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ANNUAL
REPORT



mictseta

Media, Information and Communication Technologies
Sector Education and Training Authority

Accelerating quality skills towards an information savvy society

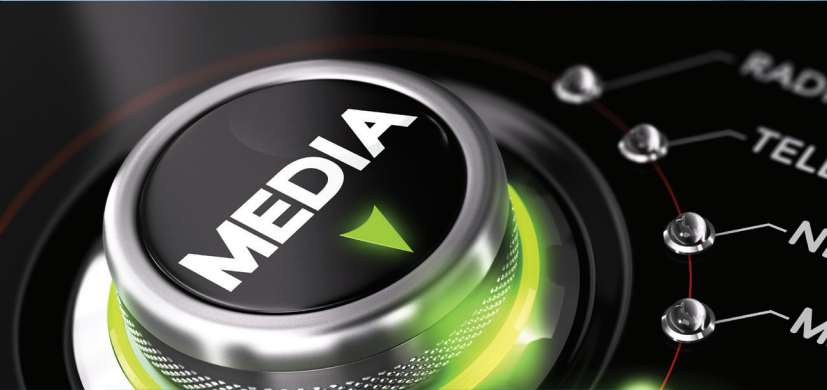
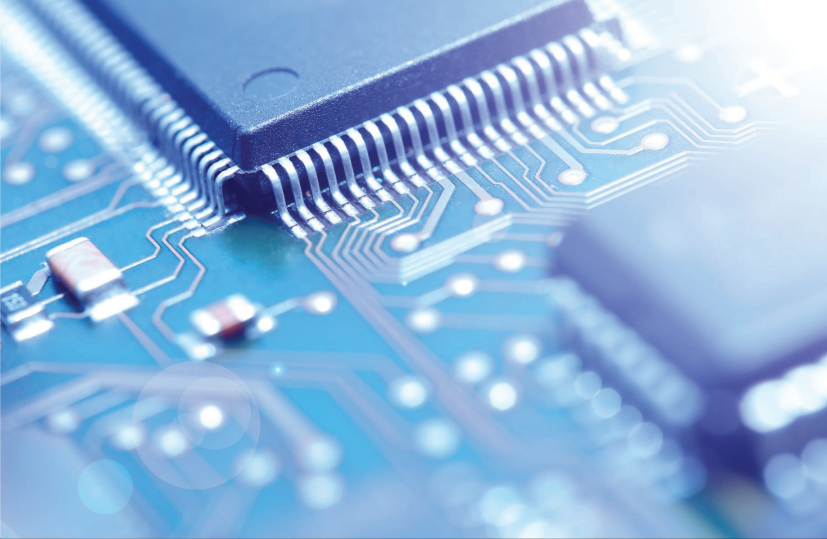


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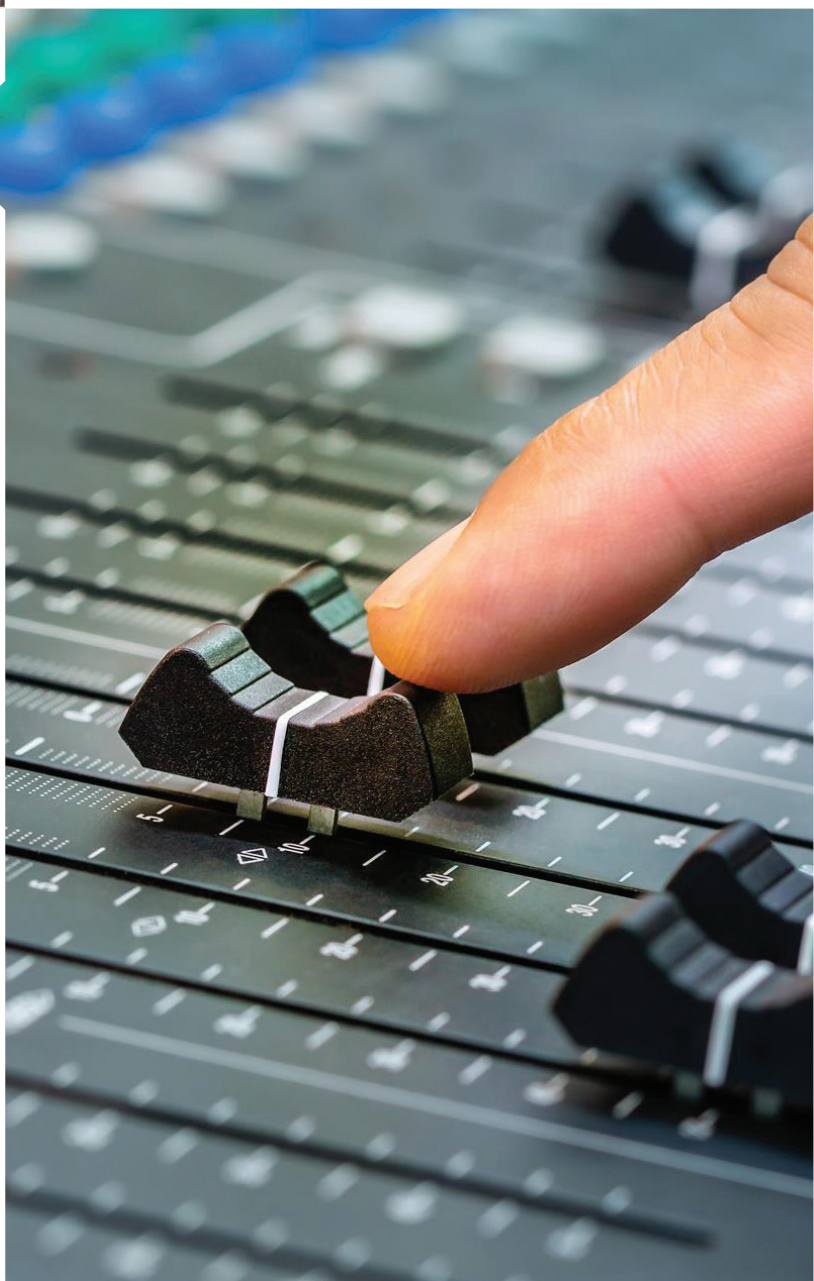
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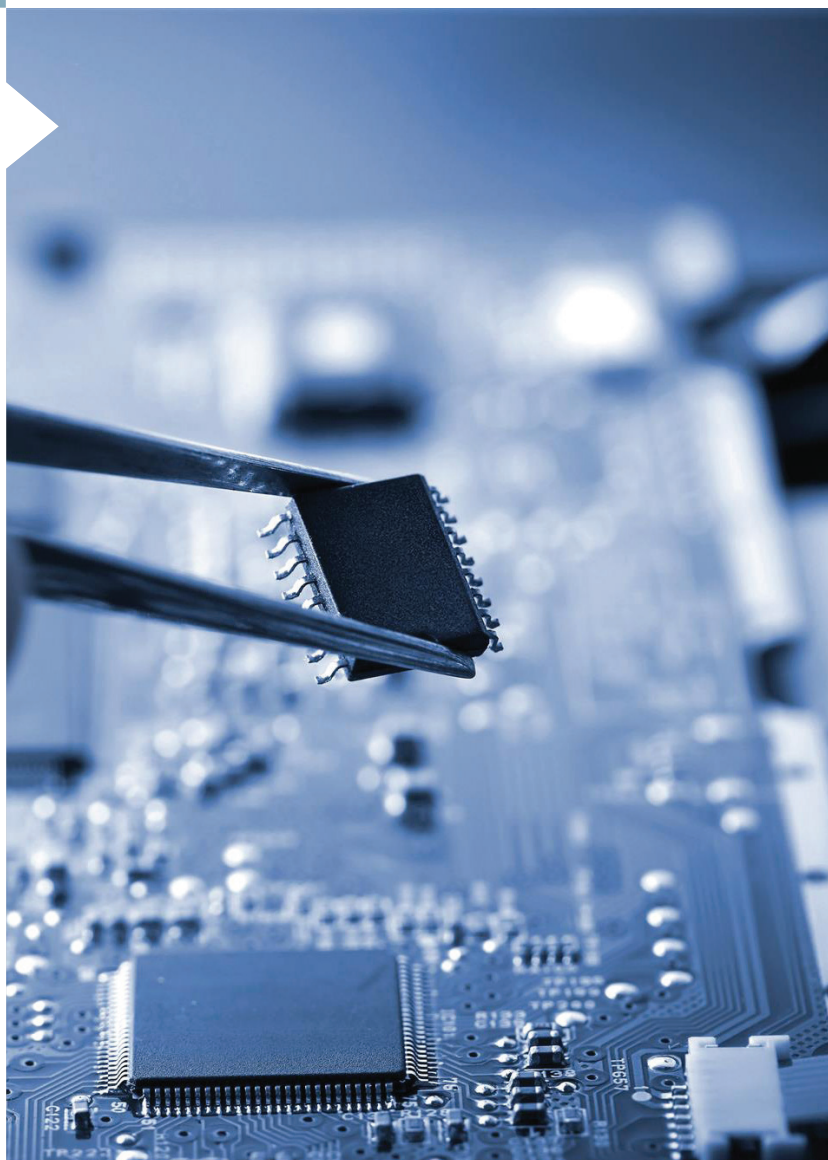
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PART A

GENERAL
INFORMATION



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	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

GENERAL INFORMATION

2. LIST OF ABBREVIATIONS/ACRONYMS

ARC	Audit and Risk Committee
B-BBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DG	Discretionary Grants
DHET	Department of Higher Education and Training (Republic of South Africa)
ETDP	Education, Training and Development Practices
ETQA	Education and Training Quality Assurance
EXCO	Executive Committee
FET	Further Education and Training (Private and Public Training Colleges)
FINREMCO	Finance and Remuneration Committee
GRAP	Generally Recognised Accounting Practices
HET	Higher Education and Training
HR	Human Resources
HRDS	Human Resources Development Strategy
ICT	Information and Communication Technologies
IIA, SA	Institute of Internal Auditors South Africa
IOT	Internet of Things
IPAP	Industrial Policy Action Plan
IRBA	Independent Regulatory Board for Auditors
ISOE	Institute of Sectoral or Occupational Excellence
IT	Information Technology
LPD	Learning Programmes Division
MICT	Media, Information and Communication Technologies
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NGO	Non-Governmental Organisation
NSA	National Skills Accord
NSDS	National Skills Development Strategy
NSF	National Skills Fund
NQF	National Qualifications Framework
PFMA	Public Finance Management Act
PIVOTAL	Professional, Vocational, Technical and Academic Learning Programme
QCTO	Quality Council for Trades and Occupations

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QMS	Quality Management Systems
SAQA	South African Qualifications Authority
SARS	South African Revenue Services
SCM	Supply Chain Management
SDA	Skills Development Act
SDLA	Skills Development Levies Act
SETA	Sector Education and Training Authority
SIC	Standard Industrial Classification
SIP	Strategic Integrated Projects
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprises
SSP	Sector Skills Plan
TVET	Technical Vocational Education and Training (previously known as FET colleges)
UIF	Unemployment Insurance Fund
WSP	Workplace Skills Plan
W&RSeta	Wholesale and Retail Sector Education and Training Authority

GENERAL INFORMATION



MR SIPHO J MJWARA

CHAIRPERSON
OF THE BOARD

FOREWORD BY THE CHAIRPERSON OF THE BOARD

1 INTRODUCTION

It is with great honour and privilege that I present to you the report of the MICT SETA for the past five financial years, the tenure of the outgoing Board that I was chairperson of. I would like to thank you and your dedicated team within the Ministry for the support we have received as a Board during this period and hope the incoming Board will receive the same treatment going forward. I also want to wish the new Board all the success in their endeavours.

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

The MICT SETA's strategy over the past five years was anchored in research that identified key critical skills that were in short supply and ongoing consultation with the industry.

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

3 STRATEGIC RELATIONSHIPS

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

4 MEDIUM- TO LONG-TERM GOALS OF THE ENTITY

The MICT SETA made some progress with the issue of providing skills development in a manner that spreads service provision to reach those not reached before by our programmes. The Board undertook an analysis that pointed to the predominance of training opportunities in urban areas occasioned by the fact that most ICT companies are based in urban rather than rural areas. To address this imbalance, the Board resolved in 2014/15 to initiate and resource a Rural Training Strategy that saw more skilling programmes taking place in rural areas. More and additional resources are still required, including a budgeting approach that prioritises creating training and on the job training for people in rural areas. Providing training opportunities in ICTs to rural areas and in significant numbers is still a challenge. We have adopted a rural focus that we hope in the medium term will spread the training opportunities to more rural areas so as to integrate service provision to reach all deserving South Africans.

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 endeavoured 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 involved co-planning with other relevant stakeholders and establishing cross-sectoral partnerships relevant to the sector. All indications are that the MICT sector is well positioned to contribute increasingly to the gross domestic product (GDP) of South Africa, as well as to the growth in employment.

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

GENERAL INFORMATION

5 SECTOR PERFORMANCE

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

- White Paper on Post Schooling Education and Training
- Human Resources Development Strategy for South Africa
- National Skills Accord
- National Skills Development Strategy (NSDS) III
- National Integrated ICT Policy Whitepaper Industrial Action Policy Plan
- Strategic Integrated Projects (SIPs)
- Broad-Based Black Economic Empowerment (BBBEE)

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

The speed with which technology changes is the major shape shifter across the MICT sector. There were some positive developments across the industry, stock prices of ICT firms reached new heights, the acquisitions of tech operators and e-commerce players gathered speed, and more start-ups took off – a situation that promised to change the South African ICT industry to allow more access to the digital world and to increase demand for advanced ICT skills.

