



mictseta

Media, Information and Communication Technologies
Sector Education and Training Authority

Accelerating quality skills towards an information savvy society



ANNUAL REPORT
2015/2016
FINANCIAL YEAR



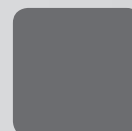


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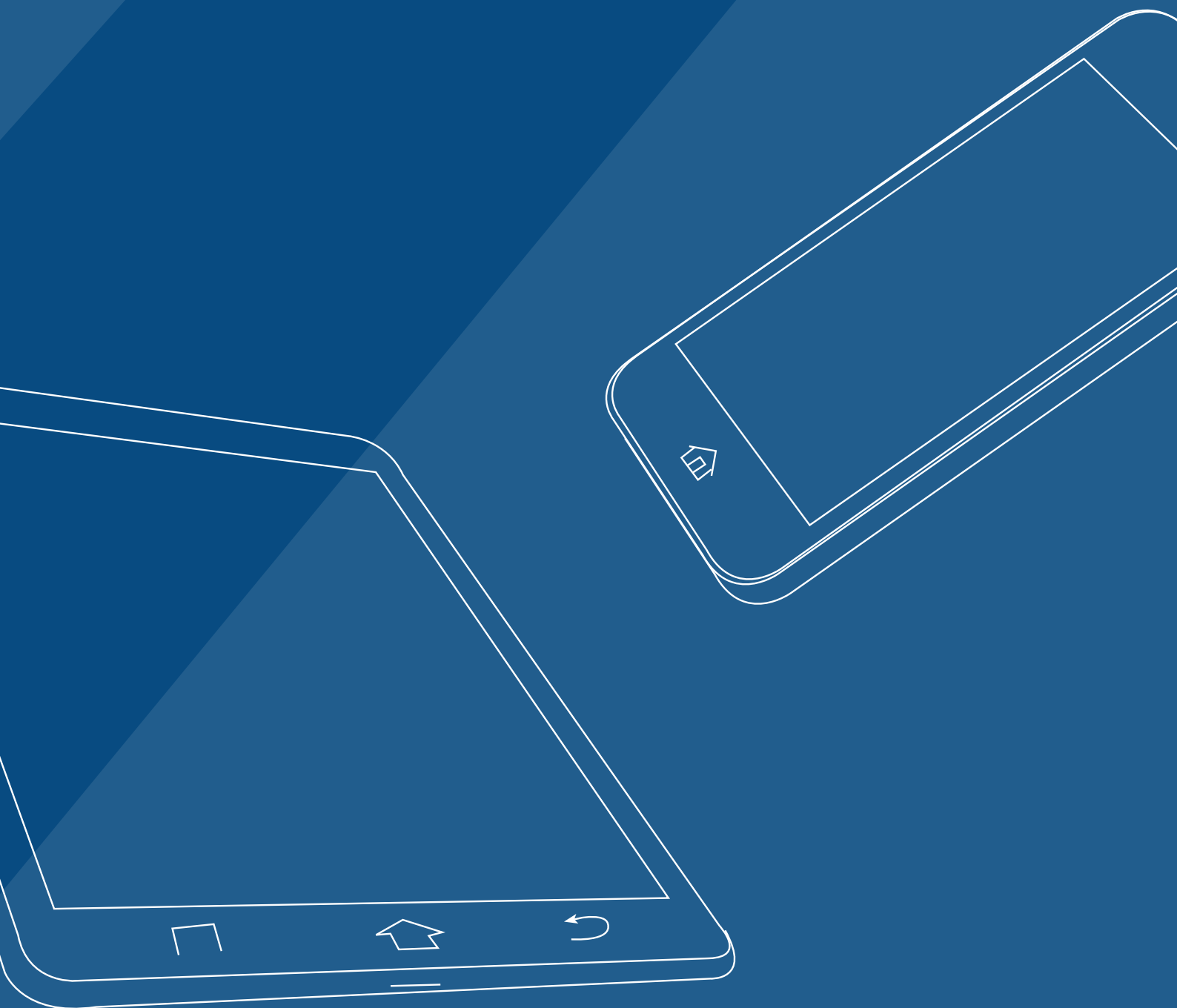
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PART A

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

| | |
|-----------------|---|
| ACFE | Association of Certified Fraud Examiners |
| AET | Adult Education & Training (Previously known as ABET) |
| AGSA | Auditor-General of South Africa |
| APP | Annual Performance Plan |
| 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 |
| CGICTPF | Corporate Governance of Information and Communication Technology Policy Framework |
| CWU | Communications Workers' Union |
| DG | Discretionary Grants |
| DHET | Department of Higher Education and Training (Republic of South Africa) |
| DoC | Department of Communications (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 |





2. LIST OF ABBREVIATIONS/ACRONYMS *(continued)*

| | |
|----------------|--|
| 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 |
| JCSE | Johannesburg Centre for Software Engineering |
| KCSDT | KwaBheca Community Support Development Trust |
| LPD | Learning Programmes Division |
| MICT | Media, Information and Communication Technologies |
| MITSDF | Media and Information Technology Skills Development Forum |
| MTSF | Medium Term Strategic Framework |
| MVEET | Mvenyana Education Trust |
| 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 |
| 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 |

3. FOREWORD BY THE CHAIRPERSON



Mr. Sipho J. Mjwara
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 2015 to 31 March 2016. 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 the MICT SETA Strategy and the Performance in the MICT Sector

The MICT SETA has once again received an unqualified audit report with no material findings, thereby completing another successful year of delivering on our skills development mandate. This also demonstrates that the governance structures, management and staff 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.

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 2015 – 2020 and the Annual Performance Plan 2015 – 2016. The MICT SETA continues to expand its footprint around the country, thereby creating learning opportunities for learners even in far flung and rural areas.

Strategic Relationships

The MICT SETA has built strategic relationships with the employer and labour organisations, universities, TVET Colleges, research institutions and rural communities to advance the objectives of post-school education and training. This will ensure that the MICT SETA makes a positive change in the lives of individuals and organisations by addressing the skills shortages in the sector.

Challenges faced by Board

The MICT SETA has a fully constituted Board and Sub-committees which are able to continue to affect proper decision making and governance within the organisation.

However, the biggest challenge 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.

Government has responded to this changing reality by publishing a series of policies that now must be translated into concrete programmes so that South Africa may experience the growth targets that have been set. The MICT SETA is pivotal in creating the necessary human infrastructure to make this possible. The question





3. Foreword by the Chairperson (*continued*)

to be answered is whether the programmes of the MICT SETA measure up to this challenge? In the coming reporting period we would like to have views of all stakeholders and interested parties on this critical challenge.

Another challenge faced revolves around clarity on the new SETA landscape, creating uncertainty amongst employees especially those in critical positions.

Medium to Long Term Goals of the Entity

The 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 intergrate 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 is 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 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 an inclusive economic growth through skills development within its sector in the long term.

Acknowledgements / Appreciation

During the period under review, there were no resignations from the Accounting Authority/Board. I would also like to congratulate Mr Eric Ndlovu who has been appointed as the Chairperson of the Audit and Risk Committee and welcome Ms Noni Ghontshi who has replaced Mr Tumelo Mokoena as the Chief Financial Officer.

My gratitude also goes out to my fellow Board members and the members of the Board Committees 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 27 October 2016, which provides a wonderful opportunity to not only engage with fellow stakeholders, but serves as a platform to raise issues, concerns or questions.

Thank you,

Chairperson of the MICT SETA Accounting
Authority / Board

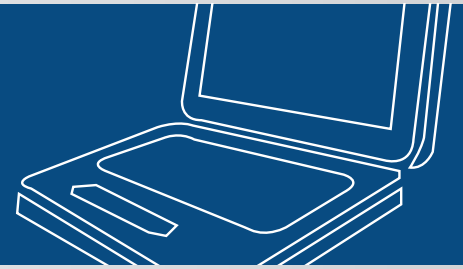
Mr Siphosiso J. Mjwara

31 July 2016

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW



Mr. Oupa Mopaki
Chief Executive Officer



Financial Review of the Public Entity

In the year under review the SETA revenue amounted to approximately R748.67m and allocated same for budgetary purposes according to the SETA funding regulations.

The SETA has experienced a growth of 7.37% 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 SETA.

There has been an increase in the mandatory grant expenditure of 8.09% and the pay-out ratio is 81.29% as opposed to 78.49% in 2015. The discretionary grant expenditure increased significantly by 4.88% due to an increase in the levy income received.

The SETA has funded the training of a total of 8 044 learners in learning programmes. 2 460 of whom entered learnership programmes and 60% (1 476) were placed in permanent employment on completion. 1 500 learners were trained in Skills Programmes and 40% (600) were placed in permanent employment. 1 452 learners entered graduate internship programmes and 80% (1 161) 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 10.33% from prior year mainly due to Assurance and Audit Services; an increase in employee expenditure (as various vacant positions were filled in the year under review) and a significant increase in training and employee development expenditure.

Capacity Constraints and Challenges facing the SETA

The 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 SETA.

Discontinued Activities / Activities to be Discontinued

There are no discontinued or intention to discontinue any activities of the SETA. There is, however, still uncertainty regarding the MICT SETA's license renewal beyond 31 March 2018.

New or Proposed Activities

The new activities are articulated on pages 19 – 42 of the MICT SETA Annual Performance Plan 2016-2019.

Requests for Roll Over of Funds

The SETA has reported a surplus of R32.1m in the year under review. The SETA has reported total accumulated reserves of R398.8m. The entire amount (i.e. discretionary reserves of R393.5m) has been committed to future discretionary programmes and as such, the SETA has requested National Treasury to grant permission to retain the accumulated surplus.





4. Chief Executive Officer's Overview (*continued*)

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
- Performance Evaluation & Monitoring.

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
 - 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 SETA.

Plans to address Financial Challenges

The 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 SETA and required adjustments to the annual financial statements as at 31 March 2016.

Economic Viability

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

Appreciation

Sincere gratitude is expressed to the SETA Board, management team, employees and stakeholders for their unqualified support in the achievements posted in this report.

Thank you



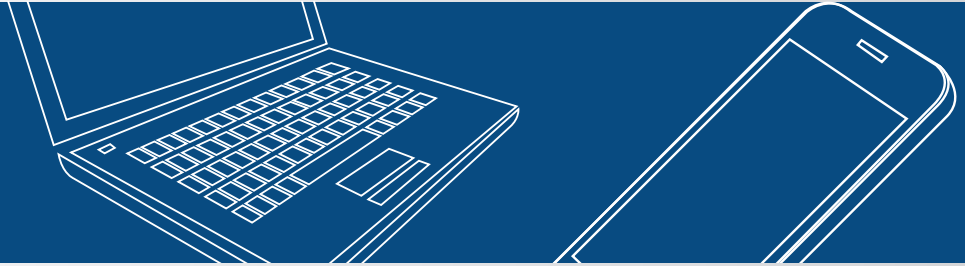
Chief Executive Officer

Mr. Oupa Mopaki

29 July 2016



5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2016



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.

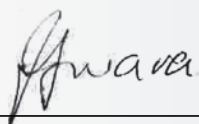
The Accounting Authority/Board is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

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.

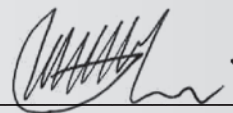
The Auditor-General is engaged to express an independent opinion on the Annual Financial Statements.

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 2016.

Yours Sincerely



Chairperson of the Accounting Authority/Board
Mr. Siphosiso J. Mjwara
29 July 2016



Chief Executive Officer
Mr. Oupa Mopaki
29 July 2016

6. STRATEGIC OVERVIEW



VISION

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

Vision

MISSION

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

Mission

Values

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 commitment and striving to ensure quality service delivery in line with Batho-Pele principles.

7. LEGISLATIVE AND OTHER MANDATES

The MICT SETA is 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);
- Regulations published in the Government Gazette, No. 35940, 03 December 2012 regarding Monies Received by a SETA and Related Matters;
- South African Qualifications Authority Act, 1995 (Act No 58 of 1995);
- The National Qualifications Framework Act, (Act No. 67 of 2008);
- Public Finance Management Act (Act No. 29 of 1999); and
- Employment Equity Act, 1998 (Act No. 55, 1998).

7.3 THE OTHER LEGISLATIVE FRAMEWORKS INCLUDE:

- National Development Plan (NDP);
- Industrial Policy Action Plan (IPAP);
- Medium Term Strategic Framework (MTSF);
- Ten Year Innovation Plan;
- Strategic Integrated Projects (SIPs);
- National Skills Development Strategy (NSDS) III;
- Municipal Integrated Development Plans; 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 Annual Performance Plan.





7. LEGISLATIVE AND OTHER MANDATES *(continued)*

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. 29 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

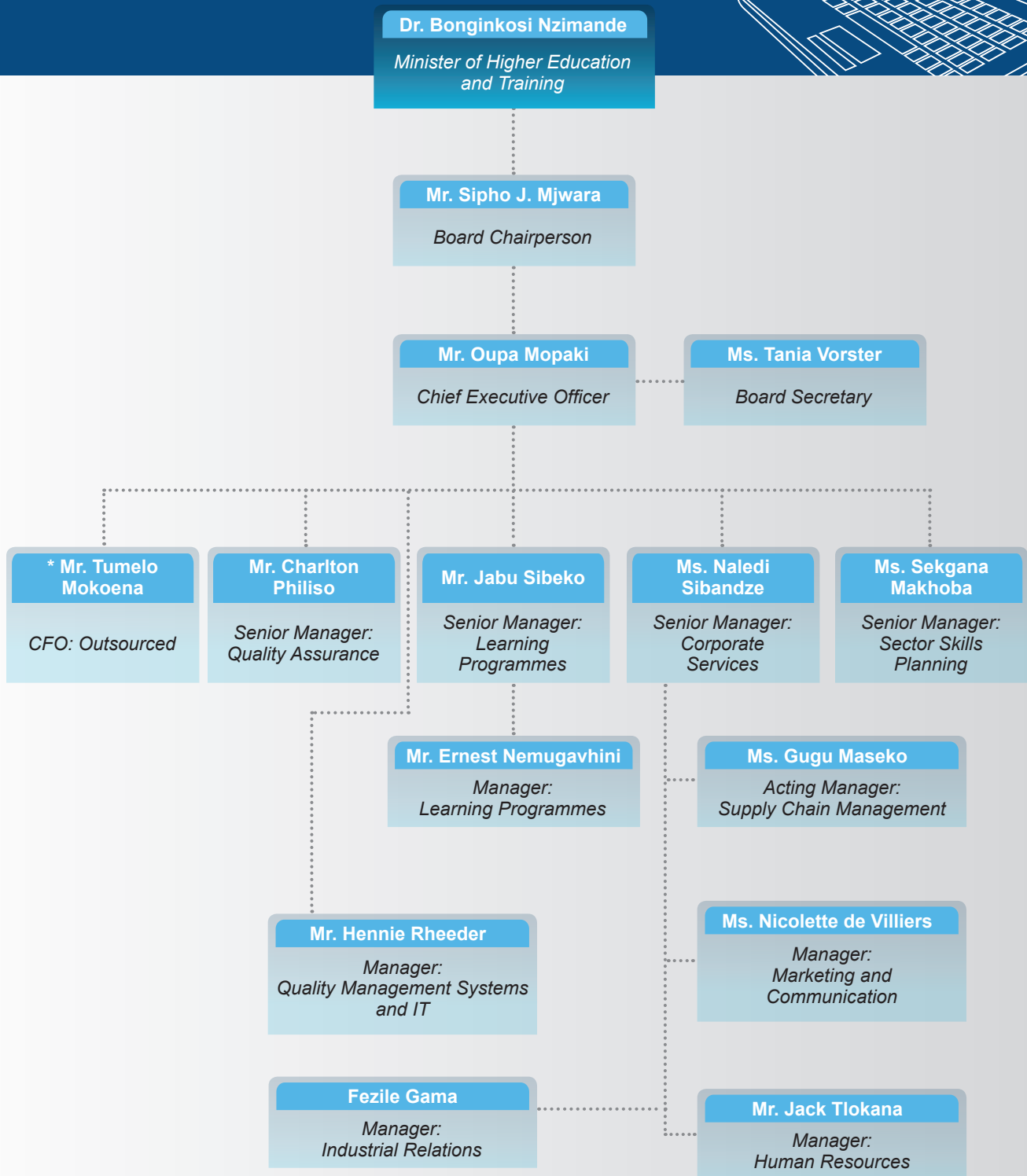
Not applicable.

7.6 PLANNED POLICY INITIATIVES

Not applicable.



