

ANNUAL REPORT 2016 2017



mictseta

Media, Information and Communication Technologies
Sector Education and Training Authority

Accelerating quality skills towards an information savvy society

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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 or www.mictseta.net.za
EXTERNAL AUDITORS	The Auditor-General, 300 Middel Street, New Muckleneuk, Pretoria, South Africa
BANKERS	Rand Merchant Bank Merchant Place, Cnr Fredman Dr & Rivonia Rd, Sandton, 2196 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	Ms. Tania Vorster

2. LIST OF ABBREVIATIONS/ACRONYMS

AR	Annual Report
ARC	Audit and Risk Committee
ATR	Annual Training Report
B-BBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CEPD	Centre for Education Policy Development
CFO	Chief Financial Officer
DG	Discretionary Grants
DHET	Department of Higher Education and Training (Republic of South Africa)
DoL	Department of Labour (Republic of South Africa)
DPSA	Department of Public Service and Administration (Republic of South Africa)
ECITI	Eastern Cape Information Technology Initiative
ERP	Enterprise Resource Planning
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
FVTPL	Fair Value through Profit or Loss
GAAP	Generally Accepted Accounting Principles
GRAP	Generally Recognised Accounting Principles
HET	Higher Education and Training
HR	Human Resources
HRD	Human Resource Development
ICT	Information and Communication Technologies
IITPSA	Institute of Information Technology Professionals South Africa
IIA, SA	Institute of Internal Auditors South Africa
IPAP	Industrial Policy Action Plan
IRBA	Independent Regulatory Board for Auditors
ISOE	Institute of Sectoral or Occupational Excellence
IT	Information Technology
ITA	Information Technology Association
LPD	Learning Programmes Division
MICT	Media, Information and Communication Technologies
MITSDF	Media and Information Technology Skills Development Forum

MTSF	Medium Term Strategic Framework
NAB	National Association of Broadcasters
NCRF	National Community Radio Forum
NDP	National Development Plan
NGO	Non-Governmental Organisation
NLP	Non-Levy Paying
NGP	New Growth Plan
NSA	National Skills Authority
NSDS	National Skills Development Strategy
NSF	National Skills Fund
NSFAS	National Student Financial Aid Scheme
NQF	National Qualifications Framework
OOPMS	Outcomes Orientated Performance Management System
PFMA	Public Finance Management Act
PIVOTAL	Professional, Vocational, Technical and Academic Learning Programme
QCTO	Quality Council for Trades and Occupations
QMS	Quality Management Systems
SACF	South African Communications Forum
SAICA	South African Institute of Chartered Accountants
SAQA	South African Qualifications Authority
SARS	South African Revenue Services
SCM	Supply Chain Management
SDA	Skills Development Act
SDF	Skills Development Facilitator
SDLA	Skills Development Levies Act
SETA	Sector Education and Training Authority
SIC	Standard Industrial Classification
SLA	Service Level Agreement
SMME	Small Medium and Micro Enterprises
SSP	Sector Skills Plan
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



Mr. Siphon J. Mjwara
Chairperson of
the Board

3. FOREWORD BY THE CHAIRPERSON

The Honourable Minister, Dr Bonginkosi Nzimande,

INTRODUCTION

It is with great honour and privilege that we present to you the Annual Report of the MICT SETA for the period 1 April 2016 to 31 March 2017. We would like to thank you and your dedicated team within the Ministry for the support we have received during the performance period under review and look forward to a new financial year with new and improved targets.

OVERVIEW OF THE MICT SETA STRATEGY AND THE PERFORMANCE IN THE MICT SECTOR

The MICT SETA has once again maintained a clean audit report with no material findings, thereby completing another successful year of delivering on our skills development mandate. This also demonstrates the sterling work of the Accounting Authority/Board, Governance Structures, management team and employees that continue to ensure that the organisation complies with applicable legislation and delivers on its mandate. A clean Audit Report once again confirms the MICT SETA's commitment to its values of professionalism, ethics and accountability, with its focus on achieving the NSDS III objectives by way of the imperatives of good governance.

GENERAL INFORMATION

The MICT SETA has in the year under review managed to achieve all its strategic goals as articulated in the MICT SETA Strategic Plan Document 2016 – 2021 and the Annual Performance Plan 2016 – 2017. The MICT SETA continues to expand its footprint around the country, thereby creating learning opportunities for learners even in rural areas. The MICT SETA has also expanded its support to small, medium and micro enterprises in order to promote the economic growth of the country.

STRATEGIC RELATIONSHIPS

The MICT SETA has built strategic relationships with employer and labour organisations, Universities, TVET Colleges, research institutions and rural communities to advance the objectives of post-school education and training. Their relationships have enabled the MICT SETA to not only achieve its set objectives, but to ensure that it makes a positive change in the lives of individuals and organisations by addressing the skills shortages in the sector.

CHALLENGES FACED BY BOARD

One of the biggest challenges facing the Board and the ICT sector (ICTs) is determining how to respond to the changing national and global developments that are fuelled by the adoption and use of the ICTs, impacting on how countries compete, how we as citizens participate in socio economic activities and how services are delivered by the public, private and community sectors. The ICTs has emerged as the biggest differentiator impacting on all social and economic aspects.

While the SETAs have been re-established for a further period of two years until 31 March 2020, the uncertainty as to whether SETAs will continue to exist still remains. Until clarity is received on the future of skills development in the country, the MICT SETA shall continue to deliver on its mandate.

MEDIUM TO LONG TERM GOALS OF THE ENTITY

The MICT SETA made some progress with the issue of providing skills development in a manner that spreads service provision to reach those not reached before by our programmes. Providing training opportunities in ICTs to rural areas and in significant numbers is still a challenge. We have adopted a rural focus that we hope in the medium term will spread the training opportunities to more rural areas so as to integrate service provision to reach all deserving South Africans. We would also appeal once more to whoever is willing to partner with the MICT SETA in addressing the challenges of providing skills development and training in rural areas to engage with us so that mutual strategies can be canvassed.

Skills shortages are rated as one of the most important factors hindering the success and sustainability of companies within the MICT sector. In the medium term, the MICT SETA endeavours to be an important contributor in supporting the growth of small, medium and micro enterprises through skills development, improving access to quality and occupationally directed programmes, ensuring that a pool of talent, especially at professional and managerial levels are created. This will involve co-planning with other relevant stakeholders and establishing cross- sectoral partnerships relevant to the sector. All indications are that the MICT sector is well positioned to contribute increasingly to the Gross Domestic Product (GDP) of South Africa as well as to the growth in employment.

With its up- and downstream role and “presence” in almost every other economic sector in the country, the MICT sector will play a pivotal role in contributing towards the country’s transformation imperatives and realisation of inclusive economic growth through skills development within its sector in the long term.

GENERAL INFORMATION

ACKNOWLEDGEMENTS / APPRECIATION

During the period under review, we lost our esteemed colleague and fellow Board member, Mr Cecil Tanki Mokhantso, and we extend our condolences to his family. We also welcomed Ms Morongwa Pindela as a new member of the Board. I would also like to congratulate Mr Glen Rivelani Ntuli who has been appointed as the Chairperson of the Audit and Risk Committee, after the resignation of Mr Eric Ndlovu.

My gratitude goes out to my fellow Board members and Governance Structures for their commitment and valuable contributions over the past year.

Finally, I extend my thanks and appreciation to Mr Oupa Mopaki, the CEO, his management team and employees for their competent and focused hard work, which resulted in another successful year. As an organisation, we have set a very high standard and shall continue to do so.

CONCLUSION

In conclusion, I would like to encourage stakeholders in the sector to attend the annual MICT SETA presentation of the Annual Report on 26 October 2017, which provides a wonderful opportunity to not only engage with fellow stakeholders, but also serves as a platform for stakeholders to raise issues, concerns or questions.

Thank you,



Mr Siphon J. Mjwara

Chairperson of the MICT SETA Accounting Authority / Board
27 July 2017



Mr. Oupa Mopaki
Chief Executive Officer

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

INTRODUCTION

The year under review has been yet another successful year for the MICT SETA in that all the performance targets have been achieved. The MICT SETA's commitment to good governance and compliance has resulted in a clean audit yet again. Over 7 000 young people had an opportunity to access the SETA funded skills programmes and this placed them in good stead to access further training or employment.

FINANCIAL REVIEW OF THE PUBLIC ENTITY

In the year under review the MICT SETA revenue amounted to approximately R765.04 million and allocated same for budgetary purposes according to the SETA funding regulations.

The MICT SETA has experienced a growth of 5.5 % in Skills Development Levy income (including interest and penalties) in the year under review. This stems from amongst others, annual salary growth in the sector and an increase in the number of employers registered with the MICT SETA.

There has been an increase in the mandatory grant expenditure of 2.5 % and the pay-out ratio is 79.6 % as opposed to 81.3 % in 2016. The discretionary grant expenditure increased significantly by 43.65% due to an increase in the levy income received.

GENERAL INFORMATION

The SETA has funded the training of a total 10 110 learners in learning programmes:

- 3 000 of whom entered learnership programmes and 60% (1 800) were placed in permanent employment on completion;
- 2 525 learners were trained in Skills Programmes and 40% (1 010) were placed in permanent employment; and
- 1 500 learners entered graduate internship programmes and 80% (1 200) were placed in permanent employment.

SPENDING TRENDS OF THE SETA

Administration expenditure is limited by legislation to 10.5% of total levies received by the SETA. The SETA continues to operate well within this limit, 0.5% of the administration income was transferred to the Quality Council for Trades and Occupations (QCTO) as required by legislation. The administration expenditure has increased by 8.97% from prior year mainly due to an increase in research costs, repairs and maintenance; an increase in employee expenditure (as various vacant positions were filled in the year under review) as well as an increase in training and employee development expenditure.

CAPACITY CONSTRAINTS AND CHALLENGES FACING THE SETA

The MICT SETA is well capacitated with resources and employees. Minor challenges surface periodically due to individuals failing to carry out their duties and responsibilities as expected. Management is able to address such issues as they emerge. There are no capacity constraints and challenges facing the MICT SETA.

DISCONTINUED ACTIVITIES / ACTIVITIES TO BE DISCONTINUED

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

NEW OR PROPOSED ACTIVITIES

The new activities are articulated on pages 19 – 42 of the MICT SETA Annual Performance Plan 2015/16 – 2019/20.

REQUESTS FOR ROLL OVER OF FUNDS

The MICT SETA has reported a deficit of R149.9 million in the year under review. The organisation has reported total accumulated reserves of R249.6 million. The entire amount (i.e. discretionary reserves of R244.9 million) has been committed to future discretionary programmes and as such the MICT SETA has requested National Treasury to grant permission to retain the accumulated surplus.

SUPPLY CHAIN MANAGEMENT (SCM)

The SETA did not enter into any transaction based on unsolicited bids.

SCM PROCESSES AND SYSTEMS IN PLACE

The SETA SCM system consists of the following six core processes:

- Demand;
- Acquisition;
- Logistics;
- Disposal;
- Risk Management; and
- Performance Evaluation & Monitoring.

GENERAL INFORMATION

CHALLENGES EXPERIENCED AND HOW RESOLVED

- Continuous upskilling of employees;
- Keeping up with a constant flow of new Treasury practice notes;
- Continuous improvement of the capabilities of SCM employees and processes through the following:
 - Training of employees;
 - Coaching and mentoring;
 - Performance management and reviews; and
 - Continuous review of policies and procedures.

AUDIT REPORT MATTERS IN THE PREVIOUS YEAR AND HOW THEY WOULD BE ADDRESSED

There were no significant audit report matters that required the urgent attention of the MICT SETA.

PLANS TO ADDRESS FINANCIAL CHALLENGES

The MICT SETA does not have any financial challenges and operates well within its approved budget and the prescribed funding model.

EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date that came to the attention of the MICT SETA and required adjustments to the annual financial statements as at 31 March 2017.

ECONOMIC VIABILITY

The MICT SETA is economically viable and is in good stead to continue with its mandate.

APPRECIATION

My sincere gratitude is expressed to the MICT Accounting Authority/ Board, management team, employees and stakeholders for their support in the achievements reflected in this report.

Thank you



Mr. Oupa Mopaki
Chief Executive Officer
27 July 2017

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2017

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 from 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; and
- 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 2017.

Yours Sincerely



Chairperson of the Accounting Authority/Board
Mr. Siphon J. Mjwara
27 July 2017



Chief Executive Officer
Mr. Oupa Mopaki
27 July 2017

GENERAL INFORMATION

6. STRATEGIC OVERVIEW

VISION

To be recognised as the leader in the development of a highly skilled knowledge-based information society.