For the MICT SETA, the challenge has been to balance servicing the pivotal skills to have an impact on the e-skills of a bigger population. Over the years, policy and national strategies have helped shift funding to fill skills gaps that are placed in the mid to high levels on the National Qualification Framework. With increased convergence, networking and developments in the Internet of Things, 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 who understand both specialties.

6 CHALLENGES AND OPPORTUNITIES

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

The proliferation of mobile technology and smartphones has increased the demand for people to develop mobile applications and with the vision and ideas to design and implement applications for the Internet of Things (IOT). As more people go online, 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 abovementioned areas 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.

7 CHANGE DRIVERS

ICT has transformed society over the last 30 years. A new wave of technological advancement is now creating novel opportunities, while testing the government's and business's ability to harness these benefits and provide prudent oversight to their impact. It is important to identify priority sector development outcomes that will be supported with skills development.

The following are the key changes or focal areas in respect 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.

8 TVET OFFICES

The MICT SETA has a fully functional office at the Vuselela TVET College in Jouberton, Potchefstroom. This was in response to the Department of Higher Education and Training's request to SETAs to establish offices in TVETs.

9 ACKNOWLEDGEMENT AND APPRECIATION

At the end of our term, the MICT SETA was governed by a representative Board and its sub-committees, which provided strategic direction to the organisation.

My gratitude goes out to my fellow Board members and the members of the Board Committees for their commitment and valuable contributions over the past year, as well as the management team and employees for their hard work, resulting in yet another milestone being reached.

10 CONCLUSION

I would like to encourage stakeholders in the sector to attend the MICT SETA presentation of the Annual Report on 26 October 2018. The event will provide a wonderful opportunity not only to engage with fellow stakeholders, but it will also serve as a platform for raising issues, concerns and questions.



Sipho J Mjwara

17 April 2018

GENERAL INFORMATION



MR CHARLTON PHILISO

ACTING CHIEF
EXECUTIVE
OFFICER

ACTING CHIEF EXECUTIVE OFFICER'S OVERVIEW

1 INTRODUCTION

It is with great honour and privilege that I present to you the annual report of the MICT SETA for the 2017/18 financial year. The year under review has been a challenging one for the MICT SETA in that not all its performance targets have been achieved. The MICT SETA's commitment to good governance and compliance has resulted in an unqualified audit, albeit emphasis of matter. More than 7 811 young people had an opportunity to access SETA-funded skills programmes and this placed them in good stead to proceed to further training or employment.

2 FINANCIAL REVIEW OF THE PUBLIC ENTITY

In the year under review, the MICT SETA revenue amounted to over R800-million, which was allocated for budgetary purposes in accordance with the SETA's funding regulations.

The MICT SETA has experienced a growth of 9.1% in Skills Development Levy income (including interest and penalties) in the year under review. This stems from, among others, annual salary growth in the sector and an increase in the number of employers registered with the MICT SETA.

There has been an increase in the mandatory grant expenditure of 6.7% and the pay-out ratio is 75.6% as opposed to 79.6% in 2017. The discretionary grant expenditure decreased significantly by 15.8% mainly due to delays in the grants awarding process.

SETA has funded the training of a total 7 811 learners in learning programmes:

- 2 877 entered learnership programmes and 60% (1 726) were placed in permanent employment on completion
- 1 182 learners were trained in skills programmes and 40% (669) were placed in permanent employment
- 1 673 learners entered graduate internship programmes and 80% (945) were placed in permanent employment

3 SPENDING TRENDS OF THE SETA

Administration expenditure is limited by legislation to 10.5% of total levies received by the SETA. The MICT 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 6.3% from the previous year mainly due to increase in service provider costs, Board and sub-committee remuneration, as well as the National Skills Fund Project (Indlela Recapitalisation Project).

4 CAPACITY CONSTRAINTS AND CHALLENGES FACING THE SETA

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

5 DISCONTINUED ACTIVITIES /ACTIVITIES TO BE DISCONTINUED

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

6 SUPPLY CHAIN MANAGEMENT (SCM)

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

GENERAL INFORMATION

7 SCM PROCESSES AND SYSTEMS IN PLACE

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

- Demand
- Acquisition
- Logistics
- Disposal
- Risk management
- Performance evaluation and monitoring

8 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.

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

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

10 PLANS TO ADDRESS FINANCIAL CHALLENGES

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

11 EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date that came to the attention of the MICT SETA and that required adjustment to the annual financial statements as at 31 March 2018.

For all matters after the reporting date please refer to the annual financial statements (page 74).

12 ECONOMIC VIABILITY

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

13 APPRECIATION

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

Thank you



Acting Chief Executive Officer
Mr Charlton Philiso

30 July 2018

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2018

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 2018



Chairperson of the Board
Mr Sihle Ngubane

26 July 2018



Acting Chief Executive Officer
Mr Charlton Philiso

26 July 2018

GENERAL INFORMATION

6. STRATEGIC OVERVIEW

VISION

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

MISSION

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

VALUES

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

7. LEGISLATIVE AND OTHER MANDATES

The MICT SETA was established in terms of the Skills Development Act, 1998 (Act No. 97 of 1998). Moreover, the MICT SETA operates within the following legislative mandates:

7.1 CONSTITUTIONAL MANDATES

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

- Promoting and maintaining high standards of ethics
- Providing service impartially, fairly, equitably and without bias
- Utilising resources efficiently and effectively
- Responding to peoples' needs, the citizens are encouraged to participate in policy-making
- 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, 3 December 2012 regarding Monies Received by a SETA and Related Matters
- The National Qualifications Framework Act, (Act No. 67 of 2008)
- Public Finance Management Act (Act No 29 of 1999)

7.3 THE OTHER LEGISLATIVE FRAMEWORKS INCLUDE:

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

These government policy frameworks and programmes have one objective in common, and that is addressing the triple ills of inequality, poverty and unemployment. These policies provide good guidelines and frameworks for the MICT SETA to work within, therefore, the MICT SETA considered these frameworks and employed them as the basis in developing its Strategic Plan and Annual Performance Plan.

7.4 POLICY MANDATE

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

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

7.5 RELEVANT COURT RULINGS

Not applicable

7.6 PLANNED POLICY INITIATIVES

Not applicable

GENERAL INFORMATION

8. ORGANISATIONAL STRUCTURE



MS NALEDI PANDOR

MINISTER OF HIGHER
EDUCATION AND TRAINING

GENERAL INFORMATION

MANAGEMENT TEAM



From left to right: Mr Sandile Gumede, Mr Thabiso Mokoena, Ms Xabiso Matshikiza, Ms Sekgana Makhoba, Mr Ernest Nemugavhini, Ms Athalia Maabane, Mr Jabu Sibeko, Mr Charlton Philiso, Ms Tania Vorster and Ms Noni Gontshi



PART B

PERFORMANCE
INFORMATION



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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 68 to 71 of the Auditor-General's Report, published in Part E: Annual Financial Information.

2 SITUATIONAL ANALYSIS

2.1 SERVICE DELIVERY ENVIRONMENT

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

- Advertising
- Film and electronic media
- Electronics
- Information technology
- Telecommunications

The five sub-sectors of the SETA are increasingly converging into a single ICT ecosystem – as information, telecommunications, advertising and even film are streamed using similar technologies. The sector is premised on the convergence between content, commerce, community and the tools that support them. The MICT sector is an array of segments, including news, market research, business process automation, media, data services, software, hardware, telecoms, financial and risk information, and security among others. Essentially, the sector is anchored by the role of unified communications which enable access, storage, transmission, and manipulation of information.

The MICT sector is currently made up of almost 27 000 companies spread across the five sub-sectors. These estimates represent only companies allocated to the MICT SETA through the SARS registration process. Over 50% of the sector employer base is constituted by organisations in the information technology sub-sector, followed by electronics at 13% and advertising with 12%; while the film and electronic media and telecommunications sub-sectors represent 11% each. Overall, the number of levy-paying employers has increased by 12.4% in 2017 (6 602 employers), up from 5 875 the previous financial year. There is also a general perception that there has been an adverse trend on the labour market. Employer data submitted in 2017 reflects employment at 241 535, down from 297 831 people employed in companies submitting WSPs in 2016. Overall, the number of levy paying employers has increased by 16% in 2016 (5 875 employers), up from 5 078 employers the previous year.

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

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

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SIC Code	Description
75211	Telecommunication and Wired Telecommunication Carriers
75212	Paging
75213	Cellular and Other Wireless Telecommunication
75214	Satellite Telecommunication
75215	Other Telecommunication
75216	Security Systems Services except Locksmiths
75217	Office Automation, Office Machinery and Equipment Rental Leasing including Installation and Maintenance
86001	Software Publishers Prepacked Software
86002	Computer Systems Design and Related Services; Computer Integrated Design
86003	Computer Facilities Management Services
86004	Electronic and Precision Equipment Repair and Maintenance; Computer Maintenance and Repairs
86005	Computer Rental and Leasing
86006	Computer Programming Services
86007	Other Computer Related Activities
86008	Call Centre Systems Development and Installations Activities; Call Centre and Customer Relationship Management System Development
86009	Computer System Design Services and Integrated Solutions
86010	Consumer Electronics Repair and Maintenance
86011	Computer and Office Machine Repair, Maintenance and Support Services
86012	Communication Equipment Repair and Maintenance
86013	Other Electronic and Precision Equipment Repair and Maintenance
86014	Repair and Maintenance of Electronic Marine Equipment
87142	Research and Development of Electronic Equipment and Systems
87143	Import and Product Integration of Pre-Manufactured Electronic IT and Telecommunications Equipment
87146	Research and Development in the Physical and Engineering Sciences
87147	Electronics Importation and Product Integration of Pre-Manufactured Electronics, IT and Telecommunications Equipment
87148	Telecommunications Importation and Product Integration of Pre-Manufactured Electronics, IT and Telecommunication Equipment
96131	Providing Radio and Television Transmission Signals
96133	Installation, Maintenance and Repair of Tracking Devices for Cars
96110	Motion Picture and Video Production and Distribution

PERFORMANCE INFORMATION

96112	Related Activities - Film and Tape Renting to other Industries, Booking, Delivery and Storage
96113	Film and Video Reproduction
96123	Bioscope Cafes
96132	Production and Broadcast of Radio and Television Broadcast Content
96200	News Agency Activities
88310	Advertising
88311	Activities of Advertising Agents
88313	Commercial Design
88940	Photographic Activities

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

PERFORMANCE INFORMATION

SECTOR PERFORMANCE

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

- White Paper on Post Schooling Education and Training
- Human Resources Development Strategy-SA (HRDS)
- National Skills Accord (NSA)
- National Skills Development Strategy (NSDS) III
- National Integrated ICT Policy Whitepaper
- Industrial Action Policy Plan (IAPP)
- Strategic Integrated Projects (SIPs)
- Broad-Based Black Economic Empowerment (BBBEE)

Building and managing talent requires a concerted effort and resources. A positive signal is that both industry and government are aware of the drivers behind the gaps and both are responding to this through both individual and collective action. There is an effort by the MICT sector to absorb the unemployed people, particularly the youth that graduated from respective learning programmes, to address individual employers' scarce skills.

The speed with which technology changes, is the major shape-shifter across the MICT sector. There were some positive developments across the industry, stock prices of ICT firms reached new heights, the acquisitions of tech operators and e-commerce players gathered speed, and more start-ups took off – a situation which promised to change the South African ICT industry to allow for more access to the digital world and increase demand for advanced ICT skills.

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

CHALLENGES AND OPPORTUNITIES

There are strategic challenges across the economy that fall within the sphere of the MICT SETA that need to be addressed. The SETA has a number of sub-sectors, each with unique needs. Thus, acquisition of skills remains an ongoing challenge, made worse by emerging technologies. Ensuring that growth is inclusive and it deepens transformation, the MICT SETA aligns the skills agenda to the needs of the economy, supporting innovation and paying greater attention to the needs of small businesses that have the potential for expanding employment.

Priority sector development initiatives by the MICT SETA include: broadband roll-out for purposes of connectivity; developing the role of the MICT sector in the global market; new media; addressing new/emerging technology and supporting innovation; the Green Economy and protecting the environment; use of technology to support inclusion. These are the areas of sector development that the MICT stakeholders will work together to achieve agreed outcomes and impact in the sector.

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.

FOR THE MICT SETA, THE CHALLENGE HAS BEEN TO BALANCE SERVICING THE PIVOTAL SKILLS TO HAVE AN IMPACT ON THE E-SKILLS OF A BIGGER POPULATION. PROFESSIONALS MAY NEED TO INCREASINGLY BE ADEPT IN A RANGE OF SKILLS.

PERFORMANCE INFORMATION



While it is generally accepted that there has been widespread transformation of the sector's labour market, in particular the nature of skills demanded, there has been little sense as to the extent of this dynamic. This has led to some ambiguity as to what extent these are fundamental shifts in the sectoral structure of the economy and what should be the response on the training and education side. It is against this backdrop that the MICT SETA has endeavoured to work with stakeholders in each sub-sector to set realistic targets, assess provision and access across provinces, regions, industries, occupations and companies of different sizes.