8. ORGANISATIONAL STRUCTURE



* Mr Tumelo Mokoena resigned on 19 January 2016 and was replaced by Ms. Noni Gontshi on 19 January 2016



▶ 8. ORGANISATIONAL STRUCTURE *(continued)*

MANAGEMENT TEAM



Mr. Oupa Mopaki



Ms. Sekgana Makhoba



Mr. Charlton Philiso



Ms. Naledi Sibandze



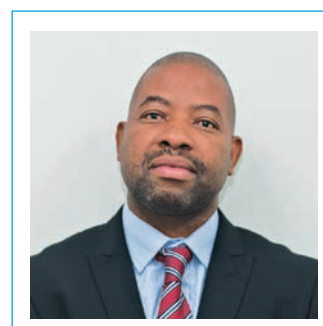
Mr. Jabu Sibeko



Ms. Tania Vorster



Ms. Noni Gontshi



Mr. Ernest Nemugavhini

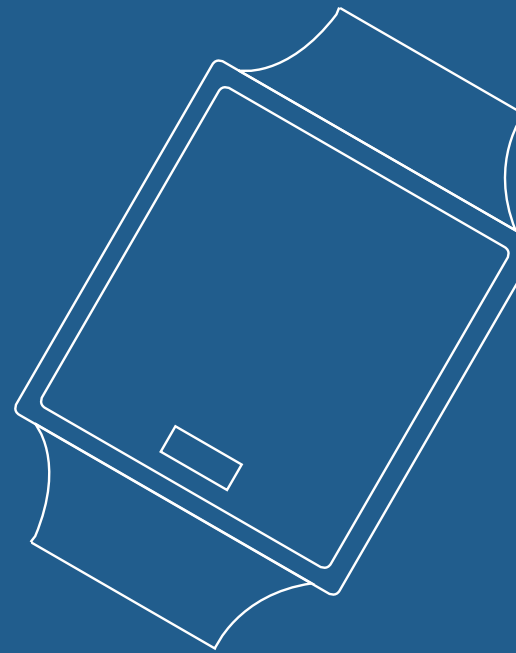


Ms. Gugu Maseko



PART B

PERFORMANCE INFORMATION



1. AUDITOR'S REPORT:

PREDETERMINED OBJECTIVES

The AGSA performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. This conclusion on the performance against predetermined objectives, is included in the report to management 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 62-64 of the Auditor-General's Report, published as Part E: Financial Information.

2. SITUATIONAL ANALYSIS

2.1 SERVICE DELIVERY ENVIRONMENT

Levy paying employers represent almost 22% of all employers (23 224) in the sector. Amongst those paying levies, the highest total value was received from the Information Technology sub-sector (41%), followed by Telecommunication (30%). The Advertising sub-sector was the least contributor representing only 5% of all levies received. Overall, the number of levy paying employers has increased by 13% in 2015 (5 078 employers), up from 4 491 employers the previous year.

In 2015, there were 274 095 employees in the sector, up from 153 880, in 2014. The Information Technology sub-sector employs 141 670, Telecommunication 58 646, Electronics 38 171, Film and Electronic Media 12 530 and Advertising 9 287 employees.

The MICT SETA Standard Industrial Classification (SIC) Codes

| SIC Code | Description |
|----------|---|
| 35791 | Manufacture of Alarm Systems |
| 75200 | Telecommunication |
| 75201 | Wired Telecommunication Carriers Telegraph |
| 75202 | Television Broadcasting, Television and Radio Signal Distribution |
| 75203 | Cable Networks and Programme Distribution; Cable TV Services |
| 75204 | Telephone |
| 75205 | Wireless Telecommunication Carriers except Satellite Radiotelephone |
| 75209 | Television Broadcasting |
| 75211 | Telecommunication and Wired Telecommunication Carriers |
| 75212 | Paging |
| 75213 | Cellular and Other Wireless Telecommunication |
| 75214 | Satellite Telecommunication |



| SIC Code | Description |
|----------|---|
| 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





2. SITUATIONAL ANALYSIS *(continued)*

Sector Performance

The MICT SET 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 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. There is hardly a quick fix to addressing skills gaps. However, a positive signal is that both industry and government are aware of the drivers behind the gaps and both are responding to this changing landscape through both individual and collective action. It is important that the expansion of employment in the MICT sector drives the absorption of unemployed people, particularly the youth.

Advances in global education, health and technology have helped empower individuals like never before, leading to increased demands for transparency and participation in all aspects of decision-making. Consequently, growing individual empowerment will present numerous challenges to government structures and business processes, but if harnessed, could unleash significant economic development and social advancement. The speed with which technology changes, is the major shape-shifter across the MICT sector.

The MICT sector has over 23 000 companies but just over 5 000 of these are levy-paying. The vast majority (96%) are small companies (0-49 employees). Looking back, there were some positive developments across the industry. Between late 2014 and early 2015, 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.

In 2015, the MICT sector companies reported a 6.29% labour need as a percentage of total employment. This, against a weighted total employment figure of 805 034 employees, implied about 50 636 vacancies across the sector.

For the MICT SETA, the challenge has been to balance servicing the scarce and 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

Since the sector has experienced run-of-the-mill economic growth, the capacity of the industry to take on learnerships and internships may be constrained, as a result. With the numbers of employees flat-lining, it is more likely that industry will use a relatively larger portion of its skills budget to up-skill existing employees. This is compounded by the fact that managers, professionals and associate professionals account for 69% of all employees. There are, therefore, fewer opportunities for mid-level skills development, such as learnerships, in the sector. It is, however, important to note that this, against a backdrop of stymied growth across the globe over the last two years, was not only due to global monetary pressures but also structural change brought on by technologies and labour disputes.

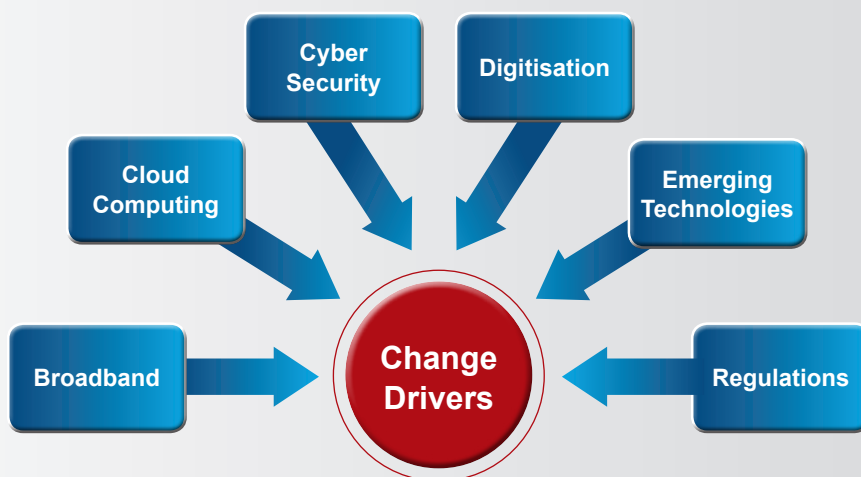
The complexity of the technology and the range of tasks required to perform has also resulted in a need for skills that need more in-depth study. At the same time, with more and more people coming on-line and as end-user technology has become easier to use, there has been a need to increase access to e-skills. Skills gaps remain an ongoing challenge across the sector. Industry acknowledges the need to improve staff skills in some areas, which could be either technical skills or soft skills, such as problem solving or customer service. 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.





2. SITUATIONAL ANALYSIS *(continued)*

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 different size companies.

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 74 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 Communication) and Quality Management System and Information Technology. The MICT SETA recruited and retained competent employees and implemented an effective performance management system to ensure delivery on its strategy, and will continue doing so.

2.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

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

3. STRATEGIC OUTCOME ORIENTED GOALS

The MICT SETA strategy mainly comprises the engagement and support of constituent employers through the provision of funding for industry demand-driven programmes. The targeted beneficiaries include employed, retrenched and the unemployed. One of the MICT SETA's priorities will be to intensify skills development programmes in rural areas and encourage uptake of the SETA programmes. Focused programmes and collaboration with incubators such as Bandwidth Barn, the Innovation Hub, SmartXchange and JCSE, will be critical in addressing overall scarce and critical skills demand within the industry.

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 management, business and high-level industry skills requirements, will be of extreme importance. The MICT SETA will partner with relevant industry



professional bodies or associations to promote continued professional development. Consideration will be made to provide funding for relevant short courses, seminars and workshops and other industry strategic programmes, where possible. The MICT SETA has, in the past, funded training programmes on new venture creation and will continue funding such programmes with a view to assisting small and emerging enterprises.

All the initiatives listed above will be implemented in line with the National Skills Accord. The MICT SETA will, in support of the National Skills Accord, encourage employers within its sector to use their workplaces more effectively to expand the level of training. This will be done through relevant learning programmes.

OUTCOMES AND OUTCOME STATEMENTS

| Strategic Outcome Oriented Goal 1 | Established credible mechanism for skills planning within the MICT sector. |
|-----------------------------------|---|
| Goal Statement | Conduct research and develop a Sector Skills Plan that records industry scarce skills requirements on an annual basis. |
| Progress made | This outcome has been achieved. A credible, well researched Sector Skills Plan document has been produced. |
| Strategic Outcome Oriented Goal 2 | Increased access to career and vocational guidance within the MICT sector. |
| Goal Statement | Compile a comprehensive career opportunities guide for the sector using credible labour market information to promote career development on an annual basis. |
| Progress made | This goal has been achieved. A comprehensive career guide document has been produced and distributed to over 4 000 recipients. |
| Strategic Outcome Oriented Goal 3 | Increased access to occupationally directed learning programmes within the MICT sector. |
| 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 goal has been achieved. Partnerships with TVETs, Universities and industry were successfully established to rollout occupationally directed programmes. |





3. STRATEGIC OUTCOME ORIENTATED GOALS *(continued)*

| Strategic Outcome Oriented Goal 4 | Increased and improved workplace capacity to meet workplace skills development needs. |
|-----------------------------------|--|
| Goal Statement | Support qualitative learning programmes that address industry skills needs with the aim of producing competent and work-ready graduates through provision of workplace experience and internship programmes. |
| Progress made | This goal has been achieved. The MICT SETA has supported 1 751 graduates with work experience. |

| Strategic Outcome Oriented Goal 5 | Increased support for SMMEs, Unions and NGOs development within the MICT sector. |
|-----------------------------------|---|
| Goal Statement | Identify the SMMEs skills development needs and support them in addressing those needs through bursaries, learnerships, skills programmes, short courses and internships. |
| Progress made | This goal was achieved. SMMEs were supported to implement learning programmes such as learnerships, internships, skills programmes and bursaries. |

| Strategic Outcome Oriented Goal 6 | Increased access to quality programmes. |
|-----------------------------------|--|
| Goal Statement | Develop new and review registered qualifications annually to ensure relevance Quality assure learning provision by accrediting qualifying training providers, assessors and moderators, and verifying learner achievements before issuing certificates within the MICT SETA scope. |
| Progress made | This goal was achieved. All qualifications have been successfully registered on the National Qualifications Framework. Quality assurance functions were successfully carried out resulting in 496 Training Providers receiving accreditation, 1 571 assessors being registered, and 751 moderators being registered. |





4. PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

4.1 PROGRAMME 1: 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 1 | Increase access to Quality Programmes |
| Strategic Objective 2 | Increase and improve workplace capacity to meet workplace skills development needs. |

4.2 PROGRAMME 2: LEARNING PROGRAMMES

PURPOSE

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

| | |
|-----------------------|--|
| Strategic Objective 3 | Increase access to occupationally directed learning programmes |
| Strategic Objective 4 | Increase support to SMMEs, NGOs, NLPEs, CBOs |

4.3 PROGRAMME 3: 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.

| | |
|-----------------------|--|
| Strategic Objective 5 | Establish a credible mechanism for skills planning |
| Strategic Objective 6 | Increase access to career and vocational guidance within the MICT sector |

4.4 PROGRAMME 4: CORPORATE SERVICES

PURPOSE

The purpose of the Corporate Services Division is to play the supportive and facilitative role to the core functions or operational divisions ensuring effective implementation of the SETA mandate.

| | |
|------------------------|---|
| Strategic Objective 7 | Supply chain management |
| Strategic Objective 8 | Manage Marketing and Communication services |
| Strategic Objective 9 | Manage Human resources |
| Strategic Objective 10 | Manage Financial services |





4. PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE *(continued)*

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

NSDS III Targets for the 31 March 2016 Fiscal Year

The tables below present the status of achievements as at 31 March 2016 regarding predetermined performance targets:

PROGRAMME 1: EDUCATION AND TRAINING QUALITY ASSURANCE (ETQA)

| Strategic Objective | Performance Indicators | Actual Achievement 2014/15 | Planned Target 2015/16 | Actual Achievement 2015/16 | Deviation from planned target to actual Achievement for 2015/16 | Comment on deviation |
|--|---|----------------------------|------------------------|----------------------------|---|--|
| 1. Increase Access to Quality Programmes | 1.1 Accredited Training Providers | 341 | 410 | Target achieved: 496 | +86 | Additional 86 were due to increased demand for accreditation. Services to accredit training providers were contained within the 10.5% administration budget. |
| | 1.2 Number of Registered Assessors | 584 | 480 | Target Achieved: 1 571 | +1 091 | Additional 1 091 registered assessors were due to the increased demand of trained assessors and the registration of assessors was contained within the 10.5% administration budget. |
| | 1.3 Number of Registered Moderators | 245 | 190 | Target Achieved: 751 | +561 | Additional 561 registered moderators were due to the increased demand of trained moderators and the registration of moderators was contained within the 10.5% administration budget. |
| | 1.4 Number of Registered Qualifications | 45 | 45 | Target Achieved: 45 | None | None |

| Strategic Objective | Performance Indicators | Actual Achievement 2014/15 | Planned Target 2015/16 | Actual Achievement 2015/16 | Deviation from planned target to actual Achievement for 2015/16 | Comment on deviation |
|---|-------------------------------|----------------------------|------------------------|----------------------------|---|---|
| 2. Increase and Improve Workplace Capacity to meet Workplace Skills Development | 2.1 Capacity Building Session | 21 | 30 | Target Achieved: 40 | +10 | Additional 10 capacity building sessions were due to increased demand by the sector. The costs were contained within the 10.5% administration budget. |

PROGRAMME 2: LEARNING PROGRAMMES

| | | | | | | |
|--|---|-------|-------|------------------------|--------|---|
| 3 Increase access to occupationally directed learning programmes | 3.1 Number of workers entering Skills Programmes | 1 042 | 1 000 | Target Achieved: 1 791 | +791 | 791 were funded by employers and reported to the MICT SETA. |
| | 3.2 Number of workers certificated in Skills Programmes | 1 000 | 500 | Target Achieved: 670 | +170 | 170 Additional learners were reported from the 2014/15 enrollment and completed in 2015/16. |
| | 3.3 Number of unemployed entering learnership | 3 824 | 1 294 | Target Achieved: 3 539 | +2 245 | The 2 245 learners were a result of the following: 1 166 learners were funded from Discretionary Grants due to additional levies, unclaimed funds and interest on investments. 1 079 were funded by the employers in the MICT sector. |





4. PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE *(continued)*

| Strategic Objective | Performance Indicators | Actual Achievement 2014/15 | Planned Target 2015/16 | Actual Achievement 2015/16 | Deviation from planned target to actual Achievement for 2015/16 | Comment on deviation |
|---------------------|---|----------------------------|------------------------|----------------------------|---|---|
| | 3.4 Number of unemployed university learners supported through bursaries | 762 | 320 | Target Achieved: 1 067 | +747 | 747 learners were funded from Discretionary Grants due to a request from DHET to fund indigent university students. The funds came from additional levies, unclaimed funds and interest on investments. |
| | 3.5 Number of FET Learners assisted with work experience through internship | 502 | 500 | Target Achieved: 565 | +65 | 65 learners were funded from Discretionary Grants due to additional levies, unclaimed funds and interest on investments. |
| | 3.6 Number of students supported through graduates Internship Programme | 2 190 | 1 086 | Target Achieved: 1 751 | +665 | The 665 learners were a result of the following: 366 learners were funded from Discretionary Grants due to additional levies, unclaimed funds and interest on investments. 299 were funded by the employers in the MICT sector. |
| | 3.7 Number of unemployed entering skills Programme | 2 040 | 1 500 | Target Achieved: 2 235 | +735 | 735 learners were funded by the employers in the MICT sector |
| | 3.8 Number of unemployed certificated in learnerships | 1 906 | 500 | Target Achieved: 1 769 | +1 269 | 1 269 Additional learners were reported from the 2014/15 enrollment and completed in 2015/16. |

| Strategic Objective | Performance Indicators | Actual Achievement 2014/15 | Planned Target 2015/16 | Actual Achievement 2015/16 | Deviation from planned target to actual Achievement for 2015/16 | Comment on deviation |
|--|---|----------------------------|------------------------|----------------------------|---|--|
| | 3.9 Number of unemployed certificated in skills programmes | 1 100 | 1 500 | Target Achieved: 1 750 | +250 | 250 Additional learners were reported from the 2014/15 enrollment and completed in 2015/16. |
| | 3.10 Number of FET/TVET Colleges partnerships | 04 | 03 | Target Achieved: 07 | +04 | 04 additional partnerships were due to increased interest from TVETs than initially planned. |
| | 3.11 Number of collaborative agreements in place with universities and stakeholders | New Target | 02 | Target Achieved: 05 | +03 | 03 additional collaborative agreements were due to increased interest from both universities and employers than initially planned. |
| 4. Increase Support to SMME's, NGOs, NLPes, CBOs | 4.1 Number of Small Business Supported | 12 | 10 | Target Achieved: 15 | +05 | 05 additional support to SMMEs was due to increased interest from SMMEs than initially planned. |