MISSION

The MICT SETA generates, facilitates and accelerates the processes of quality skills development at all levels in the MICT sector.

VALUES

- As an organisation and individuals within the organisation we value honesty and integrity;
- We are eager to take on challenges and see them through;
- We have a passion for developing people; and
- We hold ourselves accountable to our customers and partners by honouring commitments and striving to ensure quality service delivery in line with Batho-Pele principles.

7. LEGISLATIVE AND OTHER MANDATES

The MICT SETA was established in terms of the Skills Development Act, 1998 (Act No. 97 of 1998). 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; and
- Rendering an accountable, transparent, and development-oriented administration.

7.2 LEGISLATIVE MANDATES

- Skills Development Act 1998 (Act No. 97 of 1998) as amended;
- Skills Development Levies Act, 1999 (Act No. 09 of 1999);
- The National Qualifications Framework Act, (Act No. 67 of 2008);
- Public Finance Management Act (Act No. 1 of 1999);
- Broad-Based Black Economic Empowerment Act (Act 53 of 2013) as amended; and
- Employment Equity Act, 1998 (Act No. 55 of 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; and
- Provincial Growth and Development Strategies.

These government policy frameworks and programmes have one objective in common, and that is addressing 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.

GENERAL INFORMATION

7.4 POLICY MANDATE

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; and
- 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; and
 - 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.

GENERAL INFORMATION

8. ORGANISATIONAL STRUCTURE



GENERAL INFORMATION

MANAGEMENT TEAM



Mr. Oupa Mopaki



Ms. Sekgana Makhoba



Mr. Charlton Philiso



Ms. Naledi Sibandze



Mr. Jabu Sibeko



Ms. Tania Vorster



Ms. Noni Gontshi



Mr. Ernest Nemugavhini



Ms. Sindi Hlanze



Ms. Xabiso Matshikiza



PART B:
PERFORMANCE
INFORMATION

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 with material findings being reported under the Predetermined Objectives heading on the section of other legal and regulatory requirements of the Auditor's Report.

Refer to pages 59-63 of the Auditor-General's Report, published in Part E: Financial Information.

2. SITUATIONAL ANALYSIS

2.1 SERVICE DELIVERY ENVIRONMENT

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; and
- Telecommunications.

Though the sub-sectors are wide-ranging, they are nevertheless interconnected. The sector covers 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 just over 21,000 companies spread across the five sub-sectors. . These estimates represent companies allocated to the MICT SETA through the SARS registration process. Nearly 50% of the sector employer base is constituted by organisations in the Information Technology sub-sector, followed by Telecommunications at 15% and Electronics with 13%; while the Film and Electronic Media and Advertising sub-sectors represent 12% each. Gauteng has the largest share of employers at 43%, followed by Western Cape and Kwazulu-Natal with 11% and 8% respectively. In 2016/2017, there were 297 831 people employed in companies submitting WSPs, up from 274 095 based on 2015/2016 submissions. Overall, the number of levy paying employers has increased by 16% in 2016 (5 875 employers), up from 5078 employers the previous 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

PERFORMANCE INFORMATION

The MICT SETA Standard Industrial Classification (SIC) Codes (continued):

SIC Code	Description
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
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

PERFORMANCE INFORMATION

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 require a coherent response from 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-SA
- National Skills Accord
- National Skills Development Strategy III
- National Integrated ICT Policy Whitepaper
- Industrial Action Policy Plan
- Strategic Integrated Projects (SIPs)
- Broad-Based Black Economic Empowerment

Building and managing talent requires a concerted effort and resources. A positive signal is that both 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 the 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 shape-shifter 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 which 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 Qualification 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

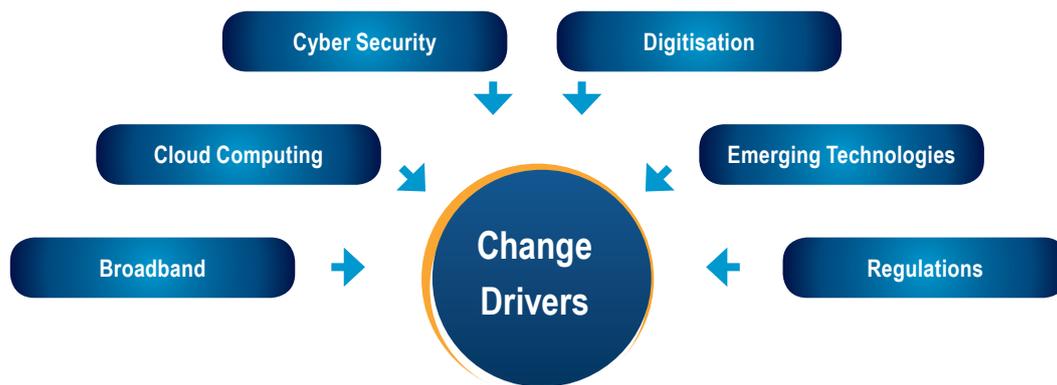
Acquisition of skills remains an ongoing opportunity and challenge (at the same time) across the sector due to new and emerging technologies and the need to increase access to e-skills. Interestingly, areas most concerning about improving skills are driven change areas brought on by innovations such as cloud computing, mobility and cyber security.

The proliferation of mobile technology and smartphones has increased the demand for people to develop mobile applications and with the vision and ideas to design and implement applications for the Internet of Things. As more and more people go on-line, there will be greater need for people skilled in 'end-user experience'. The MICT SETA will cooperate with industry professional bodies to provide professional qualifications to the working practitioner demand. The areas above address scarce and critical skills and the MICT SETA will collaborate with the sector to address skills shortages through focused and targeted PIVOTAL programmes. Employers need to be supported to enable them to host learners without incurring additional costs.

Change Drivers

ICT has transformed society over the last 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. 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 to the types of outcomes and impact that the stakeholders are seeking to achieve when implementing skills strategy.

PERFORMANCE INFORMATION



While it is generally accepted that there has been widespread transformation of the sector's labour market, in particular the nature of skills demanded, there has been little sense as to the extent of this dynamic. This has led to some ambiguity as to what extent these are fundamental shifts in the sectoral structure of the economy and what should be the response on the training and education side. 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.

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 78 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 and there are Regional Offices in Cape Town, East London and Durban.

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 OUTCOMES 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 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 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.

PERFORMANCE INFORMATION

OUTCOMES AND OUTCOMES STATEMENTS

Strategic Outcome Oriented	Provide integrated business solutions within the MICT SETA.
Goal 1	
Goal Statement	Align support provided with the requirements of the department and its strategic and performance plans.
Progress made	This outcome has been achieved - please refer to Programme 1 under Performance Information on page 25 and 26.
Strategic Outcome Oriented	Established credible mechanism for skills planning within the MICT sector.
Goal 2	
Goal Statement	Conduct research and develop a Sector Skills Plan that records industry scarce skills requirements on an annual basis.
Progress made	This outcome has been achieved. A research partnership with a professional research house was established and developed a Sector Skills Plan document that was approved.
Strategic Outcome Oriented	Increased access to career and vocational guidance within the MICT sector.
Goal 3	
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	This outcome has been achieved. A comprehensive career guide document has been produced and distributed to over 5 184 recipients.
Strategic Outcome Oriented	Increased access to occupationally directed learning programmes within the MICT sector.
Goal 4	
Goal Statement	Establish partnerships with public Technical and Vocational Education and Training (TVETs) colleges and private FET colleges, Universities of Technology and industry to rollout occupationally-directed learning programmes. Conduct capacity building sessions for both public and private FET colleges to enable them to rollout SETA programmes. 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.
Progress made	This outcome has been achieved. Partnerships with TVETs, Universities and industry were successfully established to rollout occupationally directed programmes.
Strategic Outcome Oriented	Increased and improved workplace capacity to meet workplace skills development needs.
Goal 5	
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.
Progress made	This outcome has been achieved. The MICT SETA has 1 500 graduates with work experience.
Strategic Outcome Oriented	Increased support for SMMEs, Unions and NGOs development within the MICT sector.
Goal 6	
Goal Statement	Identify the SMMEs skills development needs and support them in addressing those needs through bursaries, learnerships, skills programmes, short courses and internships.
Progress made	This outcome was achieved. SMMEs were supported to implement learning programmes such as learnerships, internships, skills programmes and bursaries.
Strategic Outcome Oriented	Increased access to quality programmes.
Goal 7	
Goal Statement	Develop new and review registered qualifications annually to ensure authenticity. To assure quality learning provision by accrediting qualifying training providers, assessors and moderators, and also verify learner achievements before issuing certificates within the MICT SETA scope.
Progress made	This outcome was achieved. All qualifications are still successfully registered on the National Qualifications Framework. Quality assurance functions were successfully carried out resulting in 559 Training Providers receiving accreditation, 1 389 Assessors being registered, and 613 moderators being registered

PERFORMANCE INFORMATION

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 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 ensure a professionally developed Sector Skills Plan that reflects an accurate list of scarce and critical skills, serving as the basis for the SETA's Strategic Plan and Annual Performance Plan.

Strategic Objective 2

Establish a credible mechanism for skills planning within the MICT sector.

Strategic Objective 3

Increase access to career and vocational guidance within the MICT sector.

4.3 PROGRAMME 3: LEARNING PROGRAMMES

PURPOSE

To implement and monitor learning programmes in the Media, Advertising and ICT sub-sectors.

Strategic Objective 4

Increase access to occupationally directed learning programmes within the MICT sector.

Strategic Objective 5

Increase support for SMMEs, Unions and NGOs development within the MICT sector.

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.

Strategic Objective 6

Increase access to quality programmes.

Strategic Objective 7

Encouraging better use of workplace based skills programmes, through increasing and improving workplace capacity to meet workplace skills development needs within the MICT sector.

PERFORMANCE INFORMATION

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS PLANNED TARGETS AND ACTUAL ACHIEVEMENTS
NSDS III TARGETS FOR THE 2016/2017 FISCAL YEAR FROM 01 APRIL 2016 TO 31 MARCH 2017

PROGRAMME 1 – ADMINISTRATION (CORPORATE SERVICES)						
Strategic Objective	Performance Indicators	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation From Planned Target To Actual Achievement For 2016/2017	Comment On Deviation
1. Provide integrated business solutions within the MICT SETA	1.1 Cost efficient management of goods and services by saving 1% on the current goods and services	R67 934 Million	R83 858 Million 1% savings on goods and services.	R74 313 Million	R9 545 Million	Actual costs to date are 11% below target. Continued efforts to enforce cost containment and to keep them below planned 1% saving was achieved. The austerity measures included strict control of travel and subsistence by using alternative means such as video conferencing. Proper management of stock items for groceries and stationery also contributed to the cost savings. Catering expenses were curbed as per Treasury Instruction 2 of 2016/2017 on Cost Containment. Printing costs were also reduced by the introduction of electronic devices for distributing Board Packs and the use of back to back printing for internal documents.
	1.2 Provide an effective and efficient ICT service by deploying 80% of approved ICT solutions with 95% compliance to SLA/OLA		Strategic alignment of business and ICT approved solutions deployed (80% deployment) in compliance (95% compliance) with SLAs / OLA.	All ICT SLAs are in place. 100% of SLAs implemented.	None	None

PERFORMANCE INFORMATION

Strategic Objective	Performance Indicators	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation From Planned Target To Actual Achievement For 2016/2017	Comment On Deviation
1. Provide integrated business solutions within the MICT SETA (continued)	1.3 Retain appropriately skilled personnel by filling 92% of the positions	71.42%	97% of positions filled 97% retention rate.	97%	None	None
	1.3.1 Retain appropriately skilled personnel by retaining 87% of the staff	97.46%	98% retention rate.	98%	None	None
	1.4 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 office system.	Business Continuity Management currently in place.	None	None.