2.2 ORGANISATIONAL ENVIRONMENT

The MICT SETA is governed by a representative Board and its sub-committees which provide strategic direction to the organisation. The MICT SETA has a staff complement of 77 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, Durban and a satellite office in Klerksdorp.

The MICT SETA comprises three core divisions: Sector Skills Planning (SSP), Learning Programmes Division (LPD) and Education and Training Quality Assurance (ETQA). The support divisions are Corporate Services (comprising Human Resources, Supply Chain Management and Marketing and Communications) and Quality Management System and Information Technology.

The MICT SETA recruited and retained competent employees and implemented an effective performance management system to ensure delivery on its strategy, and will continue doing so.

2.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

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

3 STRATEGIC OUTCOME-ORIENTED GOALS

The MICT SETA strategy mainly comprises the engagement and support of constituent employers through the provision of funding for industry demand-driven programmes. The targeted beneficiaries include employed, retrenched and the unemployed. One of the MICT SETA's priorities will be to intensify skills development programmes in rural areas and encourage uptake of the SETA programmes. Focused programmes and collaboration with incubators will be critical in addressing overall scarce and critical skills demand within the industry. Furthermore, the MICT SETA has in the past cooperated with public TVET institutions and will continue doing so to build their capacity to run SETA accredited programmes. This will address skills needs in both rural and urban areas. Cooperation with HET institutions in the provision of broader high-level skills will be of extreme importance. The MICT SETA will continue to partner with its industry to ensure support for their scarce skills needs and professional bodies and associations to promote continued professional development. The MICT SETA will encourage employers within its sector to use their workplaces more effectively to expand the level of training.

PERFORMANCE INFORMATION

OUTCOMES AND OUTCOMES STATEMENTS

Strategic outcome-oriented goal 1	Provide integrated business solutions within the MICT SETA.
Goal statement	Align support provided with the requirements of the department and its strategic and performance plans.
Progress made	This outcome has been achieved – please refer to Programme 1 under Performance Information on page 32 and 33..
Strategic outcome-oriented goal 2	Established credible mechanism for skills planning within the MICT sector.
Goal statement	Conduct research and develop a Sector Skills Plan that records industry scarce skills requirements on an annual basis.
Progress made	This outcome has been achieved. A research partnership with a professional research house was established and developed a Sector Skills Plan document that was approved.
Strategic outcome-oriented goal 3	Increased access to career and vocational guidance within the MICT sector.
Goal statement	Compile a comprehensive career opportunities guide for the sector using credible labour market information to promote career development on an annual basis.
Progress made	This outcome has been achieved. A comprehensive career guide document has been produced and distributed to over 5 184 recipients.
Strategic outcome-oriented goal 4	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 outcome has been achieved. Partnerships with TVETs, Universities and industry were successfully established to rollout occupationally directed programmes.
Strategic outcome-oriented goal 5	Increased and improved workplace capacity to meet workplace skills development needs.
Goal statement	Support qualitative learning programmes that address industry skills needs with the aim of producing competent and work-ready graduates through provision of workplace experience and internship programmes.

PERFORMANCE INFORMATION

Strategic outcome-oriented goal 6	
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 outcome was achieved. SMMEs were supported to implement learning programmes such as learnerships, internships, skills programmes and bursaries.
Strategic outcome-oriented goal 7	
Increased access to quality programmes.	
Goal statement	Develop new and review registered qualifications annually to ensure authenticity. To assure quality learning provision by accrediting qualifying training providers, assessors and moderators, and also verify learner achievements before issuing certificates within the MICT SETA scope.
Progress made	This outcome was achieved. All qualifications are still successfully registered on the National Qualifications Framework. Quality assurance functions were successfully carried out resulting in 559 Training Providers receiving accreditation, 1 389 Assessors being registered, and 613 moderators being registered.

PERFORMANCE INFORMATION

4. PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

4.1 PROGRAMME 1: ADMINISTRATION (CORPORATE SERVICES)

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

4.2 PROGRAMME 2: SECTOR SKILLS PLANNING

PURPOSE	To conduct research and ensure a professionally developed Sector Skills Plan that reflects an accurate list of scarce and critical skills, serving as the basis for the SETA's Strategic Plan and Annual Performance Plan.
Strategic objective 2	Establish a credible mechanism for skills planning within the MICT sector.
Strategic objective 3	Increase access to career and vocational guidance within the MICT sector.

4.3 PROGRAMME 3: LEARNING PROGRAMMES

PURPOSE	To implement and monitor learning programmes in the media, advertising and ICT sub-sectors.
Strategic objective 4	Increase access to occupationally directed learning programmes within the MICT sector.
Strategic objective 5	Increase support for SMMEs, unions and NGOs development within the MICT sector.

4.4 PROGRAMME 4: EDUCATION AND TRAINING QUALITY ASSURANCE

PURPOSE	To create access to quality programmes and to quality assure training provision in the media, advertising and ICT subsectors.
Strategic objective 6	Increase access to quality programmes.
Strategic objective 7	Encouraging better use of workplace based skills programmes, through increasing and improving workplace capacity to meet workplace skills development needs within the MICT sector.

PERFORMANCE INFORMATION

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS PLANNED TARGETS AND ACTUAL ACHIEVEMENTS NSDS III TARGETS FOR THE 2017/2018 FISCAL YEAR FROM 01 APRIL 2017 TO 31 MARCH 2018

PROGRAMME 1 – ADMINISTRATION (CORPORATE SERVICES)

Strategic objective 1

Provide integrated business solutions within the MICT SETA

Performance Indicators		Actual performance 2016/17	Target 2017/18	Actual achievement 2017/18	Deviation from actual targets for 2017/18 to date	Comment on deviation
1.1	Cost-efficient management of goods and services by saving 1% on the current goods and services	R74 313-million	R98 700-million 1% savings on goods and services.	R79 397 -million	R19 303 -million	Actual costs to date are 20% below target. The austerity measures included strict control of travel and subsistence including catering expenses by using alternative means such as video and teleconferencing facilities to communicate matters. Strict adherence to National Treasury Instruction 3 of 2016/2017 on Cost Containment was ensured. A reduction on consultation expenditures was also realised where the capacity and expertise of internal resources were utilised. Postage and courier costs were also reduced through use of scanning facilities to transfer some documents where applicable. Proper management of stock items for groceries and stationery also contributed to the cost savings.
1.2	Provide an effective and efficient ICT service by deploying 80% of approved ICT solutions with 95% compliance to SLA/OLA		Strategic alignment of business and ICT approved solutions deployed (80% deployment) in compliance (95% compliance) with SLAs/OLA.	All ICT SLAs are in place. 100% of SLAs implemented	None	None

PERFORMANCE INFORMATION

PROGRAMME 1 – ADMINISTRATION (CORPORATE SERVICES)

Strategic objective 1

Provide integrated business solutions within the MICT SETA

Performance Indicators		Actual performance 2016/17	Target 2017/18	Actual achievement 2017/18	Deviation from actual targets for 2017/18 to date	Comment on deviation
1.3	Retain appropriately skilled personnel by filling 92% of the positions	92%	92% of positions filled	89%	-3%	CEO contract came to an abrupt end. Resignations were related to employee career progression.
1.3.1	Retain appropriately skilled personnel by retaining 87% of the staff	98%	87% retention rate.	92%	+5%	Fast-tracking appointments upon resignation.
1.4	Establish a Business Continuity Management (BCM) facility that is 100% fully functional (people, systems and assets)	1 BCM in place.	Provide a temporary life recovery solution for Assets and Liabilities Management division's new back office system.	Business Continuity Management currently in place.	None	None

PERFORMANCE INFORMATION

PROGRAMME 2 – SECTOR SKILLS PLANNING

Strategic objective 2

Produce a credible sector skills plan document with an accurate list of scarce and critical skills

Performance Indicators		Actual performance 2016/17	Target 2017/18	Actual achievement 2017/18	Deviation from actual targets for 2017/18 to date	Comment on deviation
2.1	Approved companies supported through Mandatory Grants on annual basis	243	250 large companies paid Mandatory Grants	293	+43	Additional 43 large employers submitted and were approved.
		352	370 medium companies paid Mandatory Grants	359	-11	Less medium-sized employers submitted, the target was purely a projection.
		1 010	1 100 small companies paid Mandatory Grants	1 044	-56	Less small-sized employers submitted, the target was purely a projection.
2.2	SETA Management System (SMS) with credible data maintained on an annual basis	One (1) SMS with credible data maintained	One (1) SMS with credible data to be maintained	1	None	None
2.3	Partnerships with research institutions established on an annual basis	One (1) partnership with a professional research house established	One (1) partnership with a professional research house to be established	1	None	None
2.4	Professionally researched and credible Sector Skills Plan (SSP) developed on an annual basis	One (1) professionally researched SSP developed and approved	One (1) professionally researched SSP to be developed and approved	1	None	None

PERFORMANCE INFORMATION

PROGRAMME 2 – SECTOR SKILLS PLANNING

Strategic objective 3

Produce a comprehensive career and vocational guide within the MICT sector

Performance Indicators		Actual performance 2016/17	Target 2017/18	Actual achievement 2017/18	Deviation from actual targets for 2017/18 to date	Comment on deviation
3.1	Up-to-date career-opportunities guide with labour market information developed and distributed on an annual basis	One (1) up-to-date career-opportunities guide developed	One (1) up-to-date career-opportunities guide developed	1	None	None
		5 184 career guides distributed	1 500 career guides to be distributed	3 354	+1 854	1 854 additional career guides were distributed due to directive from DHET and ad hoc events.
3.2	Strategic career events supported and attended on an annual basis	39 strategic career events attended	26	27	+1	Additional career events were attended due to directive from DHET and ad hoc events.

PROGRAMME 3 – LEARNING PROGRAMMES

Strategic objective 4

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

Performance Indicators		Actual performance 2016/17	Target 2017/18	Actual achievement 2017/18	Deviation from actual targets for 2017/18 to date	Comment on deviation
4.1	Number of qualifying unemployed learners entering learnerships on an annual basis	4 052	3 100	2 877	-223	Shortfall was due to the moratorium on the allocation of discretionary grants as there were ongoing investigations.
4.2	Number of qualifying unemployed learners receiving bursaries on an annual basis	599	730	702	-28	Shortfall was due to the moratorium on the allocation of discretionary grants as there were ongoing investigations.

PERFORMANCE INFORMATION

PROGRAMME 3 – LEARNING PROGRAMMES

Strategic objective 4

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

Performance Indicators		Actual performance 2016/17	Target 2017/18	Actual achievement 2017/18	Deviation from actual targets for 2017/18 to date	Comment on deviation
4.3	Number of qualifying TVET students placed at workplaces on an annual basis	1 000	800	479	-321	Shortfall was due to the moratorium on the allocation of discretionary grants as there were ongoing investigations.
4.4	Number of TVET students who completed workplace experience on an annual basis	500	400	849	+449	100 started on 2016/17 and completed in 2017/18 and 349 enrolled and completed in 2017/18
4.5	Number of qualifying unemployed learners entering Internship programmes on an annual basis.	1 500	1 800	1 673	-127	Shortfall was due to the moratorium on the allocation of discretionary grants as there were ongoing investigations
4.6	Number of qualifying unemployed learners entering skills programmes on an annual basis	2 525	1 900	1 182	-718	Shortfall was due to the moratorium on the allocation of discretionary grants as there were ongoing investigations.
4.7	Number of unemployed learners completing learnership programmes on an annual basis	2 084	1 500	1 056	-444	Shortfall was due to the moratorium on the allocation of discretionary grants as there were ongoing investigations.
4.8	Number of unemployed learners completing bursary programmes on an annual basis	263	175	175	None	None
4.9	Number of unemployed learners completing internship programmes on an annual basis	750	750	573	-177	Shortfall was due to the moratorium on the allocation of discretionary grants as there were ongoing investigations.

PERFORMANCE INFORMATION

PROGRAMME 3 – LEARNING PROGRAMMES

Strategic objective 4

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

Performance Indicators	Actual performance 2016/17	Target 2017/18	Actual achievement 2017/18	Deviation from actual targets for 2017/18 to date	Comment on deviation
4.10 Number of unemployed learners completing skills programme on an annual basis	1 550	900	1 124	+224	224 additional unemployed learners completed a skills programme in the 2017/18 financial year
4.11 SETA/TVET college partnerships established on an annual basis	8	5	5	None	None
4.12 Number of collaborative agreements signed with universities and stakeholders on an annual basis	7	4	4	None	None
4.13 Number of qualifying unemployed learners entering short programmes on an annual basis	1 320	1 350	451	-899	Shortfall was due to the moratorium on the allocation of discretionary grants as there were ongoing investigations.
4.14 Number of qualifying university students placed on an annual basis	500	600	199	-401	Shortfall was due to the moratorium on the allocation of discretionary grants as there were ongoing investigations.
4.15 Number of qualifying workers entering learnership programmes on an annual basis	110	100	13	-87	Shortfall was due to the moratorium on the allocation of discretionary grants as there were ongoing investigations.
4.16 Number of qualifying workers entering bursary programmes on an annual basis	65	70	02	-68	Shortfall was due to the moratorium on the allocation of discretionary grants as there were ongoing investigations.

PERFORMANCE INFORMATION

PROGRAMME 3 – LEARNING PROGRAMMES

Strategic objective 4

Increase number of accredited training providers and workplaces for practical work experience (continued).

