courses and internships
Strategic Outcome-Oriented Goal 7	Increased access to quality programmes.
Goal Statement	Develop new and review registered qualifications annually to ensure relevance and to quality assure learning provision within the MICT SETA scope on an annual basis.
Progress Made	<ul style="list-style-type: none"> • This outcome has been achieved • All qualifications are still successfully registered on the National Qualifications Framework • Quality Assurance functions were successfully carried out resulting in 556 Training Providers receiving accreditation, 1 966 Assessors being registered, and 1 007 moderators being registered

4 Performance Information by Programme / Activity / Objective

4.1 PROGRAMME 1: ADMINISTRATION (CORPORATE SERVICES)

PURPOSE	This programme aims to ensure effective leadership, strategic management and administrative support to the MICT SETA. This is done through continuous refinement of the organisational strategy and structure in line with appropriate legislation and best practice.
Strategic Objective 1	Provide integrated business solutions within the MICT SETA.

4.2 PROGRAMME 2: SECTOR SKILLS PLANNING

PURPOSE	To conduct research and develop a credible (Board and DHET approved) Sector Skills Plan that reflects an accurate (triangulated) list of scarce and critical skills, serving as the basis for the SETA's Strategic Plan. The plan to achieve goals and objectives in this programme is to contract with a reputable research house and ensure that there is in-house capacity within the MICT SETA. The MICT SETA will develop a research agenda and conduct the necessary research for the financial years of this Strategic Plan. This research will be used to inform the Sector Skills Plan document.
Strategic Objective 2	Produce a credible (triangulated and Board and DHET approved) Sector Skills Plan document with an approved list of scarce and critical skills.
Strategic Objective 3	Produce and distribute a comprehensive career and vocational guide within the MICT SETA sector.

4.3 PROGRAMME 3: LEARNING PROGRAMMES




PURPOSE	To implement and monitor learning programmes in the media, advertising and ICT sub-sectors. The plan to achieve the objectives and goals in this programme is to implement the following learning programme interventions that will be rolled out in both urban and rural areas in partnership with constituent employers; learnerships, internships, skills programmes, short courses, bursaries and work integrated learning.
Strategic Objective 4	Increase number of learners through accredited training providers, and workplaces for practical work experience.
Strategic Objective 5	Provide capacity-building sessions.

4.4 PROGRAMME 4: EDUCATION AND TRAINING QUALITY ASSURANCE

PURPOSE	To create access to quality programmes and to quality assure training provision in the media, advertising and ICT sub-sectors. The plans to achieve the objectives and goals in this programme are to implement the quality assurance regulations as stipulated by the Quality Council for Trades and Occupations (QCTO) and to improve the service and turnaround times with regard to accreditation of training providers, registration of assessors and moderators, and learner certification. The MICT SETA will also engage in frequent (at least monthly) capacity building sessions for training providers to ensure the quality of delivery.
Strategic Objective 6	Increase support for SMMEs, Unions and NGOs in skills development within the MICT sector.
Strategic Objective 7	Develop new and review existing qualifications and accredit training providers.

Summary of Performance Information:

SETAs deliver against NSDP objectives. We sign an SLA with DHET every year, with a commitment to deliver against specific NSDP goals and Strategic Objectives. During the 2018/19 financial year, there were 41 key performance indicators, against seven Strategic Objectives. 85% (35 out of 41) of the Key Performance Indicators were achieved, translating to an achievement of 71% (five out of seven) of the Strategic Objectives.

Programme	Objectives	Number of KPI's	Over Achieved (>100%)	Achieved (100%)	Under Achieved (<100%)
 Programme 1: Administration (Corporate Services)	Strategic Objective 1	4	2	2	0
	Strategic Objective 2	5	1	4	0
 Programme 2: Sector Skills Planning	Strategic Objective 3*	2	0	2	0
	Strategic Objective 4	24	15	4	5
 Programme 3: Learning Programmes	Strategic Objective 5	1	0	1	0
	Strategic Objective 6	1	1	0	0
 Programme 4: Education and Training Quality Assurance	Strategic Objective 7	4	3	0	1
All Programmes		41	22	13	6

* Strategic Objective 3 has two targets, one target was achieved at 100% and the other target was over achieved. These two targets have been combined in the table above as 100% achieved.

Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements NSDS III Targets

for the 2018/19 fiscal year from 01 April 2018 to 31 March 2019



PROGRAMME 1 ADMINISTRATION (CORPORATE SERVICES)

Strategic Objective 1:

Provide integrated business solutions within the MICT SETA

Performance Indicators	Actual Performance 2017/18	Target 2018/19	Actual Achievement 2018/19	Deviation from Actual Targets for 2018/19 to date	Comment on Deviation
1.1 Establish a Business Continuity Management (BCM) facility that is 100% fully functional (people, systems and assets).	1 BCM in place.	Provide a temporary life recovery solution for Assets and Liabilities Management division's new back of office system.	Business Continuity Management currently in place.	None	None
1.2 Provide an effective and efficient ICT service.	100% of all SLAs implemented.	100% of approved ICT solutions deployed with 100% compliance to SLA/OLA.	All ICT SLAs are in place. 100% of SLAs implemented.	None	None
1.3 Retain appropriately skilled personnel.	89%	70% retention rate.	97.53%	+20.53%	Additional positions related to promotions and posts added to organisational structure.
1.4 Cost-efficient management of goods and services by saving 1% on the current goods and services (ensure sound financial management).	R79 million	R101 million 1% savings on goods and services.	R92 million	R9 million	Actual costs to date are 14.8% below target. The austerity measures included strict control of travel and subsistence including catering expenses by using alternative means such as video and teleconferencing facilities to communicate matters. Strict adherence to National Treasury Guidelines. A reduction on consultation expenditures was also realised where the capacity and expertise of internal resources were utilised. Postage and courier costs were also reduced through use of scanning facilities to transfer some documents where applicable. Proper management of stock items for groceries and stationery also contributed to the cost savings.



PROGRAMME 2 SECTOR SKILLS PLANNING

Strategic Objective 2:

Produce a credible (triangulated and Board and DHET approved) Sector Skills Plan document with an approved list of scarce and critical skills.

Performance Indicators		Actual Performance 2017/18	Target 2018/19	Actual Achievement 2018/19	Deviation from Actual Targets for 2018/19 to date	Comment on Deviation
2.1	WSPs and ATRs submitted for skills planning in the sector on an annual basis.	293 large companies submitted WSPs and ATRs.	230 large companies to submit WSPs and ATRs.	287	+57	57 additional large companies submitted WSPs and ATRs, and were approved.
		359 medium companies submitted WSPs and ATRs.	350 medium companies to submit WSPs and ATRs.	392	+42	42 additional medium companies submitted WSPs and ATRs, and were approved.
		1 044 small companies submitted WSPs and ATRs.	1 000 small companies to submit WSPs and ATRs.	1 150	+150	150 additional small companies submitted WSPs and ATRs, and were approved.
2.2	SETA Information Management System (IMS) with prescribed data fields maintained on an annual basis.	One IMS with prescribed data fields maintained.	Maintain one (1) IMS with prescribed data fields.	1	None	None
2.3	A partnership with a research institution established on an annual basis.	One research partnership established.	Establish one research partnership.	1	None	None
2.4	A Sector Skills Plan (SSP) document produced and approved by Board and DHET on an annual basis.	One SSP produced and approved.	Produce and approve one SSP.	1	None	None
2.5	A tracer study conducted to evaluate the impact of funded learning programmes on an annual basis.	One tracer study report produced.	Produce one tracer study report.	1	None	None



PROGRAMME 2

SECTOR SKILLS PLANNING

Strategic Objective 3:

Produce and distribute a comprehensive career and vocational guide within the MICT SETA sector.

Performance Indicators		Actual Performance 2017/18	Target 2018/19	Actual Achievement 2018/19	Deviation from Actual Targets for 2018/19 to date	Comment on Deviation
3.1	Up-to-date career-opportunities guide with labour market information developed and distributed on an annual basis.	One career guide produced.	Produce one career guide.	1	None	None
		3 354 up-to-date career guides distributed.	1 550	4 822	+3 272	3 272 additional career guides distributed due to directive from DHET, special projects and adhoc events.
3.2	Strategic career events supported and attended on an annual basis.	27 strategic career events attended.	30	30	None	None



PROGRAMME 3 LEARNING PROGRAMMES

Strategic Objective 4:

Increase number of learners through accredited training providers and workplaces for practical work experience

Performance Indicators		Actual Performance 2017/18	Target 2018/19	Actual Achievement 2018/19	Deviation from Actual Targets for 2018/19 to date	Comment on Deviation
4.1	Number of qualifying unemployed learners entering learnerships on an annual basis.	2 877	3 000	3 429	+429	Target overachieved due to increased participation by MICT SETA Stakeholders.
4.2	Number of qualifying unemployed learners receiving bursaries on an annual basis.	702	350	350	None	None
4.3	Number of qualifying TVET students placed at workplaces on an annual basis.	479	850	861	+11	Target overachieved due to increased participation by MICT SETA Stakeholders.
4.4	Number of TVET students who completed workplace experience on an annual basis.	849	450	330	-120	Target not achieved due to low intake in 2018/19 as a result of the moratorium on the allocation of discretionary grants.
4.5	Number of qualifying unemployed learners entering internship programmes on an annual basis.	1 673	1 500	1 567	+67	Target overachieved due to more participation by MICT SETA Stakeholders.
4.6	Number of qualifying unemployed learners entering skills programmes on an annual basis.	1 182	1 800	1 845	+45	Target overachieved due to increased participation by MICT SETA Stakeholders.
4.7	Number of unemployed learners completing learnership programmes on an annual basis.	1 056	1 500	1 596	+96	Target overachieved due to learners enrolled in the 2017/18 financial year and completing in the 2018/19 financial year.
4.8	Number of unemployed learners completing bursary programmes on an annual basis.	175	175	175	None	None
4.9	Number of unemployed learners completing internship programmes on an annual basis.	573	750	887	+137	Target overachieved due to learners enrolled in the 2017/18 financial year and completing in the 2018/19 financial year.
4.10	Number of unemployed learners completing skills programmes on an annual basis.	1 124	900	1 192	+292	Target overachieved due to increased participation by MICT SETA Stakeholders.
4.11	SETA/TVET college partnerships established on an annual basis.	5	5	8	+3	Target overachieved due to increased participation by TVET colleges.
4.12	Number of collaborative agreements signed with universities and Stakeholders on an annual basis.	4	4	14	+10	Target overachieved due to increased participation by universities.
4.13	Number of qualifying unemployed learners entering short programmes on an annual basis.	451	1 350	1 717	+367	Target overachieved due to increased participation by MICT SETA Stakeholders.

Strategic Objective 4:**Increase number of learners through continued accredited training providers and workplaces for practical work experience**

Performance Indicators		Actual Performance 2017/18	Target 2018/19	Actual Achievement 2018/19	Deviation from Actual Targets for 2018/19 to date	Comment on Deviation
4.14	Number of qualifying university students placed on an annual basis.	199	600	600	None	None
4.15	Number of qualifying workers entering learnership programmes on an annual basis.	13	100	164	+64	Target overachieved due to increased participation by MICT SETA Stakeholders.
4.16	Number of qualifying workers entering bursary programmes on an annual basis.	02	70	93	+23	Target overachieved due to increased participation by MICT SETA Stakeholders.
4.17	Number of qualifying workers entering skills programmes on an annual basis.	165	400	409	+9	Target overachieved due to increased participation by MICT SETA Stakeholders.
4.18	Number of workers completing learnerships on an annual basis.	00	50	4	-46	Target not achieved due to low intake in 2017/18 as a result of the moratorium on the allocation of discretionary grants.
4.19	Number of workers completed bursaries on an annual basis.	04	35	0	-35	Target not achieved due to low intake in 2017/18 as a result of the moratorium on the allocation of discretionary grants.
4.20	Number of workers completed skills programmes on an annual basis.	190	200	135	-65	Target not achieved due to low intake in 2017/18 as a result of the moratorium on the allocation of discretionary grants.
4.21	Number of qualifying lecturers entering development programmes (candidacy programmes) on an annual basis.	156	100	104	+4	Target overachieved due to increased participation by TVET lecturers.
4.22	Number of lecturers completed development programmes (candidacy programmes) on an annual basis.	116	50	104	+54	Target overachieved due to increased participation by TVET lecturers.
4.23	Number of rural development programmes implemented on an annual basis.	12	9	9	None	None
4.24	Number of qualifying university student placement on an annual basis.	138	300	104	-196	Target not achieved due to low intake in 2017/18 as a result of the moratorium on the allocation of discretionary grants.

Strategic Objective 5: Provide capacity building sessions

Performance Indicators		Actual Performance 2017/18	Target 2018/19	Actual Achievement 2018/19	Deviation from Actual Targets for 2018/19 to date	Comment on Deviation
5.1	Number of capacity-building sessions.	42	50	50	0	None

Strategic Objective 6: Increase support for SMMEs, Unions and NGOs in skills development within the MICT sector

Performance Indicators		Actual Performance 2017/18	Target 2018/19	Actual Achievement 2018/19	Deviation from Actual Targets for 2018/19 to date	Comment on Deviation
6.1	Number of small businesses supported.	20	20	21	+1	Target achieved due to increased participation by small businesses.



PROGRAMME 4

EDUCATION AND TRAINING QUALITY ASSURANCE

Strategic Objective 7:

Develop new, and review existing qualifications, accredit training providers

Performance Indicators		Actual Performance 2017/18	Target 2018/19	Actual Achievement 2018/19	Deviation from Actual Targets for 2018/19 to date	Comment on Deviation
7.1	Increased number of Accredited Training Providers offering quality programmes by 50 on an annual basis.	575	550	556	+6	Target overachieved due to the re-accreditation (after expiry) and new accreditation.
7.2	Increased number of qualified registered assessors assessing on quality programmes by 30 on an annual basis.	1 553	600	1 966	+1 366	Target overachieved due to the re-registration (after expiry) and new assessors.
7.3	Increased number of qualified registered moderators moderating quality programmes by 30 on an annual basis.	820	300	1 007	+707	Target overachieved due to re-registration (after expiry) and new moderators.
7.4	Develop new or reviewed MICT SETA relevant qualifications responding to the skills needs on an annual basis.	None	45 registered qualifications.	0	-45	Target not achieved. No new qualifications were registered.