PROGRAMME 2 – SECTOR SKILLS PLANING

Strategic Objective	Performance Indicators	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation From Planned Target To Actual Achievement For 2016/2017	Comment On Deviation
2. Establish a credible mechanism for skills planning within the MICT sector (by using the SETA MANAGEMENT SYTEM (SMS) and establishing a partnership with a research house in order to develop one Sector Skills Plan)	2.1 Approved Companies supported through mandatory Grants		Large 240	243	+03	Large - some of the medium sized employers grew to be large. Medium - some of the small sized employers grew to be medium. None
			Medium 350	352	+02	
			Small 1010	1 010	0	
	2.2 SETA Management System (SMS) with credible data maintained	01	01	01	None	None
	2.3 Partnerships with research institutions established	01	01	01	None	None
2.4 Professionally researched and credible Sector Skills Plan (SSP) developed	01	01	01	None	None	

PERFORMANCE INFORMATION

Strategic Objective	Performance Indicators	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation From Planned Target To Actual Achievement For 2016/2017	Comment On Deviation
3. Increase access to career and vocational guidance within the MICT sector	3.1 Career Opportunities Guide with labour market information developed.	01	01	01	None	None
	3.2 Career Events supported and attended	57	24	39	+15	15 Additional Career events were held due to increased demand by stakeholders, these events were contained within the 10,5% administration budget
	3.3 Career Opportunities Guide with labour market information distributed.	4 008	1 450	5 184	+3 734	3 734 Additional Career guides were distributed due to increased demand by stakeholders. The distribution of Career guides was contained within the 10,5% administration budget

PROGRAMME 3 – LEARNING PROGRAMMES

Strategic Objective	Performance Indicators	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation From Planned Target To Actual Achievement For 2016/2017	Comment On Deviation
4. Increase access to occupationally directed learning programmes (Covering all skills level by funding learners in programmes addressing the scarce skills and priority skills lists as determined in the Sector Skills Plan Document)	4.1 Increased number of unemployed learners entered Learnerships	3 539	3 000	4 052	+1 052	1052 Additional Learners were funded by Employers.
	4.2 Increased number of unemployed learners receiving Bursaries	1 067	350	599	+249	249 students were funded by Public Institutions.

PERFORMANCE INFORMATION

Strategic Objective	Performance Indicators	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation From Planned Target To Actual Achievement For 2016/2017	Comment On Deviation
4. Increase access to occupationally directed learning programmes (continued)	4.3 Increased number of TVET students placed at workplaces	565	1 000	1 000	None	None
	TVET students placed at workplaces completed	(New Target)	500	500	None	None
	4.4 Increased number of unemployed learners entering Internship Programmes	1 751	1 500	1 500	None	None
	4.5 Increased number of unemployed learners entering Skills Programmes	2 235	1 800	2 525	+725	725 Additional learners were funded by employers.
	4.6 Increased number of unemployed learners completing Learnership Programmes	1 769	1 500	2 084	+584	584 Learners were enrolled in the 2015/2016 financial year and completed the learnership programme in the 2016/2017 financial year.
	4.7 Increased number of unemployed learners completing Bursary Programmes	160	175	263	+88	88 Learners enrolled in the 2015/16 completed their studies in the 2016/17 financial year.
	4.8 Increased number of unemployed learners completing Internship Programmes	543	750	750	None	None

PERFORMANCE INFORMATION

Strategic Objective	Performance Indicators	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation From Planned Target To Actual Achievement For 2016/2017	Comment On Deviation
4. Increase access to occupationally directed learning programmes (continued)	4.9 Increased number of unemployed learners completing Skills Programmes	1 750	900	1 550	+650	650 Learners enrolled in the 2015/2016 financial year and completed the Skills programme in the 2016/2017 financial year.
	4.10 SETA/TVET College Partnerships established	07	04	08	+04	04 Additional partnerships were established due to increased interest from TVETs.
	4.11 Number of Collaborative Agreements in place with Universities and Stakeholders	05	03	07	+04	04 Additional collaborative agreements were put in place due to increased interest from both Universities and Stakeholders.
	4.12 Increased number of unemployed learners entering Short Programmes	(New Target)	1 300	1 320	+20	20 Additional Learners were funded by stakeholders.
	4.13 Number of University Students placed	(New Target)	500	500	None	None
	4.14 Number of workers entering Learnership Programmes	(New Target)	100	110	+10	10 Additional learners were funded by employers.
	4.15 Number of workers entering Bursary Programmes	(New Target)	60	65	+05	05 Additional learners were funded by Employers.
	4.16 Number of workers entering Skills Programmes	(New Target)	400	451	+51	51 Additional learners were funded by Employers.
	4.17 Number of Workers who completed Learnerships	(New Target)	50	100	+50	50 Additional learners were enrolled in 2015/2016 and completed in the 2016/2017 financial year.

PERFORMANCE INFORMATION

Strategic Objective	Performance Indicators	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation From Planned Target To Actual Achievement For 2016/2017	Comment On Deviation
4. Increase access to occupationally directed learning programmes (continued)	4.18 Workers Completed Bursaries	(New Target)	30	31	+1	01 Additional worker completed their studies in the 2016/2017 financial year.
	4.19 Workers completed Skills Programmes	(New Target)	200	259	+59	+59 Additional learners were enrolled in 2015/2016 and completed in the 2016/2017 financial year.
	4.20 Lecturer Development Programmes Entered (Candidacy Programme)	(New Target)	100	100	None	None
	4.21 Lecturer Development Programmes Completed (Candidacy Programme)	(New Target)	50	100	+50	50 Additional lecturers completed Lecturer Development Programmes (Candidacy Programme) in the 2016/2017 financial year.
	4.22 Number of Rural Development Projects Planned	(New Target)	09	11	+2	02 Additional Programmes were implemented due to increased interest from employers.
5. Increase support for SMMEs, Unions and NGOs by funding skills development programmes within the MICT sector and as identified by the Sector Skills Plan	5.1 Number of small businesses supported	15	12	16	+04	04 Additional small businesses were supported due to increased interest from small businesses.

PERFORMANCE INFORMATION

PROGRAMME 4 – EDUCATION AND QUALITY ASSURANCE

Strategic Objective	Performance Indicators	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation From Planned Target To Actual Achievement For 2016/2017	Comment On Deviation
6. Increase access to quality programmes by ensuring that there are accredited Training Providers, registered Assessors / Moderators and relevant qualifications in place	6.1 Increased number of Accredited Training Providers offering quality programmes for the 2016/2017 financial year	496	450	559	+109	The additional 109 accredited Training Providers were accredited due to improved turnaround times. A significant number of Training Providers that are primarily accredited by other SETAs have extended their scope of offering to include End User Computing. This has increased the number of Training Providers that we have accredited thus far.
	6.2 Increased number of registered Assessors assessing on quality programmes for the 2016/2017 financial year	1 571	480	1 389	+909	The extra 909 Assessors were re-registrations due to expiry of registration periods and the increased demand for the End User Computing qualification.
	6.3 Increased Number of registered Moderators moderating on quality programmes for the 2016/2017 financial year	751	210	613	+403	The extra 403 Moderators were re-registrations due to expiry of registration periods and the increased demand for the End User Computing qualification.
	6.4 Developed new or reviewed qualifications responding to the skills needs	45	38	38	None	None

PERFORMANCE INFORMATION

Strategic Objective	Performance Indicators	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation From Planned Target To Actual Achievement For 2016/2017	Comment On Deviation
7. Encouraging better use of workplace based skills programs through increasing and improving workplace capacity to meet workplace skills development needs within the MICT sector	7.1 Number of workers entered Skills Programmes	1 791	1 050	1 050	None	None
	7.2 Number of workers completed Skills Programmes	500	525	525	None	None

ADDITIONAL INFORMATION REPORTED AGAINST DEPARTMENT OF HIGHER EDUCATION AND TRAINING SERVICE LEVEL AGREEMENT

This table presents the status of achievements as at 31 March 2017 regarding additional targets set by the SLA with the DHET:

Output	SLA Target 2015/2016	Actual Achievement	Deviation	Comments
Universities Student Placement Completed	250	250	None	None

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

The MICT SETA did not have any areas of underperformance.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets in the year under review.

LINKING PERFORMANCE WITH BUDGETS

Please refer to the Revenue collection table on page 33, which covers both the estimated Budget and the actual Revenue.

PERFORMANCE INFORMATION

5. REVENUE COLLECTION

Sources of revenue	2016/2017			2015/2016		
	Estimate	Actual Amount Collected	(Over)/ Under Collection	Estimate	Actual Amount Collected	(Over)/ Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Administration levies	91 088	97 549	(6 462)	88 200	92 251	(4 051)
Mandatory levies	173 500	182 521	(9 021)	168 000	173 131	(5 131)
Discretionary levies	429 413	462 821	(33 409)	415 800	436 919	(21 119)
Interest and penalties	-	22 153	(22 153)	-	22 705	(22 705)
Investment income	17 820	24 847	(7 027)	16 200	23 527	(7 327)
Other income	-	365	(365)	-	139	(139)
Total	711 820	790 256	(78 436)	688 200	748 672	(60 472)

The MICT SETA, through the South African Revenue Service as its collection agent, was successful in collecting revenue in accordance with its collection plan. There were no instances of under-collection of revenue during the financial year. The budgeted revenue, in terms of the Annual Performance Plan and Strategic Plan, was exceeded. This was mainly due to the growth in the ICT sector as well as annual increases in employment costs.

6. CAPITAL INVESTMENT

The MICT SETA Capital investment consists of only:

- Fixed assets required for administration of the MICT SETA; and
- Short-term investments with commercial banks.

The acquisition, implementation and management of the above, is achieved through sound policies and procedures of the MICT SETA. Where fixed assets are deemed not to result in an inflow of economic benefits to the MICT SETA, these are assessed for impairment and donated to the relevant bodies upon approval.

PART C: GOVERNANCE

1. INTRODUCTION

The Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA) is a schedule 3A public entity established by the Public Financial Management Act No. 1 of 1999. 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 III 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, and a Finance and Remuneration Committee.

The Accounting Authority/Board is responsible for providing strategic direction to the MICT SETA, 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 COMMITTEES

The Portfolio Committee on Higher Education and Training exercises its oversight role over the SETAs and may invite a SETA to account on its performance from time to time. The MICT SETA did not attend any Portfolio Committee meetings as the organisation was not requested to appear before the Portfolio Committee in the 2016/2017 financial year.

3. EXECUTIVE AUTHORITY

The Executive Authority of the MICT SETA is the Minister of Higher Education and Training, 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 2017.

Quarterly performance reports, in accordance with the requirements for the number of employed and unemployed beneficiaries for Learning Programmes, Bursaries, Skills Programmes, Internships, SMME support and career guidance, are also submitted to the DHET. For the financial year 2016/2017, the Quarterly Performance reports were submitted on 15 July 2016, 17 October 2016, 16 January 2017 and 18 April 2017 which were subsequently evaluated and validated by the Executive Authority.

4. THE ACCOUNTING AUTHORITY/THE BOARD

4.1 INTRODUCTION

The PFMA stipulates that every public entity must have an authority which 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, it 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 it 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.

4.2 THE ROLE OF THE BOARD

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

- Set a strategic direction for the MICT SETA and approve a strategic plan;
- Ensure that the MICT SETA achieves the objectives contemplated in clause 5 of its Constitution and performs the functions contemplated in clause 6 of the Constitution;
- Provide effective leadership and to ensure that the MICT SETA implements the goals of the NSDS III and the performance agreement with the Minister to set a strategic direction for the MICT SETA;
- Liaise with stakeholders;
- Ensure that the MICT SETA complies with the relevant statutory requirements and the requirements of its Constitution;
- Manage institutional risk; and
- Monitor the performance of the MICT SETA.

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; and
- Meetings of the Accounting Authority/Board.

GOVERNANCE

The 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 BOARD

The Accounting Authority/Board comprise 15 independent non-executive members, which ensures independence and objectiveness in decision-making. From the 15 members, 6 are representatives of Organised Labour and 6 are representatives of Organised Employers, with 1 member representing Professional Bodies and 1 representing Community Organisations. The Chairperson is a ministerial appointee.

For the Financial Year 2016/2017 there were 14 active members that constituted the Accounting Authority/Board, with one vacant position.