Performance Indicators		Actual performance 2016/17	Target 2017/18	Actual achievement 2017/18	Deviation from actual targets for 2017/18 to date	Comment on deviation
4.17	Number of qualifying workers entering skills programme on an annual basis.	451	400	165	-235	Shortfall was due to the moratorium on the allocation of discretionary grants as there were ongoing investigations
4.18	Number of workers completing learnership on an annual basis	100	100	00	-100	Shortfall was due to the moratorium on the allocation of discretionary grants as there were ongoing investigations.
4.19	Number of workers completed bursaries on an annual basis	31	30	04	-26	Shortfall was due to the moratorium on the allocation of discretionary grants as there were ongoing investigations.
4.20	Number of workers completed skills programme on an annual basis	259	200	190	-10	Shortfall was due to the delay in the allocation of discretionary grants.
4.21	Number of qualifying lecturers entering development programmes (candidacy programmes) on an annual basis	100	150	156	+6	6 additional lecturers entered lecturer development programme
4.22	Number of lecturers completed development programmes (candidacy programmes) on an annual basis	100	50	116	+66	66 additional lecturers completed lecturer development programme due to increased participation
4.23	Number of rural development programmes implemented on an annual basis	12	12	12	None	None

PERFORMANCE INFORMATION

PROGRAMME 3 – LEARNING PROGRAMMES

Strategic objective 5

Provide capacity building sessions

Performance Indicators		Actual performance 2016/17	Target 2017/18	Actual achievement 2017/18	Deviation from actual targets for 2017/18 to date	Comment on deviation
5.1	Number of capacity-building sessions	New target	40 capacity-building sessions	42	+2	Two additional stakeholders participated in capacity-building sessions

PROGRAMME 3 – LEARNING PROGRAMMES

Strategic objective 6

Increase support for SMMEs, unions and NGOs in skills development within the MICT sector

Performance Indicators		Actual performance 2016/17	Target 2017/18	Actual achievement 2017/18	Deviation from actual targets for 2017/18 to date	Comment on deviation
6.1	Number of small businesses supported	16	15	20	+5	Five additional SMMEs supported in skills development due to increased participation.

PROGRAMME 4 – EDUCATION AND TRAINING QUALITY ASSURANCE

Strategic objective 7

Develop new, and review existing, qualifications, accredit training providers

Performance Indicators		Actual performance 2016/17	Target 2017/18	Actual achievement 2017/18	Deviation from actual targets for 2017/18 to date	Comment on deviation
7.1	Increased number of Accredited Training Providers offering quality programmes by 50 on an annual basis.	559	500 accredited training providers	575	+75	This overachievement includes both the re-accreditation (after expiry) and new accreditation

PERFORMANCE INFORMATION

PROGRAMME 4 – EDUCATION AND TRAINING QUALITY ASSURANCE

Strategic objective 7

Develop new, and review existing, qualifications, accredit training providers

Performance Indicators		Actual performance 2016/17	Target 2017/18	Actual achievement 2017/18	Deviation from actual targets for 2017/18 to date	Comment on deviation
7.2	Increased number of qualified registered assessors assessing on quality programmes by 30 on an annual basis.	1 389	520 registered assessors	1 553	+1 033	This overachievement includes both the re-registered (after expiry) and new assessors.
7.3	Increase number of qualified registered moderators moderating quality programmes by 30 on an annual basis	613	220 registered moderators	820	+600	This overachievement includes both the re-registered (after expiry) and new assessors.
7.4	Develop new or reviewed MICT SETA relevant qualifications responding to the skills needs on an annual basis	45	45 registered qualifications	None	None	All qualifications still registered with the QCTO

PERFORMANCE INFORMATION

PROGRAMME 3 – SECTOR FUNDED ACHIEVEMENT

Strategic objective 4

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

Performance indicators		Actual Achievement
4.1	Number of qualifying unemployed learners entering learnerships on an annual basis.	272
4.5	Number of qualifying unemployed learners entering Internship programmes on an annual basis.	185
4.7	Number of unemployed learners completing Learnership programmes on an annual basis.	19
4.14	Number of qualifying University students placed on an annual basis.	45
4.15	Number of qualifying workers entering learnership programmes on an annual basis.	101
4.16	Number of qualifying workers entering bursary programmes on an annual basis.	68
4.17	Number of qualifying workers entering skills programme on an annual basis.	41
4.18	Number of workers completed Learnerships on an annual basis	20

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

Output	SLA Target	Actual Achievement	Deviation	Comment on deviation
Universities student placement	300	138	-162	Shortfall was due to the moratorium on the allocation of discretionary grants as there were ongoing investigations



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. The MICT SETA is governed in accordance with the MICT SETA constitution. This Constitution was drawn up in accordance with the requirements of the Skills Development Act No. 97 of 1998, Skills Development Levies Act No. 9 of 1999 and the PFMA, which further provides an institutional framework for the MICT SETA, to develop and implement national, sectoral and work-place strategies, in order to develop and improve the skills of the South African workforce.

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

The Accounting Authority/Board is supported by an Executive Committee, Audit and Risk Committee, and a Finance and Remuneration Committee.

The Accounting Authority/Board is responsible for providing strategic direction to the MICT SETA 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 2017/2018 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 12 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. The aforementioned documents were approved by the Executive Authority on 31 March 2018. 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 2017/2018, the Quarterly Performance reports were submitted on 17 July 2017, 16 October 2017, 15 January 2018 and 16 April 2018 respectively and were subsequently evaluated and validated by the Executive Authority.

AS ARTICULATED IN THE KING IV REPORT, THE ETHICAL AND EFFECTIVE LEADERSHIP OF THE ACCOUNTING AUTHORITY/BOARD IS EXEMPLIFIED BY INTEGRITY, COMPETENCE, RESPONSIBILITY, ACCOUNTABILITY, FAIRNESS AND TRANSPARENCY.

GOVERNANCE

4 THE ACCOUNTING AUTHORITY/THE BOARD

4.1 INTRODUCTION

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

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

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

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

4.2 THE ROLE OF THE BOARD

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

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

- Govern and manage the SETA
- Ensure that the SETA achieves the objectives contemplated in clause 5 of this Constitution and performs the functions contemplated in clause 6 of this Constitution
- Provide effective leadership and ensure that the SETA implements the goals of the NSDS and the Performance Agreement with the Minister
- Set a strategic direction for the SETA
- Liaise with stakeholders
- Ensure that the SETA complies with the relevant statutory requirements and the requirements of this Constitution;
- Manage institutional risk
- Monitor the performance of the SETA

- Apply for the establishment of the SETA in terms of section 9(1) of the Skills Development Act, read together with the Regulations Regarding the Establishment of Sector Education and Training Authorities, 7 September 1999, as amended by General Notice R106 in the Government Gazette 27254 of February 2005

4.3 BOARD CHARTER

The MICT SETA Board Charter covers:

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

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

4.4 COMPOSITION OF THE BOARD

The Accounting Authority/Board comprises 15 independent non-executive members, which ensures independence and objectiveness in decision-making.

From the 15 members:

- Six are representatives of organised labour
- Six are representatives of organised employers
- One member is representing professional bodies
- One member is representing community organisations
- The chairperson is a ministerial appointee

For the Financial Year 2017/2018 there were two vacant positions due to a death and a resignation with no replacement, leaving 13 active members that constitute the Accounting Authority/Board.

GOVERNANCE

The following members represent the Accounting Authority/Board for the 2017/2018 financial year:



Mr Sipho J Mjwara: Ministerial Appointee (Chairperson)

Area of Expertise: Telecommunication ICT

Committees: Chairperson of the Executive Committee

Date of Appointment: 27 September 2013



Ms Morongwa Pindela: Organised Employers

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

Area of Expertise: Human Resources Management

Committees: None

Date of Appointment: 25 November 2016



Mr Morwa J Mooko: Organised Labour

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

Area of Expertise: Employee Relations

Committees: Executive Committee, Finance and Remuneration Committee

Date of Appointment: 1 April 2011



Mr Masoma J Manale: Organised Labour

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

Area of Expertise: Sales & Marketing

Committees: Chairperson of the Finance and Remuneration Committee

Date of Appointment: 01 April 2011

GOVERNANCE



Mr Gallant Roberts: Organised Labour

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

Area of Expertise: Corporate Social Investment and Employee Relations

Committees: Executive Committee

Date of Appointment: 01 April 2011



Mr Thamsanqa E Mzileni: Organised Labour

Area of Expertise: Labour Law

Committees: Audit and Risk Committee

Date of Appointment: 27 February 2014



Mr Jimmy R Morakile: Organised Employers

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

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

Committees: None

Date of Appointment: 27 February 2014



Mr Teboho D Morobe: Organised Labour

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

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

Committees: None

Date of Appointment: 27 February 2014

GOVERNANCE



Ms Tebogo Makgatho: Organised Employers

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

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

Committees: Executive Committee

Date of Appointment: 27 February 2014



Dr Mthuthuzeli A Magadlela: Organised Employers

Qualifications: PhD in Animal Nutrition, MSc in Pasture Science, BSc Agriculture

Area of Expertise: Research and Development & Technology Transfer

Committees: Finance and Remuneration Committee

Date of Appointment: 01 April 2011



Ms Natalie-Ann Delpont: Organised Employers

Qualifications: Post Graduate Diploma in Management, Higher Diploma in Business Management, RPL for an Advanced, Certificate in Leadership

Area of Expertise: Media, Training, Organisation Development, Management, Leadership, Research

Committees: Executive Committee, Finance and Remuneration Committee

Date of Appointment: 27 February 2014



Mr Joe Manchu: Organised Employers

Qualifications: B.Compt, MBA, Executive Development Programme, Certificate Programme in Leadership Coaching

Area of Expertise: Strategy Change Management, Skills Development, Monitoring and Evaluation

Committees: Audit and Risk Committee

Date of Appointment: 27 February 2014



Mr Lumko C Mtimde: Community Organisation

Qualifications: Degree in Physiology and Biochemistry, Post Grad Diploma in Telecommunications and Information Policy, Executive Development Programme

Area of Expertise: Corporate Governance, Leadership, Executive Management, Strategy Development, Public Finance Management, Project Management, ICT, Media and Broadcasting, Policy and Regulation Making, Local Government

Committees: Finance and Remuneration Committee

Date of Appointment: 01 April 2011

Date of Resignation: 01 February 2011

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4.5 COMMITTEES

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



The following table lists number of meetings attended by each of the members of the Accounting Authority/Board for the Financial Year 2017/2018.

Name	Board	Audit and Risk Committee	Executive Committee	Finance and Remuneration Committee
Mr Sipho J Mjwara	10 of 10		9 of 10	
Mr Thamsanqa Mzileni	9 of 10	8 of 8		
Mr Teboho D Morobe	10 of 10			
Mr Morwa J Mooko	10 of 10		10 of 10	4 of 4
Dr Masoma J Manale	10 of 10			4 of 4
Mr Gallant Roberts	10 of 10		8 of 10	
Mr Jimmy Morakile	5 of 10			
Mr Tebogo Makgatho	7 of 10		6 of 10	
Ms Morongwa Pindela	1 of 10			
Ms Natalie-Ann Delport	10 of 10		10 of 10	4 of 4
Mr Andrew Magadlela	5 of 10			2 of 4
Mr Joe Manchú	8 of 10	8 of 8		
Mr Tony Parry	10 of 10			4 of 4
Mr Lumko Mtimde	6 of 10			1 of 4

4.6 FUNCTIONS OF THE EXECUTIVE COMMITTEE

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

Without limiting its functions, the Executive Committee must:

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

4.7 FUNCTIONS OF THE FINANCE AND REMUNERATION COMMITTEE

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

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

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

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

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

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

4.8 FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

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

The Committee must review and make recommendations on:

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

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

The Audit and Risk Committee must:

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

The following are the members of the Audit and Risk committee, their qualifications, date of appointment and the number of meetings they have attended for the financial year 2017/2018:



Mr Rivalani G Ntuli: Independent Member

Qualifications: CA (SA), Registered auditor, BComm (Acc) (Honours), BComm (Acc)
Date of appointment: 27 February 2014
Number of meetings attended: 8 of 8

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



Ms Ramona Clark: Independent Member

Qualifications: CA (SA), Registered Auditor, BComm (Acc) (Honours), BComm (Acc)
Date of appointment: 23 August 2016
Number of meetings attended: 7 of 8

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Ms Lefentse Bashele: Independent Member

Qualifications: CA (SA), Registered Auditor, BComm (Acc) (Honours), BComm (Acc)

Date of appointment: 10 November 2016

Number of meetings attended: 5 of 8



Mr Thamsanqa E Mzileni: Non-Executive Board Member

Qualifications: Diploma in Public Management (incomplete)

Date of appointment: 02 October 2014

Number of meetings attended: 8 of 8



Mr Joe Manchu: Non-Executive Board Member

Qualifications: B.Compt, MBA, Executive Development Programme, Certificate Programme in Leadership Coaching

Date of appointment: 27 February 2014

Number of meetings attended: 8 of 8

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4.9 REMUNERATION OF BOARD MEMBERS

The following table lists the remuneration in Rands received by the Accounting Authority/Board and Board Committees as at 31 March 2018:

Name	Board R'000	Audit R'000	Exco R'000	FinRemco R'000	Travel R'000	Training R'000	Total R'000
Mr Sipho J Mjwara	125	-	80	-	1	-	206
Mr Gallant Roberts	98	-	63	-	18	-	179
Mr Masoma J Manale	94	-	23	51	40	-	209
Mr Thamsanqa E Mzileni	82	51	-	-	46	-	180
Mr Morwa J Mooko	111	-	71	32	75	-	289
Mr Joe Manchu	78	56	-	-	-	-	134
Mr Teboho D Morobe	95	-	-	-	48	-	143
Mr Jimmy R Morakile	61	-	-	-	2	-	63
Ms Tebogo Makgatho	65	-	46	-	3	-	114
Dr Mthuthuzeli A Magadlela	40	-	-	23	2	-	65
Ms Natalie-Ann Delport	111	-	71	40	7	-	228
Mr Anthony Parry	103	-	-	40	-	-	143
Mr Lumko C Mtimde	41	-	-	7	-	-	48
Mr Rivalani G Ntuli	16	97	-	-	4	-	117
Ms Ramona Clark	8	53	-	-	3	-	64
Ms Morongwa Pindela	16	-	-	-	-	-	16
Ms Lefentse Bashele	-	43	-	-	1	-	44
Training expenses	-	-	-	-	-	30	30
	1 143	301	354	193	251	30	2 272

5 RISK MANAGEMENT

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

The Risk Management Strategy is underpinned by the:

- Fraud Prevention Plan
- Whistle Blowing Policy
- Code of Conduct
- Business Continuity Plan

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

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

6 INTERNAL CONTROL UNIT

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

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

Effective risk management is fundamental to the MICT SETA activities. Responsibility and accountability for risk management resides at all levels within the MICT SETA, from the Accounting Authority/Board down through the organisation to each manager.