PART C

GOVERNANCE



1 Introduction

The Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA) is a public entity established in terms of the Skills Development Act No. 97 of 1998; and listed as a schedule 3A entity as per the Public Financial Management Act No. 29 of 1999 (PFMA). The MICT SETA is governed in accordance with the MICT SETA Constitution. This Constitution was drawn up in accordance with the requirements of the Skills Development Act No. 97 of 1998, Skills Development Levies Act No. 9 of 1999 and the PFMA, which further provides an institutional framework for the MICT SETA, to develop and implement national, sectoral and workplace strategies, in order to develop and improve the skills of the South African workforce.

As articulated in the King IV report, the ethical and effective leadership of the Accounting Authority/Board is exemplified by integrity, competence, responsibility, accountability, fairness and transparency. The MICT SETA is governed in a sound and ethical way that supports an ethical culture in its business and reporting.

The Accounting Authority/Board is supported by an Executive Committee, Audit and Risk Committee, Finance and Remuneration Committee and the Governance & Strategy Committee.

The Accounting Authority/Board is responsible for providing strategic direction to the MICT SETA and ensuring that the organisation achieves its objectives and implements the goals of NSDS III. The Accounting Authority/Board is accountable to the Executive Authority and Parliament.

2 Portfolio Committee

The Portfolio Committee on Higher Education, Science and Technology exercises its oversight role over the SETAs and may invite a SETA to account on its performance from time to time.

In the year under review, the Portfolio Committee on Higher Education, Science and Technology invited the MICT SETA to provide an update on the entity's plans and performance.

3 Executive Authority

The Executive Authority of the MICT SETA is the Minister of Higher Education, Science and Technology, who is responsible for appointing members of the Accounting Authority/Board and determining their remuneration, as per the tariffs recommended by the National Treasury.

The MICT SETA signs an annual Service Level Agreement with the Executive Authority, which encompasses deliverables on the performance and provision of information and/or reports on its activities.

The MICT SETA further, on an annual basis, submits its Sector Skills Plan, Strategic Plan and Annual Performance Plan to the DHET. The aforementioned documents were approved by the Executive Authority on 31 March 2019. Quarterly Performance reports, in accordance with the requirements for the number of employed and unemployed beneficiaries for learning programmes, bursaries, skills programmes, internships, SME support and career guidance, are also submitted to the DHET.

For the financial year 2018/19, the Quarterly Performance reports were submitted on 16 July 2018, 16 October 2018, 15 January 2019 and 15 April 2019 and were subsequently evaluated and validated by the Executive Authority.

4 The Accounting Authority/Board

4.1 Introduction

The PFMA stipulates that every public entity must have an authority that must be accountable for the purposes of the PFMA. The MICT SETA Board forms the Accounting Authority.

The Accounting Authority/Board provides oversight and support to the Management team and provides strategic leadership to the MICT SETA and ensures that it fulfils its mandate and obligations in terms of the Constitution and the Skills Development Act.

The Accounting Authority/Board has an absolute responsibility for the performance of the MICT SETA and is fully accountable to the Executive Authority for such performance.

In line with the MICT SETA Constitution, the Accounting Authority/Board constitutes a fundamental base for the application of corporate governance principles at the MICT SETA. The Accounting Authority/Board meets once per quarter during each financial year, as well as when required.

4.2 The Role of the Board

The following roles and functions of the Accounting Authority/Board are outlined in the MICT SETA Constitution, which forms the basis of the Board Charter.

The functions and powers of the Accounting Authority/Board are outlined in the Constitution as follows:

- Govern and manage the SETA
- Ensure that the SETA achieves the objectives in clause 5 of this Constitution and performs the functions in clause 6 of this Constitution
- Provide effective leadership and ensure that the SETA implements the goals of the NSDS and the Performance Agreement with the Minister
- Set a strategic direction for the SETA
- Liaise with Stakeholders
- Ensure that the SETA complies with the relevant statutory requirements and the requirements of this Constitution
- Manage institutional risk
- Monitor the performance of the SETA
- Apply for the establishment of the SETA in terms of section 9(1) of the Skills Development Act, read together with the Regulations Regarding the Establishment of Sector Education and Training Authorities, 7 September 1999, as amended by General Notice R106 in the Government Gazette 27254 of February 2005

4.3 Board Charter

The MICT SETA Board Charter covers:

- Accounting Authority/Board composition
- Role and functions of the Accounting Authority/Board and the Chairperson
- Roles and responsibilities of the CEO
- Delegation of authority
- Reporting and accountability
- Conflict of interest
- Terms of office of members of the Accounting Authority/Board
- Meetings of the Accounting Authority/Board

The Accounting Authority/Board fully complied with all aspects and provisions of the Board Charter by providing strategic direction and leadership, reviewing and approving budgets, plans and strategies as well as monitoring implementation. It has further monitored that the MICT SETA's business is conducted ethically.

4.4 Composition of the Accounting Authority/Board

In line with the provisions of Section 11(1) and (2) of the Skills Development Act 97 of 1998, the Accounting Authority/Board comprises 15 independent non-executive members, which ensures independence and objectiveness in decision-making as follows:

- The Chairperson
- Six are representatives of Organised Labour
- Six are representatives of Organised Employers
- One member represents Professional Bodies
- One member represents Community Organisations

The Minister of Higher Education and Training, the former Honourable Minister, Ms Naledi Pandor appointed new Accounting Authority members effective 01 April 2018 until 31 March 2020.

The following Members represent the Accounting Authority / Board for the 2018/19 financial year



Mr Sihle Joel Ngubane

Chairperson of the Board

Areas of Expertise

Information Technology (IT), Engineering, Strategic Management, and Healthcare

Other Board Directorships

- USAASA (Universal Service and Access Agency of South Africa) - Digital Terrestrial Migration, Broadband Rollout and Universal Access
- JCPZ (Johannesburg City Parks and Zoo) - Parks, Animal and Cemeteries Mechanical Engineering, Civil Engineering and Geotech Engineering
- Oracle Corporation SA (Pty) Ltd - Software, Hardware and Middleware sales, implementation, support and development
- SAPO (South African Post Office) - Postal Telecommunications & Postbank
- J and B Consulting - An ICT and an Engineering Organisation
- Zedek Trading 627 - An Electrical, Civil and Geotech Engineering Organisation
- Usizo Renal Care - A healthcare company specialising in dialysis

Professional Membership

IoDSA

Date of Appointment

1 April 2018



Mr Clyde Michael Mervin

Communications Workers Union (CWU)

Areas of Expertise

Employment Equity, Negotiating Skills, Shop steward Training, Strategic Thinking, Leadership Diversity, Strategic Diversity, Debating, Transformation, Labour Relations Act, Basic Conditions of Employment Act, Role of Government

Other Board Directorships

CWU President

Date of Appointment

01 April 2018



Ms Ntombikayise Khumalo

Communications Workers Union (CWU)

Areas of Expertise

Gauteng Provincial Treasurer for the Communications Workers Union, Finance and Investment Management, Trustee Investment Fundamentals, SAP Financials – SAPFIN, Member of Employment Equity and Skills Development, Member of Provincial Executive Committee (PEC) in CWU and COSATU, Member of GP Finance Committee (FINCOM) of CWU and COSATU, Member of Manco in CWU, Communication Skills, Flexibility, Technical Competency, Work Ethics, Determination and Persistence, Ability to Work in Harmony with Co-workers, Negotiating Skills, Supervision and Paralegal

Other Board Directorships

Director - uBuhleBezwe Landscaping & Interior Designs

Date of Appointment

01 April 2018



Ms Ntomboxolo Maureen Maheneza

Communications Workers Union (CWU)

Areas of Expertise

Industrial and Investment Strategy

Other Board Directorships

- 2nd National Deputy - Communication Workers Union
- Committee Member - Telkom Joint Investment Committee
- Committee Member - National COSATU Gender Committee

Date of Appointment

01 April 2018



Mr Sontaga Robert Mantlhakga

Communications Workers Union (CWU)

Areas of Expertise

Public Relations and Business Management

Other Board Directorships

Van Velden Hospital Board Chairperson

Date of Appointment

01 April 2018



Mr Teboho Dennis Morobe

Communications Workers Union (CWU)

Areas of Expertise

National Negotiator for CWU in Telkom, Member of National Employment Equity (EE) / Skills Development (SD) representing Labour

Other Board Directorships

- Chairperson - Student Representative Council Motheo FET College
- CWU - Northern Cape Provincial Secretary
- COSATU - Provincial Executive Committee Member

Date of Appointment

01 April 2018



Mr Thamsanqa Emmanuel Mzileni

Organised Labour

Area of Expertise

Labour Law

Other Board Directorships

- CWU KZN Secretary
- TKZN Board Member

Committees

Finance and Remuneration Committee

Date of Appointment

01 April 2018



Ms Deliwe Sharon Rampa

Organised Employers

Qualifications

B.Soc.Sc (Economics) and Master of Business Administration

Area of Expertise

Supply Chain and Procurement

Committees

Governance and Strategy Committee

Date of Appointment

01 April 2018

Date of Resignation

01 July 2018



Mr Lekota Donald Liphoko

Organised Employers

Qualifications

GCE Ordinary Level 1, GCE Advanced Level, Leadership Development Programme, Art & Science of Negotiations, SCM Management Executive Development Programme and FCB Worldwide Professional Development Programme, Principles of Brand Building

Areas of Expertise

Governance and Corporate Strategy, Communication Strategy

Committees

Governance and Strategy Committee

Date of Appointment

01 April 2018



Ms Marilyn Radebe

Black Information Technology Forum (BITF)

Areas of Expertise

Strategy Formulation (Finance & Technology), ICT Advisory and Enterprise Architecture, ICT Implementation and Support, ICT Training, Marketing & Business Development

Other Board Directorships

- Executive Director and Chairperson - Soma Solutions
- Executive Director - Precisional Growth
- Acting Deputy Chairperson - Black IT Forum Gauteng

Date of Appointment

01 April 2018



Advocate Nokuzola Gloria Khumalo

AME Africa Healthcare (AME AH)

Areas of Expertise

Legal, Skills Development, Human Resources Management, Provident Fund Trustee

Other Board Directorships

- Chairperson - Employment Equity and Skills Development, Health & Safety; HIV/AIDS
- Chairperson - Evaluation and Grading system

Date of Appointment

01 April 2018

**Mr Thabo Mofokeng**

Information Technology Association (ITA)

Areas of Expertise

ICT and Broadband Specialist, Professional Engineering Solutions, Technology Project Management, Broadband Strategies and Solutions, Audio, Data and Video Networks, ICT Business Services, Management Strategy Consulting

Other Board Directorships

- Company Directorships - Solario Technologies, Octet Technologies, Fuma Engineering
- Professional Memberships - ITA, ECSA, IEEE, IoDSA

Date of Appointment

01 April 2018

**Ms Zamaswazi Nokuthula Phakathi**

Splendid Group

Areas of Expertise

Marketing and Communications, Media / Public Speaking / Public Relations, ICT

Other Board Directorships

- Durban Chamber of Commerce and Industry
- South African Library for the Blind
- Member of the Commonwealth Business Women
- Council Member of the Johannesburg Chamber of Commerce and Industry

Ownership/ Member/ Director

- MD - Zama Phakathi Foundation – NPO Focusing on youth and woman empowerment
- MD - Beyond Boundaries, a multinational company focusing on infrastructure development
- CEO - Splendid IT
- Director - Phambili Investments
- NEC Member - Progressive Youth in Business of the African National Congress (PYB)

Date of Appointment

01 April 2018

**Ms Ulandi Exner**

Institute of Information Technology Professionals South Africa (IITPSA)

Areas of Expertise

Human Resources, Financial Management, Strategy Formulation and Implementation ICT, Cyber Security, Information Systems Auditing and Governance

Other Board Directorships

- President and Non Executive Director - IITPSA Board
- Non Executive Director - Metropolitan Trading Company Board
- Vice Chairperson - Vaal University of Technology Council

Date of Appointment

01 April 2018

**Mr Matsebe Ivor Phasha**

Limpopo ICT Forum (LICTF)

Areas of Expertise

Information Technology, Operations

Areas of Involvement

Innovation, Audit, Risk Management, Governance, Compliance

Other Board Directorships

- Deputy Chairperson - Lepelle Northern Water (SOC)
- Director - Mapudi Phasha Investment Holdings (MPIH)
- Managing Member - various entities of MPIH

Date of Appointment

01 April 2018

4.5 Committees

Item 8 sub-item (8.3.1) of the MICT SETA Constitution provides that: The Accounting Authority may delegate any of its functions to the Executive Committee, Chief Executive Officer and to any other Committee or Chamber of the SETA. The Accounting Authority established the following committees:



The following table lists the number of meetings attended by each of the members of the Accounting Authority/Board for the financial year 2018/19.

Name	Board	Audit and Risk Committee	Executive Committee	Finance and Remuneration Committee	Governance and Strategy Committee
Mr Sihle Ngubane	9 of 9		9 of 9		
Mr Thamsanqa Mzileni*	9 of 9	3 of 7		7 of 7	
Mr Teboho D Morobe	9 of 9				6 of 6
Mr Thabo Mofokeng	9 of 9		9 of 9	7 of 7	
Mr Sontaga Mantlhakga	9 of 9		9 of 9	4 of 4	
Ms Ulandi Exner	9 of 9			7 of 7	
Ms Marilyn Radebe	9 of 9			7 of 7	
Ms Ntombikayise Khumalo	9 of 9		9 of 9		
Adv Gloria Khumalo	9 of 9	4 of 7			
Ms Ntomboxolo Maheneza	9 of 9			7 of 7	
Ms Deliwe Rampa	5 of 9			2 of 7	
Mr Clyde Mervin	9 of 9				5 of 6
Mr Lokota Liphoko	8 of 9				6 of 6
Mr Matsebe Phasha	9 of 9				6 of 6
Ms Zamaswazi Phakathi	9 of 9		9 of 9		

* Thamsanqa Mzileni was part of the 2017/18 Audit and Risk Committee which overlapped into the 2018/19 financial year.

4.6 Functions of the Executive Committee

Subject to the direction of the Accounting Authority/Board, the Executive Committee is responsible for overseeing the management of the MICT SETA.

Without limiting its functions, the Executive Committee must:

- Supervise the proper management of all financial matters
- Coordinate and supervise the implementation of the Accounting Authority's/Board policies
- Monitor national policy issues and developments and make recommendations regarding the adoption of policies by the Accounting Authority/Board
- Coordinate the functioning of committees and structures of the MICT SETA and monitor their activities, in order to ensure that they act within the terms of any powers delegated to them by the Accounting Authority/Board;
- Oversee staff employment issues
- Determine and manage budgets of the MICT SETA
- Monitor the relations and interactions of the MICT SETA with other SETAs, as well as with other agencies on matters related to skills development
- Perform any other function or duty, delegated to it by the Accounting Authority/Board or conferred upon it by this Constitution

4.7 Functions of the Finance and Remuneration Committee

The Finance and Remuneration Committee must perform all functions referred or delegated by the Accounting Authority/Board in order to ensure that the MICT SETA meets the requirements of the SDLA, PFMA and the Treasury Regulations that relate to finance and the remuneration of the Chief Executive Officer, Accounting Authority/Board, Committee Members and the MICT SETA Employees.