The following members represent the Accounting Authority/Board:



Mr. Sipho J. Mjwara
Ministerial Appointee (Chairperson)

Area of Expertise: Telecommunication ICT

Committees: Chairperson of the Executive Committee

Date of Appointment: 27 September 2013



Ms. Morongwa Pindela
Organised Employers

Qualifications: BA Health Science & Social Services specialising in Applied Psychology, Foundation Management Program (NQF level 6 Equivalent to a degree), SHL Accreditation (Competency based Interview and Design Course), National Certificate in Information Technology, Certificate in Business Computing, Certificate in Web Development, International Computer Drivers Licence (ICDL)

Area of Expertise: Human Resources Management

Committees: None

Date of Appointment: 25 November 2016



Mr. Morwa J. Mooko
Organised Labour

Qualifications: National Diploma: Technical, National Certificate 6, Education for HDE (Postgraduate)

Area of Expertise: Employee Relations

Committees: Executive Committee, Finance and Remuneration Committee

Date of Appointment: 1 April 2011



Mr. Masoma J. Manale
Organised Labour

Qualifications: Sales and Marketing, Introduction to Adult Education and Planning

Area of Expertise: Sales & Marketing

Committees: Chairperson of the Finance and Remuneration Committee

Date of Appointment: 01 April 2011

GOVERNANCE



Mr. Gallant Roberts
Organised Labour

Qualifications: Certificates acquired through Centre for Legal Studies, UNISA Development Institute for Training and Support & Education for Labour

Area of Expertise: Corporate Social Investment and Employee Relations

Committees: Executive Committee

Date of Appointment: 01 April 2011



Mr. Thamsanqa E. Mzileni
Organised Labour

Area of Expertise: Labour Law

Committees: Audit and Risk Committee

Date of Appointment: 27 February 2014



Mr. Cecil Tanki Mokhantso
Organised Labour

Date of Appointment: 09 April 2015

Mr Cecil Tanki Mokhantso passed away on 13 November 2016



Mr. Jimmy R. Morakile
Organised Employers

Qualifications: Honours Degree: Information Science Management Development Programme, Post Graduate Diploma: Information Science, Bachelor of Public Administration, Advanced Certificate in Information Systems Management

Area of Expertise: Information and Communication Technology, B-BBEE Transformation, Diversity Management, Enterprise Development, Human Resources Management, Corporate Social Investment

Committees: None

Date of Appointment: 27 February 2014



Mr. Teboho D. Morobe
Organised Labour

Qualifications: N4 Light Current in Telecommunication, currently studying Leadership Training - majoring in Strategic Diplomacy

Area of Expertise: Labour matters across the ICT Industry, Negotiations

Committees: None

Date of Appointment: 27 February 2014



Ms. Tebogo Makgatho
Organised Employers

Qualifications: Higher Diploma: Business Administration Diploma: Sales and Marketing, Certificate in Labour Market Supply and Demand, Finance for Non-financial managers, Board leadership programme, BSc Genetics, Diploma: Project Management

Area of Expertise: Executive Management, Board Leadership, Business Development, Strategy Development

Committees: Executive Committee

Date of Appointment: 27 February 2014

GOVERNANCE



Dr. Mthuthuzeli A. Magadela
Organised Employers

Qualifications: PhD in Animal Nutrition, MSc in Pasture Science, BSc Agriculture
Area of Expertise: Research and Development & Technology Transfer
Committees: Finance and Remuneration Committee
Date of Appointment: 01 April 2011



Ms. Natalie-Ann Delport
Organised Employers

Qualifications: Post Graduate Diploma in Management, Higher Diploma in Business Management, RPL for an Advanced, Certificate in Leadership
Area of Expertise: Media, Training, Organisation Development, Management, Leadership, Research
Committees: Executive Committee, Finance and Remuneration Committee
Date of Appointment: 27 February 2014



Mr. Joe Manchu
Organised Employers

Qualifications: B.Compt, MBA, Executive Development Programme, Certificate Programme in Leadership Coaching
Area of Expertise: Strategy Change Management, Skills Development, Monitoring and Evaluation
Committees: Audit and Risk Committee
Date of Appointment: 27 February 2014



Mr. Anthony Parry
Professional Bodies Representative

Qualifications: MBA, BA (Hons)
Area of Expertise: Business Management, Governance, ICT Strategy Education
Committees: Finance and Remuneration Committee
Date of Appointment: 01 April 2011



Mr. Lumko C Mtimde
Community Organisation

Qualifications: Degree in Physiology and Biochemistry, Post Grad Diploma in Telecommunications and Information Policy, Executive Development Programme
Area of Expertise: Corporate Governance, Leadership, Executive Management, Strategy Development, Public Finance Management, Project Management, ICT, Media and Broadcasting, Policy and Regulation Making, Local Government
Committees: Finance and Remuneration Committee
Date of Appointment: 01 April 2011

4.5 COMMITTEES

Since a Board cannot attend to all the matters effectively it has established the following committees:



The following table lists the number of meetings attended by the Accounting Authority/Board for the Financial Year 2016/2017:

Name	Board	Audit and Risk Committee	Executive Committee	Finance and Remuneration Committee
Mr. Siphon J Mjwara	2 of 5		4 of 6	
Mr. Thamsanqa Mzileni	4 of 5	5 of 5		
Mr. Teboho D Morobe	5 of 5			
Mr. Morwa J Mooko	5 of 5		6 of 6	4 of 4
Dr. Masoma J Manale	3 of 5			4 of 4
Mr. Gallant Roberts	3 of 5		6 of 6	
Mr. Cecil Mokhantso	3 of 4			
Mr. Jimmy Morakile	4 of 5			
Mr. Tebogo Makgatho	4 of 5		5 of 6	
Ms. Morongwa Pindela	1 of 1			
Mr. Andrew Magadlela	3 of 5			4 of 4
Ms. Natalie-Ann Delport	5 of 5		6 of 6	4 of 4
Mr. Joe Manchu	2 of 5	5 of 5		
Mr. Tony Parry	5 of 5			4 of 4
Mr. Lumko Mtimde	1 of 5			0 of 4

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; and
- 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 to it 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; and
- 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 both 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 reassess the adequacy of the remuneration policy annually and recommending any changes to the Accounting Authority/Board for approval; and
- 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 serve as a mechanism of the Accounting Authority/Board to monitor and reinforce the effectiveness of both the internal control system and the Internal Audit Function.

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;

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- 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; and
- 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 a 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; and
- Recommend such measures as, in the Committee's opinion, may be necessary to ensure the reliability, integrity and objectivity of the MICT SETA.

The members of the Audit and Risk committee, their qualifications, date of appointment and the number of meetings they have attended:



Mr. Eric M. Ndlovu
Independent Member

Qualifications: CA (SA), Registered auditor, BComm (Acc) (Honours), BComm (Acc)
Date of appointment: 1 August 2011
Number of meetings attended: 4 of 4

* Mr. Eric Ndlovu resigned as Chairperson and Member on 28 September 2016



Mr. Rivalani G. Ntuli
Independent Member

Qualifications: CA (SA), Registered auditor, BComm (Acc) (Honours), BComm (Acc)
Date of appointment: 27 February 2014
Number of meetings attended: 5 of 5

** Mr. Glen Ntuli was appointed as the Chairperson on 30 May 2017

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Ms. Ramona Clark
Independent Member

Qualifications: CA (SA), Registered Auditor, BComm (Acc) (Honours), BComm (Acc)
Date of appointment: 23 August 2016
Number of meetings attended: 2 of 2



Ms. Lefentse Bashele
Independent Member

Qualifications: CA (SA), Registered Auditor, BComm (Acc) (Honours), BComm (Acc)
Date of appointment: 10 November 2016
Number of meetings attended: 1 of 1



Mr. Thamsanqa E. Mzileni
Non-Executive Board Member

Qualifications: Diploma in Public Management (incomplete)
Date of appointment: 02 October 2014
Number of meetings attended: 5 of 5



Mr. Joe Manchu
Non-Executive Board Member

Qualifications: B.Compt, MBA, Executive Development Programme, Certificate Programme in Leadership Coaching
Date of appointment: 27 February 2014
Number of meetings attended: 5 of 5

4.9 REMUNERATION OF BOARD MEMBERS

The following table lists the remuneration in Rands received by members of the Accounting Authority/Board and Board Committees as at 31 March 2017:

Name	Board R'000	Audit R'000	Exco R'000	FinRemco R'000	Travel R'000	Training R'000	Total R'000
Mr. Sipho J Mjwara	-	-	-	-	-	-	-
Mr. Gallant Roberts	63	-	31	-	6	-	100
Mr. Masoma J Manale	35	-	-	36	27	-	98
Mr. Thamsanqa E Mzileni	39	24	-	-	23	-	86
Mr. Morwa J Mooko	66	-	39	32	67	-	203
Mr. Cecil T Mokhantso	35	-	-	-	20	-	56
Mr. Joe Manchu	27	24	-	-	-	-	52
Mr. Teboho D Morobe	54	-	-	-	38	-	92
Mr Jimmy R Morakile	41	-	-	-	1	-	42
Ms. Tebogo Makgatho	51	-	23	-	1	-	75
Dr. Mthuthuzeli A Magadlela	23	-	-	32	2	-	56
Ms. Natalie-Ann Delpont	66	5	39	32	5	-	146
Mr. Anothony Parry	52	-	-	32	-	-	84
Mr. Lumko C Mtimde	18	-	-	-	-	-	18
Mr. Glen Ntuli	8	24	-	-	0	-	32
Mr. Eric R Ndlovu	9	54	-	-	1	-	64
Ms. Ramona Clark	2	5	-	-	1	-	8
Ms. Morongwa Pindela	9	-	-	-	-	-	9
Ms. Lefentse Bashele	-	-	-	-	-	-	-
Training Expense	-	-	-	-	-	102	102
Total as per AFS	598	137	132	163	191	102	1 323

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; and
- 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 for the period under review.

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 III 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 AUDIT COMMITTEES

7.1 INTERNAL CONTROL SYSTEM

The Internal Audit function provided assurance on the effectiveness and efficiency of governance, risk management and controls processes. Internal Audit did not review all risks and assurances relating to the organisation as it was a component of combined assurance.

The Internal Audit function is satisfied that the system of internal controls is adequately designed to cover strategic and operational risks. The control system provides reasonable, but not absolute assurance that the entity's assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either prevented or detected, in time. These controls are monitored throughout the organisation by management and employees with the necessary delegation of authority and segregation of duties.

Activities in the organisation are governed by written policies and procedures that are reviewed and approved by the CEO.

7.2 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 41 to 43.

8. COMPLIANCE WITH LAWS AND REGULATIONS

The SETA Governance Charter was approved on 30 March 2016, 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 as tabulated below:

Document or Statutory Requirement	Action
1. Sector Skills Plan 2017/2018	Approved and submitted to DHET on 15 June 2016 for the 1st draft and 01 August 2016 for the 2nd Draft.
2. Strategic Plan 2017/2018	Approved and submitted to DHET on 30 August 2016
3. Annual Performance Plan 2017/2018	Approved and submitted to DHET on 30 August 2016
4. Employment Equity Plan and report	Submitted to the Department of Labour on 01 October 2016
5. Procurement Plan 2017/2018	Submitted to DHET and Treasury on 30 April 2016
6. Work Skills Plan 2017/2018	Submitted to EDTP SETA on 31 March 2017
7. Budget for 2017/2018	Submitted to DHET on 30 August 2016
8. Quarterly reports (Finance and Performance reports)	Submitted to the Treasury and DHET on 15 July 2016, 17 October 2016, 16 January 2017 and 18 April 2017
9. Quarterly reports (Meetings of the Accounting Authority and sub-Committees)	Submitted to DHET on 01 July 2016, 03 October 2016, 18 January 2017 and 03 April 2017
10. Quarterly Reports (Governance Reports)	Submitted to DHET on 05 August 2016, 21 November 2016, 23 January 2017 and 03 April 2017
11. Annual Report 2016/2017	Submitted to DHET on 31 August 2016 and tabled in Parliament. The Presentation of the Annual Report to stakeholders will be held on 26 October 2017
12. AGM 2016/2017	Will be held on 09 November 2017
13. Internal Audits and findings	Reported to the Audit & Risk Committee
14. External Audits and findings	Reported to the Audit & Risk Committee and Accounting Authority/Board
15. Legal Cases	Reported to the Audit & Risk Committee
16. Fraudulent activities	There were no fraudulent activities to report to the Audit and Risk Committee, the Treasury and DHET
17. Policies	All Policies were reviewed for 2016/2017

In terms of Section 13G of the Broad-Based Black Economic Empowerment Act No. 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 No.1 of 1999. The SETA is further required to report to the newly formed B-BBEE commission on Skills development spending and programmes.

9. FRAUD AND CORRUPTION

The MICT SETA Fraud Prevention Plan was informed by the stipulations in the Public Finance and Management Act No. 1 of 1999, Prevention and Combatting Corrupt Practices Act No. 12 of 2004, Protected Disclosures 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 has a whistle blowing toll free number in place that whistle blowers could use and remain anonymous. Employees and the MICT SETA stakeholders can report any offence or suspected fraudulent activity to the toll free number (0800 701 701), to the MICT SETA management, or to the Accounting Authority/Board.