The assessment, evaluation and measurement of risk is an ongoing process that is integrated into the MICT SETA activities. This process includes identifying risks and taking corrective action, where required. In accordance with the PFMA, and King IV requirements, the internal audit provides an independent assessment of the adequacy and effectiveness of the overall risk management and reports to the Accounting

Authority/Board through the Audit and Risk Management Committee.

The essence of risk management at the MICT SETA is the protection of the SETA's reputation and its ability to meet its mandate.

7 INTERNAL AUDIT AND RISK COMMITTEES

7.1 INTERNAL CONTROL SYSTEM

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

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

Activities in the organisation are governed by written policies and procedures that are reviewed and approved by the CEO. 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 49 to 51.

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8 COMPLIANCE WITH LAWS AND REGULATIONS

The SETA Governance Charter was approved on 30 March 2016, which requires the MICT SETA to submit quarterly compliance reports to the DHET. The MICT SETA has further trained its Management and employees on statutory requirements; conducted periodic annual policy reviews; effected controls through the existence of an effective Internal Audit function and followed a prescribed compliance reporting schedule.

The MICT SETA complied with the legal requirements such as:

Document Or Statutory Requirement	Action
1. Sector Skills Plan 2018/2019	Approved and submitted to DHET on 15 June 2017 for the first draft and 1 August 2017 for the second draft.
2. Strategic Plan 2018/2019	Approved and submitted to DHET on 30 August 2017
3. Annual Performance Plan 2018/2019	Approved and submitted to DHET on 30 August 2017
4. Employment equity plan and report	Submitted to the Department of Labour on 1 October 2017
5. Procurement Plan 2018/2019	Submitted to DHET and Treasury on 30 April 2017
6. Work Skills Plan 2017/2018	Submitted to EDTP SETA on 20 April 2017; and 2018 is due on 30 April 2018
7. Budget for 2018/2019	Submitted to DHET on 30 August 2017
8. Quarterly reports (Finance and Performance reports)	Submitted to the Treasury and DHET on 17 July 2017, 16 October 2017, 15 January 2018, and Quarter 4 to be submitted on 16 April 2018
9. Quarterly reports (Meetings of the Accounting Authority and sub-Committees)	Submitted to DHET on 5 July 2017, 19 October 2017, 9 January 2018 and Quarter 4 report will be submitted on 3 April 2018
10. Quarterly reports (Governance reports)	Submitted to DHET on 3 July 2017, 25 October 2017, 09 January 2018; and Quarter 4 report will be submitted on 3 April 2018
11. Annual report 2016/2017	Submitted to DHET on 31 August 2017 and tabled in Parliament. The presentation of the Annual Report to stakeholders was held on 26 October 2017
12. AGM	Was held on 9 November 2017
13. Internal audits and findings	Reported to the Audit & Risk Committee
14. External audits and findings	Reported to the Audit & Risk Committee
15. Legal Cases	Reported to the Audit & Risk Committee
16. Fraudulent activities	Reported to the Audit & Risk Committee and to the Treasury and DHET
17. Policies	Policies were reviewed for 2017/2018

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.

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

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

9.2 HOW CASES ARE REPORTED AND WHAT ACTION IS TAKEN

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

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

10 MINIMISING CONFLICT OF INTEREST

The Accounting Authority/Board has developed a Guideline dealing with the Declaration of Conflict of Interest, which enables members to identify potential conflict of interest. Members of the Accounting Authority/Board, Management and Employees annually complete a mandatory disclosure of interest form and are required to avoid situations where they have or could have a direct or indirect interest that conflicts 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 annual disclosure of interest documents and declare any interest before the start of any proceedings. This process is minuted during the proceedings and the declarations are kept in a secure facility.

11 CODE OF CONDUCT

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

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

Members of the Accounting Authority/Board subscribe to a code of conduct in terms of the MICT SETA constitution.

12 HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

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

All Health and Safety representatives have been provided with relevant training to perform their duties and responsibilities as health and safety representatives. The Health and Safety Committee convene four times a year to deliberate on health and safety issues.

Special meetings are held when there are issues needing urgent attention. Management 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 these risks were implemented.

GOVERNANCE

13 COMPANY SECRETARY

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

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

14 SOCIAL RESPONSIBILITY

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

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

MEMBERS OF THE ACCOUNTING
AUTHORITY/BOARD, MANAGEMENT
AND EMPLOYEES ANNUALLY
COMPLETE A MANDATORY
DISCLOSURE OF INTEREST FORMS
AND ARE REQUIRED TO AVOID
SITUATIONS WHERE THEY COULD
HAVE AN INTEREST THAT CONFLICTS
WITH THE COMPANY'S INTEREST.



MR RIVALANI G NTULI

CHAIRPERSON
OF THE AUDIT
AND RISK
COMMITTEE

GOVERNANCE

15 AUDIT COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2018.

15.1 AUDIT 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
- 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 reasonable 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 IV 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
- Follow-up audits
- Information technology (IT) general controls review
- Project site visits

	Audits performed	Overall assessment conclusion
1	Audit of predetermined objectives	Moderately adequate and control effectiveness needs improvement
2	Supply chain management	Adequate and effective
3	Learning programme division – including review of commitment register	Adequate and control effectiveness needs improvement
4	Financial discipline review	Adequate and effective
5	Follow-up audits	Adequate and effective
6	Information technology (IT) general controls review	Moderately adequate and control effectiveness needs improvement
7	Project site visits	Moderately adequate and control effectiveness needs improvement

The internal audit fund was effective and addressed the risk perlined 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
- Reviewed the MICT SETA's compliance with legal and regulatory provisions

15.5 AUDITOR'S REPORT

The Committee has met with the AGSA to ensure that there are no unresolved issues. In addition, it has reviewed the implementation plan for audit issues raised in the previous 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 Rivalani G Ntuli

26 July 2018



PART D

HUMAN
RESOURCE
MANAGEMENT

1 INTRODUCTION

1.1 OVERVIEW OF HUMAN RESOURCE MATTERS

During the year under review, the MICT SETA human resources functions were implemented in line with human resources policies and procedures, code of good practice and the relevant legislation governing the human resources space.

The MICT SETA Human Resources Unit is responsible for recruitment and selection/talent acquisition; training and development of employees; performance management; employee wellness; employee relations; remuneration and benefits; as well as health and safety, among 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 resources functions for the period under review:

- Implementation of capacity-building programmes
- 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
- Achievement of employment equity targets

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

1.3 WORKFORCE PLANNING FRAMEWORK AND KEY STRATEGIES TO ATTRACT AND RECRUIT A SKILLED AND CAPABLE WORKFORCE

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

Strategies used to attract and recruit a skilled workforce are:

- Effective human resource strategies to attract and retain competent employees
- Developmental programmes to meet future human resource needs within the organisation
- Training and development initiatives utilised as a measure to retain competent employees
- Succession planning programmes to retain employees
- Employment benefits and competitive market related remuneration packages

1.4 EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

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

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

1.5 EMPLOYEE WELLNESS PROGRAMME

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

1.6 POLICY DEVELOPMENT

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

The MICT SETA policy reviews provide for a continued and improved framework within which human resource management practices are managed.

The MICT SETA policy reviews are driven by achieving the organisational excellence through exemplary human resource best practice in relation to organisational corporate governance and strategic human resource management.

1.7 ACHIEVEMENTS

The Human Resource Unit 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
- Implementation of the Performance Management and Development System

HUMAN RESOURCE

1.8 CHALLENGES

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

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

1.9 FUTURE HUMAN RESOURCE PLANS/GOALS

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

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

THE MICT SETA PERFORMANCE MANAGEMENT DEVELOPMENT SYSTEM REGULATES AND MANAGES EMPLOYEE PERFORMANCE AND THEREFORE ALIGNS INDIVIDUAL PERFORMANCE TO STRATEGIC OBJECTIVES OF THE ORGANISATION.

HUMAN RESOURCE

2 HUMAN RESOURCE OVERSIGHT STATISTICS

2.1 PERSONNEL BY COST PROGRAMME/DEPARTMENT

Programme/department	Total expenditure	Personnel expenditure R'000	Percentage	No of Employees	Average personnel
Programme 1: Corporate Services (Administration)	417 007	19 207	49%	38	505
Programme 2: Sector Skills Planning	54 869	2 214	6%	5	443
Programme 3: Learning Programmes	208 504	8 689	25%	19	457
Programme 4: Education and Training Quality Assurance and IT	164 608	6 413	19%	15	428
Total per AFS	844 988	36 522	100%	77	474

2.2 PERSONNEL BY SALARY BAND

Level	Total expenditure	Personnel expenditure R'000	Percentage	No. of employees	Average personnel
Top management	76 925	3 325	9%	1	3 325
Senior management	156 570	6 767	19%	4	1 692
Professionally qualified	134 485	5 813	16%	8	727
Skilled	267 812	11 575	32%	25	463
Semi-skilled	167 604	7 244	20%	29	250
Unskilled	41 591	1 798	5%	10	180
TOTAL	844 988	36 522	100%	77	474

2.3 PERFORMANCE

Level	Performance reward	Personal expenditure	Percentage
Top management	502	3 325	15%
Senior management	745	6 812	11%
Professionally qualified	202	5 803	3%
Skilled	606	11 556	5%
Semi-skilled	929	7 232	13%
Unskilled	40	1 795	2%
TOTAL	3 024	36 522	8%

HUMAN RESOURCE

2.4 TRAINING

Programme	Personnel expenditure	Training expenditure	Training expenditure %	No. of employees	Average training costs
Corporate services	17 320	733	4%	20	37
Education and Training Quality Assurance and IT	6 024	113	2%	4	28
Learning programmes	10 919	304	3%	11	28
Sector skills planning	2 259	41	2%	1	41
TOTAL	36 522	1 191	3%	36	33

2.5 EMPLOYMENT AND VACANCIES

Level	2016/2017 No. of employees	2017/2018 Approved posts	2017/2018 No. of employees	2017/2018 Vacancies	Percentage of vacancies
Top management	1	1	1	-	0%
Senior Management	4	4	4	-	0%
Professionally qualified	4	8	8	-	0%
Skilled	27	26	24	2	2%
Semi-skilled	33	32	30	2	2%
Unskilled	9	13	10	3	3%
TOTAL	78	85	77	7	7%

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
Professionally qualified	7	2	1	8
Skilled	25	6	6	25
Semi-skilled	30	8	9	29
Unskilled	9	6	5	10
TOTAL	76	22	21	77

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

HUMAN RESOURCE

2.6 REASONS FOR STAFF LEAVING

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	12	16%
Dismissal	3	3%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	0	0%
Other	0	0%
TOTAL	15	19%

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	0
Final written warning	6
Dismissal	3

2.8 EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

Male

Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	-	-	-	-	-	-
Senior management	2	2	-	-	-	-	-	-
Professionally qualified	5	4	-	-	-	-	-	-
Skilled	11	11	-	-	-	-	-	-
Semi-skilled	10	14	-	-	-	-	-	-
Unskilled	6	6	-	1	-	-	-	-
TOTAL	35	38	-	1	-	-	-	-

HUMAN RESOURCE

Female

Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	-	-	-	-	-	-	-	-
Senior management	2	2	-	-	-	-	-	-
Professionally qualified	2	3	-	-	-	-	1	1
Skilled	13	13	-	1	1	1	-	-
Semi-skilled	17	14	1	2	1	1	-	1
Unskilled	4	6	-	-	-	-	-	-
TOTAL	38	38	1	3	2	2	1	2

Disabled staff

Levels	Male		Female	
	Current	Target	Current	Target
Top management	-	-	-	-
Senior management	-	-	-	-
Professionally qualified	-	-	-	-
Skilled	-	-	-	-
Semi-skilled	-	1	-	-
Unskilled	-	-	-	-
TOTAL	0	1	0	0

The background of the entire page is a dark blue field filled with a complex network of thin, light blue lines connecting numerous small, bright white circular nodes. On the right side, a stylized, glowing blue wireframe map of the world is visible. In the lower-left foreground, a human hand is shown from the wrist up, with fingers slightly spread, reaching towards the right. The hand is lit from below, giving it a soft glow. A large, solid magenta rectangle is positioned in the upper-left quadrant, partially overlapping the network lines and the hand.