The Finance and Remuneration Committee must evaluate and make recommendations to the Accounting Authority/Board in respect of the following financial matters of the MICT SETA:

- The budget, cash flow and financial statements
- The financial policies and the Finance Division Plan
- Actions to implement the recommendations of the Auditor-General's Report, as well as the internal and external audit reports
- The execution of the legally mandated financial functions
- The financial implications of policies, decisions and changes to the budget

The Finance and Remuneration Committee must evaluate and make recommendations to the Accounting Authority/Board in respect of the following issues relating to the remuneration of the employees and the Chief Executive Officer of the MICT SETA:

- Developing guidelines on and reviewing the compensation and performance of employees of the organisation
- Reviewing and approving corporate goals that are relevant to the compensation of the Chief Executive Officer
- Determining the Chief Executive Officer's compensation in accordance with applicable rules and regulations
- Evaluating the Chief Executive Officer's performance against the above-mentioned goals and objectives
- Reviewing and reassessing the adequacy of the remuneration policy annually and recommending any changes to the Accounting Authority/Board for approval
- Ensuring that the Accounting Authority/Board and committee members' remuneration is in accordance with the requirements of the PFMA and the Treasury Regulations that relate to finance and the remuneration of said members

The Finance and Remuneration Committee must present the Audit and Risk Committee with quarterly and annual financial statements.

4.8 Functions of the Audit and Risk Committee

The Audit and Risk Committee must perform the functions of an audit committee as contemplated in the PFMA.

The Committee must review and make recommendations on:

- The functioning and overall efficiency and effectiveness of the internal control system
- The functioning of Internal Audit
- The risk areas of the MICT SETA's operations, which are to be covered by the scope of internal and external audits
- The adequacy, reliability and accuracy of the financial information provided to the Accounting Authority/Board
- The scope and results of the external audit and its cost-effectiveness, as well as the independence and objectivity of the external auditors
- The cooperation and coordination between the internal and external audit functions, and their cooperation and coordination pertaining to the management of the MICT SETA
- Any accounting or auditing concerns identified through internal and external audits by the Auditor-General

- The adequacy and effectiveness of the risk management processes followed and the development, maintenance and enhancement of fraud prevention plans
- The effectiveness of the system for monitoring compliance with laws, regulations and policies, and the results of management's investigation and follow-up action (including disciplinary action) of any instance of non-compliance
- The MICT SETA's compliance with relevant legal and regulatory requirements, as well as its Code of Conduct and the action taken to address any violations

The Audit and Risk Committee must:

- Review the annual financial statements and establish whether they have been prepared in accordance with the PFMA and related Treasury Regulations, as well as the applicable accounting framework
- Review and confirm the Internal Audit Charter and the Internal Audit Plan, as well as the resources required to implement such plan
- Develop a direct, strong and candid relationship with the external auditors. Communication with the external auditors must facilitate independence from the management of the MICT SETA and encourage the external auditors to speak freely, regularly and confidentially with the Audit and Risk Committee
- Draw up a recommendation for the Accounting Authority/Board regarding the appointment and removal of the internal and external auditors
- Recommend such measures as, in the Committee's opinion, may be necessary to ensure the reliability, integrity and objectivity of the MICT SETA

4.9 Functions of the Governance and Strategy Committee

Subject to the directions of the Accounting Authority/Board, the Governance and Strategy Committee is responsible for considering and making recommendations to the Accounting Authority/Board concerning the management and the strategy of the MICT SETA.

Without limiting its functions, the Governance and Strategy Committee must:

- Develop policies, principles, criteria and guidelines that are necessary for the governance and strategy function for the SETA
- Promote good governance
- Report to the Accounting Authority on such matters as it deems necessary
- Develop the skills development strategy for the SETA and make recommendations to the Accounting Authority/Board on implementations of the strategy
- Monitor compliance in terms of the Skills Development Act, Skills Levies Act, Public Finance Management Act, King IV, COSO as well as other relevant legislation and best practices
- Review the performance of the MICT SETA against set targets on a quarterly basis and make recommendations to the Accounting Authority/Board to improve performance where necessary
- Consider matters of corporate governance and creating, maintaining and periodically reviewing the corporate governance principles and codes of ethics
- Develop policies designed to encourage the highest levels of corporate conduct by members of the Accounting Authority/Board and committees
- Address possible cases of conflict of interest and contravention of Code of Ethics Policy involving members of the Accounting Authority/Board and its committees
- Oversee the governance of Information Communication Technology (ICT) systems
- Ensuring that ICT systems comply with internal policies, selected industry standards as well as relevant laws and regulations including corporate governance of ICT Policy.
- Consider Quarterly reports on Information Communication Technology.
- Ensuring that ICT frameworks, policies and procedures are in place and regularly reviewed
- Review reports on business risk related to ICT systems
- Recommend relevant ICT projects for approval by the Accounting Authority/Board
- Oversee the review of the organisational strategy on an ongoing basis and recommend the Strategic Plan, Annual Plan and Service Level Agreement with DHET to Accounting Authority/Board for approval
- Review the MICT SETA Sector Skills Plan and recommend it to the Accounting Authority/Board for approval
- Conduct a performance assessment of the committee every second year in line with King IV recommendations

The following are the Members of the Audit and Risk Committee, their qualifications, date of appointment and the number of meetings they attended for the financial year 2018/19



Ms Nocwaka Oliphant
Independent Member

Qualifications

- CA (SA), Registered Auditor, BCom (Acc) (Honours), BCom (Acc)
- Certified Internal Auditor (CIA)
- Certified Government Auditing Professional (CGAP)
- Certificate in Control Self Assessment (CCSA)
- Certificate in Risk Management Assurance (CRMA)
- Certified Forensic Investigation Professional

Date of Appointment: 03 August 2018

Number of Meetings Attended: 4 of 7

** Ms Oliphant was appointed Chairperson on September 2018



Ms Zelda Tshabalala
Independent Member

Qualifications

CA (SA), Registered Auditor, BCom (Acc) (Honours), BCom (Acc)

Date of Appointment: 03 August 2018

Number of Meetings Attended: 3 of 7



Mr Mfundo Thango
Independent Member

Qualifications

CA (SA), Registered Auditor, BCom (Acc) (Honours), BCom (Acc)

Date of Appointment: 03 August 2018

Number of Meetings Attended: 4 of 7



Ms Ntombikayise Khumalo
Accounting Authority Member

Qualifications

BCom Human Resources (current)

Area of Expertise

Policy Development, Finance, Negotiations

Date of Appointment: May 2018

Number of Meetings Attended: 6 of 7



Adv Nokuzola Gloria Khumalo
Accounting Authority Member

Qualifications

LLB, Practical Legal Training, Post Grad Diploma in Industrial Relations, BCom. Honours in HR Management, National Diploma in HR Management and LLM (current)

Area of Expertise

Mediation, Skills

Date of Appointment: May 2018

Number of Meetings Attended: 4 of 7

4.9 Remuneration of Board Members

The following table lists the remuneration received by the Accounting Authority/Board and Board Committees as at 31 March 2019:

Name	Board Fees	Audit	EXCO	FINREMCO	GOVCO	Travel Claims	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Mr S Ngubane	176	-	90	-	-	-	266
Ms UM Oliphant	-	61	-	-	-	1	62
Ms M Radebe	80	-	-	78	-	-	158
Mr TD Morobe	120	-	-	-	45	62	227
Ms U Exner	76	-	-	60	-	2	138
Ms N Khumalo*	129	32	69	-	-	11	241
Mrs GN Khumalo	83	32	8	-	-	3	126
Mr L Liphoko	75	-	-	-	35	3	113
Mr TE Mzileni	135	16	-	60	-	67	278
Ms N Maheneza	93	-	-	60	-	16	169
Ms Z Phakathi	144	-	69	-	-	12	225
Mr T Mofokeng	121	-	69	51	-	5	247
Mr S Mantlhakga	122	-	78	-	-	48	248
Mr C Mervin**	122	-	-	-	43	5	141
Ms DS Rampa***	93	-	-	-	18	2	85
Ms Z Tshabalala	65	18	-	-	-	-	18
Mr MW Thango	-	33	-	-	-	3	36
Mr M Phasha	-	-	-	-	18	13	118
# Dr MA Magadla	87	-	-	-	-	-	17
Mr RG Ntuli	17	54	-	-	-	-	54
Ms L Bashele	-	20	-	-	-	-	20
# Mr AM Parry	-	-	-	-	-	-	17
# Ms TR Makgatho	17	-	7	-	-	-	32
Ms R Clark	25	29	-	-	-	2	31
# Ms N Delpont	-	-	8	-	-	-	33
Mr JM Manchu	25	14	-	-	-	-	42
# Mr MJ Mooko	28	-	8	-	-	4	42
# Mr J Morakile	30	-	-	-	-	-	17
# Ms P Pindela	17	-	-	-	-	-	10
# Mr G Roberts	10	-	-	-	-	-	1
# Mr SJ Mjwara	1	-	-	-	-	-	43
	1 813	309	406	309	159	259	3 255

The previous Board was terminated in March 2018 and the new Board was appointed and effective 01 April 2018. The previous Audit and Risk Committee served the MICT SETA until the new Committee was appointed in August 2018.

* The member resigned from the MICT SETA Board in 04 March 2019.

** The member has been placed on precautionary leave of absence from February 2019.

*** The member resigned from the MICT SETA Board in August 2018.

These members' term ended on 31 March 2018, however there were claims that were received and processed during the 2018/19 financial year.

5 Risk Management

The MICT SETA has a Risk Management Strategy in place. This strategy is reviewed on an annual basis and uses the inputs from the annual risk assessment that is conducted in conjunction with the Internal Auditors.

The Risk Management Strategy is underpinned by the:

- Fraud Prevention Plan
- Whistle-blowing Policy

- Code of Conduct
- Business Continuity Plan

The MICT SETA conducts annual risk assessment reviews that form an integral part of an entity-wide risk management process which includes a Risk Register.

The MICT SETA has an internal Risk Management Committee that submits its reports to the Audit and Risk Committee, a

sub-committee of the Accounting Authority/Board. The reports advise the Audit and Risk Committee on the risks identified and the progress made in implementing controls aimed at mitigating those risks. All controls were implemented successfully.

6 Internal Control Unit

Internal control was assured by the Audit and Risk Committee, the Internal Auditors and the QMS and IT Unit.

Furthermore, the MICT SETA Quality Management Systems and Information Technology (IT) Unit facilitated maintenance of the SETA's Quality Management Systems (QMS). The SETA's QMS comprised processes, hardware, software, facilities and employees, which provide capability to satisfy the SETA's contribution to the National Skills Development Strategy (NSDS) III objectives.

Effective risk management is fundamental to the MICT SETA activities. Responsibility and accountability for risk management resides at all levels within the MICT SETA, from

the Accounting Authority/Board down through the organisation to each manager.

The assessment, evaluation and measurement of risk is an ongoing process that is integrated into the MICT SETA activities. This process includes identifying risks and taking corrective action, where required. In accordance with the PFMA and King IV requirements, the internal audit provides an independent assessment of the adequacy and effectiveness of the overall risk management and reports to the Accounting Authority/Board through the Audit and Risk Management Committee. The essence of risk management at the MICT SETA is the protection of the SETA's reputation and its ability to meet its mandate.

7 Internal Audit and Risk Committee

7.1 Internal Audit

The MICT SETA's internal audit function is outsourced and was operational for the entire period under review. Internal Audit follows a risk-based approach, which incorporates management's risk assessment. All planned internal audits for the year were completed.

The following audits were undertaken in the 2018/19 financial year:

- Review of Performance Information
- Supply Chain Management
- Learning Programme Interventions
- Human Resources Review
- Financial Discipline Review
- ICT General and Applications Review
- Corporate Governance Review
- Ad hoc Probity Audits on bids prior awarding; and
- Follow up on prior year audit findings

7.2 Review of effectiveness of internal controls

The Committee's review of the findings of the work of Internal Audit, which was based on the risk assessments conducted, revealed weaknesses in the system of internal controls, which

were raised with the management and the Board. A number of weaknesses were identified in the following areas:

- Learning Programme Interventions (Discretionary Grants, Commitment Schedule)
- Compliance to Supply Chain Management Policies and Processes
- Risk Management
- ICT General and Applications Controls
- Human Resources
- Implementation of action plans to address audit findings
- Management of irregular, fruitless and wasteful expenditure

The Committee expressed its concern regarding slow progress made by management during the year in addressing internal control deficiencies identified by internal and external audit.

7.3 Audit and Risk Committee

The key activities and objectives of the Audit and Risk Committee, together with the attendance of the Audit and Risk Committee Members are contained on pages 43 to 44.

8 Compliance with Laws and Regulations

The SETA Governance Charter was reviewed and approved on 4 March 2019, which requires the MICT SETA to submit quarterly compliance reports to the DHET. The MICT SETA has further trained its management and employees on statutory requirements; conducted periodic annual policy reviews; effected controls through the existence of an effective Internal Audit function and followed a prescribed compliance reporting schedule.