9.2 HOW CASES ARE REPORTED AND WHAT ACTION IS TAKEN

The MICT SETA employees and stakeholders can anonymously call the anti-corruption toll free number posted on the MICT SETA website home page, e-mail 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 shall be undertaken by the relevant authorities and all cases reported must be brought to the attention of the Audit and Risk Committee. The MICT SETA will implement corrective action in the event of fraud of corruption in accordance with the relevant policies and procedures.

10. MINIMISING CONFLICT OF INTEREST

The Accounting Authority/Board has developed a Guideline dealing with the Declaration of a Conflict of Interest, which enables members to identify potential conflict of interest. Members of the Accounting Authority/Board, Management and Employees annually complete a mandatory disclosure of interest 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, King III Code of Good Practice which provides guidance with regards to ethical behaviour, both in their individual conduct and in their relationship with other people. It promotes exemplary conduct by employees in their public and private lives. The MICT SETA will implement corrective action in the event of non-compliance with the code of conduct in accordance with the disciplinary code and grievance procedures.

12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The MICT SETA has a Health and Safety Policy which has been informed by the Health and Safety Act No. 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 in a year to deliberate on health and safety issues. Special meetings are held when there are issues that need urgent attention. Management prioritise and support all initiatives to ensure a safe and healthy working environment. Reasonable progress has been made with regards to mitigation of identified possible environmental risks and measures to mitigate against 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 seven young unemployed graduates through a Graduate Internship Programme in the year under review. It offers bursaries to employees' dependents below the Management level and annually donates equipment and furniture to under privileged schools.

In an effort to empower and sustain the communities in which we operate, the MICT SETA adopted the New Jerusalem Children's Home in President Park as part of a Corporate Social Investment programme.

An employee volunteering initiative was initiated to encourage employees to get involved in community building activities to alleviate development challenges faced by our local communities. In so doing, employees took collective action and donated food, clothing, books and stationery to the home.

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



Mr. Rivalani G. Ntuli
Audit and Risk
Committee
Chairperson

15. AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2017.

15.1 AUDIT AND RISK COMMITTEE

The Audit and Risk Committee hereby reports that:

- It has adopted appropriate formal terms of reference in its audit committee charter in line with the requirements of Section 51(1) (a) (ii) of the Public Finance Management Act No. 1 of 1999 and Treasury Regulation 27.1; and
- It has conducted its affairs in compliance with these terms of reference and has discharged its responsibilities as contained therein.

15.2 THE EFFECTIVENESS OF INTERNAL CONTROL

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed.

In line with the requirements of the PFMA and the King III Report, Internal Audit provides the Audit and Risk Committee and Management with assurance that the internal controls are appropriate and effective. This is achieved by the adequacy and effectiveness of governance, risk management and control processes, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and Management Report of the Auditor-General South Africa (AGSA), the Committee can report that the system of internal control for the period under review, was effective and efficient.

The following internal audit work was completed during the year under review:

- Audit of predetermined objectives;
- Supply Chain Management;
- Learning Programme Division - including review of commitment register;
- Financial discipline review;
- Follow-up Audits;
- Information Technology (IT) general controls review;
- Project site visits; and
- DG Evaluation of application process review.

The internal audit function was effective and addressed the risks pertinent to the MICT SETA.

15.3 IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORT

The Committee is satisfied with the content and quality of the in-year management and quarterly reports prepared and issued by the Accounting Authority/Board of the MICT SETA, and submitted to the Treasury as required by the PFMA.

15.4 EVALUATION OF FINANCIAL STATEMENTS

The Committee has:

- Reviewed and discussed with the AGSA and the Accounting Authority/Board the audited annual financial statements included in the annual report;
- Reviewed the accounting policies and practices;
- Reviewed the AGSA's Management Report and management's response thereto; and
- Reviewed the MICT SETA's compliance with legal and regulatory provisions.

15.5 AUDITOR'S REPORT

The Committee has met with the AGSA to ensure that there are no unresolved issues. In addition, it has reviewed the implementation plan for audit issues raised in the prior year and it is satisfied that the matters have been adequately resolved.

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



Chairperson of the Audit and Risk Committee

Mr. Glen Ntuli

27 July 2017



PART D: HUMAN RESOURCES

HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

1.1 OVERVIEW OF HUMAN RESOURCES

The Human Resources (HR) Unit provides services and support to the MICT SETA Employees and Management in ways that embrace the SETA's values of honesty and integrity. We are committed to cultivating a superior service-oriented culture, and provide benefits to Employees that promote health, wellness, and a sound work/life balance. Through Employee orientation and professional development, we foster the values of inclusiveness, long-term Employee engagement, and life-long learning. In all areas of work, the MICT SETA Human Resources firmly upholds the beliefs of confidentiality, accountability, and trust.

During the year under review the MICT SETA Human Resource functions were implemented in line with Human Resource policies and procedures, Code of Good Practice and the relevant legislation governing the Human Resource space.

The MICT SETA Human Resource Unit is responsible for Recruitment and Selection/ Talent Acquisition, Training and Development of Employees, Performance Management, Employee Wellness, Employee Relations, Remuneration and Benefits as well as the Health and Safety amongst many other functions performed.

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 Resource management functions for the period under review:

- Health and Safety of Employees;
- Wellness Management;
- Foster harmonious Industrial Relations;
- Capacity building programmes implemented;
- Sound Performance Management and Development System;
- Competitive remuneration practices;
- Attracting and retaining highly competent Employees;
- Training and development of Employees and improve the skills profile of the workforce; and
- Achievement of 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 the process of continual process of alignment or positioning of organisational 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; and
- Employment benefits and competitive market related remuneration packages.

HUMAN RESOURCE MANAGEMENT

1.4 EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

The MICT SETA Outcomes Orientated Performance Management System (OOPMS) regulates and manages the Employee performance and therefore aligns the individual performance to strategic objectives of the organisation.

The positive continual performance improvement of Employees are reinforced through the use of the Performance rewards linked to the individual performance in a year.

1.5 POLICY DEVELOPMENT

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

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

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

1.6 ACHIEVEMENTS

The Human Resource Unit managed to achieve the following:

- Successfully implemented changes on Outcomes Oriented Performance Management System;
- Introduction of Retirement Policy;
- Successfully hosted a Wellness Day;
- Male target as per Employment Equity Plan achieved;
- Objectives contained in the Human Resource Operational plan;
- Annual review of the Human Resource policies and procedures; and
- Implementation of the Human Resource Information System.

1.7 CHALLENGES

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

- Attracting skilled and competent employees from different racial groups (White, Coloured, Indian and people with disabilities) to achieve equitable representation within the MICT SETA; and
- Retaining Employees due to the uncertainty caused by the Minister's proposed new SETA Landscape.

1.8 FUTURE HUMAN RESOURCES 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 an 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;
- Ensure at least 90% Employee retention; and
- Ensure a high standard of professional ethics is promoted and encouraged.

HUMAN RESOURCE MANAGEMENT

2. HUMAN RESOURCE OVERSIGHT STATISTICS

2.1 PERSONNEL BY COST PROGRAMME

Programme	Total Expenditure	R '000	%	No. of Employees	Average personnel
Corporate Services	458 057	18 926	48%	38	498
Education, Training and Quality Assurance	180 812	6 594	19%	15	440
Learning Programmes	253 137	9 518	27%	21	453
Sector Skills Planning	48 217	1 986	5%	4	496
Total per AFS	940 222	37 024	100%	78	475

2.2 PERSONNEL BY SALARY BAND

Levels	Total Expenditure	R '000	%	No. of Employees	Average personnel
Top Management	91 314	3 596	10%	1	3596
Senior Management	173 566	6 835	18%	4	1709
Professional Qualified	144 590	5 694	15%	4	1423
Skilled	328 445	12 933	35%	26	497
Semi-skilled	181 264	7 138	19%	36	198
Unskilled	21 043	829	2%	7	118
TOTAL	940 222	37 024	100%	78	475

2.3 PERFORMANCE

Levels	Performance Reward	Personal Expenditure	%
Top Management	659	3 596	18%
Senior Management	982	6 835	14%
Professional Qualified	904	5 694	16%
Skilled	1 937	12 933	15%
Semi-Skilled	1 129	7 138	16%
Unskilled	272	829	33%
TOTAL	5 882	37 024	16%

2.4 TRAINING

Programme	Personnel Expenditure R '000	Training Expenditure R '000	Training Expenditure %	No. of Employees	Average Training Costs R '000
Corporate Services	18 926	519	3%	31	17
Education, Training and Quality Assurance	6 594	221	3%	13	17
Learning Programmes Sector Skills Planning	9 518	151	2%	12	13
Sector Skills Planning	1 986	64	3%	2	32
TOTAL	37 024	955	3%	58	16

HUMAN RESOURCE MANAGEMENT

2.5 EMPLOYMENT AND VACANCIES

Levels	2015/2016 No. of Employees	2016/2017 Approved Posts	2016/2017 No. of Employees	2016/2017 Vacancies	% of Vacancies
Top Management	1	1	1	-	0,00%
Senior Management	4	4	4	-	0,00%
Professional Qualified	4	5	4	1	1,25%
Skilled	23	26	26	-	0,00%
Semi-skilled	40	37	36	1	1,25%
Unskilled	7	7	7	-	0,00%
TOTAL	79	80	78	2	2,50%

NB. The above number of employees reflect the payroll headcount, which includes both permanent Employees and interns.

Levels	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Top Management	1	-	-	1
Senior Management	4	-	-	4
Professional Qualified	4	2	3	3
Skilled	23	6	5	24
Semi-skilled	40	1	1	40
Unskilled	7	6	7	6
TOTAL	79	15	16	78

NB. The high rate of appointments and terminations were as a result of employees' career progression.

2.6 REASONS FOR STAFF LEAVING

Reason	Number	% of total no. of staff leaving
Death	0	0,00%
Resignation	9	11,54%
Dismissal	1	1,28%
Retirement	1	1,28%
Ill health	0	0,00%
Expiry of contract	5	6,41%
TOTAL	16	21%

2.7 LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	3
Final Written Warning	4
Dismissal	1

HUMAN RESOURCE MANAGEMENT

2.8 EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

Male

Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	-	-	-	-	-	-	-
Senior Management	2	-	-	-	-	-	-	-
Professional Qualified	1	1	-	-	-	-	-	-
Skilled	11	-	-	-	-	1	-	-
Semi-skilled	12	-	-	-	-	-	-	1
Unskilled	1	-	-	1	-	-	-	1
TOTAL	28	1	-	1	-	1	-	2

Female

Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	-	-	-	-	-	-	-
Senior Management	2	-	-	-	-	-	-	-
Professional Qualified	2	-	-	-	-	-	1	-
Skilled	13	-	-	-	1	-	-	-
Semi-skilled	19	-	2	1	1	-	-	-
Unskilled	5	-	-	-	-	-	-	-
TOTAL	41	-	2	1	2	-	1	-

Disabled Staff

Levels	Male		Female	
	Current	Target	Current	Target
Top Management	-	-	-	-
Senior Management	-	-	-	-
Professional Qualified	-	1	-	-
Skilled	-	-	-	1
Semi-skilled	1	-	-	-
Unskilled	-	1	-	1
TOTAL	1	2	-	2

FINANCIAL INFORMATION

PART E: FINANCIAL INFORMATION

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON MEDIA, INFORMATION AND COMMUNICATION TECHNOLOGIES SECTOR EDUCATION AND TRAINING AUTHORITY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Media, Information and Communication Technologies Sector Education and Training Authority set out on pages 64 to 106 , which comprise the statement of financial position as at 31 March 2017, 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 Media, Information and Communication Technologies Sector Education and Training Authority as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practices (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with 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 code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion

Responsibilities of the accounting authority

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 SA Standards of GRAP and the requirements of the PFMA and the SDA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority, is responsible for assessing the Media, Information and Communication Technology Sector Education and Training Authority'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 accounting authority either intends to liquidate the public entity or cease operations, or has no realistic alternative but to do so.

FINANCIAL INFORMATION

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON MEDIA, INFORMATION AND COMMUNICATION TECHNOLOGIES SECTOR EDUCATION AND TRAINING AUTHORITY (CONTINUED)

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 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 the 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 2017:

Programmes	Pages in the annual performance report
Programme 2 - sector skills planning	26 - 27
Programme 3 - learning programmes	27 - 30
Programme 4 - education and training quality assurance	31 - 32

-
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 the following programmes:
- Programme 2: sector skills planning
 - Programme 3: learning programmes
 - Programme 4: education and training quality assurance.