PROGRAMME 3: SECTOR SKILLS PLANNING

| | | | | | | |
|---|---|----|----|---------------------|------|------|
| 5. Establish a Credible Mechanism for Skills Planning | 5.1 SETA Management Systems (SMS) with credible data maintained | 01 | 01 | Target Achieved: 01 | None | None |
| | 5.2 Partnerships with research institution established | 01 | 01 | Target Achieved: 01 | None | None |
| | 5.3 Professionally researched and credible SSP | 01 | 01 | Target Achieved: 01 | None | None |





4. PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE *(continued)*

| Strategic Objective | Performance Indicators | Actual Achievement 2014/15 | Planned Target 2015/16 | Actual Achievement 2015/16 | Deviation from planned target to actual Achievement for 2015/16 | Comment on deviation |
|---|---|----------------------------|------------------------|----------------------------|---|--|
| 6. Increase Access to Career and Vocational Guidance within MICT Sector | 6.1 Career Opportunities Guide with Labour Market information | 01 | 01 | Target Achieved: 01 | None | None |
| | 6.2 Career Opportunities Guide with labour market information distributed | 1 350 | 1 400 | Target Achieved: 4 408 | +3 008 | Additional 3 008 were distributed due to increased demand by stakeholders. The distribution of Career Opportunities Guides was contained within the 10.5% administration budget. |
| PROGRAMME 4: CORPORATE SERVICES | | | | | | |
| 7. Manage Supply Chain Services | 7.1 Procurement Plan submitted. | 01 | 01 | Target Achieved: 01 | None | None |
| 8. Manage Marketing and Communication Services | 8.1 Annual Report submitted. | 01 | 01 | Target Achieved: 01 | None | None |
| | 8.2 Annual General Meeting. | 01 | 01 | Target Achieved: 01 | None | None |
| | 8.3 Stakeholder sessions | 06 | 06 | Target Achieved: 15 | +09 | Additional 09 stakeholder sessions were due to increased demand to host the sessions, these sessions were contained within the 10.5% administration budget. |

| Strategic Objective | Performance Indicators | Actual Achievement 2014/15 | Planned Target 2015/16 | Actual Achievement 2015/16 | Deviation from planned target to actual Achievement for 2015/16 | Comment on deviation |
|---------------------------------|--|----------------------------|------------------------|----------------------------|---|--|
| | 8.4 Exhibitions Attended. | 27 | 27 | Target Achieved: 52 | +25 | 25 additional exhibitions were due to increased demand by the sector. The costs were contained within the 10.5% administration budget. |
| 9. Manage Human Resources (HR). | 9.1 HR Strategy submitted and implemented | 01 | 01 | Target Achieved: 01 | None | None |
| | 9.2 Employment Equity (EE) Plan and Report submitted | 01 | 01 | Target Achieved: 01 | None | None |
| | 9.3 WSP and ATR submitted. | 01 | 01 | Target Achieved: 01 | None | None |
| 10. Manage Financial Services. | 10.1 Budget submitted. | 01 | 01 | Target Achieved: 01 | None | None |
| | 10.2 Management Accounts submitted. | 12 | 12 | Target Achieved: 12 | None | None |
| | 10.3 Annual Financial Statements submitted. | 01 | 01 | Target Achieved: 01 | None | None |





4. PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE *(continued)*

ADDITIONAL INFORMATION REPORTED AGAINST DEPARTMENT OF HIGHER EDUCATION SERVICE LEVEL AGREEMENT

This table presents the status of achievements as at 31 March 2016 regarding additional targets set by the SLA with the DHET:

| Output | SLA Target 2015/16 | Actual Achievement | Deviation | Comments |
|------------------------------------|--------------------|----------------------|-----------|---|
| Small Levy Paying Firms | 10 | Target Achieved: 15 | +05 | 05 additional support to SMMEs was due to increased interest from SMMEs than initially planned |
| Workers Completed Learnership | 50 | Target Achieved: 75 | +15 | 15 additional learners were reported from the 2014/15 enrollment and completed in 2015/16. |
| Workers Completed Skills Programme | 500 | Target Achieved: 670 | +170 | 170 Additional learners were reported from the 2014/15 enrollment and completed in 2015/16. |
| Workers completing bursaries | 50 | 50 | None | |
| Co-operatives supported | 02 | 03 | +01 | 01 additional partnerships were due to increased interest from co-operatives than initially planned |

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 35, which covers both the estimated Budget and the actual Revenue.



5. REVENUE COLLECTION

| Sources of revenue | 2015/16 | | | 2014/15 | | |
|------------------------|----------------|-------------------------|--------------------------|----------------|-------------------------|--------------------------|
| | 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 | 88 200 | 92 251 | (4 051) | 80 850 | 86 723 | (5 873) |
| Mandatory levies | 168 000 | 173 131 | (5 131) | 154 000 | 168 842 | (14 842) |
| Discretionary levies | 415 800 | 436 919 | (21 119) | 381 150 | 404 347 | (23 197) |
| Interest and penalties | - | 22 705 | (22 705) | - | 15 326 | (15 326) |
| Investment income | 16 200 | 23 527 | (7 327) | 12 300 | 24 994 | (12 694) |
| Other income | - | 139 | (139) | - | 44 | (44) |
| Total | 688 200 | 748 672 | (60 472) | 628 300 | 700 276 | (71 976) |

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. During the year, the MICT SETA was also successful in collecting revenue from the Department of Telecommunication and Postal Services in terms of the DPSA Circular No: HRD 1 of 2013. Going forward, ongoing communication with the Department will be maintained, in order to ensure the successful collection of this revenue, annually.

6. CAPITAL INVESTMENT

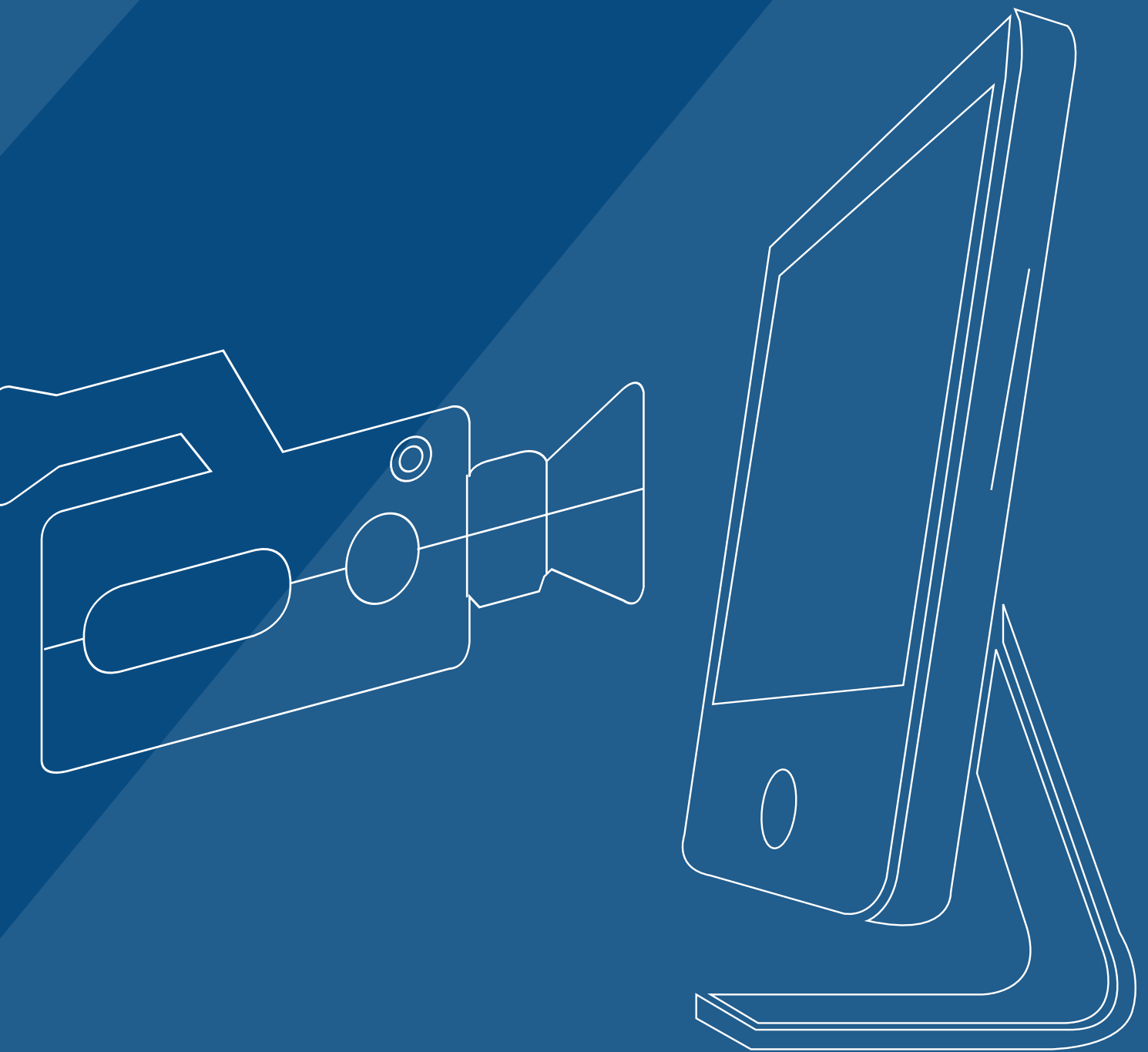
The MICT SETA does not have infrastructure projects as its mandate in Skills Development. Capital investment, therefore, consists of only:

- 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. 29 of 1999. 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 work-place strategies, in order to develop and improve the skills of the South African workforce.

The MICT SETA is managed in a sound and ethical way when conducting its business and reporting, by adhering to the highest principles of Corporate Governance, the MICT SETA Constitution, Code of Corporate Practices and Conduct as set out in the King III report. MICT SETA's governance falls within the ambit of the Accounting Authority/Board. The 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 and ensuring that the organisation achieves its objectives and implements the goals of NSDS III. The Accounting Authority/Board is accountable to the Executive Authority and Parliament.

2. PORTFOLIO 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 2015/16 financial year. This is attributed to the sound governance environment that the MICT SETA continues to display and is evidenced by both unqualified and clean audit reports in the past years.

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. Quarterly performance reports, in accordance with the requirements for the number of employed and unemployed beneficiaries for learning programmes, bursaries, skills programmes, internships, SME support and career guidance, are also submitted to the DHET.

For the financial year 2015/16, the Quarterly Performance reports were submitted on 15 July 2015, 15 October 2015, 15 January 2016, 15 April 2016 and were subsequently evaluated and validated by the Executive Authority. The SETA successfully addressed all concerns raised during the year.





4. THE ACCOUNTING AUTHORITY/BOARD

4.1 INTRODUCTION

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 comprises fifteen independent non-executive members, which ensures independence and objectiveness in decision-making. The Accounting Authority/Board has an absolute responsibility for the performance of the MICT SETA and is fully accountable to the Executive Authority for such performance.

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;
- Monitor the performance of the MICT SETA; and
- Apply for the establishment of the MICT SETA in terms of section 9 (1) of the Skills Development Act No. 97 of 1998, read together with the regulations regarding the establishment of Sector Education and Training Authorities, 7 September 1999, as amended by General Notice R106 in the Government Gazette 27254 of February 2005.

4.3 BOARD CHARTER

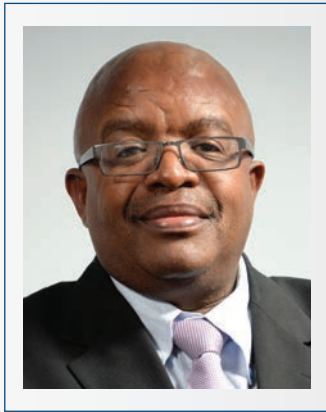
The MICT SETA Board Charter covers:

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

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.



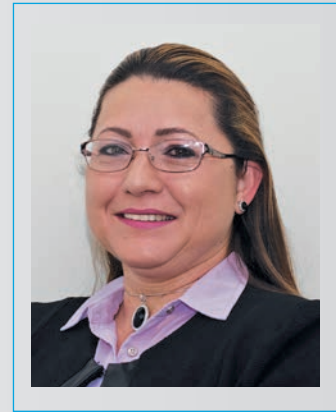
BOARD MEMBERS



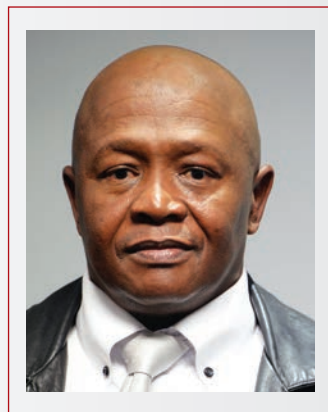
Chairperson:
Mr. Sipho J. Mjwara



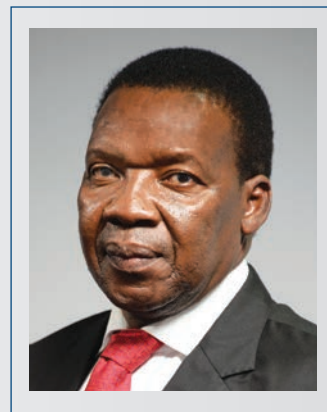
Ms. Tebogo Makgatho



Ms. Natalie-Ann Delport



Mr. Gallant Roberts



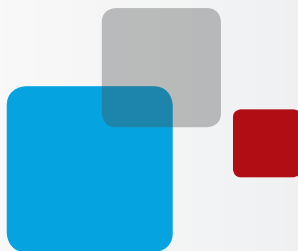
Mr. Masoma Manale



Mr. Thamsanqa E. Mzileni



Mr. Morwa J. Mooko



▶ 4. ACCOUNTING AUTHORITY

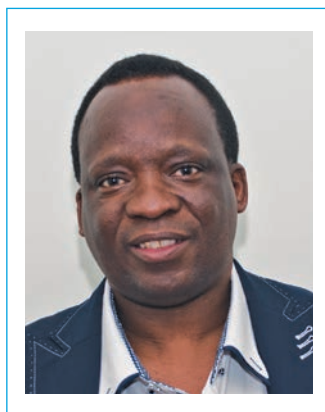
BOARD MEMBERS (continued)



Mr. Cecil Mokhantso



Mr. Joe Manchu



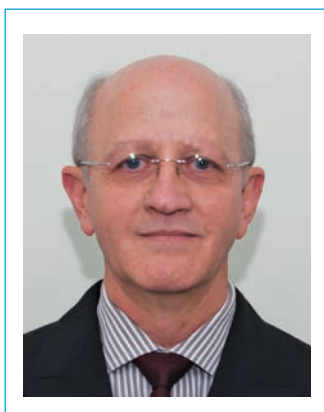
Mr. Tebhoho D. Morobe



Mr. Jimmy R. Morakile



Dr. Andrew Magadlela



Mr. Anthony Parry



Mr. Lumko Mtimde



COMPOSITION OF THE BOARD

The following table lists the members of the Accounting Authority/Board, their qualifications and memberships to different committees:

| Name | Designation | Date Appointed | Qualifications | Area of Expertise | Board Directorships | Other Committees |
|---------------------------------|-------------------------------------|----------------|---|---|---|--|
| Mr. Sipho J. Mjwara | Ministerial Appointee (Chairperson) | 27-Sep-13 | | Telecommunication ICT | Sentech (Soc) Ltd Digital Horizons (Pty) Ltd Seven Seasons (Pty) Ltd Tinkling Sounds CC | Executive Committee |
| Mr. Gallant Roberts | Organised Labour (CWU) | 1-Apr-11 | Certificates acquired through Centre for Legal Studies UNISA Development Institute for Training and Support & Education for Labour | Corporate Social Investment and Employee Relations | | Executive Committee |
| Mr. Masoma J. Manale | Organised Labour (CWU) | 1-Apr-11 | | Sales & Marketing | | Finance and Remuneration Committee |
| Mr. Thamsanqa E. Mzileni | Organised Labour (CWU) | 27-Feb-14 | | Labour Law | Tourism KwaZulu Natal Board Member | Audit and Risk Committee |
| Mr. Morwa J. Mooko | Organised Labour (CWU) | 1-Apr-11 | Nat Dip: Technical Nat Cert: Technical Certificate 6 Education for HDE (Postgraduate) | Employee Relations | | Finance and Remuneration Committee and Executive Committee |
| Mr Cecil Mokhantso ¹ | Organised Labour (CWU) | 9-Apr-15 | | | | |
| Mr. Joe Manchu | Employer Representative (SACF) | 1-Apr-11 | B. Compt MBA Executive Development Programme Certificate Programme in Leadership Coaching | Strategy Change Management Skills Development Monitoring and Evaluation | Manchu Group (Pty) Ltd, Answer the Call Community Economic Development NPC and Origins IKS Resource Centre NPC | Audit and Risk Committee |

¹ Mr Cecil Mokhantso was appointed to the Board on 9 April 2015.