The MICT SETA complied with the legal requirements such as:

Document or Statutory Requirement	Action
1. Sector Skills Plan 2018/19	Approved and submitted to DHET on 15 June 2018 for the first draft and 1 August 2018 for the second draft.
2. Strategic Plan 2018/19	Approved and submitted to DHET on 30 August 2018
3. Annual Performance	Approved and submitted to DHET on 30 August 2018
4. Employment Equity Plan and Report	Submitted to the Department of Labour on 18 December 2018
5. Procurement Plan 2018/19	Submitted to DHET and Treasury on 30 April 2018
6. Work Skills Plan 2017/18	Submitted to EDTP SETA on 29 April 2018
7. Budget for 2018/19	Submitted to DHET on 30 August 2018
8. Quarterly Reports (Finance and Performance Reports)	Submitted to DHET on 16 July 2018 (First Quarterly Report), 16 October 2018 (Second Quarterly Report), 15 January 2019 (Third Quarterly Report) and 15 April 2019 (Fourth Quarterly Report) Submitted to Treasury on 31 July 2018 (First Quarterly Report), 31 October 2018 (Second Quarterly Report), 31 January 2019 (Third Quarterly Report) and 30 April 2019 (Fourth Quarterly Report)
9. Quarterly Reports (Meetings of the Accounting Authority and Sub Committees)	Submitted to DHET on 16 July 2018 (First Quarterly Report), 15 October 2018 (Second Quarterly Report), 15 January 2019 (Third Quarterly Report) and 15 April 2019 (Fourth Quarterly Report)
10. Quarterly Reports (Governance Reports)	Submitted to DHET on 15 August 2019 (First Quarterly Report), 15 October 2018 (Second Quarterly Report), 15 January 2019 (Third Quarterly Report) and 15 April 2019 (Fourth Quarterly Report)
11. AGM	Was held on 31 October 2018
12. Internal Audits and Findings	Reported to the Audit and Risk Committee
13. External Audits and Findings	Reported to the Audit and Risk Committee
14. Legal Cases	Reported to the Audit and Risk Committee
15. Fraudulent Activities	Reported to the Audit and Risk Committee and to the Treasury and DHET
16. Policies	Policies were reviewed for 2018/19

In terms of Section 13G of the Broad-Based Black Economic Empowerment Act 53 of 2003 the MICT SETA must report on its compliance with broad-based black economic empowerment in the Audited Annual Financial Statements and Annual Report required under the Public Finance Management Act, 1999 (Act No.1 of 1999). The SETA is further required to report to the newly formed B-BBEE commission on skills development spending and programmes.

Other matters of non-compliance not indicated above were identified by the Auditor-General during the audit and these have been indicated in the report of the Auditor-General on page 59.

9 Fraud and Corruption

The MICT SETA Fraud Prevention Plan was informed by the stipulations in the Public Finance and Management Act, 1999 (Act No. 29 of 1999), Prevention and Combating Corrupt Practices Act, 2004 (Act No. 12 of 2004), Protected Disclosures Act, 2000 (Act No. 26 of 2000) and other related legislation.

The Fraud Prevention Plan consists of:

- Code of Conduct
- Fraud Policy and Response Plan
- Whistle-blowing Policy, including an independent hotline, and
- Fraud Prevention Implementation Plan

9.1 Mechanisms in place to report fraud and corruption and how they are implemented

The MICT SETA utilises the national whistle-blowing toll-free number that whistle blowers can use to report any suspected

fraud and corruption anonymously. Employees and the MICT SETA Stakeholders can report any offence or suspected fraudulent activity to the toll-free number, the MICT SETA Management, or to the Accounting Authority/Board.

9.2 How cases are reported and what action is taken by the MICT SETA

The MICT SETA employees and stakeholders can anonymously call the anti-corruption toll-free number posted on the MICT SETA website home page, email or telephone the office of the Chief Executive Officer, or the Chairperson of the Accounting Authority/Board by accessing the MICT SETA website for contact numbers.

In instances where fraud and corruption cases are reported, an investigation will be undertaken by the relevant authorities and all cases reported must be brought to the attention of the Audit and Risk Committee.

10 Minimising Conflict of Interest

The Accounting Authority/Board has developed a Guideline dealing with the Declaration of Conflict of Interest, which enables members to identify potential conflicts of interest. Members of the Accounting Authority/Board, Management and Employees annually complete a mandatory disclosure of interest form and are required to avoid situations where they have or could have a direct or indirect interest that conflicts or may conflict with the company's interest.

Procedures have been put in place for the disclosure by the Members of the Accounting Authority/Board and

Management of any such conflicts. Accounting Authority/Board Members, Management and Employees who declare their interest have to recuse themselves from meetings and their recusals are minuted accordingly.

Employees involved in supply chain processes are required to complete and sign annual disclosure of interest documents and declare any interest before the start of any proceedings. This process is minuted during the proceedings and the declarations are kept in a secure facility.

11 Code of Conduct

The MICT SETA Code of Conduct is informed by the Labour Relations Act Schedule 8 Code of Good Practice and King IV Code of Good Practice. It provides guidance with regard to ethical behaviour, both in terms of individual conduct and in their relationships with other people. It promotes exemplary conduct by employees in their public and private lives in an effort to enhance professionalism and ensure public and employer confidence in dealing with the MICT SETA, its Stakeholders and the public at large.

The MICT SETA will institute a disciplinary enquiry in the event of non-compliance with the Code of Conduct in accordance with the disciplinary code and grievance procedures.

Members of the Accounting Authority/Board subscribe to a Code of Conduct in terms of the MICT SETA Constitution.

12 Health, Safety and Environmental Issues

The MICT SETA has a Health and Safety Policy that has been informed by the Health and Safety Act 85 of 1993. The Policy provisions led to the development and establishment of the functional Health and Safety Committee, which has been established to mitigate operational risks and promote compliance. Establishment of the Health and Safety Committee is part of an integrated risk management approach by management.

All Health and Safety representatives have been provided with relevant training to perform their duties and responsibilities

as health and safety representatives. The Health and Safety Committee convene four times a year to deliberate on health and safety issues.

Special meetings are held when there are issues needing urgent attention. Management prioritises and supports all initiatives to ensure a safe and healthy working environment. Reasonable progress has been made with regard to mitigation of identified possible environmental risks, and measures to mitigate these risks were implemented.

13 Company Secretary

The Board secretariat function resides within the office of the CEO. Its main function is to assist the Accounting Authority/ Board with corporate governance procedures and monitor the MICT SETA's compliance with the PFMA and other relevant legislation.

Members of the Accounting Authority/Board have unrestricted access to the advice and services of the Board Secretariat.

14 Social Responsibility

The MICT SETA has created workplace exposure and empowered six young unemployed graduates through a Graduate Internship Programme in the year under review. It offers bursaries to dependents of employees below management level and annually donates equipment to underprivileged schools.

In future, the MICT SETA endeavours to create long-term partnerships with rural and underdeveloped communities in order to have an ongoing impact and help address South Africa's development challenges.

Audit Committee Report

for the period ending 31 March 2019



I am pleased to present the Audit and Risk Committee Report for the financial year ended 31 March 2019.

1. Audit and Risk Committee Members and Attendance

The Audit and Risk Committee consists of the Members listed below. The Committee meets at least four times per annum in line with its approved charter. Seven meetings, including special meetings, were held during the year.

Name of Member	Number of meetings attended
Ms N Oliphant - Independent Chairperson	4 of 7
Ms Z Tshabalala - Independent Member	3 of 7
Mr M Thango - Independent Member	4 of 7
Adv G Khumalo - Organised Employer	4 of 7
Ms N Khumalo - Organised Labour Representative	6 of 7
Mr RG Ntuli*	3 of 7
Ms L Bashele*	3 of 7
Ms R Clark*	3 of 7
Mr JM Manchu*	3 of 7

*The Audit and Risk Committee Members for the 2017/18 financial year continued to serve the MICT SETA until July 2018 when the new Committee was appointed effective August 2018.

2. Audit and Risk Committee Responsibilities

The Audit and Risk Committee is pleased to report that it is properly constituted as required by the Public Financial Management Act, (PFMA) and has complied with its responsibilities arising from the PFMA. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Committee Charter, and has managed and regulated its affairs in compliance with this Charter.

As mandated, the Audit and Risk Committee hereby reports on its functions for the year ended 31 March 2019.

For the financial year ended 31 March 2019 and in compliance with the PFMA, the Audit and Risk Committee reviewed:

- The annual financial statements before submission to the Auditor-General on 31 May 2019 and the audited annual financial statements
- The annual performance report before submission to the Auditor-General on 31 May 2019 and the audited annual performance report
- The effectiveness of internal controls
- The adequacy, reliability and integrity of management's reports, including operational and financial information
- The appropriateness of accounting policies, practices and potential changes
- The effectiveness of the system of risk management, including emerging risks
- Compliance with relevant laws and regulations
- ICT controls, risks and governance
- The plans, work and reports of Internal Audit and the Auditor-General
- The management letter and audit report of the Auditor-General related to the audit of the final 2018/19 Annual Financial Statements

3. Risk Management

The MICT SETA has a Risk Management Strategy in place. This strategy is reviewed on an annual basis and uses the inputs from the annual risk assessment that is conducted in conjunction with the Internal Auditors.

Internal audit reviews the Risk Management processes and provides reports to Management and the Audit and Risk Committee. The reports advise the Audit and Risk Committee on the risks identified and the progress made in implementing controls aimed at mitigating those risks. During the year, internal audit identified deficiencies in the Risk Management processes, and Management is in the process of implementing corrective measures.

4. Internal Audit

The MICT SETA's internal audit function is outsourced and was operational for the entire period under review. Internal Audit follows a risk-based approach, which incorporates management's risk assessment. All planned internal audits for the year were completed.

The following audits were undertaken in the 2018/19 financial year:

- Review of Performance Information
- Supply Chain Management
- Learning Programme Interventions
- Human Resources Review
- Financial Discipline Review
- ICT General and Applications Review
- Corporate Governance Review
- Ad hoc Probity Audits on bids prior awarding
- Follow-up on prior year audit findings

5. Review of effectiveness of Internal Controls

The Committee's review of the findings of the work of Internal Audit, which was based on the risk assessments conducted, revealed weaknesses in the system of internal controls, which were raised with Management and the Board. A number of weaknesses were identified in the following areas:

- Learning Programme Interventions (Discretionary Grants, Commitment Schedule)
- Compliance to Supply Chain Management Policies and Processes
- Risk Management
- ICT General and Applications Controls
- Human Resources
- Implementation of action plans to address audit findings
- Management of irregular, fruitless and wasteful expenditure

The Committee expressed its concern regarding slow progress made by management during the year in addressing internal control deficiencies identified by internal and external audit.

6. In-Year Management and Monthly/Quarterly Report

Management presented quarterly, financial and performance reports to the Committee during the year and such reports were reviewed and interrogated by the Committee for accuracy and reliability. The SETA complied with all the reporting requirements.

7. Review of the Annual Financial Statements and Performance Report

The Committee's review of the findings of the work of Internal Audit, which was based on the risk assessments conducted, revealed weaknesses in the system of internal controls, which were raised with Management and the Board. A number of weaknesses were identified in the following areas:

- The draft Annual Financial Statements for the year ended 31 March 2019 were reviewed by the Committee prior to submission to the Board for approval and to the Auditor-General for auditing. The audited financial statements were reviewed and recommended by the Committee to the Board for approval.
- The Committee reviewed the draft and audited Annual Performance Report for the period 31 March 2019.

8. The Audit and Risk Committee Opinion

We have reviewed the entity's implementation plan for audit issues raised in the prior year and we are concerned that the matters reported on in the prior year have not been adequately resolved by the MICT SETA. This led to the unchanged audit outcome for the year under review when compared to the prior year.

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



Ms N Oliphant
Chairperson of Audit and Risk Committee
Date: 25 July 2019



PART D

HUMAN RESOURCE MANAGEMENT

1 Introduction

1.1 Overview of Human Resources matters

The goal of the Human Resources Department is to help the MICT SETA to achieve its strategic objectives, while ensuring employees are engaged and motivated to help the entity succeed. HR's success will be measured by our ability to align and integrate processes with the strategic objectives. This will be achieved by identifying issues and executing corrective measures effectively.

In moving forward, HR has targeted its operational initiatives to align to the MICT SETA Strategic Plan by initially identifying ways to leverage and develop technology as a means to cut costs and improve internal efficiencies. In the coming year, HR will use its resources and staff to become a more active, consulting partner for the entity.

1.2 Set Human Resource priorities for the period under review and the impact of these priorities

The MICT SETA strived to perform the following human resources functions for the period under review:

- Implement capacity-building programmes
- Ensure competitive remuneration practices
- Attract and retain highly competent employees
- Train and develop employees and improve the skills profile of the workforce
- Achieve employment equity targets

The above priorities contributed positively to assist the MICT SETA to achieve its mandate.

1.3 Workforce Planning Framework and Key Strategies to attract and recruit a skilled and capable workforce

The workforce planning process involved a continual process of alignment or positioning of the workforce to the organisational needs in order to ensure that the MICT SETA can meet its regulatory mandate. The framework continuously identifies key areas of policies and practices that are considered to be vital for creating an integrated strategic approach to human resource planning.

Strategies used to attract and recruit a skilled workforce are:

- Effective Human Resource Strategies to attract and retain competent employees
- Developmental Programmes to meet future Human Resource needs within the organisation
- Training and Development initiatives utilised as a measure to retain competent employees
- Succession Planning Programmes to retain employees
- Employment Benefits and competitive market-related Remuneration Packages

1.4 Employee Performance

The MICT SETA Performance Management and Development System regulates and manages employee performance and therefore aligns individual performance to strategic objectives of the organisation.

The positive continual performance improvement of employees is reinforced through the use of performance rewards linked to the individual performance in a year.

1.5 Employee Wellness Programme

The MICT SETA provides access to quality health and safety by providing health and safety services through an external service provider to the employees. In ensuring healthy and safe working conditions, the MICT SETA complies with the Occupational Health and Safety Act (OHSA) 85 of 1993.

1.6 Policy Development

The MICT SETA Human Resource policies and procedures are reviewed annually when the need arises to align them with any legislative and regulatory changes, environmental changes and the MICT SETA's Strategic Plan.

The MICT SETA policy reviews provide for a continued and improved framework within which Human Resource Management Practices are managed.

The MICT SETA policy reviews are driven by achieving organisational excellence through exemplary Human Resource best practice in relation to organisational corporate governance and strategic Human Resource Management.