PART E

ANNUAL FINANCIAL
INFORMATION

FINANCIAL INFORMATION

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. OPINION

I have audited the financial statements of the Media, Information and Communication Technologies Sector Education and Training Authority set out on pages 76 to 117, which comprise the statement of financial position as at 31 March 2018, 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 to the financial statements, including a summary of significant accounting policies.

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 2018 and its financial performance and cash flows for the year then ended, in accordance with Standards of Generally Recognised Accounting Practice (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).

2. BASIS FOR OPINION

CONTEXT FOR THE OPINION

I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of this auditor's report.

I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

3. EMPHASIS OF MATTER

I draw attention to the matter below. My opinion is not modified in respect of this matter.

IRREGULAR EXPENDITURE

As disclosed in note 27 to the financial statements, irregular expenditure of R1 011 000 was incurred, as supply chain management requirements were not adhered to.

4. RELATED PARTY DISCLOSURE

As disclosed in note 24 to the financial statements, some senior managers were placed under precautionary suspension from 1 March 2018 pending investigations following information received from a whistle blower and the Public Protector's office.

5. RESPONSIBILITIES OF ACCOUNTING AUTHORITY

The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA and SDA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

FINANCIAL INFORMATION

6. AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

1. INTRODUCTION AND SCOPE

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

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

I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:

- Programme 2 – sector skills planning
- Programme 3 – learning programmes
- Programme 4 – education and training quality assurance

2. OTHER MATTERS

I draw attention to the matters below.

ACHIEVEMENT OF PLANNED TARGETS

Refer to the annual performance report on pages 28 to 40 for information on the achievement of planned targets for the year and explanations for the under- or overachievement of a significant number of targets.

ADJUSTMENT OF MATERIAL MISSTATEMENTS

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

FINANCIAL INFORMATION

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

1. INTRODUCTION AND SCOPE

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

The material findings on compliance with specific matters in key legislations are as follows:

ANNUAL FINANCIAL STATEMENTS

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of commitments identified by the auditors in the submitted financial statements were subsequently corrected.

PROCUREMENT AND CONTRACT MANAGEMENT

Some of the invitations for competitive bidding were not advertised in at least the *Government tender bulletin*, as required by Treasury regulation 16A6.3(c)

Some of the contracts were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No. 5 of 2000) and its regulations.

OTHER INFORMATION

The accounting authority is responsible for the other information. The other information comprises the information included in the Annual Report, which includes the audit committee's report, Chairperson of the Accounting Authority's report and Chief Executive Officer's report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the Auditor's Report.

My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

1. LEADERSHIP

Management did not adequately oversee and monitor compliance with the key legislation.

2. FINANCIAL AND PERFORMANCE MANAGEMENT

Management did not implement adequate daily, weekly and monthly processing and reconciliation controls to ensure that the discretionary commitments reported in the annual financial statements were supported by accurate and complete supporting documents.

Compliance monitoring controls implemented by the public entity were not adequate to prevent material non-compliance with some specific matters in key legislation.

FINANCIAL INFORMATION

OTHER REPORTS

I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

An independent consultant investigated irregularities in awarding discretionary grants and the recruitment process at the request of the public entity. The investigation concluded in March 2018 and the accounting authority is currently evaluating the outcome of the investigation to determine the appropriate action to be taken.



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Auditor-General

Pretoria
31 July 2018

ANNEXURE A - AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

1. FINANCIAL STATEMENTS

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
- Conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going-concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt

on the Media, Information and Communication Technology Sector Education and Training Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

2. COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

FINANCIAL INFORMATION



MS. NONI GONTSHI

CHIEF FINANCIAL
OFFICER
(OUTSOURCED)

CONTENTS

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

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FINANCIAL INFORMATION

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

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

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

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

The Annual Financial Statements set out on pages 76 to 115, which have been prepared on the going-concern basis, were approved by the Accounting Authority on 26 July 2018 and were signed on its behalf by:



Mr Charlton Philiso
Acting Chief Executive Officer
Thursday, 26 July 2018



Mr Sihle J. Ngubane
Chairperson: Board
Thursday, 26 July 2018

FINANCIAL INFORMATION

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note(s)	2018 R '000	2017 R '000
Assets			
Current Assets			
Inventories	3	291	352
Accounts receivable from exchange transactions	4	1 505	2 777
Accounts receivable from non-exchange transactions	5	3 183	16 636
Cash and cash equivalents	6	361 230	334 687
Total Current Assets		366 209	354 452
Non-Current Assets			
Property, plant and equipment	7	3 692	3 931
Intangible assets	8	661	385
Total Non-Current Assets		4 353	4 316
Total Assets		370 562	358 768
Liabilities			
Current Liabilities			
Accounts payable from non-exchange transactions	9	89 224	91 118
Finance lease liability	10	-	665
Accounts payable from exchange transactions	11	5 942	3 887
Provisions	12	14 341	13 479
Total Liabilities		109 507	109 149
Net Assets		261 055	249 619
Net assets represented by:			
Administration reserve		4 353	4 316
Mandatory reserve		536	435
Discretionary reserve		256 166	244 868
Total Net Assets		261 055	249 619

FINANCIAL INFORMATION

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2018 R '000	2017 R '000
Revenue			
Revenue from non-exchange transactions			
Skills Development Levies	14	817 844	742 891
Skills Development Levy - Interest		7 026	11 193
Skills Development Levy - Penalties		10 302	10 960
Total revenue from non-exchange transactions		835 172	765 044
Revenue from exchange transactions			
Finance revenue	15	20 935	24 847
Other revenue	16	215	365
Total revenue from exchange transactions		21 150	25 212
Total revenue		856 322	790 256
Expenditure			
Finance costs	17	7	18
Mandatory and discretionary grant expenses	18	765 584	865 748
Administration expenses	19	79 397	74 456
Total expenditure		844 988	940 222
Surplus/(deficit) for the year	13	11 334	(149 966)

FINANCIAL INFORMATION

STATEMENT OF CHANGES IN NET ASSETS

	Administration reserve R '000	Mandatory reserve R '000	Discretionary reserve R '000	Total reserves R '000
Balance at 01 April 2016	4 730	589	394 267	399 586
Surplus for the year	23 440	38 001	(211 407)	(149 967)
Transfer of surplus to discretionary reserves	(23 854)	(38 155)	62 008	-
Total changes	(414)	(154)	(149 399)	(149 967)
Balance at 01 April 2017	4 316	435	244 868	249 619
Surplus for the year	28 176	48 712	(65 554)	11 334
Transfer of surplus to discretionary reserves	(28 139)	(48 611)	76 852	102
Total changes	37	101	11 298	11 436
Balance at 31 March 2018	4 353	536	256 166	261 055

FINANCIAL INFORMATION

CASH FLOW STATEMENT

	Note(s)	2018 R '000	2017 R '000
Cash flows from operating activities			
Receipts			
Skills development levies, interest & penalties		858 233	806 787
Finance revenue		20 935	24 847
Other cash receipts from stakeholders		215	365
		879 383	831 999
Payments			
Employer grants and programme payments		(770 896)	(844 601)
Payments to suppliers and other stakeholders		(43 034)	(32 182)
Compensation of employees		(36 522)	(37 024)
Finance costs		(7)	(18)
		(850 459)	(913 825)
Net cash out flows from operating activities	20	28 924	(81 826)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1 439)	(1 764)
Purchase of intangible assets	8	(380)	(208)
Net cash flows used in investing activities		(1 819)	(1 972)
Cash flows from financing activities			
Finance lease payments		(562)	251
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		334 687	418 234
Cash and cash equivalents at the end of the year	6	361 230	334 687

FINANCIAL INFORMATION

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

BUDGET ON ACCRUAL BASIS

	Approved budget R '000	Adjustments R '000	Final Budget R '000	Actual amounts on comparable basis R '000	Difference between final budget and actual R '000
Revenue					
Revenue from exchange and non-exchange transactions					
SDL: Levies	752 000	-	752 000	817 844	65 844
SDL: Interest	-	-	-	7 026	7 026
SDL: Penalties	-	-	-	10 302	10 302
Finance revenue	25 880	-	25 880	20 935	(4 945)
Other revenue	-	-	-	215	215
Total revenue from exchange and non-exchange transactions	777 880	-	777 880	856 322	78 442
Expenditure					
Finance costs	-	-	-	7	7
Mandatory and discretionary grant expenses	679 180	-	679 180	765 584	86 404
Administration expenses	98 700	-	98 700	79 397	(19 303)
Total expenditure	777 880	-	777 880	844 988	67 108
Surplus for the year		-		11 334	11 334

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

FINANCIAL INFORMATION

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

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

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

1.1 PRESENTATION CURRENCY

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

1.2 GOING CONCERN ASSUMPTION

These Annual Financial Statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months. The SETAs were re-established until 31 March 2020 by the Minister of Higher Education and Training in December 2016. Therefore, there are no known instances that cast doubt on the MICT SETA's ability to continue as a going concern except the uncertainty of the SETAs existence post March 2020.

1.3 INVENTORIES

Inventory is comprised of consumables.

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

1.4 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

FINANCIAL INFORMATION

ACCOUNTING POLICIES

1.4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

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

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

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

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

1.5 INTANGIBLE ASSETS

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

FINANCIAL INFORMATION

ACCOUNTING POLICIES

1.6 LEASES

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

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

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

1.7 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Long-term provisions are discounted to net present value.

The cost of employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the Statement of Financial Position date. Provisions included in the Statement of Financial Position are provisions for 13th cheque (based on the current salary rates).

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

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

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

1.8 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Accounts receivable

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

Impairment testing

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

ACCOUNTING POLICIES

1.8 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Provisions

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

Allowance for doubtful debts

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

1.9 COMMITMENTS

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.10 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

1.11 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

Where the resources transferred to the MICT SETA are subject to the fulfillment of specific conditions, it recognises an asset and a corresponding liability. As and when the conditions are fulfilled, the liability is reduced and revenue is recognised.

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

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

Levy income

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

FINANCIAL INFORMATION

ACCOUNTING POLICIES

1.11 REVENUE FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

In terms of Section 3(1) and 3(4) of the Skills Development Levies Act (the Levies Act), 1999 (Act No. 9 of 1999) as amended, registered member companies of the MICT SETA pay an SDL of 1% of the total payroll cost to the South African Revenue Service (SARS), who collects the levies on behalf of the DHET. Companies with an annual payroll cost less than R500 000 are exempted in accordance with Section 4(b) of the Levies Act as amended, effective 1 August 2005.

80% of Skills Development Levies are paid over to the MICT SETA (net of the 20% contribution to the NSF). The MICT SETA was not in a position to verify that SARS has collected all potential skills levy income.

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

Revenue is adjusted for transfers of employers between SETAs. Such adjustments are separately disclosed as inter-SETA transfers. The amount of the inter-SETA adjustments is calculated according to the most recent Standard Operating Procedure issued by the DHET. SDL transfers are recognised on an accrual basis when it is probable that future economic benefits or service potential will flow to the MICT SETA and these benefits can be measured reliably. This occurs when the DHET makes an allocation to the MICT SETA, as required by Section 8 of the Skills Development Levies Act, 1999 (Act No. 9 of 1999) as amended.

Interest and penalties

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

Funds allocated by the National Skills Fund for special projects

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

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

Finance revenue

Finance revenue is comprised of interest accrued from short-term investments and bank balances.

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

1.12 GRANTS AND PROGRAMME EXPENDITURE

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

Mandatory grants

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

Discretionary grants

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

ACCOUNTING POLICIES

1.12 GRANTS AND PROGRAMME EXPENDITURE (CONTINUED)

Programme expenditure

Programme expenditure comprises:

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

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

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

Retrospective adjustments by SARS

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

1.13 RESERVES

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

- Administration reserve
- Mandatory (employer grant) reserve
- Discretionary reserve, and
- Unappropriated surplus

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

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

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

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

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

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

FINANCIAL INFORMATION

ACCOUNTING POLICIES

1.14 COMPARATIVE FIGURES

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

1.15 UNAUTHORISED EXPENDITURE

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

1.16 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

1.17 IRREGULAR EXPENDITURE

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

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

1.18 TAXATION

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

1.19 SEGMENT INFORMATION

A segment is an activity of an entity:

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

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

1.20 BUDGET INFORMATION

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

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

The approved budget covers the fiscal period from 2017/04/01 to 2018/03/31.