4. ACCOUNTING AUTHORITY (continued)

| Name | Designation | Date Appointed | Qualifications | Area of Expertise | Board Directorships | Other Committees |
|------------------------------------|--|----------------|---|--|--|--|
| Mr. Teboho D. Morobe | Organised Labour (CWU) | 27-Feb-14 | N4 Light Current in Telecommunication Currently studying Leadership Training majoring in Strategic Diplomacy | Labour matters across the ICT Industry Negotiations | | |
| Mr. Jimmy R. Morakile | Organised Employer Representative (ITA) | 27-Feb-14 | Honours Degree, Information Science Management Development Programme Post Graduate Diploma Information Science Bachelor of Public Administration Advanced Certificate in Information Systems Management | Information and Communication Technology BEE Transformation Diversity Management Enterprise Development Human Resources Management Corporate Social Investment | | |
| Ms. Tebogo Makgatho | Organised Employer Representative (ITA) | 27-Feb-14 | Higher Diploma Business Administration, Diploma Sales and Marketing, Certificate on labour market supply and demand, Finance for Non-financial managers, Board leadership programme BSc Genetics Diploma Project Management | Executive Management Board leadership Business development Strategy development | Board Chairperson at South African NGO Network (SANGONET) Board Member at Chancellor House Holdings (Pty) Ltd | Executive Committee |
| Dr. Mthuthuzeli A. Magadlela | Organised Employer Representative (MITSDF) | 27-Feb-14 | PhD in Animal Nutrition MSc in Pasture Science BSc Agriculture | Research and Development & Technology Transfer. | | Finance and Remuneration Committee |
| Ms. Natalie-Ann Delpo ² | Organised Employer Representative (NAB) | 27-Feb-14 | Post Graduate Diploma in Management (UCT) Higher Diploma in Business Management (Damelin) | Media, Training, Organisation Development, Management, Leadership, Research | | Executive Committee and Finance and Remuneration Committee |

² Ms. Natalie-Ann Delpo was appointed to the Finance and Remuneration Committee on 25 May 2015



| Name | Designation | Date Appointed | Qualifications | Area of Expertise | Board Directorships | Other Committees |
|---------------------|---|----------------|--|--|--|------------------------------------|
| Mr. Anthony Parry | Professional Bodies Representative (IITPSA) | 1-Apr-11 | B A (Hons) MBA | Business Management Governance ICT Strategy Education | IITPSA NPC IITP Foundation | Finance and Remuneration Committee |
| Mr. Lumko C. Mtimde | Community Organisation (NCRF) | 1-Apr-11 | Degree in Physiology and Biochemistry Post Grad Dip in Telecommunications and Information Policy Executive Development Programme | Corporate Governance, Leadership, Executive Management, Strategy development, Public finance Management, Project management, ICT, media and broadcasting, Policy and regulation making, Local government | Sentech (Pty) Ltd NSFAS World Summit Awards ECITI MVEET KCSDT | Finance and Remuneration |

The following table lists the members of the Accounting Authority/Board and the number of meetings they had attended in 2015/16.

| Name | Accounting Authority/ Board | Audit and Risk Committee | Executive Committee | Finance and Remuneration Committee |
|------------------------------|-----------------------------|--------------------------|---------------------|------------------------------------|
| Mr. Sipho J. Mjwara | 5 of 8 | | 6 of 10 | |
| Mr. Gallant Roberts | 8 of 8 | | 10 of 10 | |
| Mr. Masoma J. Manale | 8 of 8 | | | 3 of 3 |
| Mr. Thamsanqa E. Mzileni | 8 of 8 | 5 of 5 | | |
| Mr. Morwa J. Mooko | 8 of 8 | | 9 of 10 | 2 of 3 |
| Mr Cecil Mokhantso | 8 of 8 | | | |
| Mr. Joe Manchu | 6 of 8 | 5 of 5 | | |
| Mr. Teboho D. Morobe | 8 of 8 | | | |
| Mr. Jimmy R. Morakile | 6 of 8 | | | |
| Ms. Tebogo Makgatho | 5 of 8 | | 9 of 10 | |
| Dr. Mthuthuzeli A. Magadlela | 5 of 8 | | | 2 of 3 |
| Ms. Natalie-Ann Delport | 7 of 8 | | 10 of 10 | 3 of 3 |
| Mr. Anthony Parry | 7 of 8 | | | 3 of 3 |
| Mr. Lumko C. Mtimde | 5 of 8 | | | 2 of 3 |





4. ACCOUNTING AUTHORITY (*continued*)

4.4 COMMITTEES

Since the Accounting Authority/Board cannot attend to all the matters effectively, it has established the following committees in terms of the MICT SETA Constitution:

- Executive Committee (EXCO);
- Finance and Remuneration Committee (FinRemCo); and
- Audit and Risk Committee (ARC).

4.4.1 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.

4.4.2 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 advise the Accounting Authority/Board on any matters relating to remuneration, in order to enable the Accounting Authority/Board to develop consistent, fair and impartial strategies, policies, procedures and processes for the compensation of its members and employees, so as to attract, motivate and retain talented people.



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;
- Review and reassessing 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.

4.4.3 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;
- 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





4. ACCOUNTING AUTHORITY *(continued)*

- The MICT SETA's compliance with relevant legal and regulatory requirements, as well as its Code of Conduct and the action taken to address any violations.

The Audit and Risk Committee must:

- Review the annual financial statements and establish whether they have been prepared in accordance with the PFMA and related Treasury Regulations, as well as the applicable accounting framework;
- Review and confirm the Internal Audit Charter and the Internal Audit Plan, as well as the resources required to implement such plan;
- Develop a direct, strong and candid relationship with the external auditors. Communication with the external auditors must facilitate independence from the management of the MICT SETA and encourage the external auditors to speak freely, regularly and confidentially with the Audit and Risk Committee;
- Draw up a recommendation for the Accounting Authority/Board regarding the appointment and removal of the internal and external auditors; 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 following table lists the members of the Audit and Risk committee, their qualifications, date of appointment and the number of meetings they have attended:

| Members of the Audit and Risk Committee | | | | | |
|---|----------------------------------|----------------------------------|--|----------------|--------------------------|
| | Name | Designation | Qualifications | Date Appointed | No. of Meetings Attended |
| 1 | Mr. Abel Z. Dlamini ¹ | Independent Member (Chairperson) | B Com Honours Senior Executive Programme M Com | 1-Nov-08 | 3 of 5 |
| 2 | Mr. Eric M. Ndlovu ² | Independent Member | Bachelor of Commerce (Accounting) B.Compt (Hons) and CTA (Accounting Sciences) | 1-Aug-11 | 5 of 5 |
| 3 | Mr. Rivalani G. Ntuli | Independent Member | B Com Accounting Honors in Accounting Science Member of: ACFE IIA,SA IRBA SAICA | 27-Feb-14 | 5 of 5 |
| 4 | Mr. Thamsanqa E. Mzileni | Non-Executive Board Member | Diploma in Public Management (incomplete) | 2-Oct-14 | 5 of 5 |
| 5 | Mr. Joe Manchu | Non-Executive Board Member | B. Compt MBA Executive Development Programme Certificate Programme in Leadership Coaching | 27-Feb-14 | 5 of 5 |

¹ Mr. Abel Z. Dlamini resigned from the Audit and Risk Committee on 20 July 2015

² Mr. Eric M. Ndlovu was appointed as the Chairperson of the Audit and Risk Committee on 29 October 2015



4.5 REMUNERATION OF BOARD AND BOARD COMMITTEES AS AT 31 MARCH 2016

The following table lists the remuneration in Rands received by the Accounting Authority/Board and Board Committees as at 31 March 2016:

| Surname | BOARD | AUDIT | TRAVEL | EXCO | REMCO | Training | Total |
|-----------------------------|------------|------------|------------|------------|-----------|-----------|--------------|
| Mr. Gallant Roberts | 64 | - | 7 | 51 | - | - | 122 |
| Mr. Antony Parry | 61 | - | - | - | 10 | - | 71 |
| Mr. Morwa J. Mooko | 65 | - | 32 | 36 | 10 | - | 143 |
| Mr. Lumko C. Mtimde | 45 | - | - | - | 10 | - | 55 |
| Mr. Masoma J. Manale | 75 | - | 22 | - | 12 | - | 109 |
| Ms. Tebogo Makgatho | 37 | - | 1 | 47 | - | - | 85 |
| Mr. Teboho D. Morobe | 64 | - | 21 | - | - | - | 85 |
| Mr. Jimmy R Morakile | 53 | - | 2 | - | - | - | 55 |
| Ms. Natalie-Ann Delpont | 54 | - | 3 | 51 | 7 | - | 115 |
| Dr. Mthuthuzeli A. Magadela | 44 | - | 2 | - | 10 | - | 56 |
| Mr. Thamsanqa E. Mzileni | 60 | 27 | 14 | - | - | - | 101 |
| Mr. Abel Z. Dlamini | - | 12 | - | - | - | - | 12 |
| Mr. Manchu | 45 | 27 | - | - | - | - | 72 |
| Mr. Eric M. Ndlovu | 8 | 36 | 1 | - | - | - | 45 |
| Mr. Rivalani G. Ntuli | - | 27 | - | - | - | - | 27 |
| Mr. Cecil Mokhantso | 64 | - | 18 | - | - | - | 82 |
| Training Expense | | | - | - | - | 87 | 87 |
| Total as per AFS | 739 | 129 | 123 | 185 | 59 | 87 | 1 322 |

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.

The MICT SETA has an internal Risk Management Committee that submits its reports to the Audit and Risk Committee, a sub-committee of the Accounting Authority/Board. The reports advise the Audit and Risk Committee on the risks identified and the progress made in implementing controls aimed at mitigating those risks. All controls were implemented successfully.





6. INTERNAL CONTROL

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 is 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. The areas of concern relate to recurring findings related to the commitment register.

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 45 to 46.



8. COMPLIANCE WITH LAWS AND REGULATIONS

The MICT SETA has trained its Management and employees on statutory requirements; conducted periodic annual policy reviews; effected controls through the existence of an effective Internal Audit function and followed a prescribed compliance reporting schedule.

The MICT SETA complied with the legal requirements such as:

- Employment Equity Plan & Report submitted to DoL;
- Skills Development: Workplace Skills Plan and Annual Training Report submitted to ETDP SETA;
- Procurement Plan submitted to DHET;
- Strategic Plan and Annual Performance Plan submitted to DHET
- Service Level Agreement signed with the Director-General of DHET;
- Budget 2014/2015 submitted and approved;
- Quarterly Reports to DHET and Treasury;
- Finance & Performance Reports submitted on time;
- Annual Report 2014/2015, submitted to DHET, National Treasury and the Auditor-General;
- The MICT SETA Annual General Meeting (AGM) was held on 29 October 2015;
- Internal Audit function was in place and Internal Audit Plan implemented; and
- Auditor-General's audits implemented as planned.

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

The MICT SETA has achieved a level 03 score on its B-BBEE rating which has been verified by an accredited verification Agent.

9. FRAUD AND CORRUPTION

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

The Fraud Prevention Plan consists of:

- Code of Conduct;
- Fraud Policy and Response Plan;
- Whistle Blowing Policy including an independent hotline; and
- Fraud Prevention Implementation Plan.





9. FRAUD AND CORRUPTION *(continued)*

9.1.1 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 can use and remain anonymous. Employees and the MICT SETA stakeholders can report any offence or suspected fraudulent activity to the toll free number, to the MICT SETA management, or to the Accounting Authority/Board.

9.1.2 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.

10. MINIMISING CONFLICT OF INTEREST

Members of the Accounting Authority/Board, Management and Employees are required to avoid situations where they have or could have a direct or indirect interest that conflicts on 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 Declaration of Interest documents. 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 institute a disciplinary enquiry 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 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. BOARD 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 ten 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 to under-privileged schools.



15. AUDIT AND RISK COMMITTEE REPORT



Mr. Eric M. Ndlovu
Chairperson of the Audit and Risk Committee

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2016.

15.1 AUDIT AND RISK COMMITTEE RESPONSIBILITY

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. 29 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 means of the risk management process, 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 letter 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;
- Updating Strategic and Operational Risk registers;
- Follow-up Audits;
- Information Technology (IT) general controls review; and
- Project site visits.

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 letter and management's response thereto; and
- Reviewed the MICT SETA's compliance with legal and regulatory provisions.

15.5 AUDITOR-GENERAL 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. Eric M. Ndlovu

29 July 2016



PART D

HUMAN RESOURCES MANAGEMENT





1. INTRODUCTION

1.1 OVERVIEW OF HR MATTERS

The MICT SETA Human Resource functions and practices are guided by the employment legislations which require compliance. The Human Resource functions are 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 the following functions: 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 functions for the period under review:

- 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 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 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.

1.4 EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

The MICT SETA Performance Management Development System 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.





INTRODUCTION *(continued)*

1.5 EMPLOYEE WELLNESS PROGRAMMES

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

1.6 POLICY DEVELOPMENT

The MICT SETA Human Resource policies and procedures are reviewed annually as and when the need arises to align it with any legislative and regulatory changes; the environmental changes and 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 relations to organisational Corporate Governance and strategic Human Resource Management.

1.7 ACHIEVEMENTS

The Human Resource Unit managed to achieve the following:

- Objectives contained in the Human Resource Operational plan;
- Annual review of the Human Resource Policies and Procedures;
- Implementation of the Human Resource Information System; and
- Implementation of the Performance Management and Development System.

1.8 CHALLENGES

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

- Attracting skilled and competent employees from different racial groups (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.