1.7 Achievements

The Human Resource Unit achieved the following:

- Objectives contained in the Human Resource Operational Plan
- Annual review of the Human Resource Policies and Procedures

1.8 Challenges

The Human Resource Unit experienced the following challenges for the year under review:

- Attracting skilled and competent employees from different racial groups and people with disabilities to achieve equitable representation within the MICT SETA
- Attracting and retaining employees due to the uncertainty caused by the Minister's proposed new SETA landscape

1.9 Future Human Resource Plans / Goals

In an effort to ensure continuous improvement on the management of human capital within the MICT SETA, the Human Resource Unit has set the following plans/goals for the next financial year:

- Improve the skills profile of the employees within the organisation
- Maintain competitive rewards system and remuneration structures
- Ensure broader representation within the MICT SETA
- Provide a conducive work environment
- Implement talent management
- Continue to offer efficient and effective human resource services to the internal and external clients
- Staff retention
- Ensure that a high standard of professional ethics is promoted and encouraged
- Implementation of the Human Resource System
- Implementation of the Performance Management and Development System

2

Human Resource Oversight Statistics



2.1 Personnel by Cost Programme

Programme	Total Expenditure	Personnel Expenditure	% of Personnel Expenditure to Total Expenditure	No. of Employees	Average Cost per Personnel
	R '000	R '000			R '000
Corporate Services	183 439	10 909	6%	16	642
Education, Training and Quality Assurance & IT	172 648	7 916	5%	17	466
Learning Programmes	410 040	17 012	4%	40	425
Sector Skills Planning	53 953	2 726	5%	5	545
Total per AFS	820 079	38 563	5%	78	494



2.2 Personnel by Salary Band

Level	Total Expenditure	Personnel Expenditure	% of Personnel Expenditure to Total Expenditure	No. of Employees	Average Cost per Personnel
	R '000	R '000			R '000
Senior Management	53 953	7 416	14%	3	2 472
Professionally Qualified	86 324	6 767	8%	7	967
Skilled	291 344	15 404	5%	27	571
Semi-skilled	345 296	8 731	3%	37	236
Unskilled	43 162	245	1%	4	61
	820 079	38 563	5%	78	494



2.3 Performance Rewards

Programme	Personnel Expenditure	Performance Rewards	% of Performance Reward to Personnel Cost
	R '000	R '000	
Senior Management	7 416	608	9%
Professionally Qualified	6 767	669	10%
Skilled	15 404	1 620	11%
Semi-skilled	8 731	671	8%
Unskilled	245	17	7%
	38 563	3 578	9%



2.4 Training Costs

Programme	Personnel Expenditure	Training Expenditure	% of Training Expenditure to Personnel Cost	No. of Employees Trained	Average Training Costs per Employee
	R '000	R '000			R '000
Corporate Services	10 909	495	5%	19	26
Education, Training and Quality Assurance	7 916	285	4%	16	18
Learning Programmes	17 012	416	2%	28	15
Sector Skills Planning	2 726	51	2%	5	10
	38 563	1 409	3%	68	18



2.5 Employment and Vacancies

Level	2017/18 No. of Employees	2018/19 Approved Posts	2018/19 No. of Employees	2018/19 Vacancies	Percentage of Vacancies
Senior Management	5	5	3	2	40%
Professionally Qualified	8	8	7	1	12.5%
Skilled	24	27	27	0	0
Semi-skilled	30	36	37	0	0
Unskilled	10	4	4	0	0
Total	77	80	78	2	2.5%

NB. The above number of employees reflects the payroll headcount, which includes both permanent and temporary staff.



2.6 Employment Changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Senior Management	5	0	2	3
Professionally Qualified	8	0	1	7
Skilled	24	5*	2	27
Semi-skilled	30	13	6	37**
Unskilled	10	0	6	4
Total	77	18	17	78

NB. *Includes additional newly created positions. **Intern positions converted to administrator positions.
The high rate of appointments and terminations were as a result of employees' career progression.



2.7 Reasons for Staff Leaving

Reason	Number	% of Total Number of Staff Leaving
Death	0	0%
Resignation	8	10.38%
Dismissal	0	0%
Retirement	1	1.29%
Ill health	0	0%
Expiry of contract	0	0%
Other	1	1.29%
Total	10	12.96%

NB. High resignation rate was due to uncertainty of the renewal of the MICT SETA licence and career progression.



2.8 Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written Warning	1
Dismissal	0

2.9 Equity Target and Employment Equity Status



MALE

Level	African		Colored		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Senior Management	2	2	0	0	0	0	0	0
Professionally Qualified	5	4	0	0	0	0	0	0
Skilled	11	11	0	0	0	0	0	0
Semi-skilled	17	14	0	0	0	0	0	0
Unskilled	0	6	0	1	0	0	0	0
Total	35	38	0	1	0	0	0	0



FEMALE

Level	African		Colored		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Senior Management	1	2	0	0	0	0	0	0
Professionally Qualified	2	3	0	0	0	0	0	1
Skilled	15	13	0	1	1	1	0	0
Semi-skilled	19	14	1	2	0	1	0	1
Unskilled	4	6	0	0	0	0	0	0
Total	41	38	1	3	1	2	0	2



DISABLED STAFF

Level	Male		Female	
	Current	Target	Current	Target
Senior Management	0	0	0	0
Professionally Qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	0	1	0	0
Unskilled	0	0	0	0
Total	0	1	0	0



PART E

FINANCIAL INFORMATION

Report of the auditor-general to Parliament on the Media, Information, Communication and Technologies Sector Education and Training Authority (MICT SETA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Media, Information, Communication and Technologies Sector Education and Training Authority (MICT SETA) set out on pages 62 to 103, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the MICT SETA as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP), the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority for the financial statements

6. The board of directors, which constitutes the Accounting Authority, is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the PFMA and SDA, and for such internal control as the Accounting Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the Accounting Authority is responsible for assessing the MICT SETA's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 2 – Sector Skills Planning	24 – 25
Programme 3 – Learning Programmes	26 – 28
Programme 4 – Education and Training Quality Assurance	28

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not raise any material findings on the usefulness and reliability of the reported performance information for these programmes:
 - Programme 2 – Sector Skills Planning
 - Programme 3 – Learning Programmes
 - Programme 4 – Education and Training Quality Assurance

Other matters

15. I draw attention to the matters below.

Adjustment of material misstatements

16. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programmes 2 and 4. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Achievement of planned targets

17. Refer to the annual performance report on 14 to 28 for information on the achievement of planned targets for the year and explanations provided for the under- or overachievement of a significant number of targets.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

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

Annual financial statements

20. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA.
21. Material misstatements of skills development levies identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

22. Effective steps were not taken to prevent irregular expenditure amounting to R89 092 000, as disclosed in note 27 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure resulted from the contravention of SCM Instruction Note 3 of 2016/17 in that contract extensions exceeded the 15% threshold without prior written approval from the National Treasury.
23. Expenditure was incurred in excess of the approved budget, in contravention of section 53(4) of the PFMA.

Procurement and contract management

24. Some of the goods and services with a transaction value above R500 000 were procured without inviting competitive bids, and deviations were approved by the accounting officer although it was practical to invite competitive bids, contrary to treasury regulations 16A6.1 and 16A6.4.
25. Some of the contracts were extended or modified without the approval of a properly delegated official, as required by section 44 of the PFMA and treasury regulations 8.1 and 8.2.
26. Bid adjudication was not always done by committees which was composed in accordance with the policies of the public entity, as required by Treasury Regulations 16A6.2(a), (b) and (c).

OTHER INFORMATION

27. The Accounting Authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
29. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
30. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

31. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
32. There was inadequate oversight responsibility regarding financial reporting and related internal controls. Management as well as the accounting authority has the responsibility to review reported information regularly in terms of best practice as well as the GRAP and PFMA requirements to ensure accurate and complete financial reporting.
33. Previously reported audit findings were not sufficiently resolved as there were repeat findings, thereby demonstrating that the monitoring and implementation of action plans was not adequate to resolve findings raised by assurance providers.
34. The audit highlighted deficiencies with regard to the public entity's compliance monitoring controls. The audit identified a number of supply chain management findings, mostly due to non-compliance with the procurement prescripts as well as with the public entity's internal policies and procedures.

Auditor - General

Pretoria
31 July 2019



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL’S RESPONSIBILITY FOR THE AUDIT

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

Financial statements

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

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Annual Financial Statements

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Accounting Authority's Responsibilities and Approval

The Accounting Authority/Board is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Authority/Board to ensure that the Annual Financial Statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate Accounting Policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Annual Financial Statements set out on pages 62 to 103, which have been prepared on the going concern basis, were approved by the Accounting Authority on 25 July 2019 and were signed on its behalf by:



Mr S Ngubane
Chairperson: Board
30 July 2019



Mr ME Zakwe
Chief Executive Officer
30 July 2019

Statement of Financial Position

as at 31 March 2019

	Note(s)	2019 R '000	2018 R '000
Assets			
Current Assets			
Inventories	3	334	291
Accounts receivable from exchange transactions	4	1 606	1 505
Accounts receivable from non-exchange transactions	5	2 454	3 183
Cash and cash equivalents	6	476 798	361 230
		481 192	366 209
Non-Current Assets			
Property, plant and equipment	7	4 205	3 692
Intangible assets	8	314	661
		4 519	4 353
Total Assets		485 711	370 562
Liabilities			
Current Liabilities			
Accounts payable from non-exchange transactions	9	114 782	89 224
Finance lease obligation	10	188	-
Accounts payable from exchange transactions	11	7 748	6 123
Provisions	12	14 594	14 160
		137 312	109 507
Non-Current Liabilities			
Finance lease obligation	10	399	-
		399	-
Total Liabilities		137 711	109 507
Net Assets		348 000	261 055
Net assets represented by:			
Administration reserve		4 518	4 353
Employer grant reserve		969	536
Discretionary reserve		342 513	256 166
Total Net Assets		348 000	261 055

Statement of Financial Performance

	Note(s)	2019 R '000	2018 R '000
Revenue			
Revenue from non-exchange transactions			
Skills Development Levies	14	866 992	817 844
Skills Development Levy - Interest		4 845	7 026
Skills Development Levy - Penalties		8 254	10 302
Other revenue - grants received	16	75	67
Total revenue from non-exchange transactions		880 166	835 239
Revenue from exchange transactions			
Finance revenue	15	26 550	20 935
Other revenue	16	304	148
Total revenue from exchange transactions		26 854	21 083
Total revenue		907 020	856 322
Expenditure			
Finance costs	17	87	7
Discretionary grant expenses	18	560 418	611 339
Mandatory grant expenses	18	166 826	154 245
Administration expenses	19	92 748	79 397
Total expenditure		820 079	844 988
Surplus for the year	13	86 941	11 334

Statement of Changes in Net Assets

	Administration reserve	Mandatory reserve	Discretionary reserve	Total reserves
	R '000	R '000	R '000	R '000
Balance at 01 April 2017	4 316	435	244 868	249 619
Surplus for the year	28 176	48 712	(65 554)	11 334
Transfer of surplus to discretionary reserves	(28 139)	(48 611)	76 852	102
Total changes	37	101	11 298	11 436
Balance at 01 April 2018	4 353	536	256 166	261 055
Surplus for the year	21 345	49 336	16 260	86 941
Transfer of surplus to discretionary reserves	(21 180)	(48 903)	70 087	-
Total changes	165	433	86 347	86 945
Balance at 31 March 2019	4 518	969	342 513	348 000

Cash Flow Statement

	Note(s)	2019 R '000	2018 R '000
Cash flows from operating activities			
Receipts			
Skills development levies, interest & penalties		882 086	858 233
Finance revenue		26 262	20 935
Other cash receipts from stakeholders		378	215
Total Receipts		908 726	879 383
Payments			
Employer grants and programme payments		(698 523)	(770 896)
Payments to suppliers and other stakeholders		(54 865)	(43 034)
Compensation of employees		(38 386)	(36 522)
Finance costs		(87)	(7)
Total Payments		(791 861)	(850 459)
Net cash out flows from operating activities	20	116 865	28 924
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1 228)	(1 439)
Purchase of intangible assets	8	-	(380)
Net cash flows used in investing activities		(1 228)	(1 819)
Cash flows from financing activities			
Finance lease payments		(69)	(562)
Net increase/(decrease) in cash and cash equivalents		115 568	26 543
Cash and cash equivalents at the beginning of the year		361 230	334 687
Cash and cash equivalents at the end of the year	6	476 798	361 230

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual
	R '000	R '000	R '000	R '000	R '000
Statement of Financial Performance					
Revenue					
Revenue from non-exchange transactions					
Skills Development Levies	787 000	-	787 000	866 992	79 992
Skills Development Levies: Interest	-	-	-	4 845	4 845
Skills Development Levies: Penalties	-	-	-	8 254	8 254
Other revenue	-	-	-	75	75
Total revenue from non-exchange transactions	787 000	-	787 000	880 166	93 166
Revenue from exchange transactions					
Finance revenue	26 263	-	26 263	26 550	287
Other revenue	-	-	-	304	304
Total revenue from exchange transactions	26 263	-	26 263	26 854	591
Expenditure					
Finance costs	-	-	-	87	87
Discretionary grant expenses	544 832	-	544 832	560 418	15 586
Mandatory grant expenses	167 237	-	167 237	166 826	(411)
Administration expenditure	101 194	-	101 194	92 748	(8 446)
Total expenditure	813 263	-	813 263	820 079	6 816
Surplus for the year	-	-	-	86 941	86 941

Refer to Note 28 for explanation of material variances between final budget and actual.

Accounting Policies

1. Presentation of Audited Annual Financial Statements

The Audited Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999) (PFMA).

These Audited Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Audited Annual Financial Statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These Audited Annual Financial Statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These Audited Annual Financial Statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

The Minister of Higher Education and Training promulgated the National Skills Development Plan 2030 on 7 March 2019 whereby the SETA lifespan is declared unlimited and the mechanism to address non-performance will be established. Therefore, there are no known instances that cast doubt on the MICT SETA's ability to continue as a going concern.

1.3 Inventories

Inventory is comprised of consumables. Consumables are recognised as an asset on the date of acquisition and are measured at the cost of acquisition. Inventory is subsequently measured at lower of cost and net realisable value. Consumables are subsequently recognised in surplus or deficit depending on consumption.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for administrative purposes, and are expected to be used for more than one financial period.

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

Asset class	Depreciation method	Average useful life
Office furniture and fittings	Straight line	10 - 15 years
Motor vehicles	Straight line	4 - 8 years
Office equipment	Straight line	7 - 10 years
Computer equipment	Straight line	4 - 6 years
Leasehold improvements	Straight line	4 - 6 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

1.4 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the Notes to the Annual Financial Statements (see Note 7).

1.5 Intangible assets

An intangible asset is recognised when:

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

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research is recognised as an expense when it is incurred.

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

Asset class	Depreciation method	Average useful life
Computer software	Straight line	4 - 6 years

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases held by the MICT SETA are recorded as purchase of equipment by means of long-term borrowing. All other leases are classified as operating leases.

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

1.7 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. 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 13th cheques (based on the current salary rates).

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 22.

1.8 Significant judgements and sources of estimation uncertainty

In preparing the Audited Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Audited Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Audited Annual Financial Statements. Significant judgements include:

Accounts receivable

The MICT SETA assesses its receivables for impairment at the end of each reporting period. The MICT SETA makes judgements as to whether there is observable data indicating that the receivables have to be impaired. If the indications exist, the carrying amount of the receivables is reduced through the use of an impairment allowance account in the Statement of Financial Position. When a receivable is uncollectable, it is written off against the allowance account.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 12.