OTHER MATTER

15. I draw attention to the matters below.

Achievement of planned targets

16. Refer to the annual performance report on from page 24 to 32 for information on the achievement of planned targets for the year and explanations provided for the overachievement of a significant number of targets

Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of programme 2: sector skills planning and programme 3: learning programmes. As management subsequently corrected the misstatements, I did not report any material findings on the usefulness and reliability of the reported performance information.

REPORT ON 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. I did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

FINANCIAL INFORMATION

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON MEDIA, INFORMATION AND COMMUNICATION TECHNOLOGIES SECTOR EDUCATION AND TRAINING AUTHORITY (CONTINUED)

OTHER INFORMATION

20. The Media, Information and Communication Technology Sector Education and Training Authority's 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 thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
21. 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.
22. 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. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

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

Auditor-General.

Pretoria
31 July 2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE A - 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 the auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
 - conclude on the appropriateness of the 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 Media, Information and Communication Technology Sector Education and Training Authority'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 the auditor's report. However, future events or conditions may cause a public entity to cease operating 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

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.

FINANCIAL INFORMATION



Ms. Noni Gontshi
Chief Financial
Officer

CONTENTS

The reports and statements set out below comprise the Annual Financial Statements presented to the Board:

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Accounting Authority's Responsibilities and Approval	65
Statement of Financial Position	66
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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 MICT SETA 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.

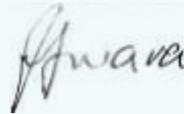
The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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 66 to 106, which have been prepared on the going concern basis, were approved by the Accounting Authority/Board on 27 July 2017 and were signed on its behalf by:



Mr. Oupa Mopaki
Chief Executive Officer
27 July 2017



Mr. Siphon J Mjwara
Chairperson: Board
27 July 2017

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Notes	2017 R'000	2016 Restated* R'000
Assets			
Current Assets			
Inventories	3	352	195
Accounts receivable from exchange transactions	4	2 777	1 748
Accounts receivable from non-exchange transactions	5	16 636	57 891
Cash and cash equivalents	6	334 687	418 234
		354 452	478 068
Non-Current Assets			
Property, plant and equipment	7	3 931	4 152
Intangible assets	8	385	578
		4 316	4 730
Total Assets		358 768	482 798
Liabilities			
Current Liabilities			
Accounts payable from non-exchange transactions	9	91 118	67 564
Finance lease liability	10	665	352
Accounts payable from exchange transactions	11	3 887	6 321
Provisions	12	13 479	8 913
		109 149	83 150
Non-Current Liabilities			
Finance lease liability	10	-	62
Total Liabilities		109 149	83 212
Net Assets		249 619	399 586
Net assets represented by:			
Administration reserve		4 316	4 730
Employer grant reserve		435	589
Discretionary reserve		244 868	394 267
Total Net Assets		249 619	399 586

*See note 25

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2017 R'000	2016 Restated* R'000
Revenue			
Revenue from non-exchange transactions			
Skills Development Levies	14	742 891	702 301
Skills Development Levy - Interest		11 193	11 446
Skills Development Levy - Penalties		10 960	11 259
Total revenue from non-exchange transactions		765 044	725 006
Revenue from exchange transactions			
Finance revenue	15	24 847	23 527
Other revenue	16	365	139
Total revenue from exchange transactions		25 212	23 666
Total revenue		790 256	748 672
Expenditure			
Finance costs	17	18	5 756
Mandatory and discretionary grant expenses	18	865 748	642 989
Administration expenses	19	74 456	68 326
Total expenditure		940 222	717 071
(Deficit)/surplus for the year	13	(149 966)	31 601

*See note 25

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF CHANGES IN NET ASSETS

	Administration reserve	Mandatory reserve	Discretionary reserve	Total reserves
	R '000	R '000	R '000	R '000
Opening balance as previously reported	5 321	509	361 102	366 932
Prior year adjustments	-	-	1 193	1 193
Balance at 01 April 2015 as restated*	5 321	509	362 295	368 125
Surplus for the year	23 998	32 204	(24 601)	31 601
Transfer of surplus to discretionary reserves	(24 589)	(32 124)	56 573	(140)
Total changes	(591)	80	31 972	31 461
Balance at 01 April 2016 as restated*	4 730	589	394 267	399 586
Deficit for the year	23 440	38 001	(211 407)	(149 966)
Transfer of surplus to discretionary reserves	(23 854)	(38 155)	62 008	-
Total changes	(414)	(154)	(149 399)	(149 967)
Balance at 31 March 2017	4 316	435	244 868	249 619

*See note 25

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

CASH FLOW STATEMENT

	Notes	2017 R'000	2016 Restated* R'000
Cash flows from operating activities			
Receipts			
Skills development levies, interest & penalties		806 787	718 105
Finance revenue		24 847	23 527
Other cash receipts from stakeholders		365	139
		831 999	741 771
Payments			
Employer grants and programme payments		(844 601)	(690 818)
Payments to suppliers and other stakeholders		(32 182)	(32 560)
Compensation of employees		(37 024)	(31 630)
Finance costs		(18)	(5 756)
		(913 825)	(760 764)
Net cash out flows from operating activities	20	(81 826)	(18 993)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1 764)	(1 083)
Purchase of intangible assets	8	(208)	(226)
Net cash flows used in investing activities		(1 972)	(1 309)
Cash flows from financing activities			
Finance lease payments		251	(569)
Net decrease in cash and cash equivalents		(83 547)	(20 871)
Cash and cash equivalents at the beginning of the year		418 234	439 105
Cash and cash equivalents at the end of the year	6	334 687	418 234

*See note 25

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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
Revenue					
Skills Development Levy income					
SDL: Levies	694 000	398 000	1 092 000	742 891	(349 109)
SDL: Interest	-	-	-	11 193	11 193
SDL: Penalties	-	-	-	10 960	10 960
Other revenue	-	-	-	365	365
Finance revenue	17 820	-	17 820	24 847	7 027
Total revenue	711 820	398 000	1 109 820	790 256	(319 564)
Expenditure					
Finance costs	-	-	-	(18)	(18)
Mandatory and discretionary grant expenses	(620 733)	(398 000)	(1 018 733)	(865 748)	152 985
Administration expenses	(91 087)	-	(91 087)	(74 456)	16 631
Total expenditure	(711 820)	(398 000)	(1 109 820)	(940 222)	169 598
Deficit for the year				(149 966)	(149 966)

Refer to Note 29 for explanation of material variances between final budget and actual.

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

The Minister of Higher Education and Training issued Government Notice No. 336 (to read with Government Notice No. 39260) to re-establish all the SETAs for a further two (2) years from 1 April 2018 to 31 March 2020. Therefore, there are no known instances that cast doubt on the MICT SETA's ability to continue as a going concern except the uncertainty of the SETAs existence post 31 March 2020.

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. Consumables are subsequently recognised in surplus or deficit as are consumed.

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 during more than one 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.

ACCOUNTING POLICIES

1.4 Property, plant and equipment (continued)

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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.

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's 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 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.

ACCOUNTING POLICIES

1.5 Intangible assets (continued)

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 MICT SETA 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.

ACCOUNTING POLICIES

1.7 Provisions and contingencies (continued)

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 cheque (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 Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 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 uncollectible, it is written off against the allowance account.

Impairment testing

The MICT SETA 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 are included in Note 12.

Allowance for doubtful debts

On debtors 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.

ACCOUNTING POLICIES

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-cancellable or only cancellable 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.

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

1.11 Revenue from non-exchange transactions

Revenue from non-exchange transactions result 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 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 MICT SETA are subject to the fulfilment of specific conditions, it recognises an asset and a corresponding liability. As and when the conditions are fulfilled, the liability is reduced and revenue is recognised.

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

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

ACCOUNTING POLICIES

1.11 Revenue from non-exchange transactions (continued)

Levy income

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

In terms of Section 3 (1) and 3(4) of the Skills Development Levies Act (the Levies Act), 1999 (Act No. 9 of 1999) as amended, registered member companies of the MICT SETA pay an SDL of 1% of the total payroll cost to the South African Revenue Service (SARS), who 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 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 inter-SETA transfers. The amount of the inter-SETA 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.

ACCOUNTING POLICIES

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; and
- Unappropriated surplus

ACCOUNTING POLICIES

1.13 Reserves (continued)

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 of the SETA	10.5%
Employer grant fund levy	20%
Discretionary grants and projects	49.5%
	<hr/>
	80%
Contribution to the National Skills Fund	20%
	<hr/>
	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.

ACCOUNTING POLICIES

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 -

- this Act (the PFMA Act); or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- the Skills Development Act (the Act), 1998 (Act No. 97 of 1998) as amended.
- 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 has 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; and
- 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

MICT SETA 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 an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/04/01 to 2017/03/31.

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.

ACCOUNTING POLICIES

1.21 Related parties (continued)

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 uncollectibility.

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.

ACCOUNTING POLICIES

1.22 Financial instruments (continued)

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

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 MICT SETA recognises a financial asset or a financial liability in its Statement of Financial Position when the MICT SETA 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 MICT SETA assess 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 ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 108: Statutory Receivables	01 April 2016	The impact of this Standard is not material.
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The impact of the amendment is not material.

2.2 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 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely that there will be a material impact.
• GRAP 20: Related parties	01 April 2017	Not expected to have a material impact on the results but may result in additional disclosure.
• GRAP 109: Accounting by Principals and Agents	01 April 2017	Unlikely that there will be a material impact.
• GRAP 18: Segment Reporting	01 April 2017	Not expected to have a material impact on the results but may result in additional disclosure.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R'000	R'000
3. Inventories		
Inventory is comprised of stationery and office consumables.		
Consumables and stationery	352	195
4. Accounts receivable from exchange transactions		
Employee costs in advance	40	44
Prepayments	398	168
Deposits	772	666
Sundry receivables	1 567	870
	2 777	1 748
5. Accounts receivable from non-exchange transactions		
Provision for bad debts	(898)	(70)
Receivables - UIF Project	14 852	52 572
Receivables - Employer grants	2 682	5 389
	16 636	57 891
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	8	5
Cash at bank	135 826	103 766
Short-term investments	198 853	314 463
	334 687	418 234

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 6.64% (2016: 5.89%).

The Skills Development Act Regulations state 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 Regulation 31.3 requires that, unless exempted by the National Treasury, the SETA as a public entity that is listed in Schedule 3A of the Act, must invest surplus funds with the Corporation of 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 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 registered banking institutions with maturities of one month or the Corporation for Public Deposits. These are subject to an insignificant risk of change in value.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. Property, plant and equipment

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Office furniture and fittings	3 390	(2 010)	1 380	3 415	(1 710)	1 705
Motor vehicles	392	(346)	46	392	(392)	-
Office equipment	3 261	(1 944)	1 317	3 630	(2 893)	737
Computer equipment	3 511	(2 541)	970	3 368	(1 871)	1 497
Leasehold improvements	1 397	(1 179)	218	1 397	(1 184)	213
Total	11 951	(8 020)	3 931	12 202	(8 050)	4 152

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals /write offs	Depreciation	Total
Office furniture and fittings	1 705	3	(1)	(327)	1 380
Motor vehicles	-	-	-	46	46
Office equipment	737	1 441	(19)	(842)	1 317
Computer equipment	1 497	320	(54)	(793)	970
Leasehold improvements	213	-	-	5	218
	4 152	1 764	(74)	(1 911)	3 931

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals /write offs	Depreciation	Total
Office furniture and fittings	1 572	447	-	(314)	1 705
Motor vehicles	43	-	-	(43)	-
Office equipment	1 455	32	(86)	(664)	737
Computer equipment	1 673	604	(7)	(773)	1 497
Leasehold improvements	530	-	-	(317)	213
	5 273	1 083	(93)	(2 111)	4 152

	2017	2016
	R'000	R'000

Other information

Property, plant and equipment fully depreciated and still in use (cost)

Computer equipment	20	678
Office furniture and fittings	1 087	1 111
Office equipment	31	699
	1 138	2 488

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. Property, plant and equipment (continued)

	2017	2016
	R'000	R'000

Expenditure incurred to repair and maintain property, plant and equipment

Repairs and maintenance	568	615
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8. Intangible assets

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	1 110	(725)	385	1 016	(438)	578

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals /write offs	Amortisation	Total
Computer software	578	208	(10)	(391)	385

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	646	228	(296)	578

	2017	2016
	R'000	R'000

Other information

Fully amortised intangible assets still in use	166	-
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9. Accounts payable from non-exchange transactions

Grants and transfers payable

Grants payable - Mandatory	22 367	30 361
Grants payable - Discretionary	68 099	36 788
InterSETA and other payables	652	415
	91 118	67 564

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R'000	R'000
10. Finance lease liability		
Minimum lease payments due		
• within one year	665	352
• in second to fifth year inclusive	-	62
	665	414
add: future finance charges	3	21
Present value of minimum lease payments	668	435
Present value of minimum lease payments due		
• within one year	665	372
• in second to fifth year inclusive	-	63
	665	435
Non-current liabilities	-	62
Current liabilities	665	352
	665	414

The finance lease is held with Canon for the rental of photocopy machines (office equipment) and the lease substantially transfers all the risks and rewards to the MICT SETA. The major lease expired in April 2016 and was extended for a period of 23 months from 1 May 2016 ending 31 March 2018 with no escalation and finance charges.