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

ACCOUNTING POLICIES

1.21 RELATED PARTIES

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

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

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

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

1.22 FINANCIAL INSTRUMENTS

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

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

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

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

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

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

A financial asset is:

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

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

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

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

FINANCIAL INFORMATION

ACCOUNTING POLICIES

1.22 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

Impairment of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2018 or later periods but are not relevant to its operations:

Standard/ interpretation:	Effective date: Years beginning on or after	Expected impact
GRAP 20: Related parties	1 April 2019	Not expected to have a material impact on the results but may result in additional disclosure.
GRAP 34: Separate Financial Statements	Not yet determined	The impact of this standard is not material.
GRAP 108: Statutory Receivables	1 April 2019	Unlikely that there will be a material impact.
GRAP 109: Accounting by Principals and Agents	1 April 2019	Unlikely that there will be a material impact
GRAP 17: Service concession arrangement where a grantor controls a significant residual interest in an asset	Not yet determined	Unlikely that there will be a material impact
Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	1 April 2018	Unlikely that there will be a material impact

	2018 R '000	2017 R '000
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3. INVENTORIES

Inventory is comprised of stationery and office consumables.			
Consumables and stationery		291	352

4. ACCOUNTS RECEIVABLE FROM EXCHANGE TRANSACTIONS

Employee costs in advance		71	40
Prepayments		190	398
Deposits		772	772
Sundry receivables		471	1 567
Fruitless and wasteful expenditure		1	-
		1 505	2 777

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2018 R '000	2017 R '000
5. ACCOUNTS RECEIVABLE FROM NON-EXCHANGE TRANSACTIONS			
Provision for bad debts		(3)	(898)
Receivables – interSETA		23	-
Receivables – UIF project		-	14 852
Receivables – employer grants		3 163	2 682
		3 183	16 636

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:			
Cash on hand		2	8
Cash at bank		107 244	135 826
Short-term investments		253 984	198 853
		361 230	334 687

As required in Treasury Regulations 31.2, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short-term bank deposits was 6.59% (2017: 6.64%)

The Skills Development Act Regulations state that a SETA may, if not otherwise specified by the PFMA, invest the monies in accordance with the Investment Policy approved by the relevant SETA. Treasury Regulation 31.3 requires that, unless exempted by the National Treasury, the SETA as a public entity that is listed in Schedule 3A of the Act, must invest surplus funds with the Corporation of Public Deposits. In instances where the SETA is exempted by the National Treasury from the requirements of Treasury Regulations 31.3 to invest surplus funds with the Corporation for Public Deposits, surplus funds are invested in line an Investment Policy as required by the Treasury Regulation 31.3.5.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are held with registered banking institutions with maturities of one month or the Corporation for Public Deposits. These are subject to an insignificant risk of change in value.

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. PROPERTY, PLANT AND EQUIPMENT

		2018			2017	
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated and accumulated impairment	Carrying value
Office furniture and fittings	3 276	(2 186)	1 090	3 390	(2 010)	1 380
Motor vehicles	381	(341)	40	392	(346)	46
Office equipment	3 444	(2 614)	830	3 261	(1 944)	1 317
Computer equipment	4 169	(2 734)	1 435	3 511	(2 541)	970
Leasehold improvements	1 480	(1 183)	297	1 397	(1 179)	218
Total	12 750	(9 058)	3 692	11 951	(8 020)	3 931

Reconciliation of property, plant and equipment – 2018

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

Reconciliation of property, plant and equipment – 2017

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

Expenditure incurred to repair and maintain property, plant and equipment

	2018 R '000	2017 R '000
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance Repairs and maintenance	71	568

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. INTANGIBLE ASSETS

		2018			2017	
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 490	(829)	661	1 110	(725)	385

Reconciliation of intangible assets – 2018

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

Reconciliation of intangible assets – 2017

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

	2018 R '000	2017 R '000
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9. ACCOUNTS PAYABLE FROM NON-EXCHANGE TRANSACTIONS

Grants and transfers payable		
Grants payable – mandatory	17 910	22 367
Grants payable – discretionary	64 598	68 099
InterSETA and other payables	6 716	652
	89 224	91 118

10. FINANCE LEASE LIABILITY

Minimum lease payments due – within one year	-	665
Present value of minimum lease payments due – within one year	-	665

The finance lease is held with Canon for the rental of photocopy machines (office equipment) and the lease substantially transfers all the risks and rewards to the MICT SETA. The major lease expired in April 2016 and was extended for a period of 23 months from 1 May 2016 ending 31 March 2018 with no escalation and finance charges. At reporting date the lease agreement was being negotiated for extension for a period of three months, 1 April 2018 to 30 June 2018.

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R '000	2017 R '000
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11. ACCOUNTS PAYABLE FROM EXCHANGE TRANSACTIONS

Service provider payables	3 202	714
Payroll payables	153	358
Accruals	2 408	2 705
Operating lease liability	179	109
Fruitless and wasteful expenditure	-	1
	5 942	3 887

12. PROVISIONS

Reconciliation of provisions – 2018

	Opening balance	Additions	Utilised during the year	Total
Bonus --13th cheque	159	640	(618)	181
Performance bonus	4 522	2 780	(3 014)	4 288
Exempt employers	8 798	1 074	-	9 872
	13 479	4 494	(3 632)	14 341

Reconciliation of provisions – 2017

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

Bonus – 13th cheque

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

Performance bonus

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

Exempt employers

The balance of the exempt employers provision relates to amounts to be repaid to all employers exempted from SDL (below threshold of R500 000 payroll per annum) who have however contributed the levies. In terms of Skills Development Circular No. 09/2013, issued by the DHET on 25 August 2013, SETAs are able to utilise exempted amounts contributed after expiry date of five years as stipulated in terms of Section 190 (4) of the Tax Administration Act. These amounts have been transferred to discretionary funds in line with the aforementioned circular.

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

13. SURPLUS/(DEFICIT) FOR THE YEAR

Allocation of surplus for the year to reserves: 2018

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

Allocation of deficit for the year to reserves: 2017

	Administration	Mandatory	Discretionary	Total
Total revenue	97 914	182 521	509 821	790 256
Administration levy (10,5%)	97 549	-	-	97 549
Mandatory levy (20%)	-	182 521	-	182 521
Discretionary levy (49,5%)	-	-	462 821	462 821
Penalties and interest	-	-	22 153	22 153
Finance revenue	-	-	24 847	24 847
Other revenue	365	-	-	365
Total expenditure	74 474	144 520	721 228	940 222
Administration expenses	74 456	-	-	74 456
Mandatory expenses	-	144 520	-	144 520
Discretionary expenses	-	-	721 228	721 228
Finance costs	18	-	-	18
Deficit per Statement of Financial Performance	23 440	38 001	(211 407)	(149 966)

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R '000	2017 R '000
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14. REVENUE

Levy income per Statement of Financial Performance is as follows:		
Skills development levy – administration		
SDL income: administration	108 099	97 563
InterSETA transfers in	89	16
InterSETA transfers out	(823)	(30)
Administration levy income (10.5%)	107 365	97 549
Skills development levy – mandatory		
SDL income: mandatory	204 270	182 548
InterSETA transfers in	260	31
InterSETA transfers out	(1 573)	(58)
Mandatory levy income (20%)	202 957	182 521
Skills development levy – discretionary		
SDL income: discretionary	511 049	462 891
InterSETA transfers in	360	78
InterSETA transfers out	(3 887)	(148)
Discretionary levy income (49.5%)	507 522	462 821
Total skills development levy income	817 844	742 891

15. FINANCE REVENUE

Interest from investments	15 131	19 913
Interest from bank	5 804	4 934
	20 935	24 847

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

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R '000	2017 R '000
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16. OTHER REVENUE

Other revenue comprises of:		
Service provider income	215	365

17. FINANCE COSTS

Finance lease costs	3	18
Interest paid	4	-
	7	18

18. MANDATORY AND DISCRETIONARY GRANT EXPENDITURE

Grants disbursed	157 664	136 526
Provision and accruals	(3 419)	7 994
Mandatory (employer) grants	154 245	144 520
Grants disbursed	587 390	689 916
Provision and accruals	23 949	31 312
Discretionary (programme) grants	611 339	721 228
Total mandatory and discretionary grants	765 584	865 748

19. ADMINISTRATION EXPENDITURE

Operating lease rental – buildings	4 536	3 418
Operating lease rental – equipment	594	322
Repairs and maintenance	400	576
QCTO expenditure	4 087	3 730
Advertising, marketing and publications	3 006	2 352
Catering and refreshments	190	117
Service provider and consulting fees	7 172	5 297
Legal fees	2 225	1 081

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2018 R '000	2017 R '000
19. ADMINISTRATION EXPENDITURE (CONTINUED)			
Compensation of employees	19.1	36 522	37 024
Travel and subsistence		969	537
Staff training and development		1 191	955
Remuneration to Board and sub-committees		2 272	1 323
External audit fees		2 625	2 257
Internal audit fees		235	561
Telephone and cell phone costs		485	570
General expenses	19.2	3 325	3 818
ICT support costs		4 376	5 626
Depreciation		1 592	1 911
Amortisation		104	391
Research costs		918	2 590
NSF project expenses		2 573	-
		79 397	74 456

19.1 COMPENSATION OF EMPLOYEES

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

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

19.2 GENERAL EXPENSES

	2018 R '000	2017 R '000
Administration expenditure – plants	59	59
Bad debts	9	840
Bank charges	94	83
Certificates	99	67
Cleaning	84	59
Electricity and water	873	865
Insurance	219	213
Licences and subscriptions	216	27
Postage and courier	44	29
Printing and stationery	766	305
Other expenses	237	108
Human resource expenses	600	795
Workshops	25	368
	3 325	3 818

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R '000	2017 R '000
20. CASH GENERATED FROM (USED IN) OPERATIONS		
Surplus/(deficit)	11 334	(149 966)
Adjustments for:		
Depreciation	1 592	1 911
Amortisation	104	391
Movements in provisions	862	4 566
Loss on disposal/write off of property, plant and equipment	84	86
Changes in working capital:		
Inventories	61	(157)
Accounts receivable from exchange transactions	1 271	(1 029)
Accounts receivable from non-exchange transactions	13 453	41 255
Accounts payable from exchange transactions	2 057	(2 435)
Accounts payable from non-exchange transactions	(1 894)	23 552
	28 924	(81 826)

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

21. COMMITMENTS

DISCRETIONARY RESERVE

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

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

The Discretionary Reserves at the end of 31 March 2018 is R256 166 (2017: R244 868), and the commitments amounting to R302 962 (2017: R344 034) have been approved and contracted for future projects and skills priorities as set out above.

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

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

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

21. COMMITMENTS (CONTINUED)

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

OPERATING LEASES

	2018 R '000	2017 R '000
Minimum lease payments due		
– within one year	3 566	4 297
– in second to fifth year inclusive	1 801	5 569
	5 367	9 866

Operating lease payments represent rentals payable by the entity for head office building in Midrand and regional offices in Cape Town, Durban and East London. No contingent rent is payable. The leases are over a period of three years and are subject to escalation 8% on average. The contracts for two regional offices, Cape Town and Durban, expired on the 31 March 2018.

22. CONTINGENCIES

LITIGATIONS

Matters relating to labour disputes		
Claim amount	200	1 085
Legal fees	60	-
	260	1 085

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

The amount above relates to possible claims and legal costs against the MICT SETA and awaiting notice of set down from the Labour Court at the reporting date. Further legal costs will be determined by whether the matter is decided in favour of the SETA or not.

The matter regarding the forensic investigation into the allegations of irregularities in awarding discretionary grants and the recruitment process involving some of the senior management was handed over to the lawyers. At the date of reporting, the extent of the matter/s and the possible claims and legal costs were not yet ascertained.

CONTINGENT ASSETS

Matters relating to contractual service disputes		
Claim amount	6 063	1 415
Legal fees	700	-
	6 763	1 415

The MICT SETA experienced issues in dispute with the service providers in breach of the service level agreements entered into between them. The matters were handed over to the attorneys to recover the costs relating to the disputed services. The likelihood to recover the claims will be confirmed after litigations have been finalised.

The amount relates to possible claims for the forensic investigation that the MICT SETA conducted during financial year.

FINANCIAL INFORMATION

22. CONTINGENCIES (CONTINUED)

CONTINGENT LIABILITIES

First-time employer registrations

South Africa's skills development legislation allows an employer registering for the first time six months to submit an application for a mandatory grant.

At the reporting date, it is estimated that, as a result of possible applications, additional mandatory grant expenditure of R535 826 (2017: R435 101) may be incurred. The amount is contingent on the number of submissions received and approved.

New scheme year levies received

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

SETA Grant Regulations of 3 December 2012 as repromulgated: Treatment of Surpluses

The Department issued Circular No. 16/2017 on 30 November 2017, which serves as an update to the Labour Court judgment on the matter between Business Unity South Africa (BUSA) and the Minister of Higher Education and Training to set aside the regulation 2 (12) of the SETA Grant Regulations. This means this Regulation will no longer apply to SETAs and the National Skills Fund (NSF). Regulation 4(4) is not affected and is still on force based on statutory requirement outlined in the Skills Development Act.

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 the prior written approval of the National Treasury. On the 25 May 2017, the National Treasury issued Instruction No. 6 of 2017/2018, which introduced the revised provisions of the retention of surpluses to be followed by the public entities listed in Schedule 3A and 3C of the PFMA. According to this instruction, a surplus is based on the cash and cash equivalents at the end of the year, add receivables less current liabilities and commitments.

Calculation of surpluses	
Cash and cash equivalents at the end of the year	361 230
Add: receivables	4 688
Less: Current liabilities	(109 507)
Less: commitments	(302 962)
Deficit	(46 551)

23. FINANCIAL INSTRUMENTS

In the course of the SETA's operations, it is exposed to interest rate, credit, liquidity and market risk.