1.9 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;
- Staff retention; and
- Ensure a high standard of professional ethics is promoted and encouraged.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

2.1 PERSONNEL BY COST PROGRAMME

| Department | Total Expenditure | Nearest '1000 | % | No. of Employees | Average personnel |
|---|-------------------|---------------|-------------|------------------|-------------------|
| Corporate Services | 353 740 | 17 253 | 49% | 39 | 442 |
| Education, Training and Quality Assurance | 117 913 | 4 352 | 16% | 13 | 335 |
| Learning Programmes | 163 265 | 5 803 | 23% | 18 | 322 |
| Sector Skills Planning | 54 422 | 2 800 | 8% | 6 | 467 |
| Quality Management Systems and IT (CS) | 27 211 | 1 422 | 4% | 3 | 474 |
| Total per AFS | 716 551 | 31 630 | 100% | 79 | 400 |

2.2 PERSONNEL BY SALARY BAND

| Level | Total Expenditure | Nearest '1000 | % | No. of Employees | Average personnel |
|------------------------|-------------------|---------------|-------------|------------------|-------------------|
| Top Management | 56 290 | 2 485 | 8% | 1 | 2 485 |
| Senior Management | 88 335 | 3 899 | 12% | 4 | 975 |
| Professional Qualified | 143 592 | 6 338 | 20% | 7 | 905 |
| Skilled | 244 018 | 10 771 | 34% | 25 | 431 |
| Semi-skilled | 176 374 | 7 786 | 25% | 35 | 222 |
| Unskilled | 7 937 | 350 | 1% | 7 | 50 |
| | 716 551 | 31 630 | 100% | 79 | 400 |

2.3 PERFORMANCE

| Programme | Performance Reward | Personal Expenditure | % |
|------------------------|--------------------|----------------------|-----------|
| Top Management | 193 | 2 485 | 8% |
| Senior Management | 323 | 3 899 | 8% |
| Professional Qualified | 573 | 6 338 | 9% |
| Skilled | 939 | 10 771 | 9% |
| Semi-Skilled | 620 | 7 786 | 8% |
| Unskilled | 9 | 350 | 2% |
| TOTAL | 2 657 | 31 630 | 8% |





HUMAN RESOURCE OVERSIGHT STATISTICS *(continued)*

2.4 TRAINING

| Programme | Personnel Expenditure | Training Expenditure | Training Expenditure % | No. of Employees | Average Training Costs |
|---|-----------------------|----------------------|------------------------|------------------|------------------------|
| Corporate Services | 17 253 | 607 | 4% | 15 | 40 |
| Education, Training and Quality Assurance | 4 352 | 168 | 4% | 10 | 17 |
| Learning Programmes | 5 803 | 95 | 2% | 8 | 12 |
| Sector Skills Planning | 2 800 | 121 | 4% | 5 | 24 |
| Quality Management Systems and IT (CS) | 1 422 | 48 | 3% | 2 | 24 |
| | 31 630 | 1 039 | 3% | 40 | 26 |

2.5 EMPLOYMENT AND VACANCIES

| Programme/activity/objective | 2014/2015 No. of Employees | 2015/2016 Approved Posts | 2015/2016 No. of Employees | 2015/2016 Vacancies | % of Vacancies |
|------------------------------|----------------------------|--------------------------|----------------------------|---------------------|----------------|
| Top Management | 1 | 1 | 1 | - | 0% |
| Senior Management | 4 | 4 | 4 | - | 0% |
| Professional Qualified | 5 | 7 | 6 | 1 | 1.27 % |
| Skilled | 25 | 25 | 24 | 1 | 1.27 % |
| Semi-skilled | 35 | 35 | 33 | 2 | 2.53 % |
| Unskilled | 4 | 7 | 7 | 0 | 0 % |
| TOTAL | 74 | 79 | 75 | 4 | 5.06 % |

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

| Salary Band | Employment at beginning of period | Appointments | Terminations | Employment at end of period |
|------------------------|-----------------------------------|--------------|--------------|-----------------------------|
| Top Management | 1 | - | - | 1 |
| Senior Management | 4 | - | - | 4 |
| Professional Qualified | 5 | 2 | 2 | 4 |
| Skilled | 25 | 1 | 3 | 23 |
| Semi-skilled | 35 | 7 | 2 | 40 |
| Unskilled | 4 | 7 | 4 | 7 |
| TOTAL | 74 | 17 | 11 | 79 |

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 | 3 | 3.80% |
| Dismissal | 2 | 2.53% |
| Retirement | 0 | 0.00% |
| Ill health | 0 | 0.00% |
| Expiry of contract | 0 | 0.00% |
| Other | 0 | 0.00% |
| TOTAL | 5 | 6.33% |

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

2.7 LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

| Nature of Disciplinary Action | Number |
|-------------------------------|--------|
| Verbal Warning | 0 |
| Written Warning | 1 |
| Final Written Warning | 1 |
| Dismissal | 2 |

2.8 EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

| Levels | MALE | | | | | | | |
|------------------------|-----------|----------|----------|----------|----------|----------|----------|----------|
| | African | | Coloured | | Indian | | White | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 1 | - | - | - | - | - | - | - |
| Senior Management | 2 | - | - | - | - | - | - | - |
| Professional Qualified | 1 | - | - | - | - | - | 1 | - |
| Skilled | 10 | - | - | - | - | - | - | - |
| Semi-skilled | 14 | - | - | - | - | - | - | - |
| Unskilled | 2 | - | 1 | - | - | - | - | - |
| TOTAL | 30 | - | 1 | - | - | - | 1 | - |





HUMAN RESOURCE OVERSIGHT STATISTICS *(continued)*

| Levels | FEMALE | | | | | | | |
|------------------------|-----------|----------|----------|----------|----------|----------|----------|----------|
| | African | | Coloured | | Indian | | White | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 0 | - | - | - | - | - | - | - |
| Senior Management | 2 | - | - | - | - | - | - | - |
| Professional Qualified | 0 | - | - | - | - | - | 2 | - |
| Skilled | 12 | - | - | - | 1 | - | 1 | - |
| Semi-skilled | 18 | - | 1 | - | 1 | - | - | - |
| Unskilled | 7 | - | - | - | - | - | - | - |
| TOTAL | 39 | - | 1 | - | 2 | - | 3 | - |

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

PART E

FINANCIAL INFORMATION





1. REPORT OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Media, Information and Communication Technologies Sector Education and Training Authority set out on pages 65 to 114, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (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), 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.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Media, Information and Communication Technologies Sector Education and Training Authority as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA and the SDA.

Report on other legal and regulatory requirements

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

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2016:
 - Programme 2: learning programmes on pages 29 to 31.
9. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information.
10. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
11. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programme:
 - Programme 2: learning programmes





REPORT OF THE AUDITOR-GENERAL *(continued)*

Additional matter

12. Although I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected programme, I draw attention to the following matter:

Achievement of planned targets

13. Refer to the annual performance report on pages 28 to 33; for information on the achievement of planned targets for the year.

Compliance with legislation

14. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

15. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor-General

Pretoria

29 July 2016



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016



Ms. Noni Gontshi
*Chief Financial Officer,
Outsourced*

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

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ANNUAL FINANCIAL STATEMENTS

ACCOUNTING AUTHORITY'S STATEMENT OF RESPONSIBILITIES AND APPROVAL

The audited Annual Financial Statements for the year ended 31 March 2016, set out on pages 66 to 114, have been approved by the Accounting Authority in terms of section 51(1) (f) of the Public Finance Management Act (PFMA), No 1 of 1999 on the 26 July 2016 and are signed on their behalf by:



CEO: Oupa Mopaki



Chairperson: Joe Mjwara

ANNUAL FINANCIAL STATEMENTS

Statement of Financial Performance for the year ended 31 March 2016

| Figures in Rand thousand | Note(s) | 2016 R'000 | 2015 Restated* R'000 |
|---|---------|----------------|----------------------------|
| Revenue | | | |
| Skills Development Levy: income from non-exchange transactions | 2 | 702 301 | 659 912 |
| Skills Development Levy: interest from non-exchange transactions | | 11 446 | 7 613 |
| Skills Development Levy: penalties from non-exchange transactions | | 11 259 | 7 713 |
| Finance revenue | 3 | 23 527 | 24 994 |
| Other revenue | 4 | 139 | 44 |
| Total revenue | | 748 672 | 700 276 |
| Expenses | | | |
| Employer grant and programme expenses | 5 | 642 861 | 608 969 |
| Administration expenses | 7 | 67 934 | 61 572 |
| Finance costs | 6 | 5 756 | 1 346 |
| Surrender of uncommitted surplus to NSF | 5.1 | - | 8 570 |
| Total expenses | | 716 551 | 680 457 |
| Surplus for the year | | 32 121 | 19 819 |



ANNUAL FINANCIAL STATEMENTS

Statement of Financial Position as at 31 March 2016

| Figures in Rand thousand | Note(s) | 2016 R'000 | 2015 Restated* R'000 |
|---|---------|----------------|----------------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 8 | 195 | 117 |
| Accounts receivable from non-exchange transactions | 9 | 56 826 | 49 998 |
| Accounts receivable from exchange transactions | 10 | 1 782 | 1 870 |
| Cash and cash equivalents | 11 | 418 234 | 439 105 |
| | | 477 037 | 491 090 |
| Non-current Assets | | | |
| Property, plant and equipment | 12 | 4 152 | 5 272 |
| Intangible assets | 13 | 578 | 646 |
| | | 4 730 | 5 918 |
| Total Assets | | 481 767 | 497 008 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade payables from non-exchange transactions | 14.1 | 67 564 | 115 686 |
| Finance lease liability | 15 | 352 | 569 |
| Trade and other payables from exchange transactions | 14.2 | 5 981 | 4 894 |
| Provisions | 16 | 8 913 | 8 513 |
| | | 82 810 | 129 662 |
| Non-current Liabilities | | | |
| Finance lease liability | 15 | 62 | 414 |
| Total Liabilities | | 82 872 | 130 076 |
| Net Assets | | 398 895 | 366 932 |
| Net assets represented by: | | | |
| Administration reserve | | 4 729 | 5 321 |
| Employer grant reserve | | 589 | 509 |
| Discretionary reserve | | 393 577 | 361 102 |
| Total Net Assets | | 398 895 | 366 932 |

* See Note 25

ANNUAL FINANCIAL STATEMENTS

Statement of Changes in Net Assets for the year ended 31 March 2016

| Figures in Rand thousand | Administration reserve | Employer grant reserve | Discretionary reserve | Total reserves |
|---|---------------------------|---------------------------|--------------------------|-------------------|
| Opening balance as previously reported | 3 346 | 243 | 343 814 | 347 403 |
| Prior year adjustments | - | - | (445) | (445) |
| Balance at 01 April 2014 as restated* | 3 346 | 243 | 343 369 | 346 958 |
| Net surplus for the year per statement of financial performance | 23 872 | 38 460 | (42 490) | 19 842 |
| Prior period adjustment | (24) | - | - | (24) |
| Net surplus for the year - Restated | 23 848 | 38 460 | (42 490) | 19 818 |
| Transfer of surplus to discretionary reserves | (21 873) | (38 194) | 60 223 | 156 |
| Restated* Balance at 01 April 2015 | 5 321 | 509 | 361 102 | 366 932 |
| Surplus for the year | 24 390 | 32 204 | (24 473) | 32 121 |
| Transfer of surplus to discretionary reserves | (24 982) | (32 124) | 56 948 | (158) |
| Balance at 31 March 2016 | 4 729 | 589 | 393 577 | 398 895 |



ANNUAL FINANCIAL STATEMENTS

Cash Flow Statement for the year ended 31 March 2016

| Figures in Rand thousand | Note(s) | 2016 R'000 | 2015 Restated* R'000 |
|---|---------|------------------|----------------------------|
| Cash flows from operating activities | | | |
| Operating activities | | | |
| Levies, interest and penalties received | | 717 975 | 634 030 |
| Other cash receipts from stakeholders | | 139 | 44 |
| Cash receipts from stakeholders | | 718 114 | 634 074 |
| Less: Cash paid to stakeholders, suppliers and employees | | | |
| Grants and project payments | | (690 688) | (556 470) |
| Surrender of uncommitted surplus | | - | (8 570) |
| Payments to suppliers and other | | (32 560) | (65 660) |
| Compensation of employees | | (31 630) | (27 304) |
| Cash paid to stakeholders, suppliers and employees | | (754 878) | (658 004) |
| Cash used in operations | 17 | (36 764) | (23 929) |
| Finance revenue | | 23 527 | 24 994 |
| Finance costs | | (5 756) | (1 346) |
| Net cash outflow from operating activities | | (18 993) | (281) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 12 | (1 083) | (3 650) |
| Purchase of other intangible assets | 13 | (226) | (740) |
| Net cash flows to investing activities | | (1 309) | (4 390) |
| Cash flows from financing activities | | | |
| Finance lease payments | | (569) | (485) |
| Net decrease in cash and cash equivalents | | (20 871) | (5 156) |
| Cash and cash equivalents at the beginning of the year | | 439 105 | 444 261 |
| Cash and cash equivalents at the end of the year | 11 | 418 234 | 439 105 |

* See Note 25

ANNUAL FINANCIAL STATEMENTS

Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2016

Budget on Accrual Basis

| Figures in Rand thousand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual |
|--------------------------|-----------------|-------------|--------------|------------------------------------|--|
|--------------------------|-----------------|-------------|--------------|------------------------------------|--|

Statement of Financial Performance

Revenue

Revenue from non-exchange transactions

| | | | | | |
|---|----------------|----------|----------------|----------------|---------------|
| Skills Development Levy: Income from non-exchange transactions | 672 000 | - | 672 000 | 702 301 | 30 301 |
| Skills Development Levy: Interest from non-exchange transactions | - | - | - | 11 446 | 11 446 |
| Skills Development Levy: Penalties from non-exchange transactions | - | - | - | 11 259 | 11 259 |
| Other revenue | - | - | - | 139 | 139 |
| Finance revenue | 16 200 | - | 16 200 | 23 527 | 7 327 |
| Total revenue from non-exchange transactions | 688 200 | - | 688 200 | 748 672 | 60 472 |

Expenditure

| | | | | | |
|---------------------------------------|------------------|----------|------------------|------------------|-----------------|
| Finance costs | (40 393) | - | (40 393) | (5 756) | 34 637 |
| Employer grant and programme expenses | (561 642) | - | (561 642) | (642 861) | (81 219) |
| Administration expenses | (86 165) | - | (86 165) | (67 934) | 18 231 |
| Total expenditure | (688 200) | - | (688 200) | (716 551) | (28 351) |
| Surplus for the year | - | - | - | 32 121 | 32 121 |



ANNUAL FINANCIAL STATEMENTS

Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2016

Note:

Legislation requires that the SETA annually, in September submit a budget to the Minister for approval.

1. Skills Development Levy: income from non-exchange transactions

The Skills Development Levy income from non-exchange transactions is higher than the budgeted figure by 4.31%.

This slight increase is mainly due to various reasons such as possible increase in the number of new employers that joined the SETA as well as lumpsums paid during the period.

2. Finance revenue

Finance revenue is 31.14% higher than budget as a result of higher than expected levy income, however 5.86% below finance revenue year on year. This is mainly due to decrease in the average cash balances invested in short term deposits over the financial year.

3. Employer grant and programme expenditure

Employer grant expenditure is slightly below budget by 1.32%, however, there has been 8.08% increase in the expenditure compared to prior year. This is possible result of improvement in employers submitting the applications for employer grant. This also had a positive impact on the pay-out ratio to 81.29 % (2015: 79.49%).

The programme expenditure is higher than budget by 23.06%. The expenditure has also increased by 4.88% year on year. This is mainly due to increase in levies collected as well employers committing and claiming expenditure in terms of the service level agreements. There has been a significant decrease in the write backs compared to prior year.

4. Administration expenses

Administration expenditure for the period is R67 934 (2015: R61 572) and is 26% lower than budgeted amount of R86 165 for the financial year. This is mainly due to cost savings in the expenses as tabled below.

| Description | Approved Budget 2016 R'000 | Actual 2016 R'000 | Amount below budget R'000 |
|---------------------------------------|-------------------------------|----------------------|------------------------------|
| Board expenses | 1 795 | (1 321) | 474 |
| QCTO expenses | 4 200 | (2 495) | 1 705 |
| External audit expenses | 2 900 | (2 223) | 677 |
| Consultancy and service provider fees | 6 413 | 4 937 | 1 476 |
| Internal audit expenses | 1 450 | (1 159) | 291 |
| Rent | 4 800 | (4 102) | 698 |
| Cost of employment | 37 460 | (31 630) | 5 830 |
| Travel & subsistence | 3 805 | (1 851) | 1 954 |
| Total | 62 823 | (39 844) | 13 105 |

Further analysis of the administration expenditure compared to prior year is detailed below:

QCTO expenditure is determined by the Minister in terms of the Grant Regulations 2(4) and MICT SETA transferred the funds in 2 equal instalments on 15 April and July 2015.

ANNUAL FINANCIAL STATEMENTS

Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2016

Advertising, marketing and promotions and communication have increased by 73.61% year on year however is below budgeted amount for the year.

Consultancy and services provider fees have decreased by 32.51% compared to prior year. This is mainly due to implementation of cost cutting measures.

Internal audit fees have increased by 79.68% year on year due to scope increase as approved in the annual audit plan.

IT support has increased by 55.65% year on year. The increase is mainly as a result of the implementation costs incurred by new service provider.



ANNUAL FINANCIAL STATEMENTS

Accounting Policies for the year ended 31 March 2016

1. Basis of preparation

The principal Accounting Policies adopted in the preparation of these Annual Financial Statements are set out below and are, in all material aspects, consistent with those of the prior year, except as otherwise indicated. The Annual Financial Statements have been prepared on the historical cost basis, except where adjusted for present/fair values as required by the respective Accounting Standards. The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

2. Currency

These Annual Financial Statements are presented in South African Rands since it is the currency in which the majority of the entity transactions are denominated.

3. Revenue recognition

3.1 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 Department of Higher Education and Training, income from the National Skills Fund, and grants from the national government.