11. Accounts payable from exchange transactions

Service provider payables	715	2 753
SARS - VAT payable	-	490
Payroll payables	357	76
Accruals	2 705	2 765
Operating lease liability	109	238
Fruitless and wasteful expenditure	1	(1)
	3 887	6 321

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

12. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Bonus - 13th cheque	130	603	(574)	159
Performance bonus	1 540	5 882	(2 900)	4 522
Exempt employers	7 243	1 555	-	8 798
	8 913	8 040	(3 474)	13 479

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Bonus - 13th cheque	139	549	(558)	130
Performance bonus	1 498	2 593	(2 551)	1 540
Exempt employers	6 875	368	-	7 243
	8 512	3 510	(3 109)	8 913

Bonus - 13th cheque

Provision for bonus - 13th cheque is calculated based on total cost of employment and accrued evenly throughout the year. The 13th cheque bonus is paid out in December every year.

Performance bonus

Performance bonus is paid during the month of 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 have been transferred to discretionary funds in line with the aforementioned Circular.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

13. (Deficit)/surplus for the year

Allocation of deficit for the year to reserves: 2017

	Administration	Mandatory	Discretionary	Total
Total revenue	97 914	182 521	509 821	790 256
Administration levy (10.5%)	97 549	-	-	97 549
Mandatory levy (20%)	-	182 521	-	182 521
Discretionary levy (49.5%)	-	-	462 821	462 821
Penalties and interest	-	-	22 153	22 153
Finance revenue	-	-	24 847	24 847
Other revenue	365	-	-	365
	74 474	144 520	721 228	940 222
Total expenditure				
Administration expenses	74 456	-	-	74 456
Mandatory expenses	-	144 520	-	144 520
Discretionary expenses	-	-	721 228	721 228
Finance costs	18	-	-	18
Deficit per Statement of Financial Performance	23 440	38 001	(211 407)	(149 966)

Allocation of surplus for the year to reserves: 2016

	Administration	Mandatory	Discretionary	Total
Total revenue	92 390	173 131	483 151	748 672
Administration levy (10.5%)	92 251	-	-	92 251
Mandatory levy (20%)	-	173 131	-	173 131
Discretionary levy (49.5%)	-	-	436 919	436 919
Penalties and interest	-	-	22 705	22 705
Finance revenue	-	-	23 527	23 527
Other revenue	139	-	-	139
	68 392	140 927	507 752	717 071
Total expenditure				
Administration expenses	68 326	-	-	68 326
Mandatory expenses	-	140 927	-	140 927
Discretionary expenses	-	-	502 062	502 062
Finance costs	66	-	-	66
TVET infrastructure development	-	-	5 690	5 690
Surplus per Statement of Financial Performance	23 998	32 204	(24 601)	31 601

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R'000	R'000
14. Revenue		
The total levy income per Statement of Financial Performance is as follows:		
Skills Development Levy - Administration		
SDL income: Administration	97 563	92 122
InterSETA transfers in	16	169
InterSETA transfers out	(30)	(40)
Administration levy income (10.5%)	97 549	92 251
Skills Development Levy - Mandatory		
SDL income: Mandatory	182 548	173 058
InterSETA transfers in	31	149
InterSETA transfers out	(58)	(76)
Mandatory levy income (20%)	182 521	173 131
Skills Development Levy - Discretionary		
SDL income: Discretionary	462 891	436 377
InterSETA transfers in	78	731
InterSETA transfers out	(148)	(189)
Discretionary levy income (49.5%)	462 821	436 919
Total Skills Development Levy income	742 891	702 301
15. Finance revenue		
Interest from investments	19 913	20 610
Interest from bank	4 934	2 917
	24 847	23 527
Interest is received from both short term investments and cash available at the bank.		
16. Other revenue		
Other revenue comprises of:		
Service provider income	365	139
17. Finance costs		
Finance lease costs	18	66
TVET infrastructure obligation interest	-	5 690
	18	5 756

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R'000	R'000
18. Mandatory and discretionary grant expenditure		
Grants disbursed	136 526	130 524
Provision and accruals	7 994	10 403
Employer grants	144 520	140 927
Grants disbursed	689 916	524 630
Provision and accruals	31 312	(22 568)
Programme grants	721 228	502 062
Total mandatory and discretionary grants	865 748	642 989
19. Administration expenditure		
Operating lease rental - Buildings	3 418	4 104
Operating lease rental - Equipment	322	837
Repairs and maintenance	576	615
QCTO expenditure	3 730	2 495
Advertising, marketing and publications	2 352	4 066
Catering and refreshments	117	122
Service provider and consulting fees	5 297	4 937
Legal fees	1 081	1 157
Compensation of employees	19.1 37 024	31 630
Travel and subsistence	537	1 421
Staff training and development	955	1 039
Remuneration to Board and Sub-Committees	1 323	1 321
External audit fees	2 257	2 223
Internal audit fees	561	1 159
Telephone and cell phone costs	570	668
General expenses	19.2 3 818	2 418
ICT support costs	5 626	4 663
Depreciation	1 911	2 111
Amortisation	391	296
Research costs	2 590	1 044
	74 456	68 326

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

19. Administration expenditure (continued)

19.1 Compensation of employees

2017	Salaries and wages	Employer contributions	Other contributions	Total
Basic salaries	23 542	-	-	23 542
Performance awards	5 882	-	-	5 882
Other non-pensionable allowances	1 262	-	-	1 262
Medical aid contributions	-	1 905	-	1 905
Pension contributions	-	2 413	-	2 413
UIF and SDL	-	419	-	419
Leave and 13th cheque	-	-	1 601	1 601
	30 686	4 737	1 601	37 024

2016	Salaries and wages	Employer contributions	Other contributions	Total
Basic salaries	22 354	-	-	22 354
Performance awards	2 657	-	-	2 657
Other non-pensionable allowances	1 309	-	-	1 309
Medical aid contributions	-	1 728	-	1 728
Pension contributions	-	2 296	-	2 296
UIF and SDL	-	417	-	417
Leave and 13th cheque	-	-	869	869
	26 320	4 441	869	31 630

	2017	2016
	R'000	R'000

19.2 General expenses

Administration expenditure - plants	59	37
Bad debts	840	37
Bank charges	83	66
Certificates	67	-
Cleaning	59	128
Electricity & Water	865	750
Insurance	213	116
Licences and subscriptions	27	44
Postage and courier	29	129
Printing and stationery	305	502
Other expenses	108	127
Human resource expenses	795	350
Workshops	368	132
	3 818	2 418

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R'000	R'000
20. Cash used in operations		
(Deficit)/surplus	(149 966)	31 601
Adjustments for:		
Depreciation	1 911	2 111
Amortisation	391	296
Movements in provisions	4 566	400
Loss on disposal/write off of property, plant and equipment	86	93
Changes in working capital:		
Inventories	(157)	(78)
Accounts receivable from exchange transactions	(1 029)	(83)
Accounts receivable from non-exchange transactions	41 255	(6 816)
Accounts payable from exchange transactions	(2 435)	745
Accounts payable from non-exchange transactions	23 552	(47 262)
	(81 826)	(18 993)

21. Commitments

Discretionary reserve

2017	NSDS Target	Opening balance	New contracts	Expenditure	Write-backs	Total
Increasing access to occupationally directed programmes	4.2	107 525	350 935	(269 724)	(40 810)	147 926
Promoting the growth of Public TVET College system	4.3	88 668	182 253	(181 880)	(26 243)	62 798
Addressing the low level of language and numeracy skills	4.4	197 874	238 627	(269 624)	(33 567)	133 310
		394 067	771 815	(721 228)	(100 620)	344 034

2016	NSDS target	Opening balance	New contracts	Expenditure	Write-backs	Total
Increasing access to occupationally directed programmes	4.2	69 392	225 306	(172 608)	(14 565)	107 525
Promoting the growth of Public TVET College system	4.3	129 680	148 113	(155 299)	(33 826)	88 668
Addressing the low level of language and numeracy skills	4.4	166 910	210 609	(174 026)	(5 619)	197 874
		365 982	584 028	(501 933)	(54 010)	394 067

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21. Commitments (continued)

The Discretionary Reserves at the end of 31 March 2017 is R244 868 (2016: R394 267), and the commitments amounting to R344 034 (2016: R394 067) have been approved and contracted for future projects and skills priorities as set out above.

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 accumulation of these funds will be submitted to National Treasury via the Department in terms of the Grant Regulations and the Treasury Instruction Note No. 3 of 2017/2018.

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.

This committed expenditure relates to discretionary expenditure and will be financed by available reserves subject to written approval by the National Treasury.

	2017	2016
	R'000	R'000
Operating leases		
Minimum lease payments due		
• within one year	4 297	2 113
• in second to fifth year inclusive	5 569	570
	9 866	2 683

Operating lease payments represent rentals payable by the MICT SETA for 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 3 years and are subject to escalation 8% on average.

22. Contingencies

Litigations

Matters relating to labour disputes

Claim amount	1 085	1 085
Legal fees	-	881
	1 085	1 966

The MICT SETA has experienced various misconducts by its employees in the past and had to apply disciplinary measures in handling the matters. Some of the 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.

At the reporting date, two (2) of the cases have been ruled in favour of the MICT SETA, however the possible claim is not yet ascertained as the attorneys were in the process of assessing the order of costs and of the pending cases MICT SETA is awaiting date of trial.

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	2017	2016
	R'000	R'000

22. Contingencies (continued)

Contingent assets

Matters relating to contractual service disputes

Claim amount	1 415	1 426
Legal fees	-	296
	1 415	1 722

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.

The likelihood to recover the claims will be confirmed after litigations have been finalised.

Contingent liabilities

First time employer registrations

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

At the reporting date it is estimated that, as a result of possible applications, additional mandatory grant expenditure of R435 101 (2016: R589 000) 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 2016 to submit an application for a mandatory grant.

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

The Department issued Circular No. 16/2015 in response to the Labour Court Judgement on the matter between Business Unity South Africa (BUSA) and the Minister of Higher Education and Training with Regulations 3(12) and 4(4) of the Grant Regulations where the SETAs were advised to continue in compliance with Grant Regulations of 3 December 2012 inclusive of the re-promulgation of Regulation 4 (4).

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 realized in the previous financial year without obtaining prior written approval of National Treasury. On the 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.

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22. Contingencies (continued)

As at 31 March 2017 MICT SETA had a deficit of (R99 083) and therefore no available cash surplus to surrender in compliance with the terms of Treasury Instruction No.6 of 2017/2018.

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 2017

	Interest bearing		Non-interest bearing		Total
	Amount	Effective interest rate	Amount	Weighted average period until maturity in years	
Cash and cash equivalents	334 679	6.64 %	8		334 687
Accounts receivable	40	0.00 %	1 567	0.08	1 607
Total financial assets	334 719		1 575		336 294
Accounts payable	-		(3 887)	0.08	(3 887)
	334 719		(2 312)		332 407

Year ended 31 March 2016

	Interest bearing		Non-interest bearing		Total
	Amount	Effective interest rate	Amount	Weighted average period until maturity in years	
Cash and cash equivalents	418 229	5.89%	5		418 234
Accounts receivable	44	0.00 %	870	0.08	914
Total financial assets	418 273		875		419 148
Accounts payable	(490)	9.75%	(6 321)	0.08	(6 811)
	417 783		(5 446)		412 337

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.

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23. Financial instruments (continued)

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.