The MICT SETA has developed a comprehensive risk strategy in terms of TR 28.1 in order to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

Interest rate risk

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

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

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONTINUED)

Year ended 31 March 2018

	Interest bearing		Non-interest bearing		Total
	Amount	Effective interest rate	Amount	Weighted average period until maturity in years	
Cash and cash equivalents	361 228	6.48%	2		361 230
Accounts receivable	19	0.00 %	471		490
Total financial assets	361 247	-	473		361 720
Accounts payable	-		(5 942)		(5 942)
	361 247	-	(5 469)	-	355 778

Year ended 31 March 2017

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

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

CREDIT RISK

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

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

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

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONTINUED)

	2018 R '000	2017 R '000
Cash at bank and short-term investments		
Bank balances	107 244	135 826
Short-term deposits	253 984	198 853
	361 228	334 679
The ageing of other receivables from exchange transactions:		
Not past due	-	1 607

LIQUIDITY RISK

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

2018	Carrying amount	Contractual cashflows	6 months or less	6 - 12 months
Accounts payable from exchange transactions	(5 942)	(5 942)	(5 942)	-
2017	Carrying amount	Contractual cashflows	6 months or less	6 - 12 months
Accounts payable from exchange transactions	(3 887)	(3 887)	(3 887)	-

MARKET RISK

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

FAIR VALUES

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

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONTINUED)

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

CASH AND CASH EQUIVALENTS

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

ACCOUNTS RECEIVABLE

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

ACCOUNTS PAYABLE

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

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

24. RELATED PARTIES

TRANSACTIONS WITH CONTROLLING ENTITY

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

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

TRANSACTIONS WITH ENTITIES UNDER COMMON CONTROL

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

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

Related party balances

	2018 R '000	2017 R '000
InterSETA transfers in/out		
MERSETA	105	102
FASSET	-	24
W&R SETA	272	-
Services SETA	222	-
	599	126

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

24. RELATED PARTIES (CONTINUED)

	2018 R '000	2017 R '000
Amounts included in accounts receivable (accounts payable) regarding related parties		
ETDP SETA	-	(61)
W&R SETA	-	272
Unallocated	(6 715)	(369)
FASSET	23	-
Services SETA	(1)	-
	(6 693)	(158)

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

REMUNERATION OF EXECUTIVE MANAGEMENT

2018

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Other benefits received	Total
Mr O Mopaki – chief executive officer	2 319	502	77	320	107	3 325
Ms S Makhoba – SM: SSP	983	172	13	157	131	1 456
Mr C Philiso – SM: ETQA	1 119	181	14	88	123	1 525
Ms N Sibandze – SM: Corporate	1 330	394	64	208	14	2 010
Mr J Sibeko – SM: LPD	1 068	374	100	155	79	1 776
	6 819	1 623	268	928	454	10 092

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

24. RELATED PARTIES (CONTINUED)

2017

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

The CEO, Mr Mopaki; two other senior managers, namely Ms Sibandze and Mr Sibeko; and a manager, Mr Nemugavhini, were placed on precautionary suspension pending the investigations following information received from a whistle blower and the Public Protector's office, effective 1 March 2018. Mr Philiso was appointed as the acting CEO.

REMUNERATION OF NON-EXECUTIVE MEMBERS

2018

Name	Board remuneration	Audit and Risk Committee	Other allowances	Total
Mr Sipho J Mjwara	203	-	3	206
Mr Gallant Roberts	159	-	20	179
Mr Masoma J Manale	167	-	42	209
Mr Thamsanqa E Mzileni	83	50	47	180
Mr Morwa J Mooko	212	-	77	289
Mr Joe Manchu	78	55	1	134
Mr Teboho D Morobe	94	-	49	143
Mr Jimmy R Morakile	60	-	3	63
Ms Tebogo Makgatho	111	-	3	114
Dr Mthuthuzeli A Magadlela	63	-	2	65
Ms Natalie-Ann Delpont	219	-	9	228
Mr Anthony Parry	142	-	1	143
Mr Lumko C Mtimde	48	-	-	48
Mr Rivalani G Ntuli	16	97	4	117
Ms Ramona Clark	8	52	4	64
Ms Morongwa Pindela	16	-	-	16
Ms Lefentse Bashele	-	43	1	44
Training	-	-	30	30
	1 679	297	296	2 272

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

24. RELATED PARTIES (CONTINUED)

2017

Name	Board remuneration	Audit and Risk Committee	Other allowances	Total
Mr Gallant Roberts	95	-	5	100
Mr Masoma J Manale	71	-	27	98
Mr Thamsanqa E Mzileni	39	24	23	86
Mr Morwa J Mooko	136	-	67	203
Mr Cecil Mokhantso	35	-	21	56
Mr Joe Manchu	27	25	-	52
Mr Teboho D Morobe	54	-	38	92
Mr Jimmy R Morakile	41	-	1	42
Ms Tebogo Makgatho	74	-	1	75
Dr Mthuthuzeli A Magadlela	54	-	2	56
Ms Natalie-Ann Delport	142	-	4	146
Mr Anthony Parry	84	-	-	84
Mr Lumko C Mtimde	18	-	-	18
Mr Rivalani G Ntuli	8	24	-	32
Mr Eric M Ndlovu	9	54	1	64
Ms Ramona Clark	7	-	1	8
Ms Morongwa Pindela	9	-	-	9
Training	-	-	102	102
	903	127	293	1 323

The term for the Board and sub-Committee members ended on 31 March 2018 and a new Board was appointed effective 1 April 2018. However, the existing Audit and Risk Committee term was extended until 31 July 2018.

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

24. RELATED PARTIES (CONTINUED)

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

Type of transaction	Transactions		Balances
	2018	2017	2018
Administration expenditure	-	-	-
Ms Morongwa Pindela	-	-	-
– HP South Africa Pty Limited	(4)	-	-
Mr Anthony Parry	-	-	-
– WITS Business School	(53)	-	-
Dr Andrew Magadela	-	-	-
– MTN Zakhele	(15)	-	-
– Old Mutual	(110)	-	-
	-	-	-
Mandatory (employer) grants	-	-	-
Ms Morongwa Pindela	-	-	-
– HP South Africa Pty Limited	(168)	-	-
Mr Lumko Mtimde	-	-	-
– Sentech	(750)	(174)	-
Dr Andrew Magadela	-	-	-
– MTN Zakhele	(792)	-	-
	-	-	-
Discretionary grants	-	-	-
Mr Lumko Mtimde	-	-	-
–Sentech	(504)	(1 176)	-
Ms Lefentse Bashele	-	-	-
– Investec	1 358	-	58 627
	(1 038)	(1 350)	58 627

25. EVENTS AFTER THE REPORTING DATE

The forensic audit report has been subsequently finalised after the balance sheet date and recommendations presented to the Board for consideration. On 25 May 2018, the President of South Africa issued Government Gazette Notice No. 41650 for the investigation of the MICT SETA by the Special Investigating Unit (SIU).

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

26. FRUITLESS AND WASTEFUL EXPENDITURE

	2018 R '000	2017 R '000
Opening balances	-	492
Add: amount incurred during the year	25	-
Less: amount not recoverable (condoned)	(4)	(492)
	21	-

Fruitless and wasteful expenditure relates to interest charged by AG on invoices paid after 30 days for an amount of R4 484 and the leave overpaid to the employees due to incorrect leave balance used for the calculation of the payout for R21 079. The overpayment is subsequently under investigation. The interest relating to SARS as was reported in the prior year was condoned.

27. IRREGULAR EXPENDITURE

Irregular Expenditure - Current Year	Detail	Amount
MICT SETA Management System (SMS) – variation of contract exceeding 15% of the initial contract amount. (Instruction Note 3 of 2016/17)	The contract for the SMS ended on 31 October 2017 and was extended on a month-to-month basis from 1 November 2017. This extension resulted in a 17% (R946 260) deviation at 31 March 2018, which is 2% (R113 674) above the 15% threshold.	946
Catering services – deviation not justified for a single source procurement. (Practice Note 8 of 2007/8)	-	65
		1 011

28. BUDGET VARIANCE ANALYSIS

MATERIAL VARIANCES BETWEEN BUDGET AND ACTUAL AMOUNTS

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

SKILLS DEVELOPMENT LEVY: INCOME FROM NON-EXCHANGE TRANSACTIONS

Levy income received for the year 2017/18 is R817 844 and exceeds the approved budget by 8.76%. This is due to possible growth in the sector and is within the 10% variance.

FINANCE REVENUE

Interest received from investments and bank balances is 19.10% below budget mainly due to decrease in average interest rate.

MANDATORY AND DISCRETIONARY GRANT EXPENDITURE

Mandatory grant expenditure for the year is 3.48% below budget, however the increase in actual expenditure is 6.31% year on year. The payout ratio is 75.58% (2017: 79.60%).

Discretionary expenditure for the year is 17.71% more than final budget, however there's a decrease in expenditure year on year of 17.98%.

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

28. BUDGET VARIANCE ANALYSIS (CONTINUED)

ADMINISTRATION EXPENDITURE

Administration expenditure for 2017/18 is 20.08% below budget; however, the increase in actual expenditure is 5.59% year on year. The variance between budget and actual is mainly due to savings in the following expenditure line items:

Description	Final budget	Actual expenditure	Total
Compensation of employees	38 722	36 522	(2 200)
QCTO expenditure	6 600	4 087	(2 513)
Advertising, marketing and publications	2 500	1 010	(1 490)
Service provider and consulting fees	10 500	7 171	(3 329)
External audit fees	3 000	2 625	(375)
Internal audit fees	1 700	235	(1 465)
Travel and subsistence	2 250	1 639	(611)
	65 272	53 289	(11 983)

29. CHANGE IN ESTIMATE

PROPERTY, PLANT AND EQUIPMENT

Due to the re-establishment of the SETA lifespan, the useful lives of certain assets in the computer equipment, office equipment, leasehold improvements and motor vehicles classes have been reassessed since the assets have reached the end of their previously expected useful lives. The effect of the reassessment amounts to R872 957 in the depreciation charges for the current period. The effect of the reassessment in future periods amounts to R670 975.

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

30. SEGMENT INFORMATION

SEGMENT SURPLUS OR DEFICIT, ASSETS AND LIABILITIES

2018

	Administration	Mandatory	Discretionary	Total
Revenue				
Revenue from non-exchange transactions				
Skills Development Levy: income	107 365	202 957	507 522	817 844
Skills Development Levy: interest and penalties	-	-	17 328	17 328
Revenue from exchange transactions				
Interest revenue	-	-	20 935	20 935
Other revenue	215	-	-	215
Total segment revenue	107 580	202 957	545 785	856 322
Expenditure				
Cost of employment	36 522	-	-	36 522
Depreciation and amortisation	1 696	-	-	1 696
Other administration expenses	41 179	-	-	41 179
Employer grant and project expenditure	-	154 245	611 339	765 584
Finance costs	7	-	-	7
Total segment expenditure	79 404	154 245	611 339	844 988
Total segment surplus				11 334
Assets				
Non-current assets	4 353	-	-	4 353
Consumables	291	-	-	291
Accounts receivable from exchange transactions	1 505	-	-	1 505
Accounts receivable from non-exchange transactions	-	3 183	-	3 183
Total segment assets	6 149	3 183	-	9 332
Cash and cash equivalents				361 230
Total assets as per Statement of Financial Position				370 562

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

30. SEGMENT INFORMATION (CONTINUED)

SEGMENT SURPLUS OR DEFICIT, ASSETS AND LIABILITIES

	Administration	Mandatory	Discretionary	Total
Liabilities				
Accounts payable from exchange transactions	5 942	-	-	5 942
Accounts payable from non-exchange transactions	2 573	24 626	62 025	89 224
Provisions	4 469	9 872	-	14 341
Total segment liabilities	12 984	34 498	62 025	109 507
2017				
	Administration	Mandatory	Discretionary	Total
Revenue				
Revenue from non-exchange transactions				
Skills Development Levy: income	97 549	182 521	462 821	742 891
Skills Development Levy: interest and penalties	-	-	22 153	22 153
Revenue from exchange transactions				
Interest revenue	-	-	24 847	24 847
Other revenue	365	-	-	365
Total segment revenue	97 914	182 521	509 821	790 256
Expenditure				
Cost of employment	37 024	-	-	37 024
Depreciation and amortisation	2 302	-	-	2 302
Other administration expenses	35 130	-	-	35 130
Employer grant and project expenses	-	144 520	721 228	865 748
Finance costs	18	-	-	18
Total segment expenditure	74 474	144 520	721 228	940 222
Total segment deficit				(149 966)

FINANCIAL INFORMATION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

30. SEGMENT INFORMATION (CONTINUED)

SEGMENT SURPLUS OR DEFICIT, ASSETS AND LIABILITIES

2017

	Administration	Mandatory	Discretionary	Total
Assets				
Non-current assets	4 316	-	-	4 316
Consumables	352	-	-	352
Accounts receivable from exchange transactions	2 777	-	-	2 777
Accounts receivable from non-exchange transactions	-	2 682	13 954	16 636
Total segment assets	7 445	2 682	13 954	24 081
Cash and cash equivalents				334 687
Total assets as per Statement of Financial Position				358 768
Liabilities				
Accounts payable from exchange transactions	3 887	-	-	3 887
Accounts payable from non-exchange transactions	-	23 019	68 099	91 118
Finance leases	665	-	-	665
Provisions	4 681	8 798	-	13 479
Total segment liabilities	9 233	31 817	68 099	109 149

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