3.1.1 Levy income

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

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

Skills Development Levy (SDL) transfers are recognised on an accrual basis when it is probable that future economic benefits or service potential will flow to the SETA and these benefits can be measured reliably.

ANNUAL FINANCIAL STATEMENTS

Accounting Policies for the year ended 31 March 2016

3. Revenue recognition *(continued)*

This occurs when the Department makes an allocation to the 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 adjustment is calculated according to the most recent Standard Operating Procedure issued by the Department. Skills Development Levy (SDL) transfers are recognised on an accrual basis when it is probable that future economic benefits or service potential will flow to SETA and these benefits can be measured reliably. This occurs when the Department 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.

3.1.2 Interest and penalties

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

3.1.3 Funds allocated by the National Skills Fund for special projects

Funds transferred by the National Skills Fund (NSF) are accounted for in the Annual Financial Statements of the 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 SETA, as the SETA controls such assets for the duration of the project. Such assets may however only be disposed of in terms of agreement and specific written instructions by the NSF.

3.2 Revenue from exchange transactions

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

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.

3.2.1 Investment income

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

4. Grants and project expenditure

A registered employer may recover a maximum of 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).

4.1 Mandatory grants

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

4.2 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



ANNUAL FINANCIAL STATEMENTS

Accounting Policies for the year ended 31 March 2016

4. Grants and project expenditure (*continued*)

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.

4.3 Unconditional grants disbursed to National Skills Fund (NSF) for Technical and Vocational Education and Training (TVET) College infrastructure development.

In terms of Skills Development Circular No. 08/2013 SETAs are required to contribute funds towards the NSF for TVET college infrastructure development. Funding agreements between the NSF and each individual SETA outline the details of the SETAs contribution as per the Skills Development Circular.

The above mentioned Circular and funding agreements do not contain any conditions or restrictions for the SETA and the funding is not refundable.

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

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

4.4 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.

4.5 Retrospective adjustments by SARS

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

5. Irregular and fruitless and wasteful expenditure

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

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

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

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Accounting Policies for the year ended 31 March 2016

5. Irregular and fruitless and wasteful expenditure (*continued*)

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

6. Inventory

Inventory is comprised of consumables.

Consumables are recognised as an asset on the date of acquisition and are measured at the cost of the acquisition. Consumables are subsequently recognised in surplus or deficit as are consumed.

7. Property, plant and equipment

Property, plant and equipment are stated at cost less any subsequent accumulated depreciation and adjusted for any impairments. In the prior year the policy has changed and property, plant and equipment acquired at no cost are stated at fair value as at date of acquisition less any subsequent accumulated depreciation.

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 carried at cost less accumulated depreciation and any impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight line method.

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

Assets that have been fully depreciated but are still in use or are temporarily idle will be disclosed in the Annual Financial Statements under the property, plant and equipment note.

Impairment of each class of property, plant and equipment is also assessed annually at the end of each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognised).

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

8. Intangible assets

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

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

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

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



Accounting Policies for the year ended 31 March 2016

9. Significant accounting judgements and key sources of estimation uncertainty

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

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

9.1 Key sources of estimation uncertainty

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

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

The SETA reviews the estimated useful lives and residual values of property, plant and equipment and intangible assets at the end of each annual reporting period, refer to note 12 and 13 for the respective carrying values.

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

| | |
|-------------------------------|----------|
| Computer equipment | 4 years |
| Office furniture and fittings | 10 years |
| Office equipment | 7 years |
| Leased equipment | 4 years |
| Motor vehicles | 4 years |

The following average useful lives are used in the calculation of amortisation:

| | |
|-------------------|---------|
| Computer software | 4 years |
|-------------------|---------|

10. Leases

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

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

11. Provisions

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

The cost of employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the

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Accounting Policies for the year ended 31 March 2016

11. Provisions *(continued)*

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), performance bonus and exempt employers.

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

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

12. Grants and projects liability

12.1 Mandatory and discretionary grant liability

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

12.2 Discretionary projects

Where a project has been approved, but has not been accrued for, it is disclosed as commitments in the Notes to the Annual Financial Statements.

13. Financial instruments

13.1 Recognition

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

13.2 Financial assets

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

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

All financial assets of the SETA were categorised as loans and receivables.

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

13.3 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly



ANNUAL FINANCIAL STATEMENTS

Accounting Policies for the year ended 31 March 2016

13. Financial instruments *(continued)*

discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

13.4 Impairment of financial assets

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

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

13.5 Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Account and other payables do not bear interest and are stated at their nominal value.

Financial liabilities at FVTPL

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

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

Other financial liabilities

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

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

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

14. Transfer of functions

Assets acquired and liabilities assumed by the SETA are recognised at the carrying amount, which is the amount at which the asset or liability is recognised by the transferor in its Statement of Financial Position as of the transfer date. The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor is recognised in accumulated surplus or deficit.

15. 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:

ANNUAL FINANCIAL STATEMENTS

Accounting Policies for the year ended 31 March 2016

15. Reserves (continued)

- Administration reserve;
- Employer grant reserve;
- Discretionary reserve; and
- Unappropriated surplus.

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

| | 2015/2016 % | 2014/2015 % |
|--|----------------|----------------|
| Administration costs of the SETA | 10,5 | 10,5 |
| Employer Grant Fund Levy | 20 | 20 |
| Discretionary grants and projects | 49,5 | 49,5 |
| Received by the SETA | 80 | 80 |
| Contribution to the National Skills Fund | 20 | 20 |
| | 100 | 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 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.

16. Comparatives figures

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

17. Taxation

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

18. Segment reporting

MICT reports to management on the basis of three functional segments namely, administration, mandatory and discretionary. Management uses these segments in determining strategic objectives and allocating resources. The report of these segments is also appropriate for external reporting purposes. The accounting



ANNUAL FINANCIAL STATEMENTS

Accounting Policies for the year ended 31 March 2016

18. Segment reporting *(continued)*

policies of the segment are the same as those described in the summary of Significant Accounting Policies. Refer to Annexure B for the application disclosure of the segment reporting.

19. Related parties

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operational decisions.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Key management personnel includes directors or members of the governing body and members of the senior management group of MICT SETA.

Only transactions not within the normal supplier and/or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and where terms and conditions not within the normal operating parameters established by the reporting entity's legal mandate are disclosed.

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Notes to the Annual Financial Statements for the year ended 31 March 2016

1. Surplus for the year

Allocation of net surplus for the year to reserves: 2016

| | Total per Statement of Financial Performance | Administration grant | Mandatory grant | Discretionary grant |
|---|---|-------------------------|--------------------|------------------------|
| Total revenue | 748 672 | 92 390 | 173 131 | 483 151 |
| Administration levy income (10.5%) | 92 251 | 92 251 | - | - |
| Mandatory grant levy income (20%) | 173 131 | - | 173 131 | - |
| Discretionary grant levy income (49.5%) | 436 919 | - | - | 436 919 |
| SDL: Penalties and interest from non-exchange transactions | 22 705 | - | - | 22 705 |
| Finance revenue | 23 527 | - | - | 23 527 |
| Other revenue | 139 | 139 | - | - |
| Total expenses | 716 551 | 68 000 | 140 927 | 507 624 |
| Administration expenses | 67 934 | 67 934 | - | - |
| Employer grant expenses | 140 927 | - | 140 927 | - |
| Programme expenses | 501 934 | - | - | 501 934 |
| Finance costs | 66 | 66 | - | - |
| TVET infrastructure development | 5 690 | - | - | 5 690 |
| Surplus per Statement of Financial Performance | 32 121 | 24 390 | 32 204 | (24 473) |



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Notes to the Annual Financial Statements for the year ended 31 March 2016

1. Surplus for the year *(continued)*

Allocation of net surplus for the year to reserves: 2015

| | Total per Statement of Financial Performance | Administration grant | Mandatory grant | Discretionary grant |
|---|---|-------------------------|--------------------|------------------------|
| Total revenue | 700 276 | 86 767 | 168 842 | 444 667 |
| Administration levy income (10.5%) | 86 723 | 86 723 | - | - |
| Mandatory grant levy income (20%) | 168 842 | - | 168 842 | - |
| Discretionary grant levy income (49.5%) | 404 347 | - | - | 404 347 |
| SDL: Penalties and interest from non-exchange transactions | 15 326 | - | - | 15 326 |
| Investment income | 24 994 | - | - | 24 994 |
| Other income | 44 | 44 | - | - |
| Total expenses | 680 457 | 62 918 | 130 382 | 487 157 |
| Administration expenses | 61 572 | 61 572 | - | - |
| Employer grant expenses | 130 382 | - | 130 382 | - |
| Programme expenses | 478 587 | - | - | 478 587 |
| Finance costs | 1 346 | 1 346 | - | - |
| Surrender of uncommitted surplus to NSF | 8 570 | - | - | 8 570 |
| Surplus per Statement of Financial Performance | 19 819 | 23 849 | 38 460 | (42 490) |

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Notes to the Annual Financial Statements for the year ended 31 March 2016

| Figures in Rand thousand | 2016 R'000 | 2015 R'000 |
|--------------------------|---------------|---------------|
|--------------------------|---------------|---------------|

2. Skills development levy income

The total levy income per Statement of Financial Performance is as follows:

| | | |
|--|---------------|---------------|
| SDL income: Administration | 92 122 | 87 035 |
| Levies: Department of Telecommunications and Postal Services | - | 340 |
| InterSETA transfers in | 169 | 1 |
| InterSETA transfers out | (40) | (653) |
| Administration levy income (10.5%) | 92 251 | 86 723 |

| | | |
|--|----------------|----------------|
| SDL income: Mandatory | 173 058 | 169 902 |
| InterSETA transfers in | 149 | (79) |
| InterSETA transfers out | (76) | (981) |
| Mandatory grant levy income (20%) | 173 131 | 168 842 |

| | | |
|--|----------------|----------------|
| SDL income: Discretionary | 436 377 | 406 678 |
| Levies: Department of Telecommunications and Postal Services | - | 679 |
| InterSETA transfers in | 731 | 77 |
| InterSETA transfers out | (189) | (3 087) |
| Discretionary grants levy income (49.5%) | 436 919 | 404 347 |

| | | |
|---|----------------|----------------|
| Total Skills Development Levy income | 702 301 | 659 912 |
|---|----------------|----------------|

3. Finance revenue

| | | |
|------------------------------------|--------|--------|
| Interest received from investments | 23 527 | 24 994 |
|------------------------------------|--------|--------|



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Notes to the Annual Financial Statements for the year ended 31 March 2016

| Figures in Rand thousand | 2016 R'000 | 2015 R'000 |
|--|----------------|----------------|
| 4. Other revenue | | |
| Other revenue comprises: | | |
| Service provider income | 136 | 44 |
| Bad debts recovered | 3 | - |
| | 139 | 44 |
| 5. Employer grant and programme expenses | | |
| Grants disbursed | 130 524 | 141 778 |
| Movement in provisions and accruals | 10 403 | (11 396) |
| Mandatory grants | 140 927 | 130 382 |
| Grants disbursed | 525 070 | 431 318 |
| Movement in provisions and accruals | (23 136) | 47 269 |
| Discretionary grants | 501 934 | 478 587 |
| | 642 861 | 608 969 |
| 5.1 Surrender of uncommitted surplus to NSF | | |
| Amount paid to NSF | - | 8 570 |
| 6. Finance costs | | |
| Lease finance costs | 66 | 111 |
| TVET infrastructure obligation interest | 5 690 | 1 235 |
| | 5 756 | 1 346 |

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Notes to the Annual Financial Statements for the year ended 31 March 2016

| Figures in Rand thousand | 2016 R'000 | 2015 R'000 |
|--|---------------|---------------|
| 7. Administration expenses | | |
| Operating lease rental - Buildings | 4 102 | 4 213 |
| Operating lease rental - Equipment | 833 | 867 |
| Maintenance, repairs and running costs | 615 | 125 |
| QCTO expenditure | 2 495 | 1 712 |
| Advertising, marketing and promotions, communication | 4 021 | 2 316 |
| Entertainment expenses | 122 | 54 |
| Consultancy and service provider fees | 4 937 | 7 307 |
| Legal fees | 1 157 | 1 352 |
| Cost of employment | 31 630 | 27 304 |
| Travel and subsistence | 1 103 | 1 344 |
| Staff training and development | 1 039 | 1 086 |
| Remuneration to Board and Board Committees | 1 321 | 1 468 |
| External audit | 2 223 | 2 437 |
| Internal audit | 1 159 | 645 |
| Telephone and cell phones | 646 | 800 |
| General expenses | 3 462 | 3 733 |
| IT support | 4 662 | 2 995 |
| Depreciation | 2 111 | 1 687 |
| Amortisation | 296 | 127 |
| | 67 934 | 61 572 |



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Notes to the Annual Financial Statements for the year ended 31 March 2016

7. Administration expenses (continued)

7.1 Cost of employment

| 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 |
| Unemployment Insurance Fund (UIF) & Skills Development Levy (SDL) | - | 417 | - | 417 |
| Leave and 13th cheque | - | - | 869 | 869 |
| | 26 320 | 4 441 | 869 | 31 630 |

| 2015 | Salaries and wages | Employer contributions | Other contributions | Total |
|---|--------------------|------------------------|---------------------|---------------|
| Basic salaries | 19 507 | - | - | 19 507 |
| Performance awards | 2 229 | - | - | 2 229 |
| Other non-pensionable allowances | 1 030 | - | - | 1 030 |
| Medical aid contributions | - | 1 433 | - | 1 433 |
| Pension contributions | - | 1 996 | - | 1 996 |
| Unemployment Insurance Fund (UIF) & Skills Development Levy (SDL) | - | 363 | - | 363 |
| Leave and 13th cheque | - | - | 746 | 746 |
| | 22 766 | 3 792 | 746 | 27 304 |

8. Inventories

| | | |
|--|-----|-----|
| Inventory comprises stationery and other consumables | 195 | 117 |
|--|-----|-----|

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Notes to the Annual Financial Statements for the year ended 31 March 2016

| Figures in Rand thousand | 2016 R'000 | 2015 R'000 |
|--------------------------|---------------|---------------|
|--------------------------|---------------|---------------|

9. Accounts receivable from non-exchange transactions

| | | |
|--------------------------------|---------------|---------------|
| InterSETA debtors | - | 115 |
| Provision for bad debts | (70) | (33) |
| UIF project debtor | 51 507 | 47 264 |
| Overpayment of employer grants | 5 389 | 2 652 |
| | 56 826 | 49 998 |

10. Accounts receivable from exchange transactions

| | | |
|--|--------------|--------------|
| Employee costs in advance | 44 | 30 |
| Prepayments | 203 | 30 |
| Deposits | 665 | 621 |
| Sundry receivables | 869 | 1 188 |
| Recoverable fruitless and wasteful expenditure | 1 | 1 |
| | 1 782 | 1 870 |

11. Cash and cash equivalents

| | | |
|------------------------|----------------|----------------|
| Cash at bank | 103 766 | 40 302 |
| Cash on hand | 5 | 12 |
| Short-term investments | 314 463 | 398 791 |
| | 418 234 | 439 105 |

As required in Treasury Regulation 31.2, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short term bank deposits was 5.89% (2015: 5.53%).

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 was exempted by the National Treasury from the requirements of Treasury Regulation 31.3 to invest surplus funds with the Corporation for Public Deposits, surplus funds were invested in line with an Investment Policy as required by the Treasury Regulation 31.3.5. In instances where exemption was not granted by National Treasury, funds were invested with the Corporation for Public Deposits.

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.