	2017	2016
	R'000	R'000
Cash at bank and short-term investments		
Bank balances	135 826	103 766
Short-term deposits	198 853	314 463
	334 679	418 229
The ageing of other receivables from exchange transactions:		
Not past due	1 607	914

Liquidity risk

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

2017	Carrying amount	Contractual cashflows	6 months or less	6 - 12 months
Accounts payable from exchange transactions	(3 887)	(3 887)	(3 887)	-

2016	Carrying amount	Contractual cashflows	6 months or less	6 - 12 months
Cash and cash equivalents	(6 321)	(6 321)	(6 321)	-

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23. Financial instruments (continued)

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

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24. Related parties (continued)

	2017	2016
	R'000	R'000
Related party balances		
InterSETA transfers in/out		
MERSETA	102	-
FP&M SETA	-	34
HW SETA	-	52
FASSET	24	-
	126	86
Amounts included in accounts receivable/(payable) regarding related parties		
ETDP SETA	(61)	-
W&RSETA	272	-
Unallocated	(369)	(658)
	(158)	(658)

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.

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.

		2017	2016
	Types of Transaction	Transactions during the year	Transactions during the year
Sentech			
L. Mtimde	Mandatory grant	174	310
	Discretionary grant	1 176	-
Telkom			
M. Manale, MJ. Mooko, G. Roberts, TD. Morobe	Mandatory grant	-	10 563
M. Manale, MJ. Mooko, G. Roberts, TD. Morobe	Discretionary grant	-	8 696
TR. Makgatho	Mandatory grant	-	7
		1 350	19 576

Remuneration of executive management

The Senior Management group consists of the SETA's Chief Executive Officer and Senior Managers. The aggregate remuneration of the Senior Management group is as follows:

Aggregate remuneration	8 790	8 091
Number of members	5	5

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24. Related parties (continued)

2017	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Other benefits received	Total
Member						
Mr O. Mopaki - CEO	2 101	446	81	281	28	2 937
Ms S. Makhoba - SM: SSP	1 009	150	-	142	13	1 314
Mr C. Philiso - SM: ETQA	1 127	158	-	79	14	1 378
Ms N. Sibandze - SM: CS	1 008	332	43	155	15	1 553
Mr J. Sibeko - SM: LPD	1 042	333	78	140	15	1 608
	6 287	1 419	202	797	85	8 790

2016	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Other benefits received	Total
Member						
Mr O. Mopaki - CEO	1 895	369	82	255	25	2 626
Ms S. Makhoba - SM: SSP	936	148	-	130	13	1 227
Mr C. Philiso - SM: ETQA	997	260	-	72	14	1 343
Ms N. Sibandze - SM: CS	935	305	39	123	14	1 416
Mr J. Sibeko - SM: LPD	960	304	72	129	14	1 479
	5 723	1 386	193	709	80	8 091

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24. Related parties (continued)

2017	Remuneration	Other Allowances	Total
Non Executives			
Mr Gallant Roberts	95	5	100
Mr Masoma J Manale	71	27	98
Mr Thamsanqa E Mzileni	63	23	86
Mr Morwa J Mooko	136	67	203
Mr Cecil Mokhantso	35	21	56
Mr Joe Manchu	52	-	52
Mr Teboho D Morobe	54	38	92
Mr Jimmy R Morakile	41	1	42
Ms Tebogo Makgatho	74	1	75
Dr Mthuthuzeli A Magadlela	54	2	56
Ms Natalie-Ann Delpont	142	4	146
Mr Anthony Parry	84	-	84
Mr Lumko C Mtimde	18	-	18
Mr Rivalani G. Ntuli	32	-	32
Mr Eric M. Ndlovu	63	1	64
Ms Ramona Clark	7	1	8
Ms Morongwa Pindela	9	-	9
Training	-	102	102
	1 030	293	1 323

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

24. Related parties (continued)

2016	Remuneration	Other Allowances	Total
Non Executives			
Mr Gallant Roberts	115	7	122
Mr Masoma J Manale	87	22	109
Mr Thamsanqa E Mzileni	87	14	101
Mr Morwa J Mooko	111	32	143
Mr Cecil Mokhantso	64	18	82
Mr Joe Manchu	72	-	72
Mr Teboho D Morobe	64	21	85
Mr Jimmy R Morakile	53	2	55
Ms Tebogo Makgatho	84	1	85
Dr Mthuthuzeli A Magadlela	54	2	56
Ms Natalie-Ann Delpont	112	3	115
Mr Anthony Parry	71	-	71
Mr Lumko C Mtimde	55	-	55
Mr Abel Z. Dlamini	12	-	12
Mr Rivalani G. Ntuli	27	-	27
Mr Eric M. Ndlovu	44	1	45
Training	-	86	86
	1 112	209	1 321

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25. Prior period adjustment

During the 2013/2014 and 2014/2015 financial years, some of the invoices that were paid by the MICT SETA for the funding agreement with the UIF were fully expensed by the SETA and misallocated resulting in the invoices not claimed and recovered from the UIF. The reported UIF debtor balance in 2014/2015 and 2015/2016 financial years was R47 264 313 and R51 506 976 respectively, resulting in an understatement of R1 192 500 and (R127 950) in the respective financial years.

The correction of the misallocation resulted in adjustments as follows:

Statement of financial position

Accounts receivable from non-exchange transactions	1 065
Accounts payable from exchange transactions	(392)
Opening Accumulated Surplus or Deficit	<u>(1 193)</u>

Statement of financial performance

Discretionary expenses	128
Administration expenses	<u>392</u>

Cash flow statement

Cash flow from operating activities

Receipts	128
Payments	<u>392</u>
	<u><u>520</u></u>

26. Events after the reporting date

Management is not aware of any matter or circumstance arising since the end of the financial period which would affect the figures, as disclosed in the Annual Financial Statements.

27. Fruitless and wasteful expenditure

	2017	2016
	R'000	R'000
Opening balance	492	243
Current liabilities	-	249
Incurred	(492)	-
Less: Amounts not recoverable (not condoned)	<u>-</u>	<u>492</u>

MICT SETA received a letter of demand from SARS in June 2015 for outstanding penalties and interest relating to a VAT return for January 2016 that was paid a month later. This penalty of R241 043 was for the late submission and payment of the VAT return and this further accumulated interest of R248 957 at 31 March 2016. The liability has been paid during the period under review and is awaiting condonation.

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28. Irregular expenditure

The amount of R2 280 000 which relates to prior years' irregular expenditure was condoned in the year under review.

To the best of our knowledge Management did not detect any irregular expenditure during the period under review.

29. Budget differences

Material variances between budget and actual amounts

The Legislation requires that the MICT SETA submit 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 2016/2017 is R742 891 and is below final budget by 32.0% (6.99% above approved budget). This is mainly due to the budget for 2016/2017 that was adjusted to include the approved surplus retention of R398 000.

Finance revenue

Interest received from investments and bank balances is 39.4% higher than budget.

Mandatory and discretionary grant expenditure

Mandatory grant expenditure for the year is 2% below budget, however the increase in actual expenditure is 2.5% year on year. There has been an improvement in the submission of bank details by the employers. The payout ratio is 79.6% (2016: 81.29%).

Discretionary expenditure for the year is 17.2% below final budget (52.4% above approved budget), however the increase in expenditure is 43.6% year on year. The approved budget for 2016/2017 was adjusted with the approved surplus retention for the 2015/2016 financial year in order to utilise it on the approved commitments for the previous financials years, hence a negative variance between final budget and actual for the year.

Administration expenditure

Administration expenditure for 2016/17 is 18.3% below budget, however the increase in actual expenditure is 8.9% year on year. The variance between budget and actual is mainly due to savings in the following expenditure line items:

	Final budget	Actual expenditure	Total
	R'000	R'000	R'000
Rental - buildings	5 100	3 418	(1 682)
QCTO expenditure	4 338	3 730	(608)
Advertising, marketing and publications	4 300	2 352	(1 948)
Service provider and consulting fees	6 934	5 297	(1 637)
Remuneration to Board and Sub-Committees	1 770	1 323	(447)
External audit fees	2 800	2 257	(543)
Internal audit fees	1 500	561	(939)
Travel and subsistence	2 790	537	(2 253)
	29 532	19 475	(10 057)

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30. 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 R267 292 in the depreciation charges for the current period. The effect of the reassessment in future periods amounts to R361 502.

31. Segment information

Segment surplus or deficit, assets and liabilities

2017	Administration R'000	Mandatory R'000	Discretionary R'000	Total R'000
Revenue				
Revenue from non-exchange transactions				
Skills Development Levy: Income	97 549	182 521	462 821	742 891
Skills Development Levy: Interest and penalties	-	-	22 153	22 153
Revenue from exchange transactions				
Interest revenue	-	-	24 847	24 847
Other revenue	365	-	-	365
Total segment revenue	97 914	182 521	509 821	790 256
Expenditure				
Cost of employment	37 024	-	-	37 024
Depreciation and amortisation	2 302	-	-	2 302
Other administration expenses	34 987	-	-	35 130
Employer grant and project expenditure	-	144 520	721 228	865 748
Finance costs	18	-	-	18
Total segment expenditure	74 474	144 520	721 228	940 222
Total segmental deficit				(149 966)
Assets				
Non-current assets	4 316	-	-	4 316
Consumables	352	-	-	352
Accounts receivable from exchange transactions	2 777	-	-	2 777
Accounts receivable from non-exchange transactions	-	2 682	13 954	16 636
Total segment assets	7 445	2 682	13 954	24 081
Cash and cash equivalents				334 687
Total assets as per Statement of Financial Position				358 768

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31. Segment information (continued)

2017	Administration R'000	Mandatory R'000	Discretionary R'000	Total R'000
Liabilities				
Accounts payable from exchange transactions	3 887	-	-	3 887
Accounts payable from non-exchange transactions	-	23 019	68 099	91 118
Finance leases	665	-	-	665
Provisions	4 681	8 798	-	13 479
Total segment liabilities	9 233	31 817	68 099	109 149
				109 149
2016	Administration R'000	Mandatory R'000	Discretionary R'000	Total R'000
Revenue				
Revenue from non-exchange transactions				
Skills Development Levy: Income	92 251	173 131	436 919	702 301
Skills Development Levy: Interest and penalties	-	-	22 705	22 705
Revenue from exchange transactions				
Interest revenue	-	-	23 527	23 527
Other revenue	139	-	-	139
Total segment revenue	92 390	173 131	483 151	748 672
Expenditure				
Cost of employment	31 630	-	-	31 630
Depreciation and amortisation	2 407	-	-	2 407
Other administration expenses	34 355	-	5 690	40 045
Employer grant and project expenditure	-	140 927	502 062	642 989
Total segment expenditure	68 392	140 927	507 752	717 071
Total segmental deficit				31 601
Assets				
Non-current assets	4 730	-	-	4 730
Consumables	195	-	-	195
Accounts receivable from exchange transactions	1 749	-	-	1 749
Accounts receivable from non-exchange transactions	-	-	57 891	57 891
Total segment assets	6 674	-	57 891	64 565
Cash and cash equivalents				418 234
Total assets as per Statement of Financial Position				482 799

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31. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2016	Administration R'000	Mandatory R'000	Discretionary R'000	Total R'000
Liabilities				
Accounts payable from exchange transactions	6 322	-	-	6 322
Accounts payable from non-exchange transactions	-	30 776	36 788	67 564
Finance leases	414	-	-	414
Provisions	1670	7243	-	8 913
Total segment liabilities	8 406	38 019	36 788	83 213
Total liabilities as per Statement of Financial Position				83 213

CONTACT INFORMATION

Eastern Cape

Physical Address:

Beacon Bay
Phase 2A
Waverley Office Park
Chiselhurst
5205

Postal Address:

P. O. Box 877
East London
5201
EASTERN CAPE
Tel: (043) 726 0763
Fax: (043) 726 0790

Gauteng

Physical Address:

Block 2, Level 3 West
Gallagher Convention Centre
Gallagher Estate, 19 Richards Drive
Halfway House, Midrand
1685

Postal Address:

P. O. Box 5585
HALFWAY HOUSE
1685
GAUTENG
Tel: (011) 207 2600/3
Fax: (011) 805 6833

KwaZulu-Natal

Physical Address:

DBN Bay House
333 Anton Lembede (Smith Street)
4th Floor
Durban
4001

Postal Address:

P. O. Box 763
Durban
4000
KWAZULU-NATAL
Tel: (031) 307 7248
Fax: (031) 307 5842

Western Cape

Physical Address:

The Boulevard Office Park
Block F Ground Floor
Searle Street
Woodstock
7925

Postal Address:

P. O. Box 7540
ROGGEBAAI
8012
WESTERN CAPE
Tel: (021) 461 3926
Fax: (021) 461 3939

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