Allowance for doubtful debts

On accounts receivable an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.9 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.10 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 MICT SETA and these benefits can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

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

1.11 Revenue from non-exchange transactions

Revenue from non-exchange transactions results in resources being received by MICT SETA, usually in accordance with a binding arrangement.

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

Where the resources transferred to the MICT SETA are subject to the fulfillment 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 liability and revenue are measured on the basis of the fair value of the asset on initial recognition.

Unconditional grants received are recognised when the amounts have been received.

Non-exchange revenue transactions include the receipt of levy income from the DHET, income from the National Skills Fund (NSF), and grants from the National Government.

Levy income

The Accounting Policy for the recognition and measurement of Skills Development Levy (SDL) income is based on the Skills Development Act No. 97 of 1998, as amended and the Skills Development Levies Act No. 9 of 1999, as amended.

In terms of Section 3 (1) and 3(4) of the Skills Development Levies Act (the Levies Act), 1999 (Act No. 9 of 1999) as amended, registered member companies of the MICT SETA pay an SDL of 1% of the total payroll cost to the South African Revenue Service (SARS), which collects the levies on behalf of the 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 MICT SETA (net of the 20% contribution to the NSF). MICT SETA was not in a position to verify that SARS has collected all potential skills levy income.

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

Revenue is adjusted for transfers of employers between SETAs. Such adjustments are separately disclosed as interSETA transfers. The amount of the interSETA adjustments is calculated according to the most recent Standard Operating Procedure issued by the DHET. SDL transfers are recognised on an accrual basis when it is probable that

future economic benefits or service potential will flow to the MICT SETA and these benefits can be measured reliably. This occurs when the DHET makes an allocation to the MICT SETA, as required by Section 8 of the Skills Development Levies Act, 1999 (Act No. 9 of 1999) as amended.

Interest and penalties

Interest and penalties received on the SDL are recognised on the accrual basis.

Funds allocated by the National Skills Fund for special projects

Funds transferred by the NSF are accounted for in the Annual Financial Statements of the MICT SETA as a liability until the related eligible special project expenses are incurred. The liability is reduced by any project expenditure incurred and recognised as revenue.

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

Finance revenue

Finance revenue is comprised of interest accrued from short-term investments and bank balances. Finance revenue is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity.

1.12 Grants and programme expenditure

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

Mandatory grants

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

Discretionary grants

A SETA may, out of any surplus monies, and in accordance with the criteria as defined in the SETA Grant Regulations, determine and allocate discretionary grants to employers, education and training providers and workers of the employers who have submitted an application for a discretionary grant in the prescribed form within the agreed upon cut-off period. The grant payable and the related expenditure are recognised when the application has been approved.

Programme expenditure

Programme expenditure comprises:

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

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

Programme costs are recognised as expenses in the period in which they are incurred.

Retrospective adjustments by SARS

The MICT 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 over payment, net of bad debts and provision for irrecoverable amounts.

1.13 Reserves

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

- Administration reserve
- Mandatory (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:

Administration costs	10.5%
Mandatory (employer) grants	20%
Discretionary grants	49.5%
	80%
Contribution to National Skills Funds	20%
Total	100%

Effective 1 April 2013, Section 36 of the Skills Development Act 1998 relating to the allocation of Skills Development Levies was amended by the Minister of Higher Education and Training. In addition to the 10.5% allocation of administration income, an amount that does not exceed 0.5% of the total levy paid by the employer should be transferred by the SETA to the Quality Council for Trades and Occupations (QCTO) for quality assurance funding.

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

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

Surplus funds in the Administration reserve and unallocated funds in the Mandatory (Employer grant) reserve 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.

1.14 Comparative figures

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

1.15 Unauthorised expenditure

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act (the PFMA Act); or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) the Skills Development Act (the Act), 1998 (Act No. 97 of 1998) as amended
- (d) the National Treasury Practice Note No.4 of 2008/2009

1.18 Taxation

During the financial year the SETAs received correspondence from SARS about the tax status of all the SETAs and were advised to register for income tax and apply for exemption. The MICT SETA followed the process and received confirmation of the income tax exemption on 04 April 2017.

The MICT SETA is therefore exempt from income tax in terms of Section 10 of the Income Tax Act, 1962 (Act 58 of 1962).

1.19 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity)
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance
- for which separate financial information is available

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.20 Budget information

Entity is subject to budgetary limits in the form of budget authorisations (or equivalent), which is given effect through authorising legislation.

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

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

The Annual Financial Statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

1.21 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.22 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument, but shall not consider future credit losses.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

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

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

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

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

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

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

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Initial recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value
- Financial instruments at amortised cost
- Financial instruments at cost

Impairment of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Notes to the Audited Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
IGRAP 17: Service concession arrangement where a grantor controls a significant residual interest in an asset	To be determined	Unlikely there will be a material impact
IGRAP 20: Accounting for adjustments to revenue	01 April 2020	The interpretation clarifies accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation and similar means as well as interest and penalties that arise from revenue already recognised as a result of completion of review, appeal or objection processes. Impact will be assessed on implementation.
GRAP 34: Separate Financial Statements	To be determined	Unlikely there will be a material impact

3. Inventories

Inventory is comprised of stationery and office consumables.

	2019	2018
	R '000	R '000
Consumables and stationery	334	291

Obsolete stock items amounted to R2 017 at 31 March 2019 and were written down in the Statement of Financial Performance.

4. Accounts receivable from exchange transactions

	2019	2018
	R '000	R '000
Employee costs in advance	94	71
Prepayments	30	190
Deposits	804	772
Sundry receivables	677	471
Fruitless and wasteful expenditure	1	1
	1 606	1 505

5. Accounts receivable from non-exchange transactions

	2019	2018
	R '000	R '000
Receivables - Employer grants	2 464	3 163
Receivables - InterSETA	-	23
Provision for bad debts	(10)	(3)
	2 454	3 183

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019	2018
	R '000	R '000
Cash on hand	1	2
Bank balances	203 828	107 244
Short-term investments	272 969	253 984
	476 798	361 230

As required in Treasury Regulations 31.2, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short term bank deposits was 6.29% (2018: 6.59%). Short term investments are held with the Corporation for Public Deposits and Investec at 76.37% and 23.63%, respectively.

The Skills Development Act Regulation states that a SETA may, if not otherwise specified by the PFMA, invest the monies in accordance with the Investment Policy approved by the relevant SETA. Treasury Regulations 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. In instances where the SETA is exempted by the National Treasury from the requirements of Treasury Regulations 31.3 to invest surplus funds with the Corporation for Public Deposits, surplus funds are invested in line with an Investment Policy as required by the Treasury Regulation 31.3.5. Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are held with the registered banking institutions or the Corporation for Public Deposits. These are subject to an insignificant risk of change in value.

7. Property, plant and equipment

	2019 R '000	2019 R '000	2019 R '000	2018 R '000	2018 R '000	2018 R '000
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fittings	3 468	(2 308)	1 160	3 276	(2 186)	1 090
Motor vehicles	382	(345)	37	381	(341)	40
Office equipment	2 561	(1 344)	1 217	3 444	(2 614)	830
Computer equipment	4 495	(3 038)	1 457	4 169	(2 734)	1 435
Leasehold improvements	1 480	(1 146)	334	1 480	(1 183)	297
Total	12 386	(8 181)	4 205	12 750	(9 058)	3 692

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Impairment reversal	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Office furniture and fittings	1 090	397	(19)	(310)	2	1 160
Motor vehicles	40	-	-	(3)	-	37
Office equipment	830	1 039	(18)	(634)	-	1 217
Computer equipment	1 435	448	-	(426)	-	1 457
Leasehold improvements	297	-	-	37	-	334
	3 692	1 884	(37)	(1 336)	2	4 205

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000
Office furniture and fittings	1 380	17	(33)	(274)	1 090
Motor vehicles	46	-	-	(6)	40
Office equipment	1 317	247	(7)	(727)	830
Computer equipment	970	1 092	(46)	(581)	1 435
Leasehold improvements	218	83	-	(4)	297
	3 931	1 439	(86)	(1 592)	3 692

Expenditure incurred to repair and maintain property, plant and equipment

	2019 R '000	2018 R '000
Repairs and maintenance	102	71

Expenditure incurred to repair and maintain property, plant and equipment is included in Statement of Financial Performance in the repairs and maintenance expenditure line item.

8. Intangible assets

	2019 R '000	2019 R '000	2019 R '000	2018 R '000	2018 R '000	2018 R '000
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 490	(1 176)	314	1 490	(829)	661

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
	R '000	R '000	R '000
Computer software	661	(347)	314

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
	R '000	R '000	R '000	R '000
Computer software	385	380	(104)	661

9. Accounts payable from non-exchange transactions

	2019 R '000	2018 R '000
Grants and transfers payable		
Grants payable - Mandatory	24 828	17 910
Grants payable - Discretionary	83 126	64 598
InterSETA and other payables	6 828	6 716
	114 782	89 224

10. Finance lease obligation

	2019 R '000	2018 R '000
Minimum lease payments due		
- within one year	320	-
- in second to fifth year inclusive	488	-
	808	-
Less: future finance charges	(221)	-
Present value of minimum lease payments	587	-

It is entity practice to lease certain office equipment (photocopy machines) under finance lease. The finance lease is held with Ratho M and it substantially transfers the risks and rewards to the MICT SETA.

The lease term is three years and the implicit interest rate was 26%.

Interest rates are fixed at the contract date. The lease have fixed repayments and no arrangements have been entered into for contingent rent.

11. Accounts payable from exchange transactions

	2019 R '000	2018 R '000
Service provider payables	4 424	3 202
Payroll payables	139	153
Payroll accruals	1 526	1 271
Accruals	1 434	1 318
Operating lease liability	225	179
	7 748	6 123

Bonus - 13th cheque provision has been reclassified from Note 12: Provisions to Note 11: Accounts payables from exchange transactions and included in the payroll payables balance in accordance with GRAP 19 and GRAP 25. The reclassification has been applied prospectively and the comparative figures have also been reclassified to conform to changes in the current year presentation. The effect of the reclassification is R202 862 (2018: R180 825)

12. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
	R '000	R '000	R '000	R '000
Performance bonus	4 288	3 578	(3 585)	4 281
	4 288	3 578	(3 585)	4 281

	Opening Balance	Additions	Utilised during the year	Total
	R '000	R '000	R '000	R '000
Exempt employers	9 872	442	-	10 314
	9 872	442	-	10 314

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
	R '000	R '000	R '000	R '000
Performance bonus	4 522	2 780	(3 014)	4 288
	4 522	2 780	(3 014)	4 288

	Opening Balance	Additions	Utilised during the year	Total
	R '000	R '000	R '000	R '000
Exempt employers	8 798	1 074	-	9 872
	8 798	1 074	-	9 872

Bonus - 13th cheque provision has been reclassified from Note 12: Provisions to Note 11: Accounts payables from exchange transactions and included in the payroll payables balance in accordance with GRAP 19 and GRAP 25. The reclassification has been applied prospectively and the comparative figures have also been reclassified to conform to changes in the current year presentation. The effect of the reclassification is R202 862 (2018: R180 825)

Performance bonus

Performance bonus is paid during September and the amount is dependent on the outcome of individual performance evaluations.

Exempt employers

The balance of the exempt employers provision relates to amounts to be repaid to all employers exempted from SDL (below threshold of R500 000 payroll per annum) who have however contributed the levies.

In terms of Skills Development Circular No. 09/2013, issued by the DHET on 25 August 2013, SETAs are able to utilise exempted amounts contributed after expiry date of five years as stipulated in terms of Section 190 (4) of the Tax Administration Act. These amounts are being transferred to discretionary funds in line with the aforementioned Circular.

13. Surplus for the year

Allocation of surplus for the year to reserves: 2019

	Administration	Mandatory	Discretionary	Total
	R '000	R '000	R '000	R '000
	114 180	216 162	576 678	907 020
Administration levy (10,5%)	113 801	-	-	113 801
Mandatory levy (20%)	-	216 162	-	216 162
Discretionary levy (49,5%)	-	-	537 029	537 029
Penalties and interest	-	-	13 099	13 099
Finance revenue	-	-	26 550	26 550
Other revenue	379	-	-	379
Total expenditure	92 835	166 826	560 418	820 079
Administration expenses	92 748	-	-	92 748
Mandatory expenses	-	166 826	-	166 826
Discretionary expenses	-	-	560 418	560 418
Finance costs	87	-	-	87
Surplus per Statement of Financial Performance	21 345	49 336	16 260	86 941

Allocation of surplus for the year to reserves: 2018

	Administration	Mandatory	Discretionary	Total
	R '000	R '000	R '000	R '000
Total revenue	107 580	202 957	545 785	856 322
Administration levy (10,5%)	107 365	-	-	107 365
Mandatory levy (20%)	-	202 957	-	202 957
Discretionary levy (49,5%)	-	-	507 522	507 522
Penalties and interest	-	-	17 328	17 328
Finance revenue	-	-	20 935	20 935
Other revenue	215	-	-	215
Total expenditure	79 404	154 245	611 339	844 988
Administration expenses	79 397	-	-	79 397
Mandatory expenses	-	154 245	-	154 245
Discretionary expenses	-	-	611 339	611 339
Finance costs	7	-	-	7
Surplus per Statement of Financial Performance	28 176	48 712	(65 554)	11 334

14. Revenue

Levy income per Statement of Performance is as follows:

	2019 R '000	2018 R '000
Skills Development Levy - Administration		
SDL income: Administration	113 814	108 099
InterSETA transfers in	2	89
InterSETA transfers out	(15)	(823)
Administration levy income (10.5%)	113 801	107 365
Skills Development Levy - Mandatory		
SDL income: Mandatory	216 188	204 270
InterSETA transfers in	3	260
InterSETA transfers out	(29)	(1 573)
Mandatory levy income (20%)	216 162	202 957
Skills Development Levy - Discretionary		
SDL income: Discretionary	537 093	511 049
InterSETA transfers in	9	360
InterSETA transfers out	(73)	(3 887)
Discretionary levy income (49.5%)	537 029	507 522
Total Skills Development Levy income	866 992	817 844

15. Finance revenue

	2019 R '000	2018 R '000
Interest from investments	18 985	15 131
Interest from bank	7 565	5 804
	26 550	20 935

Finance revenue is made up of interest received from both short term investments and cash available at the bank.