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Notes to the Annual Financial Statements for the year ended 31 March 2016

12. Property, plant and equipment

| | 2016 | | | 2015 | | |
|-------------------------------|---------------|---|----------------|---------------|---|----------------|
| | Cost | Accumulated depreciation and accumulated impairment | Carrying value | Cost | Accumulated depreciation and accumulated impairment | Carrying value |
| Computer equipment | 3 369 | (1 871) | 1 498 | 3 143 | (1 469) | 1 674 |
| Office furniture and fittings | 3 414 | (1 710) | 1 704 | 3 056 | (1 484) | 1 572 |
| Office equipment | 3 631 | (2 893) | 738 | 4 428 | (2 973) | 1 455 |
| Leasehold improvements | 1 396 | (1 184) | 212 | 1 396 | (867) | 529 |
| Motor vehicles | 392 | (392) | - | 392 | (350) | 42 |
| Total | 12 202 | (8 050) | 4 152 | 12 415 | (7 143) | 5 272 |

Reconciliation of property, plant and equipment - 2016

| | Opening balance | Additions | Disposals | Depreciation | Total |
|-------------------------------|-----------------|--------------|-------------|----------------|--------------|
| Computer equipment | 1 673 | 604 | (7) | (773) | 1 497 |
| Office furniture and fittings | 1 572 | 447 | - | (314) | 1 705 |
| Office equipment | 1 447 | 32 | (86) | (656) | 737 |
| NSF assets | 8 | - | - | (8) | - |
| Leasehold improvements | 530 | - | - | (317) | 213 |
| Motor vehicles | 43 | - | - | (43) | - |
| | 5 273 | 1 083 | (93) | (2 111) | 4 152 |

Reconciliation of property, plant and equipment - 2015

| | Opening balance | Additions | Depreciation | Impairment loss | Total |
|-------------------------------|-----------------|--------------|----------------|-----------------|--------------|
| Computer equipment | 402 | 1 709 | (426) | (9) | 1 676 |
| Office furniture and fittings | 471 | 1 287 | (179) | (6) | 1 573 |
| Office equipment | 1 642 | 422 | (613) | (5) | 1 446 |
| NSF assets | 8 | - | - | - | 8 |
| Leasehold improvements | 679 | 231 | (382) | - | 528 |
| Motor vehicles | 111 | - | (71) | - | 40 |
| | 3 313 | 3 649 | (1 671) | (20) | 5 271 |

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Notes to the Annual Financial Statements for the year ended 31 March 2016

12. Property, plant and equipment *(continued)*

| | Cost | Accumulated depreciation | Closing carrying amount |
|-----------------------------------|---------------|--------------------------|-------------------------|
| | R'000 | R'000 | R'000 |
| Made up as follows: | | | |
| - Owned assets | 11 723 | (7 784) | 3 939 |
| - Leased assets | 1 397 | (1 184) | 213 |
| Total assets 31 March 2016 | 13 120 | (8 968) | 4 152 |

| | Cost | Accumulated depreciation | Closing carrying amount |
|-----------------------------------|---------------|--------------------------|-------------------------|
| | R'000 | R'000 | R'000 |
| Made up as follows: | | | |
| - Owned assets | 10 665 | (6 881) | 3 784 |
| - Leased assets | 1 748 | (206) | 1 542 |
| Total assets 31 March 2015 | 12 413 | (7 087) | 5 326 |

Fully depreciated assets still in use

| Cost | 2016 R'000 | 2015 R'000 |
|-------------------------------|---------------|---------------|
| Computer equipment | 678 | 934 |
| Office furniture and fittings | 1 111 | 1 056 |
| Office equipment | 699 | 1 202 |
| | 2 488 | 3 192 |



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Notes to the Annual Financial Statements for the year ended 31 March 2016

13. Intangible assets

| | 2016 | | | 2015 | | |
|-------------------|-------|---|----------------|------------------|---|----------------|
| | Cost | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Computer software | 1 016 | (438) | 578 | 788 | (142) | 646 |

Reconciliation of intangible assets - 2016

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

| | Cost R'000 | Accumulated amortisation and impairment R'000 | Closing carrying amount R'000 |
|-----------------------------------|---------------|--|----------------------------------|
| Made up as follows: | | | |
| - Owned assets | 1 016 | (438) | 578 |
| Total assets 31 March 2016 | 1 016 | (438) | 578 |

| | Cost R '000 | Accumulated amortisation R '000 | Closing carrying amount R '000 |
|-----------------------------------|----------------|------------------------------------|-----------------------------------|
| Made up as follows: | | | |
| - Owned assets | 788 | (142) | 646 |
| Total assets 31 March 2015 | 788 | (142) | 646 |

Temporarily idle assets and assets not in use

There were no intangible assets that were classified as idle and/or not in use in 2016.

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Notes to the Annual Financial Statements for the year ended 31 March 2016

| Figures in Rand thousand | 2016 R'000 | 2015 R'000 |
|--------------------------|---------------|---------------|
|--------------------------|---------------|---------------|

14. Trade payables from non-exchange transactions

14.1 Grant and transfers payable from non-exchange transactions

| | | |
|---|---------------|----------------|
| Skills development grants payable - mandatory | 30 361 | 19 958 |
| Skills development grants payable - discretionary | 36 788 | 59 925 |
| InterSETA and other payables | 415 | 1 100 |
| Total grants and transfers payable | 67 564 | 80 983 |
| TVET Infrastructure development payable | - | 34 703 |
| | 67 564 | 115 686 |

DHET has requested MICT SETA to make a contribution of R60 589 509 towards the R1 billion for public TVET colleges refurbishment following the Minister of Higher Education and Training's announcement that R2.5 billion would be made available from levy grants institutions to refurbish public TVET colleges. In response to this, MICT SETA opted to make this contribution over two financial years in quarterly instalments commencing in the 2015 financial year. A legal obligation was created through a funding agreement signed between the NSF and MICT SETA on 28 March 2014. This constituted a financing arrangement to be paid quarterly over two financial years. The Net Present Value of the obligation was taken into account. The liability has been fully paid at the end of the 2016 financial year.

14.2 Trade and other payables from exchange transactions

| | | |
|---------------------------|--------------|--------------|
| Service provider payables | 3 040 | 2 225 |
| Accruals | 2 375 | 2 032 |
| SARS - VAT payable | 490 | 467 |
| Payroll payables | 76 | 173 |
| | 5 981 | 4 897 |



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Notes to the Annual Financial Statements for the year ended 31 March 2016

| Figures in Rand thousand | 2016 R'000 | 2015 R'000 |
|--|---------------|---------------|
| 15. Finance lease liability | | |
| Minimum lease payments due | | |
| - within one year | 352 | 569 |
| - in second to fifth year inclusive | 62 | 414 |
| | 414 | 983 |
| Add: future finance charges | 21 | 89 |
| Present value of minimum lease payments | 435 | 1 072 |
| Present value of minimum lease payments due | | |
| - within one year | 372 | 636 |
| - in second to fifth year inclusive | 63 | 436 |
| | 435 | 1 072 |
| Finance lease liability | 414 | 983 |
| Less: short term portion disclosed under current liabilities | (352) | (569) |
| Non-current lease liability | 62 | 414 |

16. Provisions

Reconciliation of provisions - 2016

| | Opening Balance | Additions | Utilised during the year | Total |
|-------------------|--------------------|-----------|-----------------------------|-------|
| 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 |

Reconciliation of provisions - 2015

| | Opening Balance | Additions | Utilised during the year | Total |
|-------------------|--------------------|-----------|-----------------------------|-------|
| 13th cheque | 119 | 447 | (426) | 140 |
| Performance bonus | 1 695 | 1 564 | (1 761) | 1 498 |
| Exempt employers | 5 415 | 1 460 | - | 6 875 |
| | 7 229 | 3 471 | (2 187) | 8 513 |

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Notes to the Annual Financial Statements for the year ended 31 March 2016

16. Provisions (continued)

13th cheque provision is calculated based on total cost of employment and accrued evenly throughout the year. The 13th cheque bonus is paid out during December each year.

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

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

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

| Figures in Rand thousand | 2016 R'000 | 2015 R'000 |
|---|-----------------|-----------------|
| 17. Cash used in operations | | |
| Surplus as per Statement of Financial Performance | 32 121 | 19 819 |
| Adjusted for non-cash items: | | |
| Finance revenue | (23 527) | (24 994) |
| Finance costs | 5 756 | 1 346 |
| Depreciation | 2 111 | 1 671 |
| Amortisation | 296 | 127 |
| Impairment | - | 20 |
| Loss on disposal/write off of property, plant and equipment | 93 | 1 |
| Adjusted for working capital changes: | | |
| Inventories | (78) | 19 |
| Increase in accounts receivable | (7 030) | (41 208) |
| Increase in payables from exchange transactions | 922 | 17 987 |
| Increase in provisions | 400 | 1 283 |
| Decrease in payables from non-exchange transactions | (47 828) | - |
| | (36 764) | (23 929) |



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Notes to the Annual Financial Statements for the year ended 31 March 2016

| Figures in Rand thousand | 2016 R'000 | 2015 R'000 |
|--------------------------|---------------|---------------|
|--------------------------|---------------|---------------|

18. Contingencies

18.1 Pending litigations

Matters relating to labour disputes

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

The 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 SETA which resulted to legal fees incurred by the SETA.

At the reporting date the outcome of the pending cases was not yet finalised and possible legal costs could not be ascertained.

18.2 Contingent assets

The SETA has 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.

Matters relating to contractual service disputes

| | | |
|--------------|--------------|------------|
| Claim amount | 1 426 | 564 |
| Legal fees | 296 | - |
| | 1 722 | 564 |

18.3 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 R589 (2015: R509) 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.

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Notes to the Annual Financial Statements for the year ended 31 March 2016

18. Contingencies *(continued)*

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 SETA's 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 realised in the previous financial year without obtaining prior written approval of National Treasury. During September 2015, National Treasury issued Instruction No.3 of 2015/2016 which gave more detail to the surplus definition. According to this Instruction, a surplus is based on the cash flow from operating activities and net investing activities in financial assets. As of the 31 March 2016 MICT SETA had a net cash outflow from investing activities of (R20 302) and therefore no available cash surplus to surrender in compliance with the terms of Treasury Instruction No.3 of 2015/2016.

19. Commitments

19.1 Discretionary reserve

| 2016 | NSDS target | Opening balance | New contracts | Expenditure | Approved 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 |
| Total | | 365 982 | 584 028 | (501 933) | (54 010) | 394 067 |



ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements for the year ended 31 March 2016

19. Commitments *(continued)*

| 2015 | NSDS target | Opening balance | New contracts | Expenditure | Approved write-backs | Total |
|--|-------------|-----------------|----------------|------------------|----------------------|----------------|
| Establishing a credible institutional mechanism for skill planning | 4.1 | 81 479 | - | - | (81 479) | - |
| Increasing access to occupationally directed programmes | 4.2 | 140 365 | 200 546 | (183 078) | (88 441) | 69 392 |
| Promoting the growth of Public TVET College system | 4.3 | 30 513 | 245 230 | (118 411) | (27 652) | 129 680 |
| Addressing the low level of language and numeracy skills | 4.4 | 197 255 | 202 561 | (177 099) | (55 807) | 166 910 |
| Small enterprises worker initiated NGO and community training | 4.6 | 87 | - | - | (87) | - |
| Workplace: Small BEE firms | 2.5 | 4 712 | - | - | (4 712) | - |
| Workers trained on ABET programmes | 2.7 | 11 118 | - | - | (11 118) | - |
| Workers trained on learnership programmes | 2.8 | 13 474 | - | - | (13 474) | - |
| Total | | 479 003 | 648 337 | (478 588) | (282 770) | 365 982 |

The discretionary reserve at the end of 31 March 2016 is R393 577 (2015: R361 102), and the R394 067 (2015: R365 982) has been approved and contracted for future projects and skills priorities as set out above.

The total amount for 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 has been submitted to National Treasury via the Department in terms of the Grant Regulations and the Treasury Instruction Note No. 3 of 2015/2016.

During the year, a consolidated commitments register was revised and updated in an effort to further improve controls. Idle projects and expired contracts are identified and approved for write off. The effect of the written off contracts results in additional funds available to be committed towards discretionary projects.

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Notes to the Annual Financial Statements for the year ended 31 March 2016

| Figures in Rand thousand | 2016 R'000 | 2015 R'000 |
|--------------------------|---------------|---------------|
|--------------------------|---------------|---------------|

19. Commitments (continued)

19.2 Operating lease commitments

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

| | | |
|---|--------------|--------------|
| Not later than one year | 2 113 | 3 928 |
| Later than one year and not later than five years | 570 | 1 629 |
| | 2 683 | 5 557 |

MICT SETA has entered into lease contracts in respect of office buildings for Midrand and the regional offices in Cape Town and East London.

20. Financial instruments

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

20.1 Interest rate risk

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

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

| | Floating rate | | Non-interest bearing | | Total |
|---------------------------------|-----------------|----------------------------|----------------------|---|----------------|
| | Amount R'000 | Effective interest rate | Amount R'000 | Weighted average period until maturity in years | R'000 |
| Year ended 31 March 2016 | | | | | |
| Cash | 418 229 | 5.89% | 5 | | 418 234 |
| Accounts receivable | 44 | 0.00% | 868 | 0.08 years | 912 |
| Total financial assets | 418 273 | | 873 | | 419 146 |
| Liabilities | | | | | |
| Accounts payable | 490 | 9.75% | 5 491 | 0.08 years | 5 981 |
| Total financial liabilities | 490 | | 5 491 | | 5 981 |
| | 418 763 | | 6 364 | | 425 127 |



ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements for the year ended 31 March 2016

20. Financial instruments (continued)

| | Floating rate | | Non-interest bearing | | Total |
|---------------------------------|----------------|-------------------------|----------------------|---|----------------|
| | Amount | Effective interest rate | Amount | Weighted average period until maturity in years | |
| | R'000 | | R'000 | | R'000 |
| Year ended 31 March 2015 | | | | | |
| Cash | 439 094 | 5.53% | 11 | | 439 105 |
| Accounts receivable | 30 | 0.00% | 651 | 0.08 years | 681 |
| Total financial assets | 439 124 | | 662 | | 439 786 |
| Liabilities | | | | | |
| Accounts payable | 467 | 9.25% | 4 431 | 0.08 years | 4 898 |
| Total financial liabilities | 467 | | 4 431 | | 4 898 |
| | 439 591 | | 5 093 | | 444 684 |

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.

20.2 Credit risk

Financial assets, which potentially subject the 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 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 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 SETA does not have any material exposure to any individual or counter-party. The SETA's concentration of credit risk is limited to the industry (ICT and media and related industries) in which the 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.

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements for the year ended 31 March 2016

| Figures in Rand thousand | 2016 R'000 | 2015 R'000 |
|--------------------------|---------------|---------------|
|--------------------------|---------------|---------------|

20. Financial instruments (continued)

The ageing of other receivables from exchange transactions:

| | | |
|--------------|-----|-----|
| Not past due | 908 | 651 |
|--------------|-----|-----|

20.3 Liquidity risk

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

| 2016 | Carrying amount | Contractual cash flows | 6 months or less | 6 - 12 months | 1 - 2 years | More than 2 years |
|---|-----------------|------------------------|------------------|---------------|-------------|-------------------|
| Trade and other payables from exchange transactions | (5 981) | (5 981) | (5 981) | - | - | - |

| 2015 | Carrying amount | Contractual cash flows | 6 months or less | 6 - 12 months | 1 - 2 years | More than 2 years |
|---|-----------------|------------------------|------------------|---------------|-------------|-------------------|
| Trade and other payables from exchange transactions | (4 897) | (4 897) | (4 897) | - | - | - |

20.4 Market risk

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

20.5 Fair values

The SETA's financial instruments consist mainly of cash and cash equivalents, account and other receivables, and account and other payables. No financial 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:

20.6 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.

20.7 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.



ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements for the year ended 31 March 2016

20. Financial instruments *(continued)*

20.8 Accounts payable

Borrowings

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.

21. Related parties

21.1 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 2.

21.2 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 Department of Higher Education and Training, these amounts were disclosed on the next page.

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Notes to the Annual Financial Statements for the year ended 31 March 2016

| | 2016 R'000 | | 2015 R'000 | |
|--------------------|---------------------------------|------------------------------------|---------------------------------|------------------------------------|
| | Amount of the transaction | Amount receivable / (payble) | Amount of the transaction | Amount receivable / (payble) |
| Receivables | | | | |
| W&RSETA | - | - | (2) | - |
| SERVICES SETA | - | - | (39) | - |
| FASSET | - | - | 98 | - |
| FP&M SETA | 34 | - | (33) | 115 |
| HWSETA | 52 | - | (84) | - |
| | 86 | - | (60) | 115 |
| Payables | | | | |
| SERVICES SETA | - | - | (6) | - |
| ESETA | - | - | 42 | - |
| INSETA | - | - | (5) | - |
| W&RSETA | - | - | 695 | - |
| Foodbev | - | - | 4 | - |
| MERSETA | - | - | 2 245 | - |
| Unallocated | (658) | (193) | 805 | (851) |
| | (658) | (193) | 3 780 | (851) |
| Net Total | (572) | (193) | 3 720 | (736) |

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

21.3 Remuneration of key management

The key management personnel (as defined by IPSAS 20, Related Party Disclosures) of the SETA are: the members of the Accounting Authority/Board and the members of the Senior Management group. The Accounting Authority/Board consists of members appointed in terms of its Constitution. The Chief Executive Officer attends meetings of the Accounting Authority/Board but is not a member of the Accounting Authority/Board.



ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements for the year ended 31 March 2016

21. Related parties (continued)

Refer to the report by the Accounting Authority/Board for detail disclosure concerning the emoluments of members of the Accounting Authority/Board, Chief Executive Officer and Senior Managers.

The aggregate remuneration of members of the Accounting Authority/Board and the number of members receiving remuneration within this category is as follows:

| 2016 | Remuneration | Other allowances | Other reimbursements | Total |
|--------------------|--------------|------------------|----------------------|--------------|
| Name | | | | |
| Mr G. Roberts | 115 | 7 | - | 122 |
| Mr A. Parry | 71 | - | - | 71 |
| Mr M. Mooko | 111 | 32 | - | 143 |
| Mr L. C. Mtimde | 55 | - | - | 55 |
| Mr M. J. Manale | 87 | 22 | - | 109 |
| Miss T. Makgatho | 84 | 1 | - | 85 |
| Mr T. Morobe | 64 | 21 | - | 85 |
| Mr J. Morakile | 53 | 2 | - | 55 |
| Ms N. Delport | 112 | 3 | - | 115 |
| Dr M. A. Magadlela | 54 | 2 | - | 56 |
| Mr T. E. Mzileni | 87 | 14 | - | 101 |
| Mr A. Z. Dlamini | 12 | - | - | 12 |
| Mr J. Manchu | 72 | - | - | 72 |
| Mr E. M. Ndlovu | 44 | 1 | - | 45 |
| Mr G. Ntuli | 27 | - | - | 27 |
| Mr B. M. Mokhantso | 64 | 18 | - | 82 |
| Training Expenses | - | - | - | 87 |
| | 1 112 | 123 | - | 1 322 |

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements for the year ended 31 March 2016

21. Related parties (continued)

| 2015 | Remuneration | Other allowances | Other reimbursements | Total |
|------------------------|--------------|------------------|----------------------|--------------|
| Name | | | | |
| Mr E M Ndlovu | 50 | 2 | - | 52 |
| Mr M. M. Nkomo | 41 | - | - | 41 |
| Mr T. Gumani | 51 | - | - | 51 |
| Ms T. Makgatho | 71 | - | - | 71 |
| Mr M. Manale | 134 | 18 | - | 152 |
| Mr J. Manchu | 65 | - | - | 65 |
| Mr M. J. Mooko | 130 | 42 | - | 172 |
| Mr T. Morakile | 61 | 4 | - | 65 |
| Mr T. D. Morobe | 62 | 27 | 1 | 90 |
| Mr L. C. Mtimde | 125 | 1 | - | 126 |
| Mr A. Parry | 72 | - | - | 72 |
| Mr A. Rabie | 54 | - | - | 54 |
| Mr G. Roberts | 125 | 6 | - | 131 |
| Ms N. Delport | 74 | 2 | - | 76 |
| Mr T. E. Mzileni | 9 | 1 | - | 10 |
| Mr T. I. Ntenti | 35 | - | - | 35 |
| Mr A. Z. Dlamini | 95 | 1 | - | 96 |
| Mr G. Ntuli | 38 | - | - | 38 |
| Dr M. A. Magadlela | 69 | 1 | - | 70 |
| | 1 361 | 105 | 1 | 1 467 |
| Aggregate remuneration | | | 1 322 | 1 467 |
| Number of persons | | | 16 | 20 |

The Senior Management group consists of the SETA's Chief Executive Officer and Senior Managers.



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Notes to the Annual Financial Statements for the year ended 31 March 2016

21. Related parties (continued)

The aggregate remuneration of members of the Senior Management group and the number of managers receiving remuneration within this category are:

| Figures in Rand thousand | 2016 R'000 | 2015 R'000 |
|--------------------------|---------------|---------------|
| Aggregate remuneration | 8 091 | 7 763 |
| Number of persons | 5 | 6 |

2016

| Executive remuneration | Basic salary | Performance bonus | Medical contributions | Pension fund contributions | Other | Total |
|--|--------------|-------------------|-----------------------|----------------------------|-----------|--------------|
| Mr O. Mopaki - Chief Executive Officer | 1 895 | 369 | 82 | 255 | 25 | 2 626 |
| Total | 1 895 | 369 | 82 | 255 | 25 | 2 626 |

2015

| Executive remuneration | Basic salary | Performance bonus | Medical contributions | Pension fund contributions | Other | Total |
|--|--------------|-------------------|-----------------------|----------------------------|----------|--------------|
| Mr O. Mopaki - Chief Executive Officer | 1 782 | 217 | 75 | 243 | 6 | 2 323 |
| Total | 1 782 | 217 | 75 | 243 | 6 | 2 323 |

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Notes to the Annual Financial Statements for the year ended 31 March 2016

21. Related parties (continued)

21.4 Transactions with stakeholders represented on the Accounting Authority/Board

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

| | | 2016 R0'000 | | 2015 R0'000 | |
|---|---------------------|------------------------------------|-------------------|------------------------------------|-------------------|
| | | Transactions during the year | Amount payable | Transactions during the year | Amount payable |
| Telkom | | | | | |
| M. Manale, M.J Mooko, G. Roberts, T.D. Morobe | Mandatory Grant | 10 563 | - | 25 660 | - |
| | Discretionary Grant | 8 696 | - | 1 829 | - |
| T.R. Makgatho | Mandatory Grant | 7 | - | - | - |
| Total | | 19 266 | - | 27 489 | - |
| Vodacom | | | | | |
| A. Rabie | Mandatory Grant | 7 060 | - | 7 288 | - |
| | Discretionary Grant | 5 471 | - | 6 790 | - |
| Total | | 12 531 | - | 14 078 | - |
| BCX Business Connexion | | | | | |
| J. Morakile | Mandatory Grant | - | - | 4 257 | - |
| | Discretionary Grant | - | - | 7 329 | - |
| | | - | - | 11 586 | - |



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Notes to the Annual Financial Statements for the year ended 31 March 2016

22. Material losses through criminal conduct, irregular, fruitless and wasteful expenditure

To the best of our knowledge no material losses through criminal conduct and irregular expenditure occurred during the year ended 31 March 2016.

Irregular expenditure was identified in the year relating to 2010/2011. However, the SETA is still awaiting condonation from National Treasury:

| Figures in Rand thousand | 2016 R '000 | 2015 R '000 |
|---|----------------|----------------|
| Opening balance | 2 280 | 2 280 |
| Irregular expenditure incurred | - | - |
| Irregular expenditure condoned | - | - |
| Irregular expenditure awaiting condonement | 2 280 | 2 280 |

22.1 Irregular expenditure opening balance: Procurement not in adherence with PPPF Act:

Procurement not in adherence with PPPF Act:

In 2011 and 2010 financial years, the SETA did not comply with the requirements of par.3 (1) of Regulation 725 of 10 August 2001 to the PPPF Act of 2000 which states that the 80/20 formula must be used to calculate the points for price and HDI status in respect of all procurement with a rand value equal to, or above R30 000 and up to a rand value of R500 000.

The Preference Point System as required above was not applied by the SETA and all procurement that exceeded R30 000 during the year was awarded based solely on price after 3 quotations had been received. However, we have reviewed the affected suppliers and found the majority of them to be BEE compliant. As 3 quotations were obtained and the procurement was awarded based on the cheapest quoted price no financial losses were incurred.

The following preventative procedures have been put in place:

- Preference Point System calculation template has been developed.
- Procurement equal to, or above R30 000 is monitored by the SCM Officer.

The SETA did not suffer any financial losses related to the above expenditure.

A request for condonation has been sent to the National Treasury in the prior year and MICT SETA is awaiting their response.

22.2 Fruitless and wasteful expenditure incurred

MICT SETA received a letter of demand from SARS in June 2015 for outstanding penalties and interest relating to a VAT return for January 2006 that was paid a month later. The outstanding amount owing to SARS was R241 043 and accumulated interest of R248 957 at 31 March 2016. The liability has been raised and restated as referenced in notes 14.2 and 25. Management is persuing the matter with SARS.

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Notes to the Annual Financial Statements for the year ended 31 March 2016

22. Material losses through criminal conduct, irregular, fruitless and wasteful expenditure *(continued)*

Fruitless and wasteful expenditure was identified in the current year :

| Figures in Rand thousand | 2016 R'000 | 2015 R'000 |
|--|---------------|---------------|
| Opening balance | 243 | 243 |
| Fruitless and wasteful expenditure incurred | 249 | - |
| Fruitless and wasteful expenditure condoned | - | - |
| Fruitless and wasteful expenditure awaiting condonement | 492 | 243 |

23. Going concern

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

The SETA has been re-established until 31 March 2018. 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 SETA's existence post 31 March 2018.

24. New standards and interpretations

24.1 Standards and interpretations effective and adopted in the current year

The entity has applied the following standard which has been published and is mandatory for the entity's accounting periods beginning on 01 April 2015:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|---|--|
| <ul style="list-style-type: none"> GRAP 18: Segment Reporting | 01 April 2015 | The standard describe the disclosure requirements to present more specific and detailed information about major activities undertaken by an entity during a particular period along with the resources allocated to those activities. The adoption of this standard has not had a material impact on the Annual Financial Statements as MICT already report on separate segments being administration, discretionary and mandatory grants. Refer to Annexure A for the applicable disclosure of the segment reporting. |



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Notes to the Annual Financial Statements for the year ended 31 March 2016

24. New standards and interpretations *(continued)*

24.2 Standards issued and effective but not relevant

The entity has not applied the following standards which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2015 as they are not relevant to its operations:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|---|--|
| • GRAP 105: Transfers of functions between entities under common control | 01 April 2015 | This standard has not had an impact on the financial statements as there has been no transfer of function relating to MICT. |
| • GRAP 106: Transfers of functions between entities not under common control | 01 April 2015 | This standard has not had an impact on the financial statements as there has been no transfer of function relating to MICT. |
| • GRAP 107: Mergers | 01 April 2015 | This standard has not had an impact on the financial statements as there has been no mergers relating to MICT. |
| • DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP | 01 April 2015 | This Directive permits an entity to change its measurement bases following the initial adoption of Standards of GRAP. This standard has not had an impact on the financial statements. |

24.3 Standards issued and relevant but not yet effective

The entity has not applied the following standards which are not yet effective:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--------------------------------------|---|---|
| • GRAP 20: Related party disclosures | Not yet determined | This standard prescribes the disclosure of information relevant to draw attention to the possibility that the entity's financial statements may have been affected by the existence of related parties. The adoption of this standard is not expected to impact on the results of MICT but may result in more disclosure than is currently provided in the Annual Financial Statements. |

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements for the year ended 31 March 2016

24. New standards and interpretations (continued)

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|---|--|
| <ul style="list-style-type: none"> GRAP 108: Statutory Receivables | Not yet determined | This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. It is not expected that this standard will significantly impact future disclosures. |
| <ul style="list-style-type: none"> GRAP 109: Accounting by Principals and Agents | Not yet determined | This standard outlines the principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. It is not expected that this standard will significantly impact future disclosures. |

24.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's future accounting periods but are not relevant to its operations:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|---|---|
| <ul style="list-style-type: none"> GRAP 32: Service Concession Arrangements Grantor | Not yet determined | Adoption of the standard is not expected to have an impact on future disclosures as service concession arrangements are not relevant to MICT. |
| <ul style="list-style-type: none"> IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset | Not yet determined | Adoption of the standard is not expected to have an impact on future disclosures as service concession arrangements are not relevant to MICT. |



ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements for the year ended 31 March 2016

25. Prior period adjustments

MICT SETA was served with a final letter of demand by SARS in June 2015 for an outstanding balance relating to the balance and interest for January 2006 Vat return for the then ISETT SETA that was filed a month later. The full amount for the return of R2 216 488 was paid on 31 March 2006, however, a penalty of R221 648 charged for the submission was deducted from the payment resulting in an outstanding balance of R241 042. This balance has since accumulated interest of R248 958 charged on a monthly basis on effective interest rate at 31 March 2016. Since the liability related to previous years it has resulted in the prior year adjustment of the AFS as follows:

Statement of Financial Position

Trade and other payables from exchange transactions
Opening accumulated surplus

| 2016 R'000 | 2015 R'000 |
|---------------|---------------|
| (490) | (467) |
| 467 | 445 |
| (23) | (22) |

Statement of Financial Performance

Administration expenses

| | |
|----|----|
| 23 | 22 |
|----|----|

ANNUAL FINANCIAL STATEMENTS

Annexure A - Segment Reporting

Information about the surplus, assets and liabilities reconciliations

| 2016 | Administration | Mandatory | Discretionary | Unallocated | Total |
|---|----------------|----------------|-----------------|----------------|----------------|
| | R'000 | R'000 | R'000 | | R'000 |
| REVENUE | | | | | |
| Revenue from non-exchange transactions | | | | | |
| Skills development levy: Income | 92 251 | 173 131 | 436 919 | | 702 301 |
| Skills development levy: Penalties and interest | - | - | 22 705 | | 22 705 |
| Revenue from exchange transactions | | | | | |
| Other income | 139 | - | - | | 139 |
| Investment income | - | - | 23 527 | | 23 527 |
| Total segment revenue | 92 390 | 173 131 | 483 151 | | 748 672 |
| EXPENSES | | | | | |
| Employee cost | 31 630 | - | - | | 31 630 |
| Depreciation and amortisation | 2 407 | - | - | | 2 407 |
| Other administration expenses | 33 897 | - | 5 756 | | 39 653 |
| Employer grant and project expenditure | - | 140 927 | 501 934 | | 642 861 |
| Total segment expenditure | 67 934 | 140 927 | 507 690 | | 716 551 |
| Total surplus | 24 456 | 32 204 | (24 539) | | 32 121 |
| ASSETS | | | | | |
| Non-current assets | 4 730 | - | - | | 4 730 |
| Consumables | 195 | - | - | | 195 |
| Accounts receivable from exchange transactions | 1 782 | - | - | | 1 782 |
| Accounts receivable from non-exchange transactions | - | | 56 826 | | 56 826 |
| Cash and cash equivalents (Unallocated asset) | - | - | - | 418 234 | 418 234 |
| Total assets | 6 707 | - | 56 826 | 418 234 | 481 767 |
| Liabilities | | | | | |
| Trade and other payables from non-exchange | - | 30 776 | 36 788 | | 67 564 |
| Trade and other payables from exchange transactions | 6 395 | - | - | | 6 395 |
| Provisions | 1 670 | 7 243 | - | | 8 913 |
| Total liabilities | 8 065 | 38 019 | 36 788 | | 82 872 |



ANNUAL FINANCIAL STATEMENTS

Annexure A - Segment Reporting (continued)

| 2015 | Administration | Mandatory | Discretionary | Unallocated | Total |
|---|----------------|----------------|-----------------|----------------|----------------|
| | R'000 | R'000 | R'000 | | R'000 |
| REVENUE | | | | | |
| Revenue from non-exchange transactions | | | | | |
| Skills development levy: Income | 86 723 | 168 842 | 404 347 | | 659 912 |
| Skills development levy: Penalties and interest | - | - | 15 326 | | 15 326 |
| Revenue from exchange transactions | | | | | |
| Other income | 44 | - | - | | 44 |
| Investment income | - | - | 24 994 | | 24 994 |
| Total segment revenue | 86 767 | 168 842 | 444 667 | | 700 276 |
| EXPENSES | | | | | |
| Employee cost | 27 304 | - | - | | 27 304 |
| Depreciation and amortisation | 1 815 | - | - | | 1 815 |
| Other administration expenses | 32 454 | - | 9 916 | | 42 370 |
| Employer grant expenses | - | 130 382 | 478 587 | | 608 969 |
| Total segment expenditure | 61 573 | 130 382 | 488 503 | | 680 458 |
| Total surplus | 25 194 | 38 460 | (43 836) | | 19 818 |
| ASSETS | | | | | |
| Non-current assets | 5 918 | - | - | | 5 918 |
| Consumables | 117 | - | - | | 117 |
| Accounts receivable from exchange transactions | 1 870 | - | - | | 1 870 |
| Accounts receivable from non-exchange transactions | - | 2 734 | 47 264 | | 49 998 |
| Cash and cash equivalents (Unallocated asset) | | - | - | 439 105 | 439 105 |
| Total assets | 7 905 | 2 734 | 47 264 | 439 105 | 497 008 |
| Liabilities | | | | | |
| Trade and other payables from non-exchange | - | 21 058 | 94 628 | | 115 686 |
| Trade and other payables from exchange transactions | 5 880 | - | - | | 5 880 |
| Provisions | 1 637 | 6 875 | | | 8 512 |
| Total liabilities | 7 517 | 27 933 | 94 628 | | 130 078 |

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RP Number: RP172/2016
ISBN: 978-1-77018-814-3