16. Other revenue

Other revenue comprises:

	2019 R '000	2018 R '000
The amount included in other revenue arising from exchanges of goods or services are as follows:		
Service provider income	304	148

Other revenue from non-exchange transactions has been disaggregated from other revenue from exchange transactions and disclosed separately in accordance with GRAP 23. The reclassification has been applied prospectively and the comparative figures have also been reclassified to conform to changes in the current year presentation. The effect of the reclassifications is R74 747 (2018: R67 000).

Consists mainly of insurance claims

The amount included in other revenue arising from non-exchange transactions is as follows:		
Grants from ETDP SETA	75	67

17. Finance costs

	2019 R '000	2018 R '000
Finance lease costs	83	3
Interest paid	4	4
	87	7

18. Mandatory and discretionary grant expenditure

	2019 R '000	2018 R '000
Grants disbursed	166 707	157 664
Provision and accruals	119	(3 419)
Mandatory (employer) grants	166 826	154 245
Grants disbursed	529 273	587 390
Provision and accruals	31 145	23 949
Discretionary grants (programmes)	560 418	611 339

19. Administration expenditure

		2019 R '000	2018 R '000
Operating lease rental - Buildings		4 933	4 536
Operating lease rental - Equipment		840	594
Repairs and maintenance		161	400
QCTO expenditure		5 462	4 087
Advertising, marketing and publications		2 696	3 006
Catering and refreshments		249	190
Service provider and consulting fees		5 979	7 172
Legal fees		2 013	2 225
Investigations		3 620	-
Compensation of employees	19.1	38 563	36 522
Travel and subsistence		3 103	969
Staff training and development		1 409	1 191
Remuneration to Board and Sub-Committees		3 255	2 272
External audit fees		3 010	2 625
Internal audit fees		751	235
Telephone and cell phone costs		474	485
General expenses	19.2	5 072	3 325
ICT support costs		8 909	4 376
Depreciation		1 335	1 592
Amortisation		347	104
Research costs		567	918
NSF project expenses		-	2 573
		92 748	79 397

19.1 Compensation of employees

2019	Salaries and wages	Employer contributions	Other contributions	Total
	R '000	R '000	R '000	R '000
Basic salaries	27 978	-	-	27 978
Performance awards	3 578	-	-	3 578
Other non-pensionable allowances	322	-	-	322
Medical aid contributions	-	1 989	-	1 989
Pension contributions	-	2 482	-	2 482
UIF and SDL	-	477	-	477
Leave and 13th cheques	-	-	1 737	1 737
	31 878	4 948	1 737	38 563

2018	Salaries and wages	Employer contributions	Other contributions	Total
	R '000	R '000	R '000	R '000
Basic salaries	27 323	-	-	27 323
Performance awards	3 014	-	-	3 014
Other non-pensionable allowances	1 311	-	-	1 311
Medical aid contributions	-	1 873	-	1 873
Pension contributions	-	2 592	-	2 592
UIF and SDL	-	443	-	443
Leave and 13th cheques	-	-	(34)	(34)
	31 648	4 908	(34)	36 522

19.2 General expenses

	2019 R '000	2018 R '000
Administration expenditure - plants	20	59
Bad debts	7	9
Bank charges	120	94
Certificates	288	99
Cleaning	89	84
Electricity and water	962	873
Insurance	73	219
Licences and subscriptions	69	216
Postage and courier	71	44
Printing and stationery	713	766
Other expenses	168	237
Human resource expenses	1 643	600
Roadshows and forums	849	25
	5 072	3 325

20. Cash generated from operations

	2019 R '000	2018 R '000
Surplus	86 941	11 334
Adjustments for:		
Depreciation	1 335	1 592
Amortisation	347	104
Movements in provisions	434	862
Loss on disposal/write off of property, plant and equipment	39	84
Changes in working capital:		
Inventories	(43)	61
Accounts receivable from exchange transactions	(101)	1 271
Accounts receivable from non-exchange transactions	730	13 453
Accounts payable from exchange transactions	1 625	2 057
Accounts payable from non-exchange transactions	25 558	(1 894)
	116 865	28 924

21. Commitments

Discretionary reserve

2019	NSDS target	Opening balance	Adjustments	New contracts	Expenditure	Write-backs	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000

Commitments approved and effective

Increasing access to occupationally directed programmes	4.2	272 373	(79)	419 047	(412 595)	(44 835)	233 911
Promoting the growth of Public TVET College system	4.3	30 589	-	335 050	(147 823)	(5 555)	212 261
		302 962	(79)	754 097	(560 418)	(50 390)	446 172

Commitments approved but not yet effective

Increasing access to occupationally directed programmes	4.2	-	-	202 090	-	-	202 090
Promoting the growth of Public TVET College system	4.3	-	-	19 913	-	-	19 913
		-	-	222 003	-	-	19 913
		302 962	(79)	976 100	(560 418)	(50 390)	668 175

2018	NSDS target	Opening balance	Adjustments	New contracts	Expenditure	Write-backs	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Increasing access to occupationally directed programmes	4.2	281 236	(1 339)	496 128	(472 229)	(31 423)	272 373
Promoting the growth of Public TVET College system	4.3	62 798	(1 794)	110 440	(139 110)	(1 745)	30 589
		344 034	(3 133)	606 568	(611 339)	(33 168)	302 962

The Discretionary Reserves at the end of 31 March 2019 are R342.513 million (2018: R256.166 million), and the commitments amounting to R668.175 million (2018: R302.962 million) have been approved and contracted for future projects and skills priorities as set out above. This committed expenditure relates to discretionary expenditure and will be financed by available reserves subject to written approval by the National Treasury.

The total amount for discretionary expenses incurred for the year as included in the project expenses in the Statement of Financial Performance is also indicated in the table above. A request for the retention of these funds will be submitted to National Treasury via the Department in terms of the Grant Regulations and the Treasury Instruction Note No.6 of 2017/2018.

The MICT SETA has reported an overcommitment amount of R324.629 million at 31 March 2019 mainly due to service level agreements (SLAs) that were evaluated and approved during the financial year, however there were delays in receiving back signed SLAs for recording in the commitment register.

The projects approved and not yet effected at 31 March 2019 will be allocated and reported in 2019/20 budget. The reported overcommitment is mitigated by the fact that the SETA lifespan has been extended indefinitely by the Minister and continuing to receive the levies as regulated. Further measures have been enhanced to mitigate the possible risk of committing without budget and sufficient reserves.

The commitments register is regularly reviewed and updated in an effort to further improve controls. Idle projects and expired contracts are identified and approved for write back. The effect of the written back contracts results in additional funds available to be committed towards discretionary projects.

The MICT SETA entered into a Service Level Agreement with Unemployment Insurance Fund (UIF) on 29 March 2019, for a period of 15 months. The total contracted amount of R191.691 million seeks to fund 80% of learnership training programmes for 3 349 learners.

Operating leases

	2019 R '000	2018 R '000
Minimum lease payments due		
- within one year	3 198	3 566
- in second to fifth year inclusive	119	1 801
	3 317	5 367

Operating lease payments represent rentals payable by the entity for the head office building in Midrand and regional offices in Cape town, Durban and East London. No contingent rent is payable. The leases are over a period of three years and are subject to escalation 8% on average. The head office lease rental is due to expire on 30 September 2019.

22. Contingencies

Litigations

	2019 R '000	2018 R '000
Matters relating to labour disputes		
Claim amount	3 000	200
Legal fees	500	60
	3 500	260

The MICT SETA has experienced various misconducts by its employees in the past and had to apply disciplinary measures in handling the matters. These matters have resulted in litigation claims against the MICT SETA which resulted in legal fees incurred by the MICT SETA as in the Statement of Financial Performance under administration expenses.

The pending matter regarding the former CEO was handed over to Labour Court during the financial year with estimated costs as disclosed above. Management is not aware of any further incidents other than that reported above at the reporting date.

Contingent assets

	2019 R '000	2018 R '000
Matters relating to contractual service disputes		
Claim amount	-	6 063
Legal fees	-	700
	-	6 763

The MICT SETA experienced issues in dispute with the service providers in breach of the service level agreements entered into between them. The matters were handed over to the attorneys to recover the costs relating to the disputed services and were finalised and closed during the financial year.

The matters that were handed over in the prior year regarding the allegations of irregularities in awarding discretionary grants and the recruitment process involving some of the senior management were also finalised and closed during the year.

First time employer registrations

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

At the reporting date it is estimated that, as a result of possible applications, additional mandatory grant expenditure of R968 507 (2018: R535 826) may be incurred. The amount is contingent on the number of submissions received and approved.

New scheme year levies received

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

SETA Grant Regulations of 3 December 2012 as re-promulgated: Treatment of Surpluses

No latest updates regarding this matter, Circular No. 16/2017 on 30 November 2017 as was issued by the Department is still in force.

Retention of cash surpluses

In terms of Section 53 (3) of the PFMA, public entities listed in Schedule 3A and 3C of the PFMA may not retain cash surpluses that were realised in the previous financial year without obtaining prior written approval of National Treasury. On 25 May 2017, the National Treasury issued Instruction No. 6 of 2017/2018 which introduced the revised provisions of the retention of surpluses to be followed by the public entities listed in Schedule 3A and 3C of the PFMA. According to this instruction, a surplus is based on the cash and cash equivalents at the end of the year add receivables less current liabilities and commitments.

Calculation of surpluses	Total R '000
Cash and cash equivalents at the end of the year	476 798
Add: Receivables	4 060
Less: Current liabilities	(137 312)
Less: Commitments	(668 175)
Deficit	(324 629)

23. Financial instruments

In the course of the SETA operations it is exposed to interest rate, credit, liquidity and market risk. The MICT 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 MICT SETA manages its interest rate risk by effectively investing MICT SETA surplus cash in term deposits with different financial institutions according to the MICT SETA's Investment Policy.

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

Year ended 31 March 2019	Interest bearing		Non-interest bearing	
	Amount	Effective interest rate	Amount	Total
	R '000	%	R '000	R '000
Cash and cash equivalents	476 797	6.29%	1	476 798
Accounts receivable	663	6.29%	40	703
Total financial assets	477 460	-	41	477 501
Accounts payable	-		(5 859)	(5 859)
	477 460		(5 818)	471 642

Year ended 31 March 2018	Interest bearing		Non-interest bearing	
	Amount	Effective interest rate	Amount	Total
	R '000	%	R '000	R '000
Cash and cash equivalents	361 228	6.48 %	2	361 230
Accounts receivable	19	0.00 %	471	490
Total financial assets	361 247		473	361 720
Accounts payable	-	-	(5 942)	(5 942)
	361 247		(5 469)	355 778

Financial instruments have not been discounted as they will all be settled or recovered in the near future. Effect of discounting was considered and found not to be material.

Credit risk

Financial assets, which potentially subject the MICT SETA to the risk of non-performance by counter parties and thereby subject to credit concentrations of credit risk, consist mainly of cash and cash equivalents, investments and accounts receivable.

The MICT SETA limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of their investment policy in terms of Treasury Regulation TR 28. The MICT SETA's exposure is continuously monitored by the Finance and Remuneration Committee.

Credit risk with respect to levy paying employers is limited due to the nature of the income received. The MICT SETA does not have any material exposure to any individual or counter-party. The MICT SETA's concentration of credit risk is limited to the industry (ICT and media and related industries) in which the MICT SETA operates. No events occurred in the industry during the financial year that may have an impact on the accounts receivable that has not been adequately provided for.

Accounts receivable are presented net of an allowance for doubtful debt.

	2019 R '000	2018 R '000
Cash at bank and short-term investments		
Bank balances	203 828	107 244
Short-term deposits	272 969	253 984
	476 797	361 228

Liquidity risk

The MICT SETA manages liquidity risk through proper management of working capital, capital expenditure. Adequate reserves and liquid resources are maintained.

2019	Carrying amount	Contractual cashflows	6 months or less	6 - 12 months
	R '000	R '000	R '000	R '000
Accounts payable from exchange transactions	(5 859)	(5 859)	(5 859)	-

2018	Carrying amount	Contractual cashflows	6 months or less	6 - 12 months
	R '000	R '000	R '000	R '000
Accounts payable from exchange transactions	(4 520)	(4 520)	(4 520)	-

Market risk

The MICT 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 MICT SETA is aware of.

Fair values

The MICT SETA's financial instruments consist mainly of cash and cash equivalents, account and other receivables, and account and other payables. No financial instrument was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial instruments.

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

Cash and cash equivalents

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

Accounts receivable

The carrying amount of accounts receivable, net of allowance for bad debt, approximates fair value due to relatively short-term maturity of these financial assets. The effect of discounting was considered and found to be immaterial.

Accounts payable

The fair value of interest-bearing borrowings is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile and effective interest rate with similar cash flows (only if applicable). The fair value of interest-bearing borrowings with variable interest rates approximates their carrying amounts.

The carrying amount of account and other payables approximates fair value due to relatively short-term maturity of these financial assets. The effect of discounting was considered and found to be immaterial.

24. Related parties

Transactions with controlling entity

The MICT SETA is controlled by the Department of Higher Education and Training (DHET). The Department is controlled by the Minister of Higher Education and Training.

Levies were received from the DHET and are disclosed in Note 14.

Transactions with entities under common control

By virtue of the fact that the MICT SETA is a National Public Entity related to other entities and departments in the national sphere of government it is considered related to Telkom, Eskom, South African Airways, QCTO, other SETAs, public TVET colleges, public universities, and the National Skills Fund.

The transactions are consistent with normal operating relationships between the entities, and are undertaken on terms and conditions that are normal for such transactions. Where there were transactions and balances arising due to the movement of funds between entities under the common control of the DHET, these amounts are disclosed in the table below:

Related party balances

	2019 R '000	2018 R '000
InterSETA transfer in/(out)		
MERSETA	14	105
FASSET	19	-
W&R SETA	-	272
Services SETA	-	222
ETDP SETA	(4)	-
	29	599

Amounts included in accounts receivable (accounts payable) regarding related parties

MERSETA	(5 935)	-
FP&M SETA	(53)	-
Unallocated	(112)	(6 715)
FASSET	-	23
Services SETA	-	(1)
SASSETA	(727)	-
ETDP SETA	(1)	-
	(6 828)	(6 693)

Note that with regard to MICT SETA transfers the amount of the transaction, where applicable, includes interest and penalties transferred to or from the MICT SETA.

Remuneration of executive management

Senior Management

2019	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Other benefits received	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Designation						
CEO	196	-	13	27	269	505
SM: SSP	1 067	189	131	166	25	1 578
SM: ETQA*	1 206	199	450	92	20	1 967
Acting SM: ETQA**	-	-	160	-	-	160
SM: Corporate Services	563	118	21	807	271	1 780
Acting SM: CS***	-	-	2	-	-	2
Acting SM: CS****	-	-	195	-	-	195
SM: LPD	823	380	124	120	139	1 586
	3 855	886	1 096	1 212	724	7 773
2018	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Other benefits received	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Designation						
CEO	2 319	502	77	320	107	3 325
SM: SSP	983	172	13	157	131	1 456
SM: ETQA	1 119	181	14	88	123	1 525
SM: CS	1 330	394	64	208	14	2 010
SM: LPD	1 068	374	100	155	79	1 776
	6 819	1 623	268	928	454	10 092

* The Senior Manager: Education and Training Quality Assurance (ETQA) was appointed as Acting Chief Executive Officer effective 07 March 2018 until 31 March 2019.

** An ETQA Advisor was appointed as Acting Senior Manager Education & Training Quality Assurance from 8 March 2018 to 31 March 2019.

*** The Marketing and Communications Manager was appointed as Acting Senior Manager: Corporate Services effective 7 March 2018 until 20 June 2018.

**** The Acting Senior Manager: Corporate Services role was later allocated the Human Resources Manager effective 21 June 2018 until 03 April 2019.

Subsequent to precautionary suspension of the alleged Senior Management, the former CEO, Mr Mopaki and Senior Manager: Corporate Services Ms Sibandze were both terminated on 31 March and 30 September 2018 respectively. The Senior Manager: LPD Mr Sibeko and Manager: LPD Mr Nemungavhini were reinstated on 01 June 2018 and the Senior Manager: LPD Mr Sibeko has since retired on 31 December 2018.

Remuneration of Board Members

2019	Board and Sub-Committees	Audit and Risk Committee	Other allowances	Total
	R '000	R '000	R '000	R '000
Mr S Ngubane	263	-	3	266
Ms U Exner	135	-	3	138
Adv N Khumalo *	90	32	4	126
Ms N Khumalo	196	32	13	241
Mr L Liphoko	108	-	5	113
Ms N Maheneza	152	-	17	169
Mr S Mantlhakga	198	-	50	248
Mr C Mervin**	134	-	7	141
Mr T Mofokeng	239	-	8	247
Mr TD Morobe	164	-	63	227
Mr TE Mzileni	193	16	69	278
Ms M Radebe	156	-	2	158
Ms DS Rampa***	83	-	2	85
Ms Z Phakathi	210	-	15	225
Mr M Phasha	103	-	15	118
# Dr MA Magadlela	17	-	-	17
Mr RG Ntuli	-	53	1	54
Ms L Bashele	-	20	-	20
# Mr AM Parry	17	-	-	17
# Ms TR Makgatho	32	-	-	32
Ms R Clark	-	29	2	31
# Ms N Delport	32	-	1	33
Mr JM Manchu	28	14	-	42
# Mr MJ Mooko	37	-	5	42
# Mr J Morakile	17	-	-	17
# Ms M Pindela	10	-	-	10
# Mr G Roberts	1	-	-	1
# Mr SJ Mjwara	43	-	-	43
Ms N Oliphant	-	60	2	62
Ms Z Tshabalala	-	18	-	18
Mr MW Thango	-	32	4	36
	2 658	306	291	3 255

The previous Board was terminated in March 2018 and the new Board was appointed and effective 01 April 2018. The previous Audit and Risk Committee served the MICT SETA until the new Committee was appointed in August 2018.

* The member resigned from the MICT SETA Board in 04 March 2019.

** The member has been placed on precautionary leave of absence from February 2019.

*** The member resigned from the MICT SETA Board in August 2018.

These members' term ended on 31 March 2018, however there were claims that were received and processed during the 2018/19 financial year.

Remuneration of Board Members (continued)

2018	Board and Sub-Committees	Audit and Risk Committee	Other allowances	Total
	R '000	R '000	R '000	R '000
Mr SJ Mjwara	203	-	3	206
Mr G Roberts	159	-	20	179
Mr MJ Manale	167	-	42	209
Mr TE Mzileni	83	50	47	180
Mr MJ Mooko	212	-	77	289
Mr J Manchu	78	55	1	134
Mr TD Morobe	94	-	49	143
Mr JR Morakile	60	-	3	63
Ms T Makgatho	111	-	3	114
Dr MA Magadlela	63	-	2	65
Ms N Delpont	219	-	9	228
Mr A Parry	142	-	1	143
Mr LC Mtimde	48	-	-	48
Mr RG Ntuli	16	97	4	117
Ms R Clark	8	52	4	64
Ms M Pindela	16	-	-	16
Ms L Bashele	-	43	1	44
	1 679	297	266	2 242

Non-executive members

The MICT SETA has, in the normal course of its operations, entered into certain transactions with entities which had a nominated representative or director serving on the MICT SETA Accounting Authority/Board.

	Transactions R '000		Balances R '000	
Type of transaction	2019	2018	2019	2018
Administration expenditure				
CWU Commission and Promotional Items Mr T Mzileni, Ms N Maheneza, Mr S Mantlhakga, Mr C Mervin, Ms N Khumalo	(150)	-	-	-
HP South Africa Pty Limited Ms M Phindela	-	(4)	-	-
WITS Business School Mr A Parry	(62)	(53)	-	-
MTN Zakhele Dr A Magadla	(40)	(15)	-	-
Old Mutual Dr A Magadla	-	(110)	-	-
Telkom Mr T Morobe, Ms N Maheneza	(328)	-	-	-
Mandatory (employer) grants				
AME Healthcare Ms NG Khumalo	(49)	-	-	-
Broadband Infracore SOC LTD Ms DS Rampa	(146)	-	-	-
HP South Africa Pty Limited Ms M Phindela	(193)	(168)	-	-
Sentech Mr L Mtimde	(760)	(750)	-	-
MTN Zakhele Dr A Magadla	(1 352)	(792)	-	-
JC Decaux South Africa (Pty) Limited Mr L Liphoko	(210)	-	-	-
Telkom Mr T Morobe, Ms N Maheneza	(6 385)	-	-	-
Discretionary grants				
AME Healthcare Ms NG Khumalo	(333)	-	-	-
Sentech Mr L Mtimde	(826)	(504)	-	-
Investec Ms Lefentse Bashele	4 522	1 358	64 508	58 527
JC Decaux South Africa (Pty) Limited Mr L Liphoko	(490)	-	-	-
	(6 802)	(1 038)	64 508	58 527

25. Events after the reporting date

The MICT SETA appointed Chief Executive Officer, Mr ME Zakwe, 01 April 2019. The Senior Manager Corporate Affairs, Mr M Madibana also joined the service of the SETA on 04 April 2019. Another appointment made post reporting date was that of Chief Financial Officer Ms MT Mokhabuki, on 10 June 2019.

26. Fruitless and wasteful expenditure

	2019 R '000	2018 R '000
Opening balance	21	-
Add: Amount incurred during the year	11	25
Less: Amount not recoverable (condoned)	-	(4)
	32	21

Fruitless and wasteful expenditure incurred during the year amounts to R10 735. Fruitless and wasteful expenditure relates to interest charged by Auditor-General and Redefine Properties on invoices paid after 30 days for an amount of R5 538, R500 relates to staff advance not recovered from an employee at the end of their service, R2 680 relates to traffic administration costs due to traffic fines and R2 017 is the cost of expired consumables in the MICT store. The overpayment is subsequently under investigation.

27. Irregular expenditure

The following was detected by Management as irregular expenditure during the period under review.

	2019 R '000	2018 R '000
Add: Irregular Expenditure - current year	88 081	1 011

At reporting date, the irregular expenditure had not yet been condoned.

Management has, however, subsequently investigated the irregular expenditure and has taken effective and appropriate disciplinary steps against the officials who made and/or permitted the irregular expenditure. Accordingly, these matters relating to irregular expenditure were submitted to the accounting authority prior to authorization of the financial statements for issue. The Accounting Authority/Board thus duly supports submission to the relevant authority for these matters to be condoned. Included in the irregular expenditure reported is an amount of R15.168 million that has been supported by the Accounting Authority/Board for condonation.

Analysis of irregular expenditure per age classification

Current year	88 081	1 011
Prior years	1 011	-
	89 092	1 011

Details of irregular expenditure

Contract extensions exceeded 15% threshold without prior written approval from the National Treasury. This is as a result of contravention of SCM Instruction Note 3 of 2016/17; expansion of variation of orders.	9 109 934
Procurement of services above threshold values determined by National Treasury. Contravention of Treasury Regulation 16A6.1 and Practice Note 8 of 2007/2008.	822 235
Incorrect awarding due to misallocated B-BBEE points. Contravention of Preferential Procurement Policy Framework Act 2017 6(2).	674 495
Single source procurement without justifiable reasons. Contravention of Treasury Regulation 16A6.1 and SCM Instruction Note 3 of 2016/17.	112 302
Deviation from normal bidding process. Contravention of SCM Instruction Note 3 of 2016/17.	4 154 171
Contravention of PPPFA Regulation.	294 709
Irregular expenditure relates to budget management. R67m from prior year and R6m from current year.	73 924 000
	89 091 846

28. Budget variance analysis

Material variances between budget and actual amounts

The Legislation requires that the MICT SETA submits a budget to the Minister of Higher Education and Training every year in September for approval.

Skills Development Levy: Income from non-exchange transactions

Levy income received for the year 2018/19 is R866.992 million and exceeds the approved budget by 10.16%. This is due to possible growth in the sector. The SETA received 5.30% more year-on-year.

Finance revenue

Interest received from investments and bank balances is on par with budget at R26.550 million. This is 26.82% greater than prior year actuals as the SETA invested R20 million at the end of 2017/18 and had a tiered investment strategy this year rather than keeping all funds on call.

Mandatory and discretionary grant expenditure

Mandatory grant expenditure for the year is on par. Year-on-year there is an 8.16% increase in payments. The payout ratio is 77.95% (2018: 75.58%).

Discretionary expenditure for the year is 2.86% greater than budget of R544.832 million. Compared to the prior year there is a 8.33% decrease in grants disbursed due to a bulk of contracts issued late in the year.

Administration expenditure

Administration expenditure for 2018/19 is 8.26% below budget. The saving in the administration expenditure is a result of underspending mainly due to cost cutting measures and savings in the below tabled categories. The actual is however 16.91% greater than 2017/18 mainly due to investigations embarked on throughout the current year.

Description	Final budget	Actual expenditure	Total
	R '000	R '000	R '000
Compensation of employees	44 037	38 563	(5 474)
Bad debt expense	888	7	(881)
Legal fees	3 000	2 013	(987)
Service provider and consulting fees	6 306	5 979	(327)
Repairs and maintenance	800	161	(639)
Internal audit fees	2 500	751	(1 749)
ICT support costs	11 100	8 909	(2 191)
	68 631	56 383	(12 248)

29. Change in estimate

Property, plant and equipment

Due to the re-establishment of SETA lifespan, the useful lives of certain assets in the computer equipment, office equipment, leasehold improvements and motor vehicles classes have been reassessed since the assets have reached the end of the previously expected useful lives. The effect of the reassessment amounts to R640 652 in the depreciation charges and R2 456 in reversal of impairment for the current period.

30. Segment information

General information

Identification of segments

The MICT SETA is organised and reports to management on the basis of three major functional areas being: administration, discretionary and levies and grants. The segments were organised around the type of levies received in terms of the Skills Development Act. Management uses these same segments for determining strategic objectives.

Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Segment surplus or deficit, assets and liabilities

2019	Administration	Mandatory	Discretionary	Total
	R '000	R '000	R '000	R '000
Revenue				
Revenue from non-exchange transactions				
Skills Development Levy: Income	113 801	216 162	537 029	866 992
Skills Development Levy: Interest and penalties	-	-	13 099	13 099
Other revenue - grants received	75	-	-	75
Revenue from exchange transactions				
Interest revenue	-	-	26 550	26 550
Other revenue	304	-	-	304
Total segment revenue	114 180	216 162	576 678	907 020
Expenditure				
Cost of employment	38 563	-	-	38 563
Depreciation and amortisation	1 681	-	-	1 681
Other administration expenses	52 504	-	-	52 504
Employer grant and project expenditure	-	166 826	560 418	727 244
Finance costs	87	-	-	87
Total segment expenditure	92 835	166 826	560 418	820 079
Total segment surplus				86 941

Segment surplus or deficit, assets and liabilities

	Administration	Mandatory	Discretionary	Total
	R '000	R '000	R '000	R '000
Assets				
Non-current assets	4 519	-	-	4 519
Consumables	334	-	-	334
Accounts receivable from exchange transactions	1 606	-	-	1 606
Accounts receivable from non-exchange transactions	-	2 454	-	2 454
Total segment assets	6 459	2 454	-	8 913
Cash and cash equivalents				476 798
Total assets as per Statement of Financial Position				485 711
Liabilities				
Accounts payable from exchange transactions	7 748	-	-	7 748
Accounts payable from non-exchange transactions	-	31 656	83 126	114 782
Finance leases	587	-	-	587
Provisions	4 280	10 314	-	14 594
Total segment liabilities	12 615	41 970	83 126	137 711

Segment surplus or deficit, assets and liabilities

2018	Administration	Mandatory	Discretionary	Total
	R '000	R '000	R '000	R '000
Revenue				
Revenue from non-exchange transactions				
Skills Development Levy: Income	107 365	202 957	507 522	817 844
Skills Development Levy: Interest and penalties	-	-	17 328	17 328
Other revenue - grants received	67	-	-	67
Revenue from exchange transactions				
Interest revenue	-	-	20 935	20 935
Other revenue	148	-	-	148
Total segment revenue	107 580	202 957	545 785	856 322
Expenditure				
Cost of employment	36 522	-	-	36 522
Depreciation and amortisation	1 696	-	-	1 696
Other administration expenses	41 179	-	-	41 179
Employer grant and project expenditure	-	154 245	611 339	765 584
Finance costs	7	-	-	7
Total segment expenditure	79 404	154 245	611 339	844 988
Total segment deficit				11 334
Assets				
Non-current assets	4 353	-	-	4 353
Consumables	291	-	-	291
Accounts receivable from exchange transactions	1 505	-	-	1 505
Accounts receivable from exchange transactions	-	3 183	-	3 183
Total segment assets	6 149	3 183	-	9 332
Cash and cash equivalents				361 230
Total assets as per Statement of Financial Position				370 562
Liabilities				
Accounts payable from exchange transactions	10 411	-	-	10 411
Accounts payable from non-exchange transactions	2 573	24 626	62 025	89 224
Provisions	-	9 872	-	9 872
Total segment liabilities	12 984	34 498	62 025	109 507

